Environmental and Social Report 2009

— March 2009 —

Performance Data

SUMITOMO FORESTRY CO., LTD.

Performance Data

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Management System

Corporate Governance

Sumitomo Forestry is working to enhance and reinforce its corporate governance to improve the transparency of its corporate activities and ensure sound and reliable management.

Status of Corporate Governance and Internal Controls

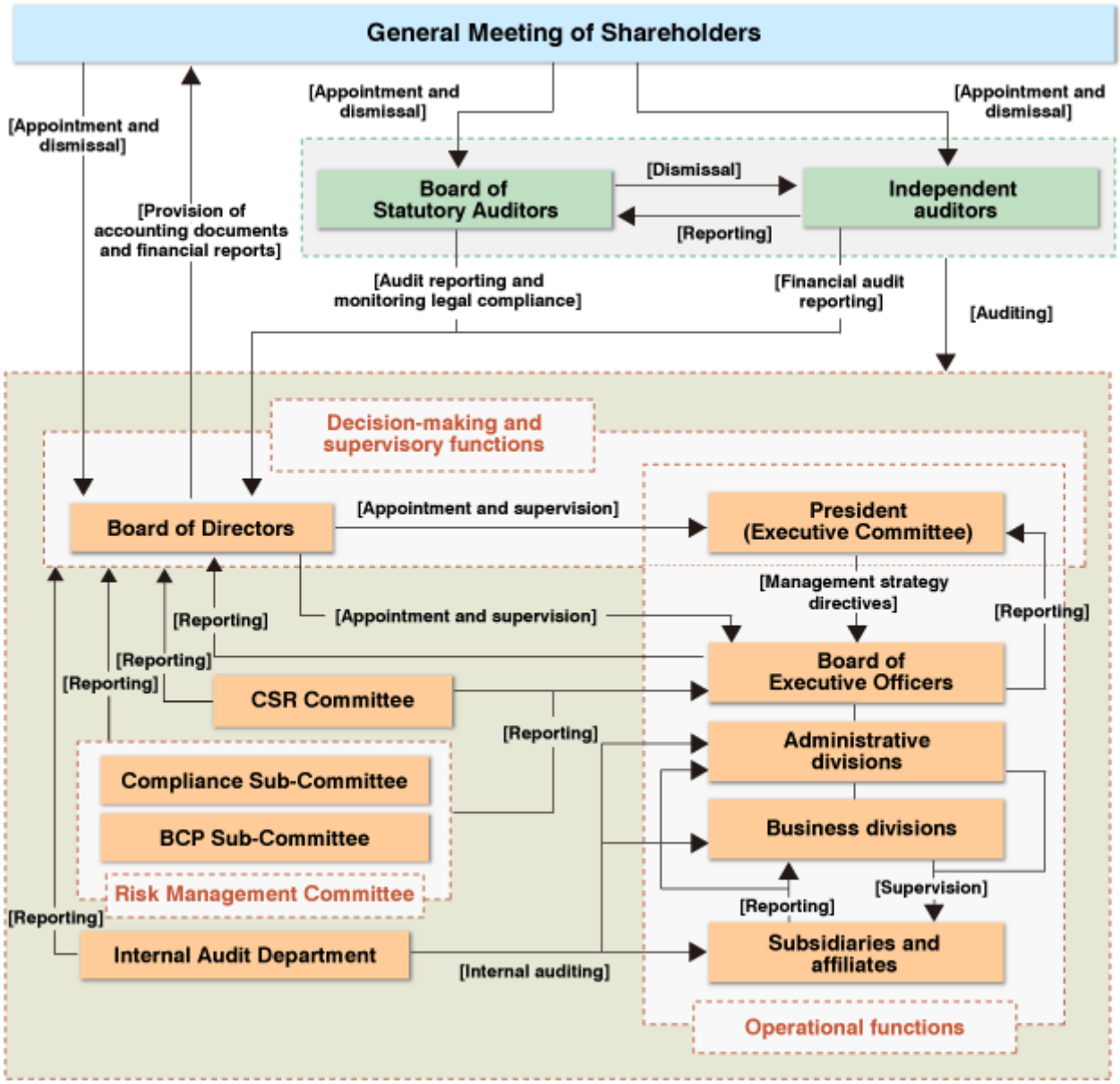
Sumitomo Forestry introduced an executive officer system in 2002 with the aim of expediting the decision-making process by separating the management and executive functions. In principle, the Board of Directors meets once per month and the Executive Committee meets twice per month, or when necessary to address any sudden changes in the business environment. The Board of Directors makes decisions on important issues affecting management, and also supervises the execution of duties. The Executive Committee determines the direction of important policies and strategies concerning operational performance. Sumitomo Forestry has also established a Board of Statutory Auditors, consisting of two internal and two external auditors for a total of four members. The total amount of compensation for directors and internal and external auditors for each fiscal year is disclosed in business reports, in accordance with relevant laws.

In addition, the Company revised its basic policy for the System to Ensure Appropriate Operations, which addresses internal controls, in May 2009.

Sumitomo Forestry established a company-wide compliance and risk management system to enhance its ability to take remedial action and reinforce its internal control functions. With the aim of carrying out more finely tuned activities, in fiscal 2008, the Risk Management Committee was created from the reorganization of a previous committee, with two subcommittees established under its umbrella: the Compliance Subcommittee and the BCP (Business Continuity Plan) Sub-committee. The Risk Management Committee monitors progress in responding to potential risks, and reports regularly to the Board of Directors and the Board of Auditors. In April 2009, the CSR Strategy Committee was reorganized as the CSR Committee to strengthen cooperation between divisions and enhance activities at job sites.

Sumitomo Forestry prepares documents on the standardization of regulations and operational procedures to ensure that its financial accounting documents and related information are appropriate. Reviews of main divisions are carried out to determine the suitability of the financial reporting process and the effectiveness of the internal control system. The Internal Audit Department then carries out an evaluation of these results. The Company strives to make qualitative improvements to its internal control operations related to the suitability of its financial reporting on an ongoing basis.

■ Corporate Governance Structure (as of April 1, 2009)



Stakeholder Comment

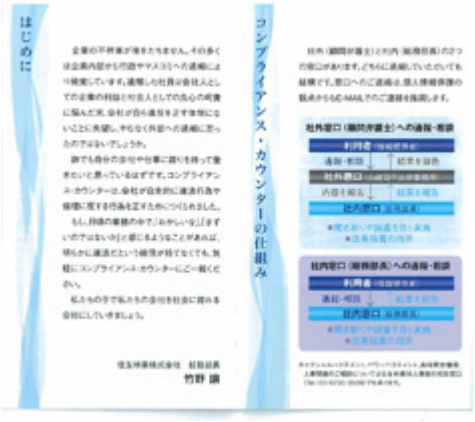
I would like Sumitomo Forestry to work toward ensuring that its management is transparent and fair. (Management-related CSR Expert)

Compliance and Risk Management

With the conviction that proper and legally compliant operations are the cornerstone of good management, Sumitomo Forestry is dedicated to achieving full compliance. The Company is also developing internal controls and reinforcing risk management to address the wide range of risks associated with its businesses.

Compliance

The Sumitomo Forestry Group believes that compliance is among the most important management issues, and to promote compliance management group-wide, it established the Compliance Group in the General Administration Department in fiscal 2006. The Compliance Group works together with all division to identify legal restrictions affecting Sumitomo Forestry's operations, and then identifies potential issues arising from legal compliance and devises concrete solutions.



Compliance Hotline Manual

In addition, the Company has set up a compliance hotline system for employees to report on compliance issues. In fiscal 2008, 20 reports were submitted, compared to 15 in fiscal 2007.

A major compliance issue for Sumitomo Forestry is personal information protection. The Company worked to prevent information leaks both internally and externally by calling attention to the issue and training subcontractors, but was unable to improve in this area as the number of such incidents increased from 48 in fiscal 2007 to 57 in fiscal 2008. If information is leaked, including in cases involving subcontractors, Sumitomo Forestry immediately collects details and responds promptly in order to minimize subsequent damage. In its future efforts to protect personal information, the Company will enhance educational activities throughout the entire Group, including with subcontractors.

Sumitomo Forestry has taken measures to reduce traffic accidents involving the 2,441 company-owned and employee-owned vehicles used in the course of its business. These measures include introducing a special vehicle and driver management system, requiring the submission of driving records by employees who drive in the course of their work, providing safe-driving education, and revising internal regulations to strengthen penalties for traffic violations.

Rejection of Anti-Social Elements

Sumitomo Forestry has always maintained an uncompromising stance against anti-social elements. In fiscal 2007, the Company clarified this policy in its new ethical action guidelines entitled "Our Values and Ideals," which was promoted internally and disseminated to the public.

Fiscal 2008 Initiatives

All of Sumitomo Forestry's division identify, assess and manage the risks affecting their businesses. In addition, all employees participated in a survey concerning risks in fiscal 2008. According to the survey results, employees felt that the Company should give priority to addressing the risk of natural disasters and compliance risks. In response, Sumitomo Forestry formulated a business continuity plan (BCP) to deal with a major earthquake in the Tokyo metropolitan area and an outbreak of a new strain of influenza. To reduce compliance risks, the Company will continue group-wide training programs in a number of areas including personal information leaks, drinking and driving, and handling misconduct reported by whistle-blowers.

To further strengthen risk management, Sumitomo Forestry reorganized its governance structure and established the Risk Management Committee along with two sub-committees to address specific issues. Furthermore, the Company established Basic Risk Management Regulations in March 2009 to provide a system and procedures for risk management group-wide.

Looking forward, Sumitomo Forestry intends to ensure the effectiveness of its operations by continuing efforts aimed at thorough compliance and providing training and education based on its BCP.

Economic Report

Promotion of the Project SPEED Long-Term Management Plan

In fiscal 2007, the Sumitomo Forestry Group established Project SPEED, a long-term management plan designed to provide direction for pursuing and developing business activities.

The name "SPEED" not only refers to the rapidity with which the Group will implement the plan, but also stands for "Strong Passion Enables us to become an Excellent company by implementing Detailed strategies."

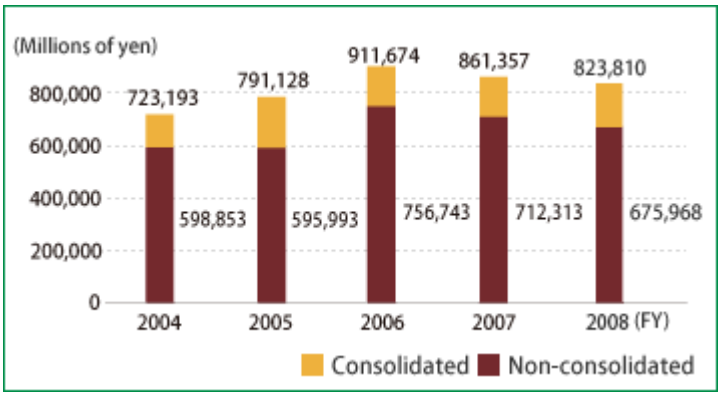
The Sumitomo Forestry Group has passed down its sustainable business practices from generation to generation, as it plants and grows trees, uses the timber to produce building materials, and finally builds houses. The aim of this long-term management plan is to expand the Company's business by promoting a new mindset among employees and transforming the revenue structure. With a strong commitment to sustainable business practices, the plan designates forests as having a central role in enriching people's lives and contributing to the community.

For the purpose of achieving a more balanced business portfolio, overseas operations, real estate operations, and home renovation operations have been given focused attention as priority growth businesses, in addition to the timber and building materials business and housing business, which are currently at the core of the Company's revenue structure.

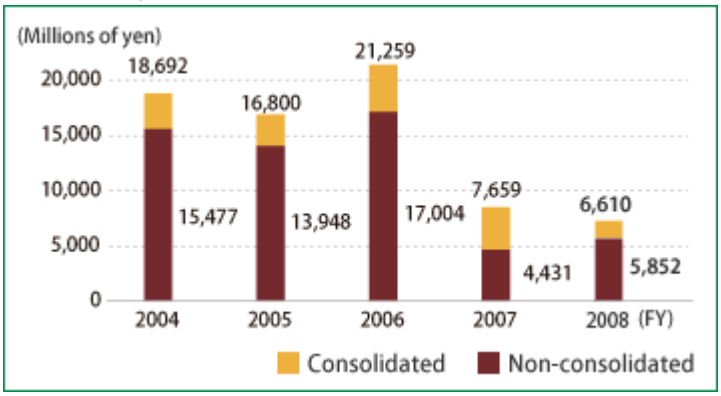
Financial Performance

Please click here for more details on Sumitomo Forestry's financial performance.
(http://sfc.jp/english/information/ir/zaimu/)

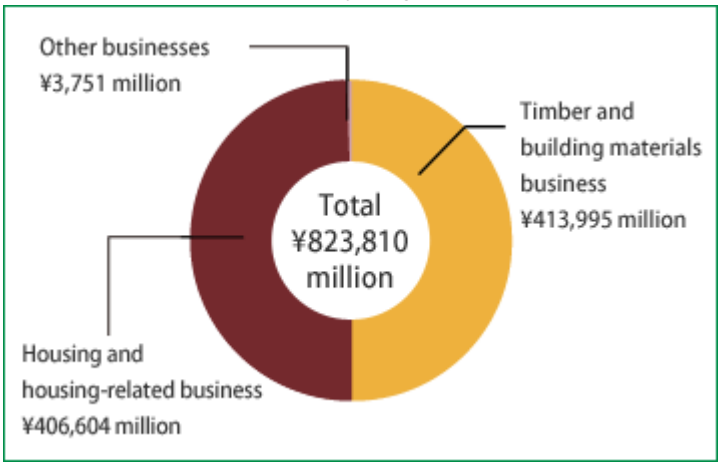
■ Net Sales



■ Recurring Income



■ Consolidated Net Sales by Segment (Fiscal 2008)



Contributing to the Community by Improving Social Infrastructure

Reflecting heightened awareness of the global environment, securing sustainable timber resources has become a global issue.

Sumitomo Forestry plants trees and produces timber products in countries outside Japan. When starting new businesses or expanding its business sites there, the Company's policy is to consider the environment, revitalize local economies and promote employment, with the aim of contributing to sustainable local development through its business.

In April 2007, Sumitomo Forestry acquired Open Bay Timber Ltd. (OBT), a company that began plantation forest operations in 1984 and contributes to the economic development of local communities in Papua New Guinea. OBT is continuing operations that promote expanded reforestation and the effective use of timber resources.

In the Open Bay region where OBT is located, government-provided social infrastructure such as roads, schools and hospitals are insufficient. In response, OBT operates a clinic, kindergarten and supermarket for its employees and their families as well as local residents. In addition, OBT provides emergency transport to hospitals for the severely ill, as well as transportation services to shopping facilities, and other means of transportation such as boat.

Social Report

Major Initiatives in Fiscal 2008

Each division of Sumitomo Forestry sets priority areas and annual targets. Plans and results for major activities are detailed below.

Together with Our Customers

Priority Areas	CSR Initiatives	FY2008 Results	FY2009 Plan	Division
Provision of high-quality houses with excellent overall balance	Build long-lasting houses	*MyForest Taiju* (ultra long-life model), *MyForest-BF* (ultra long-life model) and *MyForest-Hokkaido* (ultra long-life model) were selected by the Ministry of Land, Infrastructure, Transport and Tourism's (MLIT) Ultra-Long-Life House Leading Model Project	Promote excellent long-lasting houses	Housing Division
	Ensure sustainability of timber used in houses	Achieved a rate of 70% for Japanese timber used in principal structural members	—	Housing Division
	Promote renovation business	・A house renovation project was selected for the MLIT's Ultra-Long-Life House Leading Model Project ・Four projects received awards for excellence in the overall, living room, and bath and kitchen categories of the Housing Renovation Contest, sponsored by the Center for Housing Renovation and Dispute Settlement Support ・Worked on approximately 450 renovation projects of houses over 50 years old	Provide long-term, high-quality houses by expanding the renovation business	Housing Division Sumitomo Forestry Home Tech
Communication with customers	Respond to opinions and inquiries	Incorporated customer opinions including customer survey results to improve operations and products, resulting in a reduction in repair-related costs of approximately 20% in fiscal 2008 compared to the previous year	Reduce repair-related costs by 30% by 2010 compared to fiscal 2006	Customer Service Department Housing Division

Together with Our Business Partners

Priority Areas	CSR Initiatives	FY2008 Results	FY2009 Plan	Division
Procurement of sustainable raw materials	Initiatives of Green Procurement Guidelines and Timber Procurement Standards	Verified legal compliance of timber handled and improved traceability	Verify the legal compliance of all timber handled	Environmental Solution Department of the Forestry & Environment Division
	Ensure traceability of timber	Continued investigation started in fiscal 2007 to verify the legal compliance of suppliers outside Japan	Continue to examine 14 business partners whose legal compliance could not be verified	Timber & Building Materials Division
	Support the Precut Forum 21, a study forum for precutting factories	Reduced electricity consumption and costs and provided support to improve design skills at precutting factories	Provide support to cut costs at factories and raise design and marketing skills	Timber & Building Materials Division
	Enhance communication with building contractors	・Held Appreciation Evenings for building contractors ・Conducted the Survey on Production Systems and the Survey on CSR	Reflect survey results in collaborative relationships from fiscal 2009 onward Continue to conduct surveys	Housing Division

Together with Our Shareholders

Priority Areas	CSR Initiatives	FY2008 Results	FY2009 Plan	Division
Communication with Shareholders and Investors	Improve information disclosure	・Updated IR Web site ・Held 224 individual investor meetings	Continue to give investors tours of sites and hold individual meetings	Corporate Communications Department

Together with Our Employees

Priority Areas	CSR Initiatives	FY2008 Results	FY2009 Plan	Division
Fostering a workplace environment where a diverse range of employees can work together energetically	Promote work styles that facilitate work-life balance	・Reorganized the Positive Action Group as the Work & Life Group ・Conducted a trial telework program	Begin full-scale operation of a telework program	Personnel Department
	Promote programs in line with the Law for Measures to Support the Development of the Next Generation	・Two male employees participated for the first time in a special parent discussion ・Conducted a survey on awareness of men taking childcare leave, and a general survey on childcare leave ・12 male employees took childcare leave	・Encourage at least 30 male employees take childcare leaves ・Prepare an educational booklet on childcare ・Revise rules to facilitate commuting during pregnancy	
	Promote affirmative action	・Achieved female newly hired graduates ratio of 21% ・Held management training for promoting diversity among employees ・Held meeting for women working in housing sales	Achieve female newly hired graduates ratio of 21% in fiscal 2010	
Creation of a workplace that is safe and healthy	Reduce long working hours	Changed Employment Regulations to reduce the work day by an average of 45 minutes, designating later start times and earlier finishing times at branches of the Housing Division and the Sales and Planning & Design Group	—	
	Implement an anti-smoking program	・Commenced the trial Company-wide Quit Smoking Program and removed smoking areas ・Removed all smoking rooms at headquarters when offices were moved	・Plan to gradually introduce a workplace smoking ban during working hours ・Completely remove all smoking areas in all offices by the end of fiscal 2010	
Human resources development	Provide employee career consultation and support	・71 employees used the dedicated Career Support Desk ・Started an orientation program ・Began a mentoring program for six pairs of employees spanning five months	・Introduce career consultations utilizing competency tests ・Hold second mentoring program	

Together with Society

Priority Areas	CSR Initiatives	FY2008 Results	FY2009 Plan	Division
Social contribution activities utilizing core businesses	Implement the Mt. Fuji Manabi no Mori Project	A total of 567 students and children participated in environmental education programs	Continue implementation	Corporate Communications Department
	Conduct reforestation project in Bromo Tengger Semeru National Park, in East Java, Indonesia	Started reforestation project in Bromo Tengger Semeru National Park	Apply to obtain the United Nation's accreditation as a Clean Development Mechanism (CDM) project	Environmental Solution Department of the Forestry & Environment Division
Social contribution activities outside core businesses	Establish the KTI Educational Foundation	Provided scholarships to 45 recipients	Continue implementation	Overseas Business Division
	Contribute to public policy	Supported establishment of High-Quality Housing Stock Association, an association that promotes high-quality housing	Continue support	Housing Division
Investment to create a sustainable society	Target socially responsible investment (SRI) through the corporate pension fund	Invested corporate pension fund assets in SRI funds	Continue SRI	Corporate Pension Fund

Together with Our Customers

Houses have a significant influence on our lives, providing a means for living and a source of personal comfort. Sumitomo Forestry is helping to build a better society by providing homes where people can live for a long time with peace of mind.

Providing High-Quality Homes with Excellent All-Round Balance

Building Long-Lasting Homes

In Japan, in light of the growing severity of environmental problems in recent years, along with the country's declining birth rate and aging society, homes have come to be regarded as social assets that should be used by subsequent generations. Compared to houses in European countries, which last an average of about 100 years, houses in Japan typically have a life span of only about 30 years, and consequently, continuous rebuilding has a serious environmental impact.

Sumitomo Forestry believes that popularizing excellent long-term houses that become social assets is vital for creating a prosperous society. As such, the Company is promoting the following four policies to extend the life of houses:

- Make houses more reliable by improving their basic functions
- Create comfortable living environments
- Increase future options for layout to accommodate changes in lifestyles
- Enhance maintenance programs to support long-term upkeep

The Japanese government implemented the Excellent Long-term Housing Promotion Act in June 2009, issuing clear guidelines emphasizing the importance of excellent houses and their maintenance for long-term occupancy. Building houses certified as "excellent long-term houses" not only reduces the costs incurred with repeated rebuilding, but also reduces waste generation and environmental impact. In the long-term, such houses foster more prosperous lives.

As part of these measures, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) is promoting its Ultra-Long-Life House Leading Model Project. Sumitomo Forestry submitted its houses to the first model project, and succeeded in having three of its ultra-long-life models—*MyForest Taiju*, *MyForest-BF* and *MyForest-Hokkaido*—chosen for the project.

Stakeholder Comment

- I would like to see Sumitomo Forestry contribute to reforms in housing assessment practices, including the implementation of a tax system similar to that in the United States, so that prime housing stock becomes a social asset in Japan as well. (NGO)
- I expect Sumitomo Forestry to promote the introduction of natural energy as well as long-lasting houses with reduced chemical substances and improved earthquake resistance. (Citizen)

Improving Durability

Sumitomo Forestry has set a minimum expected service life[1] of 75 years for principal structural members to ensure that the houses it builds are highly durable and can be passed down over three generations. Standard specifications for the structural framework are set at Level 3—the highest level—for evaluations based on the Japanese Housing Performance Indication System with respect to Alleviated Deterioration.

1. The number of years a material or component is expected to function as originally intended, assuming a certain level of maintenance (including regular inspections) as envisaged by Sumitomo Forestry.

I would like to see Sumitomo Forestry design houses that last a long time. (Consumer behavior analyst)

Disaster Preparedness

A home's resistance to earthquakes, wind and fire is an important element in protecting its residents and their property in the event of a fire or natural disaster such as an earthquake or destructive typhoon.
Sumitomo Forestry uses the following three construction methods to ensure a strong structural framework:

- Multi-Balance Construction Method, incorporating a post-and-beam design with integrated panels to minimize malformation of the house due to a major earthquake or typhoon
- Big-frame configuration, providing impressive earthquake and wind resistance by connecting beams and large columns using BF metal joints
- Two-by-Four Construction Method, enabling exceptional earthquake and wind resistance through the use of a six-panel monocoque structure[1] to support the surface

In terms of a fire-resistant structure, standard specifications for Sumitomo Forestry houses include an external wall structure that can withstand fire for 30 minutes. This can be increased to 45 or 60 minutes depending on the building size, regulations governing the specific building location, and customer preference. Sumitomo Forestry also offers houses built using Government-Regulated Semi-Fireproof Construction, and houses certified by the Japan Housing Finance Agency as having the fire-resistance features required of fire-resistant structures. This method adopts a "fire stop" structure that strengthens the ceiling's fire prevention shield and prevents the rapid spread of fire within the rooms. In fiscal 2008, approximately 1,800 houses were built using these specifications.

To prepare for an earthquake, flood or other natural disaster, disaster response teams are stationed at local Sumitomo Forestry branches to rapidly repair affected houses and take other measures of support to respond to customers' concerns.

1. Monocoque construction is a method that supports structural load by using the outer structural skin, much like that of an airplane. Applied to two-by-four construction, the entire house is reinforced by a hexahedral design of the floors, walls, and ceiling or roof, thereby preventing collapse or structural deformation due to external forces such as earthquakes and typhoons.

Houses Designed to Prevent Crime

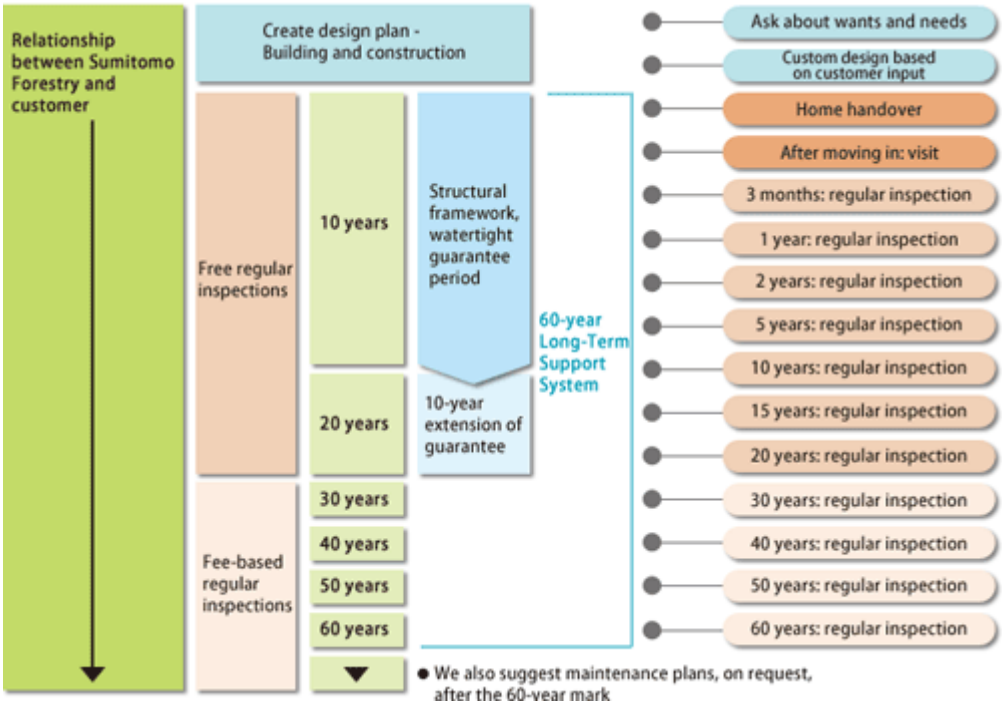
In its scrupulous attention to the details of its custom-built houses, Sumitomo Forestry proposes crime prevention measures from the site survey and design stage.

Enhancement of the Long-Term Support System

In order to help our customers live comfortably in their houses for as long as possible, Sumitomo Forestry offers its Long-Term Support System, providing maintenance support for sixty years after a house is handed over to the owner.

Overview of the Long-Term Support System

■ Long-Term Support System



- The expected service life of principal structural members is at least 75 years
- The service life for each material is determined and houses are designed to facilitate inspections, repairs and replacements
- Regular inspections are carried out over sixty years
- Maintenance programs including renovations are proposed and maintenance records kept
- Proposals from the design stage are offered to allow for future changes in the life stages of the occupants
- The Company's Customer Support Center and Call Center are open 24 hours, 365 days per year

In addition to a 10-year general guarantee, the Long-Term Support System can extend the guarantee period for the structural framework and water-resistance by an additional 10 years if the customer requests fee-based maintenance work, such as anti-repellant treatment, after 10 years.

Sumitomo Forestry introduced its new LS20 excellent long-term Model house in fiscal 2008. This house, which includes the option of a 20-year guarantee for water resistance, reduces the total cost for the customer through the use of highly durable materials for the external walls, verandah and flat roof at the time of construction, thereby making fee-based maintenance in the tenth year unnecessary.

Stakeholder Comment

I want Sumitomo Forestry to use its position as a housing manufacturer and builder to continue making attractive houses as the years go by, and also expand its service business to provide more comfortable living environments. (NGO)

For more information, refer to Development of a Long-Life House on page 108.

Pursuing Universal Design

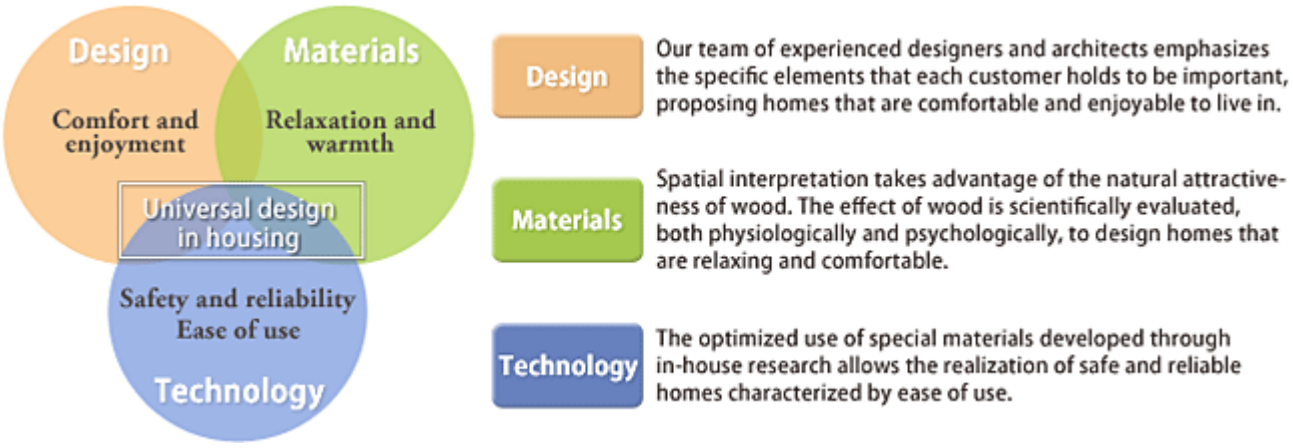
Sumitomo Forestry offers houses that integrate universal design as the foundation for safe, comfortable and enjoyable living for all family members.

Spatial configuration and traffic-flow planning are tailored to the family's lifestyle, dimensional planning is designed to enable smooth and strain-free movement and positions, while handrails and other materials are intended to prevent accidents. These improvements are constantly refined by test results from human lifestyle engineering work at the Tsukuba Research Institute in Japan.

Sumitomo Forestry has organized internal Universal Design Working Groups since 2003, and carries out research at the Universal Design House in the Tsukuba Research Institute. In addition, the Company raises awareness of the universal design concept among employees by having them stay at the Universal Design House and encouraging them to apply what they learn from this experience in their daily work.

In fiscal 2008, two renovations carried out by Sumitomo Forestry Home Tech Co., Ltd. won awards in the Housing Barrier-Free Competition, sponsored by the Tokyo Metropolitan Housing Barrier-Free Promotion Council. These renovations, which drew on our accumulated expertise in custom-built houses, earned high praise for their designs that enabled both caregivers and elderly people to live in security, and environments to be tailored to family lifestyles to allow each member to live comfortably and securely.

■ Sumitomo Forestry Universal Design



Adherence to Housing Performance Indication System

The Japanese Housing Performance Indication System provides a highly reliable evaluation by a third-party expert so that the customer can assess the quality of a house before deciding to purchase. The system comprises 10 evaluation items, including structural stability, fire safety, durability, and energy efficiency.

Sumitomo Forestry actively promotes this system because it ensures safe and reliable houses, as well as raises their asset value. In fiscal 2008, 98.7%[1] of the Company's properties were evaluated for their design performance. Customers were also recommended to acquire construction performance evaluations.

1. This rate pertains to all houses constructed, included additions and remodeling, whereas the Housing Performance Indication System only applies to new construction.

Timber Used for Housing

SGEC Certified Timber Using in Housing

Sumitomo Forestry adheres to its Timber Procurement Philosophy and Policy with the conviction that it should procure the timber it uses to build houses from forests that are managed according to sustainable methods.

Following the attainment of Sustainable Green Ecosystem Council (SGEC)[1] certification of its company-owned forests in Japan, in fiscal 2007 Sumitomo Forestry obtained Chain of Custody (CoC)[2] certification for its handling of SGEC certified timber products from the stages of distribution and processing through house construction. CoC certification recognizes that the Company separates SGEC certified timber from other timber at every step, from storage and timber processing to distribution. Furthermore, the certification represents a third-party verification that Sumitomo Forestry uses certified timber in its houses. Sumitomo Forestry was the first major housing manufacturer in Japan to earn both certifications.

"Use of certified timber" is labeled on all of the Company's engineered standard studs used in Sumitomo Forestry Home houses in Hokkaido, indicating that these houses are made of Japanese larch grown in Hokkaido.

Sumitomo Forestry promotes the use of Japanese timber in the houses it builds, and in fiscal 2008 achieved a usage rate of 70% for its principal structural members.

1. The Sustainable Green Ecosystem Council is Japan's own forestry certification system, in which third parties verify sustainable forest management. Certification is based on seven standards, including the preservation of biodiversity and the conservation and maintenance of soil and water resources.
2. Chain of Custody (CoC) certification is given to businesses that separate and label forest products from certified forests in the storage, processing and distribution processes.

Stakeholder Comment

I would like Sumitomo Forestry to leverage its role as an industry leader to promote the use of Japanese timber in the interest of curbing global warming and cultivating water resources. (NGO)

For more information, refer to Using Japanese Timber in Homes on page 88.

Dedication to Wooden Homes

Japan is blessed with abundant forest resources, and wooden homes have been built in the country from ancient times. Natural wood not only creates a calm ambience, but also embodies a variety of qualities that facilitate comfortable living throughout the seasons. Sumitomo Forestry takes advantage of the natural appeal of wood, focusing on harmony with nature in Sumitomo Forestry Home houses to create its *MyForest* brand. The Company actively uses Japanese-grown cypress trees for the posts and other structural members of these homes. Using timber grown in Japan revitalizes the domestic forestry industry, thereby protecting the nation's forests against degradation. Aspiring to offer homes that provide people with comfortable living and enjoyment of the changing seasons, Sumitomo Forestry applies its *Ryouonbou* design concept that incorporates traditional approaches to using

natural light, ventilation and greenery.

