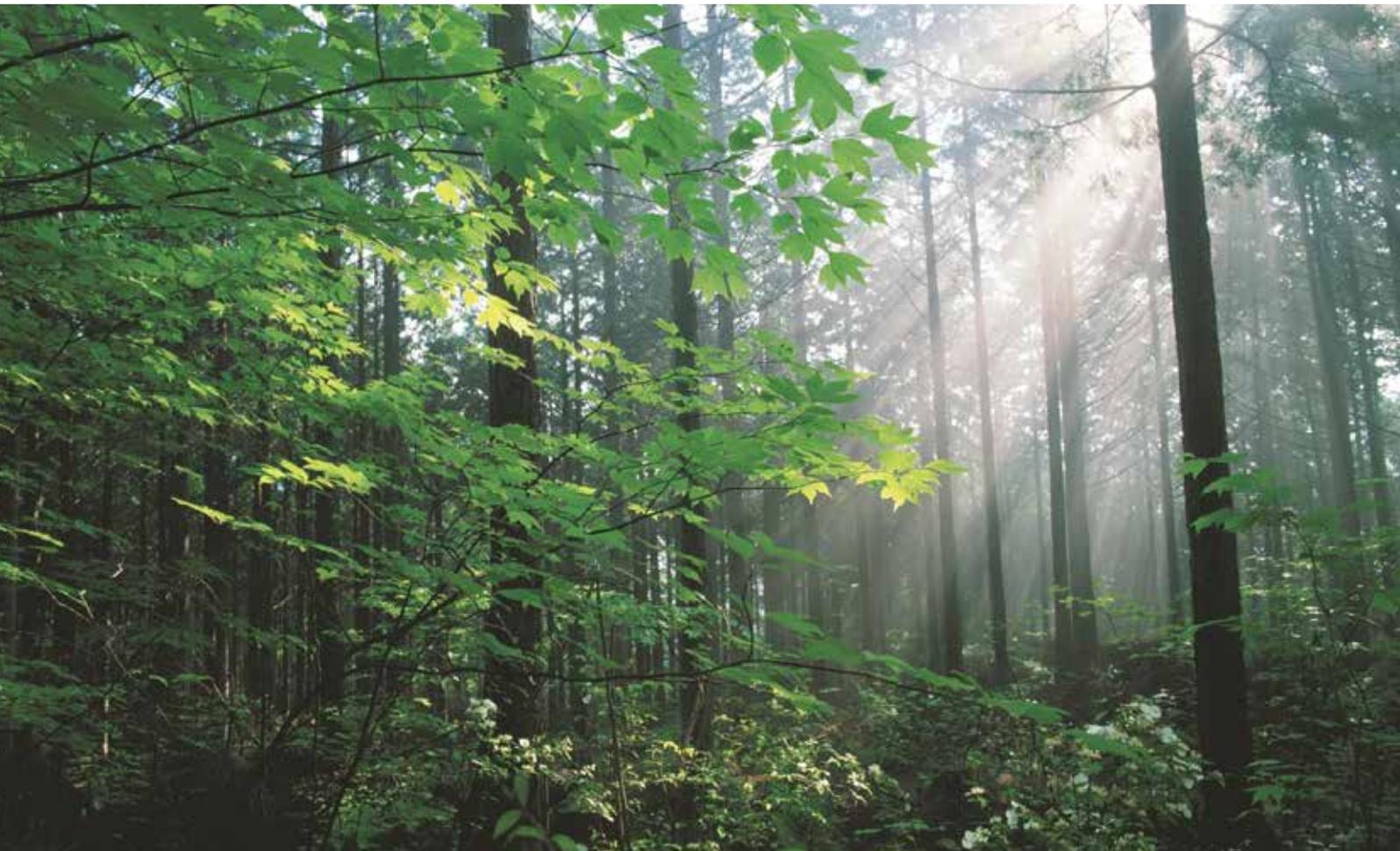


Happiness Grows from Trees



Sumitomo Forestry Group CSR Report 2017



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Boundary of the Report and Publication Date

Boundary of the Report:

Although this report focuses mainly on Sumitomo Forestry Co., Ltd., the Company considers it important to cover the activities of the entire Sumitomo Forestry Group, and hence has been expanding its reporting scope.

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Reporting Period:

April 2016 to March 2017

(The period also includes some activities from April 2017 as well as future expectations.)

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Message from the President



We will contribute to a sustainable society through innovation that fully leverages the power of nature and the properties of wood.

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

The Ideal ESG Company Under the Sumitomo Spirit

The sustainability of society and corporations is under scrutiny more than ever before. Corporations must disclose not only financial statements but also information about Environmental, Social and Governance (ESG) efforts as long-term growth indicators. At the same time, institutional investors are required to review company ESG reporting. In July 2017, the Government Pension Investment Fund (GPIF) of Japan, which manages the largest volume of assets in the world, selected three new ESG indices comprised of Japanese companies active in ESG.

With the belief that disclosure of both financial and non-financial performance will earn us market recognition and trust, we are conducting various ESG initiatives, such as the establishment of Sumitomo Forestry Group's Mid-Term CSR Management Plan with FY2020 targets and linking these targets with SDGs. As a result, the Company has been selected as a constituent company in all three ESG indices released by GPIF.

The CSR Report 2017 has been published as a measure to aid dialogue with all of our various stakeholders, from shareholders, customers and business partners to employees and local communities, by summarizing our non-financial initiatives. 2017 also marks the first year that we have published an integrated report that includes comprehensive information for both our efforts toward ESG and our corporate performance. We sincerely hope that these will provide readers a better understanding of how our CSR initiatives are linked to business performance without trade-offs.

Seeking benefits for the individual, the nation and society as a whole is one aspect of the Sumitomo Spirit. Since its founding in 1691, the Sumitomo Forestry Group has been expanding its businesses by proposing new value through wood cultivated for 100 years by its predecessors. Developing forests to grow trees is indispensable to secure sustainability as a company for the next 100 years. At the same time, maintaining our

commitment to public service, such as through the prevention of landslides and the conservation of biodiversity, is directly related to fulfilling our corporate social responsibility.

The Sumitomo Group's Mid-Term CSR Management Plan recognizes as one of its CSR material issues the continued procurement of wood and materials that take sustainably and biodiversity into consideration. We conducted ongoing assessments of our suppliers based on the Sumitomo Group Procurement Policy in fiscal 2016 and worked steadily to comply with the Clean Wood Act of Japan enacted on May 20, 2017.

Our housing business is also expected to take on long-term responsibilities and roles, such as maintenance programs covering several decades after construction as well as refurbishment and renovation of quality buildings that are assets to society. To fulfill our responsibilities and meet expectations, it is extremely important that the Sumitomo Forestry Group continually manages its operations in a sustainable and stable manner. We believe our inclusion in these ESG indices is a reflection of the high regard for our approach to these issues.

Businesses Leveraging and Coexisting with Nature

Each government agency and the private sector are accelerating efforts to reduce greenhouse gas emissions in response to the Paris Agreement enacted in November 2016. Promoting the reduction of the environmental impact of our business activities is a material issue for the Sumitomo Forestry Group. Therefore, we are promoting Net Zero Energy Houses (ZEH) in new housing construction. We surpassed our target substantially with a promotion rate of 21.3% (based on start of construction) in fiscal 2016 so we set an ambitious target of 80% penetration for fiscal 2020. Japan has set the promotion of ZEH on average in new housing as a 2030 target and we are contributing to the realization of that goal. Sumitomo Forestry Group is able to make unique proposals thanks to a foundation based on the Ryouonbou design concept, which takes advantage of nature's strengths, such as solar power and wind, to reduce excessive reliance on heating and cooling devices.

15% to 20% of global greenhouse gas emissions is said to be caused by forest depletion and limiting the depletion of forests is another important mission in addition to our contribution through products. We believe one necessary measure against global warming is sustainable forest management that aims to stop the loss of trees, which absorb CO₂ in the growth process and hold a large amount of carbon, due to fires, illegal harvesting and other causes.

We are also furthering commercialization of biomass power generation and solar power generation in renewable energy initiatives that leverage the power of nature. In December 2016, the Mombetsu Biomass Power Plant began operations as one of Japan's largest wood biomass power generation facilities. In May of the same year, Sumitomo Forestry Group acquired capital of and signed an operational partnership agreement with Renova, Inc., a leading company in renewable energy, to explore the potential for a wide range of businesses that include wind power and geothermal power.

Potential of Wood to Foster Innovation; Communicating That Appeal

Wood is a natural resource that can be used indefinitely with proper forest management and in addition to being a measure against global warming, has the potential to address various social issues. As the demand for timber is expected to grow around the world in the future, we are contributing to the realization of a sustainable society by expanding the potential and effective use of wood.

Our original Ki-Gurumi CT one-hour fire-resistant wood construction material is already in practical use and is expanding the potential for the construction of medium to large-size wooden buildings in fire resistance regions. In addition, research has proven that wooden construction and wooden spaces have a positive effect on emotion and concentration. There are high expectations that the MOCCA (Timber Solutions) Business will expand non-residential wood buildings in the health, medical and welfare fields.

In the Sumitomo Group's Mid-Term Management Plan 2018, which sets the March 2019 term as the target year, the nursing care business has been defined as one field of focus. In April 2017, the Sumitomo Forestry Group acquired stock in Shinko Care Life Co., Ltd, which operates three large scale private-pay elderly care facilities in Hyogo Prefecture. Shinko Care Life, together with Fill Care Co., Ltd., which already operates 12 private-pay elderly care facilities, provide services that take advantage of the appeal and benefits of wood in the nursing care field, from private-pay elderly care homes to day services.

We are also placing great emphasis on wood even in the field of new materials, such as cellulose nano-fibers, which are said to be one-fifth the weight and seven to eight times the strength of steel. All of our employees are working together to foster the potential of wood in ways that lead to greater innovation and broader use of timber.

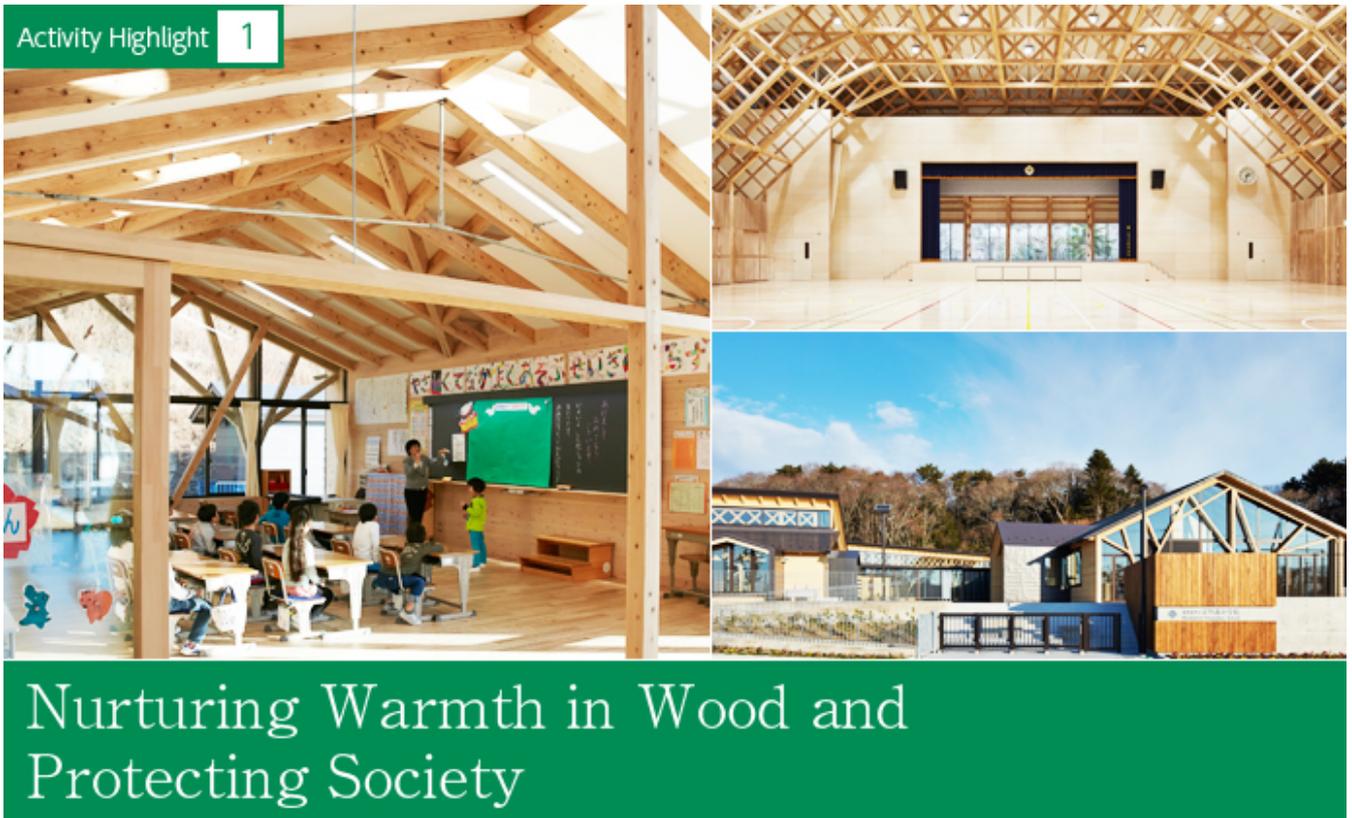
To Become a Vibrant Global Company That Boldly Takes on Challenges

Companies are a place that bring people together. Each and every person naturally has different opinions and ways of thinking. A vibrant company is an organization that brings together employees who enthusiastically realize their own skills and capabilities. It is our duty as the management team to build this type of organizational climate and workplace.

The businesses of the Sumitomo Forestry Group are growing in Japan and in 17 other countries and regions around the world. For example, Sumitomo Forestry Group has expanded its home building businesses to six companies in 12 states in the U.S. with the Edge Homes stock acquisition in January 2017. In fiscal 2016, roughly 1,500 employees built more than 7,000 multi-unit residential homes in the U.S. and Australia.

As the Group grows and expands, it is important that employees around the world share the common values of the Sumitomo Forestry Group. We have formulated and are sharing the new Sumitomo Forestry Group Code of Conduct throughout the Group to operate with a common language in a global standard. As a comprehensive lifestyle-related business group, the Sumitomo Forestry Group aims to become a world pre-eminent forestry company with an ongoing commitment to benefitting society and pursuing challenges with integrity.





Nurturing Warmth in Wood and Protecting Society

The effect of 'wood,' a people-friendly material, has garnered great attention while needs are growing for wood construction in a broad range of fields from education to healthcare and nursing.

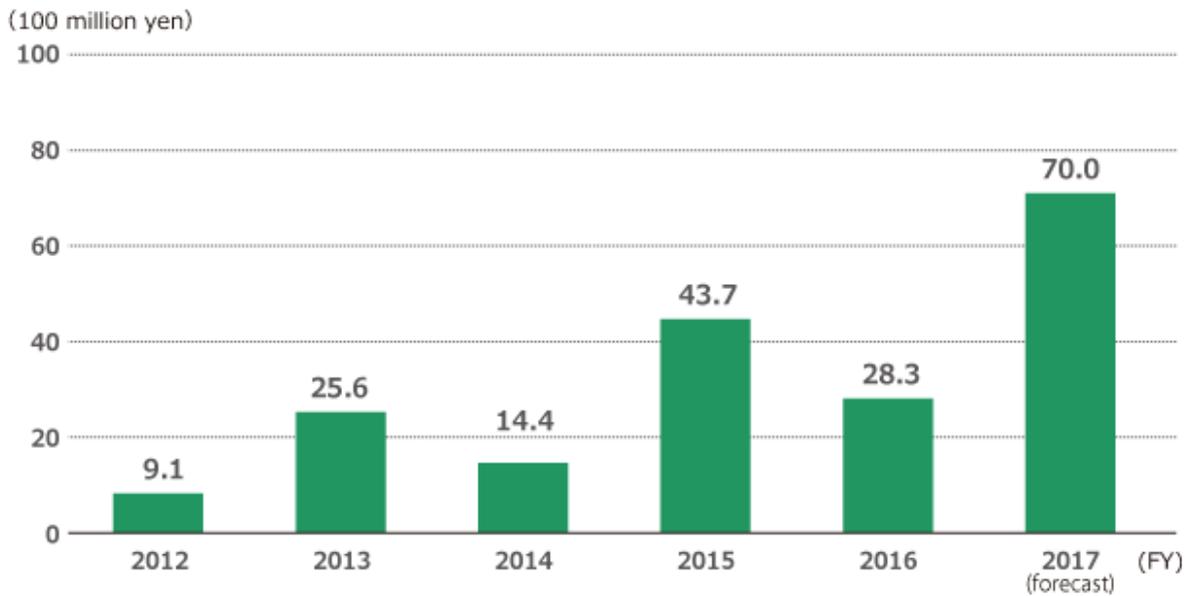
The Sumitomo Forestry Group has cultivated the potential of wood to discover value unique to wood and been contributing to both people and society since its founding. MOCCA (timber solution) proposes wooden construction and decorative wood able to offer healthy lifestyles while also providing users tranquility and comfort as a business unique to Sumitomo Forestry.

We have built a proven track record in a wide range of 36 large and small ventures as of fiscal 2016 that includes elderly care facilities, educational facilities and commercial complexes. Construction with Japanese domestic timber in urban areas is becoming ever more popular including the New National Stadium where the 2020 Tokyo Olympic and Paralympic Games are held. Construction with wood is expected to accelerate in terms of environmental friendliness as well. We aim to grow our four billion yen a year in orders today to ten billion yen by fiscal 2018.





Order Trends (2012-2016 Performance/2017 Forecast)



Wooden Schoolhouses to Nurture and Enrich Children

- Miyanomori Elementary School in Higashi-Matsushima City, Miyagi Prefecture -

Higashi-Matsushima City, Miyagi Prefecture was vastly devastated by the tsunami that struck the area in the Great East Japan Earthquake. In the aftermath of the disaster, the elementary school students from the Nobiru District of Higashi-Matsushima City had been taught at a prefabricated temporary schoolhouse for over five years following the disaster. A block was built on high grounds as a relocation site where people could begin their new lives and construction of an elementary school was planned on grounds next to the satoyama.

The concept is a 'school of the forest'. We proceeded with construction of the building to nurture and educate children to have strong bodies and minds in an environment filled with nature while exchanging ideas with the local citizens and naturalist C.W. Nicol.

In December 2016, Miyanomori Elementary School in Higashi-Matsushima City, Miyagi was completed as a symbol of the city's reconstruction and the first school with a schoolhouse and indoor gymnasium built from wood. While this was the first time we had built an elementary school, the project was completed and delivered on schedule thanks to the cooperation of all of the construction and other local contractors.

The school buildings are astounding with the beauty of wood enshrouded in the smell of wood. This venture also contributed to revitalizing the local forestry by using solid wood from about 5,000 trees, mainly cedar, from Tohoku for the construction materials. The interior was also designed by using an abundance of wood to bring the warm and welcoming feel of wood through the touch of a hand or a seat on the floor. We are positive the children's love for this school will grow into a love for the local community as their stories are engraved within over time.

This wood also absorbs moisture and offers great heat insulation properties as 'virtues inherit to wood'. Moreover, studies suggest wooden construction helps control the spread of influenza^{*1}. In addition, spending time inside of architecture made of wood promises greater focus and steadiness of mind^{*2}.

We hope many children with global talent will graduate from this amazing elementary school in Higashi-Matsushima City. We also would like for these children to then return to Higashi-Matsushima City and become active in their region's revitalization.

*1 "Wooden School Construction: Handbook for Building Three-story Wooden School Buildings" by the Ministry of Education, Culture, Sports, Science and Technology

*2 "Demonstrating that space with wood patterns are relaxing and easy to concentrate" won the Future Action category at the KIDS DESIGN AWARD 2011



Miyanomori Elementary School in Higashi-Matsushima City

Supporting Health by Befriending the Elderly - Gran Forest Gakugei Daigaku Elderly Care Facility -

Wooden construction is more popular today with awareness of the health benefits even for elderly care facilities conventionally built with reinforced concrete. For example, a component in the fragrance of wood known as 'phytoncide' has benefits suitable for the elderly from lowering blood pressure and claming pulse to better mental well-being.

Fill Care Co., Ltd., a Sumitomo Forestry Group company, opened the "Gran Forest Gakugei Daigaku" nursing home with special care facilities in February 2017 with these benefits in mind. Gran Forest incorporates an indoor living space that improve the quality of sleep as well as a garden to enhance cognitive function based on results of research conducted at the Sumitomo Forestry Tsukuba Research Institute to better the physical and mental health of residents.

The combination of wooden interiors and indirect lighting in indoor living spaces that provide benefits which enhance function of the parasympathetic nerve system, improve sleep quality and minimize fatigue are implemented in every room. Timber is effectively placed on walls and throughout the interior while optimizing fixtures such as the brightness, color and timing to turn on and off indoor lighting to create an environment where residents can relax and sleep with ease.

The garden also takes advantage of our research effective in delaying progress of dementia by strengthening cognitive function through stimulus that includes interaction with nature and the trees to evoke memories and events of the past as well as the textile movement used when touching the plants. The garden named 'Hanaemi' to represent the smiles that bloom there every day has a housing exterior with well-thought out walkways for easy access as well as a variety of perfectly placed garden vegetation.



Gran Forest Gakugei Daigaku

- ▶ [Housing Safety, Quality Control, and Universal Design](#)
- ▶ [Safety and Quality Control of Non-Residential Buildings](#)
- ▶ [Safety and Quality Control of Building Materials](#)

Activity Highlight 2



Opening Future Avenues to Wood Biomass Power Generation

The development and promotion of renewable and clean energy is a social issue that should be addressed worldwide.

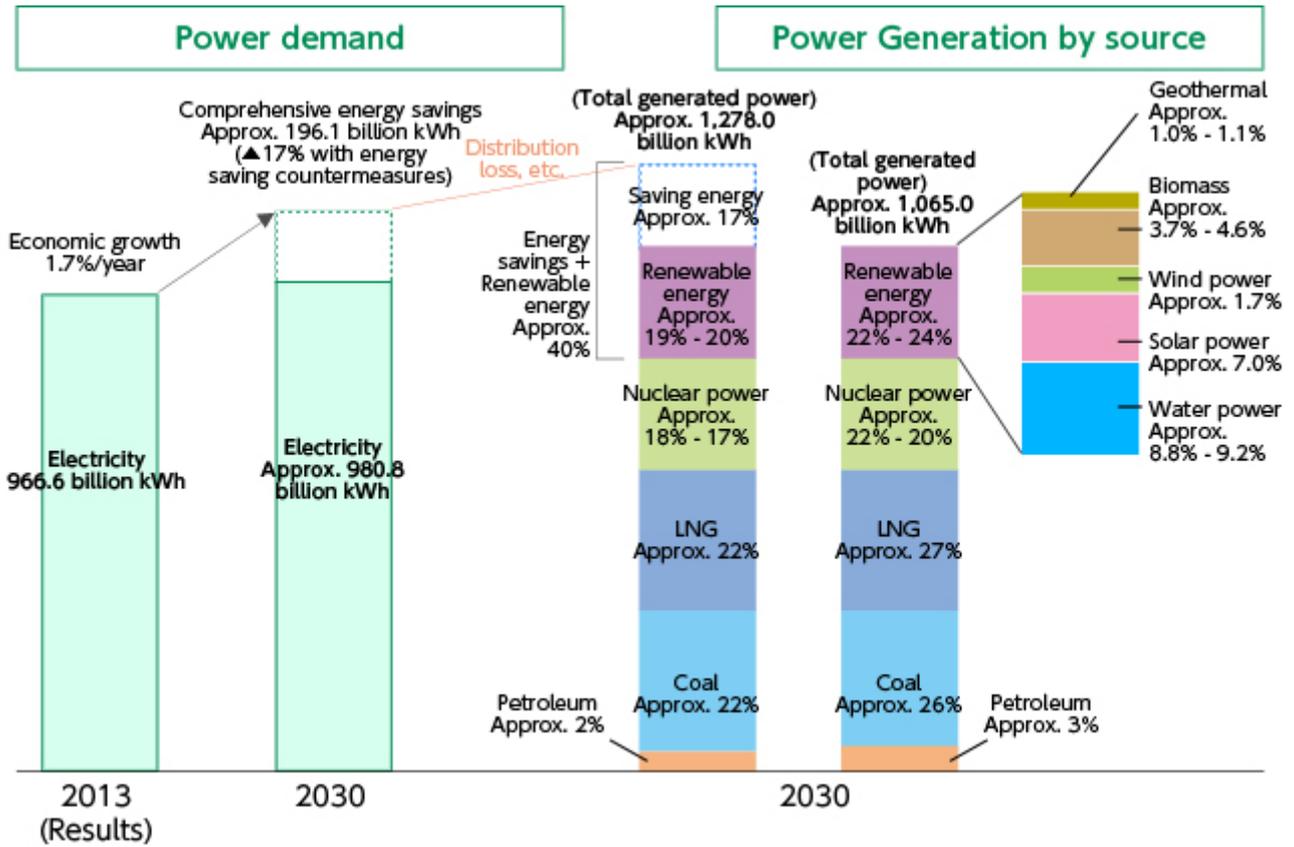
The Sumitomo Forestry Group participates in the wood biomass power generation business by utilizing its know-how in businesses centered upon wood, which is a renewable resource. This endeavor will contribute to solving this social issue while expanding the applications for wood and increasing its asset value.

Social Trends in Renewable Energy

The adoption of renewable energy is furthering in each country worldwide from such perspectives as the future depletion of fossil fuels, concerns about higher prices and the reduction of CO₂ emissions, which is a global challenge. However, the adoption rate of renewable energy in Japan is roughly 11% (FY2013 results), which is low compared to other major developed nations.

Government of Japan announced the long-term energy supply-demand outlook (energy mix) in 2015 against the backdrop of these circumstances. The ratio of renewable energy is forecast to increase to approximately 22% to 24% by 2030 and further market growth is predicted in the same field. Wood biomass power generation is gaining attention as a base electricity source with its stable power supply compared to other types of renewable energy.

Long-term energy supply-demand outlook



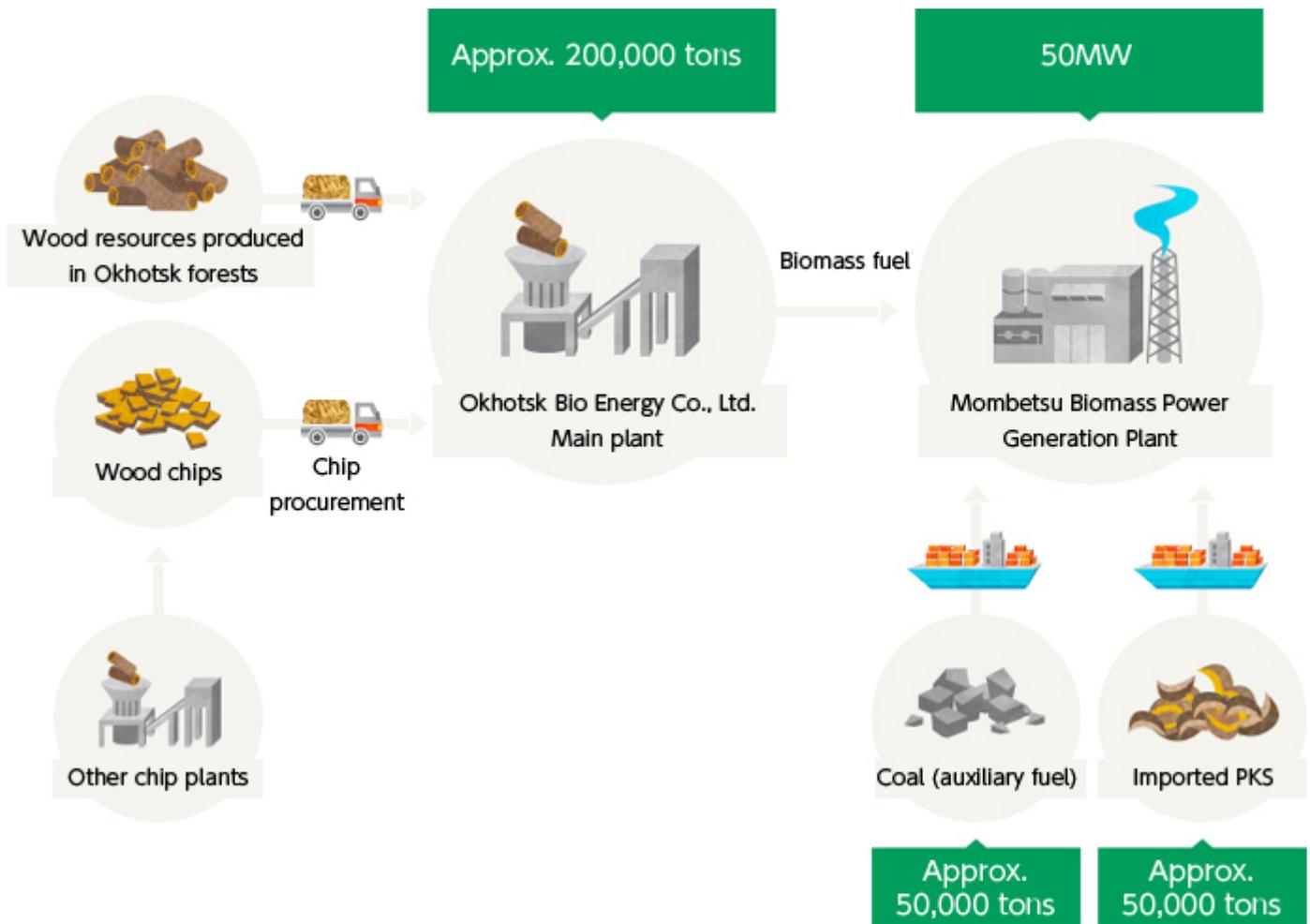
(Source: Materials from The Agency for Natural Resources and Energy in the Ministry of Economy, Trade and Industry)

Initiatives in the Wood Biomass Power Generation Business Leveraging the Strength of the Group

The strength of the Sumitomo Forestry Group is the ability to provide a stable supply of fuel such as crude wood and wood chips indispensable in the biomass power generation business by taking advantage of the cargo and distribution network of its existing forestry as well as timber and building materials businesses.

For example, the Kawasaki Biomass Power Generation Plant that began operation in 2011 uses recycled wood chips produced from scrap wood from housing construction and scarp pallets collected in the Kanto area as its primary fuel. The Mombetsu Biomass Power Generation Plant which started operation in 2016 has gained the cooperation of parties engaged in the local forest industry and municipalities and uses unused forest materials collected in the Okhotsk region as its primary biomass fuel.

Flow for supply of biomass fuels at the Mombetsu Biomass Power Generation Plant



Building a 200MW System - Starting Operations at the Mombetsu Biomass Power Generation Plant

The Sumitomo Forestry Group aims to expand the renewable energy business primarily in the wood biomass power generation business to a scale of 200 MW by 2019. One of the pillars to achieving this target is the Mombetsu Biomass Power Generation Plant. An affiliate company of the Sumitomo Forestry Group with an equity interest of 51%, this power plant is a 50MW large-scale biomass power generation facility, which is the largest biomass power generation plant investment of the Group.

In addition, this power plant uses unused wood resource from the Okhotsk region as its primary fuel and it is the first forest based type of power generation facility for the Sumitomo Forestry Group. The Group owns forests in the Okhotsk land rich with forest resources and the profit is cycled back into the forest and the region. We are aiming for a circulation-type power generation business able to have a prosperous coexistence in the region.



Aiming to Further Accelerate the Biomass Power Generation Business

The Sumitomo Forestry Group aims to start operations of the Hachinohe Biomass Power Generation Plant (12.4MW) in April 2018 in addition to the Kawasaki Biomass Power Generation Plant (33MW), the Mombetsu Biomass Power Generation Plant (50MW) and the Tomakomai Biomass Power Generation Plant (5.9MW) already in operation. Total scale of power generation is already 100MW with these capital participation in wood biomass power generation plants.

We will further our investment in the future. In May 2016, Sumitomo Forestry Group invested in Renova, Inc., which develops and operates renewable energy power generation plants, while also entering into an operational partnership agreement. Renova has experience in the development of our power generation plant in addition to a proven track record in a total of more than 1,000 cases of environmental consulting. The company also possesses a wide range of knowledge and a vast network related to the development of the renewable energy business. The Sumitomo Forestry Group actively promotes various renewable energy businesses now and in the future that include wood biomass power generation through these kinds of initiatives.

Present investment

Operation of wood biomass power generation plants (Kawasaki, Mombetsu, and Tomakomai)



Progressive investment

Participation in the Hachinohe Biomass Power Generation Business



Future investment

Operational partnership agreement with Renova



► [Contributing to the Reduction of Greenhouse Gases through Our Business](#)

Activity Highlight 3



Practicing Sustainable Forest Management

The medium to long-term demand for timber is expected to grow worldwide due to the needs for housing construction resulting from growing populations and economic growth in developing nations as well as demands for various energy resources.

More than half of the wood resource products throughout the world today are supplied from natural forests and increasing the number of sustainable plantation forests is vital to respond to this growing demand.

The Sumitomo Forestry Group is expanding its plantation forest operations by passing down a sustainable forestry philosophy to continue to utilize wood while planting trees and cultivating forests with its roots firmly founded in the forest management of the Besshi Copper Mine where the Group began. Currently, the Group owns and manages approximately 270,000 hectares of sustainable forests in and outside of Japan.

Contributing to Regional Growth by Cultivating and Managing Forests

Sustainable forests are forests managed in a way that allows the diverse needs for timber to be lastingly satisfied by maintaining a healthy ecosystem throughout the forest while receiving benefit of the timber it provides. The Sumitomo Forestry Group always recognizes sustainability from an environmental perspective in a cycle that starts with planting, cultivation, harvest, use, and back to planting. We hope this will contribute to the development of regions both economically and environmentally while preventing the depletion of resources.

Forest Management and Timber Usage



Acquiring New Zealand Forest

The Sumitomo Forestry Group acquired approximately 30,000 hectares of forest assets in New Zealand in June 2016.

The forest assets gained from this acquisition are Monterey pine plantation forest located in Nelson, New Zealand. Monterey pine is a type of tree that offers a stable supply of timber thanks to a growth rate that has a 25 year cycle to harvest in addition to price competitiveness while being highly homogeneous with versatility. These forest assets are forecast to provide a stable revenue stream over the long term while also offering sustainable resources that can be used indefinitely through planned forestation.

The Monterey pines cultivated in the forest obtained in this acquisition will be processed locally to be used as construction timber and interior materials of housing both in Japan and overseas. It is estimated to bring in sales of approximately four billion yen a year. In addition, these resources will be exported to countries around the world where expected to have high demand such as China, India with a significant increase in population, and Japan through the distribution network of the Sumitomo Forestry Group.

The Group considers the coexistence with local citizens and contributions to local communities as indispensable to sustainable forest management. We will promote management in these forests as an ongoing business able to contribute to society while building cooperative relationships with the people in the region such as the Ngati Koata Trust*.

* Trust that manages assets such as the land returned to the Maori people (the indigenous people of New Zealand) by the New Zealand government



Acquiring Forest Stewardship Council (FSC) Forest Certifications in Indonesia

Koperasi Bromo Mandiri KTI (KBM-KTI) reforestation cooperative supported by Indonesian Group company Kutai Timber Indonesia (KTI) acquired the FSC-FM certification for 206 hectares of forest in January 2017.

KTI also began reforestation with fast-growing trees such as Falcata (*Albizia falcataria*) in 1999. With the system of "social forestry", KTI has aimed to support the environment, community and economy by distributing seedlings to local residents for free to plant on the lands they own and promises to purchase timber when the trees are mature. KBM-KTI was established with the support of the local community in December 2015. The company has striven to build systems that include sustainable forest management programs, legal compliance and environmental preservation together with the local community. We also are taking advantage of the know-how accumulated in reforestation over many years with local communities in the acquisition of this certification.

KTI will strive to expand the manufacture and sales of products with high environmental value by expanding the area of certified forests. Only KTI can provide a stable supply of FSC-FM certificated materials in Indonesia made up primarily of the Indonesian Falcata tree species and we expect greater competitive strength.



- ▶ [Sustainable Forest Management](#)
- ▶ [Forest Management in Japan](#)
- ▶ [Forest Management Overseas](#)

Activity Highlight 4



Regional Revitalization Starting from Seedlings

Reclaiming Forests by Cultivating Seedlings by Uniting the Public and Private Sectors

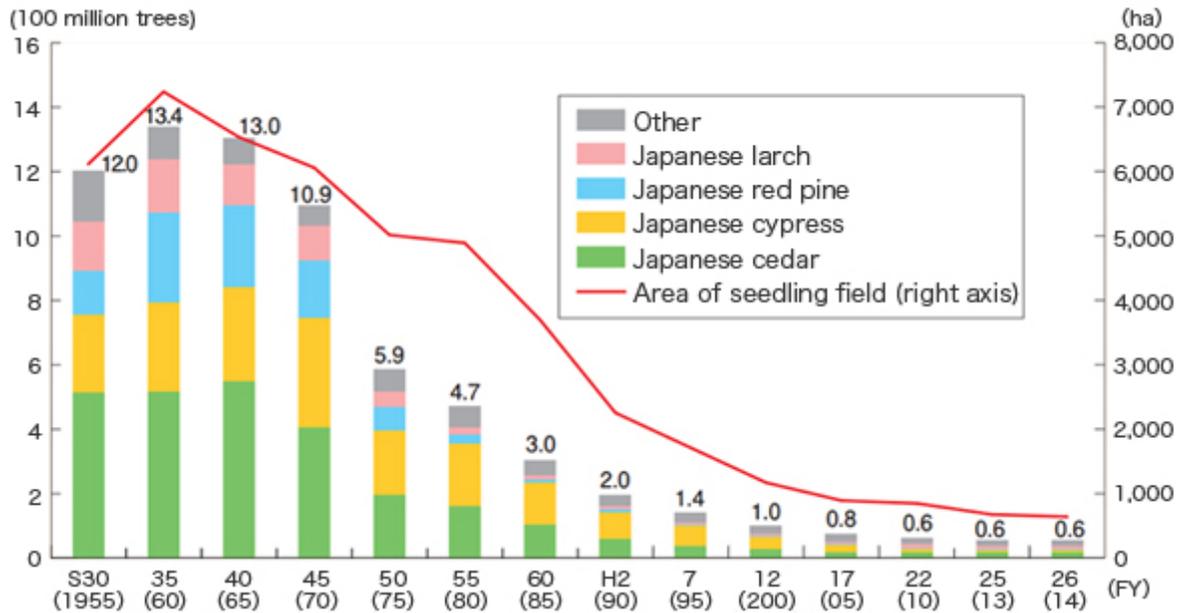
Increasing number of municipalities are working to foster forest resources that are not yet effectively utilized as one part of regional revitalization measures. Areas of clear-cutting is expected to increase in the future as the harvesting period approaches for cedar and Japanese cypress planted after World War II, and a stable supply of seedlings is desired for reforestation. However, due to circumstances such as a lower number of producers, it is expected that the resources will be insufficient.

Sumitomo Forestry was the first to modernize seedling production. We are contributing to the sustainability of forest resources and active resource production through efforts such as the construction of greenhouse-type cultivation facilities with the proper environmental management by using proprietary production technology for seedling containers.

More specifically, starting from the development of an environmental control greenhouse facility in Hyuga City, Miyazaki in 2012, we established the know-how for production in Mombetsu City, Hokkaido as well. The production per unit of area significantly increased by controlling the temperature and humidity and allowing cultivation throughout the year compared to conventionally raising seedlings in the open. We opened new greenhouse facilities in Gero City, Gifu Prefecture in fiscal 2016 and Motoyama City, Kochi Prefecture in May 2017 to establish a system capable to cultivate 1.3 million seedlings a year throughout Japan.

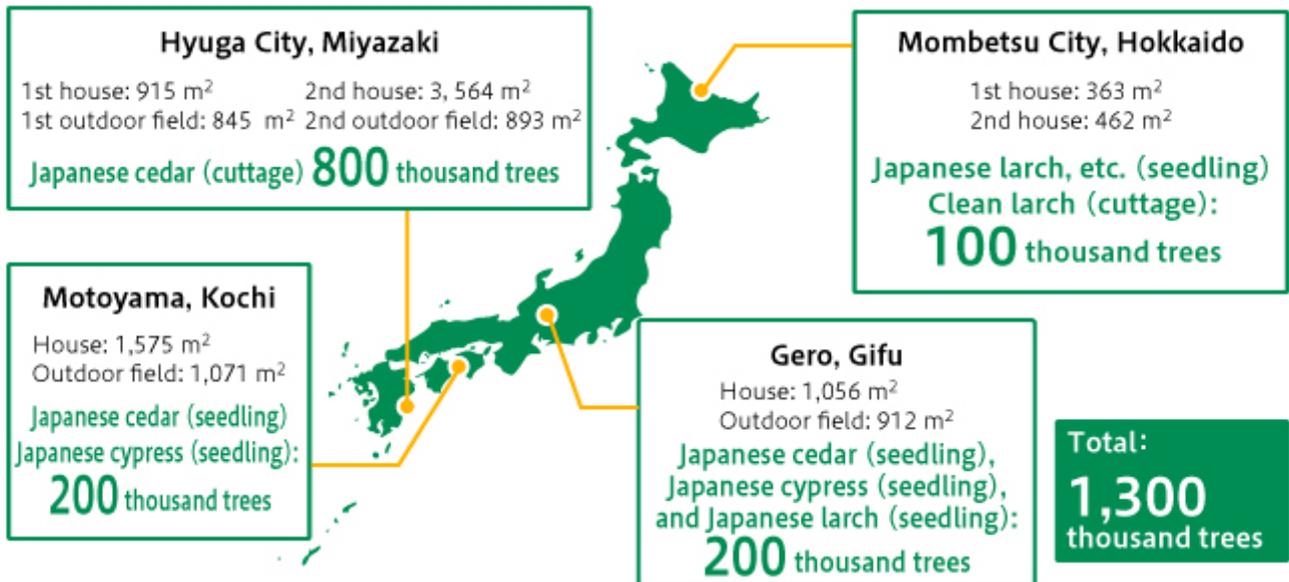
We are also linking to local municipalities to contribute to the revitalization of the region by establishing greenhouses with local employment as well as the development and standardization of new technology related to seedling cultivation in addition to as well.

Trends in Production of Seedlings Throughout Japan



* Source: Annual Report on Forest and Forestry in Japan Fiscal Year 2016

Cultivating Sumitomo Forestry Seedlings Throughout Japan



Standardizing Information to Promote Use of Forest Information

Local municipalities, forest business proprietors, forest owners, timber consumers and other relevant parties need to effectively and skillfully use resources by sharing a wide range of forest information such as the amount of resources in the forest as well as the history of the owners, topography, and transportation system to revitalize the forests in Japan. Forestry Agency promotes the Standard Specifications for a Forestry Cloud System as part of its business to develop technology for the sophisticated use of forest information that standardizes data and systems for forest information in order to solve these issues. Sumitomo Forestry created and revised the Standard Specifications for a Forestry Cloud System together with the JIPDEC as a secondary business within our existing business in fiscal 2013. We also released the latest 3.1 version in August 2016. These standard specifications were adopted by 2 prefectures and 15 municipalities as of March 31, 2017.

We hope to promote the maintenance of local forest and development of forestry through the adoption of the standard specifications by local municipalities, forest business proprietors, timber consumers and all other relevant parties in addition to the realization of efficient and sophisticated forest management.



▶ [Forest Cloud Driving the Future of Forests - Rashinban -](#)(External Link)(in Japanese)

Creating the Forest and Forestry Master Plan in Itoshima, Fukuoka

Sumitomo Forestry is providing consulting in planning of forest management and forestry development conducted by local municipalities by taking advantage of its wealth of knowledge in forest management cultivated in company-owned forests over a long period of time. As part of these efforts, we supported the creation of a Forest and Forestry Master Plan in Itoshima City, Fukuoka Prefecture as an initiative to use local forest resource since January 2016.

This plan is the foundation for measures related to proper forest maintenance and effective use of city lumber in Itoshima, which is positioned as the basic plan for businesses to build supply chains for city use of timber that takes advantage of ICT promoted by Itoshima.

As methods to create this master plan, we are zoning areas that consider attributes such as the growth rate and accessibility of forests as well as the environmental conservation functions after grasping the amount of forest resources within the city limits through aerial laser measurement. Sumitomo Forestry formulated a harvesting plan and a plan for a transportation network that would be optimal to haul timber cultivated in the forest out by defining policies for conducting operations in the forest for each zone. Moreover, we also examined the systems to build to execute measures that follow this master plan.

Itoshima expects to achieve regional revitalization that utilizes the forest based on this Forest and Forestry Master Plan in the future.



Activity Highlight 5



Supporting Work-style Innovation

Building a workplace where employees can actively participate with enthusiasm is an extremely important challenge from the perspective of securing human assets as long working hours become a social issue and the demand for work-style innovation grows. The Sumitomo Forestry Group sets specific targets and promotes initiatives in the Mid-Term CSR Management Plan to develop a workplace where diverse human assets can actively.

Realizing a Work-Life Balance

The Sumitomo Forestry Group is promoting diversity management by setting "Respect for Humanity—We work to create an open and inclusive corporate culture that values diversity" as one of its Action Guidelines. We are also furthering the creation of a workplace where our employees are able to work with passion by striving to shape the health preservation of each and every employee so that they may take care of themselves and their families as well as build a brighter future.

In fiscal 2017, we advanced more employee-friendly systems with the revision of our personnel system. More specifically, the Sumitomo Forestry has transitioned overtime work from a de facto working hour system to an actual count system as well as adopted a flextime system, a work interval system and productivity assessments by hour.

The transition to an actual count system and the adoption of a productivity assessment aims to reduce long hours, heighten the quality and productivity of work as well as

preserve the health of employees by heightening the quality of work with employee awareness about the cost versus time.

We are also striving to build an employee-friendly systems for child raising and nursing care and to equalize operational working hours overall by stipulating the total working hours per month and a flextime system.

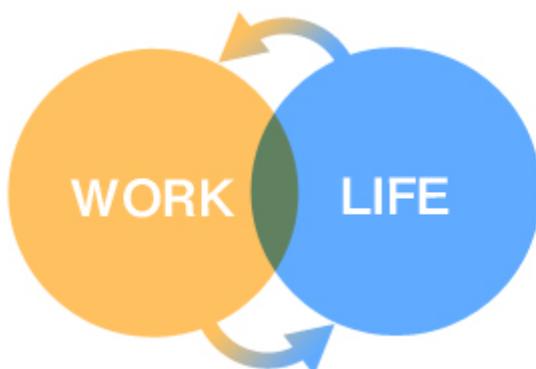
In addition, the interval system secures 11 hours of leisure time between the end of the work day until the start of the next work day. This program prevents overwork and reduces the impact on the mental and physical health of employees by exempting employees from working if their 11 hours of leisure time overlaps with the start of the workday or core time.

Selected as a 2017 Certified Health and Productivity Management Organization

Sumitomo Forestry was selected as a 2017 Certified Health and Productivity Management Organization in February 2017. The Health and Productivity Management Organization Certification System is part of an initiative to better the health of employees advocated by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. 235 corporations have received this certification from among the "large-scale organizations" subject to this certification for the first time since its establishment in fiscal 2016.



The certification is set based on five criteria; corporate philosophy and policies, organizational structure, execution of policies and measures, assessment and improvement as well as legal compliance and risk management. Sumitomo Forestry has been highly evaluated for its "corporate philosophy and policies" in particular.



Examples of Initiatives for Health Management at Sumitomo Forestry

- Efforts to reduce long hours by adopting flextime and interval systems
- Comprehensive examinations through health check-ups
- Setup of consulting center with internal counselors (clinical psychologist) as well as manager training
- Periodic implementation of mental health check-ups (stress checks) that use the corporate intranet

Sumitomo Forestry Granted Semi-Nadeshiko Brand Designation for FY2016

Sumitomo Forestry has put its strength into the promotion of women's success and was granted the fiscal 2016 Semi-Nadeshiko Brand Designation. The Nadeshiko Brand was established in fiscal 2016 with focus on the promotion status of women's success by the Ministry of Economy, Trade and Industry together with the Tokyo Stock Exchange to select companies conforming to the Nadeshiko Brand for excellence in empowering women.

The Sumitomo Forestry Group is encouraging the active participation and appointment of women managers by setting a target to have a ratio of 5% or more female managers by 2020 as a Mid-Term CSR Management Plan.

We have adopted a mentor system in fiscal 2016 that partners female employee mentees with male managers as mentors and expanding a system to support the active participation of female employees.

The Group formulated the Sumitomo Forestry Group Declaration on Empowering Women in 2013 to actively promote the enhancement of programs such as work-style support while raising children as well as education training systems.

Sumitomo Forestry Group Declaration on Empowering Women

1. We will create a positive work environment for women
2. We will leverage women's unique creative powers
3. We will spur innovation through the participation of women

Holding Iku-boss Seminars

The Sumitomo Forestry Group has held Iku-boss* Seminars for managers based on the importance of changing their awareness to drive the organization in order to realize work-style innovation. On the day, managers from the head office and other offices nearby as well as employees from Group companies human resources divisions participated in the seminar lead by an external instructor under the theme to reform thinking to raise performance while controlling long hours and realizing work-style innovation suited for each individual's situation.

* Iku-boss is a boss who fulfills his responsibility at work,encouraging their staff's private life and carrier,also balancing their own work and life.

Voice of Iku-boss Seminar Participants

Q: Please tell us your thoughts and about how your thinking has changed after attending the Iku-boss Seminar.

A: I joined the seminar with excitement as the title suggested that I can learn the practical secrets to heighten performance while realizing a work-life balance.

The seminar was able to teach me the definition and importance of Iku-boss with specific and easy-to-understand content. Members of my group and team each faces different situations, from having time limitations due to raising children to having a strong sense of responsibility and working long hours to the extent that I worry about their health. I want to build an employee-friendly workplace where everyone can work with enthusiasm by understanding personal situations of each team members through communicating with them individually.



Morimasa Iwakame
Team Leader
Ikebukuro Branch, Housing
Division

Q: Please tell us what you would like to practice in the future and how your behavior might have changed.

A: I made a declaration to create an atmosphere to support one another at work as a way to better the private lives of my staff and my own life as an Iku-boss action commitment at the end of the seminar.

Specifically, I halved the number and length of group meetings in an effort to promote more efficient work and shorter working hours. I am also supporting my staff in reducing their time restrictions through checking on their progress and offering any guidance or alleviating any worries they may have by visiting their desks.

In the future, all of my team members will think by standing in the shoes of others and they will first act as an example so that action can be taken. I hope to put this in to practice and facilitate a greater awareness.

- ▶ [Fair Employment and Benefit](#)
- ▶ [Work Life Balance](#)

Activity Highlight 6



Contributing to a Low-carbon Society

The largest environmental impact for a home builder is related to the environmental impact during the use of the homes that are delivered. While Japan has slowed the trend of increasing CO₂ emissions in the household sector, the country has relatively high standards and properly adhering to gradual energy-saving standards has become mandatory even in new housing. The Sumitomo Forestry Group is striving to standardize homes that realize Net Zero Emission Housing (ZEH), which is a household that has no primary energy consumption.

Meeting Customer Expectations to Reduce the Environmental Impact

The Sumitomo Forestry Group provides energy-saving homes as well as homes with better environmental friendliness by responding to the needs and expectations of customers, which connects to improve quality and to a reduction in the environmental impact.

For example, a full survey of living conducted in 2013 by the Ministry of Land Infrastructure, Transport and Tourism showed safety in earthquakes, the space and layout of the house and crime prevention as some of the elements thought important in housing.

Sumitomo Forestry has worked to improve technology in custom-built wooden houses such as the release of the Big-Frame Construction Method (BF Method), the first

wooden beam Rahmen structure in Japan, in 2005 as a way to respond to these expectations.

We further evolved the BF Method with the release of The Forest BF throughout Japan (excluding Okinawa) in April 2017.

Moreover, we have adopted versatile partitions that do not require structural materials to build a structure in addition to flexibility in the ceiling heights and even broader openings. This will enable to change room plans with less waste when accommodating different life stages in the future to live with aging parents or sending off grown up children.

ZEH can also be realized by combining high efficiency water heaters with solar power generation systems in addition to providing insulation efficiency that surpasses the local standard values.

In the future, Sumitomo Forestry will continue to provide high quality homes that benefit both customers and the environment through this type of development.

80% ZEH Promotion by 2020 and Start LCCM

Sumitomo Forestry has set a ZEH promotion target of 80% by 2020 and has already achieved 32% adoption rate as of fiscal 2016*. Japan has set a target to achieve zero emission in standard new housings by 2020 and achieve zero emission on average in new housings by 2030. Sumitomo Forestry is contributing to the realization of this national goal.

Sumitomo Forestry is engaged in the development of Life Cycle Carbon Minus (LCCM) housing as an attempt to reach negative CO₂ emissions across the entire life cycle of a home from construction through disposal by using environmentally sound equipment such as solar power systems.

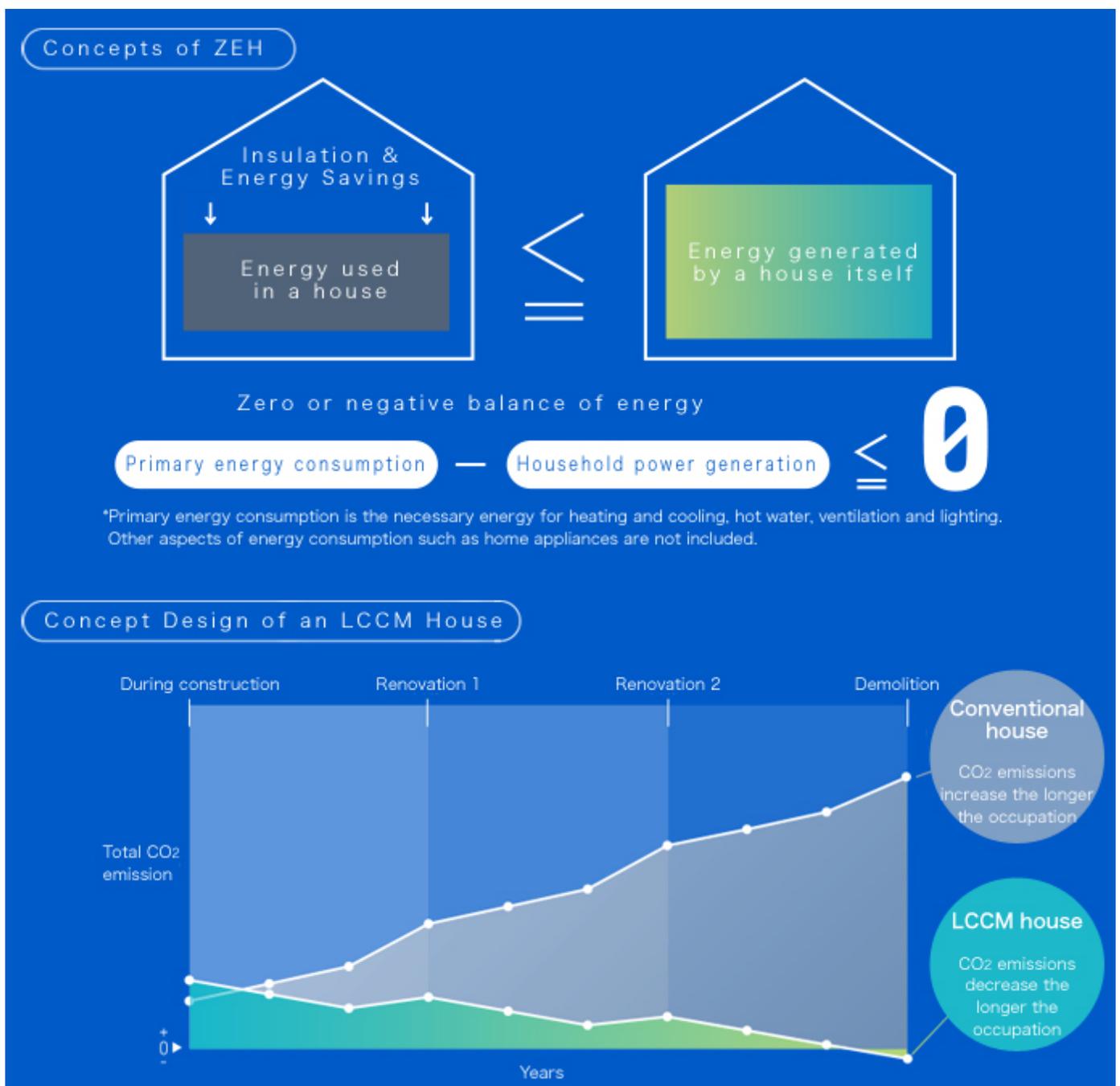
Custom-built wooden houses that utilize wood as a renewable resource can substantially reduce CO₂ during construction compared to steel or reinforced concrete structures. Wooden houses are the perfect for LCCM from a perspective that takes into account everything from before construction to after the house is built. We are aiming to realize comfortable LCCM homes while reducing the CO₂ emissions of the home itself as well as during occupancy.

▶ [Saving of Energy and Reduction of Greenhouse Gas Emissions During Occupancy](#)

ZEH standardization target and results (including Nearly ZEH)*

		FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Japan (Excluding Hokkaido and Okinawa)	Target	5%	35%	45%	60%	80%
	Results	32%	-	-	-	—
Hokkaido	Target	1%	3%	5%	10%	51%
	Results	0%	-	-	-	—

* Custom-built base



Comment from Employee in Charge of LCCM Housing Development

The Tsukuba Research Institute has been conducting researches at experimental facilities that were constructed on its premises since 2013 as an effort to develop LCCM houses. LCA results have shown the benefits of using timber in reducing the CO₂ emissions of the building itself at the experimental facilities built of various timber. We have successfully introduced new technologies to the market that were implemented and tested in our experimental facilities such as the Air-Dream Hybrid and thermal insulated shoji sliding screens. The Air-Dream Hybrid has a cooling function using outside air when the temperature outside is low such as on summer nights and the thermal insulated shoji screens both heighten the insulation efficiency at openings and secure brightness indoors. We are advancing technological development related to more active use of energy such as the use of electricity produced from solar power generation systems inside of the actual home while cooperating with the verification business of the New Energy and Industrial Technology Development Organization (NEDO) since fiscal 2016.



Takaaki Nemoto
Team Manager
Housing Group, Tsukuba
Research Institute



Experimental facility utilizing timber



Storage water heater and energy storage system

CSR Management of the Sumitomo Forestry Group

Corporate Philosophy and CSR Management

Stakeholder Engagement

CSR Material Issues and Mid-Term CSR Management Plan

Material Issue 1: Continue to procure wood and materials that take sustainability and biodiversity into consideration

Material Issue 2: Promote the reduction of the environmental impact of our business activities

Material Issue 3: Promote development of workplaces where diverse personnel can work with vigor and enthusiasm, demonstrating their abilities and individuality

Material Issue 4: Strengthen and promote risk management and compliance mechanisms

Material Issue 5: Promote the development and sales of products and services that are safe, reliable and environmentally conscious

Corporate Philosophy and CSR Management of the Sumitomo Forestry Group

The Sumitomo Forestry Group utilizes timber as a renewable, healthy, and environmentally friendly natural resource, and contributes to a prosperous society through all types of housing-related services. We formulate policies and various guidelines such as our environmental and procurement policies based on the Corporate Philosophy and Action Guidelines. We are carrying out our business activities after redefining the Sumitomo Forestry Group Code of Conduct in July 2017 so that it conforms to the requirements of society such as recent international standards and initiatives.

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

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

Corporate Philosophy

The Sumitomo Forestry Group utilizes timber as a renewable, healthy, and environmentally friendly natural resource, and contributes to a prosperous society through all types of housing-related services.

Action Guidelines

Sumitomo Spirit

We conduct business that is beneficial to society based on the principles of integrity and sound management.

Respect for Humanity

We work to create an open and inclusive corporate culture that values diversity.

Environmental Responsibility

We are dedicated to effectively addressing environmental issues with the aim of achieving a sustainable society.

Putting Customers First

We are thoroughly committed to customer satisfaction through the provision of high-quality products and services.

Sumitomo Forestry Group Code of Conduct

Purpose and scope of application

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

Fair and transparent corporate activities

1. Strict adherence to laws and regulations

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

2. Prevention of corruption

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

3. Fair business transactions

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

4. Fair accounting procedures

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

5. Communication with stakeholders

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

6. Maintaining confidentiality

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

7. Information security

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

8. Relationships with companies we do business with

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

9. Protection of intellectual property rights

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

10. Protection of personal information

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

11. Responsible advertising/promotional efforts

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

12. Healthy relationship with the government

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

13. Stance on organized crime

We shall have absolutely no involvement in organized crime.

14. Establishment of a whistleblowing mechanism

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

Ethical conduct**15. Avoidance of a conflict of interest**

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

16. Prohibition of misappropriation of company assets

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

17. Prohibition of insider trading

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

18.Appropriate gift giving and entertainment

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

19.Prohibition of political or religious activities

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

A respectful, healthy workplace

20.Respect for human rights

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

21.Prohibition of discrimination and the promotion of diversity

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

22.Prohibition of forced labor and child labor

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

23.Freedom of association and collective bargaining rights

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

24.Appropriate working hours and wages

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

25.Work/life balance

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

26.Occupational health and safety

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

27.Human resources development

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

28.Prohibition of harassment

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

29.Protection of privacy

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

Business activities that respect society and the environment

30.Customer satisfaction and safety

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

31.Co-existence with the environment

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

32.Contribution to the local community

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

▶ [Sumitomo Forestry Group Environmental Policy](#)

▶ [Sumitomo Forestry Group Procurement Policy](#)

Participation in the United Nations Global Compact

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

The Ten Principles of the UN Global Compact

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.

Labor

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labor; and
Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

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



Endorsement of SDGs

Sustainable Development Goals (SDGs) was adopted at the United Nations General Assembly in 2015. SDGs have the objective of achieving 17 goals with 169 targets that include poverty, inequality, education and the environment in all regions of both developing and developed nations founded in the success of Millennium Development Goals (MDGs) adopted in 2000 with the aim of realize a better global society by 2015. The Sumitomo Forestry Group mainly contributes to various activities relevant to the Group's CSR material issues by supporting these goals as a company that is growing its businesses globally.

Relationship between CSR material issues and SDGs are described in Material Issues page.

- ▶ [Material Issue 1: Continue to procure wood and materials that take sustainability and biodiversity into consideration](#)
- ▶ [Material Issue 2: Promote the reduction of the environmental impact of our business activities](#)
- ▶ [Material Issue 3: Promote development of workplaces where diverse personnel can work with vigor and enthusiasm, demonstrating their abilities and individuality](#)
- ▶ [Material Issue 4: Strengthen and promote risk management and compliance mechanisms](#)
- ▶ [Material Issue 5: Promote the development and sales of products and services that are safe, reliable and environmentally conscious](#)

SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



Stakeholder Engagement

CSR Management

Basic policy

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

Stakeholders of the Sumitomo Forestry Group

The stakeholders of the Sumitomo Forestry Group are organized and classified as outlined below. The Sumitomo Forestry Group has put in place measures to respond to the diverse expectations and requirements of each stakeholder while facilitating good communication not only on a daily basis in business activities but also takes advantage of various other opportunities.