Sumitomo Forestry is expanding its housing business outside Japan, utilizing the expertise of Sumitomo Forestry Home. *Haiyuan Villa* A-3-4 House, developed by Paragon (Shanghai), a Sumitomo Forestry Group company that operates a housing business in China, has attracted praise for its design and construction techniques, winning first prize in the category for wooden houses under 600m^2 in the Award of Excellence 2007, sponsored by the Canada Wood.

Stakeholder Comment

- I think that wood should be used not only for structural members, but also for the parts of a house that residents actually touch, such as walls and ceilings, so that the warmth of wood can be appreciated. (Customer)
- I would like Sumitomo Forestry to offer traditional Japanese homes that feature the gleaming black beams typical of old townhouses. (Customer)

Multi-Unit Residential Building Initiatives

Sumitomo Forestry is engaged in the construction of multi-unit residential buildings using two-by-four and reinforced concrete construction methods, which deliver excellent earthquake resistance and durability.

The Company's multi-unit residences built with the two-by-four construction method perform exceptionally well in terms of fire resistance, sound insulation, wind resistance, and insulation and air-tightness, as verified by the Japan 2x4 Home Builders Association. In addition, these residences are designed to maximize the use of available space. Representative of Sumitomo Forestry, the interiors of these residential buildings are made with wood, and provide comfortable living spaces with unique textures and colors that comfort the mind and body.

Sumitomo Forestry's multi-unit residential buildings with reinforced concrete deliver high asset value and quality that continues over the long term. In fiscal 2008, Sumitomo Forestry built *Dear Forest Hashimotodai* in Sagamihara City in Kanagawa Prefecture, as a condominium with a unique environment that blends in with its surroundings. The condominium is surrounded by greenery selected to compliment each season.

Dear Forest Hashimotodai

In order to help customers make the best use of their real estate, Sumitomo Forestry offers a wide range of services, including free consulting on land evaluations, market surveys, architectural planning, cash flow planning, financial planning, and services covering construction, management and after-sales maintenance. These services fully support apartments and condominiums for rent. Through its connection with Group company Sumitomo Forestry Residential Co., Ltd., Sumitomo Forestry offers comprehensive support at every point, including tenant search, operations and management support.

Promoting Renovation Projects

Sumitomo Forestry Home Tech Co., Ltd., a Group company specializing in renovation work, offers renovation proposals to extend the life and comfort of houses that have exceeded the

average service life of modern Japanese houses, considered to be about 30 years. Based on its expertise in wooden housing, the Sumitomo Forestry Group employs technological and design skills to enhance structural safety, and uses high-quality wood to create a warmer atmosphere.

About 40% of existing detached wooden houses are considered to be insufficiently earthquake resistant, and therefore, require seismic upgrading to ensure security for their occupants. To address this need, Sumitomo Forestry Home Tech and the Tsukuba Research Institute have jointly developed five proprietary technologies for greater earthquake resistance: portal frame shear walls, glass block shear walls, the Sumirin ARC Construction Method and Sumirin JEM Construction Method, all of which have successfully passed technical evaluation by the Japan Building Disaster Prevention Association, and special tough panels that have been approved by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).

The Sumirin JEM Construction Method is a technology that reinforces the interconnection of posts, the foundation and base by using epoxy resin adhesive to affix specially designed hardware to the surface of the existing foundation and attaching it securely using a whole-down bolt. This can prevent old wooden houses from pulling away from their foundations during a major earthquake. This technological development reduces construction time, and provides the customer with a secure and pleasant renovated house. In November 2008, Sumitomo Forestry's proposal for a full renovation of an existing wooden house was selected for MLIT's Ultra-Long-Life House Leading Model Project in the existing house renovation category.

Sumitomo Forestry Home Tech also leverages its know-how of wooden houses and its technical skills in this area to renovate historic Japanese houses. Maintaining historical structures for future generations is important to protecting valuable social assets. In October 2008, Sumitomo Forestry Home Tech published a book entitled Renovations Bringing Wisdom from the Past to Tomorrow: Technology to Utilize Wooden Homes in the Future. This book introduces examples of historic houses that have been renovated and cutting-edge technologies for earthquake resistance to commemorate the 20th anniversary of the Company's founding.

Renovations Bringing Wisdom from the Past to Tomorrow: Technology to Utilize Wooden Homes in the Future

Sumitomo Forestry Home Tech is strengthening its training programs to improve its ability to create proposals and raise its technical capabilities. Better training will enable the Company's employees to more effectively respond to the needs of customers, family by family, home by home. As a result of these efforts, in fiscal 2008 the Company's work on four projects was recognized by awards for excellence in the overall, living room, and bath and kitchen categories of the House Renovation Contest, sponsored by the Center for Housing Renovation and Dispute Settlement Support.

During fiscal 2008, Sumitomo Forestry Home Tech worked on approximately 450 renovation projects involving houses over 50 years old. The Company looks forward to expanding this business in the future as it helps create longer-lasting, high-quality houses.

Preserving the Beauty of Historic Houses

"I want to preserve the beautiful design of my old home, while reducing the size and number of additions to improve access to the bathrooms and kitchen so I can live here safely in my old age." We received this request from a customer in Fukushima Prefecture, and proposed that we reuse the house's original timber and renovate it according to the universal design concept.

Comments from the Remodeling Engineer

This historic house has been expanded with several extra additions and renovated numerous times over 14 generations, which resulted in poor accessibility to the kitchen and bathrooms and unevenness in the floor levels . The owner's children were grown up and her husband had passed away, so she no longer needed a large house. Accordingly, we eliminated a section that had been added on 30 years earlier to let in as much natural light as possible. This design created a bright atmosphere while retaining the vestiges of the ancestral house.

Chikara Endo
Remodeling Engineer,
Sumitomo Forestry Home Tech Co., Ltd.

Comments from the Customer

I wanted to respect my brother-in-law's wish to preserve the home, where he had been born and raised, but I wasn't sure how to achieve this. Fortunately, a friend living nearby recommended Sumitomo Forestry Home Tech. Once the renovation was completed, I was delighted to see that the crossbeam concealed under the roof was exposed in the entrance's vaulted ceiling, and the broad porches, which are remnants of the ancestral house, have been brightened. Universal design features such as the railings on the stairs and the lights triggered by sensors give me peace of mind when I consider living here into my old age.

Family E's House in Fukushima Prefecture

The previously concealed crossbeam is exposed under in the vaulted ceiling in the bright entrance hall

Promoting Communication with Customers

Striving for Customer Satisfaction

Sumitomo Forestry's basic philosophy is "putting customers first." The core of the Company's business is providing high-quality housing and services that satisfy the customer. Our objective is to meet all of our customers' expectations over their house's lifetime, from design to maintenance, and to bring the number of dissatisfied customers down to zero.

To achieve this, Sumitomo Forestry listens to its customers as much as possible, while continuously striving to instill the attitude of putting the customer first among all employees through a wide range of education, training and ongoing study programs.

Responding to Comments and Requests for Consultation

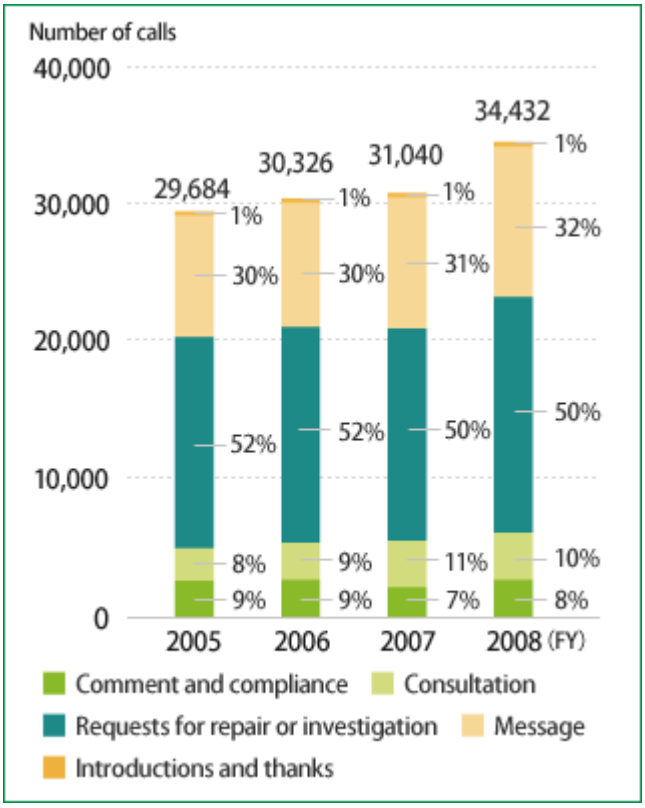
24-Hour, 365-Day Support through Customer Support Centers and Call Center

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

Customer Support Centers specializing in after-sales support accept requests for consultation and repairs and maintenance. A dedicated Call Center is also available to take calls at night and holidays. These two centers function together to ensure that after-sales support staff is standing by 24 hours a day, 365 days a year.

In April 2009, Sumitomo Forestry established the Owners Support Group in locations around Japan to provide Sumitomo Forestry Home owners with after-sales support and consultations on house renovating, rebuilding and replacement. With this addition, the Sumitomo Forestry Group is able to respond to a wide range of requests regarding its houses and home lifestyles.

■ Number of Call Center Consultations



Satisfaction No.1 Working Group Activities

Sumitomo Forestry set up the Satisfaction No.1 Working Group in April 2007 to reduce the number of dissatisfied customers and improve the Company's ability to put the customer first. This effort takes the emphasis on putting the customer first to a new level. At the same time, an integrated groupware management system was established to expedite responses.

The Satisfaction No.1 Working Group is comprised of members from the Housing Division. It formulates various themes and works to make improvements. In fiscal 2008, it identified areas for improvement based on the results of a customer survey, then devised countermeasures and prioritized measures to address concerns of residents living near construction sites. The Satisfaction No.1 Working Group also created a tool to explain important issues to customers when contracts are signed, and revised the form used to record meetings.

As a result of these measures, unaddressed complaints have declined by half since the system was launched in March 2007, and repair-related costs fell by about 20% in fiscal 2008 compared to the previous fiscal year.

With the final goal of reducing the number of dissatisfied customers to zero, a short-term goal was established to cut current remediation costs 30% by 2010, compared to fiscal 2006. Sumitomo Forestry will reinforce these activities to satisfy and earn the trust of its customers.

Regular Survey Implementation

To accurately assess its customers' views, Sumitomo Forestry administers a survey at the time owners move in, and in their second and 10th years of occupancy. The survey includes detailed questions on home design, building materials, equipment and fixtures, Sumitomo Forestry staff attitudes and responses, and other issues. Sumitomo Forestry tabulates these results every year to make improvements in the future. Moreover, the customer is given a postcard questionnaire at the end of each after-sales maintenance visit or inspection requesting feedback on subjects such as the maintenance contractors' attitude and behavior, response speed, and repair techniques.

Keeping Customers Informed

Even after new houses are handed over to customers, Sumitomo Forestry continues to provide useful tips on maintenance and lifestyle. This is part of the Company's commitment to maintaining close communication with its customers and supporting their lifestyles.

Club Forest, the special Web site for owners of Sumitomo Forestry houses

One of the Company's communication tools is Club Forest, a special Web site that homeowners of Sumitomo Forestry built homes can register to use. The site offers information on a range of subjects, such as gardening and interior decoration, and can also be used to request repairs and maintenance. Requests submitted via the Web site are answered with a return telephone call from Customer Support Centers during regular business hours. The Web site had 19,815 registered members as of May 2009.

Another communication tool is Sumitomo Forestry's home and lifestyle magazine, *Suteki-na Kazoku*, which is sent out to homeowners twice per year. The magazine features a variety of lifestyle-related information, as well as details about Group company activities such as remodeling and utilization of land. Print runs for each issue were 200,000 in fiscal 2008.

Home and lifestyle magazine *Suteki-na Kazoku*

Stakeholder Comment

I would like Sumitomo Forestry to maintain regular communication with consumers and customers. (Management-related CSR expert)

Standards for Advertising

Sumitomo Forestry thoroughly checks its advertising so as not to convey uncertain or misleading information, and also strives for strict compliance with relevant legislation including the Japanese Building Lots and Buildings Transaction Business Law, Act Against Unjustifiable Premiums and Misleading Representations, and Copyright Act. There were no serious violations in advertising in fiscal 2008.

Stakeholder Comment

Companies must provide consumers with accurate information and appropriately communicate their goals. (NGO)

Property Development Programs

Property Development Policy

Sumitomo Forestry is committed to property development that provides attractive communities where families can raise healthy children. The Company also devises building site plans that encourage communication between residents so that people of all ages can live together with enjoyment and comfort.

Property Development in Tune with Neighborhoods

When Sumitomo Forestry plans a new property development, it aims for congruency with the surrounding neighborhoods and communication with residents in its efforts to create an attractive property. The Company surveys the scenery and history of the surrounding area, plans suitable house exteriors, makes constructive use of local materials, and designs houses that facilitate communication.

When building Forest Garden Kamishidami, located in Aichi Prefecture, Sumitomo Forestry used survey results to select colors for external walls that would fit in well with the adjacent land and buildings environment and integrate with the street. Trees that compliment every season were planted, and attention was given to the overall balance of the street, housing lots, building placement, height of trees, and density of foliage.

For its Forest Garden Kozoji, Sumitomo Forestry built housing exteriors using local materials,

including *hazu* stones produced in the Tokai region for the retaining walls, and bricks made in ceramic-production center of Mino. The stones, which have a long history in the region, will acquire a patina as years go by, adding to asset value, while the natural elements and greenery were chosen to harmonize with the overall neighborhood. In addition, benches placed next to the building's entrance are becoming places were local residents gather to talk and relax.

Forest Garden Kamishidami

Forest Garden Izumisano in Osaka was designed with housing exteriors that would blend in with the quiet and green surroundings. A corner tree about five meters high was placed at the town's gate, and landmark trees about four meters tall were placed by each house to prominently display the greenery. Locally procured stones have been effectively placed, as with a retaining walls made of *ikoma* stones.

Forest Garden Izumisano

Cul-de-sacs were used to separate the site, with roads in the neighborhood unable to pass through the division, enhancing the safety of pedestrians. The houses were situated to ensure privacy while allowing natural light to enter all of the houses, creating a pleasant atmosphere for daily life.

Stakeholder Comment

I would like Sumitomo Forestry to build houses that enhance the landscapes of their surrounding areas. (NGO)

Property Development in Harmony with Nature

Sumitomo Forestry uses the *Ryouonbou* design concept to provide comfortable houses that harness the forces of nature. This design concept is also used in property development to propose environmentally friendly housing that coexists harmoniously with nature.

Forest Garden Toyosatodai in Tochigi Prefecture uses the *Ryouonbou* design concept in all of its neighborhoods. Sumitomo Forestry endeavored to create a neighborhood that is friendly to both people and the environment by incorporating the natural forces of the sun, wind and greenery into the design and considering the sunshine and natural airflow in the houses. Landmark trees were situated to provide relief from the summer heat, and a garden zone was created to block the sun and create a cool spot in the neighborhood. Grass was planted in a two-car parking spot to ease the glare.

Stakeholder Comment

- Sumitomo Forestry should utilize green-scaping technology widely, for example in its community development. (Business partner)
- Although the environment must be considered, I would like Sumitomo Forestry to also consider urban property development that expresses the particular characteristics of Japan. (Research and educational organization)

Property Development Compatible with an Aging Society

Sumirin Life Assist Co., Ltd., a Sumitomo Forestry Group company, began plans in 2006

to build a development in Aoi Ward in Shizuoka City called the Shizuoka Aoi-no-Mori Project, in which multiple generations from children to the elderly could live with peace of mind. The development focused on the three key concepts of wellbeing, elder care and healthcare. Housing lot sales commenced after the completion of a gymnasium and nursing home with special care facilities.

Grand Forest Shizuoka Aoi-no-Mori

Grand Forest Shizuoka Aoi-no-Mori, a nursing home with special care facilities, opened in April 2008. Not only is it barrier-free, but it aims to provide stress-free facilities that relieve anxieties typical among the elderly of illness and reduced functions. Convenience was enhanced with the opening of a convenience store in April 2009, followed by a clinic and pharmacy in May. Sumitomo Forestry will continue to plan residences tailored to the elderly and promote community-oriented property development.

Promoting House Distribution

Participation in the JTI Project

To create rich and varied living environments, Sumitomo Forestry recognizes the importance of raising the value of housing assets, improving the overall quality society's housing stock, and facilitating the purchase of secondhand housing. For this reason, along with its ongoing efforts to supply high-value homes, in December 2006 Sumitomo Forestry became a supporting corporate participant in the Japan Trans-housing Institute (JTI). Set up as a joint venture by the Ministry of Land, Infrastructure, Transport and Tourism and private-sector companies, this non-profit public corporation administers the public-sector support system for the rental housing market. This program, which was introduced in fiscal 2006, provides guaranteed agreements to rent and transplant homes belonging to people whose children have grown up, and subletting these homes to families with young children.

By participating in this program, Sumitomo Forestry hopes to enhance its after-sales support and advisory capabilities for homes and lifestyle, develop derivative businesses such as secondhand home provision and home renovation, and collect information on diversifying lifestyles and homes.

Currently, Sumitomo Forestry provides information on this new system to customers living in Sumitomo Forestry Home houses in the greater Tokyo area, which includes Kanagawa, Chiba and Saitama prefectures.

Providing Foreign Exchange Students with Homes

About 70,000 Chinese exchange students study in Japan, and the number interested in study abroad increases every year. However, language barriers and cultural differences make it difficult for foreign exchange students to find good-quality rental housing in Japan. Accordingly, in fiscal 2008 Sumitomo Forestry Residential Co., Ltd., a Group company that manages rental properties, began a rental housing business for Chinese foreign exchange students. The Company provides Chinese students interested in studying in Japan with information on rental properties and broker services for rental properties while the students are still in China. This support in finding housing facilitates the students' studies in Japan and gives them peace of mind.

Together with Our Business Partners

Sumitomo Forestry works with its building constractors and timber and building material suppliers to reduce environmental impact and improve their occupational health and safety management.

Providing High-Quality Timber and Building Materials

Sumitomo Forestry Group companies manufacturing wood building materials both in Japan and outside Japan carry out programs to ensure that their timber and building materials are of the highest quality.

All plants operated by Sumitomo Forestry Crest Co., Ltd. and three plants operated by Toyo Plywood Co., Ltd. have acquired ISO 9001 certification for quality management for their strict quality control systems covering all processes. Both of these Group companies take samples from each product lot on the production line for inspection to ensure that the products are in strict compliance with Japanese Industrial Standards (JIS) and Japanese Agricultural Standards (JAS) regulations. In order to further enhance quality, the two companies introduced a new quality information management system in fiscal 2007. This system promptly relays customer complaints to the production line, preventing substandard products from reaching the market and improving overall quality.

Sumitomo Forestry also promotes the acquisition of JIS, JAS and ISO certification by Group companies outside Japan. In 2003, a medium-density fiberboard plant operated by New Zealand affiliate Nelson Pine Industries Ltd. (NPIL) became the first in the Oceania region to obtain JIS certification for fiberboard. In March 2007, PT. Rimba Partikel Indonesia (RPI) received the first-ever JIS certification awarded to a particle board plant in Indonesia. RPI has a high share of Indonesia's market, and its acquisition of JIS certification assures customers of the reliability of its high-quality products, such as those carrying the F☆☆☆☆ designation that indicates reduced levels of formaldehyde.

In May 2008, NPIL acquired new JIS mark certification, followed by ALPINE MDF Industries (ALPINE MDF) in September 2008.

In order to comply with air pollution regulations in the U.S., NPIL earned the California Air Resource Board (CARB) certification in October 2008, followed by ALPINE MDF in January 2009 and RPI in February 2009. In addition, Kutai Timber Indonesia (KTI) is working toward obtaining the certification.

Procuring Sustainable Raw Materials

Green Procurement Guidelines and Timber Procurement Standards

Sumitomo Forestry strives to prevent environmental pollution, reduce environmental impact, and develop a recycling-oriented society, with a commitment to its environmental philosophy of "contributing to society through the vigorous pursuit of business operations in harmony with conservation principles." In line with these principles, the Company gives preference in its purchases of goods and services to business partners that have established their own green procurement guidelines and timber procurement standards, and that work to reduce their environmental impact. In June 2007, Sumitomo Forestry finalized and announced its Timber

Procurement Philosophy and Policy, formulated to help the Company verify the legal compliance of the timber it handles and improve traceability.

In accordance with these principles, Sumitomo Forestry plans to reinforce its system for collaboration on environmental issues in two ways: evaluating business partners' environmental conservation efforts, and assessing products based on the evaluation standards.

Green Procurement Guidelines

1. Reduction of the use of substances or emissions that affect the environment or human health
2. Reduced consumption of energy resources
3. Use of materials from forests managed in a legal and sustainable manner
4. Usability over the long term
5. Suitability for recycling
6. Use of recyclable materials and reusable components
7. Ease of proper treatment or disposal at end of lifecycle

Timber Procurement Philosophy

Timber is a renewable natural resource. Sumitomo Forestry views forest ecosystems and natural resources of the forest as precious and irreplaceable assets belonging to all mankind. Together with our suppliers, we will incorporate environmental and social considerations into our procurement of timber as we strive to realize a sustainable society that is able to develop in harmony with our forests.

Timber Procurement Policy

1. Ensure timber procurement is legal and sustainable:
   - Comply with relevant laws and regulations and enhance systems for confirming the legality of timber
   - Increase procurement of timber produced through sustainable forest management
   - Increase the use of plantation timber while promoting planting efforts as a way to help maintain forest resources
2. Establish a traceable supply chain:
   - Together with suppliers, strive to improve the reliability of traceability management
   - Together with suppliers, ascertain whether forests of high conservation value are being properly managed
   - Carry out proper information disclosure to ensure transparency in procurement
   - Maintain ongoing dialogue with suppliers to help prevent corruption and to advocate human rights and basic workers' rights
3. Reduce environmental impact throughout the entire lifecycle of products and utilize timber resources effectively:

- Actively use domestic timber to help conserve national land and revitalize the forestry industry
- Promote the utilization of such materials as thinnings and wood waste, the reuse and recycling of timber, and related technological development
- Strive to reduce the environmental impact of procurement such as through improvements to distribution efficiency

4. Together with stakeholders:
   - Together with stakeholders, make continual improvements
   - Place value on biological diversity and the cultures, traditions and economies of communities coexisting with forests
   - Convey to stakeholders the importance of incorporating environmental and social considerations into timber procurement

Action Principles

1. Review Timber Procurement Philosophy, Policy and Action Plan at least once a year.
2. Place importance on direct communication with suppliers, and implement logging and processing site surveys by employees as necessary.
3. Survey suppliers' stances on and activities for environmental protection and other efforts.
4. Ascertain the legality and whether or not procured timber is produced from sustainable forests at least once a year based on the standards and methods established in each area.
5. Promote procurement of timber produced from sustainable forests, plantation forests and certified forests.
6. Reduce the environmental impact of products with respect to their lifecycles. This includes effective utilization of wood materials, technological development, and improvements to distribution efficiency.
7. Maintain ongoing dialogue with stakeholders, such as governmental organizations, environmental NGOs, business associations, and consumers, and reflect such dialogue in improvements.
8. Disclose pertinent information through the Environmental and Social Report and other means.

Action Plan

Specific objectives are established for each area of business.

Segment	Division	Action	FY	Goal	Progress
Group-wide*1		Survey supply chain	2007	Finish confirming legality of timber from all suppliers	○
		Examine sustainability	2008	Formulate standards for sustainable forests	△*6
		Examine legality of timber	2009	Confirm legality of all timber handled	-

Action Plans by Division					
Forests in Japan Distribution in Japan	Forest Forestry Department of the Forestry & Environment Division	Promote forestry certification	2007	Use 2,000m3/year (log basis) of certified timber from company-owned forests*2	○
		Promote forestry certification	Continuous	Maintain forestry certification of company-owned forests and pursue continual improvement	○
	Sumitomo Forestry Timberland Management Co., Ltd.	Establish system for confirming legality of timber	2007	Acquire group certification to establish systems for confirming legal compliance	○
		Promote handling of Japanese timber	2010	Handle 1,000,000m3 of Japanese timber annually*3	-
Building materials distribution	Building Materials Department of the Timber & Building Materials Division	Survey supply chain	2008	Finish survey of corporate initiatives of all suppliers	△*7
		Examine the legality of imported solid wood building materials	2009	Handle only legal imported solid wood building materials	-
Manufacturing in Japan	Sumitomo Forestry Crest Co., Ltd.	Promote use of Japanese timber	2007	Use 8,000m3/month of Japanese cedar for plywood (Komatsushima Plant)	○
		Promote forestry certification	2007	Acquire SGEC*4 separation and labeling certification*5	○
	Toyo Plywood Co., Ltd.	Promote use of Japanese timber	2007	Develop and launch building materials made of Sakhalin fir	○
		Promote forestry certification	2007	Commence examination of SGEC separation and labeling certification acquisition	○
Housing	Housing Division	Promote forestry certification	2007	Begin use of certified timber for housing	○
		Promote use of Japanese timber	2008	Raise usage rate of Japanese timber for principal structural members to 70%	○

※1 Excludes some handled products
※2 Supply to the Housing Business Headquarters
※3 Includes timber supplied to the Housing Business Headquarters
※4 Japan's own forestry certification system through which management of forests is verified as sustainable by third parties. Certification is based on seven standards that include the preservation of biodiversity and the conservation and maintenance of soil and water resources.
※5 A system for certifying appropriate sorting and labeling by operators during storage, processing

and distribution of timber from certified forests accredited by the Forest Stewardship Council (FSC), SGEC and other organizations

※6 Efforts are continuing in fiscal 2009 following the acceptance of a draft in fiscal 2008.

※7 The survey was completed for main suppliers in fiscal 2007 and 2008.

As Sumitomo Forestry expands its business activities, I expect it to consider social issues in areas such as procurement. (NGO)

Ensuring Traceability of Timber

Sumitomo Forestry procures timber and timber products from around the world. To ensure that it does not handle illegally logged timber, the Company examines all of its suppliers of timber and timber products for legal compliance. Sumitomo Forestry dispatches managers and local representatives to logging sites as necessary to enhance the reliability of its verification of legal compliance.

Since 2007, Sumitomo Forestry has been conducting a two-year investigation of the legal compliance of its suppliers outside Japan, and has identified problems that are difficult for a single private company to solve, as described below.

1. Because procurement routes can be long and complex when raw materials produced in one country are processed in another, compiling necessary documents for certificating the legal compliance of processes in respective countries is time consuming.
2. When suppliers outside of Japan procure raw materials from a wide range of sources, it is difficult to obtain documents from these suppliers attesting to the legal compliance of their processes.
3. Since some countries (including the United States and New Zealand,) do not require documents attesting to the legality of practices, such as logging licenses, obtaining evidence to prove legal compliance to third parties may be impossible.
4. In countries where Sumitomo Forestry does not frequently conduct business, sources of information may be non-existent, and obtaining reliable information even on legally procured timber can be difficult.

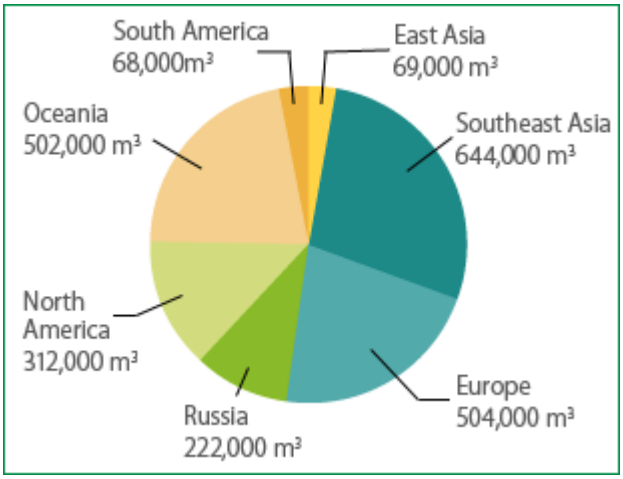
Resolving these problems is difficult for Sumitomo Forestry to accomplish independently. This points to the need for governments and NGOs to cooperate in establishing an international system to verify the legal compliance of forestry practices. Looking forward, Sumitomo Forestry will continue its investigation of legal compliance, particularly of 14 suppliers that remain under investigation.

In fiscal 2006, all company-owned forests in Japan were certified by the Sustainable Green Ecosystem Council (SGEC), which confirms that forests are sustainably managed based on assessments by third parties. In fiscal 2007, the Housing Division also received SGEC separation and labeling certification, verifying that the timber used in the Company's houses is from certified forests. Sumitomo Forestry has acquired certification for all processes in its forestry business, from forest management to distribution and house construction. With these certifications, the Company has completed its system for ensuring that its timber has high traceability and comes from certified forests.

In its effort to expand the volume of certified timber used by Sumitomo Forestry, in fiscal 2006 the Forest Products Trading Department and the Building Materials Department of the Timber & Building Materials Division acquired Forest Stewardship Council (FSC)[1] Chain of Custody (CoC) certification, followed by CoC certification from the Programme for the Endorsement of Forest Certification (PEFC)[2] in September 2008.

1. The FSC is a third-party organization that provides a global forest certification system. Its Forest Management (FM) certification authenticates forest management, while FSC CoC certification confirms that forest products from certified forests are appropriately separated and marked in the storage, processing and distribution processes.
2. The PEFC is a forest certification program that promotes sustainable forest management by offering certification from third parties independent of stakeholders.

■ Sources of Imported Timber and Wood Products



Expanding Timber Procurement from Company-Owned Plantation Forests

For more information, refer to Providing Timber Products and Materials from Sustainable Forests in Four Material Issues on page 22.

For more information, refer to Sustainability of Timber Resources on page 87.

Communication with Business Partners

The Sumirin-kai: A Forum for Communication with Timber and Building Materials Suppliers

Sumitomo Forestry sponsors the Sumirin-kai, an organization that serves as a forum for communication with regional suppliers of timber and building materials. Training sessions and information exchange meetings are held at various locations, allowing members to deepen mutual friendships, promote product R&D, enhance production and distribution, and support improvements in the industry as a whole. A monthly e-mail magazine is sent to all members, which numbered 928 suppliers throughout Japan as of March 2009.

General meeting of the Sumirin-kai

Stakeholder Comment

I would like to see Sumitomo Forestry take a more prominent stance, given its position as a leader in the industry. I would also like the company to make recommendations regarding how we suppliers can contribute. (Business partner)

Precut Forum 21: A Study Forum for Precut Factories

Founded as an industry organization in 1997, Precut Forum 21 comprises a nationwide network that aims to improve the quality and productivity of Precut[1] factories that process timber in advance of construction, as well as to develop the businesses of its members.

As the managing company, Sumitomo Forestry is actively involved in administering this forum, and has hosted various programs, including ISO seminars for companies interested in acquiring ISO 9001 series certification, study tours of manufacturers in other industries, study sessions on the proper handling of industrial waste, and seminars on business opportunities utilizing Japanese timber. Programs in fiscal 2008 were focused on reducing electricity consumption and costs and supporting improvements in design techniques for Precut factories. Sumitomo Forestry will continue to provide support for cost-cutting at plants and improved design and marketing skills.

1. "Precut" is a production system for construction whereby advanced CAD/CAM technology is used for high-precision processing of timber, which is subsequently taken to construction sites and assembled. This method is in contrast to the traditional carpentry method involving on-site cutting and planing the wood by hand.

Partnership with the INOS Group

In order to provide reliable and safe housing for its customers, Sumitomo Forestry maintains close partnerships with construction companies and their agents throughout Japan. The Company established the INOS Group to share its extensive expertise developed over many years and to implement its warrantee system. As of March 2009, the number of members stood at 328. A general meeting is held once a year to further communication between members and share objectives.

As members of the INOS Group, local construction companies are eligible to use construction technology and quality-guaranteed building materials provided by Sumitomo Forestry. The member companies can also take advantage of Sumitomo Forestry's computers and systems to make structural calculations and estimates, and efficiently issue construction completion guarantees and typhoon damage guarantees. This enables local INOS Group members to respond to their customers, and also provide the safety and reliability that Sumitomo Forestry's expertise makes possible.

The public has become extremely concerned in recent years about cases of falsified structural calculation certificates. Revisions to the Building Standards Act of Japan in June 2007 made procedures for building confirmation and inspections more rigorous. The INOS Group held explanatory sessions on the details of the revisions, and employed computers to ensure that blueprints conform to structural calculations. When the revised Building Standards Act went into effect in November 2008, member companies were thoroughly familiarized with the new requirements, and therefore, could explain important issues to home owners.

In advance of the enactment of the Law Concerning the Encouragement of Long-Lasting, High-Quality Housing Popularization in June 2009, the INOS Group put together its own

proposals to facilitate member companies' own efforts to comply with this law. Moreover, before the Law for Execution of Warranty against Housing Defects went into effect in October 2009, INOS Homes were accredited in the first group of Quality-Guaranteed Homes by Jyutaku Anshin Hosho Inc., home defect insurance company, which lowered insurance premiums and inspection fees for these homes.

Members of the INOS Group completed 1,118 houses by the end of fiscal 2008, and aim to build 1,200 new houses in fiscal 2009.

Publication of the *Building Materials Monthly* Magazine

Sumitomo Forestry publishes the *Building Materials Monthly* magazine for manufacturers, purchasers and distributors of timber and building materials. Based on the editorial stance that "change starts at the building site," the publication reports on up-to-the-minute industry information and changes, with the objective of promoting links and common interests among business partners. With 4,900 copies printed every month, this magazine plays an important role in connecting manufacturers with buyers.