Responsibilities and Communication Methods

Responsibilities and Communication Methods

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

Stakeholder	Responsibilities	Communication Methods
<p>Employees and Their Families</p>	<ul style="list-style-type: none"> ■ Establishing and providing a healthy working environment where people can work safely that respects human rights without any discrimination ■ Equally and fairly evaluating personnel ■ Establishing educational systems able to drive and improve skills ■ Establishing measures, policies and other regulations to enhance the work-life balance 	<ul style="list-style-type: none"> ■ Conducting regular consultations and performance reviews ■ Conducting employee satisfaction surveys ■ Installing a compliance counter ■ Establishing a Medical Consultation and Treatment for Mind and Body ■ Carrying on a dialogue between the president and employees (casual discussions) ■ Holding Family Open Days ■ Carrying out meetings with management made up of both labor and management committee members ■ Publishing internal magazines and putting in place an intranet
<p>Shareholders and Investors</p>	<ul style="list-style-type: none"> ■ Disclosing timely and accurate information ■ Pursuing informational transparency and accountability ■ Executing the appropriate premium redemption to shareholders 	<ul style="list-style-type: none"> ■ Holding general meetings of the shareholders, financial results briefings, investor briefings, analyst briefings and other relevant meetings ■ Communicating information on websites, shareholder correspondence, briefing materials and in other relevant forms ■ Responding to surveys for relevant assessment and research agencies such as SRI

Stakeholder	Responsibilities	Communication Methods
Government and Auditing Agencies	<ul style="list-style-type: none"> ■ Complying with all relevant laws as well as reporting and delivering notifications 	<ul style="list-style-type: none"> ■ Responding through expert and relevant departments
Industries and Companies in the Same Business	<ul style="list-style-type: none"> ■ Assembling the appropriate markets and competitive environment ■ Offering cooperation for the growth and development of our industry 	<ul style="list-style-type: none"> ■ Participating in industry associations and other organizations
Business Partners	<ul style="list-style-type: none"> ■ Building equal and fair relationships with business partners ■ Improving the occupational health and safety environment ■ Complying with all relevant laws 	<ul style="list-style-type: none"> ■ Engaging in purchasing and procurement activities ■ Conducting safety conferences, safety patrols and building contractor meetings ■ Conducting workshops and informational exchange meetings ■ Conducting supplier evaluations (surveys and questionnaires)
Students	<ul style="list-style-type: none"> ■ Conducting equal and fair hiring practices ■ Actively communicating information 	<ul style="list-style-type: none"> ■ Participating in various briefings and other events ■ Visiting schools

Stakeholder	Responsibilities	Communication Methods
NPOs/NGOs	<ul style="list-style-type: none"> ■ Working cooperatively to solve social challenges ■ Providing business know-how 	<ul style="list-style-type: none"> ■ Participating in employee volunteer activities ■ Working cooperatively through social contribution activities
Global Environment	<ul style="list-style-type: none"> ■ Preserving the natural environment and biodiversity ■ Reducing the environmental impact of business activities ■ Developing and providing products and services with minimal environmental impact 	<ul style="list-style-type: none"> ■ Providing an environment for business ■ Supplying and standardizing environmentally-friendly housing ■ Acting as volunteers in building forests such as in reforestation ■ Carrying on a dialogue with NPOs/NGOs ■ Conducting environmental and social contribution activities linked to NPOs/NGOs
Global Society and Local Communities	<ul style="list-style-type: none"> ■ Contributing to solutions to both global and local challenges in society 	<ul style="list-style-type: none"> ■ Participating in employee volunteer activities ■ Supporting the formation of communities through social contribution activities

CSR Material Issues and Mid-Term CSR Management Plan

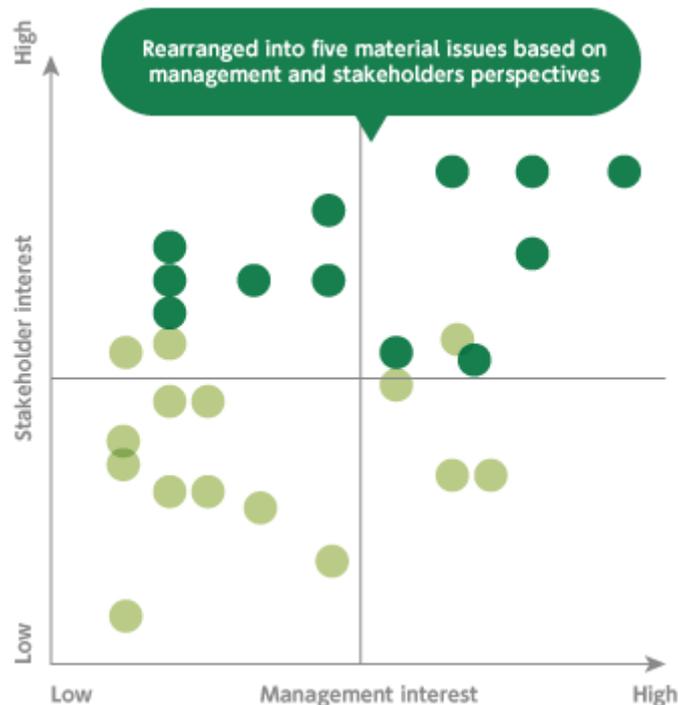
CSR Management

Identifying Sumitomo Forestry Group CSR Material Issues

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

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

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



Sumitomo Forestry Group CSR Material Issues

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

Formulating the Sumitomo Forestry Group Mid-Term CSR Management Plan

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

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

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

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



- ▶ Material Issue 1: Continue to procure wood and materials that take sustainability and biodiversity into consideration
- ▶ Material Issue 2: Promote the Reduction of the Environmental Impact of Our Business Activities
- ▶ Material Issue 3: Promote development of workplaces where diverse personnel can work with vigor and enthusiasm, demonstrating their abilities and individuality
- ▶ Material Issue 4: Strengthen and promote risk management and compliance mechanisms
- ▶ Material Issue 5: Promote the development and sales of products and services that are safe, reliable and environmentally conscious

Material Issue 1: Continue to procure wood and materials that take sustainability and biodiversity into consideration

CSR Management

Basic policy

As the world's forests continue to decrease in size as a consequence of illegal logging, excessive slash-and-burn farming and other practices, various countries are proceeding to introduce laws and strengthen regulations to eliminate illegally logged timber from the market. Meanwhile, in Japan, maintenance of forests, and of plantation forests in particular, has halted in part because of a declining and aging forestry workforce, and there are growing concerns about some forests becoming devastated.

Amid this situation, as the Sumitomo Forestry Group is engaged in business centered on wood, it is promoting sustainable forest management and sustainable procurement of wood both in Japan and overseas.

Furthermore, since its fields of business are directly linked to forests that nurture biodiversity, the Group has positioned conserving biodiversity as one of its key CSR themes.

Progress of the Mid-Term CSR Management Plan and SDGs

Current awareness of issues and basic strategies		Evaluation metrics	FY2016 target	FY2016 result	Rating	FY2017 target	FY2020 target
Environmentally responsible society   	Increase volume of sustainable wood handled, and utilize sustainable forest resources by verifying legal compliance	Percentage of certified timber among all imported timber sold	9%	10.9% 	○	11.0%	12%
		Volume of exported Japanese timber	158 thousand m ³	70 thousand m ³ 	×	100 thousand m ³	200 thousand m ³
		Volume of plantation timber, certified timber, and Japanese timber handled at distribution hubs overseas	781 thousand m ³	812 thousand m ³	○	964 thousand m ³	783 thousand m ³
		Volume of fuel wood chips handled	773 thousand m ³	812 thousand m ³ 	○	861 thousand m ³	800 thousand m ³
		Volume of certified timber (by SGEC) handled at distribution hubs in Japan	55 thousand m ³	68 thousand m ³ 	○	60 thousand m ³	85 thousand m ³
		Volume of unused wood resource handled from Japanese timber	181 kt	191 kt 	○	200 kt	185 kt

Current awareness of issues and basic strategies		Evaluation metrics		FY2016 target	FY2016 result	Rating	FY2017 target	FY2020 target
Environmentally responsible society   	Increase volume of sustainable wood handled, and utilize sustainable forest resources by verifying legal compliance	Percentage of Japanese timber used for new custom-built detached housing (Housing Businesses)	Multi-Balance Construction Method	72%	71% 	△	72%	75%
			Big-Frame Construction Method	51%	50% 	△	51%	55%
		Percentage of reviews conducted for wood product suppliers who handle directly imported timber and wood products with verified legal compliance (Timber and wood product department)	100%	100%	○	100%	100%	
	Establish forestry management that enables conservation of biodiversity, and value as natural capital	Percentage of certified (by SGEN) forests in newly acquired forests managed by the Group	100%	100%	○	100%	100%	
		Number of native species planted at new detached housing sites	40,000 trees	30,614 trees 	△	35,000 trees	210,000 trees /6 years	

Rating

○ : Achieved △ : Achieved at least 70% of the target × : Achieved less than 70%

- ▶ [About symbol for Independent assurance](#)
- ▶ [Highlight 1: Nurturing Warmth in Wood and Protecting Society](#)
- ▶ [Highlight 3: Practicing Sustainable Forest Management](#)
- ▶ [Highlight 4: Regional Revitalization Starting from Seedlings](#)

Material Issue 2: Promote the reduction of the environmental impact of our business activities

CSR Management

Basic policy

As the impact of climate change becomes more apparent globally, companies are being asked to reduce their emissions of greenhouse gases as a measure to counter global warming.

Being engaged in the housing business and in the manufacturing of wooden panels and building materials, the Sumitomo Forestry Group is considerate of its impact on the environment, and is committed to reducing the volume of greenhouse gases emitted from its business activities. Furthermore, in an effort to reduce its environmental impact and to use resources effectively, the Group promotes the reduction, recycling and reuse of industrial waste.

Progress of the Mid-Term CSR Management Plan and SDGs

Current awareness of issues and basic strategies		Evaluation metrics		FY2016 target	FY2016 result	Rating	FY2017 target	FY2020 target
Low-carbon society 	Reduction of CO2 emissions in the Group	In the office segment (consolidated company within and outside Japan)	Change in CO2 emissions compared to FY2013	4.8% reduction Total emissions 33,746t-CO2	7.8% reduction Total emissions 32,660t-CO2	○	7.2% reduction Total emissions 32,887t-CO2	7% reduction Total emissions 32,959t-CO2
		Sumitomo Forestry (offices in Japan)		8.1% reduction	13.9% reduction	○	13.3% reduction	—
		Affiliated companies in Japan (offices)		3.1% reduction	0.9% reduction	×	1.3% reduction	—
		Affiliated companies outside Japan (offices)		5.6% increase	0.7% reduction	○	3.4% increase	—
		Kutai Timber Indonesia (Indonesia)		1.9% reduction	3.1% increase	×	0.9% reduction	At least 1% reduction per year on average per production volume in FY 2015 - 2020
		Vina Eco Board (Vietnam)		2.2% increase	5.4% reduction	○	7.4% reduction	
		AST Indonesia (Indonesia)		0.9% increase	16% increase	×	8.5% reduction	

Current awareness of issues and basic strategies		Evaluation metrics		FY2016 target	FY2016 result	Rating	FY2017 target	FY2020 target
Low-carbon society	Reduction of CO2 emissions in the Group	Alpine MDF Industries (Australia)		4.6% increase	10.6% reduction	○	3.3% increase	At least 1% reduction per year on average per production volume in FY 2015 - 2020
		Nelson Pine Industries (New Zealand)		0.4% reduction	0.7% reduction	○	2.7% increase	
		Rimba Partikel Indonesia (Indonesia)		18.3% reduction	15.8% increase	×	10.1% reduction	
	Reduction of CO2 emissions outside the Group (products, service recipients)	Solar power generation systems (kW) (Quantity handled by distribution hubs in Japan)		6,371kW (1,356 sets)	3,717kW (791 sets)	×	3,355kW (714 sets)	10,951kW (2,330 sets) *
		Percentage of Green Smart houses (Number of Green Smart houses when an order is placed for new custom-built detached housing / total number of houses ordered)		70.0%	61.6% 	△	70.0%	80.0%
		Percentage of Green Smart · ZEH type custom-built detached houses (Number of Green Smart · ZEH type when construction started/total number of houses that started construction)		6.0%	21.3% 	○	35.0%	At least 80.0%

* Only covers ZEH properties that are subsidized (properties that are not planned to apply for subsidies are not checked for ZEH conformity in fiscal 2015 and fiscal 2016 target). Changed to include actual data of all properties with Sustainable open Innovation Initiative (SII) standards during fiscal 2016 due to registration of ZEH properties becoming possible by with SII. The fiscal 2020 target has also been revised with this standard.

Rating

○ : Achieved △ : Achieved at least 70% of the target × : Achieved less than 70%

- ▶ [Highlight 2: Opening Future Avenues to Wood Biomass Power Generation](#)
- ▶ [Highlight 6: Contributing to a Low-carbon Society](#)

Current awareness of issues and basic strategies		Evaluation metrics	FY2016 target	FY2016 result	Rating	FY2017 target	FY2020 target
Recycling society	Achieve zero emissions	Recycling rate at new housing construction sites	91.5%	92.5%	○	92.0%	98.0%
		Recycling rate at remodeling sites	74.1%	76.2%	○	79.4%	80.0%
	Reduce volume of industrial waste generated	Reduction in industrial waste generated at new housing construction sites compared to FY 2013	17.6% reduction	8.8% reduction	×	26% reduction	30% reduction
		Change in industrial waste per sales cost* compared to FY 2014	3.7% increase	2.6% reduction	○	3.5% reduction	At least 2% reduction

* Cost of in-house sales for manufacturing facilities in Japan

Rating

○ : Achieved △ : Achieved at least 70% of the target × : Achieved less than 70%

Economic Effect Seen by Promoting the Reduction of the Environmental Impact of Our Business Activities

Effects		Value (million yen)
Income	Profit on sold for value	35
Cost Reduction	Cost Reduction Amount saved as a result of energy-saving efforts *Include the fluctuation of petroleum price	544
	Amount saved as a result of waste reduction efforts	65
Total		644

Rating

○ : Achieved △ : Achieved at least 70% of the target × : Achieved less than 70%

[About symbol for Independent assurance](#)

Material Issue 3: Promote development of workplaces where diverse personnel can work with vigor and enthusiasm, demonstrating their abilities and individuality

CSR Management

Basic policy

The Sumitomo Forestry Group aims to foster a safe and healthy workplace environment where motivated employees can be actively involved without regards to gender, age, nationality, race, religion or disability. In an endeavor to actively engage female employees in particular, the Group released the "Sumitomo Forestry Group Declaration on Empowering Women." It was issued to the entire Group under the name of the President, and has been the basis for subsequent efforts.

Progress of the Mid-Term CSR Management Plan and SDGs

Current awareness of issues and basic strategies	Evaluation metrics		FY2016 target	FY2016 result	Rating	FY2017 target	FY2020 target
Promote fair employment and treatment 	Female employees in management positions	Sumitomo Forestry	2.9%	3.2%*1 	○	3.3%	At least 5%
		Consolidated in Japan	—	5%*1	—	—	—
	Female employees	Sumitomo Forestry	19.5%	20.1%*1 	○	20.0%	At least 20%
		Consolidated in Japan	—	25.4%*1	—	—	—
	Disabled Employees	Sumitomo Forestry	At least 2%	2.12%	△	2.2%	At least 2%
		Consolidated in Japan		1.45%*2		2.0%	
Promote work-life balance	Paid leave usage	Sumitomo Forestry	8 days	6.9 days	△	10 days	10 days or more
		Consolidated in Japan	Target set by each company	40%	—	Target set by each company	50%
	Overtime working hours (Reduction from the average overtime working hours in FY2013)	Sumitomo Forestry	▲14.8%	▲7.5%	×	▲14.8%	▲30%
Strengthen occupational health and safety	Number of occupational injuries in Company-owned forests*3	Sumitomo Forestry	0	3	×	0	0

Current awareness of issues and basic strategies	Evaluation metrics		FY2016 target	FY2016 result	Rating	FY2017 target	FY2020 target
Strengthen occupational health and safety	Number of occupational injuries at new construction sites*4	Sumitomo Forestry	0	12 	×	0	0
	Number of occupational injuries in other places*4	Consolidated in Japan	Target set by each company	8	—	Target set by each company	0

*1 Data as of April 1, 2017

*2 Data as of June 2016

*3 Number of occupational injuries involving contractors at work sites in Company-owned forests

*4 Number of cases covered by temporary absence with work compensation benefits under the Industrial Accident Compensation Insurance Act

Rating

○ : Achieved △ : Did not achieve but improved from the previous year ×: Did not achieved and no improvement or worse performance

▶  [About symbol for Independent assurance](#)

▶ [Highlight 5: Supporting Work-style Innovation](#)

Material Issue 4: Strengthen and promote risk management and compliance mechanisms

CSR Management

Basic policy

We are working to reinforce the mechanism for managing business risk—which also encompasses Group companies—by constantly managing prioritized risks through the CSR/Risk Management Committee.

Progress of the Mid-Term CSR Management Plan

Current awareness of issues and basic strategies	FY2016 target	FY2016 result	Rating	FY2017 target	FY2020 target
Strengthen risk management framework	Check the progress on the 36 prioritized risk items at the quarterly Risk Management Committee meeting.	Reviewed target items and shared case reports on emerging risks at the monthly Board of Executive Officers meetings.	○	Check the progress on the 41 prioritized risk items at the quarterly CSR/Risk Management Committee meeting.	Manage risks by using prioritized risk items set by the CSR/Risk Management Committee.

Rating

○ : Achieved △ : Achieved at least 70% of the target × : Achieved less than 70%

Material Issue 5: Promote the development and sales of products and services that are safe, reliable and environmentally conscious

CSR Management

Basic policy

Sumitomo Forestry believes that popularizing durable, high-quality houses as social assets plays an important role in creating a prosperous society. In addition, Sumitomo Forestry actively promotes the use of the Excellent Long-term Housing Certification and the Japanese Housing Performance Indication System for customer's peace of mind and safety and in order to enhance property value.

Progress of the Mid-Term CSR Management Plan and SDGs

Current awareness of issues and basic strategies	Evaluation metrics	FY 2016 target	FY2016 result	Rating	FY2017 target	FY2020 target
	Ratio of design performance evaluations implemented for new custom-built detached housing	At least 90%	98.8%	○	At least 90%	At least 90%
	Ratio of construction performance evaluations implemented for new custom-built detached housing	At least 90%	97.8%	○	At least 90%	At least 90%
	Ratio of houses certified as Excellent Long-term Housing for new custom-built housing	At least 90%	93.3%	○	At least 90%	At least 90%
Improve communication with customers	Pass rate for after-sales maintenance advisors and housing inspectors (All persons assigned to Sumitomo Forestry Home Tech Co., Ltd. in charge of maintenance)	100%	100%	○	100%	100%
	Ratio of early completion of handing the as-built drawing for new custom-built detached housing	80%	77%	△	83%	90%

Rating

○ : Achieved △ : Achieved at least 70% of the target × : Achieved less than 70%

▶ [Highlight 6: Contributing to a Low-carbon Society](#)

Management System

Corporate Governance

Risk Management

Compliance

Respect for Human Rights

Business Continuity Management

Information Security

Intellectual Property Management

Basic Concepts of Corporate Governance

Sumitomo Forestry Co., Ltd. (the “Company”) seeks to ensure management transparency as well as appropriateness and legality of its business and strives to promote expeditious decision-making and business execution under the Sumitomo Forestry Group’s corporate philosophy of “utilizing timber as a renewable and environmentally friendly natural resource, and contributing to a prosperous society through all types of housing-related services,” following one of our Action Guidelines that requires us to “conduct business that is beneficial to society based on the principles of integrity and sound management.”

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

▶ [Integrated Report / Annual Report](#)

Corporate Governance and Internal Control

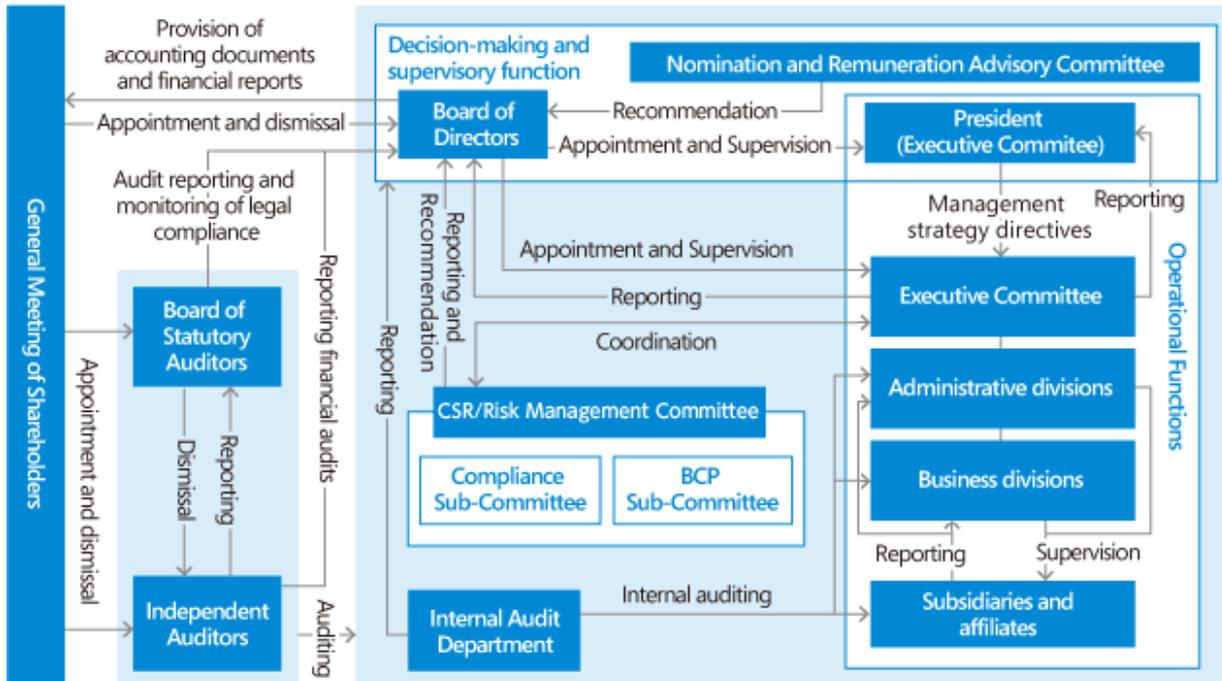
Sumitomo Forestry introduced the executive officer system to separate decision making and management oversight from operational execution functions. Comprised of ten directors (nine male, one female) including two outside directors (one male, one female), the Board of Directors is structured to take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

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

As of June 23, 2017, ten directors (including two outside directors), five auditors (including three outside auditors) and 20 executive officers had been appointed to the Company. The Company notified Tokyo Stock Exchange, Inc. of the designation of the two outside directors and three outside statutory auditors as independent officers as required by its regulations.

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

Corporate Governance Structure



■ Board of Directors and Executive Committee

In principle, the Board of Directors meets once a month, making decisions and carrying out its supervisory function for important issues in accordance with its discussion standards. In addition to making decisions on all important items and confirming business results, it supervises the directors' execution of their duties.

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

The Company ensures prompt decision-making and separation of supervision and operational execution functions, for effective performance of the Board of Directors. Board of Directors meetings were held 15 times while Executive Committee meetings were held 24 times in fiscal 2016.

Attendance of Directors at Meetings of the Board Directors (FY2016)

Name and Responsibility/Expertise			Board of Directors	
			Attended Meetings	Attendance Rate
Chairman of the Board and Representative Director	Ryu Yano	—	14	93%
President and Representative Director	Akira Ichikawa	President and Executive Officer	15	100%
Representative Director	Hitoshi Hayano	Executive Vice President/ Executive Officer In charge of Secretarial, Corporate Communications and CSR	15	100%
Representative Director	Shigeru Sasabe	Executive Vice President/ Executive Officer Divisional Manager of Overseas Business Division	15	100%
Director	Ken Wada	Senior Managing Executive Officer In charge of Environment and Resources Division, Lifestyle Service Division and TOP2020 Promotion	14	93%
Director	Tatsuru Satoh	Senior Managing Executive Officer Supervisor of Corporate Planning and Finance and in Charge of General Administration, Personnel, Information Systems, Intellectual Property, Internal Auditing and the Tsukuba Research Institute	15	100%
Director	Akihisa Fukuda	Managing Executive Officer Divisional Manager of Timber & Building Materials Division	15	100%

Name and Responsibility/Expertise			Board of Directors	
			Attended Meetings	Attendance Rate
Director	Toshiro Mitsuyoshi	Managing Executive Officer In Charge of Tohoku Reconstruction Support Department and Divisional Manager of the Housing Division	15	100%
Outside Director	Junko Hirakawa	Lawyer Partner of City-Yuwa Partners	15	100%
Outside Director	Izumi Yamashita		12	100%

*1 The areas each is in charge as well as their expertise is current as of April 1, 2017

*2 In addition to the above, Board of Directors approval in writing was executed once based on the terms and conditions in Article 370 of the Companies Act of Japan and the Articles of Incorporation (April 19, 2016)

*3 Since appointed Director at the 76th General Meeting of Shareholders held on June 24, 2016, Izumi Yamashita has attended all of the all Board of Directors meetings.

■ Structure of the Board of Directors

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

■ Nomination Procedure for Directors

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

In the selection procedure of outside directors, candidates must not be applicable to any of the below listed criteria to insure their independence to the Company.

1. Company's operations executives

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

2. Consultants

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

3. Major shareholder (non-owner)

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

4. Major shareholder (owner)

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

5. Business Partners

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

6. Lender

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

7. Recipient of contribution

Individual or operations executive of a corporate recipient of a donation from the Company or its subsidiaries whose annual average amount exceeds 10 million yen or 2% of total income of the recipient in the last three years.

8. Family

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

9. Background

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

10. Inter-assumption of outside executive officer

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

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

► [Directors and Executive Officers](#)

■ Board of Statutory Auditors

The Board of Statutory Auditors meets to discuss and make decisions on important matters regarding audits. The five auditors, including the three outside auditors, utilize the deep insights and diverse perspectives they have acquired from their various business backgrounds to provide oversight for the directors' execution of duties. The Board of Statutory Auditors met 14 times during fiscal 2016.

The appropriate human resources are also appointed as auditors at our main subsidiaries for the purpose of improving the effectiveness of auditing and informational exchange at these companies. Meetings of Statutory Auditors of Sumitomo Forestry and its subsidiary companies are held with members composed of full-time statutory auditors of Sumitomo Forestry as well as auditors of our main subsidiaries. The Board of Statutory Auditors met 6 times during fiscal 2016.

In the selection procedure of outside auditors, candidates must not be applicable to any of the below listed criteria to insure their independence to the Company.

1. Company's operation executives

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

2. Consultants

- (1) Employee, partner, or any other staff hired by an auditing firm who provide auditing services for the Company or its subsidiaries.

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

3. Major shareholder (non-owner)

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

4. Major shareholder (owner)

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

5. Business Partners

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

6. Lender

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

7. Recipient of contribution

Individual or operations executive of a corporate recipient of a donation from the Company or its subsidiaries whose annual average amount exceeds 10 million yen or 2% of total income of the recipient in the last three years.

8. Family

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

9. Background

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

10. Inter-assumption of outside executive officer

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

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

Attendance of Auditors at the Board of Directors and the Board of Auditors (FY2016)

Name and Expertise			Board of Directors		Board of Statutory Auditors	
			Attended Meetings	Attendance Rate	Attended Meetings	Attendance Rate
Statutory Auditor	Hidekazu Tanaka		15	100%	14	100%
Statutory Auditor	Noriaki Toi		15	100%	14	100%
Outside Auditor	Satoshi Teramoto	Certified Public Accountant	15	100%	14	100%
Outside Auditor	Katsuhide Kurasaka	Senior Advisor of Sumitomo Electric Industries, Ltd.	15	100%	14	100%
Outside Auditor	Yoshitsugu Minagawa	Chief Counselor, Norinchukin Research Institute Co., Ltd.	12	100%	11	100%

*1 The expertise of each person is current as of April 1, 2017

*2 Since he assumed as auditor at the 76th General Meeting of Shareholders held on June 24, 2016, Yoshitsugu Minagawa has attended all Board of Directors and Board of Auditors meetings.

■ Nomination and Remuneration Advisory Committee

The board of directors will set up a Nomination and Remuneration Advisory Committee as an advisory body to the board to develop a fair and transparent corporate governance system. The Committee will consist of Chairman, the President, and all outside executives (two outside directors and three outside auditors) where the majority must be outside executives, and the chairperson must be an outside director.

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

■ CSR/Risk Management Committee

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

In fiscal 2016, the Risk Management Committee, Compliance Sub-Committee, and BCP Sub-Committee met four times, twice, and four times, respectively, while the Board of Directors received four sessions of reporting.

* The CSR/Risk Management Committee is a place of cooperation and informational sharing from a CSR perspective not only from the perspective of conventional risk management but also issues such as the management progress of challenges in CSR initiatives that is organized as a traditional risk management committee that includes the necessary promotion of CSR management.

▶ [Risk Management Framework](#)

Internal Audits

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

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

▶ [Integrated Report / Annual Report](#)

Executive Remuneration

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

Total Remuneration Paid to Directors and Auditors (FY2016)

Category	Number of Personnel	Total Amount (Yen)
Director	10	537 million
Auditors	6	76 million
Total	16	612 million

*1 One director who resigned at the conclusion of the 76th General Meeting of Shareholders held on June 24, 2016 is included in the above.

*2 Total amounts of director's remuneration does not include a compensation as an employee or a compensation for the execution of other duties.

*3 Total amounts of director's remuneration includes the total bonus of 146 million yen as resolved by the 77th General Meeting of Shareholders held on June 23, 2017.

*4 Total amounts of director's remuneration includes the cost of 33 million yen allocating stock options for eight directors (excluding outside directors).

*5 Upper limits of directors and auditors' remunerations are as below.

(1) The amount of remuneration for directors of no more than 4 million yen per month (no more than 5 million yen per month for outside directors) was approved at the 76th General Meeting of Shareholders held on June 24, 2016.

(2) The amount of remuneration concerning stock acquisition rights as stock-based compensation stock option of no more than 100 million yen for directors (excluding outside directors) per year was approved at the 75th General Meeting of Shareholders held on June 23, 2015.

(3) The amount of remuneration for auditors of no more than 8 million yen per month was approved at the 74th General Meeting of Shareholders held on June 20, 2014.

*6 Of the total remuneration of directors and auditor, the total amount paid to outside executives are shown in the table below

Total Remuneration Paid to Outside Executives (FY2016)

Number of Personnel	Total Amount (Yen)
6	52 million

* One director who resigned at the conclusion of the 76th General Meeting of Shareholders held on June 24, 2016 is included in the above.

■ Calculation Method of Remuneration for Directors

Remuneration for directors comprises three types: monthly remuneration as basic remuneration, shared-based payment type stock options, and bonuses tied to business performance.

(Monthly remuneration)

Remuneration for directors is determined within the monetary amount approved at the General Meeting of Shareholders by considering the level of consolidated recurring income and other management indicators. 4 million yen per month (no more than 5 million yen per month for outside directors) was approved at the 76th General Meeting of Shareholders held on June 24, 2016, and this fixed amount is paid every month.

(Shared-based payment type stock options)

Subscription rights are allocated to directors as a form of shared-based payment type stock options. These subscription rights shall allow directors to exercise these rights after the stated fixed period passes for these subscription rights. The amount of remuneration for acquisition rights as shared-based payment type stock options shall be no more than 100 million yen for directors per year as approved at the 75th General Meeting of Shareholders held on June 23, 2015.

(Bonuses)

Bonuses are paid to directors (excluding outside directors) every year after receiving approval at the General Meeting of Shareholders.

Risk Management Framework

In order to reinforce its framework for managing risks for the entire Group, Sumitomo Forestry has created the CSR/Risk Management Basic Regulations and has appointed the President of Sumitomo Forestry as the highest authority on risk management for the Sumitomo Forestry Group. The Regulation encompasses risks in social, environmental, and economic dimensions, comprehensively.

The Company also established the CSR/Risk Management Committee, comprised of the Company president as chairperson, together with all of executive officers. Each executive officer identifies and analyzes the priority risks to be addressed in their respective area of responsibility, including at Group companies, and formulates plans for managing those risks. These are then shared and discussed at quarterly meetings of the CSR/Risk Management Committee. Executive Officers and Directors attend this committee as it outlines and reports about the content of the activities to the Board of Directors to put in place systems representative of the business.

A Compliance Subcommittee and a BCP Subcommittee have also been established under the command of the CSR/Risk Management Committee. These are chaired by the general manager of the General Administration Department, and are comprised of the executives in charge of risk management at each Group company. These subcommittees carry out specific activities for increasing effectiveness against “compliance risk” in relation to the Construction Business Act and other core businesses, and against “business interruption risk” such as large-scale disasters, which are both regarded as cross-sectional risks affecting the Group.

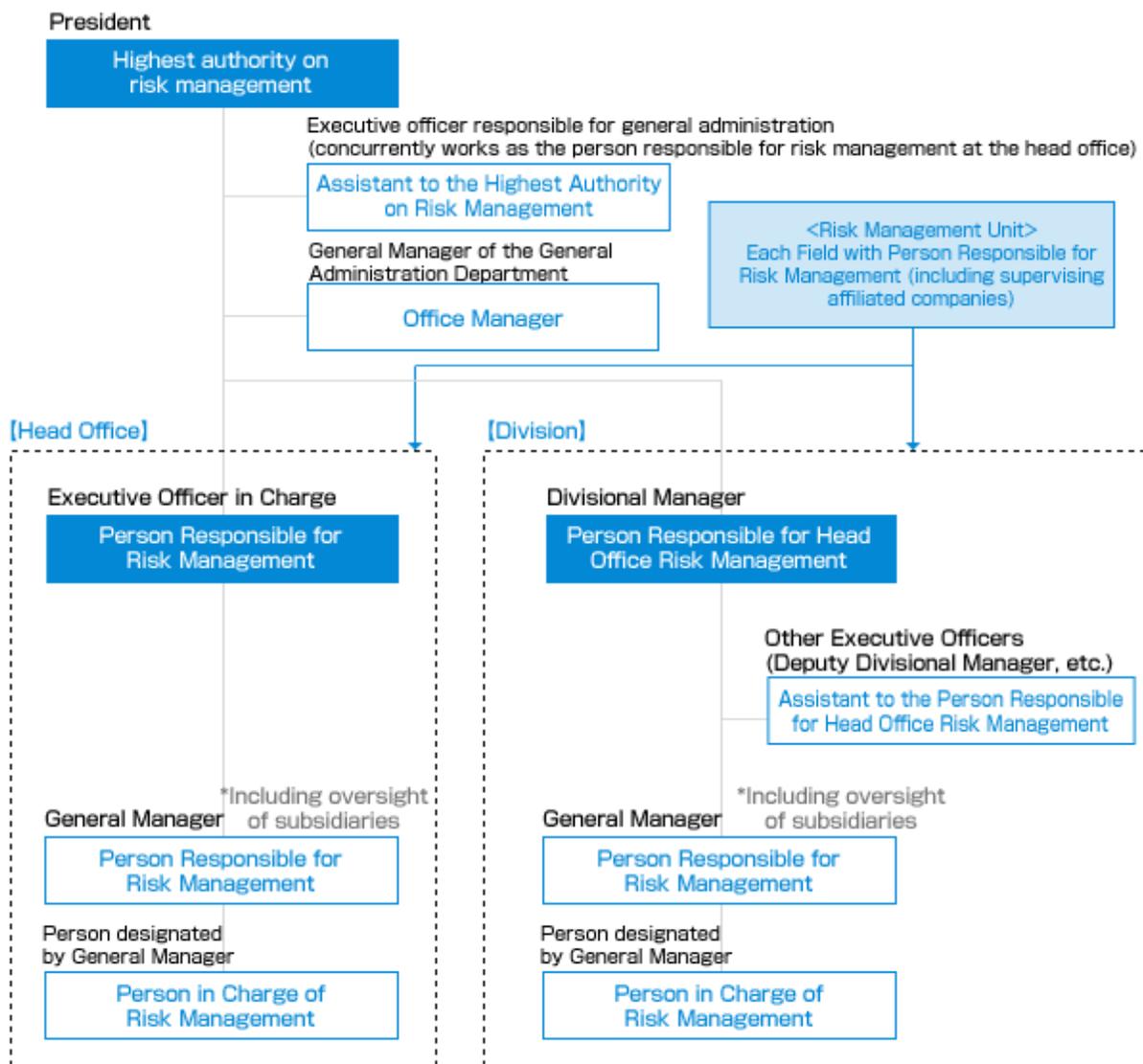
Against risks in social, environmental, and economic dimensions specified in the Sumitomo Forestry Group Code of Conduct Rules, tangible actions have been taken to increase effectiveness.

During fiscal 2016, the Risk Management Committee, the Compliance sub-committee, and the BCP sub-committee met four times, twice, and four times, respectively, and reports were also submitted to the Board of Directors four times.

During fiscal 2017, in order to respond properly to changes in the risks faced by the Sumitomo Forestry Group, the Company will strengthen its risk management framework, by taking stock of its managed risks and by following a PDCA cycle in making continuous improvements with respect to the priority risks selected at the beginning of each period.

* The Risk Management Basic Regulations were revised as the CSR/Risk Management Basic Regulations in fiscal 2017 to promote CSR management by strengthening the structure from an ESG perspective that goes beyond a conventional risk management point-of-view. In conjunction with these revisions, the Risk Management Committee was also restructured as the CSR/Risk Management Committee.

Risk Management Structure of the Sumitomo Forestry Group



■ Risks in Operations

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

- (1) Trends of housing markets
- (2) Changes of legislative regulations
- (3) Competition with other corporations
- (4) Capital and investment strategies
- (5) Market status of timber, building materials and other raw materials
- (6) Currency fluctuation
- (7) Quality assurance
- (8) Overseas operations
- (9) Obligatory retirement fund
- (10) Stock market
- (11) Natural disasters
- (12) Information security
- (13) Environment and the relevant matters
- (14) Value falls of assets

- (15) Credit facility of business partners
- (16) Litigation risks
- (17) Funding risks

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

■ Risks Associated with Illegal Logging

Illegal logging is recognized as a crucial issue globally, and progress is being made to strengthen related laws and regulations in a number of countries and regions. Japan has announced the Act on Promotion of Use and Distribution of Legally-Harvested Wood and Wood Products (Clean Wood Act) on May 20, 2016, which was enacted on May 20, 2017. Addressing stronger control of illegally harvested timber not only responds to the requirements of the world but it is also extremely important for the Sumitomo Forestry Group to continue businesses sustainably.

Impact on the Sumitomo Forestry Group

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

Risk Countermeasures

The Sumitomo Forestry Group has been committed to responsible timber procurement, pioneering legislation in Japan and having established the Timber Procurement Philosophy and Policy in 2005, to bring contributions to a sustainable society via business activities of “wood” –a renewable resource. In 2015, Timber Procurement Philosophy and Policy was extended beyond timber and became subject to procurement of building materials, raw materials of products, and end products, and reestablished as Sumitomo Forestry Group Procurement Policy. The Group’s economically, socially and environmentally responsible procurement today is being carried out based on the policy.

Measures Addressing a Culture Highly Sensitive to Risk

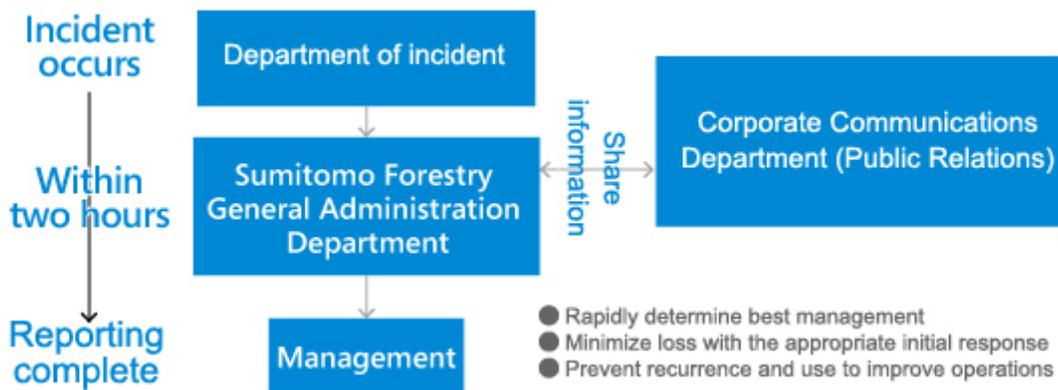
As ways to increase the sensitivity of risk in the executives and employees and in the corporate culture of the Sumitomo Forestry Group, the Group conducts e-learning each year for executives and employees as well as a risk management training for newly joined employees. In 2016, the Group introduced and shared examples from risks emerged in the past that should be noted beyond specific business departments in a meeting-type venue for people in charge of risk management at the Company and each Group company.

Rapidly Comprehending and Dealing with Risks

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

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

Two-Hour Rule and Use of Risk Information



Basic policy

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

Compliance Promotion Framework

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

During fiscal 2016, the subcommittee met twice, and continuing on with its Group-wide initiatives from the previous fiscal year, it worked to make continuous improvements to its compliance system, such as making a comprehensive examination of risks with respect to legal requirements, such as for business activities requiring government permits and licenses.

In addition, by acquiring the latest knowledge in the field through compliance seminars featuring external expert instructors, the Company endeavors to align the perspectives of those persons throughout the Group who are responsible for compliance, working bottom-up. The seminars also provide an opportunity to build an awareness of risks that can be shared across the Group.

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

Compliance Training

In order to heighten awareness among each and every employee about compliance, Sumitomo Forestry Group conducts compliance training for new employees to promote their understanding about general compliance issues, such as traffic safety, information security and intellectual property. In fiscal 2016, training was delivered to 326 new graduate recruits and 68 mid-career recruits. Compliance training was also provided to groups of employees at specific levels, including “Training for New General Manager.”

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

Compliance Counter

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

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

In fiscal 2016, the Compliance Counters were contacted with ten times about such topics as the workplace environments and working hours. In cases where the facts were confirmed, in addition to implementing the necessary corrective measures, initiatives were promoted aimed at preventing recurrence including using these examples in training for managers.



Manual for the Compliance Counters

Preventing Corruption

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

Aiming at Group employees, the Group also facilitates dissemination of corruption and bribery prevention. One of the Company's CSR targets was the establishment of separate regulations at consolidated subsidiaries in Japan during fiscal 2014. Consolidated subsidiaries overseas will prepare regulations based on an aspect of the risk-based approach, implement staff training and promote general awareness. Subsidiaries in China have already prepared and implemented regulations. Efforts to formulate regulations at consolidated subsidiaries in Indonesia and Vietnam moved forward in fiscal 2015 and, in fiscal 2016, those regulations were put in place at a consolidated subsidiary established in fiscal 2015.

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

In fiscal 2016, no violation of corruption and relevant laws was identified.

* Small amount of payment to facilitate regular administrative services

Promotion of Fair Competition and Appropriate Transactions with Subcontractors

For the purpose of promoting fair competition, Sumitomo Forestry published the Antimonopoly Act Guide Book, and via its intranet website and through training for new general managers, it works to enhance understanding and awareness regarding the intent and outline of the Antimonopoly Act and about the risk of cartels stemming from contact with competitors. There were no breaches or issues related to the Antimonopoly Act in fiscal 2016.

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

Restriction of Insider Trading

The Sumitomo Forestry Group adheres to the Financial Instruments and Exchange Act as well as other relevant laws to prevent insider trading. Regulations to prevent insider trading maintains and improves the trust society has for the company in the stock market by clarifying procedures to prevent insider trading by executives and employees as well as the management of information and disclosure methods. In addition, executives and employees who have the potential to come into contact with insider information on a daily basis are required as policy to gain the prior approval of the General Manager of the General Administration Department if they plan to buy or sell company stock to ensure the appropriateness. The Group also has published an Insider Trading Prevention Manual and raises awareness through its internal websites in addition to reminding the executives and employees twice a year about the prevention of insider trading. There were no breaches or issues related to insider trading in fiscal 2016.

Rejection of Influence from Anti-Social Forces

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

To further strengthen its efforts, since fiscal 2013, the Company has requested that all business partners, including its existing contracted partners, provide declarations guaranteeing that neither they nor their parent, subsidiary or subcontracting companies are anti-social forces.

Prevention of Traffic Accidents and Violations

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

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

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

Furthermore, Sumitomo Forestry also conducts driving aptitude assessments authorized by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), targeting new employees who are at a greater risk of accident due to insufficient driving skills and experience, so that they can be aware of their own driving aptitude. Training is also provided to give participants hints on how to avoid traffic accidents and so that they can reaffirm their mental readiness for safe driving.

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

Compliance Auditing

The internal auditing departments evaluate and investigate the appropriateness and validity of the management system at Sumitomo Forestry and its 200 operational sites from an independent standpoint. In fiscal 2016, roughly 60 sites were selected to conduct internal auditing. These audits not only examine simple imperfections but also point out issues related to compliance at each site and work to give advice for improvement. In addition, in the event a compliance breach is found, the issue is reported to the President, executive officer in charge, the statutory auditor and the supervising department to put in place the necessary reform measures while offering advice on how to correct and improve the point of issues in the relevant departments.

Respect for Human Rights

Management System

Basic Policy on Respect for Human Rights

The Sumitomo Forestry Group has signed the UN Global Compact in December 2008. The Sumitomo Forestry Group Code of Conduct were formulated by referring to various international standards such as the UN Guiding Principles on Business and Human Rights, and it works to raise awareness with measures such as training. The Sumitomo Forestry Group Code of Conduct are also included on our website not only in Japanese but also in English and it will be translated into other languages of countries where there are Group companies overseas to give access to these rules to our many stakeholders in addition to raising the awareness of all of our employees.

- ▶ [Corporate Philosophy · Action Guidelines](#)
- ▶ [Sumitomo Forestry Group Code of Conduct](#)

Measures against Human Rights Risks

Since fiscal 2011, Sumitomo Forestry has carried out internal surveys on the actual situation of the CSR initiatives. In doing so, it also verifies each Group company's efforts with respect to human rights.

Furthermore, the Sumitomo Forestry Group is a signatory to the United Nations (UN) Global Compact since December 2008, and has posted this on the Company's website in both Japanese and English. For the purpose of more widely disseminating the Global Compact's ten principles in four areas (human rights, labor, the environment and anti-corruption), the Company also prepared a poster in English, Chinese and Indonesian, and has distributed it for display to all Group companies overseas.



A poster promoting the UN Global Compact

- ▶ [Participation in the United Nations Global Compact](#)

■ Participation in a Human Rights Initiative

Sumitomo Forestry addresses human rights issues by participating domestic and international initiatives concerning human rights such as the UN Global Compact.

▶ [Signing of the United Nations Global Compact](#)

Human Rights Due Diligence

The Sumitomo Forestry Group strives to identify, prevent, and mitigate adverse impact on human rights through the system for human rights due diligence. Since 2012, the Group confirms the status of human rights at 52 Group companies of which 26 are domestic and 26 are overseas from CSR survey results conducted annually. As to suppliers, surveys and one-on-one interviews are conducted to avert potential human rights breach. In June 2017, a workshop about due diligence in human rights was held with an outside instructor with the participation of employees from departments involved in timber plantation and manufacturing operations expanding overseas as well as the management department. This workshop identified stakeholders in the supply chain of each operation to extract the regions and circumstances thought to have risks in violating human rights therein. Within those identified, risks thought to have high potential to occur and have significant impact in the event of human rights violations were debated and analyzed. The Group will continue to strengthen its efforts in human rights risks.



Workshop on due diligence in human rights

Human Rights Training

The Sumitomo Forestry Group offers classes about human rights in its new employee training in Japan. Sumitomo Forestry also incorporates classes about human rights in its training for new general managers. We also require all Group employees with access to the intranet to take the “Work and Human Rights” module in e-learning every year with the intention to promote respect for human rights and a workplace where no discrimination is tolerated. In fiscal 2016, 9,971 employees of which 5,078 and 4,893 belong to the parent company and Group companies, respectively. The effort in raising human right awareness via e-learning will be continued into the future. We also plan to conduct training related to the Sumitomo Forestry Group Code of Conduct formulated in July 2017.

Prevention of Sexual Harassment and Workplace Bullying

Sumitomo Forestry makes its policy on sexual harassment and workplace bullying clear, having included in its Employment Regulations, under one category of rules to be observed by employees (discipline on the job), a provision prohibiting such harassment as well as disciplinary standards. The Sumitomo Forestry Group Code of Conduct also prohibits all forms of harassment and this is communicated via the internal website and pamphlets. In addition, awareness within the Company is fostered by providing information with case examples and implementing regular awareness promotion notices, through human rights and ethics training and other activities.

Furthermore, a framework to properly handle inquiries and complaints was put in place in fiscal 2000 with the establishment of the Sexual Harassment and Power Harassment Consultation Hotline within the Personnel Department and Compliance Hotlines both inside and outside the Company. When handling a case of harassment, the Sexual Harassment and Power Harassment Consultation Hotline promptly and appropriately verifies the facts and gathers information with the accused, the complainant, and third parties, and then takes the necessary procedures with those concerned. The privacy of all those involved is protected and every effort is made to ensure that neither the complainant nor those cooperating are treated detrimentally.

▶ [Sumitomo Forestry Group Code of Conduct](#)

Respect for Human Rights at Overseas Plantations

For timber plantations in Indonesia's West Kalimantan Barat, the Company signed an advisory agreement with International Finance Corporation (IFC), the World Bank's group institute in 2012, and conducted an assessment adhering to the concept of "High Conservation Value Forests (HCVF)" mainly on whether the commercial land use plan has been implemented appropriately and whether adequate consideration for biodiversity and local communities are made.

In 2015, continuing on our efforts in 2013, the Company invited stakeholders (local residents, neighbor corporations, academics, NGOs, and government workers) to a public hearing to communicate the assessment results as part of its plantation business with thorough consideration for human rights.

Respect for Human Rights Through CSR Procurement

Sumitomo Forestry Group is conducting fair and responsible procurement under the Sumitomo Group Procurement Policy which obligates suppliers to protect human rights and basic rights of labor as well as preventing corruption. For procurement of imported materials, specifically, the Group ensures whether rights of workers and local communities in the areas where raw materials of the supplies are procured from, have not been violated; if there is a risk, then whether adequate consideration for these rights during logging is inspected through surveys and on-site interviews to the suppliers.

Toward the Future

The Sumitomo Forestry Group strives to accelerate efforts toward the respect of human rights even further in the future by conducting surveys on the actual state of CSR in and outside of Japan, by managing human rights risks and by conducting surveys for its suppliers.

Business Continuity Management

Management System

System for Managing Business Continuity

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

In fiscal 2016, Sumitomo Forestry held four BCP subcommittee meetings. Critical initial responses in the event of a powerful earthquake, in particular the one striking directly underneath the Tokyo metropolitan area was revised; in the meantime various training programs were planned and implemented.



BCP simulation training

Measures for Employee Safety and Systems for Business Continuity

■ Portable guide for risk responses, Safety Confirmation System

Sumitomo Forestry Group distributes Portable Guides for Risk Responses to all Group employees in Japan, promoting the basic response procedure to take in the event of a disaster. A safety confirmation system has also been introduced, allowing the safety of employees to be checked quickly in the event of a natural disaster. Safety confirmation drills are conducted at domestic Group companies every year, and in fiscal 2016, a sum of 12,946 employees have participated in them.



Portable guide for risk responses

■ Disaster Prevention and Damage Mitigation Measures

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

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

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

■ BCP Simulation Training

In order to overcome the chaos immediately after a large-scale earthquake strikes and to transition quickly to action for business continuity, it is vitally important that the people in charge can make an initial response and can make decisions according to the situation at hand. For this reason, since fiscal 2011, the Sumitomo Forestry Group has continued to conduct BCP Large Scale Earthquake Countermeasures Simulation Training, targeted at the persons in charge at each Group company. The aim of this training is to get participants to experience a simulated “crisis” in an earthquake and to acquire an awareness of the issues, by getting them to make spur of the moment decisions again and again based on rigorous hypothetical scenarios. During the training, since Group companies from neighboring areas are assembled together in one place, another aim of the exercise is to share an awareness of risks and to strengthen cooperation among them in an emergency. To date, a cumulative total of more than 460 people have participated in this training.

Systems have also been developed so that, in situations where employees find getting to work difficult, payment of salaries, payments to business partners and other important business operations can still be carried out from home or other remote locations while maintaining a high level of security. Simulation drills for this have also been conducted every year.

Strengthening Supply Chain Business Continuity Plan

In readiness for potential disruption of its housing business supply chain following a disaster, Sumitomo Forestry shares the specifications and processes for property construction along with site progress status information with business partners including component makers and building contractors. By enabling advanced procurement of materials and production in this way, the Company is striving to reduce the risk of a disruption to operations.

Sumitomo Forestry also reviews its suppliers of building and construction materials, with supplier evaluations conducted every year for determining whether to continue business with them. Business continuity items, such as systems for ensuring alternative supply routes during a disaster, have been added to these evaluations.

Continuity of Customer Service

While establishing call centers in Tokyo and Fukuoka, thereby facilitating a 24-hour after-sales service, Sumitomo Forestry has also developed a mechanism whereby any call center can back up the functions of another call center in the event it is affected by a disaster. Through a unified emergency system, the Group can share damage information pertaining to owners nationwide, enabling us to respond quickly to requests for repairs.

Toward the Future

The Sumitomo Forestry Group will strive to further reduce the risk of business interruption in the future by creating rules for crisis management reports from suppliers in the event of an incident such as calamities and disasters like earthquakes while also tracking all revisions of these reports.

Information Security Policy

In order to ensure the confidentiality, integrity and availability of its information systems, the Sumitomo Forestry Group has raised the security level of its systems while maintaining the “regulation” aspects and “technology” aspects of information security in a mutually complementary manner. Based on the recognition that the protection of customer information in particular is of utmost importance, the Group continues to conduct employee training to ensure dissemination of the rules, and verifies their level of awareness.

In terms of the regulation aspects, we have formulated Sumitomo Forestry Group Information Asset Protection Guidelines for all Group companies in Japan and created a check list based on these guidelines at the same time. The person responsible for the department in charge of information systems at each Group company conducts checks of the information security level every year. In fiscal 2012, the Group also formulated guidelines for Group companies outside of Japan.

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

On the other hand, with respect to the technology aspects of information security, the Group has introduced encrypted start-ups and restrictions on the data export from computers that are taken outside the Company.

Systems for Managing Information Security

Under the supervision of the executive officer in charge of information systems, the general manager of the Information Systems Department promotes information security measures for the Sumitomo Forestry Group, such as the formulation and management of rules and regulations, the proposal and implementation of technical measures, the education and training of employees, and the investigation of accidents and implementation of countermeasures.

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

The Group also holds regular meetings of the Affiliated Companies IT Managers Council, which is attended by the persons responsible for departments in charge of information

systems at Group companies in Japan. The council checks the content of the guidelines and promotes the introduction of security systems.

Initiatives to Strengthen Information Security

Investments in information security substantially increased in fiscal 2016 to strengthen security by building a defense in depth system based on the growing threats to information security such as the multiple leaks of personal information and the advanced email attacks occurring in recent times. In addition to these investments, the Sumitomo Forestry Group has conducted advanced email attack training for all of its employees.

We are also enhancing the response for consultations from employees founded in issues related to cyberattacks and strengthened information security education for employees centered upon the Information Security Office established at Sumitomo Forestry Information Systems Co., Ltd. in May 2016.

Toward the Future

As threats to information security grow in recent years, the Sumitomo Forestry Group will continually raise awareness internally as well as conduct and strengthen ongoing information security education with the newly established Information Security Office at the core.

Intellectual Property Management

Management System

Intellectual Property Policy

Imitation and unauthorized use of trademarks and copyrights have become one of the risks for corporate management. The Sumitomo Forestry Group strives to protect the intellectual property it creates, such as by claiming rights for proprietary technology and concealing its know-how.

The Group is also putting effort into preventing rights violations by or to the Group. It is working to raise awareness about compliance among all Group employees, not least those in the research and development departments and in the marketing and planning departments.

Systems for Managing Intellectual Property

Sumitomo Forestry established the Intellectual Property Department and it employs a number of patent lawyers on its department staff. In addition to providing support for creating intellectual property, support for filing applications and preserving rights for intellectual property, and support for concluding various technology-related contracts, the department also raises awareness for intellectual property among employees, conducts internal and external intellectual property trend analyses, and makes recommendations for the direction of research and development.

Furthermore, in order to prevent rights violations from being caused by or to the Group, the Company has also established an Intellectual Property Hotline and promotes this service to employees.

Initiatives for Intellectual Property

Intellectual Property Education

The Intellectual Property Department conducts classroom training for Sumitomo Forestry Group employees as required, for the purpose of promoting the creation of intellectual property and preventing any conflicts with the rights of other companies. Each year since fiscal 2012, a compliance-focused e-learning program for all Group employees has been conducted using the intranet. In addition, every year, Sumitomo Forestry enlists employees from research and



Study session on intellectual property at Tsukuba Research Institute

development departments, including at Group companies, and sends them to training provided by external organizations, such as the Japan Intellectual Property Association.

In fiscal 2016, the Company held nine study sessions on intellectual property at the Tsukuba Research Institute and affiliate companies for employees in charge of research and development in an effort to ensure thorough compliance and risk management. In addition, training on trademarks was conducted four times, targeted at employees in charge of advertising in each division and at affiliate companies, to emphasize the importance of trademarks and to raise the level of awareness of key points.

■ Intellectual Property Award

The Intellectual Property Awards are conducted annually by the Group based on an Intellectual Property Award Code to recognize groups and individuals who have contributed to enhancing the Group's business competitiveness through inventions and other notable achievements.

In fiscal 2016, an awards ceremony was held at the Head Office and nine employees received awards or commendations.

■ Education through the Company Intranet

Sumitomo Forestry has set-up a company intranet site called Intellectual Property Farm. The site provides Sumitomo Forestry Group employees with a fundamental grounding in intellectual property as well as a simple explanation about trademark rights that employees ought to understand when promoting business activities. The site also posts information on the latest topics concerning intellectual property.

Toward the Future

The Sumitomo Forestry Group will focus on preventing rights violations by improving the operational flow for conducting investigations on the rights while systemizing intellectual property education and thorough management of trade secrets and intellectual property.

Social Report

Together with Our Customers

Together with Our Business Partners

Together with Our Shareholders and Investors

Together with Our Employees

Together with Local Communities

Together with Our Customers

Social Report

Recognizing Importance

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

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

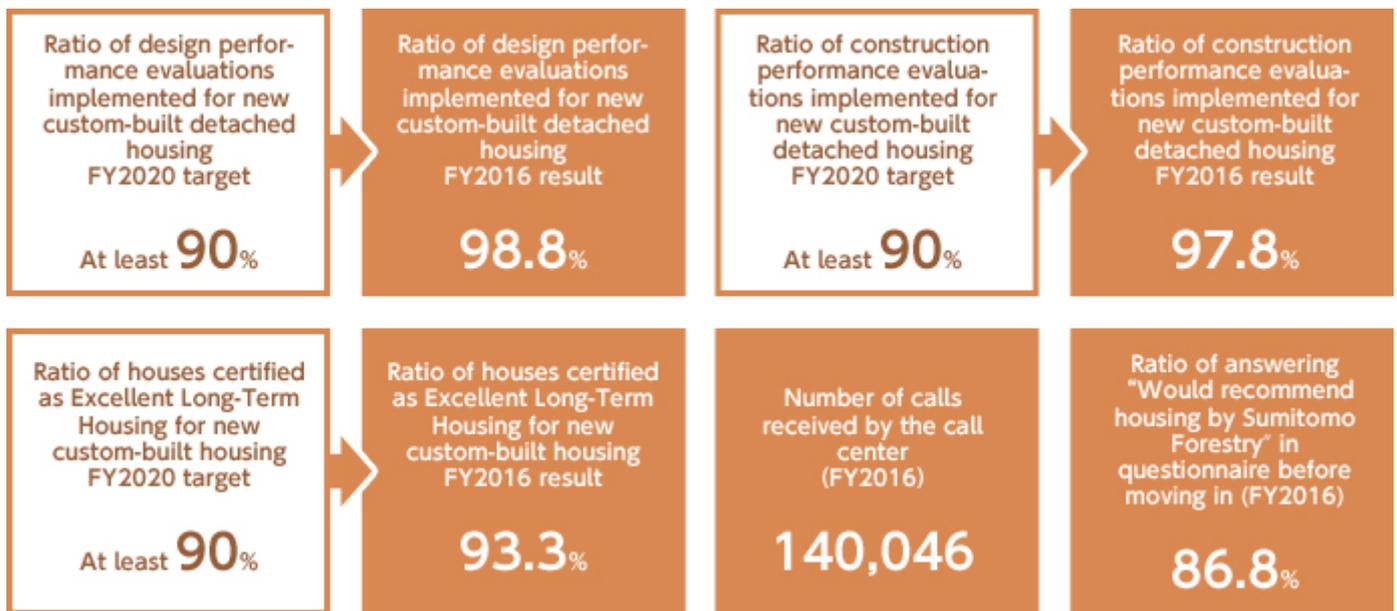
Relevant Policies and Systems

- ▶ [Basic Policy for Product Safety and Quality Control in the Housing Business](#)
- ▶ [Sumitomo Forestry Crest Co., Ltd.'s Quality Policy](#)
- ▶ [Concepts of Communication with Customers](#)
- ▶ [Basic Concept of Product Safety and Quality Control in MOCCA \(Timber Solutions\) Business](#)
- ▶ [Basic Policy and Framework for Product Safety and Quality Control in the Overseas Manufacturing Operation of Wood Building Materials](#)

Relevant Targets and Performance

The Sumitomo Forestry Group positions customer initiatives as a material issue. In particular, we are setting and actively working toward fiscal 2020 targets in improving safety and quality as well as improving communication with customers.

The Group has also set independent criteria, indicators, and systems based on the compliance to relevant laws practiced in daily operations to always deliver even higher quality services.



Activity Report

- ▶ [Housing Safety, Quality Control, and Universal Design](#)
- ▶ [Safety and Quality Control of Non-Residential Buildings](#)
- ▶ [Safety and Quality Control of Building Materials](#)
- ▶ [Acquisition of Quality-Related Certification](#)
- ▶ [Communication with Our Customers](#)

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

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

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

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

Framework for Product Safety and Quality Control in the Housing Business

Sumitomo Forestry sets the standard specifications for its Sumitomo Forestry Home houses to exceed the highest level of Excellent Long-Term Housing^{*1} certification conditions^{*2} (applying the evaluation under the Japanese Housing Performance Indication System^{*3}). From product development through to construction and after-service, the Company has established its framework for product safety and quality control in order to deliver high quality homes with superior overall balance. In addition, the Company is actively promoting the use of the Japanese Housing Performance Indication System for customer peace of mind and safety and in order to enhance property value. In fiscal 2016, under the Japanese Housing Performance Indication System, Implementation of Design Performance Evaluation reached 98.8%^{*4} (98.6% in FY2015), Implementation of Construction Performance Evaluation reached 97.8% (97.3% in FY2015), and the acquisition of Excellent Long-Term Housing certification reached 93.3% (92.7% in FY2015).