Communication with Building Contractors

Sound relationships of trust and cooperation with building contractors are essential to Sumitomo Forestry's business development. In order to create stronger partnerships, Sumitomo Forestry runs the nationwide Association of Sumitomo Forestry Safe Building Contractors. It provides information to improve building constractors' technical skill levels and management of construction, considers operational problems with contractor representatives, and presents awards for excellence to outstanding site managers and carpenters. "Appreciation Evenings of the Association of Sumitomo Forestry Safe Building Contractors" are held to give members the opportunity to interact with each other, and in fiscal 2008, 1,213 members joined the events held at three locations in Japan.

To gain an accurate understanding of the issues and problems faced by building contractors, Sumitomo Forestry conducted the Survey on Production Systems and CSR in fiscal 2007, with 81.6% of building contractors responding. This questionnaire was designed to identify weaknesses and flaws in Sumitomo Forestry's standards and plans, as well as facilitate improvements in operations, safety and technical capabilities. It was also useful in familiarizing employees of Sumitomo Forestry's building contractors with the concepts underlying CSR, which advocates business based on social ethics. These concepts encompass strict legal compliance, environmental conservation, respect for human rights, and contributions to local communities.

Based on the results from the questionnaire given in fiscal 2007, in November 2008, high-performing building contractors were invited to the social gathering, Matsu Association of Building Contractors, for a lecture entitled "Surprisingly Accessible CSR: Business Expertise to Enhance Society's Confidence in Companies." Sumitomo Forestry utilizes lectures to introduce its own CSR activities, and also improve awareness of CSR among its building contractors.

Many building contractors face a shortage of skilled labor and aging among their craftsman, making cooperation and support in the training of a new generation of builders essential to

ensure production capacity in the future. The Sumitomo Forestry School of Professional Building Techniques, founded in 1988, offers a one-year carpentry course for people wanting to work for Sumitomo Forestry, as well as five to ten-day elementary and intermediate level training courses offered on the behalf of building contractors. Such measures support human resource development in this industry.

Stakeholder Comment

I expect Sumitomo Forestry to increase its communications with building contractors, and disseminate information on its initiatives that deal with environmental problems. (Research and education organization)

Improving Quality and Workplace Safety at Housing Construction Sites

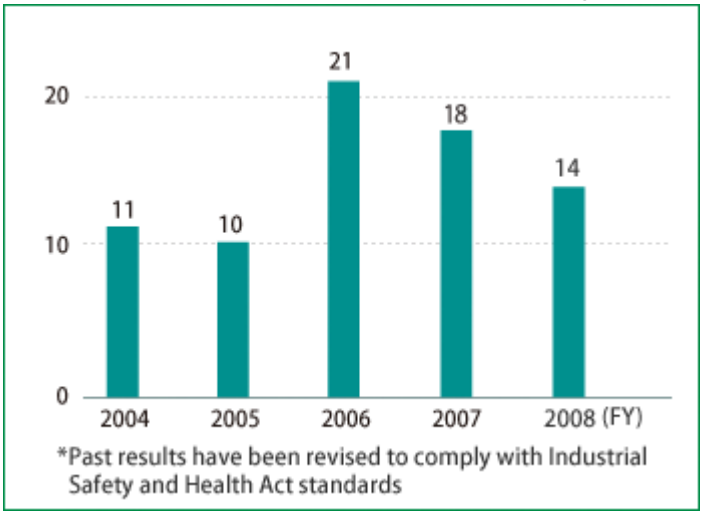
Based on Sumitomo Forestry's own Health and Safety Management Guidelines and with the cooperation of building contractors, the Company is working to eliminate work-related accidents, including construction site accidents caused by falls and slipping, heavy machinery, or power tools.

In fiscal 2008, Sumitomo Forestry adopted a basic policy for thoroughly implementing risk assessment and work-related accident prevention measures. The Company decided to target four priority areas: (1) wearing protective headgear at all times, (2) reducing work-related accidents to zero, (3) thorough self-management, and (4) complete guidance and training for workplace health and safety confirmation. Each division in the Company set targets and formed plans based on accidents in the previous fiscal year, progress in health and safety management, and compliance with relevant legislation.

Every branch office holds monthly safety patrols and workplace health and safety meetings. The monthly safety patrols visit the construction sites of all cooperating companies for mutual verification of safety and quality. Workplace health and safety meetings are also held to discuss improvements. As there were several accidents involving falls from slipping in fiscal 2008, Sumitomo Forestry carried out special patrols of locations with a high number of accidents to reinforce accident prevention.

In addition, training sessions are held to promote greater safety and higher quality at every local chapter of the Association of Sumitomo Forestry Safe Building Contractors.

■ Number of Work-Related Accidents (requiring at least four days off work) at Building Contractor Locations



Zero Emission Efforts in Cooperation with Waste Treatment Contractors

The Sumitomo Forestry Group has established a goal of 98% recycling of industrial waste from production plans, new housing construction sites and other locations by March 2010, and all divisions, including affiliates, are working to achieve zero waste emissions. Collaboration between internal divisions is also essential to these efforts, and the same is true of building contractors engaged in on-site sorting of waste and intermediate treatment contractors consigned with industrial waste processing. Reduction of industrial waste generated in house construction work is not an issue that can be resolved solely at construction sites, but requires a reassessment at all stages, including technological development, materials procurement, production and waste processing, in order to curb the generation of industrial waste.

For more information, refer to Zero Emissions on page 82.

Together with Our Shareholders

Sumitomo Forestry works to ensure a high level of transparency in management and proactive disclosure of information to build trust with shareholders and investors.

Communication with Shareholders and Investors

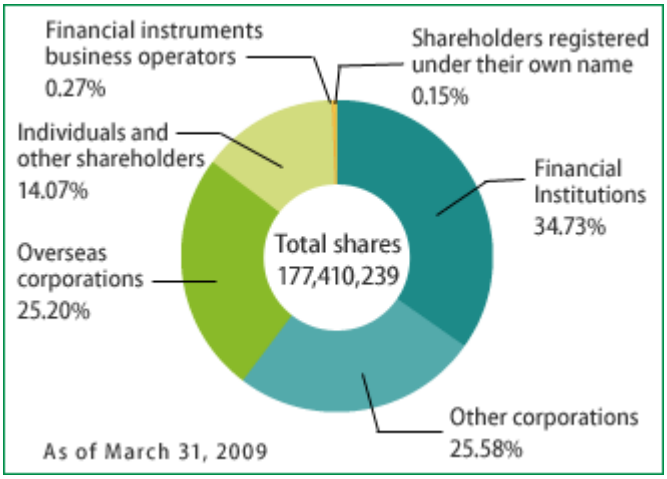
Information Disclosure

In the interest of greater management transparency, Sumitomo Forestry takes a proactive approach to information disclosure. At the General Meeting of Shareholders held every June, for example, the Company presents reports and information as clearly as possible using various forms of media. It also publishes printed and online versions of its *Annual Report* in both English and Japanese, as well as Japanese reports for shareholders on business activities. These documents are designed to present the essence of Sumitomo Forestry's activities in an accurate and detailed manner.

In its effort to continue gaining greater trust from shareholders and investors, Sumitomo Forestry holds earnings briefings and individual meetings to explain its business performance following the announcement of interim and year-end results. In fiscal 2008, the Company held 224 of these individual meetings, demonstrating its commitment to proactive communication.

In February 2008, the Board of Directors decided to reduce the minimum share unit and the sales unit from 1,000 to 100 shares, with the aim of expanding its relationships with individual investors. In June 2008, Sumitomo Forestry updated the content of its IR Web site to more effectively present its businesses and performance results, providing more information and concise details.

■ Share Distribution by Shareholder Type



Annual Report

To Our Shareholders

Inclusion in Socially Responsible Investment Indexes

There has been growing interest in socially responsible investment (SRI) in recent years. In this approach to selecting investments, assessments of corporate social responsibility (CSR), including environmental responsiveness, social activities, and ethical stance, are weighed alongside financial performance.

In addition to being selected as a component stock of the Dow Jones Sustainability World Index (DJSI World), one of the world's best known SRI indexes, for four years running, Sumitomo Forestry has been part of the FTSE4Good Global Index since September 2004. The Company was also included in the Morningstar SRI Index from September 2008.

Sumitomo Forestry will continue to promote social responsibility in its economic, environmental and social endeavors as it strives to earn its place in investors' portfolios as a rewarding destination for SRI.

Together with Our Employees

Recognizing that employees are human assets, Sumitomo Forestry strives to create a workplace conducive to the successful performance of people of diverse backgrounds.

Creating a Workplace in which a Diverse Range of Employees Can Work Together with Enthusiasm

Basic Personnel Policy

Based on the conviction that employees are human assets, Sumitomo Forestry has put in place personnel systems designed to foster a workplace environment that facilitates the successful performance of people of all backgrounds.

In fiscal 2008, the Company introduced policies for establishing an effective performance-based personnel system and supporting careers with an emphasis on each employee's independence and initiative. In addition, Sumitomo Forestry addressed three issues as priority measures: promoting company-wide initiatives to shorten overtime working hours, addressing diversity in approaches to work-life balance, and enhancing and expanding career support.

Basic Personnel Policy

As we aim to be a truly "excellent company" in housing and wood products businesses, we shall make efforts to put in place effective personnel systems, carry out appropriate and efficient placement of human assets, implement human resources development and training, and build a group of "strong and independent" individuals who are always willing to take up a challenge, all in accordance with Sumitomo Forestry's Corporate Philosophy, which states, "Respect for humanity—We work to create an open corporate culture that instills a strong sense of pride and motivation in employees."

■ Employment Breakdown

Full-time regular employees (as of March 31, 2009)	
Management level	2,236
Non-management level	2,509
Contract employees (interior coordinators)	213
Contract employees (non-interior coordinators)	75
Hosted from other companies	11
Average years of service	11.83
Average annual salary	7.75 million yen
Ratio of disabled employees	1.54%

Employee Hiring and Promotion Policies

Outstanding personnel are essential to Sumitomo Forestry's ability to sustain its business

operations and contributing to society. In hiring employees, we seek people who have the mental toughness and people skills to push ahead with corporate innovation in Japan and abroad, have a sense of the fairness and integrity that characterizes Sumitomo Forestry's corporate culture, and have an abiding respect for humanity.

The Personnel Department's hiring team holds self-discovery seminars and hands-on workshops on world-class business models for students who have begun their search for career opportunities after graduation. These activities aim to help young people make choices about their lives, addressing subjects such as how to select candidate companies in the job-hunting process, methods of self-analysis, and Sumitomo Forestry's own business operations.

■ Recruiting Results

	FY2008 recruiting			FY2009 recruiting		
	Male	Female	Total	Male	Female	Total
Housing sales	80	17	97	98	19	117
Housing engineering	24	13	37	22	14	36
General management	22	10	32	27	7	34
Total	126	40	166	147	40	187

Re-employment Efforts

Sumitomo Forestry actively promotes the re-employment of workers who have reached retirement age, with the aims to boost its performance by retaining employees with proven abilities and skills, and also to meet the needs of people who desire to continue working after the retirement age of 60. Employees who are interested in re-employment and meet certain requirements, including continuous employment for at least 10 years and possession of specific skills and experience, can work as contract employees (non-interior coordinator) until age 65 by registering with Sumirin Business Service Co., Ltd., a Group affiliate engaged in personnel outsourcing.

In fiscal 2008, 30 people were re-employed at the Company. Sumitomo Forestry has targeted an 80% re-employment rate for workers who have reached retirement age.

Hiring Policies at Group Companies Outside Japan

Sumitomo Forestry is committed to contributing to local economies. For this reason, its Group companies outside Japan have endeavored since their founding to hire and train local employees and managers to the greatest extent possible.

As an example of these efforts, over all Group companies in Indonesia (PT. Kutai Timber Indonesia, PT. Rimba Partikel Indonesia and PT. AST Indonesia) have hired 99% of all employees locally. At New Zealand affiliate Nelson Pine Industries Ltd. (NPIL), all but three employees from a workforce of 267 were hired locally.

While some businesses may require short-term positions, Sumitomo Forestry endeavors to foster positive relationships with local communities and generate ongoing employment by creating employment opportunities with continued contract renewals over the long term.

Helping Employees Achieve Work-Life Balance

As a company working in a business that supports home life, Sumitomo Forestry aims to create a workplace where employees feel valued and able to pursue a rich family life. To achieve this goal, the Company is expanding and actively promoting support programs to balance work with home life. For this purpose, it reorganized the Positive Action Group as the Work & Life Group in fiscal 2008.

Promoting Work-Life Balance through Vacation and Leave Programs

Relevant Programs	Description	FY2008 results
Family Friendly Day	This system gives holidays on Saturday and Sunday at least once a month at branches of the Housing Division, which normally takes Tuesday and Wednesday off.	35%
Refresh Vacation Program	This system allows employees to combine their weekly holiday with paid vacation days for five consecutive days of vacation every year between January 1 and December 31, as distinct from the New Year and summer vacation periods. Regular employees and contract employees (non-interior coordinators and interior coordinators) who have been continuously employed by the company for at least one year are eligible.	45%
Childcare leave	This program is available for regular and contract employees (interior coordinators) who have a child aged up to 18 months. Participants may begin and end work earlier or later, work shorter hours, or work a four-day week until their children have completed the fourth grade of elementary school, compared to the first grade of elementary school as specified by law. Employees may also take the equivalent of 10 days a year in one-hour increments to care for a sick or injured child, also until their children have completed the fourth grade of elementary school. Of these 10 days, up to five days may be used for attending special events with their children.	・Rate of female employees taking childcare leave: 100% ・12 male employees took childcare leave
Family-care leave	This system allows up to 365 cumulative days of leave per family member requiring care, and is available to employees and contract employees (interior coordinators). Participants may also begin work and end work earlier or later, work shorter hours, or work a four-day week.	1
Family illness/injury leave	This system allows up to five days of leave for the care of ill or injured family members, and is available to regular and contract employees (interior coordinators).	-

I would like to know about the specific programs that Sumitomo Forestry has put in place to promote "value families." (Customer)

Encouraging Male Employees to Take Childcare Leave

Although progress has been made in encouraging female employees to take childcare leave, few men take advantage of this program. Sumitomo Forestry is seeking to redress this disparity by using the Intranet to encourage male employees to take childcare leave.

In fiscal 2008, Sumitomo Forestry held its fourth special parent discussions, with two male employees participating for the first time. The participants held a lively discussion with the Company president on how to increase acceptance of continuing to work while raising

children. Based on this round-table discussion, in October the Company gave a questionnaire on men's awareness of childcare leave and also a questionnaire on childcare leave for men who had experienced it. The results will be reflected in future measures.

In fiscal 2008, the number of male employees taking childcare leave increased to 12. Sumitomo Forestry will continue to foster an environment that accepts the usage of the childcare leave program by both men and women and the balance between work and childcare, creating a positive cycle that improves the support of childrearing.

Special parent discussions

Introducing a Telework Program

Sumitomo Forestry incorporated a trial telework program for its Head Office under its 2nd Action Plan, covering fiscal 2007 to 2008, for compliance with the Law for Measures to Support the Development of the Next Generation (the Next Generation Law). This program enabled employees to work at home or at other locations other than their offices. The Company has been considering telework to accommodate diverse working styles.

In fiscal 2008, after a second review of the program, Sumitomo Forestry confirmed that teleworking is also feasible at branch offices as a work style that enhances work-life balance. Accordingly, Sumitomo Forestry reviewed its information systems and security measures to establish systems for the treatment, working environment and health management of telework employees, and implemented a full-scale program from April 2009.

Compliance with Next Generation Law

The Next Generation Law requires employers to formulate and implement action plans to support employees raising families.

Sumitomo Forestry's programs included in its 1st Action Plan for fiscal 2005 to 2006 and 2nd Action Plan for fiscal 2007 to 2008 satisfied designated requirements, earning the Kurumin Mark certification from the Tokyo Labour Bureau in April 2007 and in May 2009 for its respective plans.

In fiscal 2008, the Company worked to achieve its objectives to encourage at least three male employees to take childcare leave, revise its system enabling employees to take time off to care for sick or injured children in one-hour increments, and adopt a telework program on a trial basis. These objectives were achieved, with 12 men taking childcare leave.

The 3rd Action Plan covering fiscal 2009 to 2010 focuses on two goals. The first is to build a workplace environment in which employees can comfortably raise their children with their family while effectively pursuing their work. The second goal is to create a climate that accepts both men and women balancing work with raising children.

The 3rd Action Plan has three specific targets: ensuring at least 30 male employees take

childcare leave, publishing an educational booklet on childcare by both parents, and revising rules to facilitate easy commuting during pregnancy. Sumitomo Forestry intends to earn certification attesting to the compliance of the 3rd Action Plan with the Next Generation Law, as it succeeded in doing with the previous two plans.

The Kurumin Mark of certification

Stakeholder Comment

I would like Sumitomo Forestry to continue being a company that provides comfortable lifestyles to the employees of Group companies and business partners, as well as their families. (Business partner)

Promoting Affirmative Action

Sumitomo Forestry is committed to creating a workplace in which people can fulfill their ambitions and exercise their skills irrespective of gender. To encourage the success of female employees, the Company is working to expand the presence of women in all job positions and to support working while raising children.

In fiscal 2008, Sumitomo Forestry held training sessions on managing employee diversity to explain appropriate behavior between men and women when conducting housing sales. In training sessions, managers that have newly graduated women working in housing sales positions as staff learned about diverse values and work styles, as well as work environments most receptive to women.

In addition, the Company held its meeting for women working in housing sales. Thirteen female employees engaged in a lively discussion about sales activities and balancing work and child rearing. The opinions given at this meeting will be reflected in future measures. Sumitomo Forestry plans to hold these meetings on an ongoing basis to provide opportunities for resolving problems and raising motivation.

■ Female Employment Ratios (as of April 1 of each fiscal year)

(%)

Percentage of company workforce	FY2006	FY2007	FY2008	FY2009
Female employees including contract employees (interior coordinators and non-interior coordinators)	15.8	15.8	16.4	16.4
Female employees in management positions	0.7	0.9	0.9	1.3
Newly hired female university graduates	15.4	25.0	21.0	21.0

Stakeholder Comment

Expectations for diversity are increasing in society. The greater the extent a company's workforce is made up of unique individuals, the stronger the company will be. (Financial and environmental expert)

New Return to Work Application System

In fiscal 2008, Sumitomo Forestry introduced a system that offers employees the opportunity to apply to return to work after quitting because of family obligations or the job relocation of their spouse, so that their job experience can be utilized and they can continue working.

Employees who have worked for three or more consecutive years are eligible for this program, and the Company determines whether to re-hire employees based on needs and the applicant's skills. Applicants hired within three years of quitting are able to return to their former position.

Transfers to Accommodate Spouse's Transfers

In fiscal 2008, Sumitomo Forestry established a program that facilitates the transfer of employees to the same destination as their spouse. This enables employees to continue working with Sumitomo Forestry.

Human Rights Programs

Sumitomo Forestry's action statement, "Our Values and Ideals," lays out the Group's shared ethical code, based on a respect for diversity, regardless of disability, gender or age, a recognition of equality, and a total rejection of discrimination. Sumitomo Forestry ensures that all employees are familiar with these concepts and promotes this shared ethical code through training and other educational programs.

Prevention of Sexual and Power Harassment

In accordance with "Our Values and Ideals" and its Employment Regulations, Sumitomo Forestry prohibits sexual and power harassment through clearly stated rules and disciplinary standards. The Company has set up the Sexual Harassment Consultation Hotline and the Compliance Hotline to appropriately handle inquiries and complaints. To raise awareness of the issues among employees, the Company provides information and case studies through the intranet, pamphlets, and training on human rights and ethics.

When handling a case of harassment, the Sexual Harassment Consultation Hotline promptly and appropriately verifies the facts and gathers information with the accused, the complainant, and third parties, and then takes necessary procedures with those concerned in accordance with the Company's regulations and Law for Equal Employment Opportunity of Men and Women. The privacy of all those involved is protected, and every effort is made to ensure that neither the complaint or those cooperating are treated detrimentally.

New Business Proposition Program

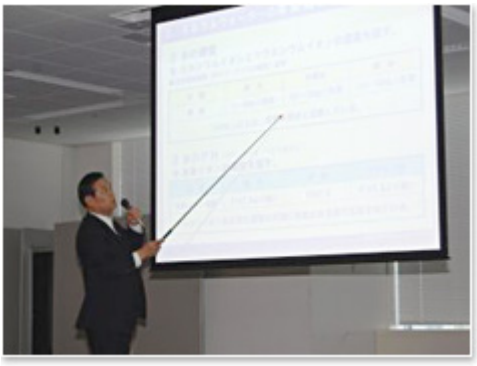
In fiscal 2006, Sumitomo Forestry launched the Power for the Future Project to solicit new business proposals for harnessing the ambitions and skills of employees in creating new business.

The Project reviews business proposals and plans submitted by employees, who are awarded if their plans are adopted. For the proposal winning the Grand Prix prize, the Company considers its commercialization as a new business, and upper management offers advice and encouragement to the employee.

The business plan "Contracting Homes while Overseas," which won an honorable mention in fiscal 2007, was launched as a new business in September 2008. Leveraging the comprehensive strengths of the Sumitomo Forestry Group, this service enables personnel

stationed and living outside Japan to build and renovate homes in Japan. This business has been presented to great acclaim at consulting sessions and exhibitions outside Japan.

In fiscal 2008, the second Power for the Future Project received 264 submissions, with seven plans passing the second review and awarded prizes following a rigorous final review. Sumitomo Forestry will consider developing these plans into businesses in the future.



Second review

Stakeholder Comment

I think it is important that employees reconfirm the strength of existing businesses and share that outside the company. (Employee)

Communication with Our Employees

Sumitomo Forestry has conducted an employee satisfaction survey every two years since 2002 to determine employee satisfaction.

In the fourth survey conducted in July 2008, which received 4,286 responses for a response rate of 86%, 73% of respondents stated that they were satisfied to be working at Sumitomo Forestry. The results also showed that employees with career objectives tended to have higher satisfaction. Almost half of respondents stated that they felt fatigued, revealing that difficulties in taking leave and frequent long overtime hours are problems for employees.

Based on the results of the survey, Sumitomo Forestry set three priority issues for its future measures: providing support for career development, reducing overtime work and eradicating obligatory overtime (from peer pressure), and accommodating diverse work styles.

Relations with the Labor Union

Sumitomo Forestry pursues a mutually beneficial relation with its labor union to achieve healthy business development together. Labor agreements are based on the Labor Union Act, and all employees (with the exception of management) belong to the company union. These agreements stipulate that the Company must ensure economic stability for union members and continuously strive to maintain and improve working conditions.

To build sound and smooth relations between management and the labor union, a management advisory board has been established to exchange views and deepen mutual understanding. A Safety and Health Committee has also been established, made up of management and union representatives, to address workplace safety and health issues.

In fiscal 2008, efforts were concentrated on three main issues: implementation of a survey to determine whether the Production Control Group should designate Wednesdays and Sundays as holidays, consideration of commuting allowances for private vehicles used by non-sales personnel on a trial basis, and a review of the results of a trial survey on the use of mobile phones and company cars for housing sales. The Company also carried out activities to

resolve issues such as overtime work, various benefit payments, and work-life balance.

Accommodating the New Lay-Jury System

Sumitomo Forestry has considered measures to accommodate Japan's new jury system in advance of its implementation. Jury duty will be deemed equivalent to the employee's regular work responsibilities, and the employees will thus be paid their regular salary.

Creating a Safe and Healthy Workplace

Workplace Safety and Health Policies

Sumitomo Forestry is actively engaged in fostering a workplace in which employees can perform their jobs in a safe and healthy manner. In recent years, the Company has introduced a range of initiatives to address one of its priority issues, reducing overtime work to ensure that employees enjoy mental and physical health and work-life balance.

Sumitomo Forestry provides regular health checkups to all employees, whether permanent or non-permanent. This along with other activities to improve workplace health and safety demonstrate the Company's commitment to its Rules for Safety and Health Management and its basic personnel policy of recognizing employees as human assets.

Reduction of Overtime

Reducing overtime improves employee health and morale, lowers employee turnover, attracts outstanding personnel, and ultimately enhances the Company's ability to provide high-value-added products and services. Accordingly, Sumitomo Forestry has given this issue the highest priority.

Because office work is increasingly performed using computers, the Company introduced a compulsory 10 p.m. PC shutdown system in June 2007 as a measure to prevent Visual Display Terminal (VDT) syndrome and health complications from overwork.

In October 2007, the Company established an executive committee and working groups to encourage appropriate control over working hours and limitations on overtime headed by the Personnel Department director, with the goal of raising employee morale and maintaining their health. For an issue that management shares with labor, the committee drafted measures to curb overtime tailored to each division's work style and specific problems related to working hours, and put them into action from April 2008.

In particular, it has become even more important to manage working hours to preserve the health of employees in the Housing Division, in light of more stringent construction-related legislation, the maturation of the housing market, and dramatic changes in the external environment, such as heightened competition. Accordingly, Sumitomo Forestry took specific measures to curb overtime work, such as discontinuing perfunctory meetings, restricting times for internal meetings, setting concentrated work times, and automatically shutting down PCs in the late evening on week nights and restricting use on weekends. Sumitomo Forestry also decided to start and end work times later in consideration of the tendency for work duties to be concentrated in the afternoon, and in response to the results of the labor union's

questionnaire and requests.

The new work schedules reduced average work hours by 45 minutes in fiscal 2008.

Stakeholder Comment I expect to see results from initiatives to reduce long working hours. (Customer)

Anti-Smoking Program

Sumitomo Forestry actively implements systems and programs to support the physical and mental health of its employees, while also providing information to encourage greater awareness of the importance of taking responsibility for one's own health.

Anti-smoking poster

In light of greater concern over smoking, the Company launched the Company-wide Quit Smoking Program in April 2008, with trial campaigns to encourage quitting and the removal of all smoking areas.

In the first two trial campaigns, 48% of participants succeeded in quitting smoking in the first and 44% in the second. In fiscal 2009, in addition to a new trial campaign program, the Company plans to phase in a company-wide ban on smoking during working hours. In addition, the office relocation provided the opportunity to remove all smoking areas at Headquarters. Sumitomo Forestry aims for the complete removal of smoking areas at all other offices by the end of fiscal 2010.

Mental Health Initiatives

Sumitomo Forestry has been running a Mental Health Support Program since April 2006 to further support its employees' mental health.

A toll-free telephone service called the Medical Consultation and Treatment for Mind and Body is also available to take calls regarding workplace concerns, relationships with other people, general frustrations and worries, and requests for information on medical facilities. Posters displayed in the Company and cards printed with information about the toll-free service are distributed to regular and contract (interior coordinators and non-interior coordinators) employees (except for dispatched employees) to ensure familiarity with the service and encourage its use.

Regular Health Checkups and Extensive Examinations

To help employees manage their health, all employees are given a regular health checkup each year, with more extensive examinations available to employees over 35 and dependents of employees upon request.

In fiscal 2008, 100%[1] of Sumitomo Forestry's employees received a regular health checkup and an extensive examination, thanks to monthly progress checks by each business establishment. In addition, a follow-up system has been set up for all patients requiring further examination, including consultations with the industrial doctor in each office and the

delivery and collection of forms verifying second examinations.

From fiscal 2008, metabolic syndrome diagnostic criteria have been included in regular health checkups and more extensive checkups for employees aged 40 years or more. Sumitomo Forestry is committed to raising the attendance rate of employee dependants, as well as employees. However, it is difficult to convey information to employee dependants in some cases, as when employees are transferred to distant locations without their families or are posted outside of Japan. To address such cases, Sumitomo Forestry has introduced an online reservation system for extensive examinations, enabling employee dependants to visit the doctor on their own initiative. E-mail is used to provide information on the consultation, thus improving convenience and increasing attendance rates.

1. This does not include employees on long-term leave for maternity leave and illness.

Factories with Safe and Healthy Workplaces

The Sumitomo Forestry Group strives to improve labor health and safety at its factories.

In October 2008, Sumitomo Forestry Crest Co., Ltd.'s Kashima Plant was awarded the Chairman's Prize by the Ibaraki Federation of Labor Standards Association at the Ibaraki Prefecture Industrial Health and Safety Convention. This prize was awarded to the Kashima Plant for its excellent health and safety standards. The office follows a basic policy for health and safety activities based on a "shift from zero accidents to zero danger" approach, and this award recognizes its diligent efforts in applying company-wide initiatives aimed at eliminating the first signs of danger in all work processes.

In June 2008, Sumirin-Agro-Products Co., Ltd.'s Tobishima Plant was recognized by the Aichi Prefecture Maritime and Southern Hazardous Materials Safety Association as a model factory for its endeavors to prevent disasters. The Tobishima Plant will continue its safety management with the pride in knowing that it was chosen from among the many plants in Japan's most well known industrial belt.

The Chairman's Prize is presented at the award ceremony of the Ibaraki Labor Standards Cooperative Association

Prevention of Child Labor and Forced Labor

The Sumitomo Forestry Group's offices in and outside Japan hire employees in compliance with local legislation, and do not engage in illegal labor practices such as child labor and forced labor.

Sumitomo Forestry's Human Resources Development

Sumitomo Forestry's human resources development policies are based on supporting the

autonomy of employees, who determine Sumitomo Forestry's success.

Human Resources Development Policies

To create an open and inclusive corporate culture that values diversity advocated in the Action Guidelines, Sumitomo Forestry works to support autonomous employees as a basic policy for human resources development.

Sumitomo Forestry not only provides training tailored to specific job categories and levels, but also offers a full range of training based on employee needs and current social requirements. This training is focused on developing future business leaders and also considers individual employee's career ambitions. The Sumitomo Forestry Business College revised its training courses, which were previously open to people working in the housing sector, expanding availability to all employees and changing content to better respond to diverse needs. The Company will extend these training courses Group-wide.

Professional Course Established

In fiscal 2008, Sumitomo Forestry established a professional course to develop and promote a framework in which individual employees can independently consider career choices. The course has invigorated the entire Company and created a more rewarding environment. To widen career choices for employees, the course covers areas outside of existing management and expert job positions, offering employees a chance to further specialize in their strong fields.

Career Consultation and Support

The Career Support Desk opened in April 2007 to employees with to assistance specific to their needs in managing their careers. Specialized career advisers provide expert career advice for individual employees. Approximately 71 people used this program in fiscal 2008.

In fiscal 2008, Sumitomo Forestry started an orientation program in which more senior employees act as councilors to new graduates hired for housing sales positions, providing guidance on work matters and advice on work life. The councilors are 25 to 33 years of age, have four to eight years of work experience, and are either senior staff or supervisors. Sales managers recommend candidates who meet these criteria and make the final decision in consultation with the Personnel Department. In fiscal 2008, 101 councilors were chosen to assist the new hires during a nine-month period after undergoing training.

The program is expected to benefit both the new hire and the councilor, and also to foster candidates for the next generation of managers.

A mentoring program was also started in fiscal 2008. In this program, a mentor supports a mentee's growth and development in a one-on-one relationship. The program is intended to redress problems concerning information sharing and communication, identified in an employee satisfaction survey given in fiscal 2008.

The mentoring program is designed to create a corporate climate in which employees can support each other's growth as autonomous individuals. In the first year of the program, six pairs participated in the program for five months.

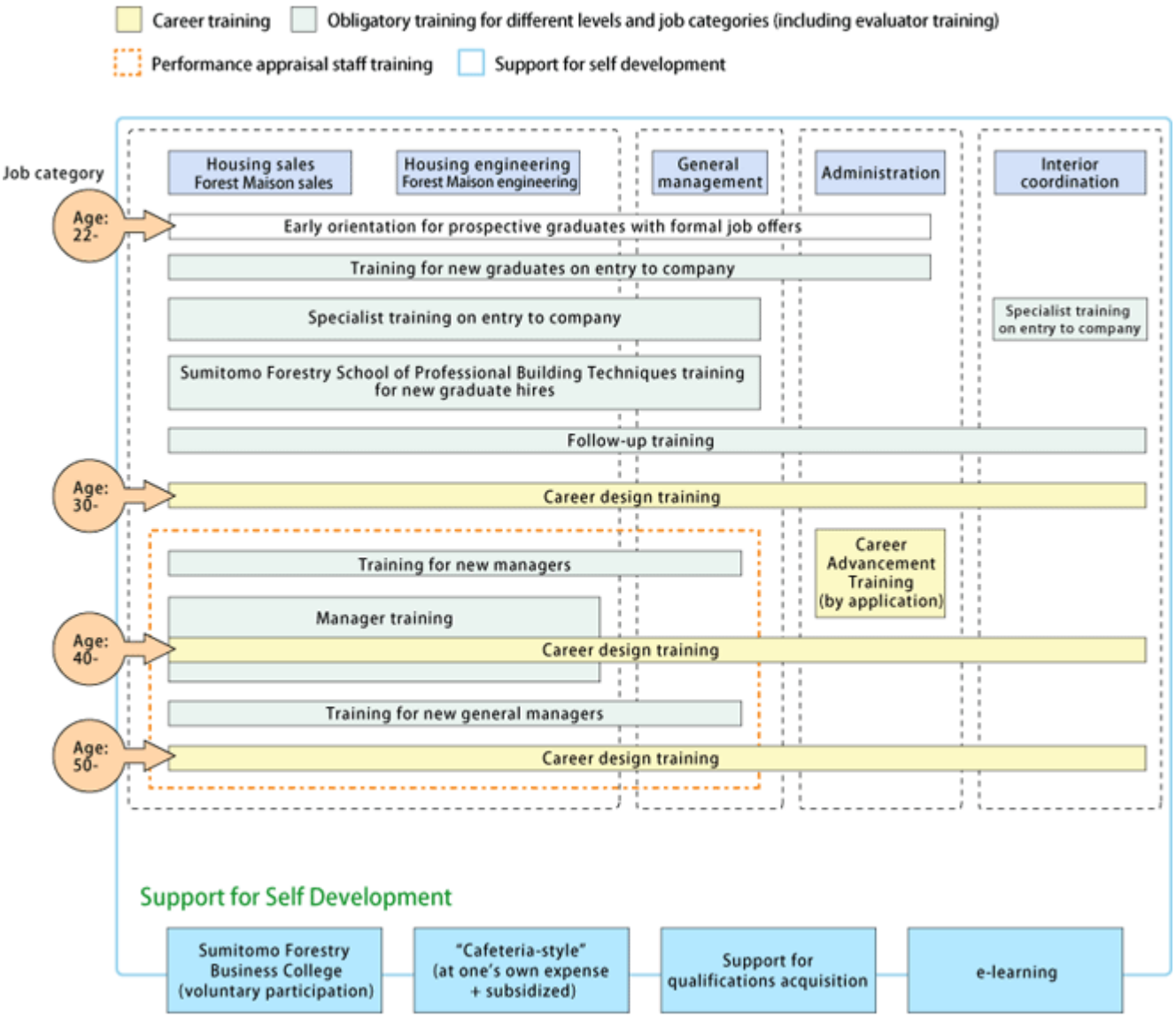
Multifaceted Training

Sumitomo Forestry offers its employees a variety of training opportunities to encourage them to independently pursue their career ambitions and to provide opportunities to learn business skills that match their life plans. In fiscal 2008, the Company spent 78,000 yen per employee on training.