*1 Excellent Long-Term Housing: A life-long housing certification system which aims to popularize housing that will help realize a society that values its housing stock.

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

- *3 The Japanese Housing Performance Indication System: Third-party evaluation of design performance at the time of design and of construction performance upon completion so that customers can objectively assess the quality and performance of a house. The system comprises 10 evaluation items, including structural stability, fire safety, alleviation of deterioration, and thermal environment.
- *4 The ratio of the number of applications against the total number of detached houses constructed, including extensions and/or alterations (applications for design and construction performance evaluation, April 01, 2016 – March 31, 2017).

Japanese Housing Performance Indication System Implementation Rate

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Design performance evaluation*	98.9%	100.6%	97.7%	98.6%	98.8%
Construction performance evaluation	91.0%	95.4%	94.9%	97.3%	97.8%

* The implementation of design performance evaluation has been the percentage in the number of acquisitions for the design performance evaluation during the term for detached houses built (including buildings that have not yet started construction in that term) up until fiscal 2014. However, it was changed to the percentage in the number of acquisitions for the design performance evaluation for buildings that have started construction in that term as of fiscal 2015

Ratio of Certified Excellent Long-Term Housing

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Ratio of Certified Excellent Long-Term Housing	88.4%	90.7%	91.2%	92.7%	93.3%

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

Certification Type		Certification Criterion	Standard Performance of Sumitomo Forestry Home Houses
Durability	Long lasting Family home	Rating measures for deterioration class 3 Measures to allow regular inspection	Equivalent to highest level 3
Seismic Resistance	Strong to earthquakes Family home	Rating of earthquake resistance 2 or higher	Equivalent to highest level 3
Maintenance Requirement	Easy maintenance home	Rating measures for maintenance level 3	Equivalent to highest level 3

Certification Type		Certification Criterion	Standard Performance of Sumitomo Forestry Home Houses
Energy-saving performance	Energy-saving house	Rating measures for energy conservation level 4	Equivalent to highest level 4

* The higher the rated level, the better evaluated.

■ Framework for Product Safety and Quality Control



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



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



A dedicated designer responsible for the work



- The Materials Selection Subcommittee, which meets once every month to decide upon all materials, conducts design reviews. All materials are checked to ensure that they meet the acceptance and quality standards set by the Tsukuba Research Institute and the Materials Selection Subcommittee.
- The Quality Improvement Committee, which meets once every two months, shares information on materials that have been newly accepted, and discusses improvements to materials that have already been accepted. During fiscal 2016, they reported and discussed progress relating to one theme.



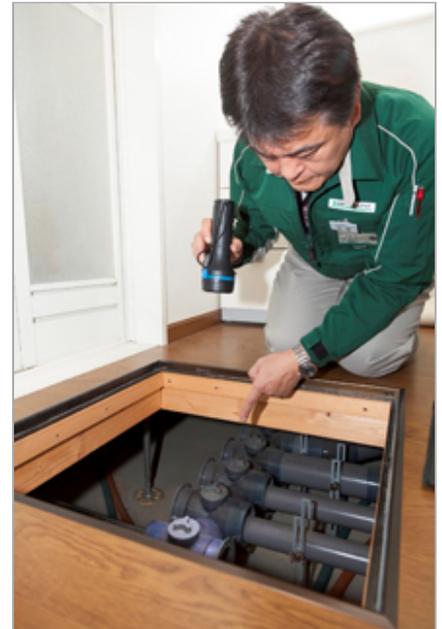
- Sumitomo Forestry centrally manages and shares up-to-date information on the construction, process management, quality control and safety management of each building through its own site management system.
- Each on-site operator, contractor manager and construction manager during such stages as foundation,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



Construction Management



- Sumitomo Forestry includes 20 years of regular inspections with its homes. After the 20th year, customers can pay for an inspection once every ten years, although those customers in the 30-year warranty system receive a free inspection in the 25th year if they choose to extend their warranty in the 20th year.
- Sumitomo Forestry has developed a Long-Term Support System that offers renovation and maintenance proposals and manages maintenance records in order to support its customers.



Regular inspection

Renovation

- Based on the Company's own performance evaluation chart, Sumitomo Forestry quantifies the performance grade of existing and planned homes for seismic resistance, thermal insulation and accessibility to indicate to customers the degree to which the performance grade has been enhanced.
- The performance and reliability of Sumitomo Forestry's original materials used in seismic reinforcement and so on are verified at the Tsukuba Research Institute.

The Company's own performance evaluation chart

Renovation
(Purchase for Resale)

- In order to make a diagnosis of the seismic resistance and deterioration conditions of a condominium, the original construction drawings and specifications are checked, and construction reviews, reinforcement checks, concrete strength measurements and other inspections are conducted in collaboration with third-party surveyors. Conducting major renovation work properly based on the results of these inspections increases the life-span of the building. In addition, all of the inspection results and descriptions of the renovation work are disclosed at the time of sale.
- Sumitomo Forestry has a number of support programs in place, including issuing its own warranty, providing existing housing home buyer's defect warranty and latent defect insurance, and offering regular after-sales maintenance checks during the first year.



Pre-renovation



Post-renovation

Improvement of Safety and Comfort in the Housing Business

Sumitomo Forestry offers homes that integrate seismic resistance, fire resistance, thermal insulation, Net Zero Energy Houses (ZEHs), age-deterioration countermeasures and universal design to improve all aspects of home performance so as to offer customers homes where they can live in peace of mind and comfort for many years to come.



Improved Seismic Resistance and Durability

- For newly constructed homes, standard specifications are set at Level 3—the highest level—for evaluations based on the Japanese Housing Performance Indication System in regards to structural stability (seismic resistance, etc.).

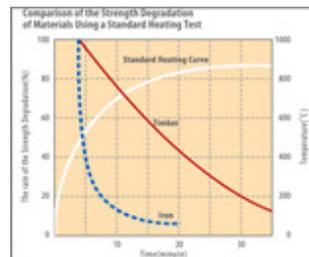


- In renovations, we propose a dual construction method for vibration control and seismic resistance that installs S-shaped vibration dampers after creating aseismic



Ensuring Safety in the Event of a Fire

- Sumitomo Forestry's products ensure fire prevention and resistance while taking advantage of the merits of wood.
- The Company is boosting its lineup of products which offer government-regulated semi-fire-resistant construction*¹ as standard specifications.



Results of standard heating test



Char layer on the surface of structural material

Reduced Deterioration and Measures Addressing Operation and Maintenance of Equipment

reinforcement plans with a seismic rating of 1.0 or more by conducting evaluations of the seismic capacity.

- The Company uses the highest specifications in the Japanese Housing Performance Indication System relating to deterioration alleviation, and maintenance.

Improving crime prevention qualities

- We propose crime prevention measures from the site survey and design stage based on crime prevention as outlined by the Japanese Housing Performance Indication System.



Comparison of damage caused by breaking glass (Left: Double-glazed security window, Right: Float glass window)

Universal Design

- Sumitomo Forestry is driving research based on human lifestyle engineering using 3D motion and view-tracking analysis equipment. The Company offers homes which take universal design into consideration.



Preserving Air Quality inside Houses

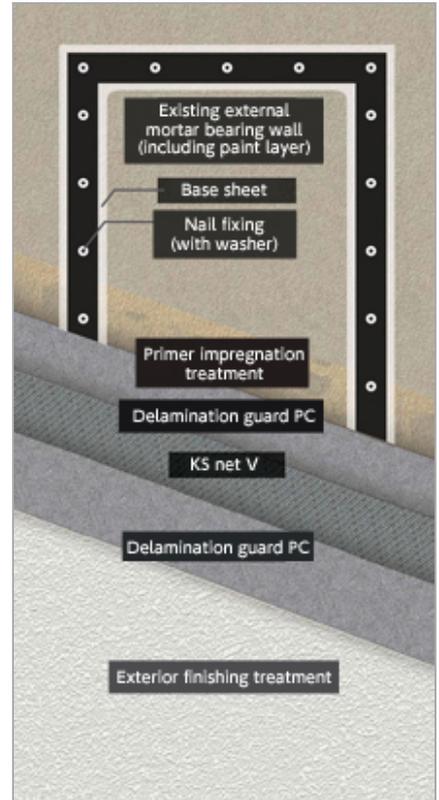
- Sumitomo Forestry is working to reduce emissions of volatile organic compounds (VOCs), which have been identified as a cause of “sick house” syndrome to below the guidelines prescribed by the Ministry of Health, Labour and Welfare, and has separate provisions for prohibited chemical substances.
- In accordance with the standards contained in these guidelines, F☆☆☆☆-rated timber, building materials, insulation and adhesives,—which have the lowest level of formaldehyde emissions—are used in the Company's products. Moreover, F☆☆☆☆-rated furniture, lighting and curtains are recommended in interior design proposals.

*1 Government-regulated semi-fire-resistant construction: A house that meets the standards prescribed by the Japan Housing Finance Agency as being a construction with fire prevention properties corresponding to semi-fire resistance prescribed in the Building Standards Act.

▶ [Crime prevention \(site introducing products, in Japanese\)](#)

■ Development of Earthquake Resistant Reinforcement Method Using Existing Mortar Outer Walls

Sumitomo Forestry has developed a unique earthquake resistant reinforcement method known as an existing external mortar bearing wall construction method (ReFo.Mo.Wall Construction Method) to use external mortar walls of existing housing without demolishing the inner building in renovations. The method underwent a technological evaluation by the Japan Building Disaster Prevention Association.



Existing external mortar bearing wall construction method (ReFo.Mo.Wall Construction Method)



Seismic -Resistant Mortar Outer Wall Base Sheets Installed

■ Ever Advancing Big-Frame construction method

Sumitomo Forestry started selling the Big-Frame Construction Method as a product for three-story building products in February 2005 and expanded this method to two-story products in October 2009.

Thereafter, as awareness of customers grew about risks such as disasters, the BF method that had been a strength in seismic resistance matched customer needs and is now one of the company's main products.

In addition to selecting the height of the ceiling, The Forest BF released in April 2017 made even wider openings than ever before possible to realize an open space through beams with new patented technology.

The specifications for the height of the ceiling offers a line-up that can be set to 2.25 or 2.4 meters when proposing a calm space or to spacious 2.6 or 2.8 meters for a place to relax. Moreover, a high ceiling of 3.52 meters is also made possible by coved ceiling beams or lower flooring.

The development of “pre-straight timber” hybrid structures that use highly strong steel rods and wooden laminated engineered wood to achieve large openings and large spaces strengthens the capacity for weight from above as well as makes a maximum opening that reaches 7.1 meters today possible. This method is able to secure a space to park two vehicles with room to spare as well as a living space on the floor above. Applications for large openings such as in stores is also possible.

► [News Release: "Creating Expansive Open Spaces with Custom Ceiling Heights and New Technology Launch of "The Forest BF" custom-built detached houses"](#)



Realizing unprecedented open spaces with relaxingly high ceilings and large openings



Two-car built-in garage done with “pre-straight timber”

Responding to Social Needs

The Sumitomo Forestry Group believes the promotion of businesses that are suited to and support social needs such as the design of living spaces based on an aging society is an important social duty for the Group.

Therefore, we are promoting measures from the support for universal design to new installations and operations at long-term care facilities.

■ Supporting Universal Design

Sumitomo Forestry is a pioneer in establishing soft closers for all indoor furnishings such as sliding doors and hinged doors as an initiative to increase the safety of residents. In addition, an all flat design that does not create any level differences in flooring is now a standard specification while convex corners for inner walls and wall-mounted convex sections have an R-shape specification around living spaces and halls. We have set the standard specifications for the width of hallways to 780 mm to allow the use of wheelchairs with the assumption that wheelchairs and care will be necessary in the future. We also flexibly respond to customer requirements through a freedom in design that includes slopes to entrances and the installation of home elevators. In addition, Sumitomo Forestry is placing its strength in the design of living spaces to satisfy the needs of customers such as roof balconies without level differences from the interior, heat shocks, and the Air-Dream Hybrid total air conditioning system that reduces house dust and realizes a comfortable space without any temperature fluctuations. Sumitomo Forestry also provides comfortable bedroom environments with original wooden interiors that have indirect lighting to offer better sleep quality and reduce fatigue in indoor environments perfect for sleeping.

■ Opening and operating nursing care facilities that use ICT and the latest research results

Improving the quality of nursing care services that are provided, securing nursing care staff to entrust these services and improving that work environment are social challenges that we will face after 2025 when the baby-boomers all reach old age. The rapid increase of elderly with dementia is also a concern.

Fill Care Co., Ltd. that is expanding the nursing care business in metropolitan areas and the Hanshin district has adopted the Life Rhythm Navi Plus Doctor resident monitoring system that uses ICT in private-pay elderly care facilities which opened in fiscal 2016. Conventionally, the state of residents was determined by information sent from sensors independently. However, this system can grasp the detailed situation of residents in living spaces in real time by analyzing information



Gran Forest Tokiwadai

sent from multiple sensors such as a bed sensor, motion detector and temperature sensor.

This information can be used for health management of residents and detecting falls as well as central management of emergent call from residents by combining with nurse calls. This information can also be shared with the families of residents through the use of smartphones. The technology is expected to reduce the load on staff too by sharing information between staff members to strengthen links.

This system was adopted at the Gran Forest Tokiwadai private-pay elderly care facility that opened in November 2016, Gran Forest Gakugei Daigaku that opened in February 2017 and Gran Forest Saginomiya that opened in May 2017.

Moreover, these private-pay elderly care facilities are introducing new trials that utilize research results from the Sumitomo Forestry Tsukuba Research Institute. First, a “pleasant sleep system” improves the quality of sleep for residents through the control of a combination of a wooden interior and indirect lighting to provide a bedroom environment with a relaxing effect. A pleasantly deep sleep at night is expected to elevate disturbances in the rhythm of life and offer healthy activities during the day.

We also built the Hanaemi Garden with rich seasonal changes that have been proven to improve the activity of daily life (ADL) and be effective in preventing cognitive impairments in addition to preparing a Tree and Flower Recreational Program that uses the flowers in the garden which offers a place for residents to interact with the world around them.

In addition, “safe and friendly flooring” aims to protect residents from impacts if they fall by employing a special floor structure together with impact absorbing material.

These have been adopted by Gran Forest Gakugei Daigaku.



Gran Forest Gakugei Daigaku

Toward the Future

Sumitomo Forestry Group will develop technology to provide customers with safe and secure lifestyles while developing products for housing with greater comfort that match the various needs of residents.

We will also strengthen development that heightens the value of performance and design with fire-resistant structures at the core. Long-lasting roofs and exterior walls as well as renovations to Excellent Long-Term Housing are also important challenges. We are placing focus on research that aims to take advantage of the physiological and psychological effectiveness of trees and vegetation as well.

The Sumitomo forestry Group will provide safe and secure environments by actively adopting the latest technology and research results at Fill Care Co., Ltd. We will also support a better quality of life so that residents are able to live long, energetic daily lives. At the same time, these efforts are expected to reduce the burden on the caregivers.

Safety and Quality Control of Non-Residential Buildings

Social Report

Basic Concept of Product Safety and Quality Control in MOCCA (Timber Solutions) Business

Sumitomo Forestry is promoting MOCCA (Timber Solutions) Business in which proposes wider use of wood in non-residential buildings such as industrial and public facilities. The MOCCA Department provides high-quality buildings with consideration for users' health, safety, and comfort via wooden architecture, and obtained ISO9001 in September 2015 in response to customer expectations. Complying with this international standards, policies were established as shown in the following link. Each plant sets tangible quality targets and a business expansion plan adhering to the policy to attain maintained safety and enhanced product quality.

Quality Policy

We will strive in the efforts below as an organization that loves wood because we believe it is the path to respond to the expectations of our customers by consistently providing high-quality buildings with consideration to people's health, safety, and comfort via wooden architecture.

1. Continually better quality and improve customer satisfaction

We will work to heighten our quality performance and improve customer satisfaction while continually bettering the effectiveness of our quality management systems by conforming to standards and meeting the requirements of our customers.

2. Complying with the law

We will have full knowledge of applicable laws and other requirements we see as a duty for the company in the design and construction of buildings.

3. Establishing policies

We will set quality goals and targets and periodically evaluate our success and revise those targets and goals to specifically promote this quality policy.

4. Conducting Education and Training

We will conduct education and training for the staff we employ to raise awareness so that all of our employees working in the MOCA (Timber Solutions) Department and the company will understand this quality policy.

5. Publishing this policy

We will publish this policy externally on the Housing Division's MOCCA (Timber Solutions) Department website.

Product Safety and Quality Management System in MOCCA (Timber Solutions) Business

Sumitomo Forestry MOCCA Department consolidates the quality management system under the aforementioned policy and is building a strict process management system.

The Department also conducts biannual internal audits at all construction sites to follow the PDCA cycle incorporated in the quality management system as stipulated by ISO9001.

■ Building the Flavor Life headquarters building; the future of wooden architecture that starts in the city

People living in the urban area, especially in Japan, spend each day feeling quite a lot of stress in a social environment that is becoming ever more sophisticated each year. In the backdrop of these types of urban societies, the needs for not only environmentally-friendly places but also spaces surrounded in greenery and wood both inside and out are growing.

Sumitomo Forestry is actively promoting timber construction in urban areas with the potential for high needs. The company received an order for and built a steel frame wooden hybrid building that uses wood as fire resistance cloth over a traditional steel bearing structure in front of Kokubunji Station in Tokyo in 2016.



The area to build the headquarters building was a narrow piece of land facing the station street in a place where standard building costs would skyrocket. However, we were able to provide a proposal at a low cost by handling everything from the timber procurement to the manufacturing of structural columns and beams using a wooden hybrid building.

A design was adopted that wrapped the exterior walls in glass in the seven-story building. Passersby are able to see the large posts and beams covered in wood from a fair distance away. This building also contributes to the development of the area as a symbol of the city which creates a new wooden landscape in front of the station. (Construction completed in July 2017)

Safety and Quality Control of Building Materials

Social Report

Safety and Quality Control of Building Materials

Sumitomo Forestry sets the standard specifications for its Sumitomo Forestry Home houses to exceed the highest level of Excellent Long-Term Housing^{*1} certification conditions^{*2} (applying the evaluation under the Japanese Housing Performance Indication System^{*3}). Safety and quality control of the building materials produced in Japan and overseas that are used are important management items because they are connected to assuring the performance of houses.

- *1 Excellent Long-Term Housing: A life-long housing certification system which aims to popularize housing that will help realize a society that values its housing stock.
- *2 Detached housing is evaluated for durability, seismic resistance, ease of maintenance and energy efficiency in accordance with the Japanese Housing Performance Indication System.
- *3 The Japanese Housing Performance Indication System: Third-party evaluation of design performance at the time of design and of construction performance upon completion so that customers can objectively assess the quality and performance of a house. The system comprises 10 evaluation items, including structural stability, fire safety, alleviation of deterioration, and thermal environment.

Product Safety and Quality Control in the Manufacture of Wooden Building Materials in Japan (Sumitomo Forestry Crest Co., Ltd.)

■ Basic Policy for Product Safety and Quality Control

Sumitomo Forestry Crest Co., Ltd. has established a quality policy based on ISO 9001 as described below. Each plant and division has formulated specific quality targets and action plans in line with this quality policy, and is committed to maintaining safety and improving quality.

Furthermore, in fiscal 2017, we will work to improve quality and service even further by reviewing quality standards and inspection methods based on the renewal of regulations following the migration to the 2015 version of the ISO 9001 quality management system.

Sumitomo Forestry Crest Co., Ltd.'s Quality Policy

1. Provide products that always give first priority to customer satisfaction, from product development and manufacture, to distribution and post-construction follow-up.
2. Cooperate with internal and external partners, understand appropriate costs, and manufacture in a way that ensures safety, performance and quality.
3. Establish quality targets, and develop systems that allow all employees to make continual improvements.

■ Framework for Product Safety and Quality Control

Since October 2010, Sumitomo Forestry Crest Co., Ltd. has been operating with integrated ISO 9001 at its plants nationwide. Having developed a framework for quality control based on the quality policy as well as a strict framework for process control, the company manufactures products of high quality. Furthermore, by utilizing a quality information management system, the company endeavors to reflect market feedback and demands back into the production site.

Internal audits are also carried out twice a year at all plants for the purpose of following the PDCA cycle for the quality management system established under ISO 9001. In order to build the capacity of employees in quality control, the company also puts effort into education on how audits are conducted and into employees getting qualifications.

■ Promotion of Quality Improvement Activities Based on Company-Wide Targets

Sumitomo Forestry Crest Co., Ltd. has set quality targets at each plant and division, and is promoting quality improvement activities.

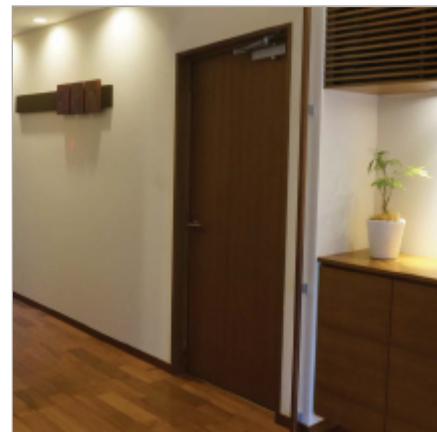
During fiscal 2016, it strived to enhance and maintain quality control systems at manufacturing locations as well as at partner plants. In fiscal 2017, it will maintain those control systems in addition to improving through efforts with the 5-Why Method and measures against human error in order to continually further activities.



Quality check in plant

■ Sumitomo Forestry Launches Full-scale Sales of Light, low-cost and Attractively-Designed Wooden Fire-prevention Door Using Balsa

Sumitomo Forestry Co., Ltd. launched in May 2015 full-scale sales of original wooden fire-prevention doors, made from “balsa” known as the lightest timber in the world, which are lighter, less-expensive and more attractively-designed than existing products. The product was developed to meet the needs of wooden fire-prevention doors in three- and four-story buildings in urban areas, and in constructions for mixed use such as medical facilities with adjacent accommodation. The doors are also environmentally-friendly products, with the raw material balsa being sourced from plantation timber raised from saplings and processed by a Group company, PT. Kutai Timber Indonesia (KTI).



Unique wooden fire-prevention doors made from balsa

Product Safety and Quality Control in the Overseas Manufacturing Operation of Wood Building Materials

■ Basic Policy and Framework for Product Safety and Quality Control

Group companies engaged in the manufacture of wood building materials overseas have acquired quality certifications such as ISO 9001, Japanese Industrial Standards (JIS) and Japanese Agricultural Standards (JAS). In line with the requirements of these certifications, each company has established policies and standards for quality control, and through education and training, strives to ensure that its employees understand them well. Furthermore, each company is making ongoing improvements to quality control management systems by means of annual certification audits through external organizations as well as periodic internal audits.

The quality standards of every company are being further improved to provide greater safety by focusing on communication and feedback from users about product safety and quality, especially in the production of products for Japan which demands the utmost safety and quality.

▶ [Acquisition of Quality-Related Certification](#)

■ Standardization of Operations, and Promoting Acquisition of ISO 9001 Certification

Vina Eco Board Co., Ltd. (VECO), which started commercial production of particleboard in Vietnam in May 2012, acquired ISO 9001 certification in April 2014 and Japan Industrial Standards (JIS) labelling certification in December 2015. In conjunction with acquiring ISO certification, the company has proceeded to standardize its manufacturing operations, and has built a production system which allows it to provide products of consistent quality.

Furthermore, in order to differentiate itself from its competitors, the company attaches the product specifications on the packaging of each product. This practice is still not common in Vietnam, and so by clearly stating the product specifications, the aim is to establish VECO as a high-quality brand.



Quality control laboratory at VECO

Acquisition of Quality-Related Certification

Social Report

Acquisition Status of Certifications at Each Group Company

Group companies	Country	Type of certification	Date acquired
Sumitomo Forestry Co., Ltd. MOCCA (Timber Solutions) Department	Japan	ISO9001	September 2015
Sumitomo Forestry Crest Co., Ltd.	Japan	ISO9001	March 1999*1
Sumitomo Forestry Landscaping Co., Ltd. Environmental Greenification Division	Japan	ISO9001	September 2002
Sumitomo Forestry Home Engineering Co., Ltd	Japan	ISO9001 JISQ9001	March 2006
Sumitomo Forestry Home Tech Co., Ltd. (Head office and 13 Kanto branches)	Japan	ISO9001 JISQ9001	March 2017
Alpine MDF Industries Pty Ltd.	Australia	JIS certification (MDF)	May 2003
		New JIS certification (MDF)	September 2008
		CARB certification*3 (MDF)	January 2009
Nelson Pine Industries Ltd.	New Zealand	JIS certification (MDF)	March 2003
		ISO9001 (MDF)	July 2003
		ISO9001 (LVL)	July 2004
		JAS (LVL)	May 2008
		New JIS certification (MDF)	May 2008
		CARB certification*3 (MDF)	October 2008
		ISO9001	September 2011

Group companies	Country	Type of certification	Date acquired
PT. Kutai Timber Indonesia	Indonesia	ISO9002	September 1997
		JAS (plywood, LVL, laminated engineered wood)	July 2000
		Q-Mark (door flux)	June 2010
		ISO9001	August 2010
		CARB certification* ³ (PB)	November 2012
		CARB certification* ³ (plywood)	December 2012
		CE Marking (plywood)	December 2012
PT. Rimba Partikel Indonesia	Indonesia	ISO9001	December 1999
		JIS certification (PB)	March 2007
		CARB certification* ³ (PB)	February 2009
PT. Sinar Rimba Pasifik	Indonesia	JAS (laminated engineered wood for flooring)	March 2012
PT. AST Indonesia	Indonesia	ISO9001	October 2002
PT. Wana Subur Lestari	Indonesia	Timber Legality Assurance	February 2013
Vina Eco Board Co., Ltd.	Vietnam	CARB certification* ³ (PB)	November 2012
		ISO9001	April 2014
		JIS certification (PB)	December 2015
Canyon Creek Cabinet Company	United States	ISO9001	March 2007

*1 Certification first acquired at the Kyushu plant in March 1999 and at each plant thereafter. The integrated ISO 14001 certification was acquired in October 2010

*2 Alpine MDF Industries is no longer a consolidated company of the Group due to the sale of all equity interest in March 2017.

*3 The standards in regulations related to the air pollution stipulated by the California Air Resources Board are stricter than federal regulations

Communication with Our Customers

Social Report

Basic policy

Putting Customers First is an element of the Sumitomo Forestry Group's Corporate Philosophy and Action Guideline and also stipulated in the Group's Ethical Conduct Rules. The Group has customer service department and call centers, as well as promotes improvement and development of business and services that have adapted customers' feedback.

Respect for and Application of Customer Feedback

■ Operation of Sumitomo Forestry Customer Service Department

To attain greater customer satisfaction across the Group, Sumitomo Forestry implemented the measures while setting up Customer Service Department in 2000 demonstrating its Group organizational ability. The Customer Service Department holds periodic meetings and working groups with each business division and Group company to share information. The Department discusses the issues and examples of solutions to bring together as specific measures. Then, the measures are executed throughout the Group, and the Customer Service Department regularly evaluates progress and efficacy of the measures, and undertakes reviews and corrective actions, in line with the PDCA cycle.

Additionally, the Company introduces example creative solutions that can be easily adapted in daily work routine and attributable to customer satisfaction as well as heart-warming stories on the intranet every month. Direct feedbacks and opinions of customers sent to Customer Service Department, details of the consultations and their analysis results, and examples of superior response are consistently communicated. The support for internal training and one-on-one meetings with Group companies are also provided.

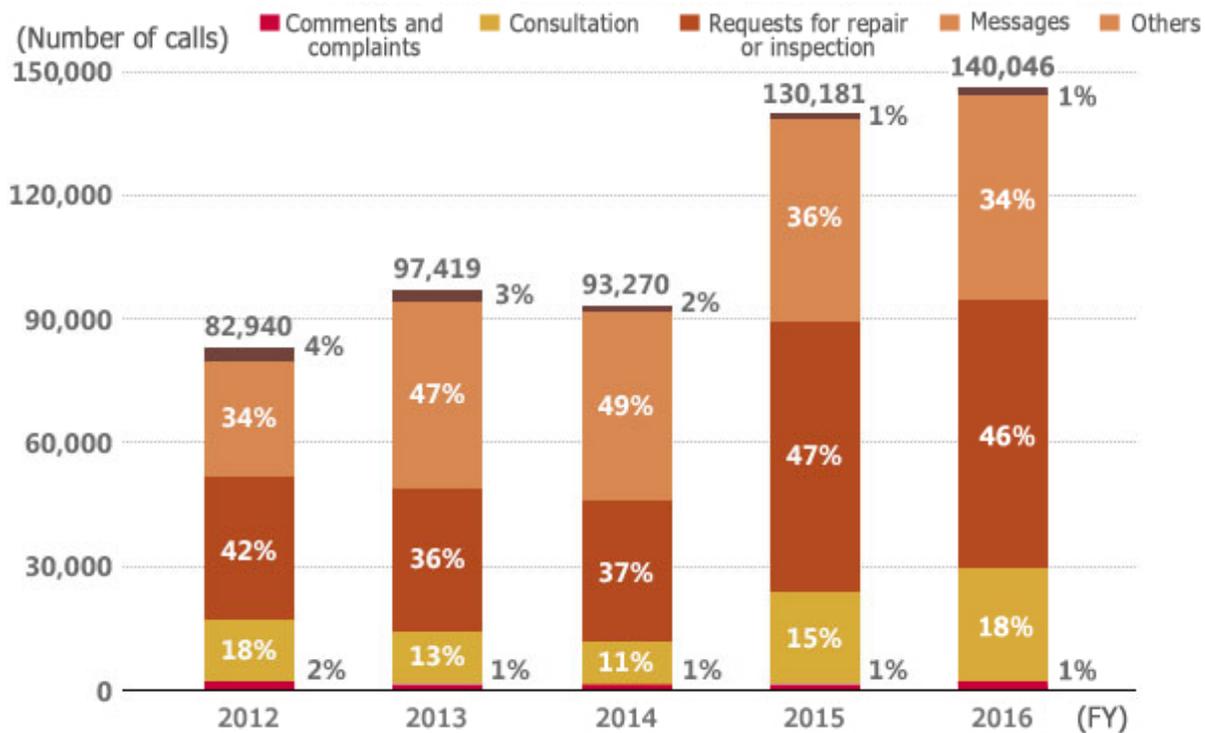
■ Operation of Sumitomo Forestry Call Centers

Sumitomo Forestry established Sumitomo Forestry Call Centers that open 24 hours a day 365 days a year toll free as a consistent dedicated helpline throughout Japan that allows immediate support such as an emergency response lifeline to assist our customers. The telephone number is introduced on magnet cards, owner dedicated websites, magazines and other mediums so that this helpline will be used broadly by our customers.

Presently the centers are located in Tokyo and Fukuoka, and are linked together, shortening wait times for customers who call via the unified national free-dial number.

In addition, the system is organized to enable response in emergency situations. The system facilitates prompt response to customer requests and consultations and also strives for improved customer satisfaction.

Volume of calls to Customer Support Centers and the Sumitomo Forestry Call Center, and breakdown of those calls



* The Call Center has become a “general housing support” since July 2015 and has been receiving increased number of calls.

Customer Surveys

To accurately assess customer views and customer satisfaction, Sumitomo Forestry distributes a questionnaire three times: once when an owner moves in, and then during the second and tenth year of their residence.

The survey questions primarily cover specifications, design, building materials, systems and fixtures, and the support service provided by the staff. The Company then statistically processes and analyzes these results, and applies any findings to product development and employee training. Customers are also given a short questionnaire at the end of any after-sales maintenance visit or inspection, requesting feedback on such subjects as the attitude and behavior of the maintenance contractor, as well as their response speed and repair techniques.

In fiscal 2016 as an indicator of customer satisfaction, the percentage of customers who responded “I would recommend Sumitomo Forestry Home houses” was 86.8% in the survey of new owners, and 84.1% in the survey of second-year owners. Because the benefits of improvements in customer satisfaction will only appear after ongoing efforts, Sumitomo Forestry will continue to improve its efforts, following a cycle of PDCA.

Communicating Information to Customers in the Housing Business

■ Opening a Hands-on Consulting Space

Sumitomo Forestry established the Shinjuku Forest Maison Plaza as a dedicated hands-on consulting space for rental housing in October 2016. The Maison Plaza exhibits construction and equipment, gives advice about land use and rental management, and periodically holds seminars where people thinking about rental management for the first time can participate. This venue is fulfilling its role as the base for informational communication about the utilization of land.

This is the first time a major housing manufacturer has established a facility with functions to offer advice about rental management as well as hold exhibitions and seminars. In fiscal 2016, we had 445 groups visit us over six months, which surpassed our goal of attracting 300 groups to come.



Shinjuku Forest Maison Plaza

■ Technology Exhibition

At House Exhibitions at which fosters opportunities to communicate with customers about home building, Sumitomo Forestry set up “technology exhibition houses” where displays special technologies and functionalities of Sumitomo Forestry Home Houses in major cities.

The exhibition houses put in creativity in explaining excellent competencies of wooden homes and structural features of Big Frame Construction Method –Sumitomo Forestry’s own building method that is Japan’s first timber rigid frame structure so that visitors are able to understand through direct exposure to the basic structures of the homes.

Currently, the exhibition houses are in Tokyo, Osaka, and Nagoya, and total visitors exceeded 3,106 groups in fiscal 2016.



Technology Exhibition House's external and internal views

■ Website Operation and Magazine Publication

Sumitomo Forestry operates its Club Forest special website for owners of Sumitomo Forestry Home houses. As of March 2017, about 96,000 owners had registered as members.

Lovely Family is a home and lifestyle magazine sent out twice a year. It also features details about Group company activities such as renovation and utilization of lands. About 280,000 prints were issued in fiscal 2016.



The cover of Lovely Family

■ Sumitomo Forestry Home Tech Co., Ltd. Establishes Century-old Home Club Regular Meet-and-Greet Bus Tour

Sumitomo Forestry Home Tech Co., Ltd. established a Century-old Home Club in July 2013 as part of its safe and reliable renovation ideas. It is a members-only club with an aim of preserving historical family houses for future generations. Members include owners of historic houses (constructed prior to 1950) renovated by the company, people currently living in a historic house, or those who plan to purchase a historic house.

28 people from 13 groups participated in the fourth regular meet-and-greet bus tour in 2016, which visited traditionally constructed buildings such as historic houses built by Sumitomo Forestry Home Tech and the Urawa Kurashi No Hakubutsukan Minkaen (Urawa Old Houses Museum) in Saitama City in Saitama prefecture as well as the former Kyuhasumi Family House that is said to be the oldest private home.



Regular meeting

Appropriate Dissemination of Information and Protection of Personal Information

■ Observance of Laws, Standards and Norms in Advertising and Publicity

When creating advertisements, Sumitomo Forestry complies with relevant legislation, including the Building Lots and Buildings Transaction Business Act, the Act against Unjustifiable Premiums and Misleading Representations, and the Copyright Act. The Corporate Communications Department, the Intellectual Property Department and the Legal Group in the General Administration Department cooperate to confirm and verify the content of advertisements as required. Sumitomo Forestry did not violate any of the various laws and regulations related to advertising in fiscal 2016. Furthermore, the Company holds monthly meetings of the Brand Communication Committee, comprised of advertising personnel from relevant departments and relevant Japanese affiliates, and publicizes any matters necessary for preventing non-compliance. Through these efforts, the Company made certain of prior checks, and endeavored to ensure that unreliable information was not communicated and customers not otherwise misled.



The Brand Communication Executive Committee

In fiscal 2016, the Brand Communication Committee held a study session about the Act Against Unjustifiable Premiums and Misleading Representations as well as Trademark Registration by inviting both lectures from inside and outside the Group. This session brought understanding of the content of laws related to advertising and labeling as well as violations that can easily occur by providing explanations that included an introduction of specific examples.

Additionally, the Committee hosted a web discussion sessions, created website management guidelines and provided Group website teams with information and instructions on personal information and information security.

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

Sumitomo Forestry has formulated internal rules to safeguard the personal information of customers, such as the Personal Information Protection Policy and the Personal Information Protection Regulations. In addition, the executive officer responsible for general administration is designated as chief executive in charge of protection of personal information. The Company has also placed an information security officer in each department. In these ways, the Company has established a protection system covering Head Office through to each office. In fiscal 2016, one incident was reported about a personal information leak caused by sending an email to the wrong address. We took this issue to the Japan Federation of Housing Organizations, which is a housing agency of the Ministry of Land, Infrastructure, Transport and Tourism. We reported the situation to the customer and apologized while working to prevent any recurrence.

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

- ▶ [Information Security](#)
- ▶ [Personal Information Protection Policy](#)

Together with Our Business Partners

Social Report

Recognizing the Imperatives

Promoting sustainable forest resources and wood procurement are extremely vital endeavors for the Sumitomo Forestry Group, which is expanding its business around “wood”. We believe initiatives are also necessary to respond to risk elements that include the laws in each country and the various regulations related to the illegal harvesting of timber.

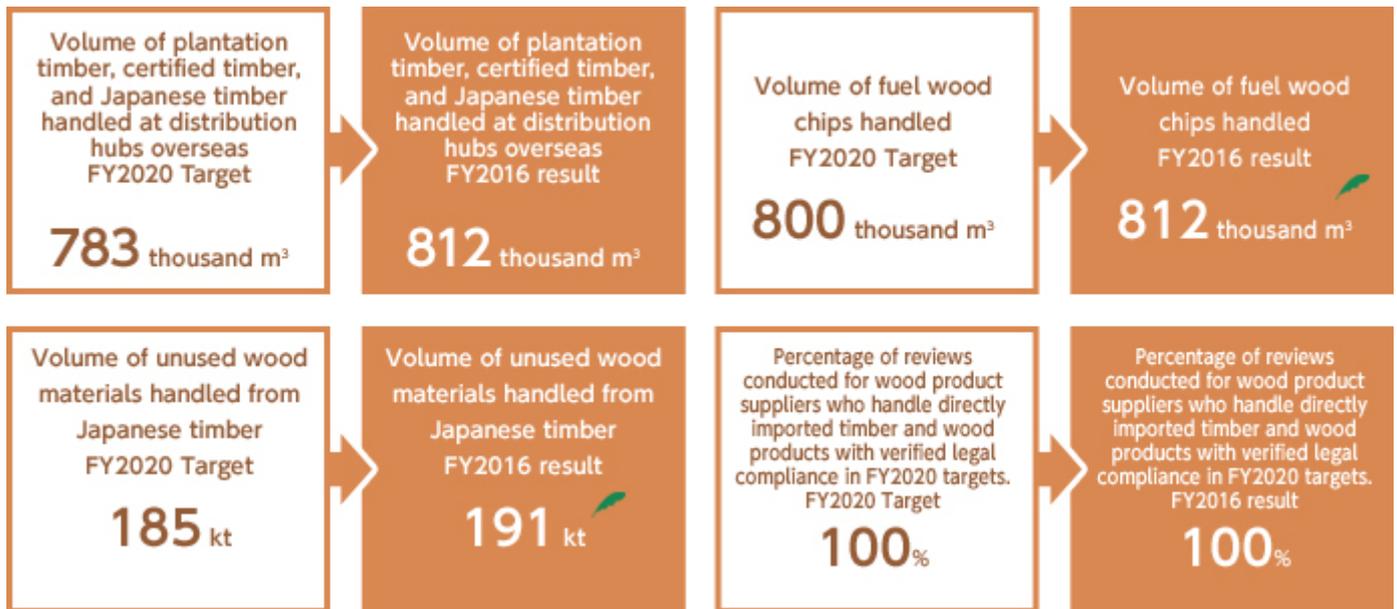
These efforts strengthen our foundation of business by promoting the preservation, development, and planting of forests as well as effectively using limited global resources such as the active use of timber cut from forests that have received Forest Stewardship Council (FSC) certification together with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

Relevant Policies and Systems

- ▶ [Sumitomo Forestry Group Procurement Policy](#)
- ▶ [Green Procurement Guidelines \(extract\)](#)
- ▶ [Basic Policy of Timber Procurement](#)
- ▶ [Basic Policy of Forest Certification Systems](#)
- ▶ [Basic Policy of Conserving Domestic Forest Resources](#)
- ▶ [Basic Policy of Overseas Plantation Utilization](#)

Relevant Targets and Performance

The Sumitomo Forestry Group has set and is actively promoting numerical fiscal 2020 CSR targets based on the belief that promoting sustainable forest management and wood procurement in and outside of Japan is one material issue. We are striving in activities such as fair and responsible procurement activities and procurement in-line with the sustainability of resources while linking and communicating with our business partners.



▶ [About symbol for Independent assurance](#)

Activity Report

- ▶ [Fair and Responsible Procurement](#)
- ▶ [Encouraging Use of Forest Certification Systems](#)
- ▶ [Using Overseas Plantation](#)
- ▶ [Responsible Timber Procurement](#)
- ▶ [Protecting and Utilizing Domestic Forest Resources](#)
- ▶ [Communication with Our Business Partners](#)

Basic Policy of Our Procurement

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

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

Sumitomo Forestry Group Procurement Policy

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

1. Procurement based on legal and highly reliable supply chains

Our procurement activities will strictly adhere to all relevant laws, regulations and societal norms, and be built on mutual understanding and trust with our business partners. Furthermore, to provide the highest quality products and services, we will work with our business partners to ensure that our procurement takes place within a sound and fair supply chain.

2. Procurement based on fair opportunity and competition

We will provide all our suppliers, both Japanese and foreign, a fair opportunity for business. Selection of our business partners will be based on a comprehensive evaluation of the company’s reliability and technological expertise, the product’s quality, economic efficiency, delivery date and environmental performance, and the company’s CSR (Corporate Social Responsibility) initiatives, such as advocacy of basic human and worker rights, anticorruption efforts and so on.

3. Procurement of sustainable timber and wood products

Wood is a renewable natural resource. To actively utilize it, we will work with our business partners on the following initiatives related to the procurement of timber and wood products:

- Procure timber from forests that are sustainably managed
- Work to improve the traceability of procured timber and wood products
- Strictly adhere to the laws and regulations of the countries and regions we log in, protect biodiversity and forests with high conservation value, and respect the cultures, traditions and economies of regions that coexist in harmony with forests.

4. Communication

To ensure the transparency of our procurement efforts, we will disclose information appropriately. In addition, we will communicate with our stakeholders to further improve our procurement activities.

Revised July, 2015

Green Procurement and CSR Procurement

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

In 2013, the Group revised the Green Procurement Guidelines and added items to ensure progress of CSR initiatives concerning occupational health and safety and human rights under "corporate activity assessment."

As to suppliers of imported timber and timber products from abroad, the Group conducts survey of CSR activities and their progresses individually.

Green Procurement Guidelines (extract)

Corporate activities assessment

1. Acquisition of ISO 14001 certification, and adoption of environmental policies and philosophy.
2. Active in global environmental conservation, such as biodiversity preservation and the prevention of global warming.

3. Committed to CSR in its entirety, such as workplace health and safety and respect for human rights.

Product assessment

1. No use of hazardous materials which are likely to have an adverse effect on health and the environment.
2. No leaching of hazardous materials from the product during construction or use.
3. Ability to be reused or recycled after use.
4. Use of processes and materials to lengthen the lifespan of the product.

Revised January, 2013

Responsible Timber Procurement

Social Report

Basic Policy of Timber Procurement

Forests around the world are decreasing due to illegal logging, excessive slash-and-burn farming, conversion to agricultural land and other practices, and this has been a social issue on a global scale. Because timber is one renewable resource essential to Sumitomo Forestry Group's businesses, deforestation and forest degradation are also significant challenges concerning sustainability of its business operations.

As a responsible builder of wooden houses and buildings as well as a trader of timber and building materials, we work with our suppliers to build a reliable supply chain and contribute to developing a sustainable society.

Promotion System of Timber Procurement Management

Sumitomo Forestry Group established the Timber Procurement Committee, chaired by the head of the CSR Department and comprising managers from departments in charge of timber procurement for the trading and housing operations. The committee discusses issues related to group-wide timber procurement, including procurement standards and risk assessments for illegal logging.



Timber Procurement Committee

Enabling Sustainable Timber Procurement

■ Procurement Policy

Under the Sumitomo Group Procurement Policy, Sumitomo Forestry Group carries out due diligence on timber procurement to ensure that the procurement is performed in a sustainable manner with consideration of compliance, human rights, labor practice, biodiversity, and local communities.

■ Compliance

When performing due diligence, the Company ensures suppliers supply the timber that meets logging compliance requirements and use only the timber products made with raw materials that satisfy the requirements by consulting the provided information. Normally, the information include names and locations of the producers, held certifications or permits, procured product names, quantities of the products, used wood species, their logging sites, and their main buyers.

Additionally, the aforementioned information sorted by country, region, wood species, and timber type is then compared with the procurement standards stipulated by Timber Procurement Committee for a risk assessment against illegal logging. For timber products found at medium to high risk, the Company requests additional information from their suppliers, sends its investigators for on-site inspections, and implement measures to mitigate the risk.

■ Consideration for Human Rights, Labor, Biodiversity Conservation and Local Communities

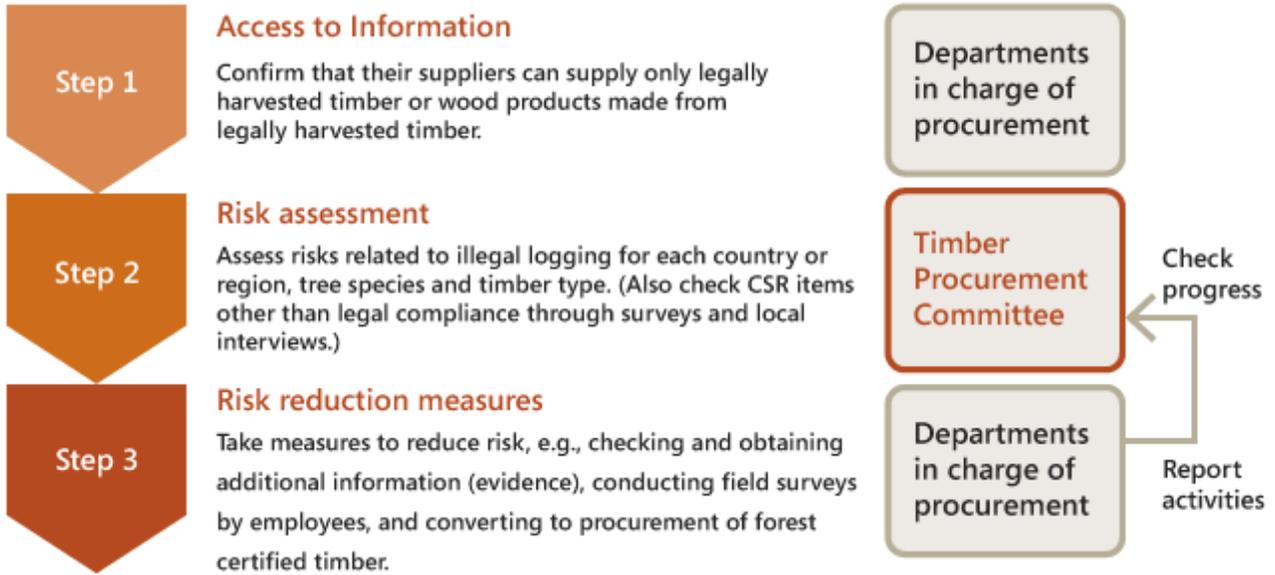
Following items are checked, through supplier surveys and local interviews for the products that are being procured:

- Whether the rights of workers and local inhabitants are abused in the area where we procure the products and their raw materials from. If this is the case, whether suppliers check their logging practices take place with consideration for these rights.
- Whether the high conservation values forests are included in the area where we procure the products and their raw materials from. If this is the case, whether suppliers check their logging practices with consideration to forests with high conservation value.

■ **Review**

Continued efforts to improve the supply chain is encouraged through the reports on the progress of these activities from sections in charge of timber procurement.

Timber Procurement Management System



* In addition, non-compliance matters are reviewed through surveys and interview assessments.

Timber Procurement Committee met three times in fiscal 2016 and conducted surveys at 110 suppliers for import timber to confirm their compliance. Moreover, an on-site inspection was undertaken in Romania in April 2017.

On-Site Inspection in Romania

Several environmental groups have expressed their concerns over illegal logging in the forest management and timber production in Romania in recent years. In this on-site inspection, we observed the lumber manufacturing of the supplier and the primary harvest of logs that is actually transported to the plant. The supplier properly checks transport permits and the logs bundled on the trailer when receiving raw material logs at the lumber manufacturing plant. For example, the visiting staff was able to confirm that the supplier is thorough in segregated management to make sure not to use logs brought in that exceeds the amount permitted and it is engaging in measures that include reporting to the forestry authorities. We received an explanation of forest management from a forest ranger on the harvest land and checked the actual hammer stamp mark and process when loading the trailer in the field. In addition, we confirmed the care in work to preserve the rare forest ecosystem by observing the forest conservation areas under the jurisdiction of Romania.



Inspection of harvest land still covered in snow



Check when loading the trailer



Properly checking the delivery at the plant using tablet terminals



Segregated management of round wood beyond the amount on the permit

■ Current Timber Procurement

Japan has announced the Act on Promotion of Use and Distribution of Legally-Harvested Wood and Wood Products (Clean Wood Act) as an effort against illegally harvested timber on May 20, 2016, which was enacted on May 20, 2017. Interest in sustainable procurement is also growing with the Tokyo Olympic and Paralympic Games in Tokyo set for 2020. The Sumitomo Forestry Group will precisely reflect the needs of the market and will continue to contribute to encouraging the standardization of forest certification programs and certified materials.

■ Procurement of Timber for House Building Materials

The Sumitomo Forestry Group's primary products, wooden houses, require a significant amount of wood materials which constitute about 15% of weight of all materials used. In fiscal 2016, the Group used approximately 125,000 tons of wood in total.

Total Material Weight Per-House

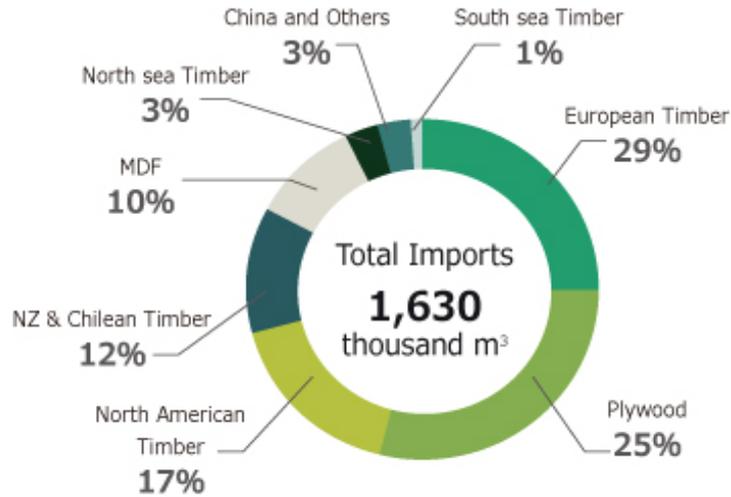
Material Type	Weight
Wood	15.46t
Metal	3.66t
Plastic	1.90t
Paper, Fiber	0.11t
Glass, Ceramic, Unburnable Building Material	13.60t
Concrete	53.17t
Rubble	14.30t
Housing Equipment	1.08t
Total	103.28t

* The weight per material type was provided by Sumitomo Forestry Tsukuba Research Institute based on 2012 BM147 Plan.

■ Purchase and Sales of Timber and Timber Products

Sumitomo Forestry Group is a trading company of timber building materials imports about 1,630 thousand m³ yearly of timber products such as wood and plywood from abroad.

Breakdown of Imported Materials



Encouraging Use of Forest Certification Systems

Social Report

Basic Policy of Forest Certification Systems

The Sumitomo Forestry Group is committed to building reliable supply chains with its suppliers and procuring sustainable timber, and accordingly, uses and supports third-party certification— forest certification systems as indices that insure the timber are procured from sustainably managed forests.

Moreover, the Group believes that by obtaining certifications itself and providing certified timber to markets and consumers, it is able to contribute to promote the forest certification systems.

The status of certification at the Sumitomo Forestry Group has 219,000 hectares with the FM certification and 11 organizations with the CoC certification.

Status of Sumitomo Forestry Group Forest Certification/FM Certification ^{*1}

Certified Forests (Company)	Certified Area (ha)	Certification System	Date Certified	Certification Number	Certification Issuing Body
Sumitomo Forestry Co., Ltd. Company-owned forest	46,213	SGEC	2006/9/25	JAFTA-010	Japan Forest Technology Association (JAFTA)
Open Bay Timber Ltd. (OBT) (Papua New Guinea)	11,770	FSC™	2011/9/12	SW-FM/COC-005600	Rainforest Alliance
	8,150	FSC	2012/10/11	RA-CW/FM-003093	Rainforest Alliance
OBT Total	19,920				
PT. Wana Subur Lestari (WSL) (Indonesia)	40,750	PHPL ^{*2}	2013/6/25	LPPHPL-006-IDN	PT Almasentra Konsulindo
PT. Mayangkara Tanaman Industri (MTI) (Indonesia)	74,870	PHPL ^{*2}	2013/9/24	015/EQC-PHPL/IX/2013	PT Equality Indonesia
Koperasi Serba Usaha Alas Mandiri KTI (KAM KTI) (Indonesia)	1,005	FSC	2008/12/22	SA-FM/COC-002083	Woodmark
Koperasi Bromo Mandiri KTI (KBM KTI) (Indonesia)	207	FSC	2017/1/4	SA-FM/COC-005493	Woodmark
Tasman Pine Forests Ltd. (TPF) (New Zealand)	36,200	FSC	2016/9/7	SGS-FM/COC-010806	SGS South Africa (Pty) Ltd

*1 Forest Management (FM) certification authenticates sustainable forest management by having a third-party inspect based on objective indicators with focus on: (i) compliance with laws and system frameworks, (ii) forest ecosystem and biodiversity maintenance and conservation, (iii) respect for rights of indigenous people and local communities, and (iv) maintenance and enhancement of forest productivity.

*2 Pengelolaan Hutan Produksi Lestari (PHPL) is an Indonesian certification of sustainable production forest maintenance.

Status of Sumitomo Forestry Group Forest Certification/ CoC Certification ^{*1}

Organization	Certification System	Date Certified	Certification Number	Certification Issuing Body
Sumitomo Forestry Co., Ltd. International Marketing Department, and Branches, Timber and Building Materials Division	FSC	2006/3/28	CU-COC-823910/ CU-CW-823910	Control Union Certifications
	PEFC	2008/9/22	CEF1201	Japan Gas Appliances Inspection Association (JIA)
Sumitomo Forestry Co., Ltd. Timber and Building Materials Department and Hokkaido Branch, Timber and Building Materials Division MOCCA (Timber Solutions) Department, Housing Division	SGEC	2017/1/24	JIA – W045	Japan Forest Technology Association (JAFTA)
Sumitomo Forestry Co., Ltd. Hokkaido Branch, Timber and Building Materials Division Building Materials Procurement and Logistics Department, Housing Division	SGEC	2007/10/1	JAFTA-W038 ^{*2}	Japan Forest Technology Association (JAFTA)
Sumitomo Forestry Wood Products Co., Ltd.	SGEC	2006/9/25	JAFTA-W017	Japan Forest Technology Association (JAFTA)
Sumitomo Forestry Crest Co., Ltd.	FSC	2009/9/13	SGSHK-COC-006693	SGS
	SGEC	2007/12/26	JAFTA-W041	Japan Forest Technology Association (JAFTA)
Alpine MDF Industries Pty Ltd. ^{*3}(Australia)	FSC	2004/9/1	RA-COC-001320 / RA-CW-001320	Rainforest Alliance
	PEFC	2011/2/1	001	Engineered Wood Products Association

Organization	Certification System	Date Certified	Certification Number	Certification Issuing Body
Nelson Pine Industries Ltd. (NPIL) (New Zealand)	FSC	2009/6/22	SAI-COC-001290 / SAI-CW-001290	QMI-SAI CANADA Limited
PT. Kutai Timber Indonesia (KTI) (Indonesia)	FSC	2005/1/10	TT-COC-002009	BM TRADA
PT. Rimba Partikel Indonesia (RPI) (Indonesia)	FSC	2012/10/15	TT-COC-004325	BM TRADA
PT.Sumitomo Forestry Indonesia	FSC	2016/4/26	TT-COC-005903	PT. Mutuagung Lestari
Sumitomo Forestry Singapore Ltd.	FSC	2008/1/28	RA-COC-005542 / RA-CW-005542	Rainforest Alliance
Sumitomo Forestry Dalian Ltd.	PEFC	2014/11/17	SGS-PEFC/COC-1730	SGS
	FSC	2016/9/8	SA-COC-005319	Soil Association Certification Limited

*1 CoC (Chain of Custody) certification is a system to certify companies operating processing and distribution of forest products. It tracks the certified forest products (logged in the certified forests) in the course of processing and distribution and certifies that the risk evaluation is conducted for non-certified timber, and allows to the certification label on the products whose entire production process is CoC certified.

*2 Includes operators other than Sumitomo Forestry Group companies due to being a comprehensive certification.

*3 Alpine MDF Industries is no longer a consolidated company of the Group due to the sale of all equity interest in March 2017.

■ Major Forest Certification Systems

■ Forest Stewardship Council™ (FSC)

FSC is an organization founded in 1993 led by World Wide Fund for Nature (WWF) and consists of representatives from environmental organizations, forest workers, timber users and traders, human rights organizations, and local forestry unions. It is considered a pioneer amongst forest certification system operators.

Adhering to the 10 principles and 56 regulations encompassing environmental impact, local society, and indigenous people's rights, FSC-accredited certification bodies will undertake reviews. Recently, country or regional standards as well as the review procedure for small-scale forest owners have been introduced to provide greater support for diverse forests and owners.

■ Program for the Endorsement of Forest Certification (PEFC)

Forestry organizations of eleven European countries established PEFC together in 1999 as an organization to mutually authenticate the system of each country. PEFC does not directly authenticate an individual forest, but when the PEFC's required conditions that adapted "the inter-governmental process" implemented by 149 countries is met, the country's own forest certification system is authenticated by PEFC. Joined by non-European countries in 2003, the organization originally called Pan European Forest Certification Schemes changed its name to Program for the Endorsement of Forest Certification. Since then, PEFC has shown drastic growth, and to date its total certified area is the largest across the world.

■ Sustainable Green Ecosystem Council (SGEC)

SGEC authenticates forest management that demonstrates both rich natural environment and sustainable timber production in Japan. With reverence for Japan's indigenous natural environment, social customs, and culture, the review premises on seven criteria. SGEC can also authenticates forestry operations and distribution systems under CoC. SGEC joined PEFC in November 2014 and submitted a mutual authentication application to PEFC in March 2015, which was mutually approved in June 2016.

■ Promoting Wider Use of Certified Timber

The utmost importance in the sales of certified timber is the separate management of certified and non-certified materials. The CoC certification by incorporating a third-party authentication insures that the timber sold to customers are produced in the certified forests.

The Sumitomo Forestry Group sets the proportion of certified timber among the sales volume of imported timber as an indicator and is working to increase the figure to 12% or above by 2020. In fiscal 2016, indicative figure was 10.9%.

As for timber certified by SGEC, the certification system for domestic produce, the Group has set the 2020 sales volume target at 85,000 m³. In fiscal 2016, the indicative figure was 67,800 m³.

Protecting and Utilizing Domestic Forest Resources

Social Report

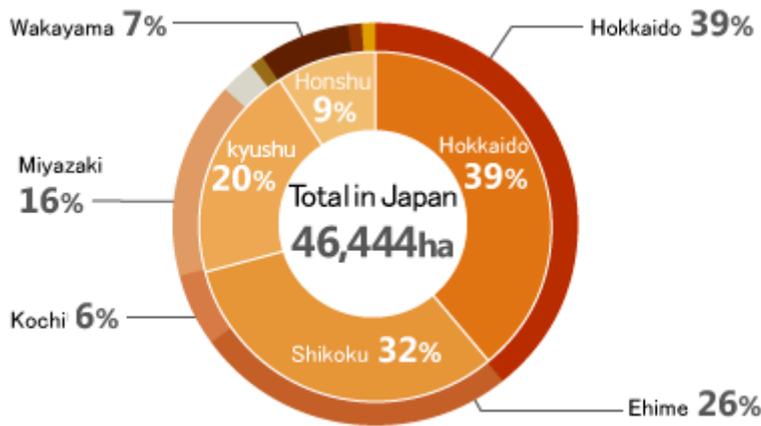
Basic Policy of Conserving Domestic Forest Resources

The devastation of timber plantations such as Japanese cedar and cypress farmed cedar and Japanese cypress trees throughout each region of Japan is a concern. The reasons for this devastation include the stagnation of timber value and worsening profitability as well as the inability for proper thinning or other management of the forests. The Government of Japan in order to avert exacerbation of the forest depredation by revitalizing the forestry industry, established a goal to raise Japan’s timber self-efficiency to 50% by 2025.

Sumitomo Forestry Group has acquired SGEN forest certifications* for the Company-owned forests of approximately 46,000 hectares as part of its sustainable forest management practice while using more domestically produced timber in all business areas in order to assist in vitalizing the forestry industry.

* Forest certification established by the Sustainable Green Ecosystem Council in 2003

Breakdown of Company-Owned Forests



Using More Domestic Timber in Home Products

Sumitomo Forestry is working to increase the ratio of domestic timber usage for Sumitomo Forestry Home house through development and incorporation of various component materials. Further into the future, the Company will improve the ratio to achieve the 2020 targets set for each main housing product (construction method).

Percentage of
Japanese timber
under Multi-
Balance
Construction
Method
(FY2016)

71%

Percentage of
Japanese timber
under Big-Frame
Construction
Method
(FY2016)

50%

Promoting the Use of Unused Wood Resource

Unused wood resource is leftover timber from thinning and logging or wood residue that are unused due to curves and small size. Wood biomass power plants are operating in each area and the demand for wood biomass is growing following the adoption of the FIT law (Feed-in Tariff for Renewable Energy). By using unused wood resources, we can also expect an effective increase in the value of forests while promoting renewable energy. Sumitomo Forestry Forest Service has set targets for fiscal 2020 with the aim of building an efficient and safe logging system for wood leftover from logging.

Volume of
unused wood
resource
handled from
Japanese timber
(FY2020 Target)

185kt

Volume of
unused wood
resource
handled from
Japanese timber
(FY2016)

191kt

Exporting Domestic Timber

Although timber consumption in Japan is on the decline, overseas demand for timber is forecasted to grow in emerging countries including China propelled by economic development and population growth. Influenced by such circumstance, Japanese timber exportation is also on the rise in recent years, and thus, the Sumitomo Forestry Group set goals for fiscal 2020 and is entering new overseas market opportunities for domestic timber.

Volume of
exported
Japanese timber
(FY2020 Target)
200 thousand
m³

Export and Sales
of Domestic
Timber (FY2016)
70 thousand
m³

▶  [About symbol for Independent assurance](#)

Toward the Future

The Sumitomo Group plans to promote the acquisition of SGEC forest certifications when the forest management area expands due to new forest acquisitions in addition to the forests currently owned by the company. We will also contribute to the utilization of forests in Japan by continuing to actively use Japanese timber.

Using Overseas Plantation

Social Report

Basic Policy of Overseas Plantation Utilization

Properly managed forests, which are planted regularly and logged based on annual growth provide sustainable timber and hold promise in mitigating our dependence on natural forests.