■ Multifaceted Training Programs

Training Programs	Description	FY2008 results (Number of people)
Periodic training for different levels and job categories	Specific training for new graduates upon entry to the company, training for new graduates at Sumitomo Forestry School of Professional Building Techniques, follow-up training for those who have changed job categories, new manager training, job-specific and objective-oriented training for mid-level managers, training for new general managers, etc.	1,245
Selective training for different needs	Training for career stage transition, including programs for management strategy, female managers, and career design.	390
	Graduate studies program: MBA programs of highly specialized knowledge concerning management and problem-solving methodology	2
Voluntary training	Training at Sumitomo Forestry Business College in job-specific skills and knowledge for all job categories	2,000
"Cafeteria-style" training	Subsidized external training programs to acquire official qualifications and enhanced business skills	255

■ Initiatives for Further Enhancing Human Resources Development Programs



Assessment of Prospective Managers

The Company assesses the managerial skills of employees who aspire to management positions, using online tests and exercises to provide employees with feedback on their analytical skills. The results are used to enhance management skills and provide reference information for personnel transfers.

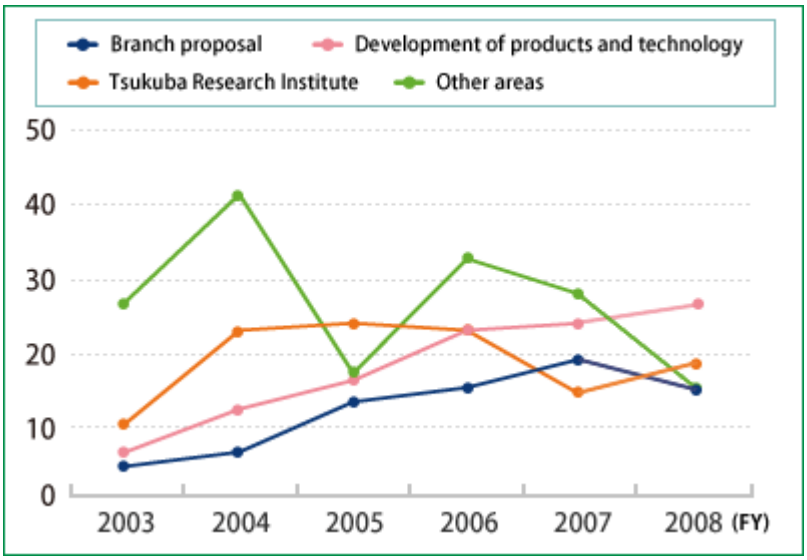
Creating Intellectual Property

Sumitomo Forestry strives to foster a climate conducive to the active creation of intellectual property. In particular, the Company is addressing environmental problems by creating new and competitive technology related to timber research and for long-lasting houses, and then pursuing patents. The Company seeks to aggressively protect the Group's intellectual property and avoid infringing on rights controlled by other entities, holding workshops on intellectual property and compliance. With respect to environmentally related intellectual property, the Company is promoting shared internal utilization through various measures including the establishment of the Environmentally Related Intellectual Property Map, the publication of Intellectual Property News, and the introduction of relevant material on its Web site.

Sumitomo Forestry has also initiated patent proposal and award programs with monetary incentives awarded to employees who submit ideas for outstanding inventions. Employees' awareness of patent proposals is rising every year, with 628 proposals received in fiscal 2008. Furthermore, education on intellectual property has been incorporated in new graduate and general training programs.

In fiscal 2008, Sumitomo Forestry partially revised its rules on discoveries and inventions made at Sumitomo Forestry and Group companies involved in creating intellectual property, with the aim to motivate innovative ideas and inventions. The revisions also raised the quality of its patent proposal programs.

■ Patent proposals



Passing on Skills

46th National Skills Competition

Sumitomo Forestry recognizes that to continue building Sumitomo Forestry Home houses that utilize the advantages of the traditional wooden post-and-beam construction method, it is important to pass on skills and techniques to the next generation of workers. To achieve its objective of nurturing the skills and knowledge of craftspeople (carpenters), Sumitomo Forestry founded the Sumitomo Forestry School of Professional Building Techniques in 1988 as an intra-corporate vocational training school. In fiscal 2008, 45 people graduated from the School, for a total of 816 graduates since its establishment. In fiscal 2009, 42 students were admitted and are currently engaged in training.

The School functions as a boarding school for candidate carpenters who have joined Group affiliate Sumitomo Forestry Home Engineering Co., Ltd., which specializes in carrying out and supervising the construction of Sumitomo Forestry Home houses. Living together in dormitories for one year, these students study a wide-ranging curriculum, from traditional wooden post-and-beam construction methods to the latest construction techniques used by Sumitomo Forestry Home for the houses it builds. The skills that these carpenters acquire are consistently evaluated highly, demonstrated by strong performances at the annual National

Skills Competition in Japan. In November 2008, five graduates from the School, who now work for Sumitomo Forestry Home Engineering, won a silver medal, bronze medal, and three fighting-spirit mentions, respectively, at the 46th National Skills Competition. This marks the fourth consecutive year, since the 43rd competition, that the School's students have been awarded such honors.

The Sumitomo Forestry School of Professional Building Techniques also serves as a center for training new employees, regardless of their specialties, from other Sumitomo Forestry Group companies. The School cooperates in work experience programs every year for local students, with six sixth-grade elementary school students accepted in September 2008 and four second-year middle school students attending from December 2008.

In May 2008, Tadashi Hirayama, a contract carpenter for Sumitomo Forestry Home Engineering's Keina Business Department, was presented with the Outstanding Craftsman award by the Minister of Land, Infrastructure, Transport and Tourism. This award is given only to the most skillful people at the top of their field, and recognizes their impressive efforts and contributions to train and foster the younger generation in their professions. Mr. Hirayama has experience in carpentry work at shrines and temples, and has earned a reputation for unfailing expertise and skills. Acting as a leader of carpenter employees, he has worked hard to guide and train his apprentices and pass on carpentry traditions.

Recipient of the Outstanding Craftsman Award, presented by the Minister of Land, Infrastructure, Transport and Tourism

Middle school students on a tour of a work site

Together with Society

Sumitomo Forestry makes use of the knowledge and expertise it has built up through its business activities in its social contribution activities in environmental education and forest preservation. The Company also actively communicates with society to convey its corporate stance.

Ongoing Communication with Society

Policy

Sumitomo Forestry believes that ongoing communication with society is essential to a company's sustainable development, and believes that it is essential to gain the recognition and understanding of all stakeholders. Sumitomo Forestry uses its unique mascot called "Kikorin" to present its corporate stance in newspapers, magazines, television and other media. The Company particularly emphasizes direct communication, and participates directly in special events to give the public a more accurate and deeper understanding of Sumitomo Forestry.

Stakeholder Comment

- Sumitomo Forestry's commercial really draws the interest and concern of the children and students—the future generation—so I look forward to seeing it. (Educational and research organization)
- Sumitomo Forestry should carry out more publicity on its environmental initiatives. (Business partner)

Dissemination of Information about Wood

In fiscal 2008, Sumitomo Forestry held for the second consecutive year the Sustainable Forest Gallery 2009—Kikorin's Forest at Tokyo Midtown in Tokyo's Minato Ward. This event was intended to convey the appeal of wood as a renewable natural resource. In the event's Forest Trail, visitors were given an audio tour about trees and forests, displaying Sumitomo Forestry's unique ingenuity. On weekends, visitors made toys using wood from company-owned forests at the event's Kikorin's Toy Factory, and on weekdays seminars were held for students looking for jobs. The one-week event drew approximately 5,000 people.

Summer Ecology School for Families

Also in fiscal 2008, the third Summer Ecology School for Families, sponsored by the Asahi Shimbun newspaper and co-sponsored by Sumitomo Forestry, was held at the National Children's Castle in Tokyo's Shibuya Ward. In this activity, 603 people of 256 families learned nature crafts, participated in challenging eco quizzes and made models of eco homes. Sumitomo Forestry employees, appearing as "forest professors" and "home and town professors," explained the importance of forests and the appeal of wood in an entertaining way.

Stakeholder Comment

- Awareness of the benefits of wooden housing is still low, so I hope Sumitomo Forestry can get the word out more. (Student)
- I participated in the Tokyo Midtown Forest Fragrance Tour, which featured the smells, sounds and sights of real forests. I would like Sumitomo Forestry to hold more events like this so we can learn about new things firsthand. (Student)

Evaluation by Society

Sumitomo Forestry's Corporate Advertising Wins Asahi Advertising Award

Sumitomo Forestry's fiscal 2008 Kikorin series of advertisements won the Asahi Advertising Award. Established in 1952 to expand newspaper advertising and improve modes of expression, this award is one of Japan's most well known newspaper advertising awards. Advertisements that appeared in the *Asahi Shimbun* are eligible for this competition, which honors a broad range of impressive advertisements. Sumitomo Forestry was runner-up for the Asahi Advertising Award in the Finance and Real Estate Category for the past two years.

First run of the newspaper advertisement, "Creating with Japanese timber"

Social Contribution Activities with Core Business

Policy on Social Contribution Activities

Sumitomo Forestry believes that it is important to utilize its technology and knowledge to contribute to the sustainable utilization of timber resources and local community development, as well as protect our abundant forests into the future. With these aims, the Company is engaged in a wide variety of social contribution activities. Raising awareness about forests to a larger segment of society is particularly important in preserving forests. This motivates Sumitomo Forestry to dedicate resources to environmental education such as lectures at elementary and middle schools, as well as on-site training at company-owned forests. The Company is also actively involved in restoring forests damaged by disaster.

Sumitomo Forestry also supports volunteer activities undertaken by individual employees to create a workplace environment that encourages people to contribute to their local communities.

Stakeholder Comment

I would like Sumitomo Forestry to take the lead in social activities closely oriented to the local community. (Employee)

Forester House

Sumitomo Forestry has been presenting its initiatives in sustainable forestry to the general public for over 100 years, and in line with that tradition, it opened the Forester House in 1993. Located in its company-owned forest in the Besshiyama area of Niihama City, Ehime Prefecture, the facility serves as a focal point in the Company's efforts to share information on the uses of forests and forestry.

The Forester House

The Forester House was founded to commemorate the

centenary of the large-scale reforestation plan initiated in 1894 by Teigo Iba, the manager of the Sumitomo Besshi Copper Mine and later the second Director General of Sumitomo. Among the exhibits, which were updated in 2005, Georama installations illustrate the stages of forestry from tree planting to logging, a gallery displays images of company-owned forests, and other exhibits portray the history of Sumitomo Forestry and its environmental initiatives.

The facility is used as a base for walks in the forest, nature observation and environmental education. It attracted 3,599 visitors in fiscal 2008, and is also used for the Company's employee training programs. Looking forward, we plan to enhance activities at the Forester House so that even more people make use of it, while continuing to employ the facility as a base for sharing information.

Mt. Fuji Manabi no Mori Project

Sumitomo Forestry launched the Mt. Fuji Manabi no Mori natural forest restoration project in 1998 to contribute to local communities by repairing severe damage caused by Typhoon Violet in 1996 to forests south of Mt. Fuji. The Company received a broad range of advice from a steering committee made up of representatives from the local government, NGOs, academics, and media organizations. Major tree-planting activities have been completed, and the Company continues its cultivation activities such as clearing away underbrush.

Environmental Education Program

Under the project, the Environmental Education Program for local elementary and middle school students was launched in fiscal 2006, and continued in collaboration with the NGO, Whole Earth Nature School. The program allows to children to experience Mt. Fuji's natural environment and improve their understanding of nature in an entertaining way by exploring Manabi no Mori, looking for wildlife, listening for characteristic birdsongs, observing the ecology of trees and wild grasses, and participating in active nature-related games. A total of 567 students participated in the program in fiscal 2008.

The Mt. Fuji Manabi no Mori Project also features the Forest Ark, a facility that provides visitors with the opportunity to observe environmentally friendly technologies such as solar and wind generating systems, a bio-toilet, and a pellet stove.

The Company also began a nature experience program in fiscal 2007 for children living in an orphanage. In fiscal 2008, 57 children participated, enjoying a refreshing day in the forest.

Along with these programs, the Mt. Fuji Manabi no Mori project offers support in training local human resources to promote environmental education. The Company is also working to determine the effectiveness and impact of its restoration activities through participation in research, including vegetation monitoring program and wildlife habitat surveys by specialists as well as basic research on forest utilization and conservation.

These activities have been highly commended for their significant contribution to environmental protection at Mt. Fuji, and led to Sumitomo Forestry winning the Mt. Fuji Charter Performance Awards.

Stakeholder Comment

I hope more children living in cities are given the chance to experience such programs as the Manabi no Mori Environmental Education Program. (Customer)

Conservation of Tokyo Headwater Forests

As part of its efforts to support employees' volunteer activities, since April 2005 Sumitomo Forestry has provided assistance for employees participating in the Tamagawa Suigen Shinrintai (Tama Riverhead Forest Region), sponsored by the Tokyo Metropolitan Bureau of Waterworks.

Collaborating with Educational Institutions

Sumitomo Forestry contributes to the education of the next generation by hosting school field trips in conjunction with the integrated learning programs and social studies classes of the Japanese school curriculum. These field trips have themes such as sustainable forest management, environmental initiatives, and the environmentally friendly housing business. Sumitomo Forestry cooperates as much as possible with schools to ensure that this enhanced learning program meets the needs of public education and communities.

Using samples to introduce Japanese timber

In fiscal 2008, Sumitomo Forestry provided education on the use of Japanese timber and the Company's initiatives to encourage its active utilization to middle-school students who are learning about their local timber industry.

Sumitomo Forestry also gave university lectures on forest preservation and CSR, explaining the concepts behind its CSR and detailing cases of how it practices CSR through its business.

Stakeholder Comment

- Sumitomo Forestry should consider sharing the technology and knowledge it has built up in its business with the public, perhaps by offering classes on building wooden houses. (NGO)
- I hope Sumitomo Forestry will think seriously about the future, and provide elementary and middle school students with environmental education. (Customer)

Disseminating Information at Symposiums and Other Events

Sumitomo Forestry actively sponsors lectures to offer the knowledge and experience it has gained for the benefit of society.

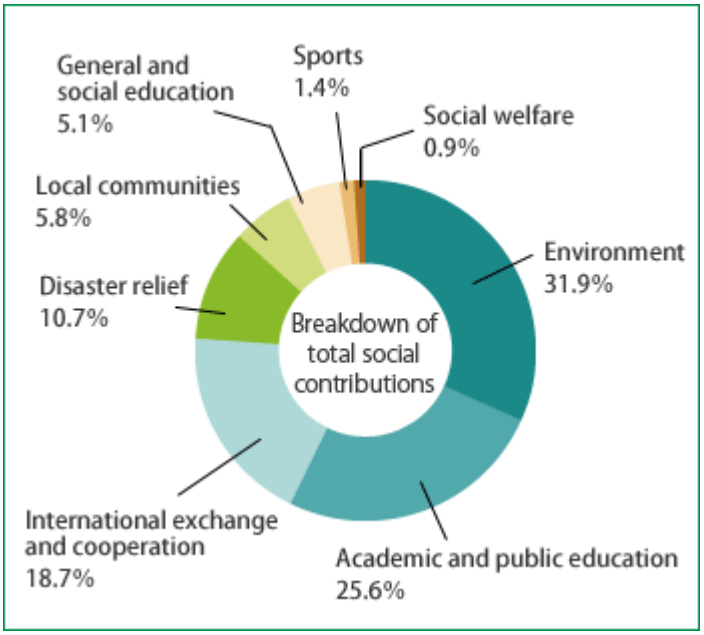
In August 2008, Sumitomo Forestry employees presented a lecture entitled "Living Surrounded by Trees" at the Our Earth Exhibit 2008, an event promoting a low-carbon society held at the National Museum of Emerging Science and Innovation in Koto Ward, Tokyo. This lecture advocated the need to reconsider wooden houses to create a low-carbon society, and provided evidence to demonstrate the superiority of timber grown in Japan. Employees pointed to the high accuracy of Sumitomo Forestry's Precut materials, the extremely low amounts of CO_2 emitted by timber during manufacturing compared to other building materials, and the ability

A lecture at Our Earth Exhibit 2008

to reduce CO_2 emissions at the transportation stage by using Japanese timber.

Funds Allocated to Social Contribution Activities

■ Breakdown of Funds Allocated to Social Contribution Activities



Reforestation Project in Indonesia's Bromo Tengger Semeru National Park

In November 2008, Sumitomo Forestry began working with the Republic of Indonesia's Ministry of Forestry to carry out a reforestation project on approximately 1,000 hectares in Bromo Tengger Semeru National Park in East Java. This project aims to obtain the United Nation's accreditation as a clean development mechanism (CDM) project in fiscal 2009.

Regarded as one of Indonesia's most famous tourist attractions, the national park is situated at a high altitude and centered on Mt. Bromo, which is regarded as a Hindu holy site by the indigenous Tengger tribe. The majority of the forest in the park has become grassland as a result of a series of severe forest fires. In addition, the precipitous landscape makes it extremely difficult to plant trees. Sumitomo Forestry intends to use its reforestation technology to study the forest's restoration potential and biodiversity.

Forests not only absorb CO_2, but also protect watersheds, prevent landslides, provide recreation areas, and maintain and protect biodiversity. These functions play a major role in improving the local environment. Plantation forest operations restore these functions and also contribute significantly to local economies. Due to such economic benefits, plantation forest operations are being widely accepted by local residents for the first time. In this project, Sumitomo Forestry will create job opportunities for local residents and raise the value of its resources for eco-tourism with an emphasis on biodiversity.

Indonesia's Bromo Tengger Semeru National Park

Planned site for reforestation, which is currently grassland

Managing the Daigoji Temple Garden

Since 1998, Sumitomo Forestry landscaping Co., Ltd. has maintained the expansive landscape of the Daigoji Temple—designated as a World Heritage Site—located in Kyoto's Fushimi Ward. The temple's garden, which has ponds and waterfalls around its Sarasvati Hall, has been damaged by pond water that has leaked and become buried in sediment, and overgrown trees. The Company restored and replaced the waterfalls, reinforced small waterfalls and streams, built up the banks of the ponds to prevent leakage, improved the pond bottoms and carried out water-resistance work. Moreover, Sumitomo Forestry Landscaping restored the landscape in consideration of the overall scenery—the temple's bell towers, main lecture hall and Sarasvati Hall against the backdrop of a mountain and deciduous trees renowned for their colorful leaves in autumn—to reflect past sensibilities and create a sense of gentle calm and relaxation. Completed in November 2008, the garden was named the Rinsen Muryo Jyuen.

Before restoration

After completion

Other Social Contribution Activities

Policy on Social Contribution Activities in Sites Outside of Japan

As a good corporate citizen, and guided by "Our Values and Ideals", Sumitomo Forestry is committed to actively contributing to community development, in consideration of local conditions and with an understanding of local cultures and traditions.

KTI Educational Foundation

To commemorate the 30th anniversary of its founding, Sumitomo Forestry Group company PT. Kutai Timber Indonesia (KTI) established the KTI Educational Foundation in 2000 to provide scholarships to elementary and middle school students living in the vicinity of the KTI plant and plantation forests. The Foundation also provides relief donations for natural disasters such as earthquakes and floods.

In fiscal 2008, the Foundation provided approximately 28,983,000 rupiah (about 2,500 dollars U.S.) to 44 elementary school students and one high school student.

Support for Regional Environmental Conservation Efforts through the Sumitomo Forestry School of Professional Building Techniques

Beginning in fiscal 2006, the Sumitomo Forestry School of Professional Building Techniques participated in a local citywide cleanup program to remove illegally dumped rubbish, organized by the Yotsukaido Cleanup Association. Participation, which was part of orientation for new students, was intended to give school students the opportunity to consider waste-related issues, as well as encourage volunteer activities and foster positive attitudes among these builders of the future, and give back to the local community. In April 2009, 42 participants carried out cleanup activities for several hours along roads near the school.

Carrying out cleanup activities

Contributions to Public Policy

As an active member of the Social Capital Organizational Deliberation Council, Sumitomo Forestry offers suggestions regarding legislation such as the Building Standards Act, the Kenchikushi Law for Architects & Building Engineers, the Building Judiciary Designated Housing Defect Collateral Execution Law, and the Excellent Long-term Housing Promotion Act.

In July 2008, Sumitomo Forestry became a founding member of the Committee for the Promotion of High-Quality Housing Stock, recognizing the growing urgency to develop systems for residential construction that can be used successively by multiple generations while retaining asset value. To ensure the longevity of houses, owners face the financial burden of regular inspections and maintenance. Accordingly, the Association revised the assessment methodology used by real estate transaction companies when a house is resold,

devising a scheme that accounts for the appropriate maintenance of a house in its appraisal value. Sumitomo Home Services Co., Ltd., a Group company in the real estate agency business, has adopted this system for its Sumitomo Forestry Home houses.

Stakeholder Comment

I expect the company to carry on the ambitions that motivated its founding, protect and cultivate Japan's beautiful forests, and pressure the government to raise the proportion of wooden constructions. (Employee)

Investment to Realize a Sustainable Society

Support for the Fund to Continue the Activities of Small and Medium-Scale Corporations in the Housing and Related Industries

Sumitomo Forestry contributes to the Fund to Continue the Activities of Small and Medium-Scale Corporations in the Housing and Related Industries, which provides assistance to companies that possess proprietary technology but face operational difficulties due to the absence of a successor to take over from the current head. Leveraging the network and expertise that Sumitomo Forestry has built up over many years, companies in which the fund invests can take advantage of the resources needed to tackle succession issues and support new business development.

SRI through Corporate Pension Funds

Socially responsible investment (SRI) funds have attracted considerable attention recently as an investment approach that emphasizes environmental considerations and socially oriented activities.

Reflecting the Company's commitment to CSR and recognition of the social significance of this investment approach, the corporate pension fund that manages Sumitomo Forestry's pension plan has invested 460 million yen in SRI funds from the plans assets, which totaled 34.87 billion yen as of March 31, 2009.

Environmental Report

Environmental Vision

To step up its efforts for addressing environmental issues, the Sumitomo Forestry Group revised its Environmental Philosophy and Environmental Policies in October 2007, and presented them more clearly and coherently.

Environmental Philosophy and Environmental Policies

Environmental Philosophy

With many years of practical experience in silviculture, Sumitomo Forestry Group has an appreciation of the wonderful renewable resource that forests represent and the benefits that nature provides. Environmental protection is imperative in the 21st century. As a corporate group with a close affinity with nature, we are aware of the potential impact of our activities on the environment, and we contribute to society through the vigorous pursuit of business operations in harmony with conservation principles.

Environmental Policies

As a positive contribution to the creation of a sustainable society that achieves a balance between the environment and economy and gives due consideration to such issues as biodiversity and the prevention of global warming, the Sumitomo Forestry Group shall ensure conformance of its business operations to the following policies.

1. **Develop a business domain centered on trees and wood**
   Cultivate forests as a way to preserve and enhance natural environments and forest functionality while seeking to actively utilize those timber resources.

2. **Develop and sell environmentally-friendly products**
   Pursue the development, design and sale of products and technologies that are environmentally superior in terms of the entire product lifecycle.

3. **Minimize environmental impact**
   Make efforts to prevent environmental pollution through accurate assessment of direct and indirect influences on the environment; promote green procurement of timber and other building materials and green purchasing of office products and other goods; and, achieve and maintain zero emissions through proper waste treatment and 3R (reduce, reuse, recycle) initiatives.

4. **Make ongoing improvements to environmental activity and the environmental management system**
   Establish environmental budgets to ensure implementation of the Environmental Policies, and make ongoing improvements to environmental budgets and the environmental management system through reviews conducted at least once a year.

5. **Ensure strict legal compliance**
   Adhere to all environmental laws, rules and regulations, voluntary standards, accords with stakeholders and other environmental conventions.

6. **Promote environmental education**
   Provide environmental education for all people involved in the business operations of the Sumitomo Forestry Group and encourage voluntary environmental activities.

7. **Place emphasis on communication**
   Actively disclose information and respect the opinions of stakeholders while pursuing environmental initiatives.

8. **Publicly disclose and ensure implementation of the Environmental Policies**
   Make the Environmental Policies available to the general public and ensure familiarization with the policies by all people involved in the business operations of the Sumitomo Forestry Group.

Ryu Yano, President/Director
(Revised on October 1, 2007)

It is important that Sumitomo Forestry effectively communicate its vision to society. (Expert)

Implementing the Medium-Term Environmental Management Policy

The Medium-Term Environmental Management Policy devised in December 2005 posits four central themes for environmental management: 1) pursue thorough environmental management, 2) strengthen and promote environmental education, 3) enhance environmental communication, and 4) promote social contribution activities. Sumitomo Forestry is working tirelessly to reduce the environmental impact of its business activities by pursuing the following major initiatives, which include programs to ensure thorough environmental management.

Principal Initiatives for Comprehensive Environmental Management

- In addition to reducing CO_2 emissions from business operations, we will work with customers and business partners to lessen the environmental impact of products and services throughout their entire lifecycles.
- We will achieve sustainability of timber resources through the promotion of green procurement and the use of timber cut from forests that have received special forest management certification.
- We will aim to achieve zero emissions at an early stage.
- We will strictly control the use of harmful substances.

Fiscal 2008 Activity Plans and Results

Results of Fiscal 2008 Activities

Each division in the Sumitomo Forestry Group prepares environmental targets and budgets tailored to their operations, and carries out initiatives to achieve the targets. Environmental budgets were first introduced as a tool for environmental program management in fiscal 2004. Fiscal 2008 environmental budgets were formulated in accordance with the Group's Medium-Term Environmental Management Policy, established in December 2005. All Group companies focused on working together to achieve specified reductions in CO_2 emissions and zero emissions.

Environmental targets were pursued in a total of 477 initiatives, including 160 initiatives by Sumitomo Forestry on a parent-company basis (an increase of 19 over the previous year), 213 by Group companies in Japan (up 18), and 104 by Group companies outside of Japan (up 19). The success rate for fiscal 2008 activities rose over fiscal 2007, although the number of performance targets that were not achieved increased as a result of the poor economy. In particular, the number of initiatives carried out primarily in plants increased in Group companies outside of Japan, and the achievement rate also increased. Going forward, Sumitomo Forestry will promote initiatives linked to daily operations to encourage divisions to be more involved in initiatives aimed at environmental targets.

■ Reducing CO_2 Emissions

☆☆:Target achieved ☆:Target almost achieved ×:Target not achieved

Key Initiatives	FY2008 Plan	FY2008 Results	Evaluation	FY2009 Plan	Division
Reduction of CO_2 emissions	By the end of fiscal 2010, compared to fiscal 2006 ・Offices: Reduce emissions by 12% ・Plants in Japan: Reduce emissions per sales unit by 5% ・Plants outside of Japan: Reduce emissions per sales unit by 20%	Offices: steady progress was made, with emissions reduced by 6.6% over the baseline year. Plants in Japan: emissions per sales were up 13.2% due to a decline in sales. Plants outside of Japan: steady progress was made with emissions per sales down by 7.6%, but efforts to reduce emissions fell short of targets.	☆	All companies and divisions will continue to work to achieve targets for CO_2 emission reductions by the end of fiscal 2010. New comprehensive targets for gross CO_2 emissions for the entire Group will be set.	Entire Group

■ Zero Emissions

Key Initiatives	FY2008 Plan	FY2008 Results	Evaluation	FY2009 Plan	Division
Attainment of zero emissions	Continue efforts to reach zero emissions by March 2010 for plants, new housing construction sites, etc.	All divisions that produce industrial waste carried out initiatives for zero emissions. Progress was not made in disposing of the seven types of waste that are difficult to recycle.	☆	All divisions will continue efforts to achieve a 98% recycling rate by March 2010.	Entire Group
	Carry out initiatives to achieve zero emissions with a recycling rate of 90%	Initiatives were ineffective, and targeted recycling rate could not be achieved	☆	Systematic progress to achieve specific results with the aim of meeting targets by FY2010	Housing Division
	Establish targets for each of the three plants to achieve zero emissions	All three plants achieved a 98% recycling rate by changing intermediate treatment contractors and increasing sales of waste with commercial value	☆☆	Maintain recycling rate and make further improvements	Toyo Plywood
	Engage in initiatives to achieve zero emissions, with recycling ratio of 98% targeted for all four plants as a whole by the end of the fiscal year	Increased recycling rate by switching to a waste disposal company able to recycle combustion residue, ash, soot and dust in the second half of the fiscal year, but did not achieve target.	☆	Focus on curbing waste generation and waste sorting to achieve zero emissions	Sumitomo Forestry Crest
Waste re-use	Develop and produce roadbed material using incinerated ash	Equipment to manufacture roadbed material is in the trial stage, and targeted production amount was not achieved	☆	Work toward stable manufacturing of roadbed material	RPI
Promotion of recycling	Reduce pellet purchases to zero through effective utilization of particle board and medium density fiberboard offcuts	Plastic pellet purchases were reduced to zero, thus achieving the target	☆☆	Continue to pursue effective utilization of offcuts	ASTI

■ Sustainability of Timber Resources

Key Initiatives	FY2008 Plan	FY2008 Results	Evaluation	FY2009 Plan	Division
Promotion of green procurement	Carry out surveys begun in the previous fiscal year to confirm legal compliance of all suppliers outside Japan	Progressed with confirming legal compliance of timber handled, and completed investigations of 208 suppliers outside Japan	☆☆	Continue initiative to achieve 100% legal compliance of timber handled in FY2009; work with governments and NGOs to develop a system for confirming compliance, given the difficulties for a single company to resolve the issue independently	Timber & Building Materials Division
	Ensure at least 99% of manufacturers comply with green procurement corporate evaluation requirements	98% of manufacturers complied with green procurement corporate evaluation requirements	☆	Request companies not meeting green procurement evaluation standards to make improvements; maintain a compliance rate of 98%	Housing Division
Initiatives relating to sustainable and certified timber	Increase handling of certified timber and increase volume of FSC CoC timber sales	Promoted the benefits of handling certified timber to sales managers and customers, and increased the volume of this timber handled	☆☆	Set target for amount of certified timber and FSC CoC timber handled and carry out initiatives	Timber & Building Materials Division
	Increase weight of plantation timber and certified timber in all products involved in commercial transactions to 87%	Weight of plantation timber and certified timber in all products involved in commercial transactions increased to 91%	☆☆	Maintain weight of plantation timber and certified timber in all products involved in commercial transactions at 90%	Sumitomo Forestry (Singapore)
	Form cooperative with local residents and earn FSC forestry certification	Earned forestry certification for cooperative association consisting of 259 local residents in December 2008	☆☆	Maintain forestry certification	KTI

■ Preserving Biodiversity

Key Initiatives	FY2008 Plan	FY2008 Results	Evaluation	FY2009 Plan	Division
Biodiversity preservation	Establish a plan for monitoring biodiversity and carry out a study	Carried out and completed a monitoring study of company-owned forests in Shikoku	☆☆	Carrying out a monitoring study of company-owned forests in Kyushu (studies will be done in each of Wakayama and Hokkaido in subsequent fiscal years)	Forestry Department of the Forestry & Environment Division

■ Proper Management of Harmful Substances

Key Initiatives	FY2008 Plan	FY2008 Results	Evaluation	FY2009 Plan	Division
Thorough soil contamination countermeasures	Adhere to procedures of soil contamination investigations when purchasing land	Soil contamination investigations were implemented for all potential land purchases in line with procedures, but points for improvement were identified	☆☆	Improve rules for verifying within the division when following procedures for soil contamination investigations and ensure adherence	Real Estate Business Division
Thorough management of harmful substances	Regularly confirm that chemicals and reagents are handled properly	Zero defects achieved	☆☆	Continue ensuring that chemicals and reagents are always handled appropriately	Tsukuba Research Institute
Reduction of harmful chemical substance emissions	Reduce emissions of chemical substances stipulated by the Pollutant Release and Transfer Register Law	None of the three plants achieved targets due to technical difficulties	×	Continue reducing emissions of chemical substances stipulated by the Pollutant Release and Transfer Register Law	Toyo Plywood

■ Environmental Management

Key Initiatives	FY2008 Plan	FY2008 Results	Evaluation	FY2009 Plan	Division
Enhancement and promotion of environmental education	Provide education on environmental management systems and their importance to improve environmental awareness of mid-career hires	Environmental education provided to all mid-career hires	☆☆	Continue to provide environmental education to all mid-career hires	Personnel Department
	Continue providing environmental education Examine and establish indicators to measure benefits of environmental education	Lectures were given as needed and study groups were held, but effective education methods were not considered	☆	Implement environmental education and devise more accurate indicators for measuring effects	Environmental Solution Department of the Forestry & Environment Division

■ Research and Development

Key Initiatives	FY2008 Plan	FY2008 Results	Evaluation	FY2009 Plan	Division
Develop environmental symbiotic technology	Propose housing with low environmental impact through effective utilization of natural energy	Several issues were addressed, but overall progress was about 75%	☆	Continue to address each R&D issue	Tsukuba Research Institute
Reduction of environmental impact of housing	Put forward proposals incorporating the *Ryouonbou* design concept and products	No new product proposals were introduced, however training in the *Ryouonbou* design concept was provided	☆☆	Continue to put forward product proposals	Housing Division

■ Promoting of Environment-related Business

Key Initiatives	FY2008 Plan	FY2008 Results	Evaluation	FY2009 Plan	Division
Effective utilization of sediment	Increase sales volume of products made using sediment by 2%	Sales volume increased 1.98%, slightly below the target	☆	Plan new products and sales channels to increase sales by 2% from the previous fiscal year	Sumirin Agro-Products
Environmental differentiation	Increase sales of recycled and eco products by 2% from previous fiscal year	Sales increased significantly by 12%, well above the target	☆☆	Continue to expand sales of recycled and eco products	Sumitomo Forestry Landscaping

■ Environmental Activities in Offices

Key Initiatives	FY2008 Plan	FY2008 Results	Evaluation	FY2009 Plan	Division
Reduction of environmental impact of offices (through green purchasing, etc.)	Set a minimum green purchasing ratio target of 55% along with specific activities for divisions	Green purchasing rate could not be accurately determined as the labeling of some eco-friendly stationery items was discontinued due to false labeling of copier paper in Japan	N.A.	Each division will continue independent initiatives for green purchasing without uniform group-wide numerical targets	Entire Group

Initiatives at Group Companies — Toyo Plywood

In fiscal 2008, Toyo Plywood Co., Ltd. achieved 22 of its 34 targets as a result of successfully pursuing initiatives in line with the environmental targets and plans set at the start of the fiscal year. It also achieved its targets for CO_2 emission reductions and zero emissions, which were Group-wide initiatives.