At overseas plantations where growth of woods are faster than in Japan, the Sumitomo Forestry Group operates the plantation business well-thought-out for local communities and biodiversity and proactively procures products made with woods harvested from the plantations, and thereby develops sustainable supply chains.

Overseas Plantation Data

Country	Plantation Business Partner	Managed Area	Logged Area	Planted Area
Indonesia	PT. Mayangkara Tanaman Industri (MTI)	104,664ha	2,141ha	1,829ha
	PT. Wana Subur Lestari (WSL)	40,750ha	3,366ha	2,722ha
	PT. Kutai Timber Indonesia (KTI)	10,260ha	114ha	1,932ha
	PT. Rimba Partikel Indonesia (RPI)* ¹	2,604ha	684ha	127ha
	Others* ²	3,633ha	0ha	663ha
		161,910ha	6,305ha	7,273ha
Papua New Guinea	Open Bay Timber Ltd. (OBT)	31,260ha	306ha	429ha
New Zealand	Nelson Pine Industries Ltd. (NPIL)	5,134ha	78ha	180ha
	Tasman Pine Forest Ltd. (TPF) * ³	30,966ha	828ha	398ha
Total		229,270ha	7,517ha	8,280ha

*1 The number of seedlings distributed at RPT is estimated to convert as land area. Vegetation determined to have withered is included in the harvest

*2 Others includes data of environmental reforestation for social contribution and consulting business for other companies

*3 TPF completed the acquisition of the plantation area in June 2016

Actively Using Plantations and Certified Materials for Wooden Boards

Sumitomo Forestry has set a ratio of products that use plantation trees and certified timber from the procurement of import wood board products such as plywood as a 2020 target and it strives to expand this business. Plywood that uses 50% or more plantation timber, FSC-certified or PEFC-certified timber is marketed as Kikorin Plywood, and some of its revenue is invested in plantation businesses in Indonesia.

Plantation-derived timber
Panel ratio
(FY2020 target)
At least 33%

Plantation-derived timber
Panel ratio
(FY2016)
25.1%

Sales of Kikorin Plywood

2011	2012	2013	2014	2015	2016
31,500m ³	36,700m ³	31,100m ³	31,900m ³	28,100m ³	30,200m ³

Distribution of Free Seedlings and Buy Back Guarantee of Logs

Indonesian Group companies KTI and RPI distribute free tree seedlings to local communities guaranteeing that the companies will buy round logs as raw materials at the current market value once the seedlings grow into harvestable woods. In November 2015, KTI's aforementioned operations were recognized by the Indonesia Ministry of Environment and Forestry and awarded the Minister's Prize for contributing to local communities by generating stable income while protecting communal societies as well as environments.

Number of Seedling Stocks Given to Indonesia

Company	FY2016 Performance
KTI	3,290,000
RPI	800,000

Promoting Certification of Forests Together With Local Communities

KTI organized KSU ALAS MANDIRI KTI (KAM KTI) , which is a community plantation cooperative association. In 2008, KTI obtained the first FSC™-FM certificate for the 152-hectare plantation and has expanded its certification to 1,005 hectares in 2015. Koperasi Bromo Mandiri-KTI(KBM KTI), which is a second reforestation cooperative with the same certification, acquired a certificate for 206 hectares in January 2017. The area of certified forest has reached a total of 1,211 hectares. These certified forests will strengthen the manufacture and sale of products with high environmental value based on a growing supply of Falcata (*Albizia falcataria*) materials.

Sustainable Plantation Business by Leveraging Forestry Certification System

Of approximately 30,000-hectare plantation owned and managed by a Papua New Guinean company, OBT, about two-third, equivalent to 20,000 hectares, is certified with FSC™. Under the goal to plant on the 500-hectare land a year, OBT practices sustainable forest management that lays basis for communities and environment to function in harmony. The area planted in fiscal 2016 was 429 hectares.

In addition, Sumitomo Forestry Group is acquiring FSC™-FM certificates for all of its forest areas, including the roughly 30,000 hectares that expands the plantation business of TPF (Tasman Pine Forest); New Zealand and the 5,000 hectares of forest owned by NPIL. TPF practices sustainable forest management that lays basis for communities and environment to function in harmony by planting roughly 600 hectares of forest each year.

Toward the Future

The balance between the international supply and demand is estimated to become even tighter due to limited crude timber produced in a sustainable manner as demand for crude wood increases because of the growing population and economic growth of developing countries. Sumitomo Forestry will improve breeding and cultivation technologies and promote elite tree development to maximize the value of overseas plantation forests with the purpose of building plantations that bring long-lasting and stable profits and pass down the global environment to the next generation.

KTI will also promote the expansion of plantation forests through direct corporate management in addition to the free distribution of seedlings to local communities. We will expand stable and sustainable procurement sources of plantation forests based on the forest management that we have cultivated up until now which is friendly to both local communities and the environment.

Communication with Our Business Partners

Social Report

Communication with Sumitomo Forestry's Business Partners

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

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

Name/scale	Description
Evaluation and feedback based on the Supplier Evaluation Standards Response rate: 82.4% of main business partners (2016)	Material suppliers of Sumitomo Forestry (suppliers excluding on-site equipment manufacturers, precut factories, building material operators and frame centers) are evaluated every year on items that include a corporate overview, quality, cost, delivery period, environmental response as well as services. We provide feedback from the evaluation results as a way to play a role in bettering our suppliers. In addition, we conduct plant audits of our suppliers regularly. In the future, we will review methods for auditing suppliers to further strengthen our quality control.

Communication with Our Timber and Building Materials Business Partners

In the Timber and Building Materials Business, given that it is characterized as being a regional industry, Sumitomo Forestry maintains close communication with the suppliers and purchasers of timber and building materials in each region.

Main Communication Activities with the Business Partners of the Timber & Building Materials Division

Name/scale	Description
The Sumirin club –a membership organization to communicate with regional suppliers of timber and building materials Number of members: 868 companies (as of March 2017)	Established in different regions around Japan as a forum for communication with business partners of timber and building materials. Training sessions and information exchange meetings are held two or three times a year in each region, allowing members to deepen mutual friendships, promote product R&D, enhance production and distribution, and support improvements in the industry as a whole.
Publication of Building Materials Monthly Monthly print run of approximately 4,100 copies	With a history spanning more than half a century, this monthly magazine publishes timely information and topics regarding timber, building materials and the housing industry from a distinctive perspective unique to Sumitomo Forestry.

Together with Our Shareholders and Investors

Social Report

Recognizing Importance

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

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

Relevant Policies and Systems

- ▶ [Basic Policy on Information Disclosure and Communication](#)
- ▶ [Basic IR Policies](#)
- ▶ [Basic Policy on Returns to Shareholders and Retained](#)

Relevant Targets and Performance

The Sumitomo Forestry Group strives to release information that fulfills obligations in transparent management and accountability. The Group promotes activities to fairly and accurately communicate with stakeholders through disclosure and information releases for an accurate evaluation in the stock market.



Activity Report

▶ [Information Disclosure and Communication](#)

▶ [Returns to Shareholders](#)

Information Disclosure and Communication

Social Report

Basic Policy on Information Disclosure and Communication

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

We strive to provide reporting and explanations in an easy to understand manner at the General Meeting of Shareholders held in June every year. We also publish a wealth of IR information in Japanese and English such as information about the settlement of accounts and monthly order information that includes short financial statements and a summary of financial results and forecasts on our website. In addition, we also publish our CSR initiatives in Japanese and English online. In addition to our Annual Report and the Japanese language report for shareholders on business activities, we also strive to actively provide information that includes the publishing of notifications for our Ordinary General Meeting of Shareholders in both English and Japanese in print and online forms. Sumitomo Forestry publishes an Integrated Report instead of its traditional Annual Report as a way to further enhance the information that it discloses such as ESG in 2017.



Integrated Report 2017



Japanese reports for shareholders on business activities (Year ended March 31, 2017)

▶ [IR Library \(Link to IR Information\)](#)

Two-Way Communication with Shareholders and Investors

■ General Meeting of Shareholders

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

■ Individual Meetings

Sumitomo Forestry holds individual meetings for institutional investors following the announcement of its quarterly results. In fiscal 2016, the Company held 169 of these individual meetings both in Japan and overseas.

■ IR Informative Meetings for Individual Investors

Sumitomo Forestry holds regular IR informative meetings for individual investors. During fiscal 2016, many investors attended the meetings held in Osaka and Tokyo. The meetings presented the growth strategy of the Sumitomo Forestry Group in addition to its business operations while its exhibition booth at the venue provided those investors who have requested with briefings on customized housing, rental housing, and renovation.

■ IR Activities for Overseas Institutional Investors and Shareholders

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

Toward the Future

Sumitomo Forestry will continue to communicate the business operations, corporate stance and future vision of the Sumitomo Forestry Group to not only shareholders, but all institutional and individual investors from overseas or in Japan in a fair and appropriate manner, and it will expand IR activities that are appropriately rated in stock markets.

Returns to Shareholders

Social Report

Basic Policy on Returns to Shareholders and Retained

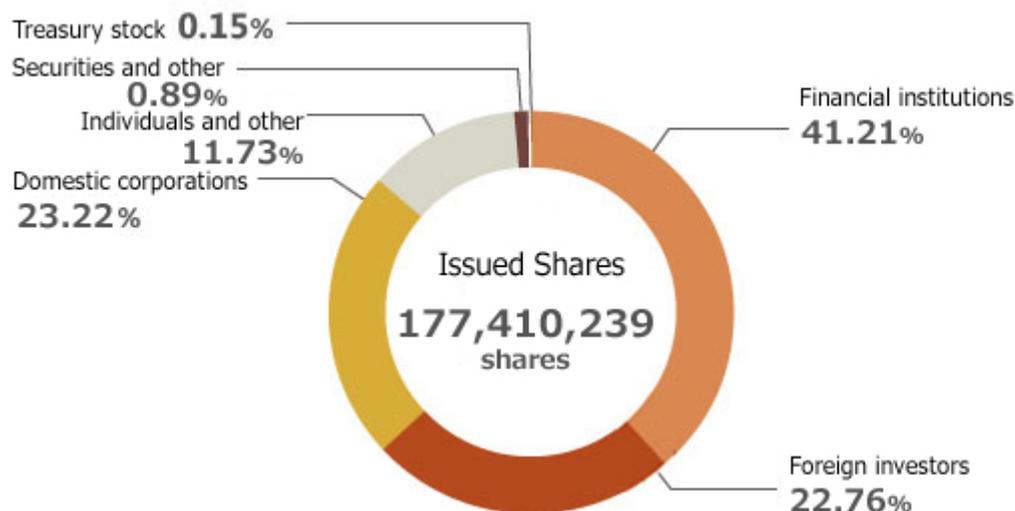
Acknowledging that providing returns to shareholders is one of its most important tasks, Sumitomo Forestry has adopted a basic policy of paying stable and continuous returns.

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

Dividends in Fiscal 2016

In fiscal 2016 (the year to March 31, 2017), a year-end dividend of 20 yen per share and an interim dividend of 15 yen per share were issued. This corresponds to a full-year dividend of 35 yen per share.

Share Distribution by Shareholder Type (As of March 31, 2017)



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

Together with Our Employees

Social Report

Recognizing Importance

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

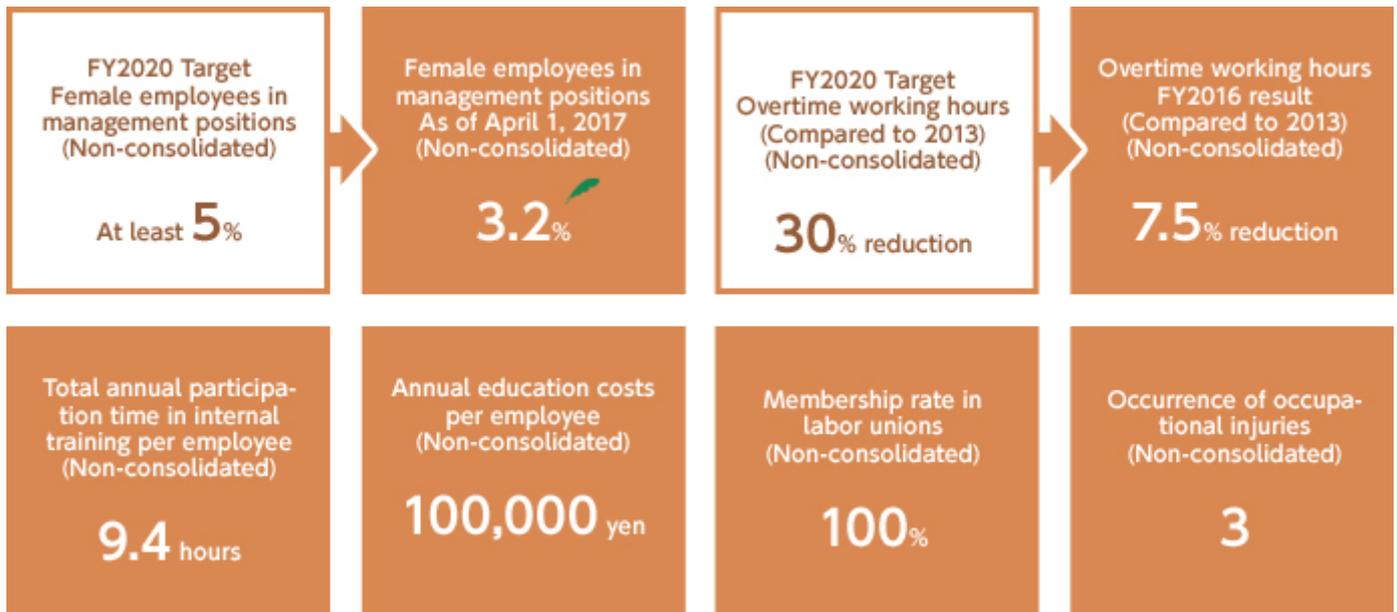
We believe working to resolve these challenges is the driving force to improving corporate value and business promotion that have a positive effect that include gaining human resources and improving the motivation of employees while eliminating risks on employees.

Relevant Policies and Systems

- ▶ [Sumitomo Forestry Group Code of Conduct](#)
- ▶ [Sumitomo Forestry Group Declaration on Empowering Women](#)
- ▶ [Basic Policy on Human Resources Education](#)
- ▶ [The 6th Next Generation Law Action Plan](#)
- ▶ [Basic Policy on the Employment and Treatment of Employees](#)
- ▶ [Basic Policy on Occupational Health and Safety](#)
- ▶ [Basic Policy on Employee Work Styles](#)
- ▶ [Policy on Communication with Employees](#)

Relevant Targets and Performance

Employee related initiatives are one of our CSR Material Issues. The Sumitomo Forestry Group set fiscal 2020 targets to actively promote fair employment and treatment, work-life balance and occupational health and safety in particular. In addition, we are enhancing our efforts and measures to contribute to business development such as the promotion of diversity and human resource education.



▶ [About symbol for Independent assurance](#)

Activity Report

- ▶ [Fair Employment and Benefit](#)
- ▶ [Human Resources Development](#)
- ▶ [Communication with Employees](#)
- ▶ [Occupational Health and Safety \(OHS\)](#)
- ▶ [Work-life Balance](#)
- ▶ [Employee Data](#)

Basic Policy on the Employment and Treatment of Employees

With respect to the employment and treatment of employees, in addition to respecting equal opportunity and diversity, the Company has prescribed in the Sumitomo Forestry Group Code of Conduct that it will not discriminate on the basis of gender, age, nationality, race, religion or disability. In its recruitment activities too, the Company emphasizes the ambition and volition of the applicant, and does not differentiate selection processes according to academic background or gender. At Group companies outside Japan, the employment of local staff is actively promoted, and talented personnel are employed and promoted to management positions, irrespective of race or gender.

As for the disciplinary punishment and dismissal of employees, if there has been a compliance violation, the employee will be dealt with appropriately in accordance with Employment Regulations. Unfair dismissals are not allowed.

Recently, talent acquisition has been recognized as one of the major management issue for management in Japan triggered mainly by low birth rate and thereby aging population. Sumitomo Forestry communicates its employment and benefit policies with potential employees during recruitment and expands supportive programs to foster diverse work styles and performance of female employees in effort of acquiring valuable, next-generation talent.

▶ [Sumitomo Forestry Group Code of Conduct](#)

Promotion System

The Workstyle Diversification Department, which was established as an independent organization in the Personnel Department in April 2013, supports the utilization of a wide range of employees from female staff to re-employed retirees and employees with disabilities as well as promotes diversity.

Promoting the Active Involvement of Female Employees

Sumitomo Forestry Group Declaration on Empowering Women

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

By expanding opportunities for women and by leveraging the creative power of women, we will integrate a diverse range of values that will spur innovation and enhance corporate value.

1. We will create a positive work environment for women
2. We will leverage women’s unique creative powers
3. We will spur innovation through the participation of women

The Sumitomo Forestry Group is committed to a workplace environment where motivated employees can be actively involved irrespective of gender, age, nationality, race, religion or disability. In an endeavor to actively engage female employees in particular, the Group has sought to improve its systems relating to childcare, education and training, and at the same time, has taken a proactive stance on promoting the use of these systems.

During fiscal 2013, the Group surveyed the attitude and needs of employees with respect to: work and careers; promoting the active involvement of female employees; and childbirth and parenting. A survey was conducted to gauge the awareness of all female employees at Sumitomo Forestry to assist the Group in promoting the active involvement of female employees and in supporting the workstyles of employees currently raising children. In December 2013, the Group released the “Sumitomo Forestry Group Declaration on Empowering Women.” It was issued to the entire Group under the name of the President, and formally summarizes the significance of promoting the active involvement of female employees into three policies. The Group is actively engaged in activities under the policy described in the Declaration.

Ratio of Female employees in management positions
2020 targets
(non-consolidated)
At least 5%

Ratio of Female employees in management positions
As of April 1, 2017
(non-consolidated)
3.2%

In December 2014, numerical targets for the appointment of women to managerial posts have been set in order to foster further empowerment of female employees at Sumitomo Forestry. The Company has publicly announced its goal of raising the ratio of female managers to at least 5% by 2020 (3.2%  as of April 01, 2017), and is working to achieve this goal. In fiscal 2016, in accordance with The Act on Promotion of Women's Participation and Advancement in the Workplace of the Japanese Government, the Company's first phase action plan (April 1, 2016 – March 31, 2019) was implemented and has been available to the public.

A mentoring system was also established with the purpose of further facilitating the success and support of women managers from July 2016 to March 2017. The mentoring system is a program where assigned mentors periodically interview mentees to address challenges mentees face in their work, elevate worries they might have and support the growth of the mentee. Six female manager mentees were mentored by male managers with the aim to further success and self-reformation.

- ▶ [Employee Data](#)
- ▶ [Parental Support for Employees](#)
- ▶ [Sumitomo Forestry Co., Ltd. First Term Action Plan](#) (in Japanese)

Employment and Promotion of Women (Non-Consolidated)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Ratio of Female employees*	17.7%	18.4%	19.2%	19.9%	20.1%
Ratio of Female employees in management positions*	1.8%	2.2%	2.6%	2.8%	3.2%
Ratio of Female new graduates	23.6%	28.7%	26.8%	22.8%	18.0%

* Calculated based on the number of employees as of April 1 each year.

Employment and Promotion of Women (Domestic Group Companies)

	FY 2016	FY 2017
Ratio of Female employees*	26.2%	25.4%
Ratio of Female employees in management positions*	3.8%	5.0%
Ratio of Female new graduates	47.0%	36.7%

* Calculated based on the number of employees as of April 1 each year.

■ Women's Perspective Project

Having started in March 2013, Women's Perspective Project which gathered diverse female employees from the headquarters, branch offices across Japan, and Group companies in intention to bring homes designed from their residents' perspectives. Previously, the project provided the "comama" spatial design proposal and also nine houses built and sold in just half a year at East Hills Seya in the Ikoma district in Nara Prefecture.



Brainstorming by project members

In February 2015, the housing product "konoka" model house that incorporated female customer feedback was launched, and two months later in April, sales of the product began. Continuous efforts in campaigns, internal training for sales, and event proposals and operations since the product launch resulted in over 900 contracts for new "konoka" houses over two years. In addition, "Forest Maison konoka", a new rental housing product with a concept of more reliable, more safety, and more comfort from female perspective was released in August 2016.



"Konoka" Model House at the No.2 Mitaka Housing Plaza

■ Main Initiatives Aimed at Increasing the Motivation of Female Employees

Sumitomo Forestry provides various training for female employees.

The training for women salespersons in fiscal 2016 was held with the purpose of creating strategies to improve the first contact with customers, which enhanced knowledge and motivation by sharing information beyond area and generation.

The production training for female employees provided an informational exchange with other companies in the same industry as well as construction site tours for female on-

site supervisors with the goal of teaching successful examples of construction engineers who are women outside Sumitomo Forestry as well as improving skills and motivation.

Main Initiatives Aimed at Increasing the Motivation of Female Employees

	Name of seminar	Date	Main participants
Sales training	Female Sales Staff Training	December 2016	37
	Networking Event for Female Housing Sales Staff: Joint Program by Nine Housing Builders	November 2016	5
Production training	Production Training for Female Employees	February 2017	9
Elective Training	External Management Leadership Training	May 2016–March 2017	3
	Joint Cross-Industry Business Female Management Training	February 2017	1

■ Sumitomo Forestry Granted the Semi-Nadeshiko Brand Designation for FY2016

Sumitomo Forestry was granted the Semi-Nadeshiko Brand designation in March 2017. The Ministry of Economy, Trade and Industry together with the Tokyo Stock Exchange emphasize the success of women and choose companies as Semi-Nadeshiko Brands who show excellence in promoting women's success next to Nadeshiko Brands.

One reason Sumitomo Forestry may have been selected as a Semi-Nadeshiko Brand is thought to be the Sumitomo Forestry Group Declaration on Empowering Women, which was formulated to evaluate promotional measures such as the enhancement of childcare support and educational training programs.

Promoting the Employment of Persons with Disabilities

Sumitomo Forestry promotes the employment of people with disabilities, giving the highest priority to matching the individuality of each person with a disability with the workplace and business activities. The ratio of disabled employees as of end March, 2017 was 2.12 %. Furthermore, to improve the retention rates for current employees, the Company provides regular face-to-face meetings as well as phone interviews and career advice as required.

**Ratio of Disabled Employees
As of March 31,
2017
(Non-Consolidated)
2.12%**

Employment of Persons with Disabilities (Non-Consolidated)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Ratio of Disabled Employees (%)	1.95	2.18	2.24	2.12	2.12

■ Promoting Proactive Employment of Persons with Disabilities –Sumirin Wood Piece Co., Ltd. Founded

Aiming to provide employment opportunities for persons with disabilities, the Company in July 2015 founded a subsidiary in Niihama, Ehime Prefecture in Japan with business lines such as shiitake mushroom farming, wooden products manufacturing, processing, and printing. The Sumitomo Forestry Group hired five persons who have intellectual and psychological disabilities in October 2016. In March 2017, new office building was completed and in April the Sumirin Wood Piece obtained the certification of a special subsidiary company in accordance with the Act for Promotion of Employment of Persons with Disabilities.



Exterior of new Sumirin Wood Piece Co., Ltd office building

Re-Employment of Retirees

Sumitomo Forestry has a system in place whereby it re-employs personnel, who retired at 60, on temporary contracts until they turn 65, on the condition that they have had at least 10 years of continuous service, they have specific qualifications and experience, and they wish to be re-employed. The Company re-employed 46 people in fiscal 2016. They are all actively involved in the Company, making the most of their abilities and experience.

Over the past three years, Sumitomo Forestry has re-employed 84.8% of employees who retired. As an interim measure following revision of the Act on Stabilization of Employment of Elderly Persons on April 1, 2013, the Company re-employs all workers who wish to return to work.

Number of Re-Employed Retirees

FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
33	28	43	34	46

Return to Work Application System

Sumitomo Forestry has operated the Return to Work Application System since fiscal 2008. The aims of the system are to meet the re-employment needs of workers to secure talented personnel who resign due to unavoidable circumstances such as childcare and eldercare. Employees register their wish to return to work at the time they resign, and applicants must have had worked for at least three consecutive years before the resignation. As at the end of March 2017, the Company received 140 applications.

When the Company receives an application, it goes through a selection process based on the Company's needs and the skills of the applicant. Applicants who are successfully re-employed within three years of the resignation are able to regain the same levels of position as before.

Direct Employment of Non-Permanent Employees

In recent years, regulations for dispatched employees have been strengthened to correct disparities arising out of different forms of employment. In response, Sumitomo Forestry reviewed its personnel systems to appoint competent employees, and in April 2011, changed the status of its dispatched employees to directly employed fixed-term employees, referred to as "partner employees." The Company also operates a system for promoting partner employees to permanent status. It promoted 19 workers to permanent employee status in fiscal 2015, 14 in fiscal 2016, and 19 in fiscal 2017.

Number of Directly Employed Non-Permanent Employees

FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
38	28	19	14	19

Toward the Future

In the future, Sumitomo Forestry will continue to promote diversity and inclusion based on Respect for Humanity—We work to create an open and inclusive corporate culture that values diversity, which is one of our action guidelines. We also aim to be a "truly excellent company" in the housing and wood products businesses, by making efforts to put in place effective personnel systems, carrying out appropriate and efficient placement of "human assets," developing and training personnel, and building a group of employees who are always willing to take up challenges.

Occupational Health and Safety (OHS)

Social Report

Basic Policy on Occupational Health and Safety

Sumitomo Forestry has established Rules for OHS Management with an aim of fostering a workplace environment in which employees can perform their jobs in a safe and healthy manner. The rules prescribe that a general OHS manager is to be stationed at each place of business regardless of how big it is, and every year, the Company checks on the status of the officer and OHS committee meetings.

With an aim of preventing accidents at construction sites and maintaining the health of workers, each division, such as the Environment and Resources Division and the Housing Division, has also established separate OHS management policies and manuals in view of the distinctive characteristics of their respective businesses.

Occupational Health and Safety Management System

In addition to developing occupational safety and health management systems in accordance with the laws and regulations of the respective country, each Sumitomo Forestry Group company also promotes acquisition of certifications such as OHSAS*. Human Resources (HR) Department is responsible for OHS across the Group, and heads of HR provides OHS instructions and support to establish OHS system on each Company's level. The OHS Committee where general manager serves as chairman meets monthly has been established, and matters discussed are posted on the intranet for the purpose of information sharing and enlightenment.

* Occupational Health and Safety Assessment Series (OHSAS): An international standard developed for the purpose of reducing occupational health and safety risks and clarifying where responsibilities lie.

Acquisition of Occupational Safety-Related Certification

Company	Country	Type of certification	Date acquired
Sumitomo Forestry Crest Co., Ltd.	Japan	OHSAS18001	February 2013
PT. Rimba Partikel Indonesia (RPI)	Indonesia	OHSAS18001	March 2013
PT. Kutai Timber Indonesia (KTI)	Indonesia	OHSAS18001	October 2013
Nelson Pine Industries Ltd. (NPIL)	New Zealand	AS/NZS4801	December 2012
		ACC WSMP Tertiary	November 2009
Alpine MDF Industries Pty. Ltd. (Alpine)*	Australia	AS/NZS4801	August 2010

* Alpine is no longer a consolidated company of the Group due to the sale of all equity interest in March 2017.

■ Targets and Performance Concerning Occupational Injuries

In Mid-Term CSR Management Plan, Sumitomo Forestry sets the critical target by FY2020 as “zero occupational injury and lost work time.” Its progress and results are explained below.

Occupational Injuries (Non-Consolidated)*1

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Number of occupational injuries (incidents)*2	0	6	1	0	3
Lost-time injury frequency rate*3	0	0.28	0.19	0.19	0.30
Work-related illness frequency rate	0	0	0	0	0

*1 No work-related accidents resulting in death occurred during the reporting years shown.

*2 The number of work-related accidents resulting in payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act of Japan is disclosed.

*3 Lost-time injury frequency rate = Number of occupational fatalities or injuries resulting in an absence from work of at least one day ÷ Total number of working hours × 1,000,000

Initiatives in Forestry

In Japan, the Sumitomo Forestry Group manages 46,444 hectares of Company-owned forests and 1,106 hectares of forests contracted for management. Contractors conduct planting, weeding, improvement cutting, thinning and clear cutting operations. For the purpose of preventing occupational injury to these contractors, the Group conducts safety patrols and holds Workplace Safety Conferences at each forestry office once every half year. In fiscal 2016, there were three occupational injuries* involving contractors at forestry work sites in Company-owned forests. As a result, with the contractors involved, response measures to prevent recurrence were discussed and agreed. Additionally, warnings were issued to other contractors through the Workplace Safety Conferences.



A safety patrol

* The number of work-related accidents resulting in payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act of Japan is disclosed.

Number of Occupational Injuries Involving Contractors at Forestry Work Sites in Company-Owned Forests

FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
1	0	2	1	3

■ Lectures Given by External Experts

The Sumitomo Forestry Group in Japan has enhanced awareness-raising activities at its Workplace Safety Conferences, including occupational safety instructions using examples of common forestry accidents, as well as environmental education, lectures given by experts on such topics as emergency first aid, and on-site safety guidance. Furthermore, so as to prevent lack of concentration when performing dangerous work by becoming accustomed to the work, the Group conducts safety education repeatedly.

At the Workplace Safety Conferences held at various forestry offices in fiscal 2016, experts have been invited from the Forestry and Timber Manufacturing Safety & Health Association to hold lectures on accident prevention measures based on analysis of causes of recent forestry occupational injuries, and on-site work safety guidance was conducted.



On-site guidance by experts
(Hyuga Forestry Office)

Initiatives in the Manufacture of Wooden Building Materials

■ Initiatives in Japan

Sumitomo Forestry Crest Co., Ltd.'s basic policy is to move "from zero accidents to zero danger." Its goal is to achieve zero occupational injuries by nipping danger in the bud. To achieve this, Sumitomo Forestry Crest began operating an Occupational Health and Safety Management System (OHSMS) in July 2012, and acquired OHSAS 18001 certification in February 2013. Through repeating the PDCA management cycle with near-miss incident reports submitted voluntarily by employees and sharing opinions through small-circle activities at each workplace, efforts are being made to reduce risks while engaging in production.

In addition, there was also one occupational injury in fiscal 2016. Measures to prevent recurrence have been established by reviewing procedures and equipment based on inspections and factor analysis.

Number of Occupational Injuries in the Manufacture of Wooden Building Materials

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Domestic Manufacturers	4	5	0	0	1

* The number of work-related accidents resulting in payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act of Japan is disclosed.

■ Safety Patrols and Risk Assessments

Each plant of Sumitomo Forestry Crest regularly conducts safety patrols at the workplace with the goal to move “from zero accidents to zero danger”. Any sign of danger discovered in these patrols is immediately addressed with safety measures to prevent that risk from being realized.

Furthermore, Sumitomo Forestry Crest is committed to ensuring the safety of its workplaces, by identifying operations and facilities at risk, such as of workers getting caught in machinery, and by focusing on reducing those risks.



A safety patrol

■ Overseas Initiatives

The Sumitomo Forestry Group are strengthening safety measures at overseas manufacturing companies* where the number of occupational injuries increased in the previous year and has introduced measures that include the adoption of zero accident procedures (risk prediction training and risk assessment) in Indonesia where its manufacturing sites are concentrated. We also implemented safety promotion procedures at other preceding group companies. As a result, we were able to slightly reduce the number of occupational injury in FY2016 compared to the previous year.



Risk prediction training for local employees at Indonesian manufacturers

* Seven consolidated companies: Nelson Pine Industries, Alpine MDF Industries, Kutai Timber Indonesia, AST Indonesia, Sinar Rimba Pasifik, Canyon Creek Cabinet, and Vina Eco Board

Number of Occupational Injuries in the Manufacture of Wood Building Materials

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Overseas Manufacturers*	19	13	6	18	16

* Indicates the number of injuries eligible for compensation benefits for a temporary absence from work under the Industrial Accident Compensation Insurance Act of Japan.

■ Initiatives for Expatriates Living Abroad

In case of injuries or illnesses including infectious diseases, the Company offers services such as introducing medical institutions and making appointments with physicians and consultants for expatriate employees and their accompanying families as well as employees on business trips.

In particular, Overseas Risk Management Manual that encompasses measures against infectious diseases such as AIDS, tuberculosis, and malaria, stipulates the safety management system. “The guidelines for expatriates and business travelers” is also included in the manual in which the Company summarizes risks in each country where it operates, and reviewed annually. Employees to be newly posted abroad are provided with instructions based on the manual.



Overseas Assistance Card

Initiatives in the Housing Business

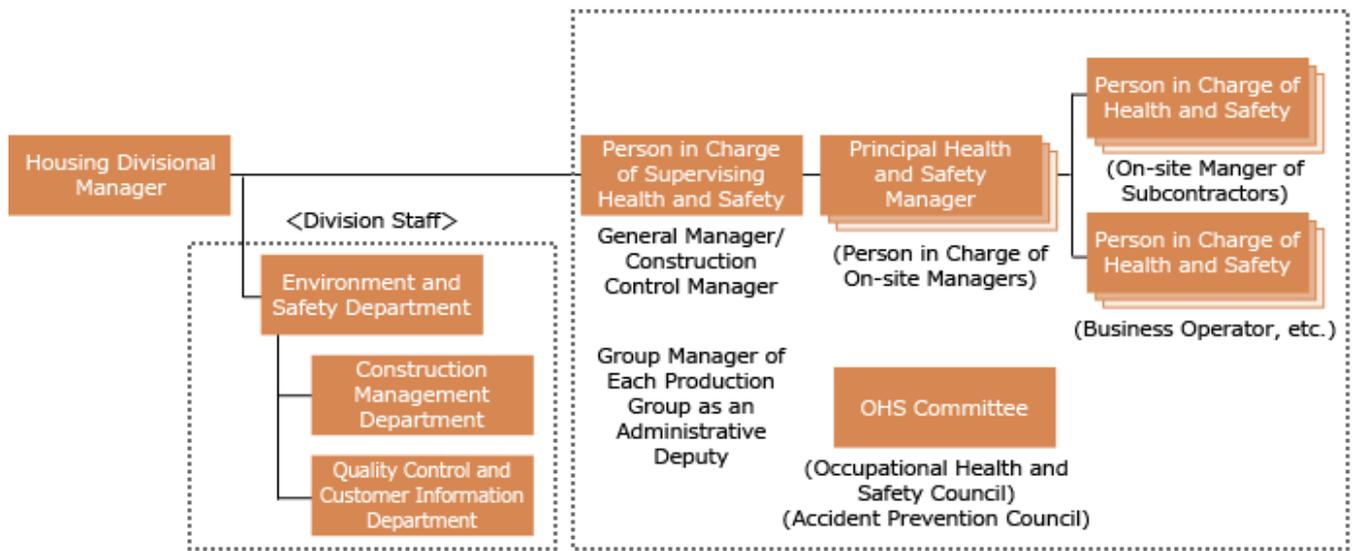
At the beginning of every fiscal year, Divisional Manager of the Housing Division formulates the Occupation Health and safety Policy to provide notification based on circumstances such as the accidents that occurred in the previous period, the state of occupational health and safety promotion as well as compliance with relevant laws. In addition, permeating a safety culture has been designated as a basic policy for this period and we are working to achieve this in primarily three ways; compliance with the law, promotion of occupation health and safety education and eradication of occupational injuries.

Always raising awareness toward the recognition of safety first permeates this safety culture. Branches and building contractors set important management targets for the fiscal year to eliminate five-types of major accidents; falls, accidents with tools, things tipping over and accidents with heavy machines.



Safety check at construction site

Occupational Health and Safety System for Housing Business Sites



Revised October 1, 2010

Lost-time injury frequency rate for contractors on housing construction sites

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Number of occupational injuries*1	10	11	11	6	12
Lost-time injury frequency rate*2	2.16	1.98	3.63	2.23	3.35
Work-related illness frequency rate	0	0	0	0	0

*1 The number of work-related accidents resulting in payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act of Japan is disclosed.

*2 Lost-time injury frequency rate = Number of occupational fatalities or injuries resulting in an absence from work of at least one day ÷ Total number of working hours × 1,000,000

After review into housing construction-related working hours in fiscal 2014, the total working hours have been reduced in comparison to fiscal 2013 and earlier.

▶ [About symbol for Independent assurance](#)

■ Training Designed to Improve Awareness for Occupational Health and Safety

Based on the results of the monthly safety patrols and work site surveys, the Housing Division organizes training programs with specific cases promoting health and safety, targeting the OHS managers of each branch or region, as well as the leaders (subcontractors) in each job category on construction sites.

In addition, training is provided for branches nationwide, designed for maintaining safety such as when workers use grinders*, which are fraught with great hazard, and when they work with circular saws, which are susceptible to accidents due to misuse despite being simple and easy to use.



Training for circular saw work

* Operation with an electric tool to cut by rotating a grinding stone

Toward the Future

The Sumitomo Forestry Group will strive to eliminate occupational injuries in wooden building materials and manufacturing facility businesses in Japan by extracting proposals for improvements from near-miss incident reports, comprehensive risk avoidance through safety patrols and risk assessment, safety knowledge through education and ongoing reaffirmation of that know-how.

We will also advance the formation of a zero accident system in our wooden building materials and manufacturing facility businesses overseas by continuing and deepening fiscal 2016 efforts once again in fiscal 2017 in addition to strengthening the safety promotion functions in our Overseas Business Division, accelerating the sharing of information about accidents and measures to prevent the recurrence, implementation of safety audits at plants, solidifying zero accident activities and establishing safety standards consistent at every company.

In our forestry business, we will eradicate the causes of occupational accidents to achieve zero occupational injuries by introducing measures such as strengthening awareness-raising activities for safety operations and promoting mechanisms that aim to reduce the burden in chainsaw operations that results in many accidents.

In our housing business, we will raise awareness about safety in our construction managers, people in charge of production, and all of our employees working on site and enhance leadership for safety awareness to permeate a safety culture. The people responsible for construction confirm important items about safety have been recognized by all responsible workers and reaffirmed to evoke caution in order to eliminate occupational injuries.

Human Resources Development

Social Report

Basic Policy on Human Resources Education

Guided by the policy for human resources development of "autonomy" and "support," Sumitomo Forestry aims to realize its Corporate Philosophy by developing employees with a strong sense of pride and motivation, and by creating a culture that is open and inclusive.

Promotion System

Sumitomo Forestry Business Institute, Personnel Department

The Sumitomo Forestry Business Institute (SBC) within the Personnel Department of Sumitomo Forestry (SBC) plans and conducts training to teach business skills in which employees can participate widely even outside of their Group company or business division.

In addition, meetings for people in charge of Sumitomo Forestry Group Training are held to exchange information about human resource development.

Training and Education Department, Housing Division

The Training and Education Department conducts practical education around the axes of the customer perspective and professionalism for employees who belong to the Housing Division (sales, design, interiors, production, general affairs, and head office staff). This department also supports training at each company by working closely with each Group company managed by the Housing Division.

Group company and each department

Training to develop professionalism in each field is conducted at each Group company and in each department.

Development of the Sumitomo Forestry Business Institute

Under a theme of "Supporting Motivated People," since the Sumitomo Forestry Business Institute (SBC) launched in fiscal 2011, the Institute has shifted emphasis, from "training for each level," which had previously been advocated across-the-board, to more "self-development" and "selective" training, and the content of e-learning has been expanded.

In addition to the training for each level that includes new employee training, we are conducting selective and elective group training jointly throughout the Group. SBC · e-learning provides a flexible learning environment to Group employees in Japan.

SBC training system, Personnel Department (FY2016)

Level/ grade	Management track				Staff track				Proposed recruits				
	Officers	General manager class	Department manager class	Section manager class	Supervisor class	Assistant supervisor class							
Training for specific levels (across-the-board attendance)	Officers training	Training for managers	E2 grade aptitude training		E1 grade aptitude training	Preparation program for general management	OJT trainer training	Training for 5th year general management (the Group)	Training for 3rd year general management	Shikoku forestry training for 3rd year graduates	Follow-up training for 1st year general management	New employee training (new graduates)	Follow-up training for proposed graduate recruits
					Training for those who have changed job categories			New employee training (graduates from earlier years)					
					Shikoku forestry training for new employees (graduates from earlier years) and for those who have changed job categories								
Selective training (nominated / open invitation)		Next generation leader development training				External graduate studies programs				Training prior to overseas posting			
Self-development training (voluntary)	Sumitomo Forestry Business Institute courses (conducted in-house: group training delivered by Sumitomo Forestry instructors or by invited instructors)												
	External public courses (conducted outside the company: external training, open/correspondence courses at university)												
	Support for tuition fees (providing assistance for the cost of attending a preferred external course found independently)												
	Support for obtaining qualifications (providing assistance for the cost of taking examinations, registering and reviewing qualifications, and for attending courses to obtain qualifications)												
	Language learning support (providing support for learning languages, such as language schools and language testing)												
Sumitomo Forestry Business Institute / e-learning	Shared learning (Sumitomo Forestry's history, corporate policies, legal compliance, environment, information security)												
	Business skills (document writing, logical thinking, marketing, etc.)												
	Management skills (team management, coaching, etc.)												
	Knowledge (legal, financial, accounting, labor, harassment, mental health, etc.)												
	Specific learning for each business division (Timber & Building Materials Division, Housing Division, etc.)												

■ Training courses in the color indicates that are available for employees from Group companies in Japan

Number of Employees Attending Main Training Programs (FY 2016)

Training program	Number of people attending (non-consolidated)	Number of people attending (Group companies)
Training for specific levels (12 courses)	903	207
Selective training (17 courses)	65	30
Self-development training (62 courses)	471	35
e-learning (6 mandatory courses)	4,960	4,876

Hours of Training and Expenditure on Training (Non-Consolidated)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Hours of training received per employee	6.9	7.5	6.8	9.3	9.4
Expenditure on training per employee (yen)	103,000	91,000	91,000	91,000	100,000

■ Support for Obtaining Qualifications and Attending External Education

Sumitomo Forestry promotes independent efforts for capacity building and career development. For instance, the Company's Regulations for Assistance in Obtaining Qualifications and Attending External Education include provisions for assistance when an employee seeks to obtain qualifications or use an external educational institution.

With regard to obtaining qualifications needed for managing operations and qualifications recommended for capacity building, the regulations prescribe assistance limits for each qualification.

In particular, a lump-sum payment is provided to employees who pass the examination for first-class registered architects to acquire a first-class registered architects license. 18 employees satisfied the criteria in fiscal 2016.

The Group has also established Regulations for External Study Opportunities for cases when an employee remains employed, but leaves their workplace to enroll in a graduate school in Japan or overseas. In fiscal 2016, one employee used this system.

■ New Business Proposition Program—Power for the Future Project

Sumitomo Forestry has established the Power for the Future Project, a program for soliciting new business proposals, harnessing the ambitions and skills of employees to create new businesses. The project enables everyone who works in the Sumitomo Forestry Group in Japan to make new businesses proposals based on their own ideas. This program has held five times every couple of year since the inaugural program in fiscal 2006.

Up until fiscal 2016, there have been six projects, including a day care service project, started.

■ Handing Down the Techniques Used in Building Wooden Houses

Sumitomo Forestry recognizes that in order to preserve the way of building houses that makes best use of the traditional Japanese wooden post-and-beam construction method, it is important to pass on these skills and techniques to the next generation of workers.

The Sumitomo Forestry School of Professional Building Techniques is an in-house educational institution certified by the governor of Chiba Prefecture, and was founded by the Company in 1988 as a corporate boarding school for vocational training. Implementation of a one-year training curriculum, the school provides training for new employees at Sumitomo Forestry Home Engineering Co., Ltd. who aspire for a job in carpentry. In terms of construction-related subjects, students study classroom-based subjects such as an introduction to building, structure, drawing, methods of construction, materials and supervision, as well as practical subjects, such as tool operation and maintenance, the traditional technique of marking timber with sumi ink and a carpenter's square, processing, safety work, model-based practical training, demonstration-based practical training and computing with the goal of acquiring a 2nd class carpenter license upon completion. On completion of their training, graduates are assigned to places all around Japan, and after a few years, they return to the school to undertake 7–10 days of training in Japanese rooms* and in a preparatory course for acquiring the 1st class carpenter license as a certified specialist.

In fiscal 2016, the school welcomed 63 new enrolments, including carpenters employed at partner firms outside the Company and saw 61 graduating. In fiscal 2017, the school had another 67 new enrolments.

* Training designed to hand down time-honored techniques used around the tokonoma alcove, from generation to generation. Studies include fitting cedar posts and cross-pieces.



Practical training in construction of a house

	FY 2013 (26th graduating students)	FY 2014 (27th graduating students)	FY 2015 (28th graduating students)	FY 2016 (29th graduating students)	FY 2017 (30th graduating students)	Total
Number of new students	37	58	64	63	67	1,293
Number of graduates	35	56	57	61	-	1,162
Students who acquired the 2nd class carpenter license	28	46	54	57	-	365

Toward the Future

The Personnel Department will continue human resource development for certifications to realize the corporate philosophy by always reviewing and improving the content of training and the educational support systems.

In the fields of traditional technology and a succession of skills, we have been expanding the employment scope since fiscal 2014 to respond to a lack of junior employees. The Sumitomo Forestry Group passes down techniques to the next generation by taking advantage of programs such as OJT after employees are assigned to a business site and follow-up training in technical schools based on the belief passing down these trades to the next generation is a duty of the Group. Moreover, we are focusing on cultivating carpenters able to participate in a wide range of areas such as renovation and large-scale wooden construction.

Even in new business proposal systems, we will continue to promote the establishment of systems to create new business from inside the Group founded in concepts to design policies and operational methods appropriate for the generation.

Basic Policy on Employee Work Styles

Sumitomo Forestry recognizes employees' diverse work styles and strives to create a workplace where they can be motivated in their jobs, and still enjoy a fulfilling private life. Reflecting these aims, the Company has worked on such initiatives as providing childcare and family care programs, promoting greater participation by women, and reducing overtime.

In fiscal 2013, the Workstyle Diversification Department was established within the Personnel Department, bringing together support desk functions relating to work styles and careers, including childcare and family care, career support, mental health and post-retirement re-employment. In developing a counseling system which is easier for employees to access, the Company supports diverse work styles.

A flextime system and a work interval system were adopted with the purpose of reducing long hours and improving productivity in fiscal 2017. The transition is not only in working hours but also from a labor system to a true count system in addition to adopting measures such as a per hour productivity assessment.

These programs aim to improve employee satisfaction as well as productivity by preventing harm to health from accumulated fatigue due to long working hours in addition to heightening awareness about cost versus time to realize a work-life balance.

Supporting the Workstyles of Employees Currently Raising Children

Sumitomo Forestry has put in place a number of support programs that allow employees to work while also raising children.

For example, supervisors conduct interviews with employees who plan to take childcare leave together with a person in charge of the Workstyle Diversification Department. These interviews explain the programs related to childcare leave and provide advice about the workstyle after the employee returns to work in addition to introducing information such as examples of other employees who have found balance between raising children and work.

Moreover, employees who want to work while raising children can apply for programs such as begin or end work earlier or later (transitioned to a flextime system from fiscal 2017) and reduced working hours so that they can have a flexible workstyle.

Family Open Day

Since July 2014, Sumitomo Forestry holds the “Family Open Day,” an event for the families of employees to visit their offices. The ultimate aim of this event is to create pleasant work environment and lively atmosphere for all employees by expressing the Company's appreciation for the support provided by employees' families, assisting the families in understanding about the work at Sumitomo Forestry better, and fostering opportunities for employees to gain mutual understanding with others.



Family Day at Tsukuba Research Institute

In 2016, four branches held the event with 63 participants from 23 families. The children took part in the morning briefing, exchanged “business cards,” and interviewed employees about their work. The Tsukuba Research Institute held a program to provide experiences that are hard to come by such as being in a strong storm as well as the chance to see white ants for the first time this fiscal year. They also toured the showroom and experienced 3D house modeling. Sumitomo Forestry plans to continue this initiative in 2017, expanding it to multiple branches.

The 6th Next Generation Law Action Plan (for Fiscal 2015 to 2018)

Sumitomo Forestry formulates and implements action plans for supporting employees who are raising families, in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children (Next Generation Law).

Sumitomo Forestry has formulated its 6th Action Plan for fiscal 2015 to 2018 with the following targets.

1. Host seminars themed on work style reforms in order to foster a work environment which actively involves female employees who are rearing infants
2. Hold “family days” to create a pleasant work environment for all employees to execute their talent
3. Create systems for male employees who are raising children to consult with superiors about available programs to encourage male employees to participate in raising their children
The usage status of programs related to child raising are also published on our intranet.



Kurumin mark



Iku-boss* Seminar

Iku-boss* Seminar
Number of people attending
Approx. 120

An Iku-boss* Seminar was held by inviting an outside instructor in February 2017 with the theme of renewing the way of thinking to continually improve results while realizing a workstyle in-line with each person's circumstances by limiting long hours according to an action plan. Approximately 120 people participated with most being managers who work at the head office. Sumitomo Forestry plans to continue to hold these seminars in the future.

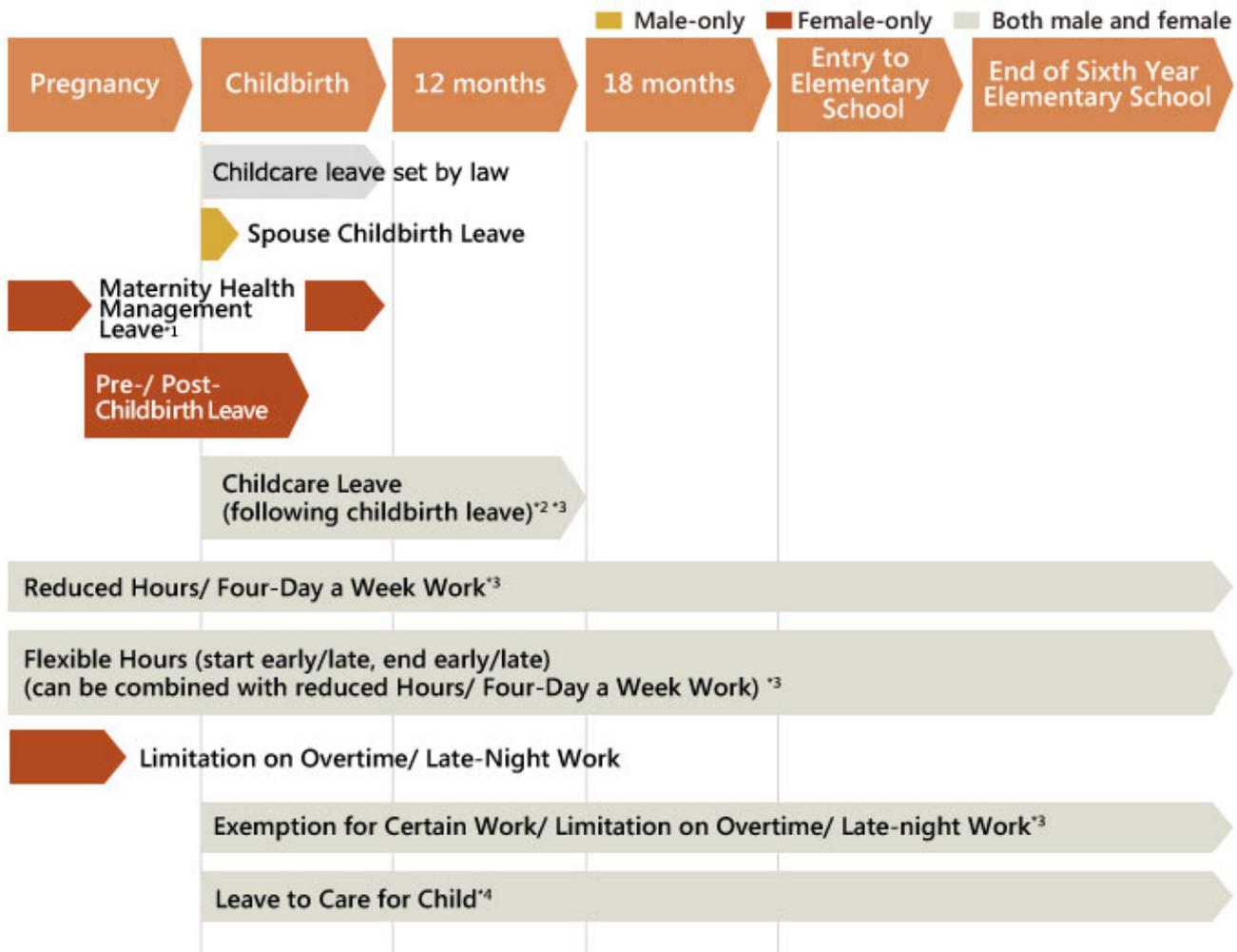
* Iku-boss is a boss who fulfills his responsibility at work,encouraging their staff's private life and carrier,also balancing their own work and life.

■ Promoting Paternal Support for Male Employees

In the process of receiving the lump-sum childcare allowance offered to male employees with newly born children, the employees are required to submit “the questionnaire for a parental support request,” which is followed by an interview with a direct supervisor about the answers to the questionnaire as well as details of the request. The supervisor then adds resulting comments on the questionnaire including instructions for the subordinate and consideration that should be made by the Company, at the end of the process. This system is believed to encourage more male employees to take part in the parenting duties and raise mutual understanding between the parenting males and their colleagues.

Main Childcare Support Programs (FY2016)

Program	Description
Childcare leave	Childcare leave may be taken by employees for the longer of the first 18 months of the child’s life or until March 31st immediately following the child’s first birthday
Shorter working hours	Until the child completes the sixth grade of elementary school, employees may begin or end work earlier or later (transitioned to a flextime system from fiscal 2017), work shorter hours, or work a four-day week, and be exempted from overtime work
Leave to care for child and attend special events	Employees may take the equivalent of ten days a year in one-hour increments (revised to 30 minute increments from fiscal 2017; with full pay) to care for a sick or injured child until their children have completed the sixth grade of elementary school. Of these ten days, up to five days may be used for attending special events with their children. Employees with two or more children are granted an additional five days



*1 During pregnancy, childbirth leave, childcare leave, within one year after the childbirth

*2 The longer of either 18 months or until March 31st following the first birthday

*3 Employees who have worked continuously for one year or more

*4 Transitioned to a flextime system in fiscal 2017

*5 Employees who have worked for six months or more

Supporting Workstyles for Employees Caring for Family Members

Sumitomo Forestry provides support to employees who are working while also nursing family members. In fiscal 2010, family care leave was revised so that employees may take up to 365 days of leave per applicable family member, and provisions were introduced enabling employees to begin and end work earlier or later, work shorter hours, or work a four-day week. The Company has also established family illness and injury leave, enabling employees to take up to 10 days of leave each year in 30 minute increments.

We abolished the system to start and end work earlier or later following a revision to the personnel system and transitioned to a flextime system from fiscal 2017.

Main Family Care Support Programs and Usage (FY2016)

Program	Description	Usage in FY2016
Family care leave	This system allows up to 365 cumulative days of leave per family member requiring care, and is available to employees	Number of family care support program users: 3 (earlier starting and finishing times; reduced overtime) Employees who took family care leave: 2
Shorter working hours	Employees may begin or end work earlier or later (transitioned to a flextime system from fiscal 2017), work shorter hours, or work a four-day week	
Family illness and injury	Regular employees may take the equivalent of ten days a year in hour increments (revised to 30 minute increments from fiscal 2017) to care for their family. Five of the days annually may be used to care for family members who are ill or injured. Employees with two or more family members requiring care are granted an additional five days	

Family Care Support Program Performance(Non-consolidated)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Family care leave	0	1	1	1	2
Family care support programs (special work hour arrangements including later start and earlier end times; and restricted overtime work)	1	1	2	3	3

Refresh Leave and Family Friendly Day Leave

So that employees can engage energetically in their jobs with healthy body and mind, Sumitomo Forestry is developing workplace environments that allow employees to take leave as they wish. As part of those efforts, employees are encouraged to take consecutive days of “refresh leave” at a time that suits them in addition to the summer and New Year holiday periods. Each workplace is required to draw up refresh leave schedules for individual employees, and ratios showing the percentage of schedules formulated and the percentage of employees who take refresh leave are tabulated for each department and posted to the in-house Web. This has created an environment making it easy for employees to take leave.

At housing business branches, which are regularly closed on Tuesdays and Wednesdays, employees often meet with customers on the weekends, which sometimes makes it hard to take time off to participate in family events and other private occasions. This has been addressed with the introduction of Family Friendly Day leave, which allows employees to take either one Saturday or one Sunday off each month to spend with family or on a chosen pursuit. Branch employees are encouraged to cooperate on adjustment of job responsibilities and meeting schedules, thereby helping to create a workplace environment that makes it easy to take leave on the weekends.

Refresh Leave and Family Friendly Day Programs Performance (Non-consolidated)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Percentage of refresh leave takers	38.0%	42.0%	50.0%	46.0%	42.3%
Percentage of family friendly day takers	23.0%	26.0%	29.5%	26.0%	27.0%

Encouraging Employees to Take Paid Leave

Sumitomo Forestry encourages employees to take at least 10 days of planned paid leave each year, inclusive of refresh leave and the summer holiday period. Each business site draws up an Annual Vacation Schedule every January, and periodically reports to the Personnel Department on how much paid leave has actually been taken. Based on this, the results for each site are published on the intranet to encourage employees to take their paid leaves. Additionally, planned annual holidays which are holiday for all departments are set in the Housing Division (General rule of four days. Three days in fiscal 2016).

As for fiscal 2016, the Company has consolidated the working hour management system in the way that not only employees but also their supervisors can see their leave plans, and thereby, enabled employees to plan their paid leaves better.

The percentage of paid leave taken was 31.6%, 35.2%, 32.8%, and 35.9% in fiscal 2013, 2014, 2015, and 2016 respectively.

The Company has again listed “take at least 10 days of paid leave” in its Mid-Term CSR Management Plan, and will continue to further promote this initiative during fiscal 2017.

Paid leave usage ratio
(FY 2016)
(Non-consolidated)
35.9%

Addressing Long Working Hours

At Sumitomo Forestry, average overtime hours and individual overtime hours are reported to the head of each department to increase awareness on long working hours mitigation.

Additionally, “Work Style Enhancement Committee” has been set up at branches of the Housing Division and each of the branches implement an initiative to address long working hours.

As to the working system and operational flow reform that are difficult to tackle at a branch level, “Long Working Hours Mitigation Committee” set within the Housing Division continuously leads the long working hours mitigation campaign by making proposals for the systems improvement.

■ Revisions to the Personnel System

In fiscal 2017, Sumitomo Forestry revised the personnel system to transition overtime work to an actual count system paying employees based on deemed number of working hours. Moreover, we are promoting a reduction in long working hours and higher productivity by adopting a flextime system, work interval system and a productivity assessment by hour.

The transition to an actual count system and the adoption of a productivity assessment primarily aims to grow the cost awareness by hour, reduce long hours as well as heighten the quality and productivity of work.

We are also striving to equalize operational working hours overall by stipulating the total working hours per month in a flextime system.

In addition, the interval system makes sure employees have 11 hours of leisure time between the end of the work day until the start of the next work day and exempts employees from working at the start of a workday or core time if it overlaps this leisure time. These systems aim to prevent overwork and further the preservation of employee health.

Mental Health Care

■ Practical Mental Health Care

Based on the Guidelines for Maintaining and Improving Workers' Mental Health formulated by the Ministry of Health, Labour and Welfare in August 2000, Sumitomo Forestry implements four types of care for mental health: self-care; care provided by line managers; care provided by occupational health staff within the workplace; and care using resources from outside the business.

In April 2013, the Company established the Workstyle Diversification Department within the Personnel Department. It is responsible for providing support related to childcare and family care, career support and support for mental health. In order to further enhance mental health care, the Company put effort into providing mentally ill individuals with follow-up support and help in returning to work. The Company assigned an employee, who is a qualified clinical psychologist, to the Workstyle Diversification Department, and it worked in close cooperation with Medical Consultation and Treatment for Mind and Body, an external provider of the employee assistance program (EAP).^{*1}

We adjust stratified working hours and the work load to suit the circumstances of each individual by adopting an occupational rehabilitation system to help employees return to work to create and execute rehabilitation plans so that each person can both physically and mentally get used to the work environment.

Sumitomo Forestry distributes a Mental Absentee Guidebook when employees take leave with corporate rules and other information related to how to spend that time off as well as the suspension of their work to alleviate worry as much as possible during their break. We also distribute a Guidebook for Managers to supervisors as well to provide information that includes ways to handle each situation.

* Employee assistance program (EAP): A workplace mental health service



Mental health education for management

■ Preventative Measures for Mental Health Care

As part of its prevention of mental health disorders, the Company has offered an online Mental Health Checkup (Self-Check), which was made mandatory after amendments to the Industrial Safety and Health Law in December 2015, to employees covered by health insurance (excluding those employees on long-term leave, such as maternity leave or convalescence leave). The Company has also provided an education program for managers run by the company counselor (clinical psychologist). The aim of this program is for those employees in managerial positions to appreciate the importance of mental healthcare and to implement appropriate prevention measures in their respective workplaces. The number of participants reached 161, 187, and 198 in fiscal 2013, 2014, and 2015, respectively. In fiscal 2016, emphasis was placed on the care of junior employees and 120 first year employees took part in this self-care education.

In addition, Sumitomo Forestry also conducted training with the basic knowledge of mental health and the how-tos to preventing mental disorders before they occur for trainers (32) in charge of the education of junior technical employees. An employee who is a certified public health nurse has been hired into the Workstyle Diversification Department to not only offer mental health care but also provide assistance such as various health consultations, enlightenment about health for new employees, and follow-up after health check-ups.

We also conduct health check-ups before appointing or returning an employee to a post for overseas appointees as well as interview individuals, gain information and provide advice about the state of their health as well as address other needs they may have.

Practical Mental Health Care Results

	FY 2013	FY 2014	FY 2015	FY 2016
Mental Health Checkup response rate	85.8%	92.8%	91.6%	88.2%

Telework Program

Sumitomo Forestry introduced the telework option in fiscal 2009 for such reasons as the time saved from commuting can be spent on work or family activities, and employees can concentrate when working in a quiet home environment.

The program is for all employees except managers and supervisors, but there is no limit to the length of the period of use. In fiscal 2017, in order to promote diverse workstyles further, the Company will again work to expand use of the program, such as by explaining the program details and recommending its use to employees on an individual basis when they appear for childcare interviews or work style consultations.

▶ [Employee Data](#)

Transfer Request Application Systems (Spouse Relocation / Family Care)

In fiscal 2008, Sumitomo Forestry established a program facilitating the transfer of employees to a certain destination for reasons limited to marriage or a spouse transfer accompanied by a change of residence. The program enables employees to continue working for the Company even after marriage or their spouse being transferred.

In fiscal 2014, with the new addition of “childcare” to the reasons for application, transfers are now considered in cases where an employee wants to live with their spouse for the purpose of balancing work and parenting. Also, a new system was established whereby employees can submit a transfer request for reasons of “family care.” Transfers are now also considered in cases where the location of employment restricts the employee from balancing work with family care.

As at the end of March 2017, a total 29 employees have made use of these programs to transfer to a different location.

Toward the Future

Sumitomo Forestry has clearly established efforts to reduce long hours and improve productivity that include the flextime system, work interval system, and productivity assessment by hour adopted in fiscal 2017. In the future, we will promote various efforts so that all of our employees will be able to work in good health with motivation and enthusiasm.

Communication with Employees

Social Report

Basic Policy on Communication with Employees

Sumitomo Forestry strives to create an environment that facilitates free and vigorous expression as well as an exchange of opinions by employees so that they can perform their responsibilities with vigor, integrity and consideration for others. The Company wants each and every employee to grow within a corporate culture of respect for individual employees, and fair evaluation of accomplishments and efforts.

Communication in Employee Evaluation and Job Execution

Sumitomo Forestry has a policy of providing all employees feedback on their evaluation results, with the main objective of nurturing and developing human resources through employee evaluations. Meetings between individual employees and supervisors must be held once every six months, providing an opportunity to set targets and receive an explanation of evaluation results.

The scope of employees subject to the multi-faceted evaluation system (360 Degree Evaluation) expanded in fiscal 2016 from managers with subordinates to playing managers. This program increases management skills by providing feedback to evaluation results.

Sumitomo Forestry also recognizes the continuous service of employees who have worked for 10 and 20 years to thank them for their contributions to the company over so many years.

In addition, the Personnel Department conducts direct self-report hearings of all employees once a year to ascertain opinions on jobs and workplaces, transfer requests and family circumstances, among other matters.

Open Discussions

Open discussions have been held on a regular basis since 2007 as a platform for discussion between the President and employees, with an aim of facilitating new ideas for the Sumitomo Forestry Group.

In two discussions held during 2016, dialogues on a wide range of subjects unfolded with participants from seven companies within the Sumitomo Forestry Group on a theme of “How can we make the Sumitomo Forestry Group better?” As an opportunity for face-to-face dialogue between management and employees, discussions will be organized again in 2017.



An open discussion

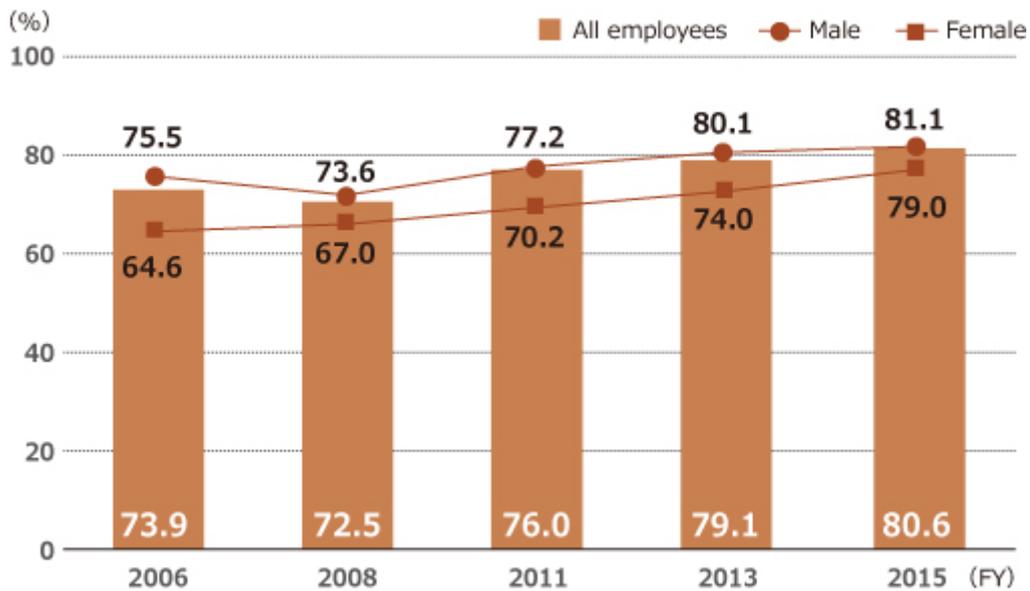
Employee Satisfaction Survey

In August 2015, Sumitomo Forestry conducted its seventh bi-annual Employee Satisfaction Survey, targeting its 4,823 employees. This survey included items to gain feedback on ten indicators such as work motivation, career goals and employee satisfaction with a 92.5% response rate that showed 80.6% employee satisfaction from the people working at the company, which makes this the third consecutive year satisfaction has improved.

These results also indicate the satisfaction of female employees is also growing with almost no disparity between men and women when considering the responses by gender.

In light of the survey results, the Company made improvements on employees' career support, for example, the expansion of career growth support for professionals with certain expertise. In the meantime, the Workstyle Improvement Committee was established within the Housing Division to work on reducing long working hours.

Employee Satisfaction Survey Trend



Relations with the Labor Union

As of April 1, 2017, all of our employees (3,481) eligible under the collective labor agreement to join the Sumitomo Forestry Labor Union have done so. Within the labor agreement completed between the Company and the Sumitomo Forestry Labor Union, the Company recognizes the Labor Union's right to freely engage in activities and to collective bargaining, and promises to guarantee the stable livelihoods of labor-union members, and to maintain and improve labor conditions by establishing an OHS Committee comprised of both labor and management members.

In 2016, joint labor-management discussions were held on 23 occasions, and following on from the previous year, consideration was given to measures for reducing long working hours and innovating work styles.

Toward the Future

Sumitomo Forestry strives to create a workplace where employees can easily work with enthusiasm through personnel evaluation, employee satisfaction surveys, and communication with the labor union. In addition, we will also hold the open discussion regularly as discussion sessions between top management and employees while also innovating and improving through even more active debate such as through the participation of employees with diverse workstyles.

Employee Data

Social Report

Employee Data Trends

Number of Employees

(Unit: Persons)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Non-consolidated	4,416	4,486	4,499	4,417	4,485
Consolidated	14,890	17,413	18,137	17,001	17,802

Breakdown of Number of Employee (Non-Consolidated)

(Unit: Persons)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Management level	1,983	2,053	2,047	1,995	2,030
Non-management level	2,303	2,292	2,297	2,292	2,303
Contract employees/temporary contract employees	114	111	125	98	92
Hosted from other companies	16	30	30	32	60
Total	4,416	4,486	4,499	4,417	4,485

Breakdown of Number of Employee (Domestic Subsidiary Companies)

(Unit: Persons)	FY 2015	FY 2016
Management level	1,509	1,803
Non-management level	3,383	3,361
Contract employees/temporary contract employees	688	799
Hosted from other companies	330	263
Total	5,910	6,226

Breakdown of Number of Employees By Age (Non-Consolidated)

(Unit: Persons)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Younger than 30	782	749	707	693	690
30-50	3,069	3,084	2,881	2,959	2,817
Older than 50	565	653	911	765	978

Number of Newly Hired Graduates* (Non-Consolidated)

(Unit: Persons)		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Housing sales	Male	55	60	73	80	100
	Female	16	13	17	21	13
Housing engineering	Male	22	23	22	27	37
	Female	7	8	13	7	9
General management	Male	20	14	17	22	22
	Female	7	6	5	6	6
Clerical	Male	0	0	0	0	0
	Female	0	13	6	4	7
Total		127	137	153	167	194

* Calculated based on the number of new graduate recruits as of April 1 of each fiscal year.

Employment and Promotion of Women (Non-Consolidated)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Female employees including contract employees* (%)	17.7	18.4	19.2	19.9	20.1
Female employees in management positions* (%)	1.8	2.2	2.6	2.8	3.2
Female new graduates (%)	23.6	28.7	26.8	22.8	18.0

* Calculated based on the number of employees as of April 1 each year.

▶ [About symbol for Independent assurance](#)

Employment and Promotion of Women (Domestic Subsidiary Companies)

	FY 2016	FY 2017
Female employees including contract employees* (%)	26.2	25.4
Female employees in management positions* (%)	3.8	5.0
Female new graduates (%)	47.0	36.7

* Calculated based on the number of employees as of April 1 each year.

Average annual pay (non-consolidated)

FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
8,165,504 yen	8,370,867 yen	8,337,767 yen	8,483,875 yen	8,518,404 yen

Average Length of Service* (Non-Consolidated)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Male	14 years and 8 months	15 years and 0 months	15 years and 5 months	15 years and 3 months	15 years and 8 months
Female	10 years and 11 months	11 years and 0 months	11 years and 0 months	11 years and 1 months	11 years and 1 months

* Calculated at the end of the fiscal year (as of March 31 every year)

Job Separation Rate*¹ (Non-Consolidated)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Voluntary separation rate (%)	3.3	2.3	2.6	2.1	2.2
Separation rate *²(%)	4.2	2.9	3.2	3.1	3.3

*¹ Calculated by dividing the number of people who left during the year by the number of employees at the beginning of the year.

*² The separation rate includes voluntary separations.

Employment of Persons with Disabilities (Non-Consolidated)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Ratio of Disabled Employees (%)	1.95	2.18	2.24	2.12	2.12

Employment of Persons with Disabilities* (Domestic Subsidiary Companies)

	FY 2015	FY 2016
Ratio of Disabled Employees (%)	1.45	1.45

* As of June each fiscal year

Rate of Local Employment in Group Companies Outside Japan*

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Rate of Local Employment in Group Companies Outside Japan (%)	99.3	99.2	99.3	99.2	99.6

* Calculated by dividing the number of employees hired locally by consolidated subsidiaries and working for the company at the end of the year by the total number of employees at the end of the year

Hours of Training and Expenditure on Training (Non-Consolidated)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Hours of training received per employee	6.9	7.5	6.8	9.3	9.4
Expenditure on training per employee (yen)	103,000	91,000	91,000	91,000	100,000

Work-Life Balance Program Usage (Non-Consolidated)

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Number of childcare leave users	Male	6	12	7	13	13
	Female	15	29	33	40	43
Percentage of childcare leave users*1(%)	Male	3.6	7.2	4.2	7.8	8.5
	Female	78.9	100.0	103.0	105.0	95.7
Percentage of returnees after childcare leave (%)		100	92.8	96.4	96.2	97.6
Number of reduced hours program users*2		29	29	32	40	45
Number of telework program users*3		15	21	19	19	22

*1 The number of childcare leavers starting in the respective fiscal year divided by the number of employees who had a baby in respective fiscal year

*2 Available for reasons such as childcare and family care; combined figures of employees on programs of the reduced hours of work and the four-day work per week

*3 Available for any reasons other than childcare or family care

Work-Life Balance Program Usage (Domestic Subsidiary Companies)

		FY 2015	FY 2016
Number of childcare leave users	Male	1	3
	Female	68	110
Percentage of childcare leave users*(%)	Male	0.6	5
	Female	115.3	102.8

* The number of childcare leavers starting in the respective fiscal year divided by the number of employees who had a baby in respective fiscal year

Paid Leave Usage Ratio (Non-Consolidated)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Average paid leaves taken (day)	5.9	6.1	6.7	6.3	6.9
Paid leave usage ratio* (%)	30.4	31.6	35.2	32.8	35.9

* Paid leave entitlements are issued each year in January, therefore the table shows figures as of December 31 of the respective year. Calculated by dividing the number of days of paid leave taken by the number of days of paid leave issued.

Paid Leave Usage Ratio (Domestic Subsidiary Companies)

	FY 2015	FY 2016
Average paid leaves taken (day)	7.1	7.3
Paid leave usage ratio* (%)	39.7	40.0

* Paid leave entitlements are issued each year in January, therefore the table shows figures as of December 31 of the respective year. Calculated by dividing the number of days of paid leave taken by the number of days of paid leave issued.

Occupational Injuries (Non-Consolidated)*¹

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Number of occupational injuries (incidents)* ²	0	6	1	0	3
Lost-time injury frequency rate* ³	0	0.28	0.19	0.19	0.30
Work-related illness frequency rate	0	0	0	0	0

*1 No work-related accidents resulting in death occurred during the reporting years shown.

*2 The number of work-related accidents resulting in payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act is disclosed.

*3 Lost-time injury frequency rate = Number of occupational fatalities or injuries resulting in an absence from work of at least one day ÷ Total number of working hours × 1,000,000

Occupational Injuries (Domestic Subsidiary Companies)

	FY 2015	FY 2016
Number of work-related accidents*	10	8

* The number of work-related accidents resulting in payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act is disclosed.

Labor Union Membership (Non-Consolidated)*

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Labor union membership rate (%)	100	100	100	100	100

* As of April 1, 2017, the number of eligible employees is 3,481. The scope of eligibility for labor union membership is stipulated in the labor agreement.

Together with Local Communities

Social Report

Recognizing Importance

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

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

Relevant Policies and Systems

▶ [Policy on Social Contribution Activities](#)

▶ [Contributing to Communities Where Sumitomo Forestry Operates](#)

Relevant Targets and Performance

The Sumitomo Forestry Group actively promotes social contribution activities such as local contributions and environmental protection, contributions in the welfare and medical fields. We also promote donation activities with emphasis on the environmental field to preserve forests and encourage ongoing use of wood resources as well as in the next generation education field for the youth entrusted with our future.



Activity Report

- ▶ [Promotion of Social Contribution Activities](#)
- ▶ [Examples of Social Contribution Activities in Japan](#)
- ▶ [Examples of Overseas Community Development and Regional Contribution Activities](#)



Promotion of Social Contribution Activities

Social Report

Policy on Social Contribution Activities

The Sumitomo Forestry Group advances social contribution activities in the areas of environment, community service, and next-generation development to protect abundant forests into the future and to contribute to sustainable use of wood resources and local community development. Fostering greater understanding about forests over a large section of society is particularly important as the social contribution activities concerning forest conservation is closely related to the Group's businesses.

This motivates Sumitomo Forestry to dedicate itself to environmental education for elementary and junior high school students, such as lectures and hands-on learning in forests. The Company is also actively involved in activities which make a contribution to the wider society, such as the restoration of forests damaged by disaster.

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

■ Plans and KPIs of Social Contribution Activities

Sumitomo Forestry is continuously holding the following activities.

Introducing a Volunteer Leave Program

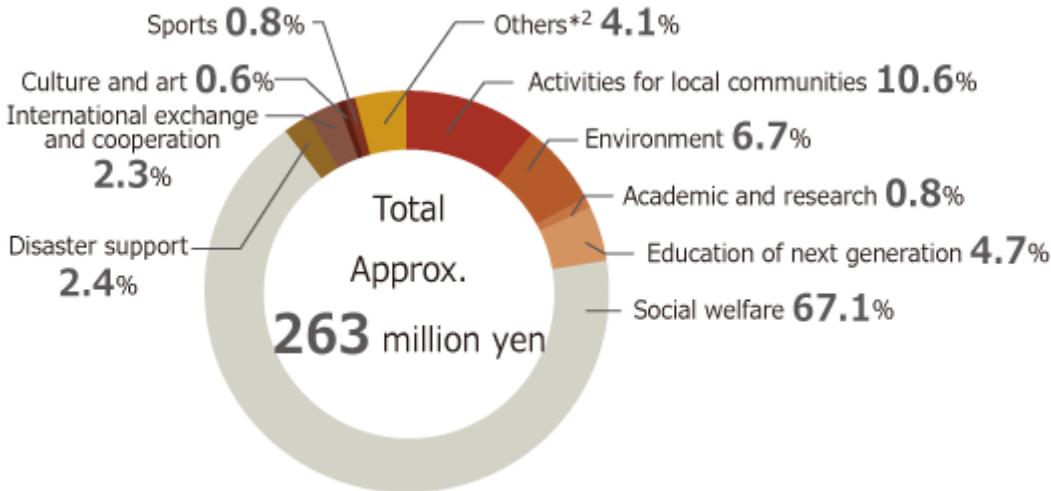
To support its employees' volunteering activities, in May 2011 the Company established a volunteer leave program that allows employees a total of five days of leave a year for volunteer activities.

Moreover, the Company provided special support for volunteer activities for the Great East Japan Earthquake, for a specific time period, it paid the travel expenses and volunteer insurance premiums of employees who wanted to help.

In fiscal 2014, 2015 and 2016, the number of employees who took leave to participate was nine, six and one, respectively.

Social Contribution Donations

Breakdown of Social Contribution Donations by Category (FY2016)



*1 900,000 dollars in donations for pediatric medical care and research through MainVue Homes (MV) as well as an expansion in the ratio of donations for social welfare contributions after an increase in the number of overseas Group companies

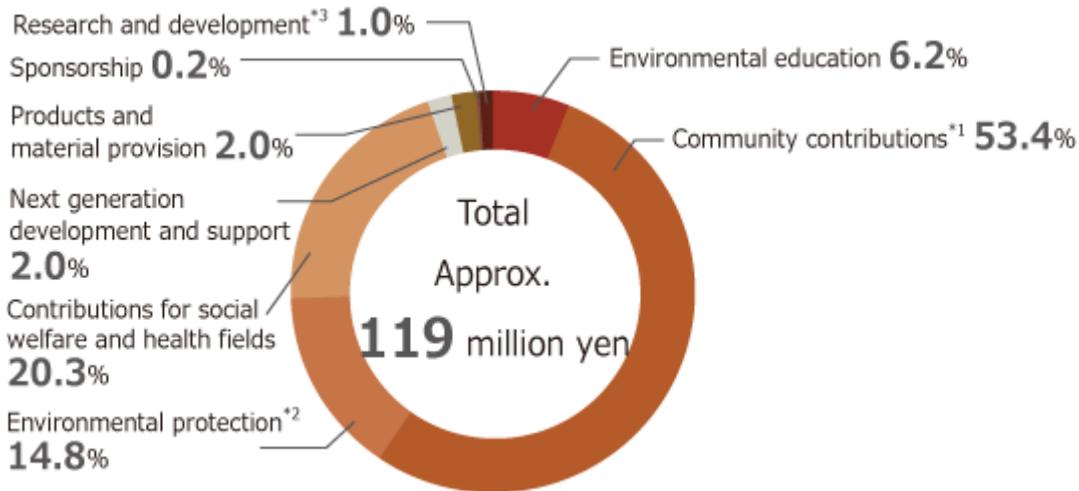
*2 Includes donations and political contributions not corresponding to the items above

■ Donating 100-ton CO₂ Offset Credit to Iseshima Summit

Sumitomo Forestry donated 100 tons of J-VER credits in answer to the Japanese Government's call for cooperation of companies in carbon offset for G7 Iseshima Summit held from May 26 through 27, 2016. The credit was given as for Company-owned forests in Sumitomo Forestry Kyushu Area in "Sustainable Forestry Management Promotion-Type Project" in 2009. The offset credit was the forest absorption-type and registered as the first in Japan.

Expenditure on Social Contribution Activities

Breakdown of Expenditure on Social Contribution Activities (FY2016)



*1 Costs of community cleaning activities and the *Forester House* operation

*2 *Mt. Fuji Manabi no Mori* operation costs

*3 Research and development costs for heritage and precious trees

Contributions to Public Policy

The Sumitomo Forestry Group coordinates and cooperates with national and local governments, the business community and others, making recommendations toward the improvement and resolution of worsening environmental and social issues.

FY2016 Public Service

Organization	Position	Name
The Tokyo Chamber of Commerce and Industry	Special adviser · Council member	Ryu Yano, Chairman of the Board
The Japan Chamber of Commerce and Industry	Special adviser	Ryu Yano, Chairman of the Board
The Building & Housing Center of Japan	Outside director	Ryu Yano, Chairman of the Board
Japan-China Association for Building and Housing Industry	Supervisory Officer & Vice Chairperson	Ryu Yano, Chairman of the Board

Organization	Position	Name
National Conference for Promoting Forestry Revival and Regional Revitalization	Vice-chairperson	Ryu Yano, Chairman of the Board
Organization for Landscape and Urban Green Infrastructure	Chairperson (Representative Supervisory Officer)	Ryu Yano, Chairman of the Board
Greenery by Golf Group	Chairperson (Representative Supervisory Officer)	Ryu Yano, Chairman of the Board
Japan-Myanmar Association for Industry of Housing and Urban Development	Chairperson	Ryu Yano, Chairman of the Board
Japan Global Exchange Forum for Housing, Building and Urban Development	Supervisory Officer & Chairperson	Ryu Yano, Chairman of the Board
International Housing & Home Warranty Conference (IHHWC)	Executive Committee Chairperson	Ryu Yano, Chairman of the Board
Keidanren Committee on Nature Conservation	Vice-chairperson	Akira Ichikawa, President/Director
Japan Association of Corporate Executives	Vice Chairperson	Akira Ichikawa, President/Director
The Machinami Foundation	Director	
The Tokyo Chamber of Commerce and Industry – Japan Committee for the Japan-New Zealand Business Council	Vice-chairperson	Akira Ichikawa, President/Director
Gifu Academy of Forest Science and Culture	Visiting Professor	Akira Ichikawa, President/Director
Japan Indonesia Association, Inc.	Director	
Wooden Home Builders Association of Japan	Chairperson (Representative Supervisory Officer)	Akira Ichikawa, President/Director
Japan Federation of Housing Organizations	Vice Chairperson (Representative Supervisory Officer)	Akira Ichikawa, President/Director
Japan-Project-Industry Council	Member Representative	Hitoshi Hayano, Representative Director
Institute for Innovative Healthcare	Director	

Organization	Position	Name
Japan Lumber Importer's Association	Chairperson	Akihisa Fukuda, Managing Executive Officer
Japan 2x4 Home Builders Association	Director	
Serviced Housing for the Elderly Association (Formerly the Kosen Cooperative)	Auditor	Kunihiko Takagiri, Managing Executive Officer
Japan Printed & Colored Plywood Manufacturer Association	Executive Director	Yoshihiro Yoshioka, Executive Officer
Central Japan Plywood Manufacturers' Association	Director	
Japan Acoustic & Laminated Flooring Manufacturers	Director	
Japan Overseas Plantation Center for Pulpwood	Director	
Japan-Papua New Guinea Association	Director	
Japan International Forestry Promotion and Cooperation Center	Supervisory Officer	
Sustainable Green Ecosystem Council	Chairperson	
Japan Federation of Housing Organizations – Environment Committee	Committee chairperson	Hideki Nose, Adviser
Japan Federation of Housing Organizations – International Foreign Relations Committee	Committee chairperson	Hideki Nose, Adviser
Institute for Building Environment and Energy Conservation	Director	
Forest Management Association of Japan	Director	
Japan Greenery Research and Development Center	Trustee	
National Land Afforestation Promotion Organization	Director	
The Forest Culture Association	Director	

Examples of Social Contribution Activities in Japan

Social Report

Mt. Fuji Manabi no Mori Project

National forest cloaking the foothills of Mt. Fuji was extensively damaged when a typhoon struck southern parts of the Kanto region in 1996. In 1998, setting out to restore the vitality of the original forest, Sumitomo Forestry launched a natural forest restoration project to commemorate the 50th anniversary of the Company's establishment; encompassing around 90 hectares of the damaged forest named Mt. Fuji Manabi no Mori.

The Mt. Fuji Manabi no Mori is opened up not only for the volunteer activities in reforestation and environmental education programs, but also for NPOs and other organizations. A total of 1,468 people visited Mt. Fuji Manabi no Mori from inside and outside of the Company in fiscal 2016 with a total of more than 23,500 people visiting the project between 1998 and 2016.

Volunteer Activities in Forestry Development

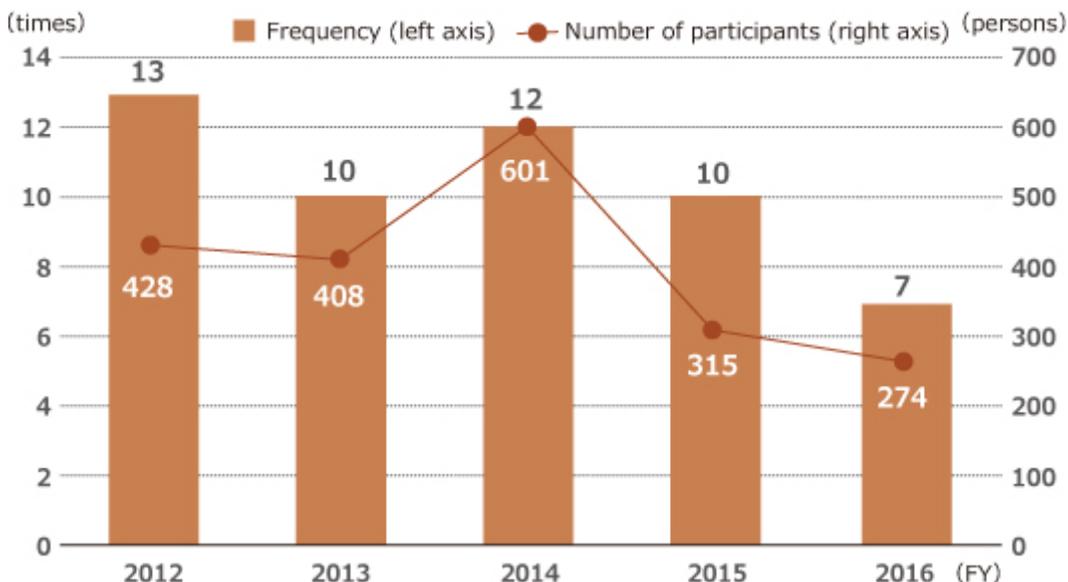
Tree-planting activities carried out by many volunteers from both inside and outside the Company since the start of the project in 1998 have already been completed and the project is now in the cultivation stage. Cultivation activities such as underbrush clearing, pruning and thinning will be continued.

Volunteer activities were implemented on 7 occasions in fiscal 2016, with participation by a total of 274 visitors.



Company-led volunteering

Forest Recovery Volunteer Activities Trend



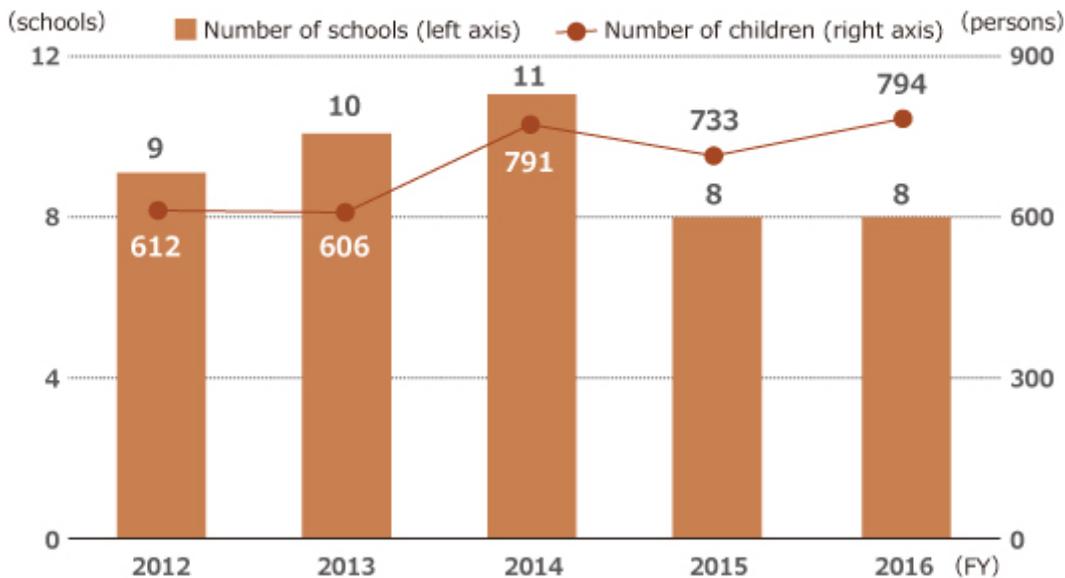
■ Environmental Education Program

Sumitomo Forestry has been implementing an Environmental Education Program for local elementary and junior high school students since fiscal 2006 in collaboration with the NPO Whole Earth Institute. Activities include nature observation and games incorporating the five senses. The aim of these opportunities to rediscover the natural world is for the students to learn about the importance of nature and encourage them to consider new ways in which people can coexist with nature in the future. In fiscal 2016, a total of 794 students from 8 schools participated in the program.



Environmental Education Program

Environmental Education Program Trend



■ Vegetation Monitoring and Wildlife Censuses

Experts have been carrying out surveys, including vegetation monitoring and wildlife censuses, since fiscal 2000, providing valuable data for understanding the biodiversity of the region.

Cultivating a forest is a never-ending job and Mt. Fuji Manabi no Mori, too, is a 100-year project. To ensure that the project is still running 100 years from now, forest management and environmental activities will be continued as a way to communicate the importance of nature to as many people as possible.

▶ [Link to Mt. Fuji Manabi no Mori \(in Japanese\)](#)

Forest Maintenance Activities at Gunma Manabi no Mori

In July 2012, Sumitomo Forestry and Gunma Prefecture signed a prefectural forest maintenance partnership agreement, and are working with the prefectural authorities to promote the maintenance of forest at the foot of Mt. Akagi.

Located within the jurisdiction of Maebashi City, Akagi Forest is owned by Gunma Prefecture, which promotes maintenance and conservation of its forests in cooperation with companies and organizations. During fiscal 2016, Sumitomo Forestry held Gunma Manabi no Mori in October. About 50 people participated, including employees of Sumitomo Forestry and partner builders and their families. In the activity, the participants experienced planting Japanese cypress seedlings and also thinning of grown trees with guidance from the local forestry. Maintaining and conserving forests requires ongoing care, and so two activities are planned again for fiscal 2017. As the August event in FY2016 had to be canceled due to a typhoon, the owners of Sumitomo Forestry Home will be invited to the July event in FY2017 as well.



Gunma Manabi no Mori

Passing Down Heritage and Precious Trees to the Next Generation

Sumitomo Forestry uses the most cutting-edge biotechnology in addition to conventional grafting and cutting based on the request of owners to pass down heritage and precious trees to the next generation. We are also putting our strength into breeding seedlings that provide the properties in the flowers and leaves of heritage and precious trees as a way to pass down both heritage and precious trees to the next generation. In addition, we are building a DNA database for trees to further advance a sophisticated program to identify individual varieties.

■ Breeding uniquely sacred Kitano Sakura cherry blossom trees that change color from white to pink in the Kitano Tenmangu Honden (Main Shrine) in Kyoto

We have been advancing research and development related to the breeding of “Kitanosakura” seedlings since 2014 to pass down the sacred Kitano Sakura trees located in front of the Kitano Tenmangu office in Kyoto, which are a unique species with flowers that change color as they blossom. However, Sumitomo Forestry succeeded in breeding these trees through a stem apex culture, which is one type of tissue culture, in April 2016. Kitano Tenmangu is known for plums, but the Ukon horse track on the inner grounds of the main temple that opened in 807 was in fact a favorite place famous for cherry blossom viewing of Sugawara Michizane, who was a Captain of the guards of Ukon. The "Ukon" noh song set in the Ukon horse track sings of spring coming to reign as a goddess.

■ Return of the tissue cultured seedlings and DNA analysis of the Sacred Kitano Tenmangu Plum Tree

We succeeded in breeding seedlings through tissue cultures in 2015. Thereafter, the Sacred Kitano Tenmangu Plum Tree “Beniwa Konbai” that had been raised with the utmost care was returned to Kitano Tenmangu. Moreover, different genes in the leaves and roots were discovered as a result of examining the genes of the Sacred Plum Tree estimated to be over 300 years old. These results indicated a great potential to breed these sacred trees through grafts. Documents describe the breeding of plum trees from the end of the Heian Period through the Kamakura Period through clone propagation such as grafting and cutting. We were unable to scientifically prove grafting was used in the Edo Period from DNA analysis results and the estimated ages of trees in this research. In the future, however, we believe it is possible to dig deeper into the history of grafting by examining the DNA of even older trees.



The Sacred Kitano Tenmangu Plum Tree “Beniwa Konbai”

Owners Networking “Fureai no Mori Tree-Planting Tour”

In October 2016, "Sumitomo Forestry Home" Owner networking event "Fureai Forest Afforestation Tour" was held at Ehime Prefecture Niihama Company-owned Forest, where Sumitomo Forestry began its history. This social event is aimed to provide an opportunity for the Sumitomo Forestry Home owners to witness the Group's sustainable forest management first hand and also to build good company-owner relationships.



Tree-planting scene

28 people from 11 groups participated in the event and planted about 900 Japanese cypress trees, which is equivalent to 0.3 hectares.

Conducting Courses for High School Students Under the Theme to Find New Potential of Wood to Rediscover the Power of Trees

Sumitomo Forestry Group cooperated in the 16th Nikkei Education Challenge held in July 2016. The Group conducted a course under the theme to Find New Potential of Wood to Rediscover the Power of Trees for high school students who will be entrusted the future of our society.

High school students learned the wonders of trees, the new potential of wood, and the current state of timber use in Japan as well as the importance of domestic timber use through participation in this program.

The program introduced wonders of trees that included the functionality of wood as a material and the beautiful aging of trees as time passed like the wind with course content able to evoke interest and understanding in the high school students. At the same time, the program shared the current reality of insufficient use of domestic timber regardless of the fact that roughly 70% of the land in Japan is covered in forest. In addition, the course appealed to the social mission and significance of the Sumitomo Forestry Group in actively using domestic wood as well as promoting the reforestation of forests and plantations as well as the revitalization of local regions.

Conducting Corporate Research Seminars for SGH-designated Ehime Prefectural Matsuyama Higashi High School

As part of the Super Global High School (SGH) Program underway since 2014, the students of Matsuyama Higashi High School visit Niihama, Ehime, where the Sumitomo Forestry Group was founded, to take part in a seminar every year.

The seminar held in June 2016 was made up of two sections; a lecture to introduce the businesses of the Sumitomo Forestry Group as well as a discussion about the experiences of employees working abroad among other things in addition to field work at the Forester House in Kyubesshi. These students learned about the corporate spirit passed down through the close to 325-year history of Sumitomo Forestry as well as the contributions to current business expansion overseas.

In fiscal 2014 and fiscal 2015, students visited the Jakarta office to experience the Sumitomo Forestry business expansion in Indonesia.

Sumitomo Forestry sponsors and cooperates with the Super Global High School Program to foster global leaders starting from high school who can participate on the international stage through these series of activities.



Field work scene

Examples of Overseas Community Development and Regional Contribution Activities

Social Report

Contributing to Communities Where Sumitomo Forestry Operates

The Sumitomo Forestry Group aims to contribute to sustainable local development through its operations. When starting new businesses or expanding its overseas business sites, the Group's policy is to consider the environment, revitalize local economies and promote employment and thereby operate in harmony with local communities.

Activities Which Contribute to Local Communities in Indonesia

Support for Children Through the KTI Educational Foundation

PT. Kutai Timber Indonesia (KTI) founded the KTI Educational Foundation in 2000 to commemorate its 30th anniversary with the purpose of improving the livelihood of people in Indonesia through education as well as engaging in social activities. This foundation primarily provides support for academic supplies and uniforms at elementary and junior high schools to impoverished children in Probolinggo in the East Java province where a Sumitomo Forestry Group plant is located. In fiscal 2016, the foundation provided support for academic supplies to 30 children as well as financial support to children with disabilities.



Children that received desks and other items donated by the KTI Educational Foundation

Community Development through Project EARTH Initiatives

Sumitomo Forestry conducts Project EARTH as an effort to offset the carbon dioxide emitted in processes from the harvest of primary building materials to transport, fabrication, and building of detached houses in Japan by planting in degraded forests and on unstable agricultural land in Indonesia.

Since 2009, the project also encompassed activities leading to enhanced regional infrastructure, such as the preparation of roads necessary for the reforestation work, thereby contributing to improvement of the livelihoods of residents. The project also regularly donates study tools to local elementary schools and kindergartens. Sumitomo Forestry also makes regular donations such as academic supplies to kindergartens and elementary schools.



Kindergarten at the town of Supit Ulan, which has commenced reforestation

In the future, the project will manage plantation land such as planting, cultivation and fire prevention measures, develop seedbeds in locations seedlings are distributed, and continue to support reforestation through local communities who have participated.

- ▶ [News Release: KTI Reforestation Cooperative Newly Acquires the FSC Forest Certification](#) (in Japanese)



Seven-year old balsa trees in Supit Ulan

■ Contributing to the Community through Free Seedling Distribution and Support for Infrastructure Provision

PT. Rimba Partikel Indonesia, which conducts the manufacture and sales of particle board, distributes free seedlings to local residents and purchases mature trees to use as raw material, which helps the community economically and in terms of greening. In addition, the company continues to support mosque repair work and in road surfacing.



Donation of saplings to the local Kendal Regency

■ Respect for Traditional Cultures at Overseas Plantations

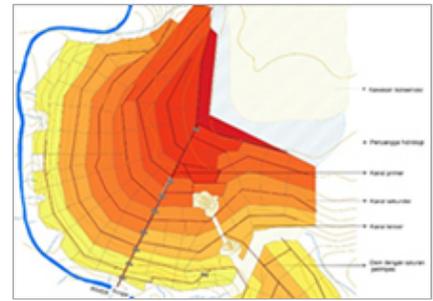
The Sumitomo Forestry Group entered into an advisory agreement with the International Finance Corporation (IFC), the World Bank's group institute, related the Indonesian plantation forest operations in 2012. We are conducting surveys on business land together with the IFC based on the concepts of High Conservation Value Forests (HCVF) to not only persevere rare flora and fauna as well as the ecosystem, but also in an effort to conserve the forests important to the traditional and cultural identity of the local community.



Village meeting

■ Contributing to Technical Development and Reforestation for Sustainable Peatland Use

Our plantation forest operations conducted in Indonesia's West Kalimantan Barat strive to develop sustainable reforestation techniques in degraded forests on peatlands. Peatlands that accumulate a large amount of carbon dioxide result in large-scale fires in addition to drying out and breaking down the peat buried in the ground while generating carbon dioxide emissions. Therefore, we have been conducting technical development able to sustain a fixed water level in water routes based on a massive amount of accumulated data to prevent the land from drying out throughout the year. These results have been announced at relevant government agencies, universities and other institutes and some aspects have even been adopted as new policy measures. In addition, we are also striving to popularize techniques with a low environmental impact by actively releasing technical overviews. The technology we have developed also has the potential to be utilized in reforestation of areas devastated by large-scale fires.



Land for plantation forest operations designed based on detailed data



Monitoring the water level in peatlands

■ Provision of Infrastructure and Building a Primary School at Business Site

PT. Mayangkara Tanaman Industri (MTI), a large-scale plantation business operator in Indonesia, views sustainable development of local communities as a vital managerial challenge, and thereby, undertaking community services that meet the needs of local residents in the areas of education, medicine and hygiene, infrastructure development, agriculture, and livelihood enhancement.

Since fiscal 2015, the main building of an elementary school was built in the neighborhood of the Group's operating area, and the support for volunteer teachers at the school has begun. Additionally, to prevent outbreaks of forest fires which have risk of destroying the foundation of community livelihoods and the natural environment, boards to inform people about the risk of fire were put up in the community, and in the meantime, fire extinguishing training was carried out with the local residents.



Support for stationary at elementary schools in operating areas



Fire risk board put up at a village

■ Exhibition as Part of a Green Forestry Expo in Indonesia

In May 2016, seven Sumitomo Forestry Group companies* based in Indonesia collaborated to exhibit at the IndoGreen Forestry Expo. They were awarded third prize in the private industry category of a competition for exhibitors.

At the exhibition, panels of photographs and product samples were used to introduce visitors to how the Group is developing a sustainable forestry industry in Indonesia of “harvesting, using and replanting,” which contributes to the environment and society. Topics included social contribution through afforestation, manufacturing business and zero emission efforts.

Visitors to the exhibition were given seedlings of Acacia and fruit trees. In addition, local children and government agencies such as representatives from the Indonesia Environment and Forestry Ministry were given the opportunity to feel the timber for themselves, in the form of blocks made of balsa. This Expo became an invaluable place to nurture interest in the importance of forests and wood with the Sumitomo Forestry Group.

* Seven companies: PT. Kutai Timber Indonesia, Pt. Rimba Partikel Indonesia, Sumitomo Forestry Indonesia, PT. Wana Subur Lestari, PT. Mayangkara Tanaman Industri, AST Indonesia and Sinar Rimba Pasifik



Booth bustling with many visitors



Children playing with balsa blocks at the exhibition

Building Social Infrastructure in Papua New Guinea

Open Bay Timber Ltd. (OBT) in Papua New Guinea has been operating plantation forest since 1984 and it contributes greatly to the economic development of each region of Kaboku, Mokolkol, Alienande, and Mevelo districts. In April 2007, OBT became a Group company of Sumitomo Forestry to further healthy expansion and effective use of reforestation timber resources.

OBT also operates hospitals and super markets for their employees and local residents to use because the preparation of social infrastructure is insufficient in Papua New Guinea. In neighboring villages, OBT nurses periodically visit neighboring villages to perform infant health checkups and provide advice to the sick.

In fiscal 2016, efforts were undertaken to provide resources to build church facilities and raise awareness about the prevention of AIDS in local residents from neighboring villages. Furthermore, company-owned four-wheel drive vehicle was arranged as dedicated clinic vehicles to transport patients to larger hospitals.



Four-wheel drive vehicle to transport patients available at the clinic

Support for Children's Hospitals in Australia

The Henley Properties Group builds and sells detached and multi-unit housing and spec homes in Australia and the United States. The Group's social contribution activities include the Good Friday Charity Auction, whereby the auctioning of a spec home, built with residential land developer, materials supplier and other business partner cooperation, raises money which is donated to children's hospitals and other facilities.

Several hundred business partners from the provision of land to design, estimation, material manufacturing, procurement, and labor management have participated in these activities. Since these efforts began in 1993, more than 13 million Australian dollars in total donations have been provided through the auction of 37 houses to be used for the medical costs of children suffering from intractable diseases.

The 23rd auction in fiscal 2016 was held in March in Victoria, Australia. The two-story house built in Mickleham, Melbourne reached a successful bid of 663,000 Australian dollars.



Detached house auction

Cooperating in Local Rescue Activities

Tasman Pine Forest (TPF) in New Zealand became a sponsor of the Nelson Marlborough Rescue Helicopter Trust, which operates rescue helicopters, and it plans to donate 50,000 New Zealand dollars in 2017.

Rescue helicopters are deployed roughly 400 times a year for natural disasters that occur in the region and for leisure accidents.

The Tasman Pine logo is scheduled to be posted on the helicopter.

Support for the Next Generation in the United States Through Joint Efforts with Local Residents

The Canyon Creek Cabinet Company, which manufactures and sells wooden cabinets in the United States, continually makes contributions to the region from providing offcuts of timber produced in manufacturing products to local toy makers to make donations of wooden toys and puzzles to child protection facilities and children's hospitals.

Construction of Monastic Schools in Myanmar

Sumitomo Forestry is involved in the Myanmar Monastic School Support Team, a body that was established to support the construction of monastic school-style community schools in Myanmar. Activities which began in 2014 have completed three monastic-style schools as of November 2016 thanks to the donations of companies and individuals who see the benefit. These schools were only simple schoolhouses before they were rebuilt with an environment that prevented classes from continuing on days there was heavy rain, especially in the rainy season. At the completion of a school, the donor companies held an opening ceremony with participants from advocating companies and an opportunity to engage with the local children.

Moving forward, the Myanmar Monastic School Support Team will continue to provide support with a goal of building one school per year.



School before rebuilding



Exterior of Monastic School after rebuilding

Construction of Monastic Schools by Myanmar Monastic School Support Team, in Number

Monastic School	Completion	Construction Region	Number of Students	Sponsors
Wutt Kyway Taw Pyay Monastery School	End of October, 2014	Mingaladon Township, Yangon City	Approx. 260	18 companies, 4 individuals
Pyin Nyar Theingi Nun School	End of November, 2015	Mingaladon Township, Yangon City	Approx. 120	18 companies, 4 individuals
Myittar Yaung Chi Nun School	November 2016	South Dagon Township, Yangon City	Approx. 180	19 companies, 5 individuals

Support and Cooperation in Nepal Manaslu Forest Restoration Project with Planting Technologies

Sumitomo Forestry provides tree-planting technological support and cooperation in the Manaslu Forest Restoration Project in Nepal led by the NPO Peak Aid, where alpinist Ken Noguchi serves as a representative.

Manaslu is one of the mountains in the Himalayas and its peak reaches 8,000 meters up in the air. The mountain once had virgin forests with rich vegetation and soil; nonetheless, recent population growth in the villages and deregulated logging have depredated the forests. The degraded forest system has resulted in increased frequency of landslide and adversely affecting lives of the villagers.

Sumitomo Forestry, therefore, has begun providing advice from the technical aspect by sending experts of nurturing seedlings and forests to the project site. In fiscal 2016, we gave advice on seedlings production, proposed sites for reforestation, and reforestation methods locally in the second year of this three-year activity.

Environmental Report

Environmental Management

Environmental Impact of Business Activities

Reduction, Recycling and Appropriate Disposal of Waste

Forest Management

Biodiversity Conservation

Management of Hazardous Chemical Substances

Efficient Use of Water Resources

Environmental Accounting

Environmental Data for Group Companies

Environmental Management of the Sumitomo Forestry Group

The Sumitomo Forestry Group lists “Environmental Responsibility” as one of the Action Guidelines of its Corporate Philosophy and states, “We are dedicated to effectively addressing environmental issues with the aim of achieving a sustainable society.” The Group established its Environmental Philosophy in December 1994 and Group-wide Environmental Policies in October 2000.

We also formulated the Mid-Term Environmental Management Plan (FY2010-FY2014) with Mid-term environmental targets for the first time in fiscal 2009 and established the Mid-Term CSR Management Plan (FY2015-FY2020) that includes environmental targets in fiscal 2014. The plan is incorporated into CSR budgets as numerical targets for each fiscal year and environmental activities are steadily enhanced through implementation of the PDCA (plan-do-check-act) cycle at each organization.

Moreover, since July 2015, the Group has initiated the Sumitomo Forestry Group Environmental Policy, bringing together the Environmental Philosophy, the Environmental Policies, the Sumitomo Forestry Group Declaration of Biodiversity, and the Sumitomo Forestry Group’s Biodiversity Action Guidelines. This Environmental Policy applies to the product life cycle and all business processes from product development, design and manufacturing to material procurement, distribution, waste management and services in all businesses of the Sumitomo Forestry Group to promote businesses that help contributed to a sustainable society. To share and raise awareness of the Environmental Policies among Group employees, they were printed in employee handbooks. Opportunities to read through and discuss them were also arranged, for example as part of new employee trainings, ISO 14001 internal environmental auditor trainings courses or departmental meetings.

Sumitomo Forestry Group Environmental Policy

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

1. Develop business operations centered on wood and forests

We will cultivate forests and their ability to preserve and enhance the rich ecosystem to protect biodiversity, actively utilize timber resources and create new corporate value.

2. Develop and offer environmentally conscious products and services

We will develop and sell products and services that are environmentally conscious throughout the entire product lifecycle.

3. Minimize and improve environmental impact

To minimize and improve environmental impact, we will employ procurement practices that prevent environmental pollution and climate change and promote the effective utilization of natural resources.

4. Ensure strict legal compliance

We will adhere to all environmental laws, rules and regulations, global standards, voluntary standards and accords with stakeholders.

5. Make continual improvements to our environmental management system

We will accurately assess environment-related risks associated with our business activities and with a mid-to-long-term outlook, set and work to fulfill yearly environment goals. In addition, we will regularly evaluate our environmental management system and make continual improvements.

6. Promote environmental education

We will provide environmental education for all parties involved in Sumitomo Forestry Group's business operations and encourage voluntary environmental efforts.

7. Pursue active communication

We will actively disclose information about our environmental policies and initiatives and pursue activities that convey the wonders of trees and forests and the importance of nature.

▶ [Corporate Philosophy and CSR Management of the Sumitomo Forestry Group](#)

Environmental Management Structure

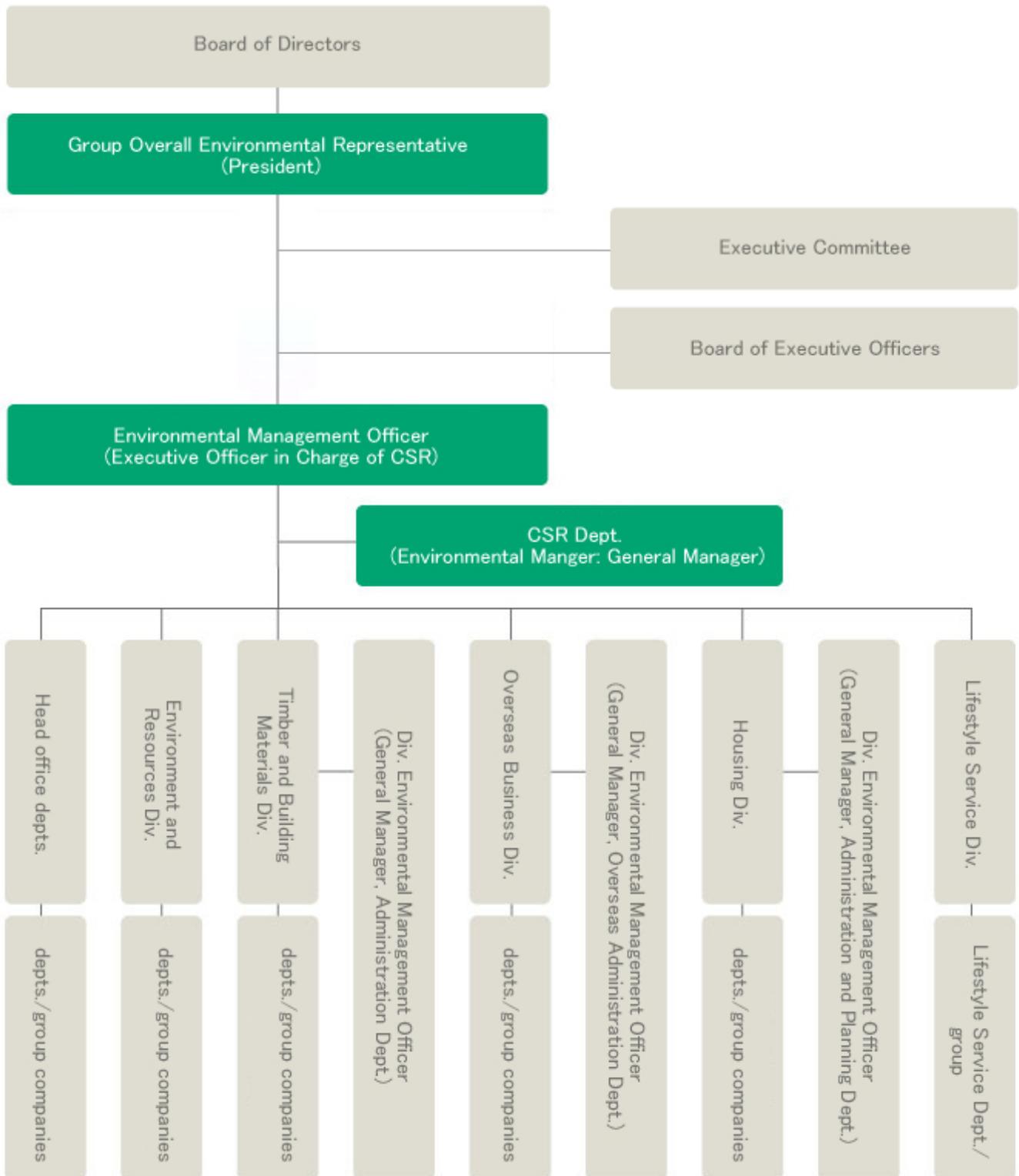
Environmental Report

Environmental Management Structure

To ensure that management is practiced in accordance with the Environmental Policies, whose objective is to contribute to the creation of a sustainable society, the Sumitomo Forestry Group has established an environmental management structure with the President of Sumitomo Forestry assuming overall responsibility.

Beneath the President are the Executive Officer in Charge of CSR and the General Manager of the CSR Department. Regular checks on the progress of environmental activities advanced by divisions and departments within the Group and related issues are conducted against the “CSR budget,” which sets forth numerical targets for each fiscal year, to raise the effectiveness of those activities.

Environmental Management Structure (as of April 2017)



■ Roles of Environmental Management Personnel

Group Overall Environmental Representative: President and Representative Director

Group Environmental Management Officer: Executive Officer in Charge of CSR

Group Environmental Manager: General Manager, CSR Dept.

Division Environmental Management Officers: General Manager, Administration Dept. (Timber & Building Materials Div.); General Manager, Administration & Planning Dept. (Housing Div.); General Manager, Overseas Administration Dept. (Overseas Business Div.)

Department Environmental Managers: General managers, presidents of group company etc.

Environmental activity personnel: Environmental promotion personnel

ISO 14001 Certification

Sumitomo Forestry introduced an environmental management system in fiscal 1995 and acquired ISO 14001 certification for its housing operations in fiscal 1997 ahead of other players in the housing industry. Certification was subsequently acquired for other operations with all departments and divisions in the Company achieving integrated ISO 14001 certification in fiscal 2002.

The scope of certified Group companies has been extended over businesses that have a large influence on the environment, and today the Group has four certified companies in Japan. Progress is also being made on certification of overseas Group companies, focused on manufacturing companies, with six companies already certified.

As of April 2017, the certification rate of consolidated organizations was 87.3% (based on sales).

**ISO 14001
Certification
(Based on sales)
87.3%**

Sumitomo Forestry Group ISO 14001 Certification

Company Name		Date acquired
Consolidated in Japan Expanded certification	Sumitomo Forestry Co., Ltd. (excl. overseas operations)	August 2002 ^{*1}
	Sumitomo Forestry Landscaping Co., Ltd.	November 2002 ^{*2}
	Sumitomo Forestry Crest Co., Ltd.	September 2003 ^{*2}
	Sumitomo Forestry Home Tech Co., Ltd.	March 2013 ^{*2}
	Japan Bio Energy Co., Ltd.	August 2014 ^{*2}
PT. Kutai Timber Indonesia (KTI)		July 2001
Nelson Pine Industries Ltd. (NPIL)		July 2003
PT. Rimba Partikel Indonesia (RPI)		October 2005
PT. AST Indonesia (ASTI)		January 2007
Vina Eco Board Co., Ltd. (VECO)		March 2014
Pan Asia Packing Ltd. (PAP)		April 2017

*1 Certification was acquired by individual departments and divisions from 1997 before integrated ISO 14001 certification was acquired for the entire company.

*2 Acquired by inclusion in Sumitomo Forestry's integrated certification

Audits by External Certification Bodies

Companies covered by the integrated ISO 14001 certification in Japan undergo routine reviews conducted once a year by certification body JIC Quality Assurance Ltd. In fiscal 2016, 55 departments at 5 companies went under review for migration and renewal to the new ISO14001:2015 (JISQ14001:2015) standards between May and June.

The reviews recommended 73 improvements, but found one small nonconformance.

The discovered small nonconformance was related to determining the competence as well as effectiveness of processes related to appropriate education and training, which was a new requirement added to the standards. Corrective actions were taken, including revising the manual, and confirmation of these corrective measures were sent to the review registration agency. Registration for the migration to these new standards was approved August 6, 2016.

In addition to examining methods of improvement and taking action for each of the observation items, notices were issued by the CSR Department to share information such as small irregularities on any issues common to the Group companies, and internal environmental audits were conducted to check the implementation of preventive measures.

Manufacturing plants overseas are in the process of migrating to the new standards just as the plants in Japan.

Internal Environmental Audits

In addition to reviews conducted by external certification bodies, companies covered by the integrated ISO 14001 certification periodically carry out internal environmental audits. These audits are implemented by employees who have passed an exam upon completion of an in-house training course to become internal environmental auditors.

In fiscal 2016, two courses of internal auditor development trainings were held; one for the Company-certified auditors based on old standards and the other for ones based on new standards were offered following the amendments of the international standards in September 2015. In total 12-session courses, the Company certified 316 internal environmental auditors trained accordingly to the new standards.

In fiscal 2016, the internal environmental audit expanded to 132 departments (1.8 times the previous year) to confirm the migration status to the new standards as soon as possible. When irregularities due to the amendments were found and or improvement was suggested, the audited departments took corrective actions and subsequently submitted the action reports to the audit department. Audit results were reported to management by the General Manager of the CSR Department and a review was conducted.

Compliance and Violations of Environmental Laws

There were no significant violations* of any environment-related laws or ordinances in the past four years.

* Violation with a penalty or punishment of one million yen or more

**Significant
violations
in the last four
years**
0

Environmental Risk Countermeasures

The Sumitomo Forestry Group is striving to reduce and to prevent the manifestation of the risks and impact which business activities have upon the global environment and society such as the disposal of industrial waste, soil and water pollution caused by toxic substances, noise and vibration.

In fiscal 2016, there were no significant violations of any environment-related laws or ordinances.

■ Processing of Industrial Waste

Construction-related waste makes up the highest percentage of industrial waste that is illegally dumped in Japan. Viewing the environmental risks presented by the processing of industrial waste as one of the biggest in terms of the potential impact on society and business, the Sumitomo Forestry Group works to ensure that industrial waste is disposed of appropriately.

Specifically, to comply with the Waste Management and Public Cleansing Act and other related laws and regulations, the Group has established a set of industrial waste management regulations covering appropriate disposal, reduction, recycling and reuse of industrial, as well as manufacturing regulations stipulating standards essential for production activities. In keeping with these regulations, voluntary audits of waste manifests and terms of outsourcing agreements with waste processors are carried out twice a year for each Group company office in Japan emitting industrial waste. If an audit concludes that corrective action is required, appropriate action is taken and it is subsequently confirmed through reports submitted in line with the industrial waste management system that waste is being properly treated.

In addition, industrial waste managers at each office conduct site checks of contractors' waste treatment plants at least once a year. In fiscal 2016, Housing Divisional Managers conducted on-site inspections 570 times for 470 waste treatment plants of approximately 340 waste contractors. Divisions other than the Housing Division and offices of Group companies are being instructed to continue using waste treatment plants which the Housing Division has already inspected.

To be able to determine whether industrial waste is being processed in an appropriate manner, the Group asks waste treatment contractors to employ electronic manifests. All branches of the Housing Division and all contractors accepting industrial waste from new housing construction sites have already introduced electronic manifests. In fiscal 2016, 98% of all manifests, including those for housing demolition waste, were electronic.

In conjunction with this, training is also provided for employees who coordinate the processing of industrial waste. In fiscal 2016, a total of 142 people participated in the training, including newly appointed personnel in charge of industrial waste processing at Group companies in Japan. Moreover, training was conducted in the same way for building contractors, demolition contractors and industrial waste disposal operators.

▶ [Reduction, Recycling and Appropriate Disposal of Waste](#)

■ Soil Contamination

Soil contamination is difficult to discover as contaminants build up and spread underground out of sight. The Sumitomo Forestry Group implements soil contamination countermeasures for land owned or administered by the Group and conducts voluntary soil contamination studies prior to new land purchases in the condominiums business.

■ Water Pollution

Water pollution creates the risks of human health being directly affected by contamination of drinking water and of contamination affecting the habitats of organisms living in rivers, lakes and seas. Inspections entrusted to external measurement agencies are conducted twice a month and daily water quality tests are done for the waste water expelled from waste water processing facilities in the Sumitomo Forestry Crest Co., Ltd. Imari Plant (formerly the No. 2 Kyushu Plant), which is a specified office under the amended Water Pollution Control Act of Japan, and the inspection results are issued to the local municipals every six months.

In particular, the frequency of water quality test at our company has transitioned from twice a week to daily as a way to grasp the changes quickly and respond because the reference values in the Agreement of Pollution Control were exceeded due to limitations (dilution) for rapid changes of Chemical Oxygen Demand (COD) values following the contamination of waste water with high COD values in the water samplings and inspections done by the city in January 2016.

Water is also sampled and inspected by the prefecture once a year and by the city three times a year. Through this measure, all inspections found the level of water pollution to be within the statutory limit for wastewater.

In addition, the Tsukuba Research Institute is considered a specified office under the amended Water Pollution Control Act of Japan and therefore, delivers notification of updates to some testing equipment and new installations according to this law. The Institute also conducts water quality inspections once every month through an external measurement agency to monitor those results and issue reports to Tsukuba City once every six months.

▶ [Management of Hazardous Chemical Substances](#)

■ Contamination by Hazardous Chemicals

Contamination caused by hazardous chemicals leads to risks of a major impact on human health or the environment and the risk of a disaster. The Sumitomo Forestry Group keeps track of amounts of hazardous chemicals including volatile organic compounds (VOC) used and discharged as part of appropriate management, meanwhile making an effort to reduce the use of these chemicals.

The Group also takes appropriate action in response to the Air Pollution Control Act. Sumitomo Forestry Crest's Niihama Plant equipped with boilers and Kagoshima and Shizuoka plants equipped with incinerator make regular measurements of emission volumes and concentrations of NO_x, SO_x and soot and dust, and dioxins, respectively, and monitor that these figures are maintained below the statutory limits.

▶ [Management of Hazardous Chemical Substances](#)

■ Noise and Vibrations

Sumitomo Forestry makes an effort to prevent noise and vibrations during housing construction. When complaints about noise or vibrations are received, the circumstances are recorded and the information is shared with the rest of Group to prevent the occurrence of similar incidents.

Sumitomo Forestry Crest confirms that noise levels within the site boundaries of plants are below the statutory limit by taking regular measurements.

No complaints about noise or vibrations having a major impact on the environment were received from local residents during fiscal 2016.

■ Global Warming (Addressing the Amended CFC Act)

In April 2015, the Fluorocarbons Recovery and Destruction Law came into force for the purpose of promoting drastic measures over the entire lifecycle of chlorofluorocarbons that have a strong greenhouse effect, from manufacture to disposal.

In most cases, the Sumitomo Forestry Group leases its offices in buildings, and since the Group is primarily engaged in the construction and sale of housing and the manufacture and distribution of processed wood products, it does not own (or manage) that much commercial refrigeration and air conditioning equipment (air-conditioners, refrigerators, etc.). However, in response to the enactment of this law, we are conducting periodic simple inspections of the same equipment that is using fluorocarbons as a coolant as well as executing legal and periodic inspections for devices with compressors that have 7.5kW or higher rated output. In fiscal 2016, we replaced the air-conditioning system to be more environmentally friendly as part of the renovations to the office of the roadside store (corporate building) of the Housing Division Utsunomiya Branch (Oyama Sales Office).

Understanding Environmental Risks

The Sumitomo Forestry Group is aware of the risk upon our business activities from environmental changes such as climate change or reduced biodiversity and works to gather related information, analyze this information as necessary as a way to evaluate business risks. In addition, specific response measures and their evaluation factors are determined based on the degree of risk and the progress toward vital risks is reported to the CSR Risk Management Committee every quarter.

■ Risks Related to Climate Change

■ Natural Disasters

Damage from a major earthquake, windstorm, flood or other natural disaster could result in significant costs arising from restoring operations at facilities, verifying the safety of delivered housing products, delays in the completion and handover of contracted properties, or other events. Such costs could influence the Group's operating results and financial position.

■ Setting Carbon Pricing Such as Mandatory Emission Reductions

As the move towards reduction of greenhouse gases takes shape globally, there is the possibility that reduction obligations will be imposed upon businesses in countries where the Sumitomo Forestry Group has bases. If Group companies with bases in these countries are unable to meet reduction obligations, they will be required to purchase emission credits, creating the risk of increased business costs.

In Japan too, future changes in new international frameworks could result in adjustments to domestic systems for carbon pricing that includes emission credits, which could influence business activities and costs.

■ Environmental Adaptation of Products and Services

With the revision of Japan's energy efficiency standards in fiscal 2013 (from fiscal 2020, houses will be required to comply with energy efficiency standards), it is expected that demand will grow for life cycle carbon minus (LCCM) housing able to reduce CO₂ to less than zero. If the Sumitomo Forestry Group does not respond swiftly, we risk losing market share. There is also a risk that, if significant climate change occurs, we will be expected to change housing specifications or provide after service to adapt to these changes.