However, we fell short of our target for CO_2 emissions reductions per sales unit, and were disappointed that the main reason we were able to reduce emissions at all was because of lower production volume attributable to the deterioration in economic conditions. Although we

reduced gasoline use, we did not achieve the target. Nevertheless, we have started again with renewed enthusiasm in fiscal 2009.

All three of our plants achieved a recycling rate of 98%, and we will work to maintain this rate and improve those areas with room for improvement. In addition, our plants are involved in a wide range of individual programs, such as efforts to reduce the use of solvent adhesives, develop products made with Japanese timber, reduce the use of industrial water, and encourage participation in environmental programs at neighboring plants.

We will promote initiatives to reduce the environmental impact of each of our plants in the future, and intend to focus on programs that contribute to the environment.

Kenshou Kanaya
Corporate Development Manager, General Affairs Department Toyo Plywood Co., Ltd.

Fiscal 2008 Environmental Accounting

Sumitomo Forestry calculates and publicizes the costs and benefits of its environmental conservation activities to promote environmentally sound management.

■ Environmental Protection Costs

(Unit: Million yen)

Cost category		Main activities	Cost
1.Operations costs	Pollution prevention costs[1]	Soil contamination countermeasures (consulting and surveys)	5
	Global environmental protection costs[2]	Sustainable forestry cultivation	581
		Overseas reforestation consultancy	36
	Resource recycling costs[3]	Promotion of appropriate treatment, reduction and recycling of industrial waste	3,637
		Waste wood chip distribution operations	168
		Environment-related business (such as potting mix using sediment from water purification plants)	596
2.Management activity costs[4]		Operation and promotion of environmental management (such as ISO 14001 certification)	28
		Disclosure and administration of environmental information (*Environmental and Social Report*, environmental advertising, exhibits, etc.)	745
		Green procurement and green purchasing	187
		Deliberation on methods for reducing CO_2 emissions using LCA	14
		Environmental education	9
3.R&D costs[5]		R&D related to environmental conservation	229

4.Social contribution costs[6]	Management of Mt. Fuji Manabi no Mori natural forest restoration project	30
	Forester House administration	18
	Other social contribution activities	2
	Grants to the Keidanren Nature Conservation Fund, etc.	2
Total		6,288

1. Pollution prevention costs: Consultancy fees for soil contamination countermeasures, and expenditure on soil contamination inspections.
2. Global environmental protection costs: Expenditure for preservation and management of company-owned forests to foster sustainable forestry, and expenditure in Japan and overseas relating to Indonesian reforestation consultancy.
3. Resource recycling costs: Expenditure on waste wood distribution operations and sorting, recycling, appropriate treatment, transportation and management of construction waste, as well as costs incurred in the potting mix business.
4. Management activity costs: Office expenses and auditing costs relating to maintenance of ISO 14001 certification; expenditures relating to disclosure of environmental information through advertising, environment-related exhibitions and the *Environmental and Social Reports*; expenditures relating to lectures on environmental education; and costs for lifecycle assessment inspections.
5. R&D costs: Expenditures for environment-related research conducted at the Tsukuba Research Institute, and expenditures for outsourced research and development by each division.
6. Social contribution costs: Expenditures related to operating the Mt. Fuji Manabi no Mori natural forest restoration project; expenditures related to maintaining and operating Forester House; expenditures related to other social contribution activities; and grants to the Keidanren Nature Conservation Fund and other contributions.

■ Environmental Benefits

Category	Description	Results
1. Operations benefits	CO_2 sequestered by company-owned forests	116.061 tons
	Volume of waste wood recycled by distribution business (chip conversion)	878,000m^3
	Sales volume of potting mix using sediment from water purification plants	25,938 tons
2. Management activity benefits	Employees designated as internal environmental auditors	63 people
3. R&D benefits	Achieved a usage of Japanese timber rate of 70% for its principal structural members in *MyForest*〔GS〕	-
	Three *MyForest* models chosen as the Ultra-Long-Life House Leading Model Project	-
	Succeeded in the cloning of a weeping cherry tree in the Choukouzan Shoutai-ji Temple	-
4. Social contribution benefits	Volunteers who participated in Mt. Fuji Manabi no Mori project	324 people
	Participants in the Environmental Education Program of the Mt. Fuji Manabi no Mori project	567 people
	Visitors to Forester House	3,599 people

Balance of Input and Output

Sumitomo Forestry calculates the input of resource and energy as well as the emissions of CO_2 and waste over the lifecycle of products in each business to determine the environmental impact of its business activities and to develop effective means of reducing the emissions and waste.

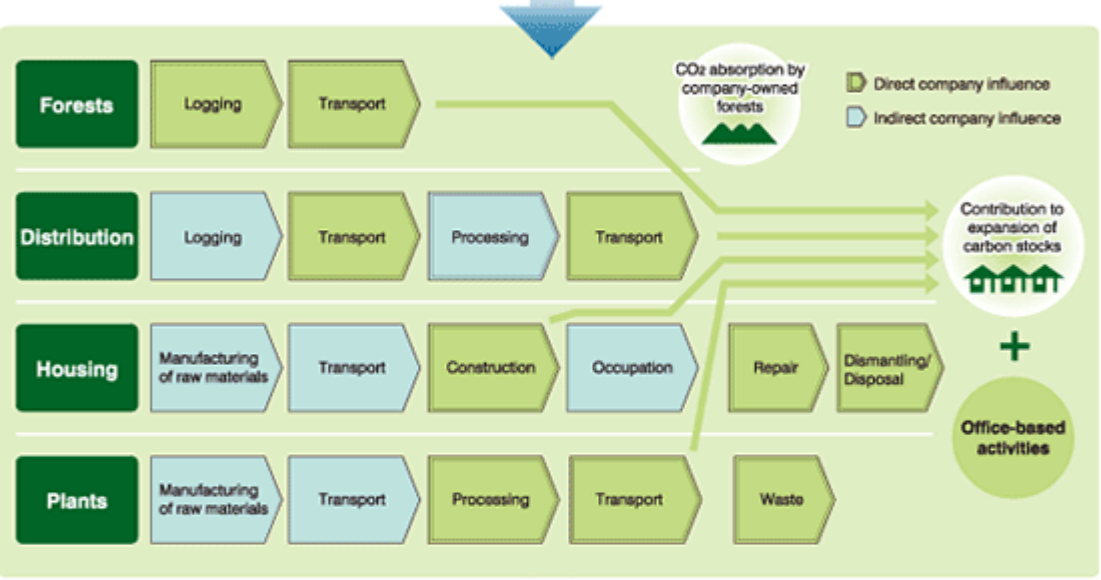
Environmental Impact of Business Activities

INPUT

Energy	4,010,466GJ
Electricity	293,326,181kWh
Gasoline	13,376kL
Diesel	16,037kL
Heating oil	208kL
Heavy oil A	1,367kL
LPG	124,307kg
Processed natural gas	118,171m³

Raw materials	2,230,999t
Wood	1,547,752t
Metal	26,089t
Plastic	12,190t
Paper/fiber	3,370t
Concrete	426,152t
Glass/ceramic/non-combustible building materials	117,516t
Paint	595t
Adhesives	88,593t
Other	8,740t

Water	1,346,600t
Plants	1,122,134t
Offices	224,466t



OUTPUT

Products

Custom-built houses	9,297 houses
Wood building materials	890,000m³
Plywood for general use	5.06 million panels
Wooden interior components	for 8,269 houses
Staircases	14,000 sets
Storage furniture	17,000 units

CO_2	204,735t-CO_2
Wastewater	606,585t

Waste	354,851t
Wood	202,385t
Metal	5,470t
Plastic	6,250t
Paper	6,943t
Fiber	622t
Concrete	52,495t
Glass/ceramic	16,160t
Oil	185t
Rubble	22,679t
Asbestos-containing material	974t
Gypsum board	10,641t
Composite waste (inert)	8,609t
Composite waste (controlled)	10,870t
Ash/soot and dust	7,802t
Sludge	2,116t
Other	651t

Data Calculation

Input

- Energy consumption values for office activities, production and other direct activities were tabulated for each energy category; values for on-site construction and other indirect activities were reached by multiplying the amount of energy consumed in a standard process by the number of construction projects.
- Raw material values for the housing business were calculated by tabulating the volume of each type of primary material used in a hermetically sound and well insulated house designed by Sumitomo Forestry for the Kanto region with a total floor area of 147m^2 and multiplying those figures by the number of houses completed.
- The volume of raw materials input at plants in and outside Japan was tabulated. Water consumption by offices was estimated from utilities expenses.

Output

- Waste management form values were used to calculate the waste volume. In the housing business, waste from demolition work and new housing construction was included.
- For timber and building material production activities, the volume of waste disposed of by plants in and outside Japan was tabulated according to waste type.

Sumitomo Forestry will continue to review calculation procedures as it includes other areas indirectly influenced besides those listed above, and other businesses. We are also aware that further improvements to accuracy need to be addressed.

Life Cycle Assessments

Sumitomo Forestry believes that an accurate understanding of key issues in its business activities is crucial to the pursuit of environmentally friendly business activities and the creation of a sustainable society. Accordingly, the Sumitomo Forestry Group has been carrying out life cycle assessments (LCA) since fiscal 2006 to identify the environmental impact of all of its business activities. LCA is a method of comprehensively evaluating environmental impacts of a product through its life cycle, including raw material procurement, manufacture, transportation, sale, use, re-use and disposal.

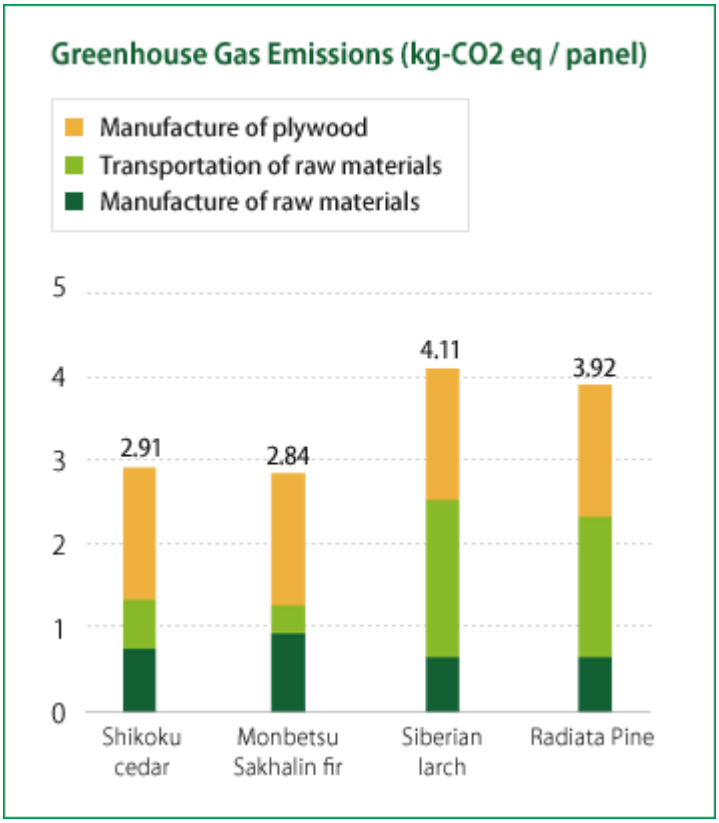
In fiscal 2007, Sumitomo Forestry carried out an inventory analysis[1] of structural plywood, staircases and countertops to raise the accuracy of LCA for a single house. The analysis demonstrated that structural plywood made from Japanese timber emitted less CO_2 from procurement, transportation and processing than imported timber. Accordingly, Sumitomo Forestry Crest Co., Ltd. began labeling its plywood made of Japanese timber with its carbon footprint in May 2009 at its Komatsushima Plant. This program to label wood products with their carbon footprint is a first in Japan.

In fiscal 2008, Sumitomo Forestry succeeded in raising the percentage of Japanese timber used in principal structural members of Sumitomo Forestry Home houses from 51% to 70%. Since the figures assumed in LCA had changed, the Company conducted LCA studies of the members for a second time.

In addition, in fiscal 2008, Sumitomo Forestry set up an LCA database for the harvesting of logs, from the stages of cutting underbrush to taking away the logs. The Company calculated the amount of fuel consumed by logging equipment and used to transport the logs to markets at the sites managed by the Hyuga Forestry Office. Studies have already been completed for the Niihama Forestry Office and Monbetsu Forestry Office, and Sumitomo Forestry plans to compile this research to ascertain the LCA for log harvesting in the forest management industry.

1. Analysis of the input (energy, materials, etc.) and output (gas emissions, waste, etc.) of a product over its life cycle, from manufacture to disposal.
2. Greenhouse gases emitted during the entire life cycle of the product and service, from procurement of raw materials to disposal and recycling, are converted to CO_2 to present the data in a more understandable manner.

■ Carbon Footprints of Plywood Made from Japanese and imported timber manufactured at the Komatsushima Plant of Sumitomo Forestry Crest



For more information, refer to Promoting Global Warming Countermeasures through Our Businesses in Four Material Issues on page 37.

Environmental Impact from the Construction of a New House

INPUT

Energy ····· 20,780ML

Electricity	550kWh
Gasoline	317L
Diesel	205L

Raw materials ····· 76.18t

Timber	15.64t
Metal	2.49t
Plastic	1.08t
Paper/fiber	0.15t
Concrete	44.75t
Glass/ceramic/non-combustible building materials	12.07t

OUTPUT

CO_2 ····· 1,504kg-CO_2

Waste from new housing construction ····· 4.44t

Plastic waste	0.43t
Paper waste	0.54t
Wood waste	1.10t
Metal waste	0.10t
Glass/ceramic waste	0.79t
Rubble	0.24t
Gypsum waste board	0.84t
Composite waste (inert)	0.03t
Composite waste (controlled)	0.36t
Sludge	0.01t

Contribution to Expanding Carbon Stocks

Carbon stocks refer to the CO_2 that is stored in the atmosphere, forests and oceans. These stocks play a major role in curbing global warming. As trees grow, they absorb CO_2 from the atmosphere and sequester it as carbon. When mature trees are harvested and used as building material, the CO_2 sequestered in the trees is stored for a long period of time. This means that building wooden houses can be likened to building forests in the city. The Carbon stocks of the Sumitomo Forestry Group's timber used for housing construction in fiscal 2008 was equivalent to 210,000 tons of CO_2, about the amount of CO_2 emitted by approximately 40,000 households over one year. In addition, Company-owned forests in Japan absorbed about 116,000 tons of CO_2 in fiscal 2008.

The Sumitomo Forestry Group promotes the use of timber from sustainably managed forests in the construction of its high-quality, long-lasting wood houses and for the wooden building materials it uses. The Group also encourages the re-use and recycling of timber resources. Such initiatives will contribute to reducing the effects of global warming by expanding carbon stocks in the form of timber.

Reducing CO_2 Emissions

As global warming becomes an increasingly serious issue, reducing CO_2 emissions has become an urgent matter. The Sumitomo Forestry Group will make a positive contribution to this task by seeking to reduce CO_2 emissions from its business activities and the houses occupied by its customers, and by facilitating absorption of CO_2 through proper forest management.

Global Warming and Sumitomo Forestry's Role

CO_2 emissions are continuing to rise on a global basis. The *Fourth Assessment Report* of the Intergovernmental Panel on Climate Change (IPCC) states that global warming is very likely due to increased greenhouse gas concentrations caused by human activity. The report projects that by the end of the 21st century the global average temperature will increase by 1.1–6.4°C compared to the average between 1980 and 1999. With a view toward preventing such a scenario, the chairperson's summary statement from the G8 Hokkaido Toyako Summit 2008 declares that the world should share the goal of halving global greenhouse gas emissions by 2050. Japan's CO_2 emissions in fiscal 2007 increased 9% over the 1990 level. Serious efforts, including the strengthening of legal regulations on business corporations, must now be taken to achieve the reduction goal set by the Kyoto Protocol. In June 2009, the Government of Japan announced its medium-term goal for the reduction of greenhouse gas emissions by 2020, targeting a 15% reduction from the 2005 level (or 8% reduction compared to 1990), excluding emissions trading from outside Japan.

The Sumitomo Forestry Group will make a positive contribution by reducing CO_2 emissions from its business activities while facilitating absorption of CO_2 through proper forest management. As a housing provider, the Group recognizes its important responsibility to help reduce CO_2 emissions from the household sector, which currently accounts for 13% of Japan's total emissions and are increasing each year.

While the prevention of global warming is a universal challenge, I want Sumitomo Forestry to point the way as a leader in the housing industry. (Sales partner)

For more information, refer to CO_2 Emissions, Absorption and Carbon Stock by the Sumitomo Forestry Group for Fiscal 2008 in Four Material Issues on page 37.

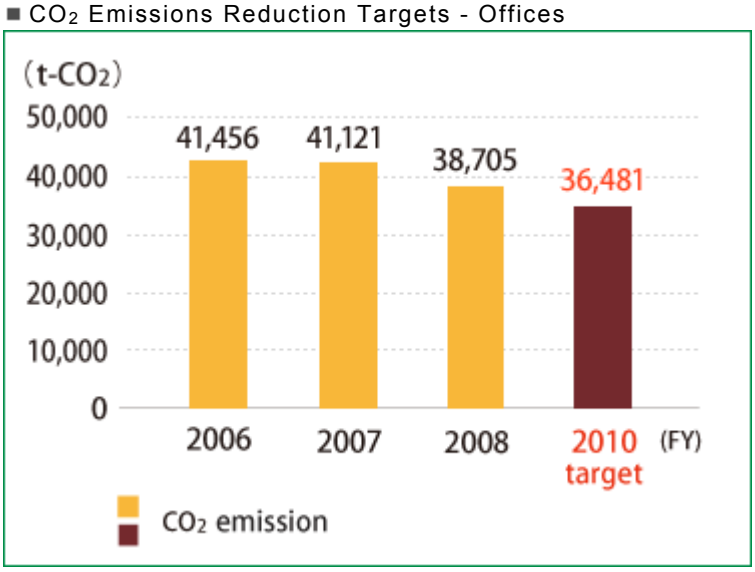
Reducing the Impact of Global Warming through Business Activities

The Sumitomo Forestry Group is working to reduce CO_2 emissions through its business activities at offices and plants as a countermeasure to global warming. In fiscal 2008, PT. Rimba Partikel Indonesia (RPI) installed a biomass power generation facility, and the Housing Division switched to energy-saving lighting fixtures in its showrooms. Elsewhere the Group focused on making improvements in its day-to-day business, including encouraging eco-driving and implementing energy-saving measures.

CO_2 Emissions Reduction Targets

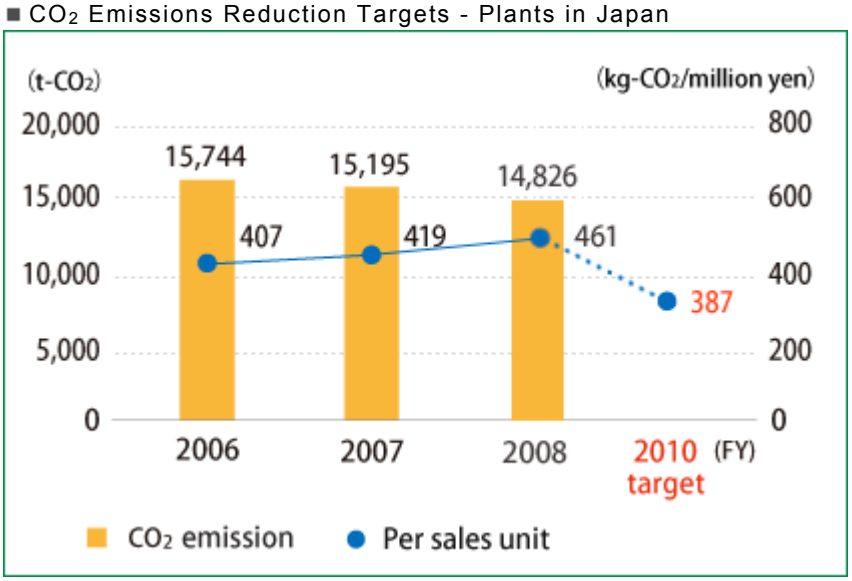
Offices:	12% reduction of total emissions by fiscal 2010 from fiscal 2006 levels
Plants in Japan:	5% reduction of emissions per sales unit by fiscal 2010 from fiscal 2006 levels
Plants outside Japan:	20% reduction of emissions per sales unit by fiscal 2010 from fiscal 2006 levels

■ CO_2 Emissions Reduction Targets - Offices



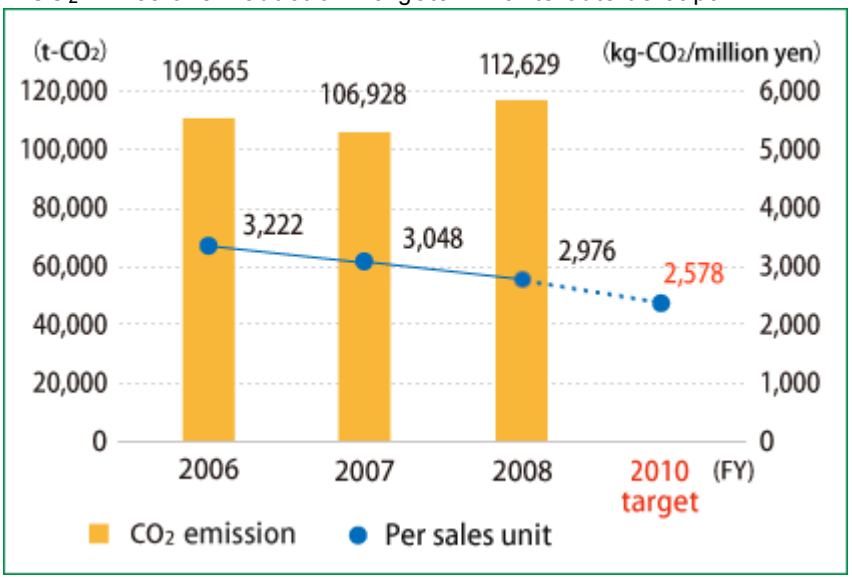
Figures for previous years have been recalculated based on revisions to the scope of items subject to calculations, undertaken in fiscal 2008.

■ CO_2 Emissions Reduction Targets - Plants in Japan



Figures for previous years have been recalculated based on revisions to the scope of items subject to calculations, undertaken in fiscal 2008.

■ CO_2 Emissions Reduction Targets - Plants outside Japan



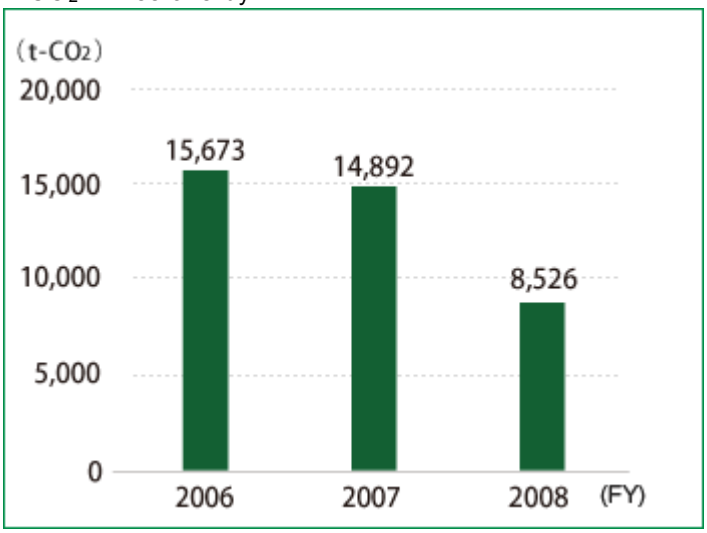
Figures for previous years have been recalculated based on revisions to the scope of items subject to calculations, undertaken in fiscal 2008.

Reducing CO_2 Emissions from Plants—Wood Biomass Power Generation Facility Installed at RPI

RPI is a particle board plant located in Central Java, Indonesia. The plant was established as a joint venture between Sumitomo Forestry and local businesses in 1990. RPI is making an effort to reduce CO_2 emissions by switching from conventional diesel-based power generation to wood biomass power generation, which mainly uses offcuts and sawdust from sawmills near the plant as fuel.

The new power-generation facility was started up in March 2008 and put into full operation the following June. In 2008, the facility reduced RPI's CO_2 emissions by 6,366 tons. What is more, this initiative was registered as a Clean Development Mechanism (CDM) project by the United Nation's CDM Executive Board in May 2008.

■ CO_2 Emissions by RPI



Reduction of CO_2 Emissions at Offices

Offices and retail stores account for as much as 12% of Japan's CO_2 emissions, making it imperative to reduce CO_2 emissions in their day-to-day business operations.

Sumitomo Forestry is making a Group-wide effort to achieve its goal of reducing CO_2 emissions at offices. Each Group company and division sets specific reduction targets, and offices pursue those targets by undertaking initiatives that are within their reach.

The Council on the Global Warming Issue, which met in April 2008 in Toyako, Hokkaido, set out the goal of switching all household lighting from incandescent to fluorescent bulbs, which consume less energy, by 2012. Sumitomo Forestry is following through on this recommendation and switching from incandescent to environmentally friendly lighting at its 318 model homes and 88 showrooms nationwide (as of October 2008). The Company completed the switchover at all the showrooms in December 2008, and is steadily working to finish the switchover at model homes.

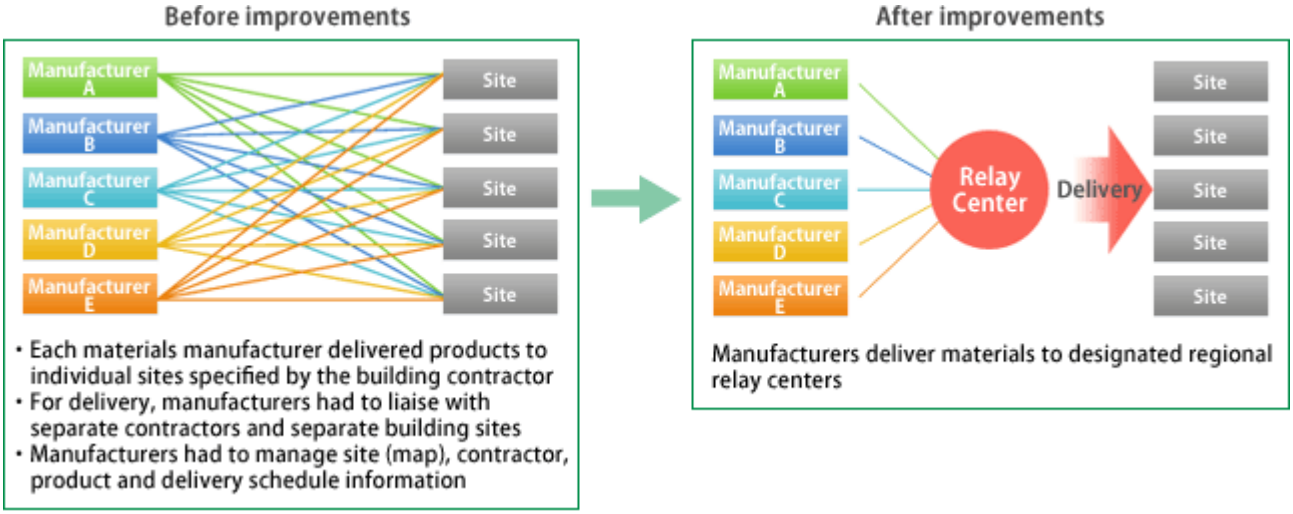
For more information, refer to Chosen for Energy-Conserving Lighting Design Model Project in Four Material Issues on page 43.

Reducing CO_2 Emissions from Transportation

Sumitomo Forestry improved its distribution systems in fiscal 2007 to more efficiently transport materials from manufacturers to housing construction sites. Construction materials previously shipped directly from manufacturers to construction sites are now collected first at regional relay centers. Mixed load shipments containing materials from different manufacturers are then delivered to construction sites. This streamlining of material deliveries to construction sites results in fewer delivery trucks and lower CO_2 emissions.

The Company established 28 relay centers nationwide, and reduced CO_2 emissions equivalent to the emissions of 132,195 vehicles.

■ Streamlining Transportation



Participating in Japan's Trial Integrated Emissions Trading Market

In October 2008, the Government of Japan launched an integrated emissions trading market on a trial basis with a view toward adopting full-scale emissions trading in Japan. As of April 7, 2009, 523 companies were participating in the project. Sumitomo Forestry is the only company from the housing industry to have applied as a participant with a set goal in the trial emissions trading scheme. Participating companies establish and pursue a voluntary goal for reducing CO_2 emissions. In addition to undertaking their own efforts to reduce emissions, the participants help reduce Japan's CO_2 emissions by trading emission quotas and credits.

Reducing the Environmental Impact of Households

Considerations for Reducing the Environmental Impact of Housing

Throughout the entire life cycle of a house, from materials production to demolition, energy consumption during occupancy has the greatest impact on the environment. Energy use during the occupancy stage can reach as high as 70–80% of energy consumption over the life cycle. The nearly 10,000 houses built annually by Sumitomo Forestry emit approximately 63,000 tons of CO_2 per year. The key to reducing the environmental impact of housing is a matter of how to reduce energy consumption during occupancy.

Sumitomo Forestry is tackling this issue with its *Ryouonbou* natural heating and cooling

design concept, the use of insulation and air-tightness specifications exceeding next-generation energy conservation standards, and the use of solar energy for power generation and water heating.

For more information, refer to Providing Environmentally Friendly Homes in Four Material Issues on page 29.

Stakeholder Comment I expect Sumitomo Forestry's houses to be equipped with features that can help reduce environmental impact. (NGO)

Reducing Energy Use through the *Ryouonbou* Design Concept

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

The *Ryouonbou* concept is based on three design principles for creating housing that is cool in the summer and warm in the winter. *Kaze no Sekkei* wind design provides a refreshing coolness in the summer by blocking sunlight and creating airflow that channels the summer heat outside. *Taiyo no Sekkei* sun design allows winter sunshine into the house and prevents heat from escaping, keeping the indoors warm. *Midori no Sekkei* greenery design provides comfortable living throughout the seasons by utilizing garden vegitation to create a natural temperature control system.

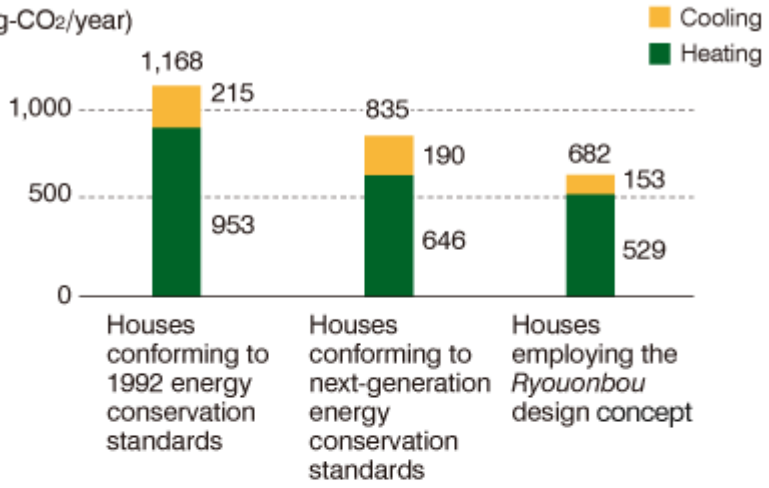
Research on a model house demonstrated that the *Ryouonbou* design concept could reduce CO_2 emissions during occupancy by about 40%[1] compared to houses built to specifications mandated by 1992 energy conservation standards.

In fiscal 2008, the Company used various events including the "Sumai Haku" housing fair for the second consecutive year to promote the *Ryouonbou* design concept through experiential means, aiming to give as many people as possible an idea of the coolness and warmth that it provides.