■ Changes to Suppliers and the Impact upon Operation of Company-owned Forests

Because Sumitomo Forestry positions timber as its principal material and product, the risk exists of having to change suppliers in the event of limitations being imposed due to the depletion of timber resources or changes to habitats resulting from climate change. Climate changes, including average temperature or annual rainfall, damage due to storm or flood, and ecosystem changes also pose risks to company-owned forests by impacting upon forest preservation, tree growth and upon vegetation.

■ Energy Supply Shortages

In countries like New Zealand, where hydroelectric power is used, there is a risk that a change in the amount of rainfall will cause dam levels to fall and lead to a disruption of supply from hydroelectric power stations, forcing Sumitomo Forestry Group sites in those countries to suspend plant operations.

■ Risks Related to Biodiversity Change

■ Changes in Timber Quality and Volume

The Sumitomo Forestry Group is among the top Japanese procurers of forest timber by volume. Trees represent the blessing of biodiversity which, if lost, poses a risk to the foundation of our business. Furthermore, should the quality or volume change, the required response may lead to significant cost increases.

■ Strengthening of Related Laws and Regulations

The establishment and strengthening of laws and regulations for preventing loss of biodiversity continues. Anticipated risks include effects on operation of Company-owned forests, having to adapt timber procurement in terms of regions, tree species and volume, and having to adapt housing construction business in terms of regions, scale and greening. Should the Group fail to deal with the associated laws and regulations, compliance risks will emerge.

■ Corporate Image Deterioration

Any mistake in addressing biodiversity may be detrimental to the corporate image, directly affecting sales and other performance indicators.

■ Impact upon Fund Procurement

Financial institutions and similar organizations are making the implementation of environmental assessments and biodiversity initiatives a condition of lending. Corporate credit rating agencies and investors, too, are adopting increasingly detailed assessment criteria for credit rating and socially responsible investment (SRI), including biodiversity initiatives as an assessment category. These growing trends may potentially affect funds procurement.

■ Risks Associated with Illegal Logging

■ Strengthening of Related Laws and Regulations

Illegal logging of forests is recognized as a crucial issue globally, and progress is being made to strengthen related laws and regulations in a number of countries and regions. If the Sumitomo Forestry Group does not respond appropriately to such laws and regulations in its harvesting and procurement, there is the potential of compliance risk arising or indemnity being incurred.

■ Corporate Image Deterioration

Should the Sumitomo Forestry Group deal in illegally logged timber due to a neglect to exercise the appropriate duty of care, there is the potential of damage to our corporate image which could have a direct impact upon sales and other business results.

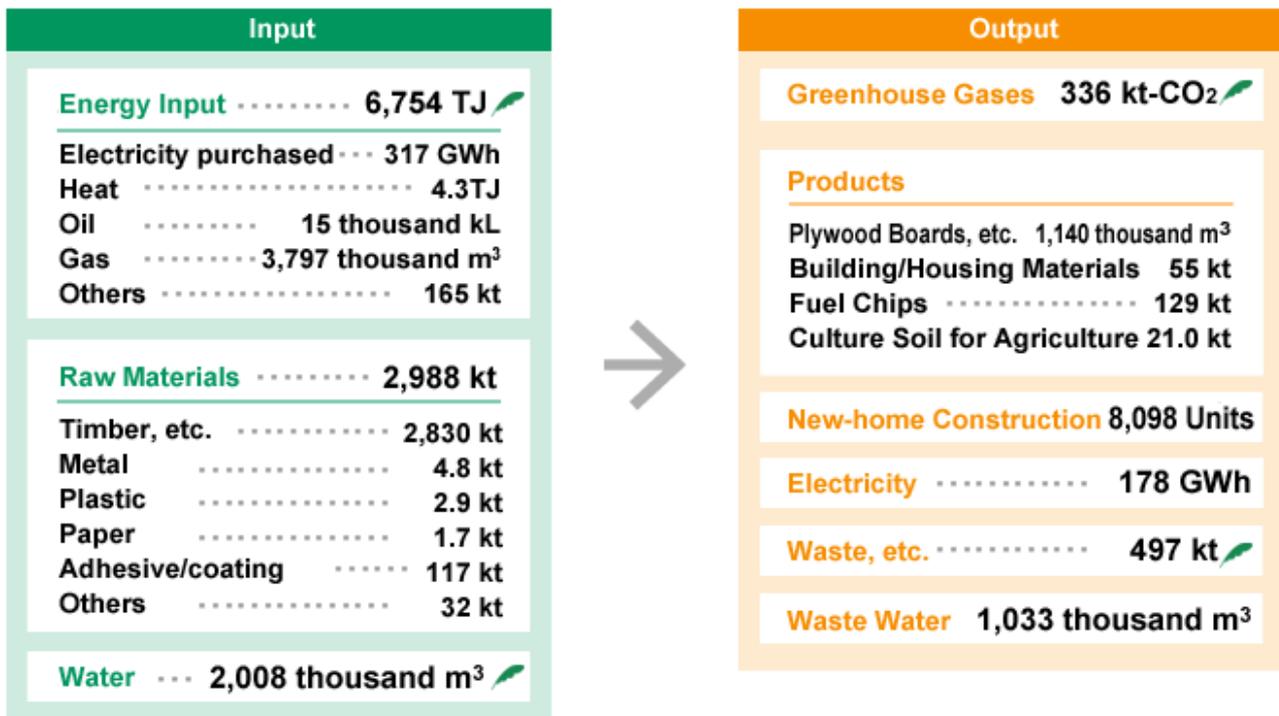
Environmental Impact of Business Activities

Environmental Report

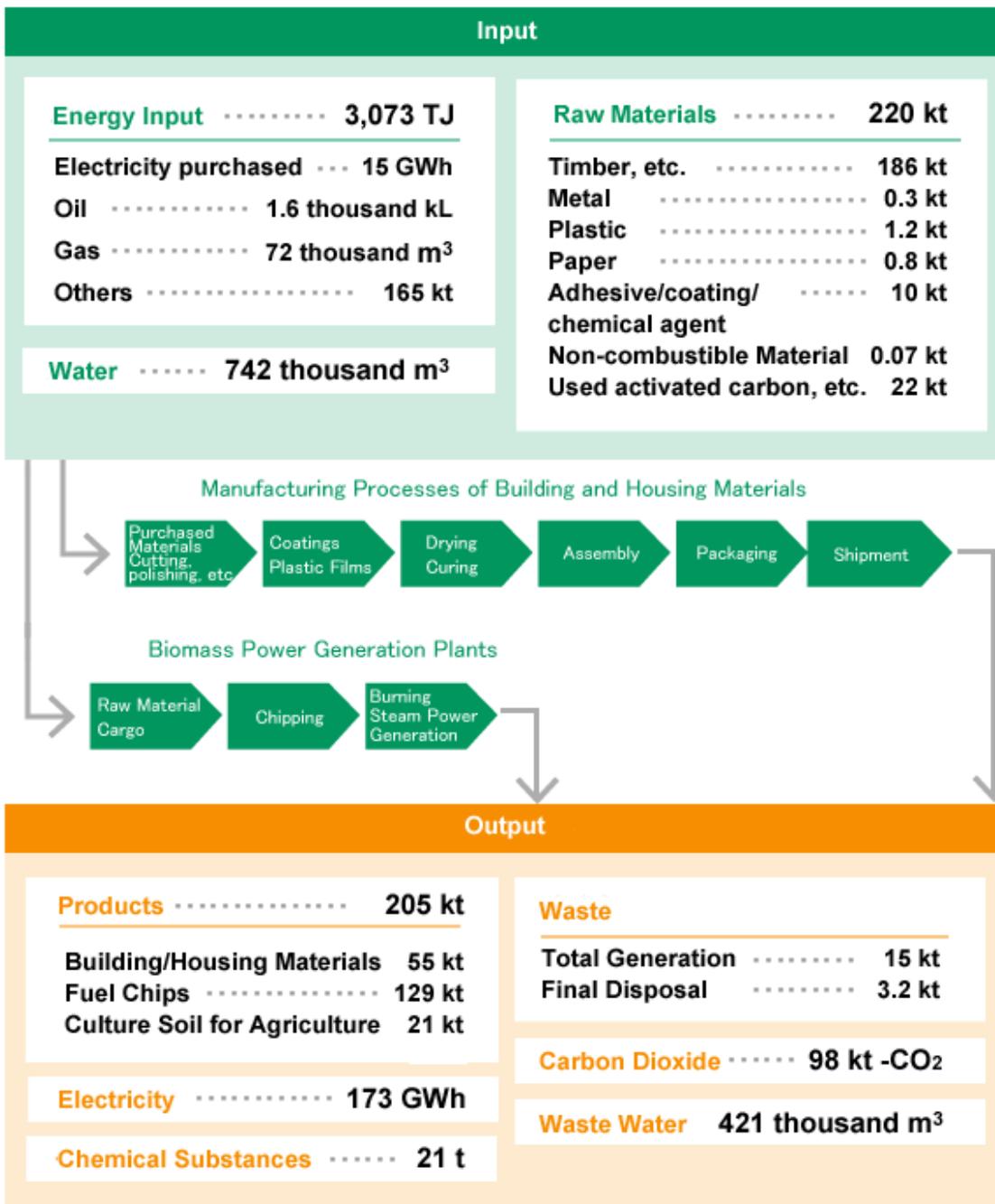
Balance of Input & Output

The Sumitomo Forestry Group accurately understands how its business activities impact the environment and make evaluations and manage them in its environmental management. As such, data on environmental impact is collected at each stage from energy and raw material input to manufacturing and disposal per plant and business to utilize them for reduction initiatives.

Balance of Input & Output of the Sumitomo Forestry Group

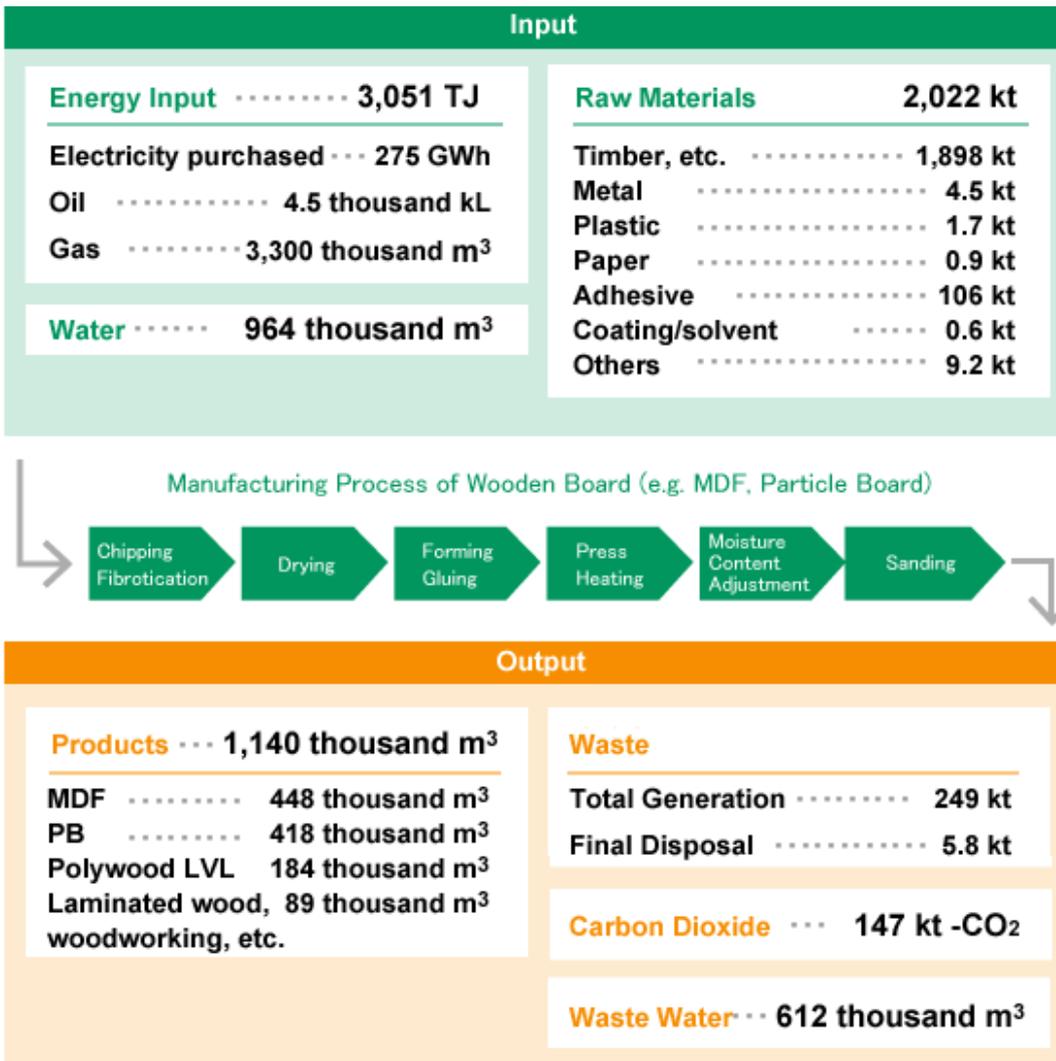


Balance of Input & Output of Manufacturing and Power Generation Plants in Japan*



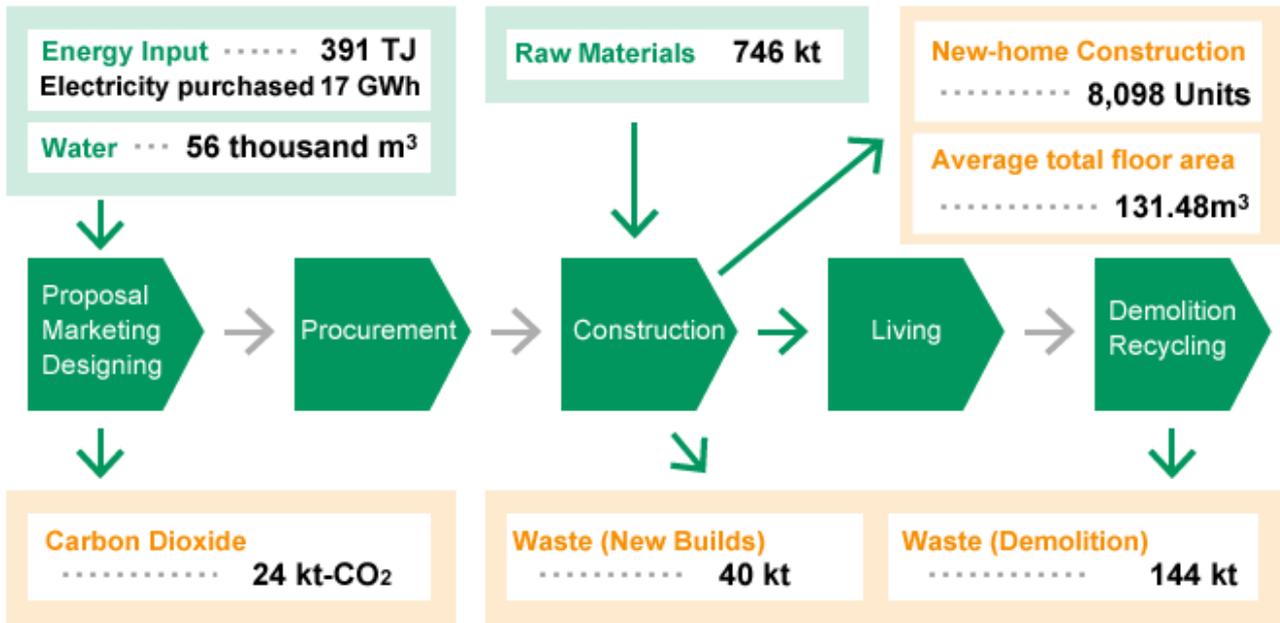
* Boundary: Tsukuba Research Institute, Sumitomo Forestry Crest Co., Ltd. (Kashima Plant, Shizuoka Plant, Niihama Plant, Imari Plant), Mombetsu Biomass Electric Power Co., Ltd., Japan Bio Energy Co., Ltd., Okhotsk Bio Energy Co., Ltd. and Sumirin Agro-Products Co., Ltd.

Material Balance of Overseas Plants*



* Boundary: PT. Kutai Timber Indonesia (KTI), PT. Rimba Partikel Indonesia (RPI), PT. Sinar Rimba Pasifik (SRP; Indonesia), PT. AST Indonesia (ASTI), Alpine MDF Industries Pty Ltd. (Australia), Nelson Pine Industries Ltd. (NPIL; New Zealand), Vina Eco Board Co., Ltd. (VECO; Vietnam) and Canyon Creek Cabinet Company (America)

Flow and Material Balance of Domestic Housing-Related Business*



* Boundary: Sumitomo Forestry Housing Division, Sumitomo Forestry Archi Techno Co., Ltd. (Design), Sumitomo Forestry Home Engineering Co., Ltd. (Execution), Sumitomo Forestry Home Tech Co., Ltd. (Renovations), and Sumitomo Forestry Landscaping Co., Ltd. (Garden Landscaping/Greening)

▶ [About symbol for Independent assurance](#)

▶ [Boundaries and Method of Data Aggregation](#)

Implementation of Life Cycle Assessments

In fiscal 2006, the Sumitomo Forestry Group carried out life cycle assessments (LCA)^{*1} at each of its businesses with the help of Tokyo University of Agriculture and Technology (TUAT) to ascertain the environmental impact of its products. Since then, the Group has introduced carbon footprint (CFP)^{*2} labels for individual products and carried out life cycle assessments of detached housing among other initiatives.

For example, Group company PT. Rimba Partikel Indonesia (RPI) conducts LCAs of particle board (PB) that it manufactures and sells, covering the production and transportation of the raw materials through to manufacturing of the products. The company also voluntarily displays CFP labels on PB products based on LCA results.

In fiscal 2015, the Group conducted assessments on construction of and waste from the 26 year-old Company-build home and 300 year-old home renovations. The comparison of LCA results between renovation including energy-efficiency reform and rebuilding found that renovation practices are able to achieve both greater convenience and reduction of environmental burden.

▶ [Saving of Energy and Reduction of Greenhouse Gas Emissions During Occupancy](#)

*1 A method of evaluating the overall environmental impact of a product throughout its life cycle (all stages, including raw material procurement, manufacturing, transportation, sale, use, reuse and disposal).

*2 A measure indicating the amount of greenhouse gases emitted over the entire life cycle of a product or service converted into CO₂.



RPI started displaying CFP labels on PB products in 2009 (first time for Indonesian companies in the timber products market)

■ Review of Methodology of carbon fixation through Harvested Wood Products (HWP)

Sumitomo Forestry is working together with International Tropical Timber Organization (ITTO) in the ITTO-led HWP research program for consolidation of the HWP carbon fixation methodology. HWP stands for Harvested Wood Products. In international negotiations concerning climate change, efficacy of carbon fixation by timber products have been discussed. The 17th United Nations Climate Change Conference (COP17) decided that change of carbon storage in home-building timber can be reported as either a country's greenhouse gas absorbance or emissions during the second commitment period. This demonstrates that international authorities validated the effect of increased carbon storage by timber products towards mitigation of the global temperature rise.

Boundaries and Method of Data Aggregation (Balance of Input & Output)

Environmental Report

Boundaries (Organizational Range)

Indication Classification		Boundary
All Business Activities		All Sumitomo Forestry Group Companies
By Business Activity	Domestic Plants and Power Generation Business	Sumitomo Forestry Crest Co., Ltd. [Kashima Plant, Shizuoka Plant, Niihama Plant, Imari Plant], Sumirin Agro-Products Co., Ltd. [Shinshiro Plant, Tobishima Plant], Japan Bio Energy Co., Ltd., Okhotsk Bio Energy Co., Ltd., Tsukuba Research Institute, and Mombetsu Biomass Electric Power Co., Ltd.
	Overseas Plants	PT.Rimba Partikel Indonesia, Alpine MDF Industries Pty Ltd., PT. AST Indonesia, PT. Kutai Timber Indonesia, Nelson Pine Industries Ltd. and Vina Eco Board Co., Ltd.
	Domestic Housing-Related Business	Sumitomo Forestry [Housing Division], Sumitomo Forestry Home Tech Co., Ltd., Sumitomo Forestry Home Engineering Co., Ltd., Sumitomo Forestry Landscaping Co., Ltd. and Sumitomo Forestry Archi Techno Co., Ltd.
	Offices and other sites	Sumitomo Forestry and Group companies other than the above

▶ [All Sumitomo Forestry Group Companies](#)

Prerequisites

Indication Classification	Prerequisites	
Domestic Plants and Power Generation Business	Energy/CO ₂	Energy use and CO ₂ emissions at each plant
	Raw materials	Raw materials used as building materials, potting mix, etc.
	Water	Water use in production such as building materials and potting mix, etc.
	Waste	Waste in production such as building materials and potting mix, etc.
Overseas Plants	Energy/CO ₂	Energy use and CO ₂ emissions at each plant
	Raw materials	Raw materials used as timber products, etc
	Water	Water use in production such as timber products, etc.
	Waste	Waste in production such as timber products, etc.

Indication Classification	Prerequisites	
Domestic Housing-Related Business	Energy/CO ₂	Energy use and CO ₂ emissions for business sites (including exhibition sites) related to the housing business
	Raw materials	Materials invested in housing construction
	Water	Water use at business sites related to the housing business
	Waste	Waste emitted from housing construction (including renovations) and demolition
Offices and other sites	Energy/CO ₂	Energy use and CO ₂ emissions at Sumitomo Forestry and other business sites of Group companies not related to domestic or overseas manufacturing or design, construction and sales of houses
	Water	Water use at Sumitomo Forestry and other business sites of Group companies not related to domestic or overseas manufacturing or design, construction and sales of houses
	Waste	Waste at Sumitomo Forestry and other business sites of Group companies not related to domestic or overseas manufacturing or design, construction and sales of houses

Aggregation Method

CO₂ : Refer to the pages below

► [Boundaries and Methods of CO₂ Emissions Calculation](#)

Waste: Calculating Emissions with Data Collected from Manifests

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

Environmental Report

Reducing CO₂ Emissions from Offices

At offices, the Sumitomo Forestry Group CO₂ emissions in fiscal 2016 were 32,660 t-CO₂, 7.8% and 1.4% reductions compared to the base year (fiscal 2013) for the Mid-Term CSR Management Plan by fiscal 2020 and the previous year, respectively.

All business sites of Group companies in Japan are advancing the introduction of fuel-efficient vehicles to make 393 of the 433 company-owned vehicles fuel-efficient vehicles in fiscal 2016 (91% adoption rate of fuel-efficient vehicles). In addition, the Group has encouraged employees who drive on the job at offices and business sites of Group companies in Japan to participate in the Eco Training course run by the Japan Automobile Federation (JAF). These efforts have reduced the CO₂ resulting from the use of gasoline 3.3% compared to the previous fiscal year.

The Group has also worked to reduce power consumption. In the Housing Division, power consumption has been reduced by moving to a “free address” office system (where personnel are not assigned to fixed desks) to make more efficient use of office space. In addition, the division has also proceeded to install solar power generation systems and LED lighting at its model homes and other business sites.

The Group will continue to reduce CO₂ emissions, such as by implementing promotion of eco-drive, to raise awareness among employees.



Power generation through solar panels installed April 2012 at the Omiya Katakura model homes (Saitama)

Mid-Term CSR Management Plan

Reduce total CO₂ emissions from all offices of domestic and overseas consolidated companies by 7% compared to fiscal 2013 by fiscal 2020.

In fiscal 2016, the total amount of CO₂ emissions in the office category dropped by 7.8% to 32,660 t-CO₂. The Group will start the eco-drive curriculum in addition to ongoing safe-drive training provided by the Housing Division with the aim to lower gasoline-derived CO₂ emissions towards the following year's target.

CO₂ Emissions (t-CO₂) from Offices

FY	FY 2013 (Base Year)	FY 2015 (Results)	FY 2016 (Results)	FY 2016 (Target)	FY 2017 (Target)	FY 2020 (Target)
Total CO ₂ Emissions	35,440 t-CO ₂	33,130 t-CO ₂	32,660 t-CO ₂	33,746 t-CO ₂	32,887 t-CO ₂	32,959 t-CO ₂
Compared to 2013 Percentage Change	-	6.5% reduction	7.8% reduction	4.8% reduction	7.2% reduction	7.0% reduction

► [Mid-Term CSR Management Plan](#)

Reducing CO₂ Emissions Outside Offices

To address CO₂ emissions collectively, the Group set manufacturing plants of Sumitomo Forestry Crest and Sumirin Agro Products, Tsukuba Research Institute, the Metropolitan Area Recycling Center, Fill Care, Kawanokita Development, and Japan Bio Energy as domestic non-office category constituents, as well as RPI, ASTI, KTI, Alpine, VECO, and NPIL's overseas manufacturing plants, SRP, OBT, and Canyon Creek as overseas non-office category constituents with their respective reduction targets.

Mid-Term CSR Management Plan

Set company-specific reduction targets for CO₂ emissions; i.e. over 1% average percent per-unit emission reduction between fiscal 2015 to 2020

In fiscal 2016, we advanced reductions by improving production efficiency and operational skills such as at manufacturing plants as applicable departments in Japan. In applicable departments overseas, we worked to put in place measures to reduce CO₂ for plants impacted by factors such as increased equipment due to changes to methods for electrical use (purchased) and the start of new businesses.

Major Non-Office CO₂ Emission Reduction Performance and Targets (Per-unit Emissions)

Company Name	FY 2015 (Results)	FY 2016 (Target)	FY 2016 (Results)	FY 2017 (Target)
Sumitomo Forestry Crest Co., Ltd.	26.1% reduction	9.5% reduction	4.5% reduction	1.7% reduction
Sumirin Agro-Products Co., Ltd.	18.6% reduction	2.7% increase	54.6% increase	16.9% reduction
PT. Rimba Partikel Indonesia (RPI)	53.1% increase	18.3% reduction	15.8% increase	10.1% reduction
PT. AST Indonesia (ASTI)	7.3% increase	0.9% increase	16.0% increase	8.5% reduction
PT. Kutai Timber Indonesia (KTI)	5.9% increase	1.9% reduction	3.1% increase	0.9% reduction
Alpine MDF Industries Pty Ltd. (Alpine)	5.5% increase	4.6% increase	10.6% reduction	3.3% increase
Nelson Pine Industries Ltd. (NPIL)	5.2% reduction	0.4% reduction	0.7% reduction	2.7% increase
Vina Eco Board Co., Ltd. (VECO)	5.7% reduction	2.2% increase	5.4% reduction	7.4% reduction

* Increases and decreases are in reference to respective previous years.

► [Med-Term CSR Management Plan](#)

Reducing CO₂ Emissions from Transportation

Under the revised Act on the Rational Use of Energy in Japan, consigners^{*1} are required to reduce per-unit energy consumption by an annual average of 1% or more in the medium to long term in relation to the transportation of goods. Sumitomo Forestry and Sumitomo Forestry Crest fall under the category of “specified consigner” (annual freight transportation volume is 30 million ton-km^{*2} or more), obligating them to submit reports to the Japanese Government. Sumitomo Forestry therefore sets a target each fiscal year to reduce per-unit energy consumption^{*3} in transportation by 1% or more compared to the previous year. Sumitomo Forestry Crest also sets targets to reduce per-unit energy consumption compared to the previous year.

In fiscal 2016, Sumitomo Forestry's per-unit energy consumption was 83.9% compared to the previous year and Sumitomo Forestry Crest's was 96.9%.

Ongoing efforts will be made to reduce CO₂ emissions through cooperation with transportation partners on such measures as improving loading efficiency, shifting from land to sea transportation, and utilizing the return leg of construction material deliveries to transport waste. Efforts will also be made in ascertaining CO₂ emissions across the entire supply chain, which includes both domestic and international transportation.

*1 Cosigners as defined in the Act on the Rational Use of Energy in Japan is someone who transports cargo to carriers for our businesses

*2 Freight transportation volume (ton-kilometers) = freight weight (tons) × distance travelled (km)

*3 Sumitomo Forestry measures energy consumption per unit of volume handled. Sumitomo Forestry Crest measures energy consumption per unit of net sales

Energy Consumption From Transportation, CO₂ Emissions and Energy Consumption Per-Unit (FY2016 Performance)

	Energy Use (Crude Oil Equivalent)	CO ₂ emissions	Energy Consumption Per Unit
Sumitomo Forestry	3,327kL	8,906t-CO ₂	0.00164kL/m ³ (Ratio to Previous FY: 83.9%)
Sumitomo Forestry Crest Co., Ltd.	2,135kL	5,670t-CO ₂	0.0000595kL/1,000 Yen (Ratio to Previous FY: 96.9%)

■ Establishment of an Efficient Delivery

Sumitomo Forestry is reducing the CO₂ emissions in its transportation processes by bringing together Sumitomo Forestry Home houses from multiple manufactures momentarily at relay centers in 28 locations throughout Japan with a system to consolidate and transport shipments. Home Eco Logistics takes on logistics operations for the Sumitomo Forestry Group with the housing business at the core and also actively puts forward proposals for efficient logistics operations to material manufacturers, housing manufacturers, housing construction companies and building material distributors. In the year to March 2017, we asked six construction material operators for consulting focused on more efficient operations in warehouses as well as rational proposals for inventory management. As of March 2017, Home Eco Logistics provided logistics operations to more than 40 companies. In the future, we will actively strive in cooperative distribution through multiple companies because of insufficient shipment capacity forecast due to a decrease in the amount of new housing construction.

Greenhouse Gas Emissions per Scope Based on the GHG Protocol

Since fiscal 2012, the Sumitomo Forestry Group has ascertained the volume of its CO₂ emissions according to different scopes^{*1} based on the GHG Protocol, a set of widely used international accounting tools for quantifying GHG emissions. In view of the increasing demand of renewable energy in recent years, the Sumitomo Forestry Group entered the biomass power generation business in 2011 and has begun operation of Okhotsk Bio Energy in December 2016 as a consolidated subsidiary. This power plant uses coal as supplemental fuel for smooth operation and maintenance while using wood leftover from logging as the primary fuel. Therefore, the total CO₂ emissions in scope 1 and 2 for fiscal 2016 at the Sumitomo Forestry Group was 336,017 t-CO₂, which is a 72.4% increase compared to the previous year (196,963 t-CO₂, a 1% increase compared to the previous year when comparing the existing businesses with the previous year).

In addition, when looking by business, our overseas business made up 44.9% while our plants and power generation business in Japan composes 43.7%. We started to calculate Scope 3 in fiscal 2013 and the targets for this calculation largely expanded in fiscal 2015. In the future, we will examine targets via SBT^{*2} in an effort to reduce greenhouse gas emissions another level.

*1 The GHG Protocol requires businesses to disclose their greenhouse gas emissions according to the following categories

Scope 1: Direct GHG emissions of a company, including emissions from fuel consumption. E.g. CO₂ emissions from the use of gasoline for company vehicles.

Scope 2: Indirect GHG emissions from the generation of purchased electricity and heating. E.g. CO₂ emissions from the use of electricity by offices.

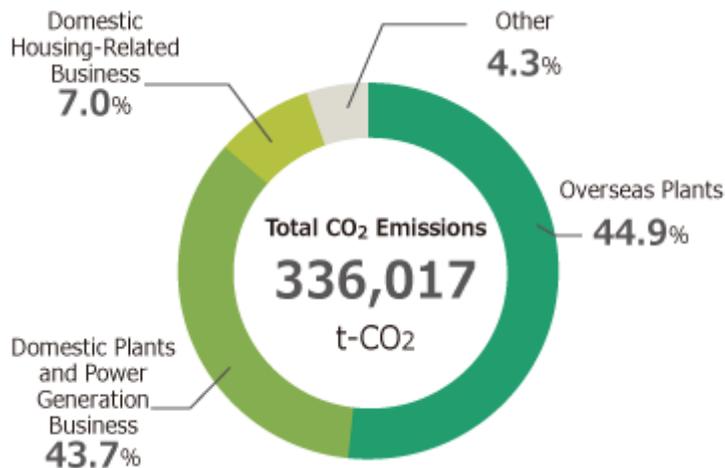
Scope 3: GHG emissions occurring in the supply chain. E.g. CO₂ emissions generated during the use of products sold.

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

Scope 1 and Scope 2 CO₂ Emission Trends



Scope 1 and 2 Breakdown by Business (FY 2016)



FY 2016 Scope 1 and 2 CO₂ Emissions Breakdown

	Domestic and Overseas Office	Domestic Non-Office	Overseas Non-Office	Total
Scope 1	20 kt-CO ₂	140 kt-CO ₂	25 kt-CO ₂	185 kt-CO ₂
Scope 2	13 kt-CO ₂	11 kt-CO ₂	128 kt-CO ₂	151 kt-CO ₂
Total	33 kt-CO ₂	151 kt-CO ₂	153 kt-CO ₂	336 kt-CO ₂

Scope 3 Three-Year Data of CO₂ Emissions by Category(t-CO₂)

Category	Boundary of Emissions included in the Category	FY 2014	FY 2015	FY 2016
1 Purchased products and services	Emissions from upstream of purchased products during new home construction and building material business	—	1,187,600	1,227,877
2 Capital goods	Emissions from upstream of purchased equipment	—	42,323	61,411
3 Fuels and energy-related activities excluded from Scope 1 and 2	Emissions from purchased fuels, electricity, heat capacity, and water, as well as transport of purchased fuels	—	4,393	8,518* ²
4 Transport and deliver (Upstream)	Emissions from transport of timber from logging sites, purchased items in building materials, raw materials to plants and products to clients in the timber production business, and transport by sea in the building material business	11,604 Estimate covering Sumitomo Forestry and Group companies in Timber Production Business	264,736 Estimate for marine transport added to the FY2014 figure	268,114
5 Waste generated through businesses	Emissions from waste treatment and its transport	—	10,839	9,682
6 Business trips	Emissions related to business trips of employees such as use of public transportation and accommodation	—	1,393	1,429
7 Employee commute	Emissions from employee commuting	—	1,476	3,122* ³
8 Leased property (Upstream)	(Emissions from use of upstream leased property such as office buildings, heavy machinery, vehicles, and facilities are included in Scope 1 or 2)	—	—	—
9 Transport and deliver (Downstream)	Emissions from transport of sold products in Timber Production Business (for wood yard pick up)	—	11,717	6,781* ²
10 Processing of sold products	Emissions from processing of raw wood into plywood as well as of sold pre-cut processing of sold lumber	—	51,733	50,410
11 Use of purchased products	Emissions from sold homes while in use (for sixty years)	2,163,805	2,015,591	2,054,110

(t-CO₂)

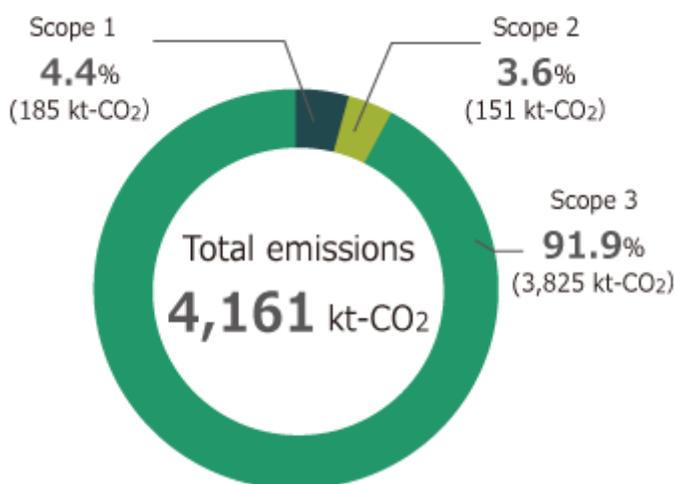
Category	Boundary of Emissions included in the Category	FY 2014	FY 2015	FY 2016
12 Disposal of sold products	Emissions from demolition and disposal of homes sold by the Company	53,416 (Demolition + disposal (landfill, incineration, and recycling) is estimated)	48,435	42,279
13 Leased property (Downstream)	(Tenants must belong to the Group and the figures are included in Scope 1 and 2 of the Group)	—	—	—
14 Franchised	(excluded)	—	—	—
15 Investment	Emissions from the investees (based on the Company's proportional share)	—	94,671	91,279

*1 Above data include domestic businesses only. *All categories other than Category 4, 11, and 12 are disclosed since fiscal 2015. Some of the numerical values that are used are data such as that from the database published by the Ministry of the Environment. The data with greater accuracy will be obtained progressively in the future by requesting the provision of primary data.

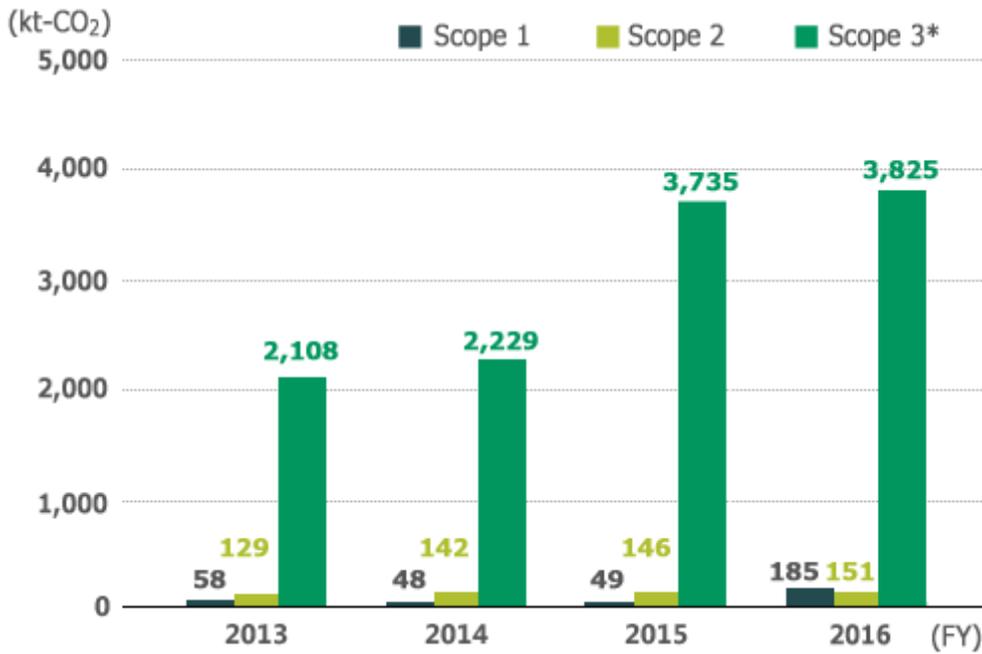
*2 The estimated transport distance changes as follows as of fiscal 2016. City: Revised from 50 km to 20 km; Prefecture: Did not change from 100 km; Between Prefectures: Revised from 500 km to 300 km

*3 Train and bus commuting was calculated in fiscal 2015 and commuting by motor vehicle was added as of fiscal 2016.

FY2016 Total Greenhouse Gas Emissions Accrued From Corporate Activities



Emission Trends in Scope 1, 2, and 3



* Scope 3 has expanded the range of calculation from three conventional categories to 15 categories since fiscal 2015.

▶ [Boundaries and Methods of CO₂ Emissions Calculation](#)

▶ [About symbol for Independent assurance](#)

Boundaries and Methods of CO2 Emissions Calculation

Environmental Report

Boundary of CO2 Emissions (Organizational Range)

The amount of CO2 emissions published in this report is an aggregation for companies throughout the Group, including all consolidated subsidiaries in and outside of Japan unless otherwise noted.

Furthermore, the boundaries of calculating CO2 emissions by scope are as shown below.

- Scope 1 and 2

All Group companies, including consolidated subsidiaries in and outside of Japan

- Scope 3

Group companies, including consolidated subsidiaries in Japan

▶ [List of Applicable Companies](#)

Scope 1 CO2 Emissions

The CO2 emissions both inside and outside of Japan are calculated by using heat conversion as well as the carbon dioxide emission coefficients stipulated in the Act on Promotion of Global Warming Countermeasures.

Scope 2 CO2 Emissions

The CO2 emissions caused by use of purchased electricity in Japan are calculated by the carbon dioxide emission coefficient for each power provider in each fiscal year stipulated in the Law Concerning the Promotion of the Measures to Cope with Global Warming.

The CO2 emissions due to the use of purchased heat are calculated by the CO2 emission coefficient stipulated in the Law Concerning the Promotion of the Measures to Cope with Global Warming.

The CO2 emissions for fiscal 2016 due to the use of purchased electricity overseas is calculated by the CO2 coefficient below for each country.

Australia : 0.735kgCO₂/kWh
 America : 0.486kgCO₂/kWh
 China : 0.680kgCO₂/kWh
 Indonesia : 0.736kgCO₂/kWh
 Vietnam : 0.355kgCO₂/kWh
 New Zealand : 0.131kgCO₂/kWh
 Singapore : 0.441kgCO₂/kWh
 Malaysia : 0.666kgCO₂/kWh
 Thailand : 0.531kgCO₂/kWh

About Scope 3 Calculation

■ Category 1 Purchased products and services

(Portion of outside contracts during construction of wooden detached houses)

Σ (energy use during on-site construction per home \times CO₂ emissions coefficient by energy)
 \times Portion of outside contracts used in houses completed in the current fiscal year

(Procurement of the Timber & Building Materials Businesses)

Σ (Amount of procurement or net sales of sold products \times Per unit emissions by quantity or monetary value)

■ Category 2 Capital goods

Σ (Capital goods procurement value by Japanese companies in the Group \times Per unit emissions by industrial division)

■ Category 3 Fuel and energy-related activities excluded from Scope 1 and 2

(Procurement)

Σ (Energy and water use \times Per unit emissions of energy)

(Transport from retailers)* The target of calculations is the use on operational sites such as plants

Σ (Energy use (weight conversion) \times Estimated transport distance \times Per unit use of fuel in ton-kilometers \times CO₂ emissions coefficient)

* Calculation based on transportation scenario

■ Category 4 Transport and shipping (upstream)

(Transport in Japan)

CO₂ emissions related to owner shipments (value to report based on the energy saving law; however, this excludes waste transport)

* Waste transport is included in Category 5

(Transport by sea)

Σ (Amount of import products procured × Distance to transport by sea from the country of procurement × Per unit emissions of ship transport)

■ Category 5 Waste generated through businesses

Σ (Amount of emissions by type of waste × Per unit emissions by the type of waste or processing method)

■ Category 6 Business trips

Number of employees of Group companies in Japan × Per unit emissions during business trips

■ Category 7 Employee commute

(Type of transportation: Train/bus)

Number of employees of Group companies in Japan × Per unit emissions during commute

* Per unit emissions during commute: Calculated from the emissions during commute for the past three years (2013, 2014, 2015) of Group companies in Japan

(Type of transportation: Automobile)

Distributed transportation costs ÷ Average gasoline unit price for the current fiscal year × Per unit emissions during gasoline combustion

* Emissions during commute using employee-owned vehicles is included in Scope 1

■ Category 9 Transport and shipping (downstream)

(Wood yard pick up such as the plywood or fiberboard that is sold)

Σ (Sales volume × Estimated transport distance × Per unit fuel use in ton-kilometer × CO₂ emissions coefficient)

* Calculation based on transport scenario

■ Category 10 Processing of sold products

(Plywood work and Precut factories)

Σ (Sales volume of crude wood and processed materials \times Per unit emissions during processing)

* Per unit is based on the LCA procurement implemented in the past by the company

■ Category 11 Use of sold products

(CO2 emissions during habitability)

Σ (Annual energy use per household \times CO2 emissions coefficient by energy) \times Number of households \times Number of houses completed by construction method for fiscal 2016

* Emissions related to renovations are omitted because there is a possibility to count a portion of Scope 1 and Scope 2 emissions twice for affiliate companies engaged in the renovations business (Sumitomo Forestry Home Tech Co., Ltd.)

* Energy use per household (electricity/city gas):
Calculated by using the Building Research Institute's energy consumption performance calculator program

■ Category 12 Waste of sold products

(CO2 emissions during demolition)

Σ (Fuel use during demolition per household \times CO2 emissions coefficient by fuel) \times Number of houses completed for the current fiscal year

* Fuel use during demolition per household (diesel/gasoline):
Estimated based on sample surveys related to the fuel use in model house demolition conducted by Sumitomo Forestry in 2006

(CO2 emissions during disposal (including transport))

Σ (Amount of waste during demolition per household \times Per unit emissions by volume reduction rate , disposal rate , recycling rate for each type of waste \times Per unit emissions by type of waste or processing method) \times Number of houses completed in the current fiscal year

* Amount of waste during demolition per household:
The amount of waste produced during demolition annually by Sumitomo Forestry Group for fiscal 2016 is calculated by converting the equivalent building weight of the standard plan (floor area:147m²) of Sumitomo Forestry for fiscal 2010

■ Category 15 Investments

Σ (Scope 1 and 2 emissions from companies the Group invests \times Equity interest of Sumitomo Forestry Group)

* Scope 1 and 2 emissions are the public values from the company the Group invests or the values released in the Act on Promotion of Global Warming Countermeasures

Saving of Energy and Reduction of Greenhouse Gas Emissions During Occupancy

Environmental Report

Promotion of net zero energy house (ZEH) specifications

The household sector in Japan still has high level emission of CO₂ although the trend has slowed down. The Japanese Government revised^{*1} the energy efficiency standards for housing and other buildings in October 2013, and these have been in full force since April 1, 2015. Compliance with the energy efficiency standards will gradually be made compulsory for all new houses and buildings by 2020.

Sumitomo Forestry provides approximately 8,000 custom-made detached houses a year in Japan with these circumstances as a backdrop. Therefore, we released Green Smart in 2014 to facilitate the building of high insulation efficiency, timber as a renewable resource and advanced technology while also providing living spaces that value both the living environment and the global environment.

Wood is conventionally a renewable natural resource that absorbs and stores CO₂ during its growth process. As well as using wood for its principal structural members, Sumitomo Forestry has offered housing proposals where residents can live comfortably all year round by incorporating its Ryouonbou design, which takes advantage of natural blessings such as the wind and sun. "Green Smart" fuses the Company's expertise in utilizing these "unique characteristics of wood and blessings of nature" together with its technologies for the "reduction of energy consumption" (such as improvements in thermal insulation) and its technologies for the "smart use of energy" (such as equipment for generating and storing energy, and HEMS^{*2}). By boosting energy efficiency in the house, the Company seeks to reduce CO₂ emissions during occupancy.

The Japanese Government's 2014 Basic Energy Plan sets the goal to realize net Zero Energy Houses (ZEH) in regular new-builds by 2020. Sumitomo Forestry has set the goal to standard ZEH at 80%^{*3} by fiscal 2020, and it has reached 32% as of fiscal 2016. Our housing technologies outlined in the Green Smart leverage features of wooden materials and natural resources as they are in new-builds from April 2017, and the provision of ZEH will be promoted through further reinforcement of the insulation efficiency of buildings and openings and the installation of a solar power generation

Standardization
of ZEH targets
(2020)

80%^{*3}

Standardization
of ZEH results
(FY 2016)

32%^{*3}

system as standard specifications to enable essentially zero annual consumption of primary energy.

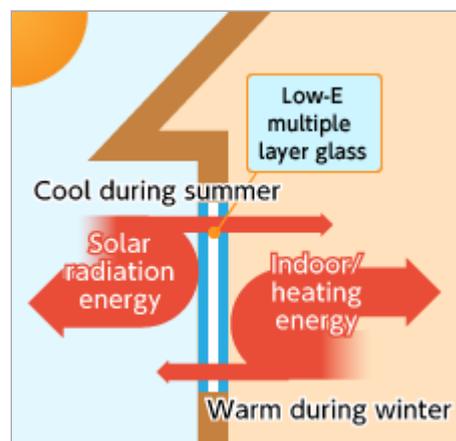
- *1 As a consequence of the revisions, the evaluation now covers comprehensive energy efficiency, including thermal insulation, the use of natural energy and installation of energy-efficient devices
- *2 Home Energy Management System—a system whereby residents can visualize the amounts of energy they generate and use
- *3 Values include Nearly ZEH while they exclude Hokkaido and Okinawa Pref. for their cold and hot weather respectively. The fiscal 2016 results and 2020 targets for Hokkaido are respectively 0% and 51%. While ZEH is defined as a primary energy reduction rate of 100% including solar power, Nearly ZEH is defined as between 75% to 100%.



Features of Green Smart



- Improves the thermal insulation performance of ceilings, external walls, floors, windows, etc.
- Uses low-emissivity (low-E) double glazing filled with argon gas for large windows where the greatest heat is lost



Thermal insulation using low-E glass

- Adopts aluminum and plastic composite frames with high insulation properties that uses low-emissivity (low-E) double glazing filled with argon gas for large windows in houses in the ZEH specifications (since April 2017)

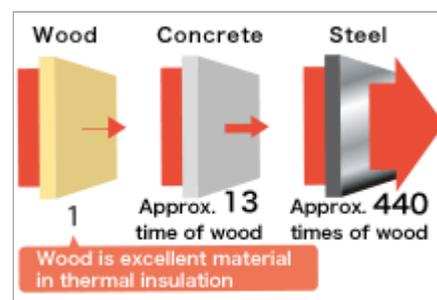
- (1) Strengthening insulation of structural framework (enhanced thermal insulation under flooring)
- (2) Strengthening insulation of openings (thermal insulation frames)



Aluminum and plastic composite frames with high insulation properties



- Uses wood, which has lower CO2 emissions during the processing stage, and which has better thermal insulation compared to iron and concrete
- The “Ryouonbou” design utilizes a sense of comfort brought about by nature



Thermal conductivity of different materials



- Installs solar power generation systems and residential fuel cell units (Ene-Farm)
- Also installs household storage batteries and HEMS, which allows residents to visually gauge their energy usage



The HEMS screen

- ▶ [“Ryouonbou” design concept \(in Japanese\)](#)
- ▶ [Green Smart \(in Japanese\)](#)

Trends in installation rates of environmentally conscious equipment (new orders)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Solar power generation systems	45%	51%	43%	35%	48%
Ene-Farm units*1	41%	53%	51%	43%	34%
Eco One*2	—	—	—	—	16%
Environmentally conscious equipment installation rate*3	62%	72%	66%	58%	68%

*1 Fuel cell units for households

*2 Hybrid electric and gas hot water and central heating systems

*3 Installation rate of solar power generation system or Ene-Farms until fiscal 2015. Fiscal 2016 includes Eco One on the left

■ Sales of The Forest BF Detached Houses that Achieve Open Spaces and ZEH Start

Sumitomo Forestry further evolved its unique Big-Frame Construction Method (BF Method) with the release of The Forest BF throughout Japan (excluding Okinawa Pref.) in April 2017. The Forest BF provides comfortable habitability in even more open spaces than before through flexibility in the height of ceilings and beams with new patented technology. In addition to offering insulation efficiency greater than the local standards, The Forest BF can also achieve ZEH, which requires zero or less primary energy consumption each year, through equipment such as solar power generation systems. Moreover, we have adopted versatile partitions that do not require structural materials to build a structure with less waste when changing room plans such as the partitions separating living areas for children and parents alike. This product aims to receive orders of 5,500 houses a year.



Combining Comfortable Habitability and High Environmental Performance in The Forest BF

- ▶ [Creating Expansive Open Spaces with Custom Ceiling Heights and New Technology](#)
- ▶ [Launch of "The Forest BF" custom-built detached houses](#)

- ▶ [CSR Activity Highlight: Contributing to a Low-carbon Society](#)
- ▶ [The Forest BF page \(in Japanese\)](#)

■ Overseas Development of Energy-Efficient Housing

In April 2010, Henley Properties (QLD) Pty Ltd. a Group company of Australia became the first company in Australia to make available a zero-emissions demonstration house that is expected to achieve energy-saving benefits of more than 70% compared to existing homes of a similar size. In March 2012, the company constructed a community place, under a zero-emissions model, in a residential lot in Southeast Melbourne in cooperation with local government. The building features a solar power generation system, a solar hot water heater, a 6,000-liter rainwater tank, and a home energy management system (HEMS). Combined with double-glazed windows and a concrete slab and walls providing excellent thermal insulation, the building has earned an eight-star energy rating*. In December 2012, the company completed a house for a general customer with a nine-star energy rating.



Community place based on the zero-emissions model

With environmental awareness increasing, the need for energy efficiency in Australia is mounting. Henley Properties is working to promote the widespread adoption of these homes.

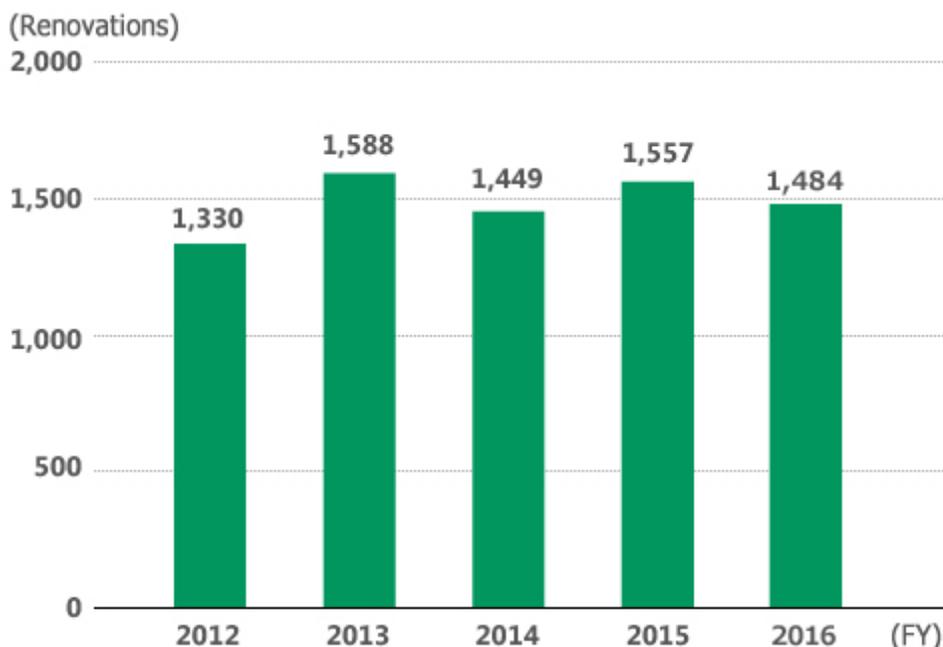
* An evaluation of the energy burden for heating and cooling the inside of a building in Australia. Insulation, windows, the type, size and orientation of the building, and the climatic zone are all factors. The highest rating of 10 stars indicates that no heating or cooling whatsoever is needed to maintain a comfortable indoor living environment. Five stars indicates that the building has high insulation performance, but that a minimum of energy is required for heating and cooling

Proposals for Energy-Saving Renovations

Sumitomo Forestry Home Tech Co., Ltd. promotes renovations from energy-saving points of view. This brings success in reducing the environmental impact by proposing solutions through thermo insulation as well as installation of facility equipment with high energy efficiency together with better basic home functionality such as seismic resistance and thermal efficiency. The insulation renovation, specifically, can mitigate the health risk from heat shock in addition to lower the cost of heating and lighting.

We propose new lifestyles that reduce the energy consumed in daily life and decrease lifetime heating and lighting costs by heightening insulation efficiency and using energy-saving equipment.

Number of energy-saving renovations*



* Number of renovated properties with a contract price of at least 8 million yen

Research and Development of Life Cycle Carbon Minus (LCCM) Housing

Sumitomo Forestry is engaged in the development of Life Cycle Carbon Minus housing to achieve negative CO₂ emissions across the entire life cycle of a home—from material procurement, occupation and renovation through to demolition and disposal—by using environmental sound equipment such as solar power systems.

The Sumitomo Forestry Group has also begun research into the efficient use of energy as a new initiative from fiscal 2016. We have advanced the preparations for solar power generation systems such as the creation of energy consumption models that estimate various family and lifestyle behaviors that include renovations of experimental facilities at the research center to conduct verification experiments to advance household consumption based on the demand for technology that effectively utilizes not only the conventional electricity sells but also power generated by other means in households with fixed price purchasing periods and output control as well as other measures. We will further testing that uses actual buildings and develop technology to efficiently use energy in the future.

► [Environmental Impact of Business Activities](#)

Offsetting CO₂ through Project EARTH

The volume of CO₂ emitted during the process of harvesting timber used for principal structural members through to the processing, transportation and construction of Sumitomo Forestry Home houses is around six tons per home. Sumitomo Forestry is implementing an initiative called “Project EARTH” in which this CO₂ is offset through reforestation activities. The initiative will offset CO₂ emissions for all custom-built and spec homes sold between fiscal 2009 and fiscal 2016, and involves planting around 4.8 million trees on a total 2,400 hectares of land and managing cultivation of those trees for 10 years after planting. Reforestation will take two forms—environmental reforestation aiming to revive ecosystems on degraded land, and industrial tree plantation to be advanced together with the community to both realize sustainable forest management and contribute to the region.



Project EARTH carried out in East Java, Indonesia

■ Environmental Reforestation in an Indonesian National Park

Since fiscal 2009, Sumitomo Forestry has been carrying out an environmental reforestation project on degraded land in Bromo Tengger Semeru National Park, located in East Java, Indonesia. This had involved developing a 6-meter firebreak in the plantation forest stretching a total length of 12 km, as well as improving firefighting equipment and conducting patrols. However, in October and November 2014, fires broke out in areas outside the plantation forest. The fires spread, affecting about 400 hectares of previously afforested land, and the situation was that about half of the planted trees would wither and die.

In 2016, withered plantation trees were all replanted and effort is currently being poured into fire prevention measures by taking advantage of this training.



Site of the environmental reforestation project in Bromo Tengger Semeru National Park fire extinguishing training

■ Industrial Tree Plantation in East Java, Indonesia

Since fiscal 2010, Sumitomo Forestry has been carrying out an industrial tree plantation project in collaboration with the community, centered on Supiturang village at the foot of Mt. Semeru in Lumajang Regency, East Java. This is a sustainable forestry project whereby part of the profits from harvesting matured trees will be distributed to improve the livelihoods of community residents, while the remainder is used to cover the costs of replanting and cultivation and other expenses. By fiscal 2016, a total around 1,908 hectares of forest had been planted. The trees planted at the beginning of the project have already matured and due harvested. Therefore, replanting and logging are carried out simultaneously. The 206 hectares of forest owned by the KBM-KTI plantation cooperative that supports this project has also acquired the the FSC-FM (Forest Stewardship Council forest certification) on January 4, 2017.



Harvest in Supit Ulan village

Toward the Future

The Sumitomo Forestry Group will continue to increase the performance and lower costs of thermal insulation and environmental devices found in communities and living environments to achieve an 80% ZEH standardization rate by fiscal 2020 in new housing construction. We will strive to standardize energy savings and energy creation for the global environment and comfortable lifestyles of customers. In the research and development of LCCM housing, we are also examining the utilization of fuels such as pellets for wood biomass energy as an effort related to the use of renewable energy which has not been taken advantage of up until now. We will continue sustainable management of environmental reforestation projects on overseas plantations in 2017. Sumitomo Forestry Group also plans to focus on cultivating seedbeds for Project Earth to operate community cooperative type industrial tree plantations independently with local residents.

Contributing to the Reduction of Greenhouse Gases through Our Business

Environmental Report

Wood Biomass Power Generation Business

The Sumitomo Forestry Group operates wood biomass power generation facilities that are fueled by recycled chips primarily using leftover from construction as raw materials, wood not suitable as a building material, and thinning leftover in forests.

The CO₂ emitted by burning wood does not contribute to CO₂ in the atmosphere as part of the life cycle of the timber because the CO₂ in the atmosphere is absorbed through photosynthesis as the trees grow (concept of carbon neutrality). Therefore, the Group has been engaged in wood biomass power generation as a type of business that contributes greatly to the advancement of forestry, such as the effective use of wood, reductions in CO₂ emissions and the maintenance of local forest environments.

In addition to the Kawasaki Biomass Electric Power Corporation (33MW) already in operation since February 2011, the Mombetsu Biomass Power Plant, one of Japan's largest wooden biomass power generations (50MW), started operation using Japanese timber as fuel in December 2016 and the Tomakomai Biomass Power Generation Business (5.9MW) started operations in April 2017. The Sumitomo Forestry Group is also expanding its wood biomass power generation business to four plants throughout Japan, with the Hachinohe Biomass Power Generation Plant (12.4MW) scheduled to begin operations in April 2018.

Drawing on its past experience in the wood biomass power generation business, the Group will continue to expand renewable energy business operations suited to local conditions and other requirements.



the Mombetsu Biomass Power Plant

The Group's Wood Biomass Power Generation Business

Business	Location	Power generation capacity	Start of operations	Main features
Kawasaki Biomass Power Generation Business (Joint investment with Sumitomo Joint Electric Power Co., Ltd. and Fuluhashi EPO Corporation)	Kanagawa Prefecture Kawasaki City	33MW	February 2011	Largest biomass power generation facility in Japan that primarily burns scrap wood as fuel Utilizes recycled chips produced by using construction debris and waste pallets from Tokyo and surrounding suburbs, as well as thinnings and pruned branches Equipped with environmental mechanisms, such as flue gas desulfurization equipment, an exhaust gas denitrizer and a bag filter, the urban-oriented biomass power generation facility clears Kawasaki City's strict environmental standards
Mombetsu Biomass Power Generation Business (Joint investment with Sumitomo Joint Electric Power Co., Ltd.)	Hokkaido Mombetsu City	50MW	December 2016	Thinnings, wood left over from logging and unused wooden materials are primarily procured from within a 75km radius of the power plant and turned into chips at an adjacent plant before being used as fuel Palm kernel shell, plus some coal is also partially used as an auxiliary fuel
Tomakomai Biomass Power Generation Business (Joint investment with Mitsui & Co., Ltd., Iwakura Corporation and Hokkaido Gas Co., Ltd.)	Hokkaido Tomakomai City	5.9MW	April 2017	All of the fuels are from unused forest material in Hokkaido.
Hachinohe Biomass Power Generation Business (Joint investment with Sumitomo Osaka Cement Co., Ltd. and East Japan Railway Company)	Aomori Prefecture Hachinohe City	Approx. 12.4MW	April 2018 (Planned)	Thinnings from the Sanpachi-Kamikita-Shimokita region of Aomori Prefecture, timber offcuts, and railway forest thinnings from the nearby railway lines will be used as the main source of fuel Some palm kernel shell will be used

■ Japan Bioenergy Co., Ltd. recognized as Superior Industrial Waste Processor

Japan Bioenergy Co., Ltd., which manufactures and sells wood biomass chips, was recognized as a superior industrial waste disposal operator in May 2016 by Kawasaki City.

The system to recognize businesses as superior industrial waste disposal operators evaluates and certifies excellent industrial waste disposal operators through the prefecture or city. In order to receive this recognition, the business must satisfy all of the standards that include legal compliance, business transparency, efforts in environmental friendliness, and a healthy financial strength. The validity of certification in industrial waste disposal is extended from five to seven years by receiving recognition through this system.

Solar Power Generation Business

Sumitomo Forestry owns a solar power generation facility that generates 3,429 kW in Kashima City, Ibaraki Prefecture.

The Company gives consideration to mitigating the environmental impact of the power generation facility and expanding applications for the use of timber by installing some wooden mounting frames that are mainly made of domestically produced Japanese cedar.