1. This figure only applies to emissions attributable to heating and cooling.

Stakeholder Comment I recommend that Sumitomo Forestry cooperate with NGOs and NPOs when promoting environmentally symbiotic houses. (Environmental Expert)

■ Comparison of CO_2 Emissions during Occupation (for Air-Conditioning and Heating Only) Using Eco Assessment Charts



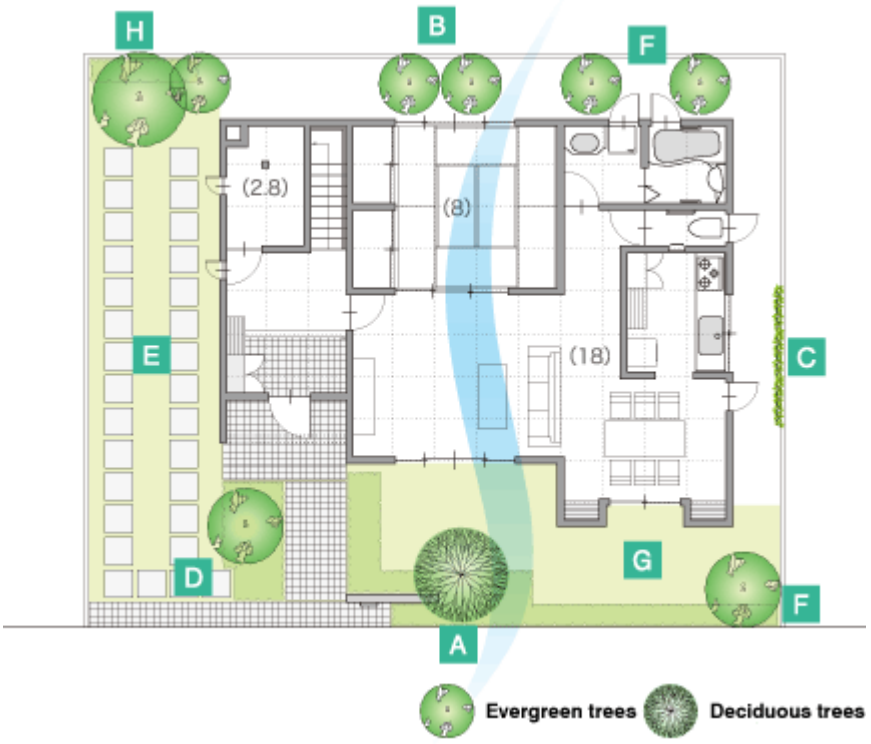
Calculation Details

- Calculations are based on data from the Automated Meteorological Data Acquisition System (AMeDAS) observation point for a model house with a total floor area of 132.49m² and located in Saitama City, Saitama Prefecture, using Region IV building insulation specifications
- Average annual maximum temperature: 19.6°C
  Average annual minimum temperature: 10.8°C
  Average annual temperature range: 8.8°C

Note: Eco Assessment Chart: Assessment record of CO_2 emissions and air-conditioning expenses for each house plan calculated based on the insulation specification used and other assumptions, and on regional AMeDAS climate data for the house location. Environmental design is carried out based on this assessment record.

Case Study Plan for Placement of Greenery and Channels for the Airflow

■ Midori no Sekkei



A Green canopy to create a cool, shady area of foliage

Deciduous trees grow thick with leaves in summer, blocking out direct sunlight and creating a cool, shady area of foliage. In winter, the trees lose their leaves, allowing the sunlight into the rooms.

B A refreshing green area that produces cool air

By planting trees on the north side of the house it is possible to make it cooler in summer. This also has the effect of protecting the house from the northerly winds.

C A screen of greenery that blocks out heat

In addition to blocking out sunlight during summer, the greenery also cools the air. The use of climbing plants such as bitter melon offers the added benefit of fresh produce.

D Beautification with foliage that decorates the home

We recommend trees that suit the individual home and change appearance with the seasons. As well as bringing out the beauty of a home, greenery also helps blend the building in with its surroundings.

E A parking space with greenery that moderates temperature increases during summer

In addition to allowing rainwater to be absorbed in the earth, a green parking space prevents the powerful rays of the summer sun from being reflected back into the atmosphere, thereby moderating increases in temperature in the area around the home.

F "Green blinds" that gently restrict the vision of passersby

Strategically placed foliage in front of windows and other open areas restricts the view in the house from outside and enhances privacy.

G Green groundcover that reduces the reflection of heat in summer

A lawn effectively reduces the reflection of the heat of the sun back into the atmosphere. Leaf transpiration, whereby moisture evaporates from the grass, helps moderate increases in temperature.

H A partition of foliage that takes the edge off the cold

By strategically placing trees according to prevailing wind direction, it is possible to obstruct the cold northerly wind in winter, reduce its force and chill, and divert its direction.

Event introducing the merits of the *Ryouonbou* design concept

Employing Next-Generation Energy Conservation Standards

The Japanese government has established energy conservation standards geared toward reducing energy consumption in houses.

Sumitomo Forestry's standard housing specifications have been based on next-generation energy conservation standards[1] since fiscal 2005. In fiscal 2008, these standards were employed in over 92% of the houses built by the Company. The standards also correspond to the highest energy-saving level (level 4) under Japan's Housing Performance Indication System.

1. These refer to the "Standards and Owner Determination of Energy Usage Rationalization Pertaining to Houses" (Notice No. 3 of the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure and Transport [2006]), and "Guidelines for Design and Construction of Energy Usage Rationalization Systems for Houses" (Notice No. 378 of the Ministry of Land, Infrastructure and Transport [2006]).

Growing Use of Solar Energy in Houses

Employing a solar power system in addition to the *Ryouonbou* design concept can further reduce a house's environmental impact. Sumitomo Forestry's *MyForest-Solabo* model boasts a solar power system as a standard feature. This system generates electricity and heat from hydrogen and oxygen and provides double power generation with a fuel cell unit that can use the heat generated during power generation to heat water. In this way, the system can drastically reduce energy consumption and CO_2 emissions.

In 2008, the Ministry of Land, Infrastructure, Transport and Tourism chose Sumitomo Forestry's proposal for maximizing solar energy use and raising energy self-sufficiency through its W Solar System, which combines a solar power system with a solar hot water system, as a Model Business Promotion of CO_2 Conservation in Homes and Buildings. A house based on this model can be expected to save about 150,000 yen per year in heating and lighting expenses, and generate about 65% less annual CO_2 emissions than an ordinary house built according to 1992 energy conservation standards.[1] Going forward, Sumitomo Forestry will make even greater efforts to popularize solar energy houses by promoting sales of the *MyForest-Solabo* model.

1. An ordinary house built to meet 1992 energy conservation standards is defined as having two floors with a total floor area of approximately 130 m^2 and occupied by a family of four in Tsukuba City, Ibaraki Prefecture. It is also based on certain assumptions in Sumitomo Forestry's model plan, and could differ from actual conditions.

Solar Hot Water System Developed

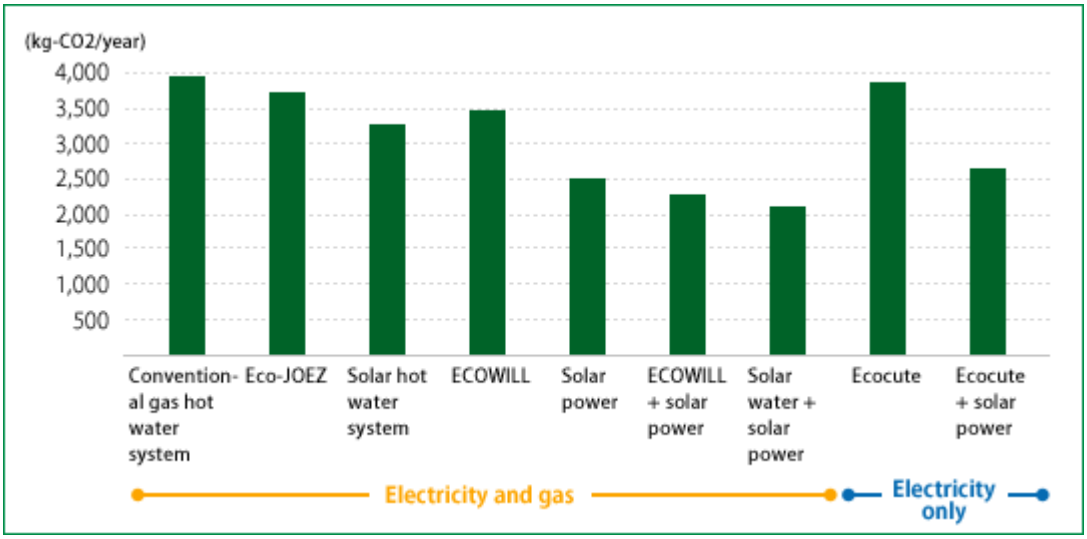
Water heating accounts for around one third of an average household's energy consumption. Solar hot water systems that effectively utilize solar energy can therefore contribute enormously to reducing energy consumption and CO_2 emissions. The development of new products that utilize solar thermal energy, which is more efficient than solar power generation, has progressed outside Japan, where their application is widespread due to the environmental and economic advantages.

Although solar thermal energy use has been slow to spread in Japan, Sumitomo Forestry believes it is a technology that will become indispensable to society in the future. Accordingly,

the Company worked with an equipment manufacturer to develop a new solar hot water system. The system uses a roof-mounted solar thermal energy collector containing medium heat antifreeze to absorb heat. The antifreeze is fed into a thermal converter in a water storage tank, which incorporates a gas heater to heat the water. This system ensures a stable and economical hot water supply. Moreover, since the piping is passed through the roof, it does not mar the exterior appearance of the house. The amount of solar heat used and the amount of money saved are displayed on a remote control, enabling home owners to check the system's effectiveness.

The system, which can be installed for less cost than a solar power generation system, is estimated to reduce CO_2 emissions by at least 30% and save about 30,000 yen annually on processed natural gas expenses for gas water heating in an ordinary house.[1]

■ Comparison of Annual CO_2 Emissions from Housing Using Combined Hot Water and Solar Power Generation (for heating, cooling, hot water, cooking, ventilation, lighting and power outlets)



1. An ordinary house is defined as a two-floor house with a total floor area of 130 m^2 and occupied by a family of four in Tsukuba City, Ibaraki Prefecture. It is also based on certain assumptions in Sumitomo Forestry's model plan, and could differ from actual conditions.

Promoting Environmentally Friendly, Energy-Saving Renovation

With energy consumption by the household sector increasing, steps must be taken to reduce CO_2 emissions from day-to-day life. Sumitomo Forestry Home Tech. Co., Ltd., offers environmentally friendly, energy saving renovation suited to each customer's home. Renovation options include solar power generation systems, the latest water saving household appliances for the kitchen and bathroom, and natural ventilation and lighting to reduce reliance on heating and cooling equipment.

From July to September 2008, the Company stepped up its efforts to promote environmentally friendly, energy-saving renovation by conducting a campaign and holding events where people can actually see, touch, and experience the benefits of the latest energy-saving equipment and reliable technology for making earthquake-proofing renovations. Sumitomo Forestry was highly evaluated for its renovations of two-generation family homes, including the replacement of windows and entryway doors, energy-saving upgrades through insulating walls and floors, elimination of barriers, and earthquake-proofing measures. The homes were selected as examples of composite energy-saving renovation by the Tokyo Metropolitan Government's Bureau of Urban Development.

Zero Emissions

Houses use a large amount of resources, so reducing the use of and recycling those resources is an important issue. Sumitomo Forestry is striving to achieve zero emissions of industrial waste generated at its plants, new housing construction sites, and other operations sites by facilitating the recycling of this waste and using building materials that can be recycled after use.

Policy on Resources

Building a house requires an enormous amount of resources. Approximately 76.2 tons of resources are used for the principal structural members and building materials that go into a single house built to the Company's standard specifications. Aiming to reduce environmental impact and effectively utilize resources, Sumitomo Forestry recognizes the importance of focusing on zero emissions initiatives, including reducing the generation of waste, reusing resources, recycling waste as raw materials, recycling chemicals, and utilizing heat from incinerating waste.

At the time of inputting raw materials, besides reducing the use of resources by eliminating redundant materials and using components that generate a low amount of offcuts, it is important to use components manufactured from recycled materials in order to promote the cyclical utilization of resources. Sumitomo Forestry is applying specific initiatives for each type of building material to complete the loop of recycling, including using recyclable resources, thoroughly separating wastes at construction and demolition sites, and using recycled products such as recycled crushed stones.

Stakeholder Comment

I want Sumitomo Forestry to give further consideration to the environment, including the reduction of waste, in its main business. (NGO)

Zero Emissions Initiatives

Sumitomo Forestry started carrying out zero emissions initiatives to advance the recycling of resources. The Sumitomo Forestry Group has defined zero emissions as not disposing in landfills or simply incinerating all of the industrial waste generated at manufacturing sites, new housing construction sites and other operations sites (excluding demolition work sites). Quantitatively, this means achieving a recycling rate of at least 98%. All Group companies and departments have started pursuing the goal of a recycling rate of at least 98% for industrial waste by the end of March 2010.

In fiscal 2008, each business division and Group company held regular meetings of zero emissions working groups and made efforts toward achieving zero emissions. The Housing Division and Group companies also strengthened cooperative relationships with intermediate treatment contractors through joint zero-emissions meetings held in Tokyo, Osaka, and Nagoya.

In fiscal 2008, the Group intensified initiatives undertaken with cement manufacturers and worked on turning industrial waste into a raw material for cement. These efforts brought the Group's recycling rate up to about 78% in fiscal 2008. In addition, Sumirin Agro-Products Co., Ltd., Toyo Plywood Co., Ltd., and two plants belonging to Sumitomo Forestry Crest Co., Ltd., achieved zero emissions during fiscal 2008. In its current industrial waste disposal system, the Group has determined several issues that should be resolved to achieve zero emissions through its zero emissions initiatives.

Stakeholder Comment The entire construction industry should work to realize zero-waste emissions.(Expert)

Waste Reduction at New Housing Construction Sites

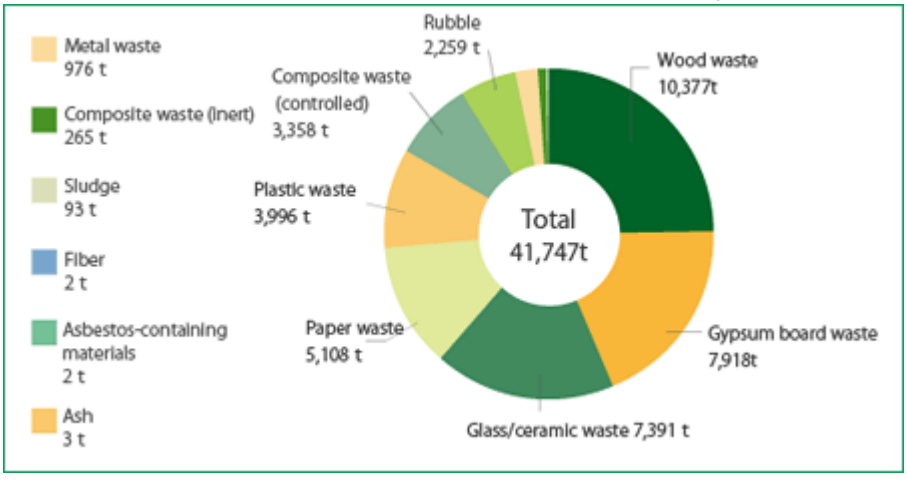
In fiscal 2008, Sumitomo Forestry achieved a recycling rate of about 74% for waste generated at new housing construction sites.

In fiscal 2008, the Housing Division started a trial run of an industrial waste traceability system that uses IC chips to ascertain the actual output of waste from new housing construction sites. IC tags were attached to waste, which was sorted into 11 categories and collected separately, and the information obtained was sent to the Japan Industrial Waste Technology Center via the Japan Waste Network (JWNet electronic manifest) to monitor the movement of the waste. The system enables accurate measuring of the weight of waste and contributes significantly to preventing inappropriate disposal. This initiative was approved as a Project to Develop the Technology Foundation for Facilitating the Formation of a Next-Generation Recycling-Based Society, implemented by the Ministry of the Environment. The Company plans to fully introduce the system at each of its sites in the greater Tokyo area in the future.

The Company has also begun efforts to reduce the generation of waste by minimizing packing materials, pre-cutting soffits (the underside of eaves) and gables, and introducing other waste reduction measures. Certain waste materials, such as siding, roofing tiles, composite waste, and other materials that are difficult to recycle, presented a major challenge for achieving zero emissions, as landfilling or simple incineration are currently the only means of dealing with them. Since fiscal 2007, Sumitomo Forestry has been investigating the possibility of turning materials that are difficult to dispose of into a raw material for cement. The Company has been holding regular zero emissions study sessions with Sumitomo Osaka Cement Co., Ltd., and four of its main intermediate treatment contractors located in greater Tokyo. In fiscal 2008, the Company started making test deliveries of plastic waste and roofing tiles to Sumitomo Osaka Cement's Tochigi Plant. The Company is also exploring the possibility of obtaining "inter-region recovery and recycling certification"[1] used by Nichiha Corporation and Kubota Matsushitadenko Exterior Works, Ltd., which are manufacturers of siding that the Company hopes to recycle.

1. A special waste disposal system that allows the collection, transportation, and disposal of waste by product manufacturers beyond prefectural borders. The system is compliant with the Waste Disposal Law, and approval is granted by the Minister of the Environment if a company is deemed to have attained a high level of waste reduction and throughput capacity.

■ Volume of Industrial Waste from New Detached Housing (FY2008)

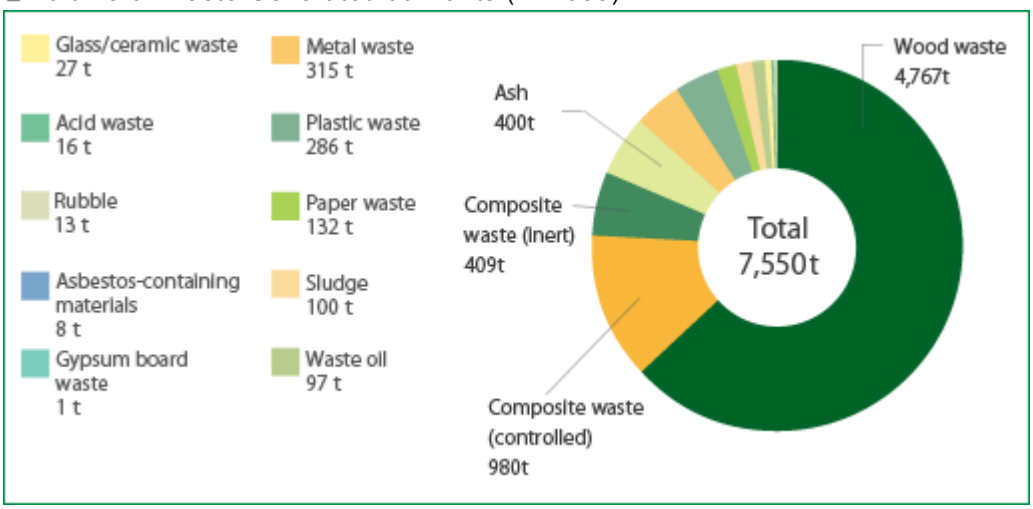


Waste Reductions at Plants

Plants operated by Sumitomo Forestry Crest, Toyo Plywood, and Sumirin Agro-Products have been taking initiatives toward the achievement of zero emissions by March 2010.

In fiscal 2008, all seven plants operated by Toyo Plywood and Sumirin Agro-Products achieved a recycling rate of at least 98%. Of the four plants operated by Sumitomo Forestry Crest, two attained the goal of zero emissions. The other two plants expect to achieve zero emissions after overcoming the obstacle of securing processing routes for ash, soot and dust by March 2010. All of the Sumitomo Forestry Group's plants expect to achieve zero emissions by March 2010.

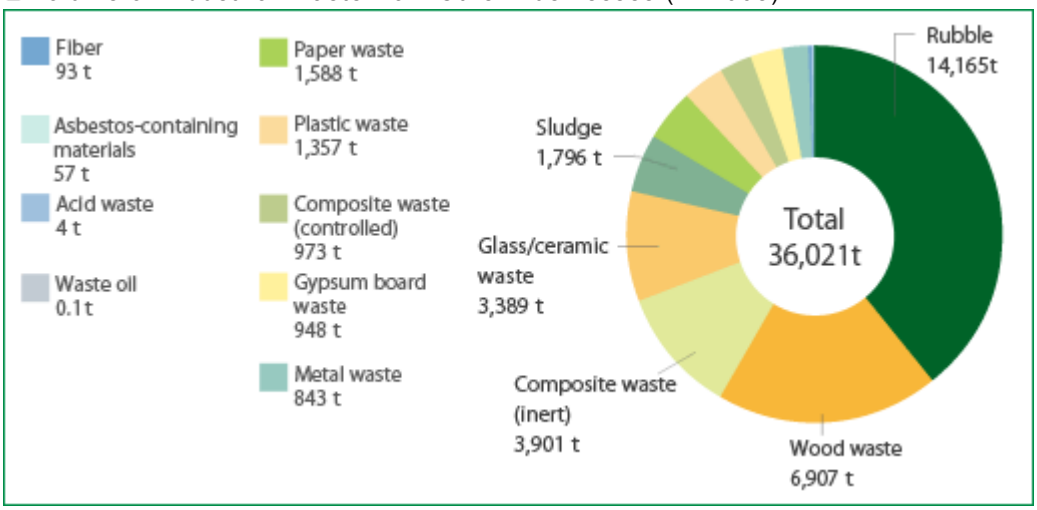
■ Volume of Waste Generated at Plants (FY2008)



Waste Reduction in Other Businesses

Industrial waste is generated by other businesses besides new housing construction and manufacturing plants, including research facilities, renovation work, landscaping and greening work, and repair work for rental properties. In these businesses, Sumitomo Forestry is also pursuing the goal of achieving zero emissions by March 2010.

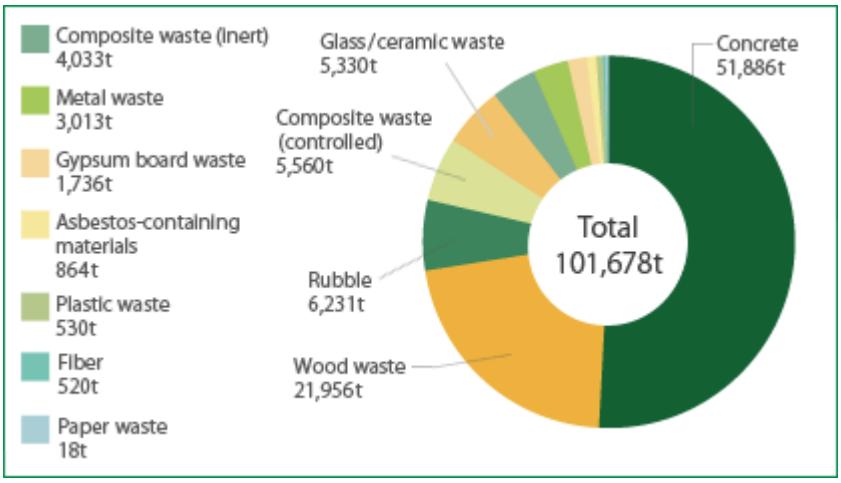
■ Volume of Industrial Waste from Other Businesses (FY2008)



Proper Disposal of Demolition Waste

Sumitomo Forestry demolished nearly 2,300 old houses in fiscal 2008 to make room for new housing construction, generating some 100,000 tons of waste in the process. Recognizing the importance of keeping waste materials in circulation, the Company has strived to improve recycling even before the enactment of the Construction Waste Recycling Law, by thoroughly dismantling, sorting, and separately disposing waste material. The Company has achieved a nearly 100% recycling rate for concrete and metal waste and a 98% recycling rate for wood waste. The present challenge is developing recycling routes for roofing tiles, glass, ceramics, gypsum board, and other mixed waste, as there is still no effective means of recycling these materials.

■ Volume of Demolition Waste

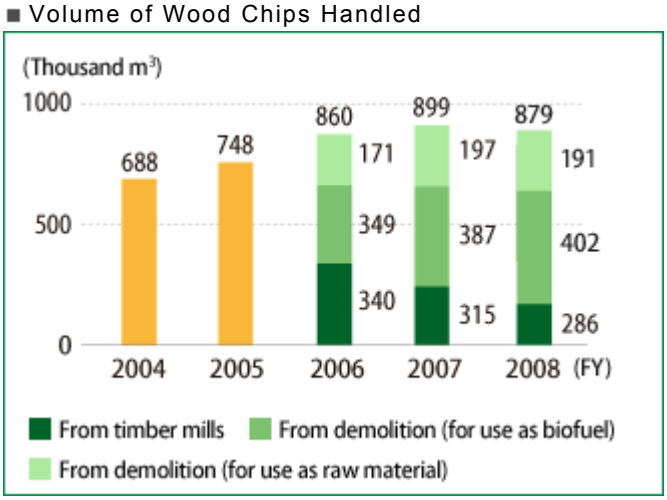


Resource Recycling

Recycling of Wood Waste

Offcuts from the timber milling process and waste wood from new housing construction and demolition sites can be turned into wood chips for use in papermaking and particle board or as biofuel. Sumitomo Forestry has created its own recycling routes for facilitating the distribution of wood chips by employing the networks it has developed through its timber distribution business.

■ Volume of Wood Chips Handled



Stakeholder Comment

Construction sites generate a huge amount of waste. Since Sumitomo Forestry specializes in wooden houses, I want it to develop ways of raising Japan's energy self-sufficiency by diverting waste from wooden houses into biofuel. (Expert)

Researching the Effective Utilization of Used Activated Carbon

In fiscal 2008, Sumirin Agro-Products began conducting joint research with the Tokyo Metropolitan Government Bureau of Waterworks to develop potting media for agriculture and horticulture and a soil amendment for landscaping, both made with used activated carbon from drinking water treatment plants. The bureau uses an advanced water purification process that combines ozone treatment with biologically activated carbon. This system uses large quantities of activated carbon in the processes of reducing organic material and deodorization. Used activated carbon needs to be replaced with new carbon due to age-related deterioration. The bureau forecasts that it will generate 4,750m^3 of used activated carbon by fiscal 2013, for which it needs an effective use. With the goal of realizing practical application within two years, the joint-research project is seeking to clarify the fundamental characteristics of activated carbon, determine its effects on vegetation, and explore methods of using it as a potting media for agriculture and horticulture and as a soil amendment.

Sustainability of Timber Resources

Sumitomo Forestry procures sustainable timber resources, actively uses Japanese timber and is expanding its reforestation[1] efforts outside Japan to ensure that forest resources are available in perpetuity.

1. Definitions for English Translations of *shokurin*
   The terms below are used with the following definitions throughout this report.

   Reforestation:
   The re-planting of trees on land that had previously been forested but lost its forest cover, due to harvesting or forest death.

   Afforestation:
   The planting of trees on land that had never been forested, or the re-planting of trees on land that had been forested several hundreds of years ago.

Forests Today and Sumitomo Forestry's Role

The depletion and devastation of forests has become a global issue. As a timber distributor and owner of approximately 40,000 hectares of forest, Sumitomo Forestry believes that it has an important role to play in ensuring the sustainability of timber resources. The Company will continue to promote the use of sustainable timber by capitalizing on its accumulated forest management expertise and on the results of its research and development efforts related to trees and wood.

Stakeholder Comment

Japan's forestry industry is in decline. I'd like to see Sumitomo Forestry take the initiative in reviving this industry in Japan. (Customer)

Management of Company-Owned Forests

Sumitomo Forestry's company-owned forests located in Hokkaido, Shikoku, Kyushu and Wakayama cover a total area of 41,532 hectares (about 1/1,000 of Japan's land area and 1/600 of its growing stock). These forests are managed in an environmentally friendly and sustainable manner.

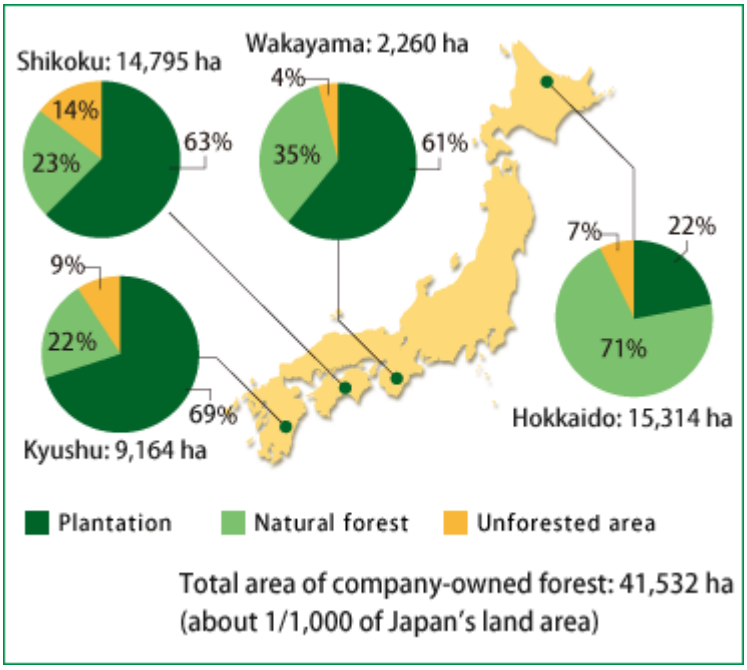
Forests perform a number of functions for the public good, including conserving national land, cultivating water resources, curbing global warming by absorbing CO_2, and preserving biodiversity. These benefits can be enhanced with proper forest management. Unlike fossil fuels, the cycle of reforestation, thinning, harvesting and re-planting makes it possible to use forests as a renewable resource. Sumitomo Forestry's forests absorbed about 116,000 tons of CO_2 in fiscal 2008, due to proper forest management.

Sumitomo Forestry-owned forests acquired certification from Japan's Sustainable Green Ecosystem Council (SGEC)[1] in September 2006, meaning that a third-party has verified that the forests are properly managed. In fiscal 2008, the forests were inspected for the second time since earning forestry certification, and it was determined that Sumitomo Forestry has taken appropriate measures to preserve biodiversity, among other issues. In addition, a 76-hectare forest acquired in Shikoku in December 2007 was certified by SGEC in fiscal 2008.

The Company's management practices consider the ecosystems and surrounding environment, and include methods for appropriate thinning and small-area clear cutting, which enable efficient harvesting of trees, followed by reforestation. These practices ensure sustainable forest management.

1. Japan's own forestry certification system through which forest management is verified as sustainable by third parties. Certification is based on seven standards that include the preservation of biodiversity and the conservation and maintenance of soil and water resources.

■ Distribution and Area Covered by Sumitomo Forestry-Owned Forests (As of April 1, 2009)



Stakeholder Comment

I want Sumitomo Forestry to support the Japanese forestry industry by managing forests. (Management-related CSR Expert)

For more information, refer to Ensuring Traceability of Timber on page 29.

For more information, refer to Policy and Plans for Biodiversity Preservation on page 94.

Promoting Utilization of Japanese Timber

Following World War II, mountains throughout Japan were planted with Japanese cedar and cypress trees in an intense reforestation effort. However, Japanese timber became less competitive than imported timber due to deregulation policies, making forest management an unprofitable business. As a result, the country's forest plantations were practically abandoned and the forestry industry fell into decline.

Sumitomo Forestry believes that sound business practices are needed to drive Japan's forestry industry so that timber resources can continue being produced from the country's forests in the future. This means that greater use of Japanese timber will be a major challenge.

Using Japanese Timber in Homes

Sumitomo Forestry embraces a policy of actively using Japanese timber in its houses, and is promoting initiatives to promote the use of its *Super Cypress* laminated engineered wood for structural use, made from Japanese cypress (*Chamaecyparis obtusa*), and its original load-bearing wall lattice panels, made from Japanese cedar (*Cryptomeria japonica*) and Japanese larch (*Larix leptolepis*). In fiscal 2008, the Company reached its target of using Japanese timber for 70% of the principal structural members for Sumitomo Forestry Home houses.

Sumitomo Forestry also builds houses that use Japanese timber for 100% of principal structural members, limited to certain product models and regions. The *MyForest-Waraku Miyabi* home, launched in November 2006, uses Japanese timber for all principal structural members, including *Super Cypress* (100% Japanese cypress laminated engineered wood) for foundations and posts and larch for beams. The *MyForest-Taiju* home, launched in February 2008, uses Japanese timber for all principal structural members, with *Super Cypress* used for posts, foundations and sleepers, and cypress used in original load-bearing lattice panels, Sumitomo Forestry also encourages the use of Japanese cedar for interior materials. To promote local production for local consumption in Hokkaido, locally grown larch and Sakhalin fir are used for principal structural members in a house made of 100% Japanese timber.

For two mainstay products in the two-by-four housing category, *MyForest-Nostalgia* and *MyForest-Urbanist*, the Company increased the percentage of Japanese timber used for principal structural members and equipped the houses with external heat insulation and central air conditioning/heating systems to enhance environmental performance. The structural plywood used in two-by-four built houses is a composite plywood made of cedar and cypress—the first such product to use Japanese cypress. Japanese timber was also used for principal structural members, with laminated engineered wood made of Japanese cypress employed for the foundation and sleepers. As a result of these changes, the usage rate of Japanese timber for principal structural members was increased from 4% to 30%.

Sumitomo Forestry will continue to promote these initiatives in its effort to encourage the use of Japanese timber.

- My family feels a great deal of pride in the house that Sumitomo Forestry built for us. (Business partner)
- Sumitomo Forestry does not exclusively use Japanese timber, but also uses imported timber. I think the Company should set separate environmental initiatives for each type of timber. (Business partner)

For more information, refer to Providing Environmentally Friendly Homes in Four Material Issues on page 29.

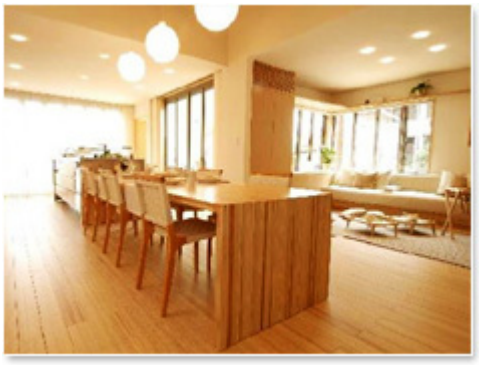
Utilization of Japanese Timber in Products and Consideration of the Environment

Toyo Plywood Co., Ltd., manufactures a line of doors and flooring called *Totorop*, which is made of Japanese-grown Sakhalin fir. A cycle of logging and planting these trees, which are commonly grown on plantations in Hokkaido, enables a balance between timber supply and forest regeneration. *Totorop* products effectively use the knotted parts of the timber, which was previously unused, as laminated engineered wood without diminishing performance. Moreover, when drying Sakhalin fir, dried scraps and offcuts are used in the drying equipment as biomass, a renewable energy.