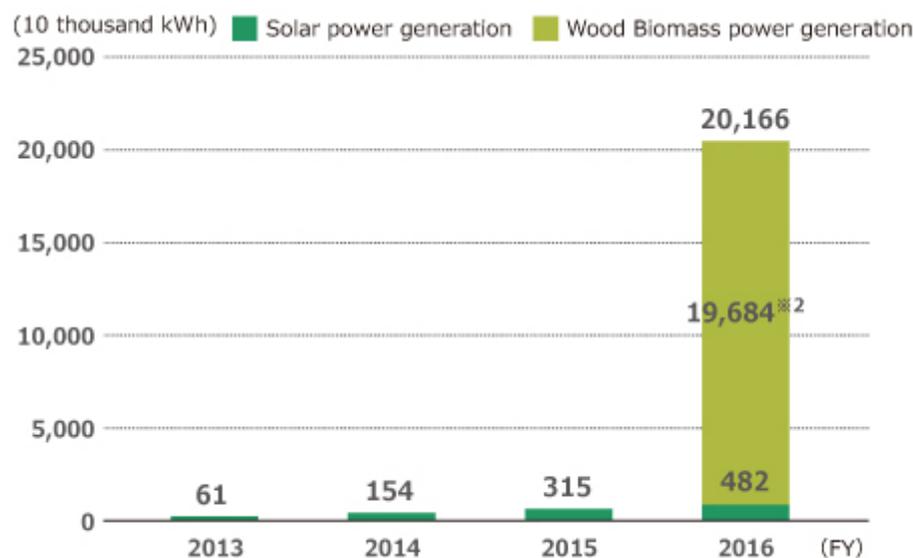


Solar panels and environmentally friendly wooden frames

Transitioning to Renewable Power Generation

The Sumitomo Forestry Group is advancing renewable power generation by establishing solar power generation systems at model homes as a prerequisite for power use at companies in addition to its wood biomass power generation and solar power generation businesses. In fiscal 2016, the combined output of power generation that resulted from all of these efforts was 201,660,000 kWh.

Shift in Renewable Power Generation*1



*1 Results are only for solar power generation in fiscal 2015

*2 The amount of electricity generated from wood biomass power generation covers only consolidated subsidiaries and includes the use of coal as an auxiliary fuel to ensure smooth operation and maintenance

Contributing to Reductions in Greenhouse Gas Emissions by Utilizing Forest Management and Reforestation Know-How

The Sumitomo Forestry Group applies its expertise in areas such as sustainable forest management and reforestation to projects that contribute to limit greenhouse gas (GHG) emissions. The Group will gather the knowledge to apply with new systems, such as REDD+*, which is currently under consideration by the United Nations, and the Joint Crediting Mechanism (JCM), which is being proposed for introduction by the Japanese Government, as well as to gathering knowledge required for those projects.

* The developed version of REDD, Reduced Emissions from Deforestation and forest Degradation. The concept "REDD+" includes, besides that of REDD, the positive emission reduction of GHGs through sustainable management and conservation of forest and enhancement of forest carbon stocks.

▶ [REDD+ project examples \(link to an external website, In Japanese\)](#)

■ Coffee farming technical training to revitalize and protect forests in Vietnam

Japan's Ministry of the Environment has contracted the Global Environment Centre Foundation (GEC) to implement a Joint Crediting Mechanism (JCM) feasibility study program, and in fiscal 2013, Sumitomo Forestry was awarded a contract to conduct a study. Since then, the Company has conducted a feasibility study for a project in Dien Bien Province, northwestern Vietnam that would preserve and regenerate forests that had been degraded due to slash-and-burn cultivation, improve the livelihoods of local residents, and reduce GHG emissions through biomass power generation using timber supplied from those sustainable forests.

The region is vital as a water source with the area being home to a number of dams used for power generation. It is also one of Vietnam's poorest regions. This project contributes to environmental protection and the sustainable growth of the region. In fiscal 2015, the Company started offering a coaching program on coffee farming and process techniques, as a support that can generate cash income. Coffee had been grown at a small scale in the region in the past although local farmers lacked know-hows and techniques. The coaching program is expected to have contributed to yield increase and quality improvement of the coffee produced at the farm.

The Company will continue coordinating and cooperating with Japanese Government officials, government authorities in Vietnam, the Japan International Cooperation Agency (JICA), and ASKUL Corporation.



Demonstration farm in Vietnam for coffee farming technical training



Study being conducted in Vietnam

■ Participation in the Japan Public-Private Platform for REDD+

The Japan Public-Private Platform for REDD+ was established in November 2014 by the Japan International Cooperation Agency (JICA) and the Forestry and Forest Products Research Institute, an independent administrative corporation. Sumitomo Forestry joined the platform as a member of the Executive Committee, in a move to conserve forests in developing nations and to contribute to sustainable development such as mitigating climate change, preserving biodiversity and reducing poverty. The aim of the platform is to promote REDD+ activities, and moving forward, by expanding its circle of activities, it will contribute to global warming countermeasures through public-private collaboration.

Adapting to Climate Change

■ Preparing and Operating Disaster Recovery Guidelines

Disaster Recovery Guidelines were put in place in the Housing Division and measures and action for operations were defined to quickly and accurately respond to damages from natural disasters to our customers houses as they become more prevalent due to climate change.

In these times of peace, each relevant department is putting together actions such as the response to natural disasters in the form of disaster recovery offices. In addition, each branch prepares customer management ledgers, stores and manages emergency supplies (sheets, sandbags, garbage bags, ropes, etc.) based on a Memorandum for Cooperation in Emergencies entered into with building contractors to review the emergency contact network at the beginning of each term.

When a disaster occurs or is expected to occur, the disaster recovery offices link and respond with all relevant departments to establish a disaster response headquarters in each target region. In addition, we immediately undertake disaster recovery measures by putting in place a disaster recovery office within the Housing Division as necessary. These systems smoothly execute preventive, emergency response and recovery measures as well as other actions.

■ Selling Houses with High Disaster Preparedness

On November 4, 2016, BF-Si Resilience Plus was released to pursue security, safety and comfort when disasters such as earthquakes or flooding strike. Big-Frame Construction Method that boasts a structural strength only offered by Sumitomo Forestry ensures the safety of buildings and provides functionality for an uninterrupted lifestyle until recovery even when lifelines are cut thanks to equipment such as enhanced storage space, solar power generation systems, wall-mounted electrical boards and water tanks. A video intercom with a network camera allows the interior to be clearly seen with a wireless camera as well as gives owners the ability to check the state of their house in a disaster even while out-and-about.

Toward the Future

Sumitomo Forestry Group plans to work to expand renewable energy businesses even further while cooperating with partners who have energy development know-how as the Japanese government targets to reach a 22% to 24% ratio of renewable energy for the total amount of power consumed by 2030 defined in the Energy Mix Policy formulated by the Japanese government in June 2015.

Moreover, we will protect the global environment and forests worldwide as well as contribute to the reduction of greenhouse gases by continuing to provide consulting services appropriate for the needs of comprehensive forest management overseas through the use of our know-how in forest management and reforestation.

Reduction, Recycling and Appropriate Disposal of Waste

Environmental Report

Initiatives Towards Zero Emissions in Japan

Aiming to build resource-circulating society, the Sumitomo Forestry Group makes efforts in attaining zero emissions and reducing industrial waste generated at the same time. The Group promotes zero emissions initiatives by mitigating generation and reusing and recycling of industrial waste with intention to reduce the environmental burden and enhance effective use of resources. The Group's Mid-Term Environmental Management Plan ended in fiscal 2014 defined "zero emissions" as no incineration or landfill of industrial waste (recycling rate of 98% or more) generated by domestic manufacturing facilities and new housing construction sites.

Based on this definition, the Group achieved zero emissions at domestic manufacturing facilities (Sumitomo Forestry Crest Co., Ltd. and Sumirin Agro-Products Co., Ltd.) in fiscal 2009. As for new housing construction sites, including exterior landscaping, the Group achieved zero emissions in the Tokyo metropolitan area in fiscal 2012.

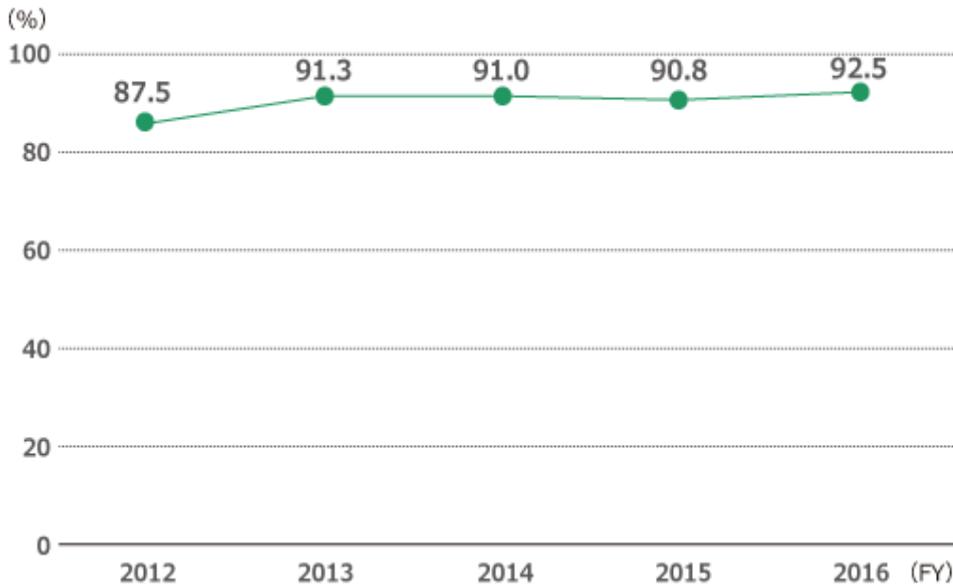
In fiscal 2015 onwards, adhering to Sumitomo Forestry Group Mid-Term CSR Management Plan with its target year being fiscal 2020, the Group continuously works towards zero emissions at new housing construction sites and higher recycling rates at renovation sites and sales of building-related materials. Strict separations of waste according to materials are essential for recycling. Therefore, the Group will raise employee awareness on and enforce appropriate waste disposal process altogether to improve the overall recycling rate and achieving the rate of 98% by fiscal 2020.

Going forward, the Group will analyze the content of the generated waste and the extent to which it is being recycled at new and other construction sites, and develop environmentally conscious products, adopting rational design techniques and ensure that waste is thoroughly sorted at production sites to achieve zero emission.

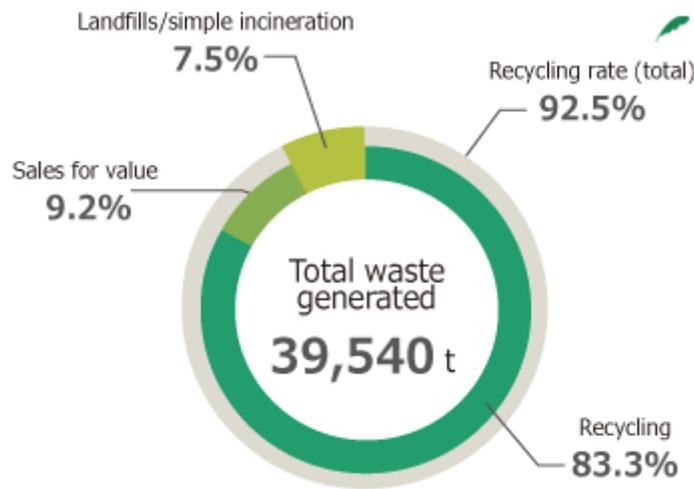
■ Improving Recycling Rate at Construction Sites of New Houses

At Sumitomo Forestry's new housing construction sites, strict sorting of industrial waste generated at the sites has been implemented as part of the effort to increase recycling. In the Tokyo metropolitan area, the Company obtained "inter-region recovery and recycling certification" from Ministry of Environment in 2012, established the Metropolitan Area Recycling Center, and implemented streamlined sorting of waste. Additionally, as to in other areas, the Company utilizes inbound material transporters in collecting and transferring waste.

Recycling Rate for New Housing Construction Sites (Housing Division, Sumitomo Forestry Landscaping Co., Ltd., MOCCA (Timber Solutions) Department, and Sumitomo Forestry Home Engineering CO., Ltd.)



Breakdown of Waste Disposal Process for New Housing Construction Sites (FY2016)



▶ [About symbol for Independent assurance](#)

Initiative for Reduction of Industrial Waste Generated at New Housing Construction Sites

When we construct new houses, generating waste is unavoidable. The Sumitomo Forestry Group has striven in waste reduction activities in fiscal 2016 in particular with a foundation in reduce, reuse, and recycle (3Rs).

In July 2014, we set up the Waste Reduction Working Group comprising representatives from the product development, materials, logistics, design, production and environment divisions. The working group has held monthly meetings, and developed and implemented specific measures.

The working group analyzed a wide variety of waste generated at new housing construction sites. As a result of the analysis of the working group in the reduction waste, we have learned two-thirds of the total waste is made of three types --packaging materials (cardboard), wood waste and waste gypsum board-- and have become the focus of the reducing effort. In fiscal 2016, this allowed us to dramatically reduce the amount of gypsum board offcuts by changing the construction method around openings for steel plate shear reinforcement.

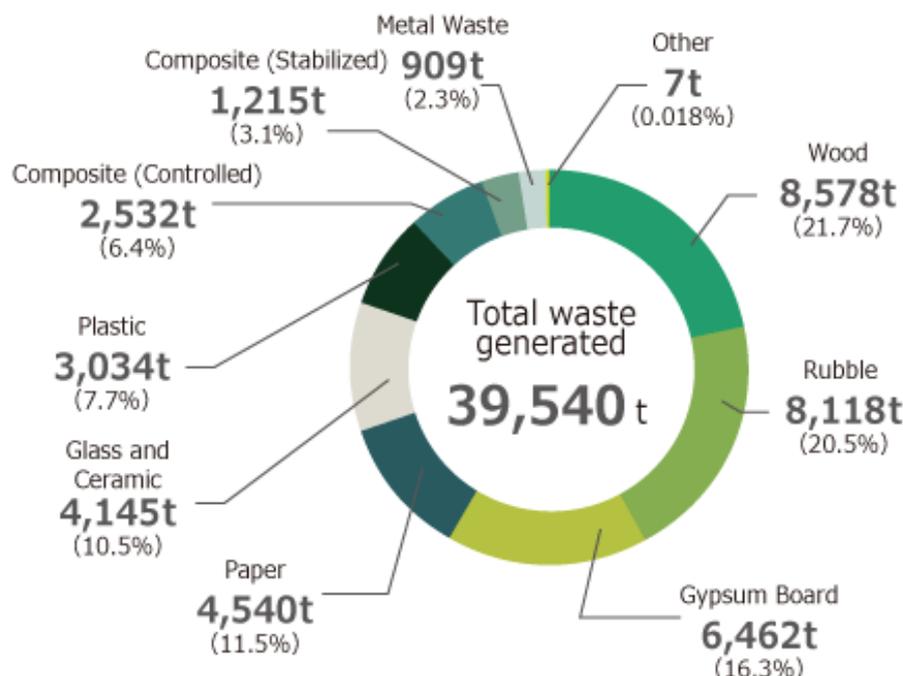
We have also changed the cost bearing mechanism for waste treatment from pay according to the scale of the house to pay per amount of waste actually generated during the construction of a new house. We are raising awareness of workers at construction sites by linking the amount of waste and the cost and providing feedback in the form of waste emission data.

The Sumitomo Forestry Group upholds the 2020 target in its Mid-Term CSR Management Plan to reduce the waste generated at the new housing construction sites by 30% from the fiscal 2013 level. In fiscal 2016, the disposed industrial waste per new house has decreased by 8.8% from the fiscal 2013 level.

Reduction Rate of Industrial Waste Generated at New Housing Construction Sites

	Reduction Rate
FY 2013 (Baseline)	–
FY 2015	▲2.5%
FY 2016	▲8.8%
FY 2020 (Target Year)	▲30%

Breakdown of Waste Generated from New Housing Construction Sites (FY 2016)



■ Operations at the Metropolitan Area Recycling Center

In December 2010, Sumitomo Forestry obtained the National Permit System for waste processing* from the Ministry of the Environment. This made it possible to use the return journey of trucks transporting materials to new housing construction sites to recover waste and collect it at relay centers registered as collection points under the National Permit System.

The Company took advantage of the system to establish the Metropolitan Area Recycling Center with capability for advanced sorting of waste in Kazo, Saitama Prefecture. The center started operating in fiscal 2012 and covers all areas of the seven prefectures of Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Tochigi and Gunma. In fiscal 2016, the Group has expanded its efforts for waste recovery under the National Permit System to 26 branches in 18 prefectures outside the Tokyo metropolitan area. The establishment of the Metropolitan Area Recycling Center enabled collection and analysis of waste-associated data.

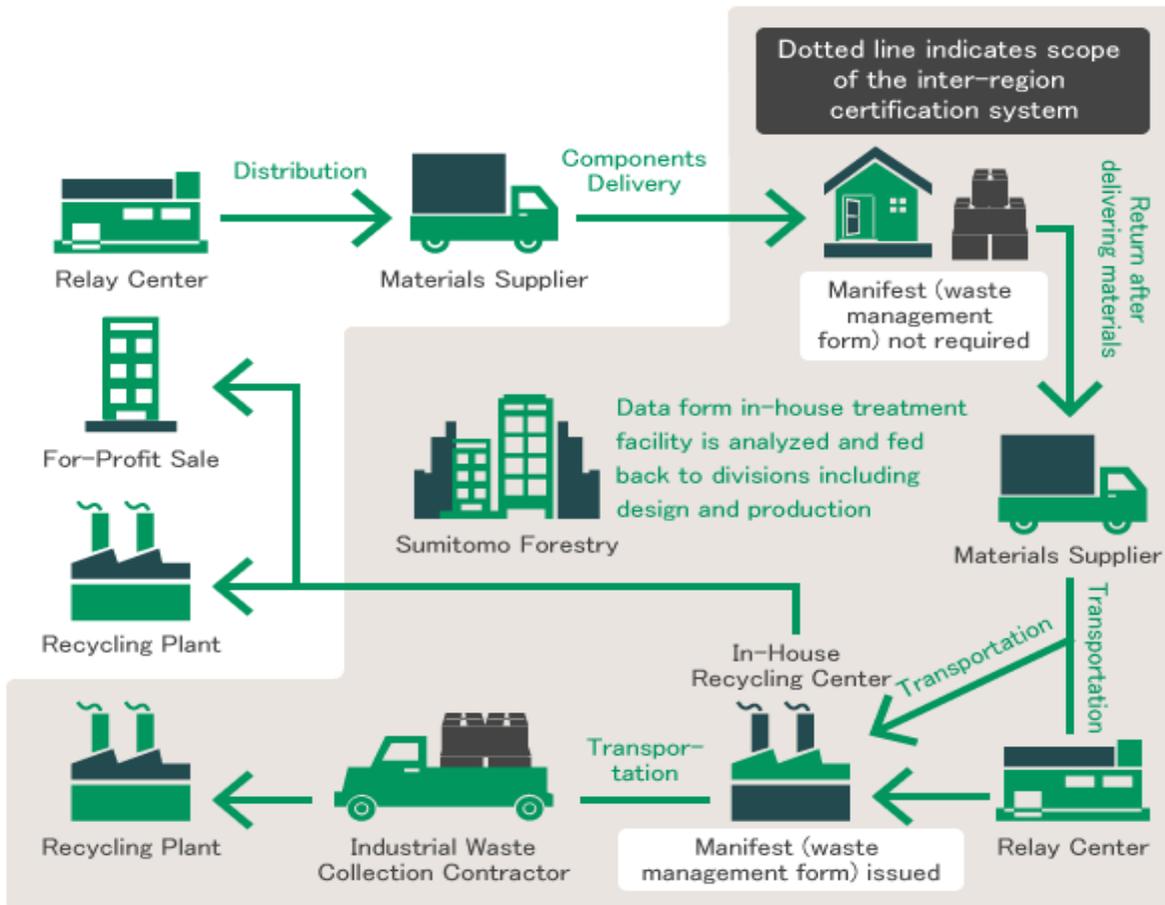
The establishment of this center made the collection and analysis of data about waste possible. We reduce waste emissions by providing data such as the amount of waste by product, by specification, and by building contractor to each department from product development and materials to design, production and logistics.



The Metropolitan Area Recycling Center

* A special system under the Waste Management and Public Cleansing Act, removing the need for manufacturers to have a permit for waste collection and haulage if they are collecting waste across a wide area for the purpose of recycling

Flow of materials distribution and collection of industrial waste



■ Strengthening Waste Management through Construction Process Management Systems

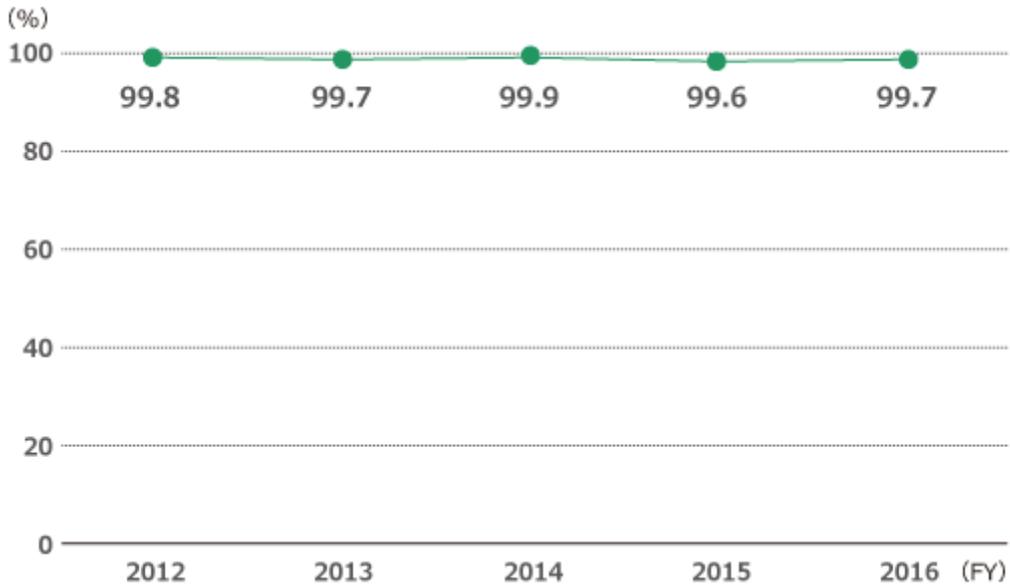
Sumitomo Forestry has built a system whereby the emission of waste at sites and the delivery status of waste to waste treatment plants can be confirmed on a mobile phone. By checking the images collected in the system against the categories and volumes of demolition waste lodged by waste processors based on electronic manifests, the Company has strengthened its system for managing demolition waste.

By the end of fiscal 2013, introduction of this system had been completed for almost all demolition contractors, allowing the Company to check that waste emitted from the Company's sites is being taken properly to waste treatment plants.

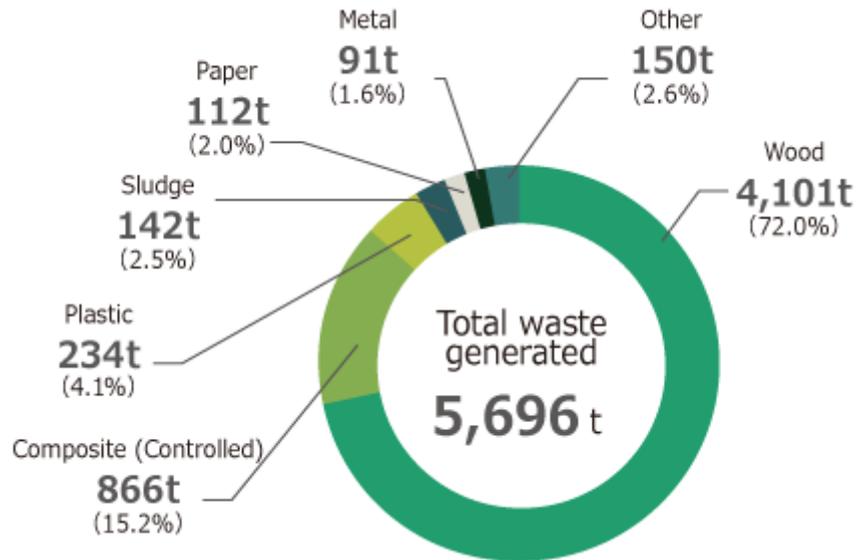
■ Initiatives at Domestic Plants of Building Components

Sumitomo Forestry Crest Co., Ltd. managed to achieve zero emissions (recycling rates of over 98%) again at all plants in fiscal 2016 as a result of each plant continuing with efforts to reduce waste emissions, for example by tightening the sorting of industrial waste and selling it for a profit.

Recycling Rates at Domestic Plants of Building Components



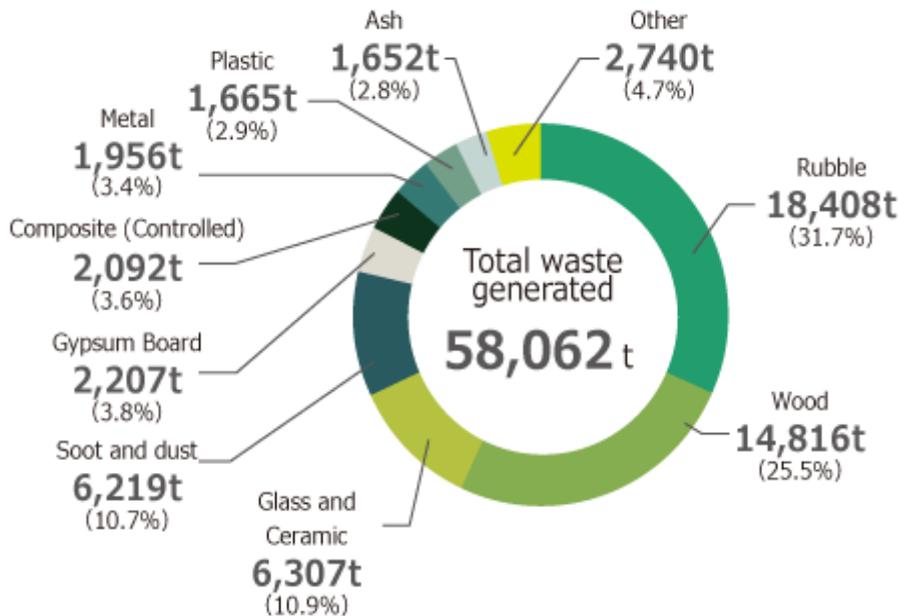
Breakdown of Waste Generated at Domestic Plants of Building Components (FY 2016)



Initiatives Other than New Housing Construction Sites or Domestic Plants of Building Components

At each waste-generating enterprise such as sites of renovation and housing materials sales, initiatives to reduce amounts of waste generated are implemented at a department level. For renovation sites, using protective materials attribute to mitigating waste generation. The recycling rate in fiscal 2016 was 76.2%.

Breakdown of Waste Generated Other than New Housing Construction Sites or Domestic Plants of Building Components (FY 2016)



■ Recycling wood waste materials from renovation sites

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



Particle board used recycled wood waste from renovation sites at the Sumitomo Forestry Home Tech

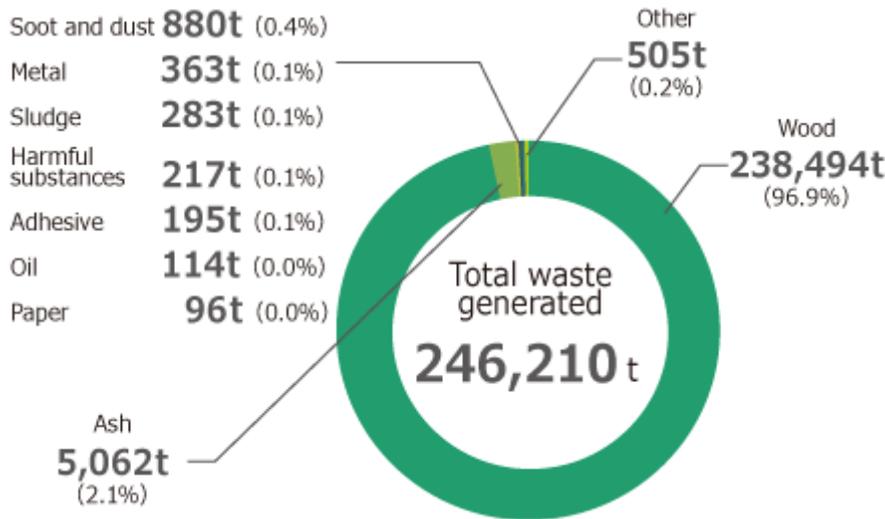
Initiatives for Zero Emissions at Overseas Manufacturing Facilities

The six main manufacturing companies outside Japan*, besides complying with local laws, are advancing initiatives based on the Sumitomo Forestry Group's definition of zero emissions. For example, in Indonesia, PT. Kutai Timber Indonesia collects wood waste generated during the particle board manufacturing process and reuses it as boiler fuel or in wood building materials.

In fiscal 2016, three companies— Alpine MDF Industries Pty Ltd., Nelson Pine Industries Ltd., and Vina Eco Board Co., Ltd. —achieved zero emissions. PT. AST Indonesia increased the amount of sales of securities more than roughly 50% compared to the previous fiscal year and it aims to achieve zero emissions in the future.

* Indonesia: PT. Kutai Timber Indonesia, PT. Rimba Partikel Indonesia, and PT. AST Indonesia
 Australia: Alpine MDF Industries Pty Ltd.
 New Zealand: Nelson Pine Industries Ltd.
 Vietnam: Vina Eco Board Co., Ltd.

Breakdown of Waste Generated at Overseas Manufacturing Plants (FY 2016)

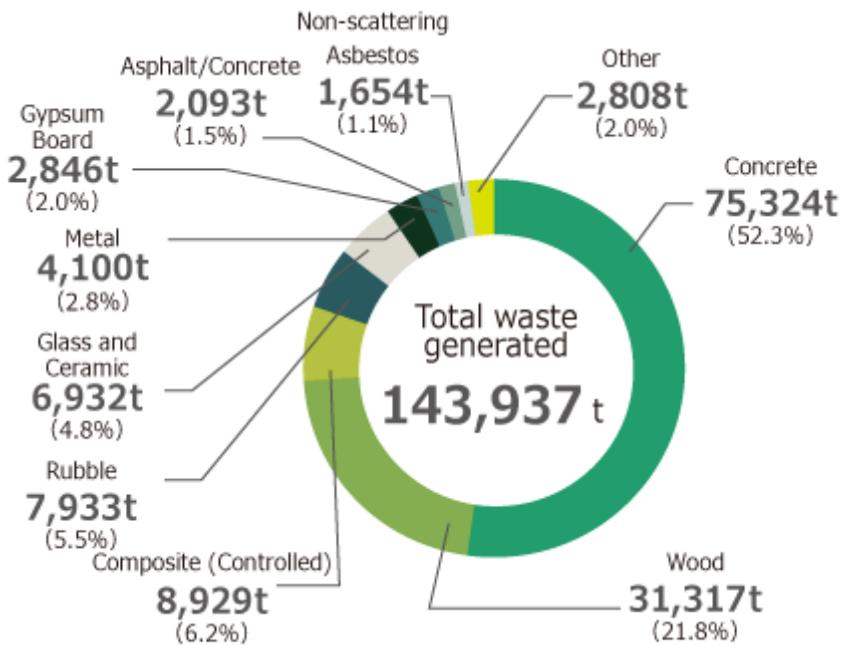


Proper Disposal of Demolition Waste

Sumitomo Forestry was promoting resource recycling even before the enactment of the Construction Material Recycling Act implemented in 2002 by ensuring that materials were properly sorted during demolition prior to the construction of a new house and that waste remained sorted for processing afterwards. Since the enactment in 2002, the Company has recycled the items required under the Act (wood waste, concrete, etc.), sorting them at the sites where the waste is generated.

The recycling rate for concrete and metal waste was almost 100% in fiscal 2016, as it was the previous year. A 100% recycling rate was achieved for wood waste through measures including the thorough removal of extraneous matter. We strive for appropriate processing while developing recycling routes for roofing tiles, glass, ceramics, gypsum board and other composite waste for even further improvement of recycling rates.

Breakdown of Demolition Waste Generated (FY 2016)



Education for New Construction and Demolition Contractors

Demolition contractors report about industrial waste to the head division from the start to the completion of demolition with pictures and materials recording the work based on a manual. The head division comprehensively checks these reports and, if there are any inconsistencies, education and comprehension tests about industrial waste is conducted for new construction contractors with monthly construction contractor meetings as an important management branch to confirm the capabilities.

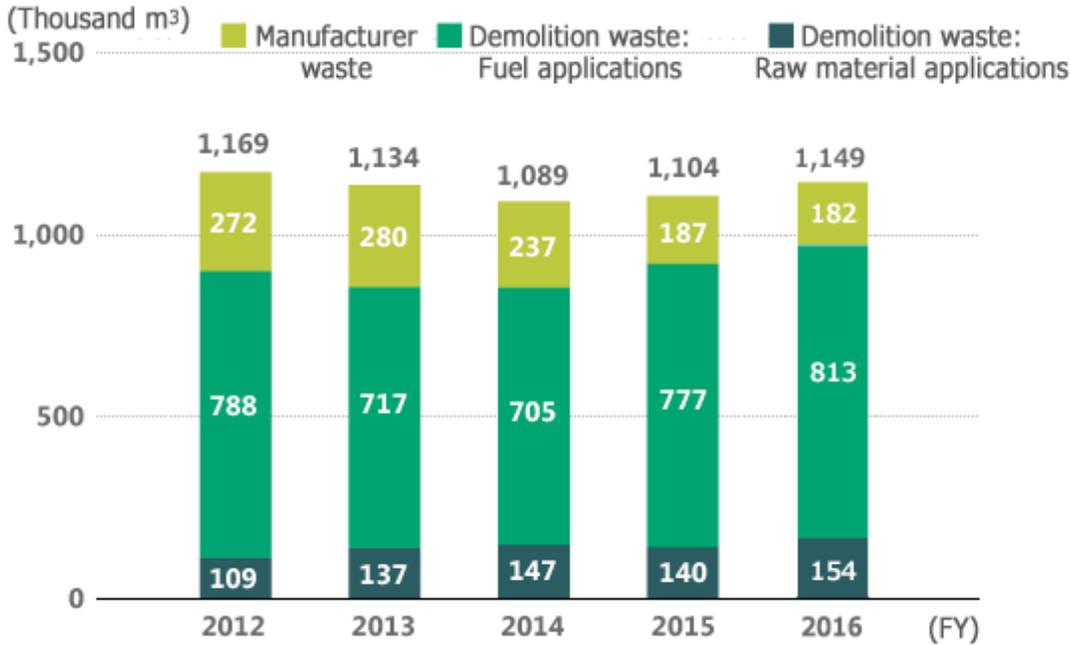
Recycling of Wood Resources into Chips

The Sumitomo Forestry Group contributes to resource recycling through its wood chip operations, whereby offcuts generated during the timber milling process and wood waste from new housing construction and demolition sites are turned into wood chips to be used as a raw material for products such as paper and particle board, and also as a fuel for power-generating boilers or other equipment.

Looking at the volume of wood chips handled in fiscal 2016, the Group began dealing in wood chips for export and so there was an increase in the volume of wood chips used as raw material (from demolition waste) compared to the previous fiscal year. On the other hand, the amount of raw materials declined as a backlash from the last-minute surge in demand prior to the consumption tax increase, and so the volume of wood chips for use as fuel (from demolition waste) also decreased.

In fiscal 2017, the Group expects to handle the same volume of wood chips used as a raw material for paper and particle board as in fiscal 2016. In addition, the Group expects that the volume of wood chips it handles for use as fuel will further increase through meeting the growing demand for fuel used in biomass power generation.

Handling Volume of Wood Chips



Effective Utilization of Used Activated Carbon from Water Purification Plants

The Tokyo Metropolitan Government (TMG) Bureau of Waterworks uses an advanced water treatment system combining ozonation and the use of biological activated carbon.

Group company Sumirin Agro-Products Co., Ltd. is making effective use of this used activated carbon to develop and market potting media for agriculture and horticulture and a soil improvement agent for greening. Joint research conducted with the TMG found that these items were effective in promoting plant growth, and the two parties applied for a joint patent based on the research results.

The amount of used activated carbon in fiscal 2016 was 1,877m³, which decreased 0.5% compared to the previous fiscal year. In fiscal 2017, sales of Tane Baido and Karuido products that use activated carbon are expected to go up with an estimate of 3,000m³, a 59.8% increase compared to fiscal 2016.



(Left) Used activated carbon (Right) Farming and garden products made from it

Sustainable Forest Management

Environmental Report

Sustainable Forest Management

Forests perform a variety of functions for the public good, such as storing and purifying water, preventing floods and landslides, absorbing and retaining CO₂ which is linked to global warming, and preserving biodiversity.

On a basis of appropriate management, the Sumitomo Forestry Group advances sustainable forest management both in Japan and overseas to ensure that timber resources will be available in perpetuity while preserving the public functions of forests.

Forest Management and Timber Usage



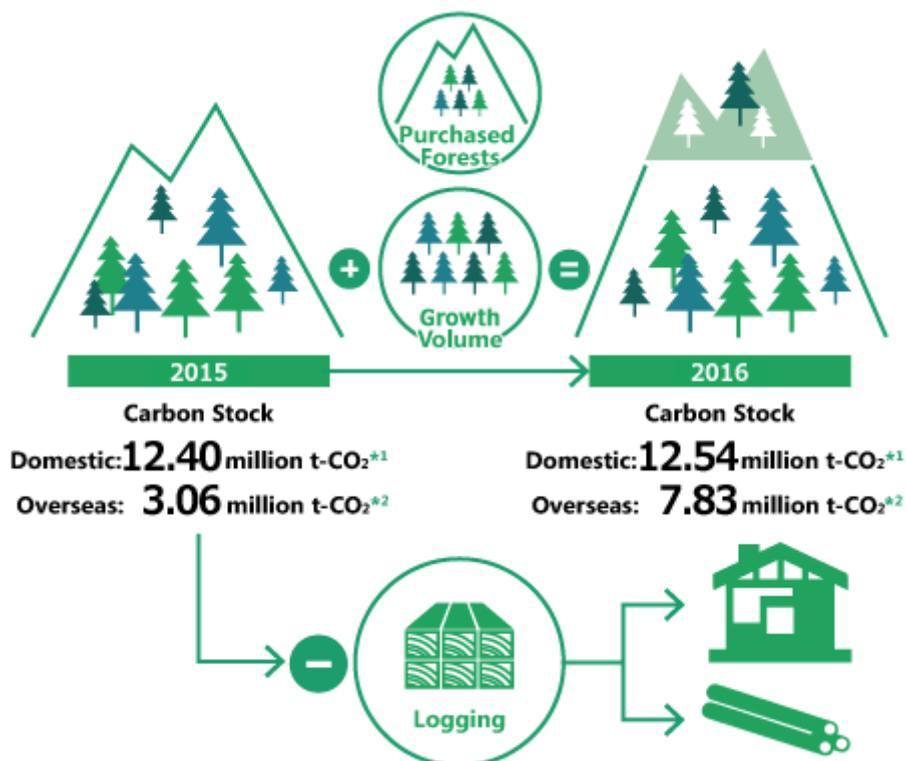
Cultivation—Preserving the Public Functions of Forests Through Appropriate Management

The Sumitomo Forestry Group manages a total 46,444 hectares of its own forests in Japan and a total of around 230,000 hectares of plantation forests overseas. The Group works to maintain and enhance the public functions of these forests by carrying out underbrush clearing, pruning, thinning and other appropriate management required for them to grow.

Carbon stocks* of the Company-owned forests in Japan in fiscal 2016, the amount of immobilized carbon dioxide at beginning of fiscal 2016 were 12,540,000 t-CO₂ (up by 140,000 t-CO₂ from the previous fiscal year) whereas those of overseas plantations were 7,830,000 t-CO₂ (up 477 t-CO₂).

* The amount of CO₂ absorbed by forests and stored as carbon. Calculated using a formula that multiply volume density, carbon content, and other coefficients set per type of tree against the accumulated amount in the forest. Furthermore, if there is a purchase of large forest during this period, they are omitted as its increase of accumulated amount within the last year cannot be identified. Natural trees and planted trees are within the scope in Japan but only planted tree are included for overseas.

Carbon Stock of Forests in Japan and Overseas



*1 Domestic: Carbon stock as of the beginning of each fiscal year

*2 Overseas: Carbon stock as of the beginning of each calendar year

Harvesting—Supplying Timber Products Through Systematic Harvesting

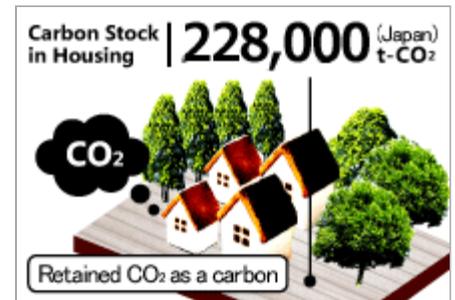
The Sumitomo Group logged 58,362 m³ of trees in Japan and 1,161,680 m³ of trees in overseas in fiscal 2016 in forests it owns or manages based on long-term logging plans. Harvested trees are milled and processed before finally reaching the market as products such as housing and furniture. In the case of timber turned into structural members for housing, the products are used for several decades.

Trees retain CO₂ as carbon even after they are turned into products. Using timber products and constructing wooden houses can therefore be likened to building forests in the city.

The total domestic carbon stocks in timber that was used in construction of the houses in the MOCCA (timber solutions) activities in fiscal 2016 reached 228,000 t-CO₂.

The Sumitomo Forestry Group helps to increase carbon stocks even in cities by advancing the construction of houses and the MOCCA activities, thereby contributing to global warming prevention efforts.

* Calculated as carbon dioxide fixation per newly built buildings multiplied by number of complete buildings until fiscal 2015. From this fiscal year, CO₂ fixation is calculated by separating actual amount of wood used for new housing, rental housing, and MOCCA business and calculating the carbon content based on their specific gravity.



Carbon stock of the timber used in the construction of houses and MOCCA (timber solutions) activities in Japan in fiscal 2016

Usage—Wood Can Be Reused and Does Not Increase CO₂

Even after being dismantled or at the end of their product life, wooden construction and timber products can be reused as fiberboard or other wood materials in construction or as raw material for making paper, and all that time it will continue to retain CO₂. The CO₂ released when timber is ultimately burned as a wood fuel is what has been absorbed from the atmosphere as trees grow, and therefore it does not represent an increase in CO₂ in the atmosphere over the life cycle of the tree.

Planting—Preparing for the Next Cycle

Harvesting and using timber alone will lead to a diminishing of forest resources. The Sumitomo Forestry Group therefore promotes sustainable forest management by always planting new trees after harvesting.

In fiscal 2016, the Group planted approximately 119 hectares of forests in Japan and around 8,280 hectares overseas. The newly planted trees will absorb CO₂ during their growth and retain it as carbon.

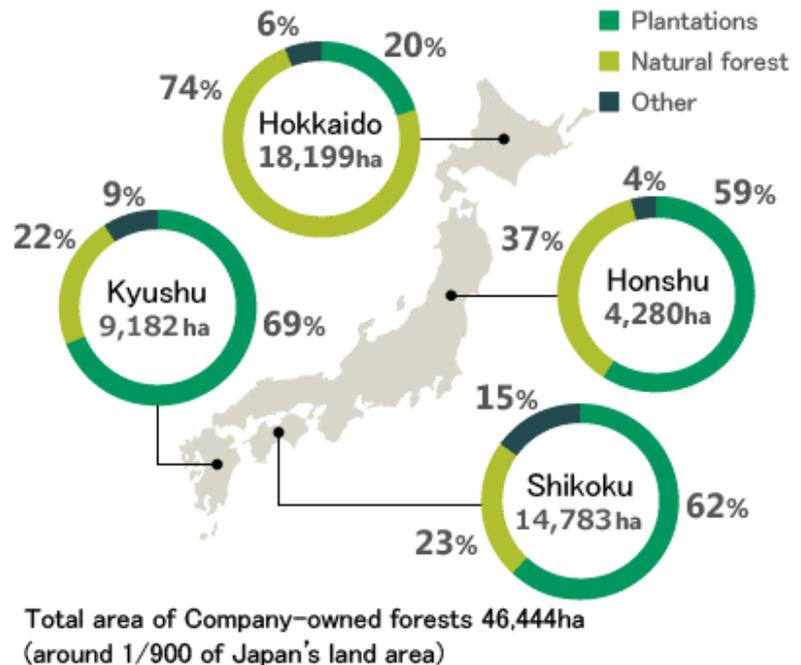
Preserving and Increasing Forest Resources through Management of Company-Owned Forests

Sumitomo Forestry owns a total 46,444 hectares of forest in Japan (around 1/900 of the country's land area). Company-owned forests are categorized as either "commercial forests," where the production of timber is the priority, or "environmental forests," where conservation of the environment is the focus.

Sumitomo Forestry acquired a forestry certification from Japan's Sustainable Green Ecosystem Council (SGEC)^{*1} for all Company-owned forests^{*2} in 2006 and third-party evaluations have confirmed that the forests are being properly managed, including with regard to measures to conserve biodiversity. New forest purchases after the acquisition of the forest certification have each been under evaluation for certification and our certification rate is 100%.

Forest operations include appropriate thinning, which helps to preserve and increase forest resources, while taking into consideration the surrounding environment including the ecosystem. Sumitomo Forestry also aims for highly productive management of its forests based on operational plans that follow the principle of performing the appropriate management for the appropriate tree species on the suited land.

Distribution and area of company-owned forests (as of March 31, 2017)



*1 Japan's own forestry certification system through which forest management is verified as sustainable by third parties. Certification is based on seven criteria that include the preservation of biodiversity and the conservation and maintenance of soil and water resources. Social awareness is growing due to recognition of the PEFC^{*3} forestry certification system, an international certification system, since June 2016.

*2 The forests owned by Sumitomo Forestry exclude the lands leased to Kawanokita Development Co., Ltd., which is a Group company responsible for operating a golf course

*3 Programme for the Endorsement of Forest Certification Schemes is an international NGO that mutually recognizes certification standards created in each country and region as criteria to share internationally. As of March 2017, forestry certification systems in 49 countries have joined PEFC of which 39 have been mutually recognized as forestry certification systems.

Promoting Effective Wood Procurement Through the Adoption of High-performance Silviculture Machines

Effectively Extracting Unused Forest Materials for Mombetsu Biomass Power Plant

Mombetsu Biomass Power Plant introduced Scandinavian harvesters and forwarders able to turn in small circles in 2015 to begin efforts to deliver log harvest/thinnings (wood leftover from logging) as fuel materials to the Plant.

Moreover, by selecting forestry equipment with high-level driving performance in narrow forest areas, operators are able to execute all harvesting and transport operations while on the machine. We consider this is an initiative that improves safety and will play a role even in eliminating occupational injuries.



Scandinavian harvester^{*1}



Scandinavian forwarder^{*2}

*1 Harvester: Self-propelled high-performance forestry machine that brings together each operation to cut, de-limb, and vertically cross-cut^{*3} timber, which had traditionally been done with a chainsaw

*2 Forwarder: Self-propelled high-performance forestry machine that collects and feeds vertically cross-cut^{*3} timber on a cargo bed

*3 Cross-cut: To cut crude timber to a standard length

Taking Hold of Potential in New Forests

■ Efforts in Fast-growing Trees

Sumitomo Forestry has begun efforts in fast-growing tree forests that are gaining more attention in recent years. Fast-growing trees are trees such as Chinese fir, chinaberry, willow and white birch that grow quickly and allow harvests in a short cutting cycle compared to Japanese cedar or Japanese cypress.

The Hyuga Forestry Office is conducting a test harvest of Chinese fir in the Hitoyoshi company-owned forest in Kumamoto prefecture. This test monitors aspects that include the reduction in weeding and tolerance against elements like wild animals through growth surveys and other research to examine the potential as a new tree species for garden vegetation.

In addition, we have begun experiments of planting willow with focus on use as fuel chips for biomass power generation at the Mombetsu Biomass Power Plant. We are investigating the potential use as fuel for biomass power generation while aiming to reduce costs such as harvesting and cultivation by planting and cultivating these trees in unused agricultural land with better topographical conditions than forests.



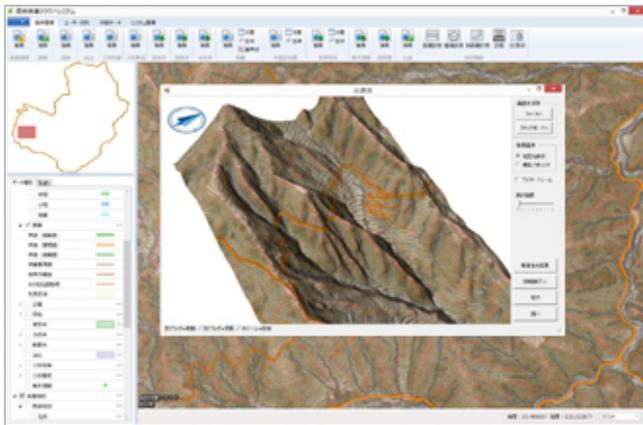
Chinese fir

■ Supporting the Adoption of Forestry ICT Platforms at Municipalities

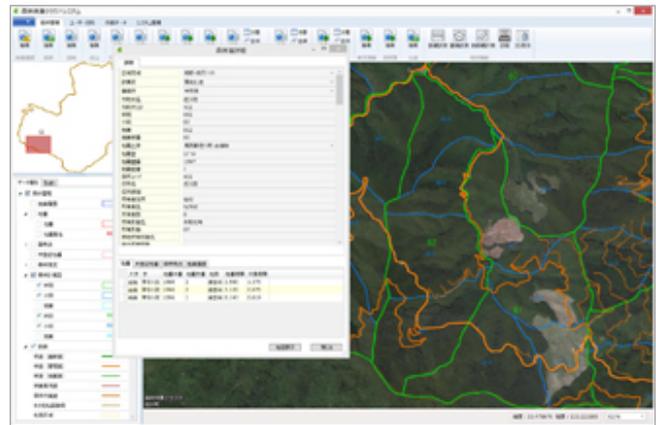
While quantity of forest resources are analyzed through aerial surveys and forest resource data systems are prepared in some advancing areas, many of the forests in Japan do not have sufficient forest resource information. Sumitomo Forestry built the Forestry ICT Platform together with AS Locus Corporation as a measure to address this situation. The Forestry ICT Platform is a holistic system with a wide range of functionality related to advance forest resource information as well as forests and forestry that has been provided to municipalities throughout Japan and organizations in the forestry business since 2013. The major features of this platform are the ability to optimize and provide it to each region it is adopted with the various forest and forestry data as well as features built-in based on the characteristics of the region. We have supported 11 municipalities with the platform as of the end of fiscal 2016.

Sakawa township, Kochi Pref. that introduced the platform in fiscal 2016 analyzed the forest resources through aerial surveys and was able to realize applications to data systems related to local surveys and other functions to make forestry practices more efficient by creating data from information such as tree heights and chest height diameters for each and every cedar and Japanese cypress in the entire area. In the

future, we expect the Forestry ICT Platform to contribute to further evolution of forests in Japan as the platform spreads nationally.



system screen (geographical information)



system screen (forest resources information)

Toward the Future

Sumitomo Forestry will promote the utilization of forests as a leader in the forest industry by continually pursuing many potentials of forests and forestry through efforts that include more efficient forestry operations through the adoption of better high-performance forestry equipment as well as the use of ICT technology.

In addition, we will promote and maintain a 100% SGEN forest certification rate for both existing company-owned forests and newly acquired forests to promote environmentally-friendly forest management.

Forest Management Overseas

The Sumitomo Forestry Group is expanding three approaches to conducting plantation forest operations; industrial tree plantation, environmental reforestation, and “social forestry”. The purpose of industrial tree plantation is to produce wood and increase the supply of plantation timber (raw material). By zoning its managed land appropriately, the Group aims to achieve both the conservation of valuable ecosystems and the development of local communities through plantation forest operations.

In addition, the Group also conducts environmental reforestation, aimed at planting trees for the environmental conservation. It aims to contribute to environmental conservation through the expansion of forested areas and the fulfillment of the ecosystem services function of forests, by actively planting trees on land where natural regeneration would otherwise be difficult. The Group has also been engaged in “social forestry” which shares the economic benefits of forest plantation with local communities while enlisting the cooperation of local residents.

► [Overseas Plantation List](#)

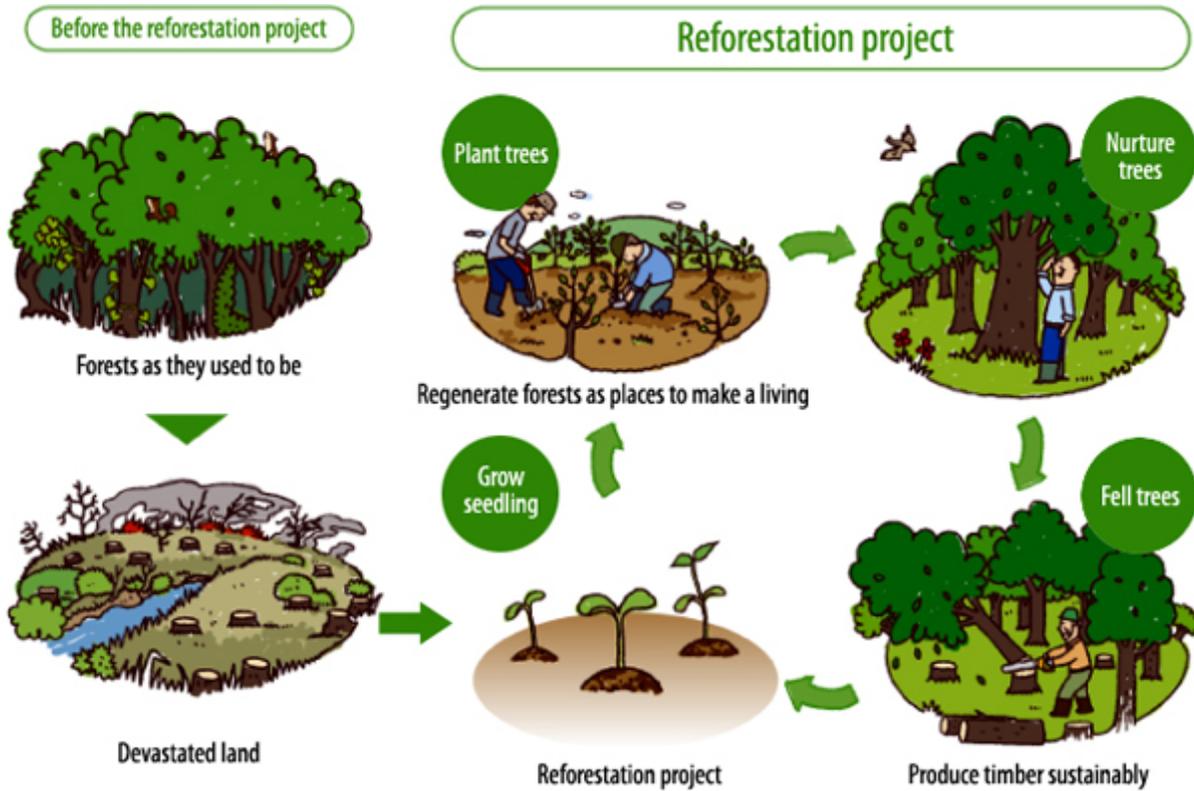
■ **Plantation Forest Operations in West Kalimantan, Indonesia (Industrial tree Plantation)**

Since 2010, under the license from Indonesian Ministry of Environment and Forestry permitting utilization of timber from commercial forests ^{*1}, Sumitomo Forestry has been committed to a large-scale forest plantation business conducted in cooperation with the ALAS Kusuma Group, a company involved in forestry management and plywood manufacturing in Indonesia. The project covers the area where repeated illegal logging and slash-and-burn farming practices have persisted, and further forest degradation is foreseen. In these types of lands, Sumitomo Forestry Group actively uses devastated forests with low production as plantation forests while taking on the responsibility of preserving forests with high conservation value. In addition, we believe it is important to prevent further degradation of forests by providing an economic infrastructure to local communities through businesses.

The Group aims to plant various tree species appropriate for each piece of land with consideration to different environmental factors such as the soil and moisture content in its plantation forest operations. Furthermore, we conduct research and monitoring based on the latest knowledge from third parties to continually improve our operations. The planting, cultivation and harvesting work done by human hands largely contributes to local communities by creating jobs.

* Issued by the Indonesian government, this is a business license to engage in industrial tree plantation operations in Indonesia. The license is valid for 60 to 100 years.

Reforestation project in collaboration with the ALAS Kusuma Group



<p>2012</p>	<ul style="list-style-type: none"> • Signed a contract with International Finance Corporation (IFC)—member of the World Bank Group for the provision of advisory services. In accordance with the concept of High Conservation Values Forests (HCVF)^{*1} that draws great attention in recent years, Sumitomo Forestry conducted assessments on its operational properties with IFC and investigated whether the property use plan is implemented as stated and adequate consideration is made for biodiversity and livelihood of local residents. The reports of the investigation results were audited by a third-party organization, and valuable comments made by stakeholders on the report will be adapted in the business plan.
<p>2013</p>	<ul style="list-style-type: none"> • Held public hearings where stakeholders such as local residents, companies in the communities, academics, NGOs, and government officers were invited to share the results of the investigations. • Obtained the PHPL certification, formally called Sertifikat Pengelolaan Hutan Produksi Lestari issued by Ministry of Forestry (Departemen Kehutanan) on sustainable forest management.
<p>2015</p>	<ul style="list-style-type: none"> • Held public hearings with stakeholders prior to plantation forest harvest with the aim of deepening stakeholders' understanding about our businesses and consideration to environment and social issues that we promote. This venue also actively pursued cooperation from our stakeholders to prevent forest fires. Participants not only shared a lot of positive feedback but also gave us comments fruitful in the formulation of our business plans.

2016

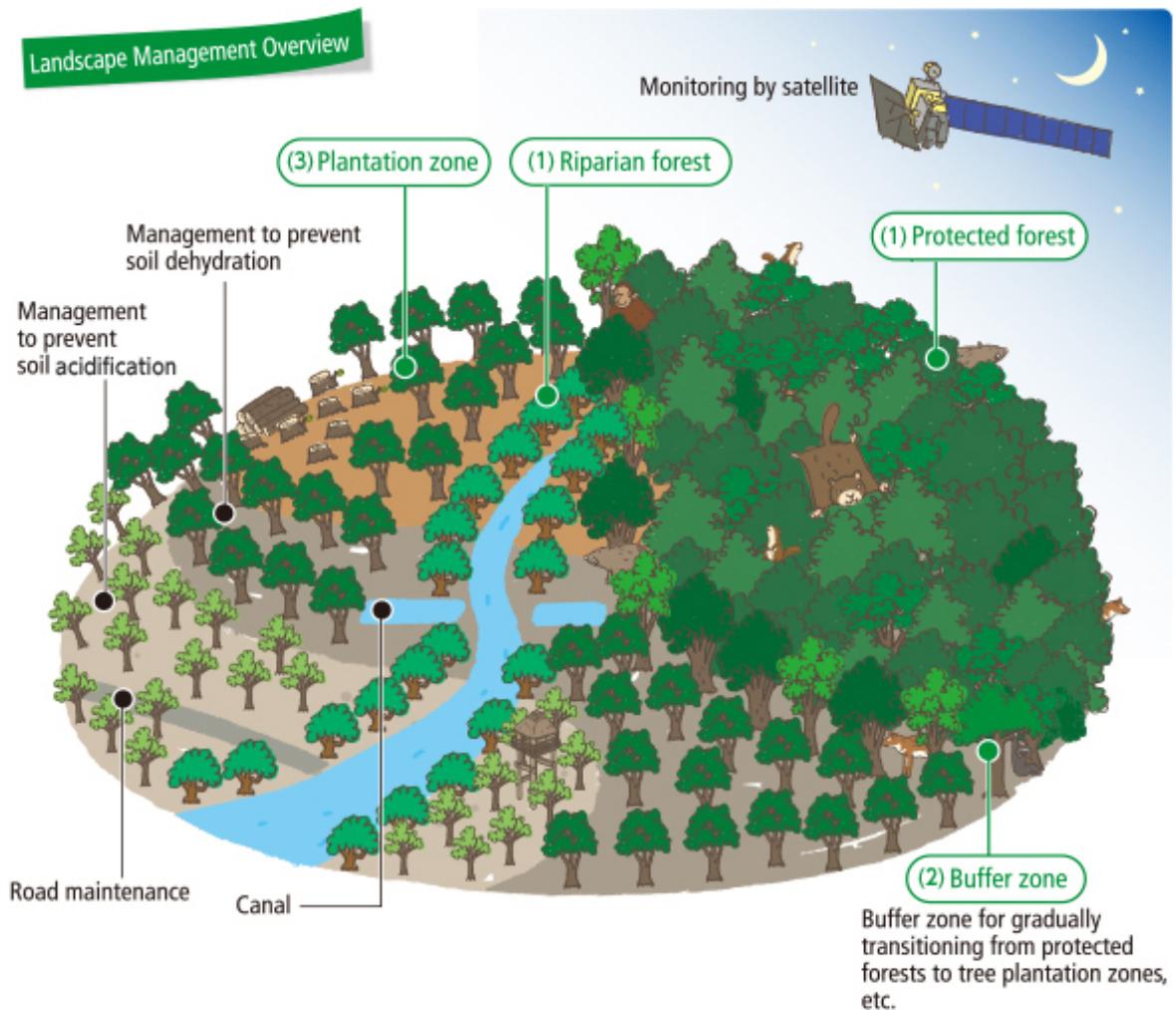
- Entered into MOU with the Sustainable Forest Management Section of the Indonesian Ministry of Environment and Forestry for a pilot project (model commercialization) to create a model case for plantation forest operations in peat lands. This agreement is for a five year term. A task force team was organized jointly with the Ministry of Environment and Forestry and gained approval for the activity items.
- The Commissioner of Peat Land Recovery visited the local grounds to observe the peat management technology. Gained high praise for groundwater level control technology and the newest initiatives founded in data as well as introduced both in a public venue for government officials as beneficial examples for Indonesia.

* HCVF outlines methods to objectively extract each and every multifaceted values of forests beyond the value as absorbers of greenhouse gases, encompassing the value as habitats of rare, endangered animal species, the value as water sources, the value as providers of essential natural services such as prevention of soil erosion, and the land that has an intimate relationship with the lifestyle and culture of local communities.

■ Conservation of Peat Swamp Forests

Conventionally, reforestation in peatlands* has dried the land by digging many drainage routes for planting. However, drying-out land results in the decomposition of organic matter in the peat soil and acts to heighten global warming due to the emission of greenhouse gases. Dried peat, once ignited, is very difficult to extinguish, creating the risk of large-scale forest fires. The soil needs to always be in a damp state to prevent fires, but this means maintaining a constant groundwater level throughout the year through proper water level management is extremely vital. Therefore, in drawing up a forestation plan, the Sumitomo Forestry conducts detailed measurements and surveys based on which the following areas are identified: (1) forests to be protected with riparian forest and high rarity value, (2) areas to set as buffer zones between protection zones and plantation zones, and finally (3) areas the final determination as plantation zones. In plantation zones, water routes that function as round log transport, water level control, and fire belts are constructed while allowing a constant water level in the peatlands to always be maintained without affecting the rivers by not directly connecting the water routes and the rivers. Maintaining a constant groundwater level not only prevents forest fires and minimizes the breakdown of peats but also limits the emission of greenhouse gases.