Sumitomo Forestry Crest Co., Ltd., uses Japanese cedar for its *Ayasugi* line of interior materials such as entrance hall storage areas, stairways and flooring. Although Japanese cedar is the most commonly planted tree in Japan, after it is cut into posts, some parts of the remaining wood are generally not used. However, Sumitomo Forestry Crest was particularly suited to apply its unique technologies to process these parts for its *Ayasugi* line. *Ayasugi* has earned high praise for its high-quality interior materials and the approach of integrating every stage of business from forest management to house construction, and won the Good Design

Gold Award 2008 in the human body and life category.

Totorop



Ayasugi

Development of Efficient Timber Drying Technology

Cedar and cypress timber, which are often used to make posts, are sawed up and then dried. However, cracking tended to occur in the wood drying process, especially for cedar due to its high moisture content. Therefore, resolving this problem was essential to ensuring consistent quality.

Sumitomo Forestry responded by developing and promoting the MIZDAS® system, which is incorporated into timber drying equipment to automatically control temperature and humidity via a computer. Sensors are attached to the section of the timber to be dried to measure the moisture content and temperature of the wood inside the drying kiln. Conditions are adjusted accordingly to ensure appropriate temperature and humidity levels. This system reduces cracking, distortion and other damage to the timber, making it possible to deliver the highly competitive and high-quality *MIZDAS® Cedar* posts and *MIZDAS® Cypress* posts at low cost.

Cypress posts are removed after drying from a kiln equipped with a MIZDAS® system

Shipment of *MIZDAS® Ceder* posts

Effective Use of Unused Biomass Resources

Finding an effective use for the branches and wood chips left behind after thinning a forest has become a major issue, since these scraps would release global-warming gases and damage the forestland if left behind. Sumitomo Forestry Timberland Management Co., Ltd. recognized that using these unused resources as bio fuel would bring benefits to forest owners and help revitalize the forestry industry. Therefore, it took a leading role in the Model

Demonstration Project for New Businesses Creation Using Wood Resources, a program that tests the efficiency of supply chain methods to develop viable businesses using wood biomass.

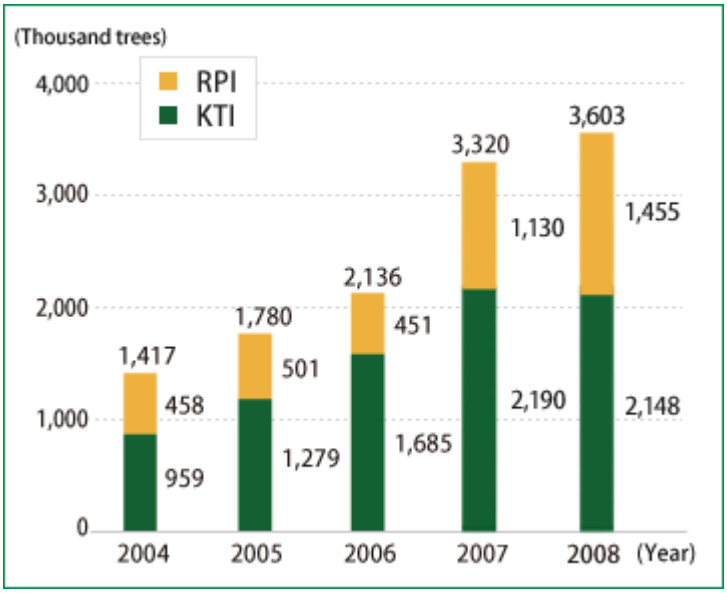
The program demonstrated the need for a "local production for local consumption" business model to lower high transportation costs. In this model, resources are collected and consumed in the same region. The program also discovered that the scrap timber should be collected after it had dried for six months to one year after the thinning.

In the future, Sumitomo Forestry Timberland Management will evaluate the effectiveness of this trial program from an academic perspective, and work toward business development.

Forest Preservation Outside Japan

Group companies outside Japan are increasing their use of plantation timber and promoting plantation forest operations to ensure a stable supply of raw materials while still protecting the environment. In fiscal 2008, PT. Kutai Timber Indonesia (KTI) planted 1,821 hectares, PT. Rimba Partikel Indonesia (RPI) planted 734 hectares, Nelson Pine Industries Ltd. in New Zealand planted 125 hectares, and Open Bay Timber Ltd. in Papua New Guinea planted 632 hectares. KTI, which produces plywood and other timber products, is working toward its goal of using plantation timber for all of its raw material in the future.

■ Reforestation in Indonesia



Contributions to Local Communities

In its plantation forest operation activities, Sumitomo Forestry cooperates with residents living in the vicinity of its projects to ensure that they receive the economic benefits of plantation forest operations. In 2000, the Company launched "social forestry" in Indonesia, a program for distributing seedlings to local residents free of charge. KTI and RPI then promise to buy the grown trees back in six to seven years, when the trees are ready for harvesting. Residents expect to benefit from this project, and supporting their independence and communicating with them builds strong relationships.

KTI formed a reforestation cooperative in fiscal 2007, and acquired FSC FM certification in December 2008.

For more information, refer to Providing Timber Products and Materials from Sustainable Forests in Four Material Issues on page 22.

Promoting the Use of Timber from Sustainable Forests

Sumitomo Forestry procures timber from forests all over the world and therefore has a major obligation to preserve the world's forests. The Timber & Building Materials Division's Forest Products Trading Department and Building Materials Department have acquired Forest Stewardship Council (FSC)[1] and the Programme for the Endorsement of Forest Certification (PEFC)[2] Chain of Custody (CoC)[3] certification to encourage the use of timber from sustainable forests. In addition, Sumitomo Forestry has established a system to survey timber suppliers to ensure that it only handles legally compliant timber. In June 2007, Sumitomo Forestry established the Sumitomo Forestry Group Timber Procurement Philosophy and Policy, and is currently implementing an action plan to promote the procurement of timber grown in sustainable forests.

1. The FSC is a third-party organization that provides a global forestry certification system. Its Forest Management (FM) certification authenticates forest management, while FSC CoC certification of business organization confirms that forest products from certified forests are appropriately separated and marked in the storage, processing and distribution processes.
2. The PEFC is a forestry certification program that promotes sustainable forest management by offering certification from third parties independent of stakeholders.
3. A system for certifying appropriate separation and labeling by operators during storage, processing and distribution of timber from forests.

Expanding Imports of Plywood Made from Timber from Certified Forests and Plantations

In an effort to increase its usage of plywood made with timber from certified forests and plantation forests, which are eco-friendly materials, in September 2008 Sumitomo Forestry decided to expand its imports of plywood made with timber from certified forests. The Company is aiming for about 50% of its imported plywood to be made with timber from certified forests and plantation forests by fiscal 2011, mainly by importing FSC-certified plywood manufactured by the ALAS Group in Indonesia.

Sumitomo Forestry Presented with Letter of Appreciation from Forestry Agency Director-General for Supply of Legally Compliant Timber

In December 2008, the Forest Products Trading Department of the Timber & Building Materials Division was presented with the Award for the Excellent Diffusion and Promotion of Legally Compliant Timber, sponsored by the Japan Federation of Wood Industry Associations' Council for Tackling Illegal Logging Issue. Presented by the Forestry Agency Director-General, the honor recognized Sumitomo Forestry's efforts to spread the use of legally compliant timber as well as its achievements in procuring and supplying such timber. The award also recognized the Sumitomo Forestry Group Timber Procurement Philosophy and Policies, established in fiscal 2007, the Company's thorough survey of suppliers in and outside Japan, the acquisition of SGEC forestry certification for all company-owned forests in fiscal 2006, and Sumitomo Forestry Timberland Management's acquisition of certification as a business handling SGEC-certified wood products. The Company also received high praise for its efforts to promote legally compliant wood products, such as its program to ensure the reliability of legally compliant products based on its Timber Procurement Standards, as well

as its initiatives to promote the distribution of timber from certified forests, and a program started by the Forest Products Trading Department's Panel Group in fiscal 2008 to expand sales of forest-certified plywood.

The award ceremony

Preserving Biodiversity

Biodiversity is an essential condition that forms the very foundation for supporting human life. Yet biodiversity is rapidly disappearing. In response to this, Sumitomo Forestry is continuously pursuing initiatives to preserve biodiversity and utilize its benefits in a sustainable way through its businesses.

Relationship between Sumitomo Forestry's Business and Biodiversity

Sumitomo Forestry's business has revolved around trees ever since it was founded. Many companies indirectly affect biodiversity through their supply chains, but Sumitomo Forestry's business field is directly concerned with the forests that produce trees and foster biodiversity. The Company seriously recognizes its responsibility and impact on biodiversity. Moreover, trees are the blessings of biodiversity, and the loss of biodiversity could mean the loss of the foundation for the Company's business. With this in mind, Sumitomo Forestry recognizes the necessity of taking up the challenge of preserving biodiversity.

Since its business directly relates to wood, I would like to see Sumitomo Forestry continue proactive initiatives to ensure biodiversity and use forests in a sustainable manner. (Employee)

Policy and Plans for Biodiversity Preservation

Sumitomo Forestry explicitly stated its consideration for biodiversity when it revised its Environmental Policy in October 2007, and also established its Policy on Biodiversity Preservation in Company-Owned Forests in Japan. The Group's Timber Procurement Philosophy and Policy also reflects its respect for biodiversity. Sumitomo Forestry has been working to thoroughly verify the legal compliance of its timber to prevent illegal logging. As the next step, the Company will focus on expanding its use of timber certified under standards that include considerations of biodiversity.

Policy on Biodiversity Preservation in Company-Owned Forests in Japan

1. Diversity of ecosystems

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

2. Diversity of species

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

3. Genetic diversity

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

Fiscal 2008 Achievements

In fiscal 2008, Sumitomo Forestry launched a monitoring study to specifically examine biodiversity in company-owned forests. The Company also succeeded in raising its use of Japanese timber for principal structural members in Sumitomo Forestry Home houses to 70%, with the view that the effective use of this timber can lead to the preservation of forests and biodiversity in Japan as well as overseas.

In social contribution activities, the Company continued its work to regenerate natural forests under the Mt. Fuji Manabi no Mori natural forest restoration project, started in 1998. The Group is carrying out many programs to preserve biodiversity while working to establish methods to measure it, given the absence of clear standardized indicators globally. In this context, Sumitomo Forestry will work to devise methods for quantitatively determining objectives and results.

Initiatives for Biodiversity Preservation in Company-Owned Forests

In September 2006, Sumitomo Forestry established its Policy on Biodiversity Preservation in Company-Owned Forests in Japan. The Company also created the *Sumitomo Forestry Red Data Book* to list the rare flora and fauna that might exist in company-owned forests, and provides training to those who work in these forests. In fiscal 2008, Sumitomo Forestry began conducting surveys to monitor and determine the status of birds and animals living in company-owned forests. The Company plans to conduct a survey to identify the long-term impact of logging and reforestation on animals in one of the regions of Hokkaido, Shikoku, Kyushu and Wakayama each year, to ensure that each region is surveyed every four years.

The Sumitomo Forestry Red Data Book
(Niihama Forestry Office, Ehime Prefecture Edition)

Survey of Mammals and Birds in Company-Owned Forests in Shikoku

As part of a monitoring program for SGEC forestry certification, Sumitomo Forestry began monitoring company-owned forests in Shikoku in June 2008. Mammals and birds were surveyed and photographed at fixed points to obtain the basic information needed to protect biodiversity in company-owned forests and determine the impact of logging on the surrounding environment.

Survey Result

The survey confirmed the presence of a wide variety of mammals and birds.

■ Mammals and avian species confirmed
(Those followed by * have been designated as endangered species in the Red Data Book by

national and prefectural governments)

Mammals	Mole family, bat family, Japanese Macaque (*Macaca fuscata*), Japanese Hare (*Lepus brachyurus*), Japanese Squirrel (*Scirurs lis*)*, Japanese Giant Flying Squirrel (*Petaurista leucogenys*), mouse family, Raccoon Dog (*Nyctereutes procyonoides*), Red Fox (*Vulpes vulpes*), Japanese Marten (*Martes melampus*), weasel family, Eurasian Badger (*Meles meles*), Masked Palm Civet (*Paguma larvata*), Sika Deer (*Cervus nippon*) (14 species, 10 families, 7 orders)
Birds	Black Kite (*Milvus migrans*), Peregrine Falcon (*Falco peregrinus*)*, Copper Pheasant (*Syrmaticus soemmeringii*)*, White-bellied Green Pigeon (*Sphenurus sieboldii*), Eurasian Cuckoo (*Cuculus canorus*)*, Oriental Cuckoo (*Cuculus saturatus*), Lesser Cuckoo (*Cuculus poliocephalus*), Ruddy Kingfisher (*Halcyon coromanda*)*, Japanese Green Woodpecker (*Picus awokera*), White-backed Woodpecker (*Dendrocopos leucotos*)*, Japanese Pygmy Woodpecker (*Dendrocopos kizuki*), Brown-eared Bulbul (*Hypsipetes amaurotis*), Winter Wren (*Troglodytes troglodytes*), Japanese Thrush (*Turdus cardis*)*, Japanese Bush Warbler (*Cettia diphone*), Eastern Crowned Warbler (*Phylloscopus coronatus*), Goldcrest (*Regulus regulus*), Narcissus Flycatcher (*Ficedula narcissina*)*, Blue-and-white Flycatcher (*Cyanoptila cyanomelana*)*, Long-tailed Tit (*Aegithalos caudatus*), Willow Tit (*Parus montanus*), Coal Tit (*Parus ater*), Varied Tit (*Parus varius*), Great Tit (*Parus major*), Eurasian Nuthatch (*Sitta europaea*), Japanese White-eye (*Zosterops japonicus*), Meadow Bunting (*Emberiza cioides*), Japanese Grosbeak (*Eophona personata*)*, Eurasian Jay (*Garrulus glandarius*), Large-billed Crow (*Corvus macrorhynchos*), Chinese Bamboo Partridge (*Bambusicola thoracica*) (31 species, 19 families, 7 orders)

A survey carried out by Regional Environmental Planning Inc. provided further observations for determining the impact of clear-cutting on mammals and birds.

1. Mammal habitats

The survey confirmed the presence of large and medium-sized mammals, which require broad areas for their habitats, including Japanese Macaque, Sika Deer, Red Fox and Raccoon Dog, in clear-cut areas and adjacent forests. However, the arboreal Japanese Squirrel and the Japanese Giant Flying Squirrel, which primarily live in trees, and the sylvan bat family, which inhabit trees, were not found in clear-cut areas due to the impact of clear-cutting operations. They are expected to return to the areas after vegetation is regenerated and clear-cut areas are reforested.

2. Avian species habitats

Almost all avian species were confirmed in adjacent forests, and the type and number of species were markedly affected by clear-cutting operations. As vegetation is regenerated in the clear-cut area, the populations of species living in the surveyed area are expected to increase and the types of species are expected to diversify.

3. Shared habitats

Of the species confirmed, Red Foxes and Peregrine Falcons are regarded as umbrella species, which means they are high in the food chain. The presence of umbrella species indicates that the habitat supports a diversity of mammals and avian species. Sumitomo Forestry will continue to monitor the endangered species that have been verified and implement measures to protect them, while determining the impact of logging.

The presence of the Red Fox was verified using unmanned photography

The presence of the Japanese Marten was verified using unmanned photography

Stakeholder Comment

I expect Sumitomo Forestry to make contributions to the preservation of biodiversity through forest management. (Expert)

Fiscal 2009 Plans

In fiscal 2009, Sumitomo Forestry will begin planting trees in forests outside Japan to offset the CO_2 emissions from Sumitomo Forestry Home houses, from the stages of logging timber for use as principal structural members through construction. The Company will make every effort to ensure that its reforestation and monitoring activities are friendly to biodiversity.

To increase the public's understanding of biodiversity, Sumitomo Forestry will actively disseminate information both in and outside the Company while encouraging employees to consider biodiversity in their daily work. In this way, the Company intends to take the lead over other companies in contributing positively to biodiversity through its programs.

Proper Management of Harmful Substances

Sumitomo Forestry's Medium-Term Environmental Management Policy designates the strict management of harmful substances as one of its principal initiatives. Consistent with this policy, the Group is working to determine the extent of its use and emissions of harmful substances and to manage them properly.

Management of Chemical Substances at Research Institute and Plants

The Sumitomo Forestry Tsukuba Research Institute and the plants belonging to Sumitomo Forestry Crest Co., Ltd., and Toyo Plywood Co., Ltd., use chemical substances in laboratory work and production. The Tsukuba Research Institute prepared the *Chemical Substance Management Manual* based on a pollution prevention agreement it entered into with the city of Tsukuba. The institute established an organizational structure for chemical substances management in accordance with the manual and prescribed methods for receiving, storing, using, and disposing of chemical substances.

Sumitomo Forestry Crest and Toyo Plywood produce structural lining and interior materials for use in housing construction. The companies' seven plants take precautions to prevent chemical leaks and other environmental accidents. They have prepared environment-related operations manuals that prescribe methods for waste disposal, water treatment, and the handling of organic solvents, among other matters. The plants are also measuring concentrations of air and water pollutants and organic solvents in exhaust gas.

■ Emissions and Transfers of PRTR Substances[1] by the Tsukuba Research Institute, Sumitomo Forestry Crest and Toyo Plywood

1. PRTR substances: substances controlled under the Pollutant Release and Transfer Register Law

Substance No. (PRTR Law)	Chemical substance	Volume used	Emissions to air	Emissions to public sewage system	Emissions to soil	On-site landfill	Total emissions	Transfers as waste	Transfers to sewage	Total transfers	Consumed
179	Dioxins	39,356.81	50.71	0.00	0.00	0.00	50.71	1.40	0.00	1.40	0.00
145	Dichloromethane	48,451.00	44,757.04	0.00	0.00	0.00	44,757.04	3,693.96	0.00	3,693.96	28,786.00
227	Toluene	540.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	Acrylic acid	2,973.00	0.00	10.00	0.00	0.00	10.00	0.00	0.00	0.00	2,980.00
30	Bisphenol A-type epoxy resin	25,400.00	0.00	0.00	0.00	0.00	0.00	127.00	0.00	127.00	25,400.00
43	Ethylene glycol	1,304.26	18.26	7.90	0.00	0.00	26.16	5.60	0.00	5.60	1,259.00
65	Glyoxal	2,346.00	0.00	0.00	0.00	0.00	0.00	4.70	0.00	4.70	2,345.00
102	Vinyl acetate	1,985,444.00	3,500.00	1.40	0.00	0.00	3,501.40	0.00	0.00	0.00	1,995,353.00
266	Phenol	19,440.00	0.00	0.30	0.00	0.00	0.30	570.00	0.00	570.00	19,440.00
310	Formaldehyde	273,705.00	81.00	14.00	0.00	0.00	95.00	0.00	0.00	0.00	275,451.00
314	Methacrylic acid	1,415.00	0.00	1.50	0.00	0.00	1.50	0.00	0.00	0.00	1,416.00
12	Acetonitrile	0.36	0.00	0.00	0.00	0.00	0.00	0.36	0.00	0.36	0.00
20	2-Aminoethanol	0.01	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.01	0.00
127	Chloroform	0.91	0.00	0.00	0.00	0.00	0.00	0.91	0.00	0.91	0.00
412	Manganese sulfate	0.01	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.01	0.00
453	Ammonium molybdate tetrahydrate	0.29	0.00	0.00	0.00	0.00	0.00	0.29	0.00	0.29	0.00

■ Emissions of NOx and SOx

Substance	Emissions (Unit: kg)
Sulfur oxides (SOx)	6,248
Nitrogen oxides (NOx)	118,208
Soot and dust	21,282

Proper Treatment of Building Materials Containing Asbestos

Revisions made to the Waste Management and Public Cleansing Law in July 2006 required changes to the handling of asbestos and how information is recorded in industrial waste management forms. Sumitomo Forestry has secured appropriate disposal routes in order to comply with the revisions. The Housing Division already had in place Procedures for the Demolition of Buildings Containing Asbestos, and has implemented measures to prevent the dispersal of asbestos during demolition work. The Company also discloses information about asbestos use and countermeasures via its website.

Storage of Polychlorinated Biphenyls

Sumitomo Forestry properly manages polychlorinated biphenyl (PCB) waste and prevents leakage to the soil by keeping it in sealed metal containers inside designated, locked steel warehouses marked for stored goods. Each branch and division has arranged to gradually dispose of stored PCBs based on proper disposal implementation plans.

Measures against Volatile Organic Compounds

Only F☆☆☆☆ building materials, which have the lowest level of formaldehyde emissions, are used in Sumitomo Forestry Home houses in order to reduce emissions of volatile organic compounds (VOCs), which have been identified as a cause of "sick house" syndrome.

Use of Chromium-Free Materials

With the enforcement of Europe's WEEE[1] and RoHS[2] directives, companies are required to reduce the amount of harmful substances such as hexavalent chromium, lead, and cadmium contained in their products. Sumitomo Forestry is switching to building components that do not contain chromium in order to reduce the use of harmful substances in structural metals. As a result of continued efforts in this area, the Company's use of chromium-free surface treated metals increased to 95% of all metals used in fiscal 2008.

1. Waste Electrical and Electronic Equipment
2. Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment

Efficient Use of Water Resources

The world's limited water resources make it essential that we use this water efficiently. Sumitomo Forestry is therefore working to reduce its water use at its factories and offices.

Reducing Water Use at Factories

The No. 2 Kyushu Factory of Toyo Plywood Co., Ltd., a Sumitomo Forestry Group company, currently uses industrial water primarily to cool manufacturing equipment and to dilute industrial wastewater. In fiscal 2008, the plant introduced the following measures to reduce its water use.

1. Wastewater was reduced by redesigning production plans according to production order to decrease the number of times equipment is washed.
2. Wastewater was reduced by re-circulating some of the water used to wash equipment for re-use as a raw material.
3. A storage pool for effluent and raw water was covered with a roof to prevent rainwater from increasing wastewater volume.

As a result of these measures, water use was reduced 7% over the previous year in fiscal 2008.

The Factory will take these measures even further and also effectively use water for cleaning heavy oil equipment in its effort to reduce water use and wastewater in fiscal 2009, targeting a reduction in water use of 20,000 m^3 compared to fiscal 2008.

A roof was built over a storage pool of effluent and raw water to prevent rain from entering.

For more information, refer to Balance of Input and Output on page 69.

Environmental Management

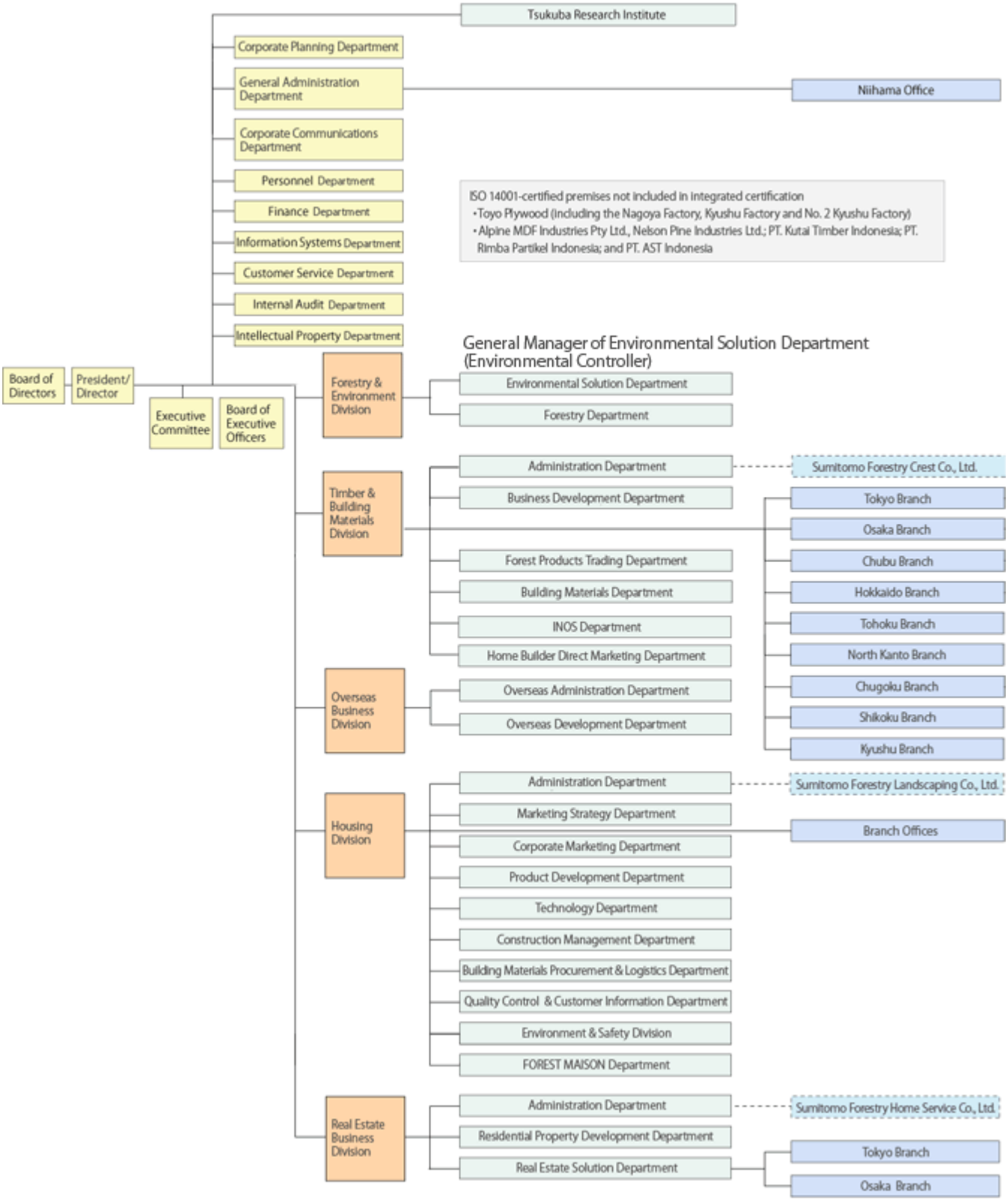
Sumitomo Forestry was among the first in the housing industry to obtain ISO 14001 certification for its environmental management system, and is pushing forward to reduce its environmental impact with a group-wide integrated system.

Promoting Environmental Management

Environmental Management System

■ Environmental Management Structure

The following organizations consider the environment in business activities through activities carried out by respective divisions and in keeping with the Company's Environmental Policy of contributing to the realization of a sustainable society



In fiscal 1995, Sumitomo Forestry adopted an environmental management system (EMS), and in fiscal 1997 its Housing Division was the first organization in Japan's housing industry to acquire ISO 14001 certification. In fiscal 2002, the certification was upgraded to encompass the entire Company. Efforts were taken to extend this certification to Group companies, and by the end of fiscal 2008 three companies were included in the integrated ISO 14001 certification: Sumitomo Forestry Landscaping Co., Ltd., Sumitomo Forestry Home Service Co., Ltd., Sumitomo Forestry Crest Co., Ltd.

Companies that have obtained ISO 14001 certification independent of the Group-wide integrated ISO 14001 certification are: Toyo Plywood Co., Ltd., including its Nagoya Factory, Kyushu Factory and No.2 Kyushu Factory; Alpine MDF Industries Pty Ltd.; Nelson Pine Industries Ltd.; PT. Kutai Timber Indonesia; PT. Rimba Partikel Indonesia; and PT. AST Indonesia.

In an effort to integrate environmental management into day-to-day operations, environmental budgets were introduced in fiscal 2004 at major departments of Group companies in Japan, and extended in fiscal 2006 to include all departments of these companies as well as affiliated companies outside Japan.

Internal Environmental Audits

Different departments of Group companies conduct audits of each other to reliably and efficiently progress with environmental conservation efforts. In fiscal 2008, the number of departments conducting mutual audits was expanded to 83. Internal environmental auditors evaluate initiatives, propose improvements, and check compliance frameworks. The results of internal audits are reported to management, which prescribes improvements as needed. Employees are qualified as internal environmental auditors by passing an examination upon completion of a training course held twice a year. As of the end of fiscal 2008, a total of 985 employees including 344 from Group companies have qualified as such auditors.

Audits by External Certification Bodies

ISO 14001 certification reviews are conducted annually and renewal examinations every three years by external certification bodies. The fiscal 2008 renewal examination recommended 27 proposals for improvement. These proposals were studied by relevant departments, which decided on appropriate actions to take, and internal environmental audits were conducted to determine the effectiveness of initiatives.

Promoting Environmental Education and Training

Sumitomo Forestry's Medium-Term Environmental Management Policy identifies the strengthening of environmental education as a central theme for environmental management. The Company conducts environmental education programs to foster awareness of environmental issues among employees and to encourage them to take action of their own accord.

In one program, an e-mail newsletter covering environmental themes is sent to all employees once or twice per month. In fiscal 2008, the newsletter focused on the topic of energy conservation with the aim to raise the awareness of all employees and move closer to

the achievement of the Sumitomo Forestry Group's goal of reducing CO_2 emissions. A related environmental site on the Company's intranet provides more detailed information and includes a Q&A section about industrial waste. The site encourages employees to educate themselves about the environment through a wide array of information, ranging from familiar environmental topics to specialized knowledge.

During training for new graduates on entry to the Company, employees are given a lecture on the Group's environmental initiatives. In addition to this, they are taken on a training trip to the Besshiyama company-owned forest—the Company's birthplace—in the city of Niihama, Eihime Prefecture, to provide the opportunity to consider the environment while experiencing a regenerated forest firsthand.

The Company also gives lectures on proper treatment and recycling to employees in charge of industrial waste, and regularly provides technical environmental education, including courses to train internal ISO 14001 environmental auditors. In fiscal 2008, the Company started an introductory course on environmental management for new environmental representatives.

Environmental Risk Management

Efforts to Reduce Environmental Risks

Sumitomo Forestry identifies important risks relating to its business activities, such as risks associated with industrial waste, soil contamination, and illegal logging, etc, and develops appropriate countermeasures. In particular, the Sumitomo Forestry Group regards industrial waste form its various business activities as its most serious environmental risk, and accordingly continues to ensure proper disposal. The Group also recognizes illegal logging as a major risk, and is working to prevent the handling of illegally logged timber by any Group company.

Proper Treatment of Industrial Waste

Approximately 70% of illegally dumped industrial waste in Japan is construction waste. It is essential, therefore, that Sumitomo Forestry proceed with appropriate waste treatment as a responsible company.

In fiscal 2008, the Company reviewed its management systems with the aim to further improve the appropriate treatment of industrial waste. As a result, it appointed personnel in charge of industrial waste treatment to all Group companies, and decided to carry out voluntary compliance audits concerning industrial waste at each company as well as comprehensive site inspections of intermediate treatment plants.

Starting in fiscal 2006, Sumitomo Forestry made a Group-wide switch to an electronic manifest system in order to improve compliance in waste management. This system has

helped the Group outsource waste treatment to only the best contractors. All intermediate treatment contractors working with the Housing Division's branches and new housing construction sites have adopted electronic manifest systems. During fiscal 2008, 60% of contractors that handle waste from housing demolition finished the switchover to the systems, and the Group is aiming for full adoption in fiscal 2010.

Sumitomo Forestry will continue to ensure proper disposal of industrial waste by carrying out internal audits of industrial waste management at the division and company levels, and by inspecting disposal sites.

Countermeasures against Soil Contamination

In September 2005, the Company issued the *Guidebook on Soil Contamination Countermeasures* for the purpose of averting soil contamination risk when purchasing land or selling housing lots on behalf of others. Land purchases are made only after confirming that the land is safe following a land history survey. The Property Development Business Division, which operates a subdivision business, conducts soil contamination inspections prior to the purchase of new land as a standard procedure, and has put in place a system that prohibits the use of contaminated land.

In May 2006, the Company drew up the *Guidelines on Soil Contamination Countermeasures for Land Owned or Administered by the Sumitomo Forestry Group*, for employment in Group-wide efforts to determine the presence of soil contamination.

In March 2008, Sumitomo Forestry Crest's Kashima Plant conducted a soil contamination survey on its grounds as a voluntary initiative to deal with environmental risk. Although soil contamination did not exceed limits prescribed by the standards, the ground water was found to slightly exceed the limits. The Soil Contamination Countermeasures Act mandates purification only when the land is to be sold or returned to the owner. However, the company is considering purifying the soil to reduce the risk of the contamination spreading. A purification method has yet to be decided because the soil is strongly alkaline, but verification testing is being carried out.

Overall, the Group had no infringements of laws or regulations relating to soil contamination during fiscal 2008.

Preventing the Use of Illegally Logged Timber

Since illegal logging leads to deforestation, it has become a major issue of public concern. Sumitomo Forestry performs checks of all suppliers of raw timber, lumber, and wood products to confirm legal compliance and to ensure that the Group does not handle any illegally logged timber. To improve reliability, the Group sends local Sumitomo Forestry representatives and inspectors to visit logging sites and confirm compliance when necessary. In fiscal 2008, the Group continued to confirm the legal compliance of suppliers outside Japan, and finished checking 208 companies.

For more information, refer to Procuring Sustainable Raw Materials on page 25.

Proper Management and Reduction of Harmful Substances

Sumitomo Forestry's Medium-Term Environmental Management Policy indicates the strict control of harmful substances as an important initiative. Consistent with this policy, the Company is working to determine the extent of its harmful substance usage and emissions, and to conduct proper management of those substances.

For more information, refer to Proper Management of Harmful Substances on page 98.

Preventing Air Pollution

At facilities equipped with boilers, which are compliant with the Air Pollution Control Act, emissions and concentrations of NOx, SOx, and soot and dust are regularly measured to ensure that strict compliance with concentration standards is maintained.

For more information, refer to Emissions of NOx and SOx on page 99.

Reducing Inconvenience to Local Residents

The Company makes efforts to prevent noise and vibrations during construction of houses to reduce inconvenience to nearby residents.

Research & Development

Sumitomo Forestry strives to create a sustainable society through enterprising R&D that capitalizes on its cutting-edge scientific expertise and broad range of knowledge on trees and wood.

R&D Policy

In accordance with its long-term management strategy, the following research groups at the Tsukuba Research Institute work together on research and technology development to create future value, leveraging Sumitomo Forestry's strengths in a variety of areas from forestry to finished products, encompassing trees, wood and housing.

- The Biological Resources Group develops breeding and silvicultural technologies as well as proliferation technologies involving heritage and valuable kinds of trees for reforestation projects in and outside Japan.
- To expand the use of plantation timber in and outside Japan, the Building Materials Group develops technologies for wood drying, new wood-based panels, and other applications. The group also develops technologies to strengthen the durability of housing materials.
- The Housing Group develops construction methods with excellent cost performance, and technologies that: enhance living environments, enable more efficient use of resources for environmental symbiosis and energy conservation, effectively use trees and natural elements, incorporate universal design principles, improve durability of excellent long-term houses, and provide techniques for renovations.

R&D for Sustainable Forest Management

Breeding Trees and Developing Cultivation Technology for Fast Growing Tropical Trees

Sumitomo Forestry is expanding its plantation forest operations in tropical regions to ensure sustainable procurement of raw materials for products such as plywood, particle board, and medium density fiberboard. To conserve regional ecosystems, Sumitomo Forestry selects native tree species suited to the climate and soil of areas surrounding its plantations. The Company efficiently searches for fast growing tree species that suit its purposes and targeted usage with the cooperation of local botanists. After examining the features of candidate tree species, the Company plants them in pilot plots.

Seedlings trial

Development of Scientific Method for Traceability of Timber Products

There is growing interest in the use of wood that has been verified as legally harvested with the aim of protecting natural forests and preventing illegal logging. However, direct observation at logging sites was previously one of the only methods of tracing timber from the plantation site to the end product, and it could not guarantee against improper practices such as mixing legal and illegal timber and falsifying documents.

In 2003, Sumitomo Forestry's Tsukuba Research Institute began developing scientific methods to trace trees for tracking legal compliance from reforestation sites to the consumer. In October 2007, the Institute succeeded to be the first in the world to develop basic technology to identify the individual trees used in wood products and scientific tracing of materials to be used in wood products.

This novel technology uses DNA sequencing characteristics to identify individual trees, enabling scientific verification at any stage of the timber cycle, including seedlings, trees, logs and processed wood products.

Combining this with the conventional method of direct observation, Sumitomo Forestry has begun to develop a highly accurate traceability system.

R&D to Popularize Environmentally Friendly Homes

Development of *Midori no Sekkei* Design Approach to Harmonize Buildings with Environments

The Tsukuba Research Institute has been conducting research on the *Ryouonbou* design concept since 2000. The concept fully utilizes the natural environment to support environmentally friendly lifestyles. Based on the research, Sumitomo Forestry has developed proposals for houses to adopt the *Taiyo no Sekkei* approach, which maximizes sunlight and heat in the house during winter, and the *Kaze no Sekkei* approach, which alleviates summer heat by harnessing natural airflow. Together, the two approaches reduce reliance on air-conditioning and heating systems.

Beginning in fiscal 2006, Sumitomo Forestry began developing *Midori no Sekkei*, an approach that focuses on exterior landscaping and the harmonization of buildings with surrounding environments. The Company is examining how to increase the comfort of interior rooms by placing deciduous trees on the south side of the house to intercept the summer sunlight and evergreen trees on the north side to trap cool air, as well as by creating a "green screen" of vines on the east side to provide shade and insulation.

In fiscal 2008, Sumitomo Forestry expanded its research on the effect of the green screen in blocking sunlight, and on its ability to enhance the privacy and attractiveness of the house. The research examined the psychological effect that plants have on the home's residents, and the ease of maintenance. This represents Sumitomo Forestry's efforts to move beyond environmental functionality and develop more appealing housing exterior design methods from the perspective of a home's residents.

A green screen

Recognition of Seismic Reinforcement Retrofitting Technology for Houses

As Japan gradually becomes a society that values its housing stock, there is a growing need to increase the longevity of houses by remodeling them, rather than simply rebuilding. The Tsukuba Research Institute has developed the Sumirin ARC construction method as a seismic retrofitting technology for reinforcing the foundation of a house, and the Sumirin REP construction method for reinforcing the upper part of a house. Both of these methods have passed technical assessments conducted by the Japan Building Disaster Prevention Association. In addition, the Sumirin JEM construction method, which connects the foundation of a house with the upper portion, was recognized by the Association in June 2008, thus completing Sumitomo Forestry's line-up of comprehensive seismic reinforcement technology for the entire house.

The Sumirin JEM construction method increases the pulling resistance of a house by connecting the existing concrete foundation to the plinth with metal joints. Driving an anchor bolt into the existing concrete foundation can cause the concrete to crack, among other problems, so the Company drew on its know-how in the technical development of reinforcing beams and developed the concept of using adhesives to connect the plinth to the foundation.

Developing retrofitting technology for old buildings involves many challenges due to degraded materials, poor precision in construction, and significant disparities in construction methods depending on the time and region in which they were built. However, in its role as a leading company in the construction of wooden housing, Sumitomo Forestry feels a sense of responsibility in taking up these challenges. Sumitomo Forestry will continue its efforts in developing technology to closely examine building conditions without causing damage.

Developing Long-Life Houses

In its efforts to meet social demands for longer lasting homes and adapt to changing lifestyles, the Tsukuba Research Institute has been working to develop technology that improves the durability of housing materials as well as technology used in renovation.

In 2005, the Institute began an environmental study using newly built experimental facilities in which housing members are exposed to the external environment. In tandem with a study on the deterioration of a dismantled building, the Institute identified the functions required of each member. These results enabled the Institute to establish its own testing methods for assessing durability and quality standards for durability. In addition, the Institute examined deformation damage resulting from an earthquake, and also devised compliance standards for the members and reflected them in quality standards. As a result of these initiatives, Sumitomo Forestry was able to evaluate durability in a way that more accurately reflects real conditions.

Using this evaluation, Sumitomo Forestry confirmed the performance of the paint used on external walls and sealants around openings. In fiscal 2008, the Company adopted the LS 20 specification for its houses, guaranteeing durability for at least 20 years. Sumitomo Forestry believes that by enhancing the durability of housing materials and the structural framework, and by developing members that are earthquake-resistant and comply with maintenance plans, it will be able to reduce home owner's maintenance costs and thus reduce environmental impact.

Promoting the Environment-related Business

Sumitomo Forestry is capitalizing on its technology and experience in forests and trees built up over the years to expand its environment-related business. This reflects the Company's belief in the importance of using its resources for the larger public good.

Eco-Asset Service—Consulting Services on Use of Corporate Green Zones in CSR Activities

Sumitomo Forestry Landscaping Co., Ltd. began operating Eco-Asset consulting services in 2004 with InterRisk Research Institute & Consulting and Kajima Corporation. This business offers advice on using corporate green zones to fulfill corporate social responsibility, recommending that companies create green space at plants and on building roofs and wall surfaces, as well as making the most of green spaces and forests that they already own, such as recreational facilities.

Eco-Asset consulting services provided proposals to Mitsui Sumitomo Insurance Co., Ltd's project to redevelop the Surugadai Building annex, including transplanting large trees, opening rooftop greening to the public, and developing an extensive biotope network. These plans earned praise and were approved as an urban redevelopment project in May 2008 by the Tokyo Metropolitan Government.

In addition, a team from Eco-Asset participated in and collaborated with the Student Environmental Summit, which ran for eight days from September 1, 2008. The Student Environmental Summit brought together about 100 students from 19 schools across Japan in Hamatonbetsu. The students challenged themselves through a wide variety of experiences, and made recommendations for the environmental protection of Lake Kutcharo and the future of Hamatonbetsu. Staff from Sumitomo Forestry Landscaping provided consulting services on planning the conference appropriate to the social and academic context, offered advice to students preparing their presentations, and made recommendations on establishing screening policies. The conference ended with the keynote speech, "Putting a Commitment as Corporate to Biodiversity into Action: Latest Trends in Corporate Green Zones." The speech spoke of the importance of environmental conservation efforts that bring together companies, the general public and government.

I would like to see Sumitomo Forestry play an active role in environmental planning for the entire region. (Expert)

Ninna-ji Temple Omurozakura Research Project

In April 2007, a joint research project to ascertain the ecological history of the *Omurozakura* cherry blossoms was launched by the Ninna-ji Temple, Chiba University, and Sumitomo Forestry Group companies Sumitomo Forestry, Sumitomo Forestry Landscaping and Sumirin Base Techno Co., Ltd. The *Omurozakura* are a cluster of *Satozakura* cherry trees measuring only two to three meters tall that grow inside the Ninna-ji Temple compound (the former Omuro Imperial Palace) in Kyoto's Ukyo Ward.

The trees had been weakening in recent years, indicated by prominent dead branches and late blossoming. This prompted a three- to five-year study to survey and analyze soil and root conditions and devise recovery methods. In January 2009, the project surveyed the soil to

verify the condition of the roots. Studies from 2007 had already determined that the clay-rich soil did not have enough carbon and nitrogen to nurture trees, making it difficult to retain moisture. In 2009, the study confirmed that the roots of the trees were only about one meter long, less than half the normal length, attributable to the difficulty in growing below this hard layer of earth. The project now plans to develop DNA analysis technologies to identify the varieties of the *Omurozakura* and begin growing cloned seedlings in tissue cultures, ensuring that the trees can be passed down to future generations.

Overseas Reforestation Consultancy

Sumitomo Forestry provided consulting services to Roland Corporation regarding a reforestation project. Roland has been importing wood for the cabinets of its electric pianos from Indonesia, and in fiscal 2007, it commissioned Indonesia's state-owned forest enterprise, Perum Perhutani, to carry out reforestation to produce the raw materials for the cabinets, as well as environmental reforestation, which is a type of reforestation that does not harvest trees, to contribute to the environment and the local community. The industrial reforestation project began in January 2008 with the planting of trees across a total of 72.4 hectares. This enables Roland to produce its cabinets using timber from trees that it has planted itself. The project is scheduled for the eight years through March 2015, with planting completed in March 2009 and logging slated to begin in January 2012.

Roland also planted a total of 30.6 hectares with trees in its environmental reforestation project, with the aim to contribute to the local economy by cultivating water resources, growing fruit trees and biomass fuel crops, and raising medicinal plants. The CO_2 sequestration of the new trees will also help curb global warming. This project will extend over five years.

Stakeholder Comment

I would like to see Sumitomo Forestry develop methods for using resources in a sustainable manner. (Expert)

Roland Corporation's signboard is displayed at the reforestation site

A tree-planting ceremony and presentation ceremony for donations to a local elementary school were held when the reforestation projects were started. Roland donated educational materials.

Plantation Forest Operation Using Satellite Information

Plantation forest operations in developing countries require information about the natural

environment, such as the geography, vegetation, soil and climate, but in many cases this kind of environmental data and even maps are unavailable. Compiling this basic data from scratch requires a great deal of time and effort. Accordingly, Sumitomo Forestry began to study a plantation forest operation model using information from land observing satellites. By using satellite information, the environmental parameters of the planned site stretching across a broad area can be estimated with a high degree of accuracy, which is extremely valuable for conducting reforestation projects in developing countries.

In cooperation with the Hiroshima Institute of Technology, Sumitomo Forestry proposed this plantation forest operation model to the fiscal 2008 Space Open Lab, and it was selected as an Afforestation Business Model for Developing Nations Using Satellite Data. The Space Open Lab is administered by the Industrial Collaboration Department[1] of the Japan Aerospace Exploration Agency (JAXA).

Further reforestation activities in developing countries contribute to preventing the degradation of tropical forests and curbing global warming, and create new jobs to benefit local economies. Such projects also develop forest plantations needed to ensure stable access to plantation timber without causing damage to natural forests, and contribute to the conservation of biodiversity and ecosystems. Reforestation using satellite information is also expected to play a major role in the Clean Development Mechanism (CDM),[2] and in monitoring for Reducing Emissions from Deforestation and Forest Degradation (REDD)[3] programs.

Sumitomo Forestry has begun a trial study at an area targeted for forest plantation in Indonesia in order to establish a business model using satellite information.

1. The department has been renamed the Industrial Collaboration and Coordination Center.
2. CDM is a system overseen by the United Nations Framework Convention on Climate Change (UNFCCC), in which developed countries contribute money and technology to projects in developing countries aimed at reducing emissions, and in turn, the developed countries receive certified emission reduction credits for any reductions.
3. REDD is a program overseen by the UNFCCC designed to reduce emissions resulting from forest depletion and degradation in developing countries.

CDM Business Using Wood Biomass for Power Generation

At PT. Rimba Partikel Indonesia (RPI), a four-megawatt wood biomass power facility that primarily burns lumber mill ends and sawdust was approved as a CDM Executive by the United Nation's CDM Executive Board and registered as such on May 23, 2008. This was for the first wood biomass power station in Indonesia to be registered as a CDM business. By replacing its existing diesel generators with wood biomass generators, RPI expects to reduce its CO_2 emissions by about 15,000 tons a year.

Wood biomass boiler

This power station began operating on a full scale in June 2008, and RPI succeeded in reducing its CO_2 emissions to 8,526 tons in fiscal 2008, a 6,366-ton reduction compared to the previous fiscal year. RPI expects to reduce CO_2 emissions by another 6,000 tons in fiscal 2009. In fiscal 2010, the company plans to go through the UNFCCC secretariat inspection and certification process to receive emission credits for the

reductions made in fiscal 2009.

Establishment of Biomass Power Generation Company and Wood Fuel Chip Supply Company

Sumitomo Joint Electric Power Co., Ltd., Sumitomo Forestry, and Fuluhashi EPO Corporation established a biomass power generation company and a chip supply company in order to promote the biomass power generation business. The biomass power generation company will use wood chips for fuel to generate power, and will be adjacent to the chip supply company, which will use wood waste from construction sites and other waste as its raw material. The chip supply company's holding company was established in a merger with Fuluhashi EPO.

Sumitomo Forestry believes that operating a biomass power generation business using thinnings and wood waste from construction sites will promote the recycling of timber and lead to the efficient use of forest resources and the protection of the environment.

Construction of the chip supply facility and power station will commence in fiscal 2009, with the chip supply facility slated to begin operations in fiscal 2010 and the power station expected to come on line in 2011.

Research on Germination of Yoshino Cherry Trees Using KODA

In February 2009, Shiseido Co., Ltd. and Sumitomo Forestry's joint research led to the discovery that Ketol-Octadecadienoic Acid (KODA), a natural plant fatty acid, promotes rooting of the Yoshino cherry tree when propagating the tree from cuttings.

Observations of growth after stem cuttings of the Yoshino cherry tree were sprayed with KODA developed by Shiseido revealed that the development rate was two to three times higher than normal, demonstrating the effectiveness of the acid. Sumitomo Forestry will proceed with commercialization after examining the effect on endangered species of plants.

KODA itself does not induce rooting, but rather interrupts dormancy after buds and seeds are complete, and stimulates the cells' original functions. The Company will conduct further research to fully explain this process.

Rooting in a normal environment

Rooting after KODA is applied

Environmental Activities in Offices

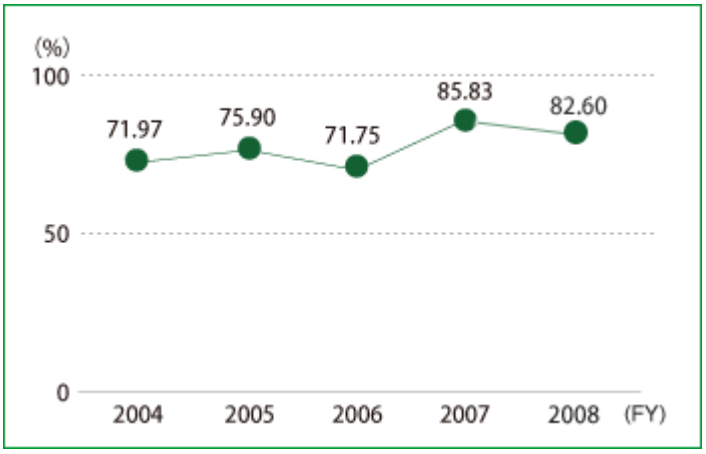
Sumitomo Forestry is focusing on green purchasing and efforts to reduce paper, electricity, and gasoline consumption in order to reduce the environmental impact from office work.

Promoting Green Purchasing

Sumitomo Forestry has been encouraging its offices to conduct green purchasing—the priority purchasing of products that have a low environmental impact. Office Product and Company Vehicle Purchasing Guidelines were established in 2006, laying down a clear set of standards for progressing with green purchasing.

The Sumitomo Forestry Group has been gradually switching its vehicles to fuel-efficient models, selected according to company criteria. Among the Group's newly purchased vehicles, the monthly rate fuel-efficient models rose from 45.3% in April 2008 to 64.0% in March 2009. As of March 31, 2009, these vehicles accounted for 34.2% of the Group's entire fleet. Going forward, the Group plans to increase its purchasing rate, and will work to ensure thorough familiarity with the Guidelines while encouraging departments and affiliated companies that are nearing the time to replace vehicles to switch to fuel-efficient vehicles.

■ Green Purchasing Rate at Head Office



Energy Conservation in Offices

The Sumitomo Forestry Group participates in the Japanese government-led "Team Minus 6%" campaign to reduce greenhouse gases. The Group encourages energy conservation in offices, emphasizing the importance of the accumulation of small steps that can be taken by individuals, including adhering to the "Cool Biz" and "Warm Biz" dress codes, making sure to turn off lights, setting computers to power saving mode, and following eco-driving principles.

The Sumitomo Forestry Group is pursuing the goal of reducing total CO_2 emissions from its offices in fiscal 2010 by 12% from the fiscal 2006 level. The Group will further strengthen its energy-saving activities in the future by actively informing its employees of consumption and savings of energy sources such as electricity and gasoline through a variety of communication tools, and establishing internal rules for energy conservation initiatives.

Initiatives at Branch Offices and Plants

PT. Rimba Partikel Indonesia (RPI)

Location:	Kendal, Central Java, Indonesia
Number of employees:	500 (as of December 31, 2008)
Business:	Manufacture and sale of particle board

Satoshi Kawanami
President

Comment from President Kawanami

Previously, this plant used about 4,200 drums totaling 840,000 liters of diesel oil per month. We succeeded in reducing diesel oil consumption to about 150,000 liters per month by upgrading our dryer combustion furnaces in 2001, replacing our thermal catalytic oil heater for pressing machines with a biomass heater in 2006, and running a biomass power generator in 2008. The switch to biomass fuel enabled us to cut costs significantly and reduce our environmental impact. Furthermore, we were free to pursue a new issue: the disposal of the combustion ash left after burning biomass.

Instead of disposing the combustion ash outside the company, we intend to reuse it as roadbed material, and although we are not yet at a stage where we can use all of our leftover ash, we are working to expand our production of the roadbed material to use the entire amount.

Satoshi Takano
Environmental Representative

Comment from an Environmental Representative

When I proposed two years ago that we target zero emissions by reusing combustion ash as a material for manufacturing pavement, the idea was rejected by local employees except for a few in the management group. It is legal to landfill combustion ash in Indonesia, so the employees argued that there was no need to go to the trouble of considering ways of using the combustion ash. Nevertheless, I didn't give up, and formed a study group to explain why we needed to reuse combustion ash to achieve zero emissions in an overall effort to raise corporate value. As a result, the employees gradually came to understand the issues at stake.

I hope to continue such discussions with local employees on corporate activities that have low environmental impact, so that we can enhance RPI's corporate value.

Initiative to Reuse Combustion Ash by Manufacturing Roadbed Materials

After the biomass power plant began operating, over 10% of the waste generated by our plant, which amounted to five tons per day, was combustion ash. Although it is legal to landfill combustion ash in Indonesia, we considered ways to transform it into a more environmentally friendly form and reuse it as a more valuable material, for the purpose of achieving zero emissions. As a result, we began to manufacture roadbed materials after consulting with Diponegoro University in Semarang, Central Java, Indonesia.

RPI began producing roadbed materials in November 2008, and by April 2009, the company had produced some 22,000 units totaling about 820 square meters. This roadbed material is already being used in the paving work for all the company's plants and nursery gardens, and we hope to supply it to neighboring residents free of charge in the future.

As the company moves ahead with this roadbed material business, we hope that our efforts to achieve zero emissions by reusing combustion ash served to provide local employees with environmental education.

Example of construction work using RPI's roadbed materials

Pressing machines for RPI's roadbed materials

PT. AST Indonesia (ASTI)

Location:	Semarang, Central Java, Indonesia
Number of employees:	819 (as of December 31, 2008)
Business:	OEM production of electronic musical instruments (drums and pianos) and home interior members

Shinichi Kawazoe
President

Comment from President Kawazoe

About 99% of ASTI's employees are hired locally. My interactions with employees during the year after I was posted made me realize the differences between Indonesia and Japan's cultures and ways of thinking. But we are the same in that we pursue our own happiness and the well being of our families. I believe that to achieve this, it is important to enjoy every day with great energy and enthusiasm, as well as a healthy body and mind. So this year, we adopted "safety first" as our most important issue. Considering the happiness of our employees is a company's most immediate corporate social responsibility.

Dwi Setiawan
Supervisor in charge of improvements

Comment from Employees

We introduced the concept of continuous *kaizen* (improvement) to production activities in order to eliminate any kind of wastefulness. At production sites, where conditions change every day, employee education is crucial in ensuring that these improvements lead to benefits.

Sukam
Chairman of Muslim Employees at PT. ASTI, and Chief of Administrative Department

In addition, our Muslim employees wanted the company to build a masjid (mosque) where they could worship because their Friday prayer services were being held at a makeshift location. We decided to build a masjid in response to their desires, recognizing that creating an environment in which our Muslim employees could work comfortably would raise their motivation and strengthen their pride in the company.

Enhancing Training Activities

Education for diverse employees is essential to build up an organization that can efficiently carry out production. Newly hired employees receive training before their job appointments to deepen their understanding of the company. To raise skills at production sites, employees receive training as needed in the necessary skills for using tools and operating machinery such as forklifts. Employees in leadership classes, who are responsible for forging group morale at work sites, provide leadership training with the aim of realizing improvements.

Initial training before job appointments

Skills training

Creating a Comfortable Environment for Employees

As part of ASTI's efforts to provide a worker-friendly environment, at the end of May 2009 the company completed construction of a masjid for its Muslim employees. A masjid is a place of great social and religious significance to Muslims, who gather on Friday afternoons for prayers.

About 90% of Indonesia's population is Muslim, and many ASTI employees practice the Islamic faith. Previously, Friday prayer services were held at a makeshift location, but we decided to build a proper masjid to demonstrate our belief that employees are important stakeholders. Employees contributed suggestions, which were incorporated in the design, and they were very satisfied with the completed facility.

Completion of the masjid

Masjid dedication ceremony

G3 Content Index

G3 Disclosure	Description	Location
1. Strategy and Analysis		
1.1	Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	▸ Our Top Commitment ▸ Sumitomo Forestry's Business Overview and Comments from Executive Officers
1.2	Description of key impacts, risks, and opportunities.	▸ Sumitomo Forestry's Business Overview and Comments from Executive Officers ▸ Annual Report (PDF 3,294KB)
2. Organizational Profile		
2.1	Name of the organization.	▸ Corporate Profile
2.2	Primary brands, products, and/or services.	▸ Corporate Profile
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	▸ Sumitomo Forestry's Business Overview and Comments from Executive Officers
2.4	Location of organization's headquarters.	▸ Corporate Profile
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	▸ Our Business
2.6	Nature of ownership and legal form.	▸ Corporate Profile
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	▸ Corporate Profile
2.8	Scale of the reporting organization, including: ・Number of employees; ・Net sales (for private sector organizations) or net revenues (for public sector organizations); ・Total capitalization broken down in terms of debt and equity (for private sector organizations); and ・Quantity of products or services provided.	▸ Corporate Profile ▸ Financial Factbook
2.9	Significant changes during the reporting period regarding size, structure, or ownership including: ・The location of, or changes in operations, including facility openings, closings, and expansions; and ・Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).	-

2.10	Awards received in the reporting period.	▸ Dedication to Wooden Homes ▸ Promoting Renovation Projects ▸ Passing on Skills ▸ Sumitomo Forestry's Corporate Advertising Wins Asahi Advertising Award ▸ Utilization of Japanese Timber in Products and Consideration of the Environment ▸ Sumitomo Forestry Presented with Letter of Appreciation from Forestry Agency Director-General for Supply of Legally Compliant Timber ▸ Recognition of Seismic Reinforcement Retrofitting Technology for Houses
3. Report Parameters		
Report Profile		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	▸ Reporting Period
3.2	Date of most recent previous report (if any).	▸ Publication Date
3.3	Reporting cycle (annual, biennial, etc.)	▸ Publication Date
3.4	Contact point for questions regarding the report or its contents.	▸ Publication Team
Report Scope and Boundary		
3.5	Process for defining report content, including: ・Determining materiality; ・Prioritizing topics within the report; and ・Identifying stakeholders the organization expects to use the report.	▸ Process for Formulating the Material Issues
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	▸ Editorial Policy for *Environmental and Social Report 2009*
3.7	State any specific limitations on the scope or boundary of the report.	-
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	-
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	▸ Fiscal 2008 Environmental Accounting ▸ Environmental Impact of Business Activities
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/ acquisitions, change of base years/periods, nature of business, measurement methods).	▸ CO_2 Emissions Reduction Targets
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Not applicable

GRI content index		
3.12	Table identifying the location of the Standard Disclosures in the report.	▸ G3 GRI Content Index
Assurance		
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	▸ Reliability of Report Content
4. Governance, Commitments, and Engagement		
Governance		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	▸ Corporate Governance ▸ Annual Report(PDF 3,294KB)
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	▸ Annual Report(PDF 3,294KB)
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	-
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	▸ Corporate Governance
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	▸ Corporate Governance
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	-
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	-
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	▸ Sumitomo Forestry's CSR and Four Material Issues
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	▸ Environmental Management
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	▸ Corporate Governance

Commitments to External Initiatives		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	▸ Risk Management ▸ Environmental Management
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	▸ Global Compact
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: ・Has positions in governance bodies; ・Participates in projects or committees; ・Provides substantive funding beyond routine membership dues; or ・Views membership as strategic.	▸ Contributions to Public Policy
Stakeholder Engagement		
4.14	List of stakeholder groups engaged by the organization.	▸ Sumitomo Forestry Stakeholders
4.15	Basis for identification and selection of stakeholders with whom to engage.	-
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	▸ Process for Formulating the Material Issues
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	▸ Providing Timber Products and Materials from Sustainable Forests ▸ Providing Environmentally Friendly Homes ▸ Promoting Global Warming Countermeasures through Our Business ▸ Promoting Family-Centered Employee Lifestyles
5. Management Approach and Performance Indicators		
Economic		
	Disclosure on Management Approach	▸ Economic Report ▸ Annual Report(PDF 3,294KB)
Aspect: Economic Performance		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	▸ Financial Performance ▸ Funds Allocated to Social Contribution Activities ▸ Annual Report(PDF 3,294KB)
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	▸ Annual Report(PDF 3,294KB)
EC3	Coverage of the organization's defined benefit plan obligations.	▸ Annual Report(PDF 3,294KB)
EC4	Significant financial assistance received from government.	-

Aspect: Market Presence		
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	-
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	-
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	▸ Hiring Policies at Group Companies Outside Japan
Aspect: Indirect Economic Impacts		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	▸ Contributing to the Community by Improving Social Infrastructure
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	-
Environmental		
	Disclosure on Management Approach	▸ Environmental Report
Aspect: Materials		
EN1	Materials used by weight or volume.	▸ Balance of Input and Output
EN2	Percentage of materials used that are recycled input materials.	-
Aspect: Energy		
EN3	Direct energy consumption by primary energy source.	▸ Balance of Input and Output
EN4	Indirect energy consumption by primary source.	▸ Balance of Input and Output
EN5	Energy saved due to conservation and efficiency improvements.	-
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	▸ Providing Environmentally Friendly Homes ▸ Reducing CO_2 Emissions
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	▸ Chosen for Energy-Conserving Lighting Design Model Project
Aspect: Water		
EN8	Total water withdrawal by source.	▸ Balance of Input and Output
EN9	Water sources significantly affected by withdrawal of water.	-
EN10	Percentage and total volume of water recycled and reused.	▸ Efficient Use of Water Resources
Aspect: Biodiversity		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	▸ Management of Company-Owned Forests

EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	▸ Relationship between Sumitomo Forestry's Business and Biodiversity
EN13	Habitats protected or restored.	▸ Mt. Fuji Manabi no Mori Project ▸ Reforestation Project in Indonesia's Bromo Tengger Semeru National Park
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	▸ Policy and Plans for Biodiversity Preservation
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	-
Aspect: Emisions, Effluents, and Waste		
EN16	Total direct and indirect greenhouse gas emissions by weight.	▸ Sumitomo Forestry Group's CO_2 Emissions, Absorption and Carbon Stock in Fiscal 2008
EN17	Other relevant indirect greenhouse gas emissions by weight.	▸ Sumitomo Forestry Group's CO_2 Emissions, Absorption and Carbon Stock in Fiscal 2008
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	▸ Promoting Global Warming Countermeasures through Our Business ▸ Reducing CO_2 Emissions
EN19	Emissions of ozone-depleting substances by weight.	-
EN20	NO, SO, and other significant air emissions by type and weight.	▸ Management of Chemical Substances at Research Institute and Plants
EN21	Total water discharge by quality and destination.	▸ Balance of Input and Output
EN22	Total weight of waste by type and disposal method.	▸ Zero Emissions Initiatives
EN23	Total number and volume of significant spills.	-
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	-
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	-

Aspect: Products and Services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	▸ Providing Timber Products and Materials from Sustainable Forests ▸ Providing Environmentally Friendly Homes ▸ Promoting Global Warming Countermeasures through Our Business ▸ Reducing the Environmental Impact of Households
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	-
Aspect: Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	Not applicable
Aspect: Transport		
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	▸ Reducing CO_2 Emissions from Transportation
Aspect: Overall		
EN30	Total environmental protection expenditures and investments by type.	▸ Fiscal 2008 Environmental Accounting
Labor Practices and Decent Work		
	Disclosure on Management Approach	▸ Together with Our Employees
Aspect: Employment		
LA1	Total workforce by employment type, employment contract, and region.	▸ Basic Personnel Policy
LA2	Total number and rate of employee turnover by age group, gender, and region.	-
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	▸ Creating a Workplace in which a Diverse Range of Employees Can Work Together with Enthusiasm
Aspect: Labor/Management Relations		
LA4	Percentage of employees covered by collective bargaining agreements.	▸ Relations with the Labor Union
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	-
Aspect: Occupational Health and Safety		
LA6	Percentage of total workforce represented in formal joint management—worker health and safety committees that help monitor and advise on occupational health and safety programs.	-

LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region.	▸ Improving Quality and Workplace Safety at Housing Construction Sites
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	▸ Creating a Safe and Healthy Workplace
LA9	Health and safety topics covered in formal agreements with trade unions.	▸ Relations with the Labor Union
Aspect: Training and Education		
LA10	Average hours of training per year per employee by employee category.	▸ Multifaceted Training
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	▸ Sumitomo Forestry's Human Resources Development
LA12	Percentage of employees receiving regular performance and career development reviews.	▸ Sumitomo Forestry's Human Resources Development
Aspect: Diversity and Equal Opportunity		
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	▸ Employee Hiring and Promotion Policies ▸ Promoting Affirmative Action
LA14	Ratio of basic salary of men to women by employee category.	-
Human Rights		
	Disclosure on Management Approach	▸ Our Values and Ideals
Aspect: Investment and Procurement Practices		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	-
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	-
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	▸ Human Rights Programs ▸ Prevention of Sexual and Power Harassment
Aspect: Non-Discrimination		
HR4	Total number of incidents of discrimination and actions taken.	-
Aspect: Freedom of Association and Collective Bargaining		
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	-
Aspect: Child Labor		
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	▸ Prevention of Child Labor and Forced Labor

Aspect: Forced and Compulsory Labor		
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	▸ Prevention of Child Labor and Forced Labor
Aspect: Security Practices		
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	-
Aspect: Indigenous Rights		
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	-
Society		
	Disclosure on Management Approach	▸ Our Values and Ideals ▸ Compliance and Risk Management ▸ Contributing to the Community by Improving Social Infrastructure ▸ Together with Society ▸ Forest Preservation Outside Japan
Aspect: Community		
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	▸ Contributing to the Community by Improving Social Infrastructure ▸ Forest Preservation Outside Japan
Aspect: Corruption		
SO2	Percentage and total number of business units analyzed for risks related to corruption.	▸ Risk Management
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	▸ Compliance
SO4	Actions taken in response to incidents of corruption.	▸ Compliance
Aspect: Public Policy		
SO5	Public policy positions and participation in public policy development and lobbying.	▸ Contributions to Public Policy
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	-
Aspect: Anti-Competitive Behavior		
SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	Not applicable

Aspect: Compliance		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	-
Product Responsibility		
	Disclosure on Management Approach	▸ Together with Our Customers ▸ Together with Our Business Partners
Aspect: Customer Health and Safety		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	▸ Providing High-Quality Homes with Excellent All-Round Balance ▸ Providing High-Quality Timber and Building Materials
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	-
Aspect: Product and Service Labeling		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	▸ Sumitomo Forestry Crest Labels Plywood with Carbon Footprint ▸ Adherence to Housing Performance Indication System ▸ Timber Used for Housing ▸ Providing High-Quality Timber and Building Materials
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	-
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	▸ Promoting Communication with Customers
Aspect: Marketing Communications		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	▸ Standards for Advertising
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	▸ Standards for Advertising
Aspect: Customar Privacy		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	▸ Compliance
Aspect: Compliance		
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	Not applicable