* Characteristics of the peat soil found in the peat swamps is known to emit enormous amounts of greenhouse gases, typically carbon dioxide and methane gas, if the soil was inappropriately exploited. Owing to joint researches by Japanese and Indonesian academic institutes, this project takes consideration to minimize greenhouse gas emissions that accrue as the peaty soil dissolves during exploitations.



Forest Management Consulting Business Overseas

Corporate needs for forest management are diverse. In recent years, there has been a considerable number of companies conducting forest conservation activities and planting activities in developing countries, for the purpose of mitigating the impact on forests in overseas countries and regions where they are doing business, or for the purpose of fulfilling their corporate social responsibility.

Drawing on its knowledge of forest management in Japan and overseas, Sumitomo Forestry implements its consulting business for restoration of degraded forests in tropical regions, the rehabilitation of biodiversity, and for the protection and cultivation of forests that takes into account local communities.

The Company plans to enhance the value of existing projects in cooperation with local governments and relevant organizations, and to promote the proposal of new mechanisms such as REDD+ as well as ongoing projects that contribute to local economies through forest management and agricultural production.

■ Mitsui Sumitomo Insurance Co., Ltd.'s Project for the Rehabilitation and Regeneration of the Paliyan Wildlife Sanctuary (environmental reforestation / social forestry)

Mitsui Sumitomo Insurance Co., Ltd. has been involved in efforts for restoring the devastated forests in the Paliyan Wildlife Sanctuary (Gunung Kidul Regency in the Special Region of Yogyakarta) in Indonesia since 2005. Sumitomo Forestry has provided associated consulting services.

During the first phase of activities to March 2011, around 300,000 trees were planted on 350 hectares of land. As second term activities since April 2011, with a goal of creating a framework for local people to voluntarily protect their abundant forest areas, Sumitomo Forestry has been providing support for an agricultural guidance program aimed at improving the livelihoods of local residents, the establishment of an inclusive organization to examine ways of managing protected forests, and an environmental education program in cooperation with local schools. As third term activities since April 2016, we have been supporting additional planting in areas with few trees in protected forests as well as social forestry through local communities around protected forests.

As part of this project, the Company has also opened the doors to its plantation forests, seminar house and other related facilities in a positive effort to make information on its experiences and know-how on forest restoration available to the public. These have been well attended by local elementary and middle school students, by Indonesian and foreign university students and experts in such fields as forestry, the environment and education, as well as by many government officials.



Pepper farming through the agricultural guidance program

■ Technical support (citizen participation type reforestation) consulting services related to Indonesian Forestry Conservation Plans through environment programs for free capital assistance (environmental reforestation / social forestry)

The Japan International Cooperation System is working in citizen participation type reforestation in Manupeu Tanah Daru National Park in Indonesia (East Nusa Tenggara), Bromo Tengger Semeru National Park (East Java) and Ujung Kulon National Park (West Java) over five years starting in 2015. Sumitomo Forestry has been involved as a consultant in these activities. Reforestation was conducted in fiscal 2015 and fiscal 2016. In fiscal 2017, Sumitomo Forestry implemented fire prevention measures through maintenance such as cutting grass, patrols, and environmental education for citizens. The purpose of these operations is to teach forest management to the citizens for when they take over the forests via planting activities done together with the local citizens in each region.



Work to carry out seedlings from seedbeds to plantation forests in Manupeu Tanah Daru National Park

- ▶ [Responsible Timber Procurement](#)
- ▶ [Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas](#)

Toward the Future

Sumitomo Forestry is expanding its experience, technology and know-how that it has cultivated up until now globally and practices forest management able to co-exist with both the environment and society. In the future, we will aim to maximize the value of plantation forests based on extremely accurate management plans and management systems while deepening links to government agencies and academic institutes in each country.

Declaration of Biodiversity and Biodiversity Action Guidelines

Sumitomo Forestry established its policy on Biodiversity Conservation in Company-owned Forests in Japan in fiscal 2006, and its Timber Procurement Philosophy and Policy in fiscal 2007. The Company also revised its Environmental Policies in fiscal 2007 to incorporate biodiversity considerations. Then in March 2012, the Sumitomo Forestry Group established its Declaration of Biodiversity, setting out the Sumitomo Forestry Group's understanding of and stance on biodiversity; Biodiversity Action Guidelines, specifying an internal set of guidelines; and Biodiversity Long-Term Targets as specific goals of activity.

In July 2015, the Group initiated the Sumitomo Forestry Group Environmental Policy, bringing together the Environmental Philosophy, the Environmental Policies^{*}, the Sumitomo Forestry Group Declaration of Biodiversity, and the Sumitomo Forestry Group's Biodiversity Action Guidelines. Therefore, the efforts in biodiversity are also operated based on the policies integrated in the Sumitomo Forestry Group Environmental Policy.

* The Sumitomo Forestry Group formulated the Environmental Philosophy in 1994 and the Environmental Policies in 2000.

- ▶ [Sumitomo Forestry Group Environmental Policy](#)
- ▶ [Environmental Management Structure](#)

Long-Term Biodiversity Targets

As well as advancing biodiversity conservation initiatives, the Group established its Long-Term Biodiversity Targets in March 2012 as a way of contributing to the international community in respect to attainment of the Aichi Biodiversity Targets adopted at the Conference of Parties to the Convention on Biological Diversity (COP10) in 2010. Rough schedules for achieving each of the long-term targets were put in place covering the period up until 2020 and serve as a guideline for advancing initiatives.

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

■ Group-wide Targets

1 (Aim to achieve sustainable forests)

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

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

2 (Increase the amount of CO₂ absorbed by and sequestered in forests and timber)

By cultivating healthy forests and promoting the use of timber through the greater use of timber construction materials and the construction of wooden buildings, we will strive to increase the amount of CO₂ absorbed by and sequestered in forests and timber to contribute to the protection of biodiversity and the alleviation of climate change.

■ Individual targets

3 (Forests)

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

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

4 (Products)

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

5 (Construction)

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

6 (Design)

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

7 (Greening)

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

8 (Plants)

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

9 (Public relations)

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

10 (Research)

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

11 (Social contribution)

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

Company Structure for Biodiversity Conservation

In accordance with our environmental management structure, the Representative Director and President is the person in charge of Sumitomo Forestry Group's initiatives to protect biodiversity, and the Executive Officer in charge of the CSR Promotion Department and the General Manager of the CSR Promotion Division manage Sumitomo Forestry Group company activities.

► [Environmental Management Structure](#)

Commitment to Protected Areas

To manufacture and secure timber resources, Sumitomo Forestry owns or manages many forests both in Japan and overseas. None of these forests is located in areas designated as world heritage sites. Furthermore, we have not and will not operate in areas designated as world natural heritage sites. Regardless of land ownership, national parks in Japan, which has a small land area, operate under the Regional Natural Park System and many national parks include private property. A portion of Sumitomo Forestry's Company-owned forests are located inside national park areas, and as is the case for other areas designated as protected forests or other, we operate in strict compliance with all legal regulations.

The Sumitomo Forestry Group manages 46,444 hectares of Company-owned forests in Japan and approximately 230,000 hectares of forests overseas. These managed forests are categorized as environmental forests, economic forests and other. Both in Japan and overseas, a nature conservation area is created according to its categorization as an environmental forest or protected forest and operations in such areas are not permitted in principle. Specifically, at the operation site of the Indonesian affiliated company PT. Wana Subur Lestari (hereinafter, WSL), we concluded an advisory contract with International Finance Corporation (IFC), a World Bank Group organization, to designate High Conservation Value Forests (HCVF). These protected areas account for over 20% of our operating land, higher than the 17% goal for protected regions set out in the Aichi Biodiversity Targets.

Evaluation of Stakeholder Initiatives

At WSL, we worked jointly with IFC to survey our operation sites as part of the process of designating HCVF, and investigated if operation site land-use plans were appropriately implemented and if adequate consideration to biodiversity and the lifestyle of local residents was given. Based on the results of these surveys, we held stakeholder meetings (local residents, surrounding companies, academics, NGOs, government officials) to exchange opinions. In the future, we will hold similar opportunities to exchange opinions as needed.

In addition, in our urban greening business, we obtain third-party evaluations by actively encouraging our customers to register for "Ikimono Kyozon Jigyousho" certification set by the Association for Business Innovation in Harmony with Nature and Community (ABINC) or the Social and Environmental Green Evaluation System (SEGES) green certification implemented by the Organization for Landscape and Urban Green Infrastructure.

Support of Related Initiatives and Cooperation with Organizations

Sumitomo Forestry participates in many organizations that are actively involved in biodiversity conservation.

The president of Sumitomo Forestry serves as vice chairman of the Keidanren Committee on Nature Conservation, made up of Keidanren member companies. In addition, employees are temporarily assigned to serve as secretariat members and committee members are dispatched to the planning task force, which is in charge of operations. We also participate in Japan Business Initiative for Biodiversity (JBIB), made up of companies passionate about biodiversity, and conduct joint research on corporate biodiversity initiatives in numerous subcommittee meetings.

In the Double 20 Project in Japan to achieve the targets for Aichi, we have registered three projects as of June 2016; The Sumitomo Forestry Group's Biodiversity Long-term Targets, Sumitomo Forestry-owned Forest Operations Friendly to Biodiversity, and the Environmental Education Program at Mt. Fuji Manabi no Mori Project. These three projects are highly praised for many reasons that include the creation of many independent links, content with a great impact that utilizes the features of the company in its efforts and for the ripple effects to related industries that can be expected thanks to the relationship outlined with Aichi targets. In March 2017, these projects were bundled and recognized as a business tie-up with the Japan Committee for United Nations Development Business (UNBD-J; 10th).

Sumitomo Forestry Landscaping Co., Ltd. is actively striving toward the registration of certifications in the JBIB Guidelines for Sustainable Business Sites promoted by the Association for Business Innovation in harmony with Nature and Community (ABINC) and the SEGES Green Certification promoted by the Organization for Landscape and urban Green Infrastructure for properties undertaken with the environmental greening business. Moreover, the chairman of Sumitomo Forestry acts as the chairman of the Organization for Landscape and Urban Green Infrastructure.

- ▶ [Sumitomo Forestry Group biodiversity conservations activities have been certified as an affiliated operation of the Japan Committee for United Nations Development Business \(UNBD-J\)](#) (in Japanese)

Toward the Future

As in the past, we will continue to work steadily to promote initiatives in line with Sumitomo Forestry's Long-Term Biodiversity Targets for 2020. In addition, we will consider ways to quantify and measure the impact Sumitomo Forestry Group operations have on biodiversity and natural resources.

Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas

Environmental Report

Biodiversity Conservation in Company-Owned Forests in Japan

The Policy on Biodiversity Conservation for Company-owned forests in Japan calls for efforts to promote diversity of ecosystems through proper management of protected areas and consideration toward the continuity of forests, diversity of species through protection of rare flora and fauna, and genetic diversity through the maintenance of populations.

In keeping with these policies, forests are subject to appropriate zoning and management according to certain criteria, such as the increment of trees. Sumitomo Forestry is also making efforts to create endangered species lists and manuals and conduct monitoring surveys of wildlife.

Policy on Biodiversity Conservation in Company-Owned Forests in Japan(Excerpt) (Formulated June 2006)

1. Diversity of ecosystems

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

2. Diversity of species

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

3. Genetic diversity

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

■ Red Data Book and Riparian Forest Management Manual

Sumitomo Forestry creates a Sumitomo Forestry Red Data Book listing flora and fauna at threat of extinction which may exist in Company-owned forests and distributes it to employees and contractors involved in forest management. By carrying the book with them during operations, personnel can refer to the opinions of specialists when they come across flora and fauna included in the book and take action. In fiscal 2016, the Company reviewed the Sumitomo Forestry Red Data Book (Osaka Office Mie Office Edition) in order to newly add species mapped in the forestry.



Sumitomo Forestry Red Data Book

The Company has also created the Riparian Forest Management Manual to ensure the appropriate management and preservation of areas around bodies of water that are rich in biodiversity.

■ Wildlife Monitoring Surveys

Sumitomo Forestry monitors wildlife inhabiting Company-owned forests. Every year, surveys are conducted in one of four areas— Mombetsu (Hokkaido), Niihama (Shikoku), Hyuga (Kyushu) and Hyogo/Mie (Honshu). Data for each area is therefore accumulated in four-year cycles. This is used to create basic reference materials relating to biodiversity and to ascertain the impact of forestry on the surrounding environment over the long-term.

In fiscal 2016, we conducted monitoring surveys that included (1) mammal surveys, (2) fixed-point surveys of birds of prey, and (3) bird surveys and fixed-point imaging for the creation of growth potential maps for birds of prey (mountain hawk-eagles) in Niihama. In the surveys for this year, we were unable to confirm any mountain hawk-eagles, but we were able to see forest appropriate for hawk nesting and land appropriate for hunting in a mosaic shape as well as a good environment for nurturing mountain hawk-eagles in company-owned forests.

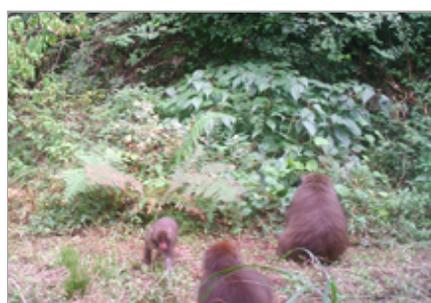
Species of mammals and birds confirmed by past surveys

	Managed Area (ha)	Verified mammal and avian species									
			2008	2009	2010	2011	2012	2013	2014	2015	2016
Company-owned forests in Shikoku	14,783	Mammals	14				11				10
		Birds	31				34				24
Company-owned forests in Kyushu	9,182	Mammals		11				12			
		Birds		33				29			
Company-owned forests in Hokkaido	18,199	Mammals			10				9		
		Birds			38				40		
Company-owned forests in Honshu *2013 acquisitions in Okayama, Hyogo, and Mie *2015 additional acquisitions in Wakayama	4,280	Mammals				12				(Wakayama) 10 (Hyogo) 6	
		Birds				25				(Wakayama) 29 (Hyogo) 21	
All	46,444										

* Conducted in two areas in 2015; Wakayama and Hyogo



Japanese deer confirmed in Niihama (Shikoku) forests in 2016



Japanese monkeys confirmed in Niihama (Shikoku) forests in 2016

Biodiversity Conservation in Plantation Forests Overseas

Indonesia has the third largest area of rainforest in the world, however, it is said that around 700,000 hectares of forest are lost each year due to such factors as forest fires, illegal logging and slash-and-burn farming. The Sumitomo Forestry Group runs a large-scale plantation in West Kalimantan, Indonesia. The forests are planted and managed using methods suited to each area based on appropriate zoning that takes into account biodiversity considerations.

In fiscal 2012, for the purpose of objectively reviewing the methods used for selecting and managing protected areas set up within the boundary of the plantation site, the Group entered into an advisory agreement with the International Finance Cooperation (IFC), an independent organization and member of the World Bank Group, and in fiscal 2013, identified high conservation value forests (HCVF) areas within the site. The results of this review will be reflected in future business plans. Also in fiscal 2013, the Group acquired PHPL (Sertifikat Pengelolaan Hutan Produksi Lestari), a certification of the Ministry of Forestry of Indonesia for sustainable forest management. In fiscal 2016, the Sustainable Forest Management section of the Indonesia Ministry of Environment and Forestry and the model commercialization entered into a MOU.

► [Forest Management Overseas](#)

Toward the Future

The Sumitomo Forestry Group will work to establish forest management in Company-owned forests that also conserves biodiversity by conducting monitoring surveys for mammals and other specified species while promoting greater awareness about the understanding and conservation of rare species.

Conservation of Biodiversity Through Business and Services

Environmental Report

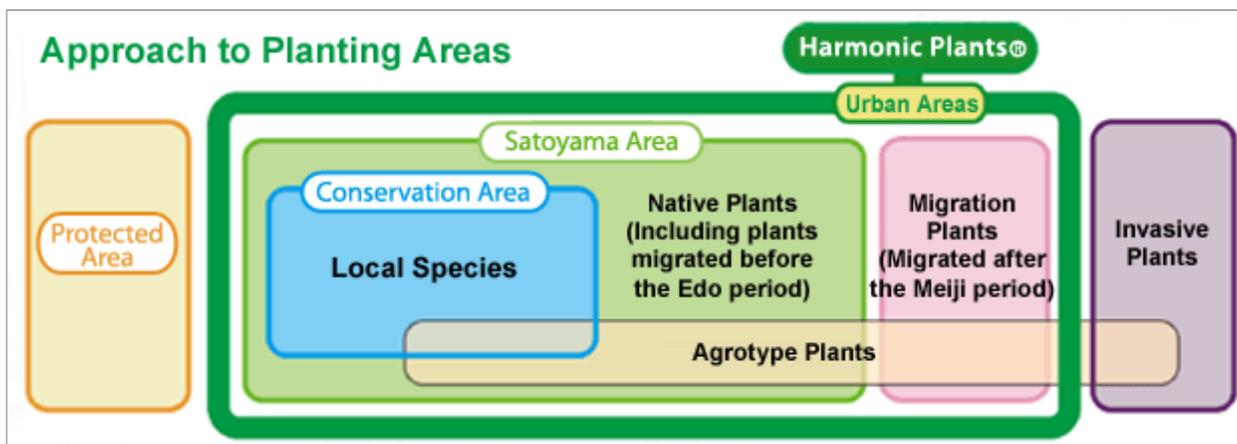
Harmonic Plants® for the Conservation of Biodiversity Through the Greening Business

Sumitomo Forestry Landscaping Co., Ltd. is selecting greening plants based on the garden vegetation plans according to factors such as the impact on the ecosystem and genetic system to protect the biodiversity in Japan. These greening plants that are biodiversity friendly have been named Harmonic Plants® and are used throughout the entire greening business.

There are plants that have grown in Japan since long ago (native plants), plants that have come to Japan from abroad (migration plants) and garden plants (agrotypes) for trees. Among these migration plants, there are species that will overrun areas where native plants live due to their characteristics, which endanger the biodiversity of the region (invasive plants*)

Garden vegetation plans are separated into four areas that take into account the conservation level (protected areas, conservation areas, satoyama areas, urban areas) to select plant species based on these areas. For example, in urban areas when building gardens for residences, the colorfulness is represented by selecting a balance of greening plants from non-invasive migration plants around a main selection of native plants, including agrotypes. In addition, the Group has in place a policy of not using invasive plants that clearly have an adverse impact on local ecosystems and a division responsible for coordinating technology at Sumitomo Forestry Landscaping Co., Ltd. checks that such species are not used.

* Specified alien species and alien species requiring caution as stipulated by the Invasive Alien Species Act



Efforts for the Entrenched Widespread Use of Harmonic Plants®

Sumitomo Forestry Landscaping has adopted garden vegetation that is friendly to biodiversity in Sumitomo Forestry custom-built detached houses and condominiums. In

October 2014, in conjunction with Sumitomo Forestry, the Company launched a new concept of complete garden proposals called “Sumitomo Forestry Gardens.” The proposals, which integrate home and garden design, include plans for planting that take biodiversity into account based on Harmonic Plants®.

In fiscal 2016, all of the garden work in housing exteriors of the 832 condominiums that were completed utilized garden vegetation via Harmonic Plants®. It also used Harmonic Plants® in landscaping at all 17 Sumitomo Forestry model homes that opened during fiscal 2014, in an effort not only for Harmonic Plants® to be incorporated into planting proposals for customers, but also to raise awareness among employees.

Native species are one class of Harmonic Plants®. Targets for the number of native species planted have been established in the Mid-Term Environmental Management Plan, and in fiscal 2016, 30,614 native species🌿 were planted at Sumitomo Forestry’s custom-built detached houses and subdivision homes.

- ▶ [“Sumitomo Forestry Gardens”](#)
- ▶ [Mid-Term CSR Management Plan](#)
- ▶ [🌿 About symbol for Independent assurance](#)

Biodiversity Consulting Business

■ Social and Environmental Green Evaluation System Certification Support

Knowledge in expert fields around green assets such as urban greening and biological survey risk management are required to respond to the broad needs of green zones in demand in an environmental era. Sumitomo Forestry Landscaping together with Sumitomo Forestry, InterRisk Research Institute & Consulting, Inc., and Regional Environmental Planning, Inc. have worked to popularize social contribution green zones that use company-owned green environments via consultant services with the organization of a consultant team called the Eco-Asset™ Consortium.

The Forest of Toyota, which the Eco-Asset™ Consortium consulted on about the green conservation plan, was highly praised and received the 3rd Green Society Award in October 2015. The Green Society Award is held by the Organization for Landscape and Urban Green Infrastructure to evaluate greening from green land open to the general public to biodiversity conservation activities and it is the premiere award that praises social contribution through greening.

■ Meidensha Corporation Office Biodiversity Project

Sumitomo Forestry Landscaping with the cooperation of the companies participating in the Eco-Asset™ Consortium is supporting biodiversity efforts that utilize existing green areas at the Meidensha Corporation Numazu site. This Numazu site of the Meidensha is the core production site of the Meidensha Group, which began business in 1961 surrounded by the rich natural environment of Numazu from Mt. Fuji and Suruga Bay to

the natural springs of Kakitagawa River. The land holds a wide range of potential in a diverse ecosystem with a natural impact on both the nature of hilly areas running to Mt. Fuji to the north and the seaside of Suruga Bay to the south.

The Eco-Asset™ Consortium propose programs to interact with nature that use existing green lands. In fiscal 2016, we held biodiversity activities twice with the participation of our employees.



Area with a view of Mt. Fuji



Atrocalopteryx atrata confirmed on the grounds (lives on the high-quality of water in the clear streams)



80 employees and their families participated in Biodiversity Activity over the two days



Creating a life map and monitoring conducted with employee participation

Toward the Future

The Sumitomo Group will continue to popularize social contribution greening in the future through consulting services while protecting biodiversity in Japan through the standardization and advancement of Harmonic Plants®. In addition, we will propose the construction of offices that coexist with nature through efforts such as activities to learn and interact with life nearby.

Management of Hazardous Chemical Substances

Environmental Report

Management of Chemical Substances

Management of Chemical Substances at Plants in Japan

The Sumitomo Forestry Group manages chemical substances at each of three relevant Sumitomo Forestry Crest Co., Ltd. plants (Kashima Plant, Niihama Plant, Imari Plant) in accordance with the Pollutant Release and Transfer Register Law related to promoting understanding, management, and reforms for designated chemical substance emissions to the environment in Japan.

Management Table of Chemical Substances at Plants in Japan (FY 2016)

Applicable Company	Applicable Department	Designated Chemical Substance Number	Name of Chemical Substance	Total Use (kg/year)	Emissions (kg/year)				Total Transfer (kg/year)		Conversion into Products
					*Air For VOC regulations	Water	Soil	Landfill Disposal	Sewerage	Unrelated Offices	
Sumitomo Forestry Crest Co., Ltd.	Kashima Plant	186	Methylene chloride (dichloromethane)	13,703	9,600	0	0	0	0	4,100	2
		448	Methylenebis (4,1- phenylene) diisocyanate	1,179	0	0	0	0	0	70	0
	Subtotal				14,882	9,600	0	0	0	4,170	2
	Niihama Plant	186	Methylene chloride (dichloromethane)	4,550	2,800	0	0	0	0	1,700	0.5
	Subtotal				4,550	2,800	0	0	0	1,700	0.5
	Imari Plant	4	Acrylic acid and water-soluble salts	11,347	0	0	0	0	0	0	11,327
		7	n-Butyl acrylate	12,372	0	0	0	0	0	35	12,335
		84	Glyoxal	2,240	0	0	0	0	0	4.3	2,156
		134	Vinyl acetate	2,166,429	2,400	96	0	0	0	46	2,195,175
		349	Phenol	56,160	0	1	0	0	0	18	56,141
		395	The water-soluble salts of peroxydisulfuric acid	3,451	0	0	0	0	0	8.6	3,435
		407	Poly (oxyethylene) = Alkylether (alkyl group: C12~C15)	2,328	0	12	0	0	0	6.4	2,269
		411	Formaldehyde	158,286	49	0	0	0	0	290	166,591
		415	Methacrylic acid	1,386	0	0	0	0	0	0	1,429
	448	Methylenebis (4,1- phenylene) diisocyanate	9,688	0	0	0	0	0	45	9,643	
	Subtotal				2,423,687	2,449	109	0	0	453.3	2,460,501
	Total				2,443,119	14,849	109	0	0	6,323.3	2,460,504

▶ [About symbol for Independent assurance](#)

■ Management of Chemical Substances at Plants Overseas

Chemical substances, including adhesives and coatings, in the table below are managed at overseas plants in accordance with the management regulations for chemical substances in each country.

Management Table of Chemical Substances at Plants in Overseas (FY 2016)

Applicable Company	Country	Name of Chemical Substance	Total Use (t/year)	Emissions (t/year)		Total Transfer (t/year)
				Air *For VOC regulations	Waters, etc	Conversion into Products
KTI	Indonesia	Adhesives at MA, UA, etc.	15,867	–	–	10,859
ASTI	Indonesia	Styrene, xylene, solvents	23	–	–	6
RPI	Indonesia	Isocyanate/formaldehyde	658	–	–	400
NPIL	New Zealand	Formaldehyde	371	–	–	371
VECO	Vietnam	Isocyanate/formaldehyde, etc.	403	0	146	257
CCC	United States of America	MEK, alcohols, etc	193	165	–	28
		Total	17,515	165	146	11,920

Management of Air Pollutants

■ Management of Air Pollutants at Plants in Japan

The Sumitomo Forestry Group periodically conducts emission concentration tests for dioxins, NOx, SOx, and smoke dust in the air for each relevant plant at Sumitomo Forestry Crest Co., Ltd. (Kashima Plant, Niihama Plant, Imari Plant), the Shinshiro Plant at Sumirin Agro Products and at the Mombetsu Biomass Power Plant in accordance with the Air Pollution Control Act as well as local regulations.

Management Table of Air Pollutants at Plants in Japan (FY 2016)

Applicable Company	Applicable Department	Measured Substances	Emissions (kg/year)	(Baseline)		Measured Concentration	Emissions to the Air (mg-TEQ)
				Unit			
Sumitomo Forestry Crest Co., Ltd.	Kashima Plant	Dioxin	–	ng-TEQ/m ³	5	3.3	89
	Shizuoka Plant	Dioxin	–	ng-TEQ/m ³	5	0.5	2

Applicable Company	Applicable Department	Measured Substances	Emissions (kg/year)	(Baseline)		Measured Concentration	Dry gas flow rate (Nm ³ /h)
				Unit			
Sumitomo Forestry Crest Co., Ltd.	Niihama Plant	SOx (Sulfur oxide)	852	K Value	3.5	< 0.01	2,303
		NOx (Nitrogen oxide)	272	ppm	350	45.4	2,303
		Soot and dust	284	g/Nm ³	0.3	0.115	2,303
	Imari Plant	SOx (Sulfur oxide)	2,033	K Value	17.5	–	–
Sumirin Agro-Products	Shinshiro Plant	SOx (Sulfur oxide)	28	K Value	17.5	1.53	11,400
		NOx (Nitrogen oxide)	225	ppm	200	50	11,400
		Soot and dust	42	g/Nm ³	0.2	< 0.005	11,400
Mombetsu Biomass Electric Power Co., Ltd.		SOx (Sulfur oxide)	84,559	ppm	700	55.8	181,750
		NOx (Nitrogen oxide)	109,149	ppm	250	100.8	181,750
		Soot and dust	209	g/Nm ³	0.1	< 0.005	181,750

Management of Air Pollutants at Plants Overseas

At overseas plants, the Sumitomo Forestry Group measures the concentration of NOx, SOx and smoke dust in Indonesia and Vietnam as well as VOC emission in the United States of America in accordance with the regulations of each country and region.

Management Table of Air Pollutants at Plants Overseas (FY 2016)

Applicable Company	Country	Measured Substances	(Baseline)		Measured Concentration	Dry gas flow rate (Nm ³ /h)
			Unit			
KTI	Indonesia	CO (Carbon monoxide)	µg/Nm ³	22,600	1,495.0	–
		SOx (Sulfur oxide)	µg/Nm ³	262	1.6	–
		NOx (Nitrogen oxide)	µg/Nm ³	92.5	23.0	–
		H2S (Hydrogen sulfide)	µg/Nm ³	42	0.1	–
		NH3 (Ammonia)	µg/Nm ³	1,360	50.3	–
		O3 (Ozone)	µg/Nm ³	200	3.1	–
		Soot and dust	mg/Nm ³	0.26	0.18	–
RPI	Indonesia	SOx (Sulfur oxide)	mg/Nm ³	800	Not detected	–
		NOx (Nitrogen oxide)	mg/Nm ³	1,000	116	–
		Soot and dust	mg/Nm ³	350	295.5	–
ASTI	Indonesia	CO (Carbon monoxide)	µg/Nm ³	15,000	2,289.0	–
		SOx (Sulfur oxide)	µg/Nm ³	632	8.1	–
		NOx (Nitrogen oxide)	µg/Nm ³	316	5.2	–
		H2S (Hydrogen sulfide)	µg/Nm ³	0.02	0.001	–
		NH3 (Ammonia)	ppm	2.0	0.054	–
VECO	Vietnam	SOx (Sulfur oxide)	mg/Nm ³	500	8.12	–
		NOx (Nitrogen oxide)	mg/Nm ³	850	464.88	–
		Soot and dust	mg/Nm ³	200	71.88	–

Management of Water Pollutants

Management of Water Pollutants in Japan

The Sumitomo Forestry Group conducts periodic water quality concentration tests of waste water at all of the relevant plants at the Tsukuba Research Institute and Sumitomo Forestry Crest Co., Ltd. (Kashima Plant, Shizuoka Plant, Niihama Plant, Imari Plant) in accordance with the Water Pollution Control Act of Japan.

Management Table of Water Quality at Plants in Japan (FY 2016)

Applicable Company	Applicable Department	Test Items	(Baseline)		Measured Concentration
			Unit		
Sumitomo Forestry	Tsukuba Research Institute	pH	–	5~9	7.3
		BOD (Biochemical Oxygen Demand)	mg/L	<600	14.0
		SS (Suspended Solids)	mg/L	<600	25.0
		Total n-hexane extract substances (mineral oils)	mg/L	<5	<1
		Total n-hexane extract substances (animal and plant oils and fats)	mg/L	<30	<1
		Iodine consumption	mg/L	<220	<5
		Phenols	mg/L	<5	<0.025
		Copper content	mg/L	<3	<0.02
		Zinc content	mg/L	<2	0.03
		Soluble iron content	mg/L	<10	0.08
		Soluble manganese content	mg/L	<10	<0.02
		Cyanogen compound	mg/L	<1	<0.1
		Chromium hexavalent compound	mg/L	<0.5	<0.005
		Benzene	mg/L	<0.1	<0.001
		Boron and other compounds	mg/L	<10	0.03
Fluorine and other compounds	mg/L	<8	<0.17		
Sumitomo Forestry Crest Co., Ltd.	Kashima Plant	pH	–	5.8~8.6	10.8
		BOD (Biochemical Oxygen Demand)	mg/L	–	3.0
		COD (Chemical Oxygen Demand)	mg/L	10.0	6.6
		SS (Suspended Solids)	mg/L	10.0	6.0
	Shizuoka Plant	pH	–	5.8~8.6	7.2
		BOD (Biochemical Oxygen Demand)	mg/L	< 160	8.4
		COD (Chemical Oxygen Demand)	mg/L	–	–
		SS (Suspended Solids)	mg/L	< 200	6.6
	Niihama Plant	pH	–	5.8~8.6	7.2
		BOD (Biochemical Oxygen Demand)	mg/L	–	–
		COD (Chemical Oxygen Demand)	mg/L	160	7.0
	Imari Plant	SS (Suspended Solids)	mg/L	200.0	44.7
		pH	–	5.8~8.6	7.7
		BOD (Biochemical Oxygen Demand)	mg/L	–	–
		COD (Chemical Oxygen Demand)	mg/L	70	31.3
		SS (Suspended Solids)	mg/L	70.0	8.1

■ Management of Water Pollutants Overseas

The Sumitomo Forestry Group conducts concentration tests of water pollutants at overseas plants in accordance with the water quality regulations for waste water in each country.

Management Table of Water Quality at Plants Overseas (FY 2016)

Applicable Company	Country	Test Items	(Baseline)		Measured Concentration
			Unit		
KTI	Indonesia	pH	–	6~9	7.0
		BOD (Biochemical Oxygen Demand)	mg/L	75.0	4.2
		COD (Chemical Oxygen Demand)	mg/L	125.0	10.3
		TSS (Total Suspended Solids)	mg/L	50.0	5.3
		NH3-N (Ammonia concentration)	mg/L	4.0	0.0
		Fenol (Fenol concentration)	mg/L	0.3	0.0
RPI	Indonesia	pH	–	6~9	8.6
		BOD (Biochemical Oxygen Demand)	mg/L	75	4.4
		COD (Chemical Oxygen Demand)	mg/L	125	12.4
		NH3-N (Ammonia concentration)	mg/L	4	0.2
		Fenol (Fenol concentration)	mg/L	0	<0.001
ASTI	Indonesia	pH	–	6~9	7.0
		BOD (Biochemical Oxygen Demand)	mg/L	50.0	16.0
		COD (Chemical Oxygen Demand)	mg/L	100.0	34.6
		Soluble iron content	mg/L	5	0.0043
		Soluble manganese content	mg/L	2	<0.0059
		Copper content	mg/L	2	0.0094
		Zinc content	mg/L	5	0.0062
		Chromium hexavalent compound	mg/L	0.1	0.0001
		Chromium compound	mg/L	0.5	0.0322
		Cadmium compound	mg/L	0.05	<0.0013
		Lead compound	mg/L	0.1	0.0659
		Hydrogen sulfide compound	mg/L	0.05	0.0058
		Nitrate compound	mg/L	20	0.4537
		Nitrite compound	mg/L	1	0.0062
VECO	Vietnam	pH	–	5~9	7.4
		BOD (Biochemical Oxygen Demand)	mg/L	100	60.3
		COD (Chemical Oxygen Demand)	mg/L	300	138.4
		SS (Suspended Solids)	mg/L	200	24.1
NPIL	New Zealand	pH	–	6~9	Conformity
		BOD (Biochemical Oxygen Demand)	kg/day	2,350	Conformity
		COD (Chemical Oxygen Demand)	kg/day	6,400	Conformity
		SS (Suspended Solids)	kg/day	650	Conformity

Appropriate Disposal of Building Materials Containing Asbestos

The Sumitomo Forestry Group has secured the proper disposal routes for asbestos. Sumitomo Forestry strives to prevent the spread of asbestos in the demolition work of residences through the formulation of the Guide for Appropriate Measures during Demolition Work.

The Group is also engaged in proper disposal of asbestos in the buildings of each office based on the law.

Proper Disposal of Building Materials Containing Asbestos

We are also furthering the proper management and processing of Polychlorinated Biphenyl (PCB) contained in equipment such as spent high-voltage capacitors in accordance with the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Wastes.

Sumitomo Forestry Crest disposed 9,955 kg of PCB following fiscal 2015 due to changes such as the removal of equipment following the close of plants in fiscal 2016. As of the end of fiscal 2016, the Company has stored 225 units and it is using 44 units. In addition, Tsukuba Research Institute and Kawanokita Development Co., Ltd. currently have five units of such equipment in use and a total of 274 units that are being managed.

Disposal Status of Polychlorinated Biphenyl (PCB) Waste *1

Applicable Company	Applicable Facility	Total Disposal in FY 2015 (kg) *1	Total Disposal in FY 2016 (kg) *1
Sumitomo Forestry Crest Co., Ltd.	Imari Plant	1,637	1,385
	(Former) Nagoya Plant *2	1,720	0
	(Former) Kyushu Plant *2	3,695	8,570
	Subtotal	7,052	9,955

*1 The total disposal amount is based on the disposal notification and includes the weight of the storage container.

*2 The (Former) Nagoya Plant and the (Former) Kyushu Plant were closed in June 2015.

Management Status of Polychlorinated Biphenyl (PCB) *1

Applicable Company	Applicable Facility	FY 2017 Onward Estimated Processing (Units)	Management Status
Sumitomo Forestry	Tsukuba Research Institute	4	Capacitors in use
Sumitomo Forestry Crest Co., Ltd.	(Former) Nagoya Plant *2	225	Fluorescent light stabilizers in storage
		44	Transformers in use
Kawanokita Development Co., Ltd.	Course Management Building	1	Power receiving panels in use
	Subtotal	274	

*1 The equipment included above is equipment currently in use or in storage which is being evaluated for processing

*2 The (Former) Nagoya Plant was closed in end of June 2015.

Management of Fluorocarbon Emissions

The Sumitomo Forestry Group is managing fluorocarbon emissions related to the fluorocarbon gases that are used as coolants by equipment such as air-conditioning and refrigeration at affiliate companies, and for testing equipment at the Tsukuba Research Institute, through periodic inspections of fluorocarbon leakage indicated in the table below in accordance with the Act on Rational Use and Proper Management of Fluorocarbons enacted April 2015.

Management Status of Fluorocarbon Emissions

Applicable Company	Applicable Facility	FY 2016 Fluorocarbons Filled (kg)	Calculated Amount of Leaked Fluorocarbons (kg CO2)
Sumitomo Forestry	Tsukuba Research Institute (Testing equipment, etc.)	28.6	52,299
Fill Care Co., Ltd.	Day Forest Higashi-Yamata	1.0	—
Fill Care Co., Ltd.	Grand Forest Hikawadai	0.3	—
Kawanokita Development Co., Ltd.	Restaurant	11.0	—
Japan Bio Energy Co., Ltd.	Office	3.0	—
Total		43.8	52,299

* Fluorocarbon emissions are managed by the amount of fluorocarbons filled at periodic inspections of the equipment

Project for Soil Purification Technology and Environmental Remediation Aided by Plants

An issue in re-using the site of an old factory is the environmental impact associated with soil contamination and the cost burden of any remedial measures. For example, under the revised Fire Service Act of Japan, gasoline stations are now obliged to repair any underground tanks that have lain under the ground for more than 40 years, and as a consequence of this, it is expected that between 1,000 and 2,000 stations will close down each year.

In order to meet the demand for environmental remediation and measures dealing with soil contamination, the Sumitomo Forestry Group has been working on cleansing contaminated soil by using the functions of plants (phytoremediation). As part of this, during fiscal 2012, in collaboration with JXTG Nippon Oil & Energy (JX Nippon Oil & Energy Corporation at the time), the Group developed a method for purifying soil contaminated with oil using Burning Field, a variety of Japanese lawn-grass independently registered by the Group.



Grass laid on the site where a gasoline station once stood

One of the functions possessed by the variety of Japanese lawn-grass used in this method is that the nutrients transpiring from its roots activate microorganisms in the soil, and the upshot of this is that it has the potential to inexpensively reduce the oil content in polluted soil. This method has been adopted at nine sites so far to purify areas where gasoline stands or oil depots once stood, with purification at three sites now complete.

In fiscal 2013 and 2014, the Ministry of the Environment conducted a study on low-cost, low-impact technologies for surveying and for counteracting contaminated soil in addition to presenting the Environmental Measures Exemplary Efforts Awards (Minister of the Environment Award) in 2013. The study found that oil-degrading microorganisms tend to become more active, and were recognized as having potential to be applied at sites heavily contaminated with oil.

Moving forward, by steadily producing results in soil purification based on this technique, the Group will continue to help resolve the nationwide problem of oil contamination.

Efficient Use of Water Resources

Environmental Report

Reduction of Water Consumption in Business Activities

Around the world, there is a growing sense of crisis over water shortages. It is expected that this problem will become more and more urgent as the demand for water rises with population increase and economic growth in developing countries.

In addition to manufacturing plants inside and outside Japan, since fiscal 2012, the Sumitomo Forestry Group began examining the consumption of water and the associated sources at bases where actual water usage is measurable, such as at buildings owned by the Sumitomo Forestry Group. Plants in Japan primarily manufacture processed wood products, such as interior materials for housing, and thus do not use large amounts of water. Nevertheless, in order to use water resources as effectively as possible, the Group employs water-saving initiatives at each plant. The Group will work to set reduction target values of water consumption every year at Sumitomo Forestry Crest Co., Ltd. (adhesive production), Kawanokita Development Co., Ltd. (operation of a golf course), and Fill Care Co., Ltd. (operation of nursing care facilities) that use a relatively large amount of water.

The water consumption reduction target in fiscal 2017 is 1.19% for the entire Group in Japan, except our biomass power generation business that started operation in mid 2016.

In fiscal 2015, Sumitomo Forestry conducted sample survey of water used at new housing construction sites and found the volume of water used per 1m² of floor area is approximately 0.0887 m³.

Water Consumption trends of the Sumitomo Forestry Group Companies*1

	Office Departments in Japan, etc. (Unit: m ³)			Plants and Power Generation Business Departments in Japan (Unit: m ³)			Overseas Plants	Total
	FY 2014	FY 2015	FY 2016	FY 2014	FY 2015	FY 2016	FY 2016	FY 2016
Service water	64,064	170,117	80,052	22,492	17,612	114,028	581,263	775,343
Ground water	2,970	3,438	0*2	201	124	0*2	168,007	168,007
Industrial water	109,500	120,306	131,206	173,468	166,444	717,998	215,065	1,064,269
Total	176,534	293,861	211,258	196,161	184,180	832,026	964,335	2,007,619

*1 Covers sites where actual water usage is measurable, such as at buildings owned by the Sumitomo Forestry Group.

*2 Ground water up to fiscal 2015 includes water purchased from the water authorities as a ground water source. Since fiscal 2016, water purchased from the water authorities is all included as service water based on standard disclosure.

▶ [About symbol for Independent assurance](#)

■ Efforts at Sumitomo Forestry Crest

Sumitomo Forestry Crest's Imari (former Kyushu No.2) Plant manufactures synthetic resin adhesives and other products. It primarily promotes three measures for reducing water usage. First, it uses industrial water to cool manufacturing equipment. Then, it reuses the water to dilute plant effluent.



Measuring the COD of effluent

■ Measures Used at the Sumitomo Forestry Crest's Imari Plant for Saving Water

1. Collect some of the water used for washing equipment, and reuse it as a raw material.
2. Improve the proportion of rainwater used, such as by upgrading the pumps used for collecting rainwater.
3. Maintain water-quality control by measuring COD* and treat wastewater using only the minimum amount of water necessary.

* Chemical Oxygen Demand (COD): An indication of the amount of oxygen required to oxidize an organic compound in water; one of the most important indicators of water quality.

■ Participation in Relevant Incentives

The Sumitomo Forestry Group did not participate in incentives related to water, but the Group plans to first answer the questionnaire received for CDP Water sent for the first time to the Sumitomo Forestry Group in fiscal 2017 to disclose more detailed information about efforts on risks related to water.

Toward the Future

The Sumitomo Forestry Group is operating its businesses in water-stressed areas and plans to consider reduction in water consumption in these areas. We also plan to look into aggregating the water consumption at overseas affiliated companies other than manufacturing facilities not currently included in the total.

Tabulated Results for Fiscal 2016

Sumitomo Forestry publicizes aggregated data of environmental conservation costs and effects and also economic impact of its activities for the purpose of promoting environmentally sound management.

Note: The basis of calculation includes Sumitomo Forestry on a non-consolidated basis and certain Group companies

Environmental Preservation Costs

Cost Category		Main Activities	Cost (Million yen)
Costs within operational area	Global environmental protection costs*1	Sustainable forestry cultivation	656
		Environment-related business (Overseas consulting, REDD+ business, etc.)	96
		Carbon offset	62
	Resource recycling costs*2	Promotion of appropriate treatment, reduction, and recycling of industrial waste	6,116
		Waste wood chip distribution operations	265
		Recycling Used Activated Carbon, etc.	315
Upstream / Downstream costs*3		Green purchasing	37
Management activity costs*4		Operation and promotion of environmental management (ISO14001 certification, environmental education, LCA surveys, etc.)	158
		Monitoring of environmental burdens	1
		Disclosure and administration of environmental information (CSR Report, environment-related advertising, environment-related exhibitions, etc.)	19
R&D costs*5		R&D activities related to environmental conservation	783
Social contribution costs*6		Management and operation of <i>Mt. Fuji Manabi no Mori</i>	19
		Management and operation of <i>Forester House</i>	8
		Other social contribution activities	2
		Donations to the Keidanren Nature Conservation Fund	2
Total			8,538

- *1 Global environmental protection costs: Expenditures for preservation and management of Company-owned forests to foster sustainable forestry, expenditures in Japan and overseas relating to the environmental business, and overseas reforestation expenses for implementing carbon offset.
- *2 Resource recycling costs: Expenditures on waste wood distribution operations and sorting, recycling, appropriate treatment, transportation and management of construction waste, as well as costs incurred in the recycling of used activated carbon, etc.
- *3 Upstream/Downstream costs: Expenditures for green purchasing.
- *4 Management activity costs: Office expenses and auditing costs relating to maintenance of ISO 14001 certification; expenditures relating to disclosure of environmental information through advertising, environment-related exhibitions and the CSR Reports; expenditures relating to lectures on environmental education; and costs for life cycle assessment inspections.
- *5 R&D costs: Expenditures for environment-related research conducted at the Tsukuba Research Institute
- *6 Social contribution costs: Expenditures related to operating the *Mt. Fuji Manabi no Mori* natural forest restoration project, and maintaining and operating *Forester House*; expenditures related to other social contribution activities; donations to the Keidanren Nature Conservation Fund; and provision of financial assistance to the Keidanren Nature Conservation Fund commissioned by the Keidanren Committee on Nature Conservation.

▶ [Link to the Keidanren Committee on Nature Conservation](#)

Environmental Benefits

Category	Description	Results
Benefits from costs within operational area	Volume of recycled waste wood from distribution operations(converted into chip equivalents)	1,149 thousand m ³
	Volume sold of potting mix using recycled sediment from water purification	18 kt
Benefits from Upstream/Downstream costs	Green procurement ratio	71.0%
Benefits from management activity costs	Employees designated as internal environmental auditors	316
Benefits from R&D costs	-- Flowers that change from white to pink, and a possible new variety -- Initiative to Protect our Precious Trees: Success in Propagating Sapling Using Tissue Culture from Sacred "Kitano Sakura" Cherry Tree, Follows on from Last Year's "Beniwa Kombai" Plum Tree Project	-
	Japan Bio Energy Co., Ltd. Certified as a superior industrial waste disposal operator by Kawasaki City	-
	-- Aiming for regional revitalization by reviving forestry -- Started the creation of Forest and Forestry Master Plan in Itoshima, Fukuoka	-
	Acquired new minister certifications for fire resistance laminated engineered wood at four companies -- Realizing dramatic cost reductions by rationalizing FR Wood® material specifications --	-
	-- Japan's largest 50MW biomass power generation built as a power plant that uses Japanese timber as fuel -- Started operations of the Mombetsu Biomass Power Plant	-
	-- Sugawara no Michizane Heisei Tobiume Project -- Returning cultivated seedlings of sacred Beniwa Konbai trees to Kitano Tenmangu Possibilities of grafting through DNA analysis	-

Category	Description	Results
Benefits of social contribution costs	Volunteers who participated in <i>Mt. Fuji Manabi no Mori</i> project	274
	Children participating in the Environmental Education Program at <i>Mt. Fuji Manabi no Mori</i> project	794
	Visitors to <i>Forester House</i>	2,765
	KTI Reforestation Cooperative Newly Acquires the FSC Forest Certification	-
	Sumitomo Forestry Group CSR Report 2016 Presented the Judging Panel Chairman Commendation Award at the 20th Environmental Communication Awards!	-
	Sumitomo Forestry <i>Mt. Fuji Manabi no Mori</i> Environmental Education Program Judging Panel Chairman Commendation Award from the Ministry of Education, Culture, Sports, Science and Technology	-
	The Sumitomo Forestry Group's Biodiversity Conservation Activities Recognized as a Business Tie-up with the Japan Committee for United Nations Development Business (UNDB-J)	-

Environmental Data for Group Companies

Environmental Report

Environmental Data of Group Companies in Japan

The Sumitomo Forestry Group reports information about its environmental impact of each company and each plant for domestic manufacturers and power plants that have a large influence on the environment.

Sumitomo Forestry Crest Co., Ltd.

Item (unit)	Kashima Plant	Shizuoka Plant	Niihama Plant	Imari Plant	Subtotal
Energy Input (GJ)	29,242	25,156	23,416	15,035	92,849
Raw Material Input (t)	9,451	33,935	4,445	12,513	60,344
Water Resource Use (m³)					
Service Water	4,725	5,773	93	93	10,684
Main Water Source	Lakes - Lake Kitaura in Kasumigaura (Protected region: A portion is part of Suigo-Tsukuba Quasi-National Park)	Groundwater - Oigawa River Basin	–	Reservoirs	–
Industrial water	–	–	6,482	193,540	200,022
Main Water Source	–	–	Groundwater (water authority in Niihama City)	River -- Aritagawa River basin (partly Mt. Kurokami mammal and avian species wildlife refuge)	–
Greenhouse gas emissions (t-CO₂)					
Carbon dioxide (CO ₂)	1,446	1,264	1,642	900	5,252
Methane (CH ₄)*	–	5	5	–	10
Dinitrogen oxide (N ₂ O)*	–	0.5	0.4	–	1
Waste generations (t)	2,166	2,097	903	291	5,457
Water discharge (m³)					
Sewerage	3,603	0	6,575	0	10,178
Ocean	0	0	0	0	0
Rivers	0	5,773	0	0	5,773
Lakes	0	0	0	178,335	178,335

Item (unit)	Kashima Plant	Shizuoka Plant	Niihama Plant	Imari Plant	Subtotal
Emissions to the air (kg)					
Sulfur oxide (SO _x)	–	–	852	2,033	2,885
Nitrogen oxide (NO _x)	–	–	272	–	272
Soot and dust	–	–	284	–	284

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

Sumirin Agro-Products Co., Ltd.

Item (unit)	Tobishima Plant	Shinshiro Plant	Subtotal
Energy Input (GJ)	2,576	5,516	8,092
Raw Material Input (t)	15,779	5,986	21,765
Water Resource Use (m³)			
Service Water	487	402	889
Main Water Source	River -- Kiso-gawa River Basin	River -- Toyokawa Prefectural Water System	–
Industrial water	–	–	–
Main Water Source	–	Well water	–
Greenhouse gas emissions (t-CO₂)			
Carbon dioxide (CO ₂)	153	350	503
Methane (CH ₄)*	–	–	–
Dinitrogen oxide (N ₂ O)*	–	–	–
Waste generations (t)	42	23	65
Water discharge (m³)			
Sewerage	0	0	0
Ocean	487	0	487
Rivers	0	402	402
Lakes	0	0	0
Emissions to the air (kg)			
Sulfur oxide (SO _x)	–	28	28
Nitrogen oxide (NO _x)	–	225	225
Soot and dust	–	42	42

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

Power Plants

Item (unit)	Japan Bio Energy Co., Ltd.	Okhotsk Bio Energy Co., Ltd.	Mombetsu Biomass Electric Power Co., Ltd.	Subtotal
Energy Input (GJ)	9,022	10,409	2,929,929	2,949,360
Raw Material Input (t)	54,168	86,666	0	140,834
Water Resource Use (m³)				
Service Water	5,136	269	393	5,798
Main Water Source	Lake Sagami, Sagamihara River System and Miyagase Dam	Shokotsu River System	Shokotsu River System	–
Industrial water	–	–	517,976	517,976
Main Water Source	–	–	–	–
Greenhouse gas emissions (t-CO₂)				
Carbon dioxide (CO ₂)	207	709	90,343	91,259
Methane (CH ₄)*	–	–	2,668	2,668
Dinitrogen oxide (N ₂ O)*	–	–	46,043	46,043
Waste generations (t)	502	0	8,229	8,731
Water discharge (m³)				
Sewerage	0	208	218,852	219,060
Ocean	514	0	0	514
Rivers	0	0	0	0
Lakes	0	0	0	0
Emissions to the air (kg)				
Sulfur oxide (SO _x)	–	–	84,559	84,559
Nitrogen oxide (NO _x)	–	–	109,149	109,149
Soot and dust	–	–	209	209

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

Total for All Plants in Japan

Item (unit)	Total
Energy Input (GJ)	3,050,301
Raw Material Input (t)	222,943
Water Resource Use (m ³)	
Service Water	17,371
Main Water Source	–
Industrial water	717,998
Main Water Source	–
Greenhouse gas emissions (t-CO ₂)	
Carbon dioxide (CO ₂)	97,014
Methane (CH ₄)*	2,678
Dinitrogen oxide (N ₂ O)*	46,044
Waste generations (t)	14,253
Water discharge (m ³)	
Sewerage	229,238
Ocean	1,001
Rivers	6,175
Lakes	178,335
Emissions to the air (kg)	
Sulfur oxide (SO _x)	87,472
Nitrogen oxide (NO _x)	109,646
Soot and dust	535

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

Environmental Data of Group Companies Overseas

The Sumitomo Forestry Group reports information about its environmental impact for each plant for overseas manufacturers that have a large influence on the environment.

Overseas Manufacturers 1/2

Item (unit)	PT. Rimba Partikel Indonesia (RPI)	Alpine MDF Industries Pty Ltd. (ALPINE MDF)	PT. AST Indonesia (ASTI)	PT. Kutai Timber Indonesia (KTI)
Energy Input (GJ)	288,473	544,717	85,978	703,693
Raw Material Input (t)	166,080	234,323	93,399	555,636
Water Resource Use (m ³)				
Service Water	0	128,793	31,374	0
Industrial water	0	0	7,530	207,535
Ground water	54,708	0	0	113,299

Item (unit)	PT. Rimba Partikel Indonesia (RPI)	Alpine MDF Industries Pty Ltd. (ALPINE MDF)	PT. AST Indonesia (ASTI)	PT. Kutai Timber Indonesia (KTI)
Greenhouse gas emissions (t-CO2)				
Carbon dioxide (CO2)	20,112	39,996	6,321	49,619
Methane (CH4)*	471	1,388	0	386
Dinitrogen oxide (N2O)*	44	130	0	36
Waste generations (t)	21,476	52,238	3,237	35,179
Water discharge (m³)				
Sewerage	0	47,996	0	0
Ocean	0	0	0	125,665
Rivers	53,472	0	31,374	0

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

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Overseas Manufacturers 2/2

Item (unit)	Nelson Pine Industries Ltd. (NPIL)	Vina Eco Board Co., Ltd. (VECO)	Canyon Creek Cabinet Company (CC)	Total
Energy Input (GJ)	1,013,096	331,056	63,884	3,030,896
Raw Material Input (t)	766,222	192,074	9,346	2,017,080
Water Resource Use (m³)				
Service Water	352,761	68,335	–	581,263
Industrial water	0	0	–	215,065
Ground water	0	0	–	168,007
Greenhouse gas emissions (t-CO2)				
Carbon dioxide (CO2)	13,917	12,215	3,269	145,450
Methane (CH4)*	1,406	86	0	3,737
Dinitrogen oxide (N2O)*	131	8	0	349
Waste generations (t)	111,664	22,416	–	246,210
Water discharge (m³)				
Sewerage	338,814	14,338	–	401,198
Ocean	0	0	–	125,665
Rivers	0	0	–	84,846

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

Corporate Profile

Corporate Profile

Company Name Sumitomo Forestry Co., Ltd.

Address of Headquarters Keidanren Kaikan, 3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8270, Japan

Paid-in Capital ¥27,672 million

Incorporated February 20, 1948

Founded 1691

Number of Employees Non-consolidated: 4,485; Consolidated: 17,802 (as of March 31, 2017)

Business scope

■ **Environment and Resources Business**

Management of forests; development of new forestry and environment-related business; management of biomass power generation business and other environmental energy business, as well as plantation forest operations overseas; consulting on the reduction of greenhouse gas emissions in Japan and overseas

■ **Timber & Building Materials Businesses**

Purchase, manufacture, secondary processing and sales of timber (logs, wood chips, processed timber, engineered wood, etc.) and building materials (plywood, fiberboard, processed wood materials, concrete and ceramic building materials, metal building materials, housing systems and fixtures, etc.)

■ **Overseas Business**

Manufacture and sales of timber and building materials; contract construction and sales of detached houses, etc. overseas.

■ **Housing Businesses**

Contract construction, after-sales maintenance and renovation of detached houses and multi-unit residences; sales of spec homes; sales of interior products; rental, management, sales, and brokerage of property; contract work for housing exteriors, garden landscaping and urban greening; CAD work and site surveys, etc.

■ **Lifestyle Services**

Operation of private-pay elderly care facilities; equipment leasing; insurance agency; manufacture and sales of gardening products; development of information systems; temporary staffing, etc.

Company-owned forest 46,444 ha (As of March 31, 2017)

Key Financial Data

Consolidated Net Sales, Operating Income, Recurring Income and Net Income

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Net Sales (Billions of yen)	845.2	973.0	997.3	1040.5	1113.4
Operating Income (Billions of yen)	25.3 (3.0%)	33.4 (3.4%)	34.0 (3.4%)	30.1 (2.9%)	54.0 (4.8%)
Recurring Income (Billions of yen)	27.0 (3.2%)	33.6 (3.4%)	36.4 (3.7%)	30.5 (2.9%)	57.8 (5.2%)
Net Income (Billions of yen)	15.9 (1.9%)	22.5 (2.3%)	18.6 (1.9%)	9.7 (0.9%)	34.5 (3.1%)

* Percentages indicate the ratio to net sales

Consolidated Net Sales and Ratio of Net Sales by Segment (FY2016)

	Timber & Building Materials Businesses	Housing Businesses	Overseas Businesses	Other Businesses
Net Sales (Billions of yen)	424.4	466.3	247.9	23.0
Ratio of Net Sales (%)	36.5%	40.1%	21.3%	2.0%

*1 Percentages indicate the ratio to net sales

*2 The net sales of each segment include the internal net sales between segments and transfers. Therefore, the total net sales of each segment do not match the consolidated net sales (1,113.4 billion yen)

► [Performance Highlights \(Link to IR Information\)](#)

Editorial Policy

Editorial Policy

The CSR Report is an important tool for communicating with all stakeholders, and as such, The Sumitomo Forestry Group publishes the report every year on its website.

On the website of fiscal 2017 edition, beginning with "Message from the President" and "CSR Activity Highlights," the CSR information is classified into four parts: "CSR Management," "Management System," "Social Report," and "Environmental Report," each of which contains basic concepts and policies to tangible actions the Group has taken.

We appreciate your feedback on our wide range of CSR activities.

▶ [Sumitomo Forestry CSR Report Questionnaire](#)

Boundary of the Report:

The scope of this report is Sumitomo Forestry, its affiliated companies, and some affiliated companies accounted for by the equity-method.

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

▶ [List of Sumitomo Forestry Group Companies](#)

Published: Japanese Version: July 2017; English Version: November 2017

Reporting Period:

Japan: April 2016 to March 2017

* The period also includes some activities from April 2017 as well as future expectations

Overseas: January 2016 to December 2016

* The actual performance of Alpine MDF Industries Pty Ltd. (Alpine) is reported between January 2016 and March 2017 because Alpine is no longer a consolidated company of the Group after all equity interests were sold in end of March 2017

Reference Guidelines:

G4 Sustainability Reporting Guidelines (Edition G4), Global Reporting Initiative (GRI) • Environmental Reporting Guidelines (2012 Edition), Japanese Ministry of the Environment • ISO 26000:2010 Guidance on Social Responsibility, This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines.

Reliability of Report Content

The environmental and social performance indicators in the report have been assured by KPMG AZSA Sustainability Co., Ltd. with the third-party assurance mark . Furthermore, the respective departments of the Sumitomo Forestry Group have endeavored to ensure accuracy by using appropriate measurements and data collection methods for the initiatives and results reported in the CSR Report. These methods are also disclosed when relevant.

External Recognition

Socially Responsible Investment (SRI) Indices

Interest in Social Responsible Investment (SRI) that considers environment and social contribution on top of financial aspects are on the rise in recent years when making investments. Sumitomo Forestry Group has been included in the following Socially Responsible Investment (SRI) and ESG Indices as of July 2017.

■ FTSE4Good Global Index

Evaluation of companies that fulfill international standards in environment, social, and governance aspects by FTSE Russell, a group company of London Stock Exchange.

Sumitomo Forestry has been consecutively included in the FTSE4Good Global Index every year since 2004.



FTSE4Good

■ Morningstar Socially Responsible Investment Index (MS-SRI)

Investment index for Japanese companies co-developed by Morningstar Japan K.K. and Public Resources Foundation. 150 companies are listed among 4,000 listed companies in Japan as leading socially responsible company.

Sumitomo Forestry has been consecutively included in the Morningstar Socially Responsible Investment Index (MS-SRI) since 2008.



■ SNAM Sustainability Index

ESG evaluation by Sompo Japan Nipponkoa Asset Management Co., Ltd. (SNAM). Evaluated based on environmental survey by Sompo Risk Management & Health Care Inc. and social and governance survey by IntegreX Inc.

Sumitomo Forestry has been consecutively included in the SNAM Sustainability Index since fiscal 2013.



■ FTSE Blossom Japan Index

An ESG index for Japanese stocks by FTSE Russell, Ltd. and selected by the Government Pension Investment Fund, Japan (GPIF) as one of its three ESG indices in July 2017.



FTSE Blossom
Japan

■ MSCI Japan ESG Select Leaders Index

Index for Japanese stocks selected by the Government Pension Investment Fund, Japan (GPIF) as one of its three ESG indices in July 2017. With Free float-adjusted market capitalization weighted index based on the MSCI Japan IMI Top 500 Index of MSCI, Inc. as a parent index, it represents relative sector weights of companies that excel in ESG.



■ MSCI Japan Empowering Women Index (WIN)

Index for Japanese stocks selected by the Government Pension Investment Fund, Japan (GPIF) as one of its three ESG indices in July 2017. With MSCI Japan IMI Top 500 Index as a parent index, it represents weights of companies that excel in gender diversity in the sector.



* The inclusion of Sumitomo Forestry in any MSCI Index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Sumitomo Forestry by MSCI or any of its affiliates. The MSCI Indexes are the exclusive property of MSCI. MSCI and the MSCI Index names and logos are trademarks or service marks of MSCI or its affiliates.

Awards and Recognition by Third Parties in Fiscal 2016

Date	Award/Organizer	Recognition	Scope of Recognition
July 2016	10th Kids Design Award Kids Design Association	The Kids Design Award Presented to Sumitomo Forestry for 60-spec Sound Insulation Sound-proof Flooring and to Sumitomo Forestry Crest Co., Ltd. for Wooden Indirect Lighting Providing Better Sleep Quality and Less Fatigue as well as for the Tadaima Storage Series Housing and Interior Materials  ▶ News Release (In Japanese)	Sumitomo Forestry Sumitomo Forestry Crest Co., Ltd.

Date	Award/Organizer	Recognition	Scope of Recognition
September 2016	FY2016 Good Design Awards Japan Institute of Design Promotion	<p>The Good Design Awards were presented for three initiatives that included comfortable space design that takes advantages of the quality and features of wood and technical proposals that communicate the realization of safe and secure lifestyles</p>  <p>► News Release (In Japanese)</p>	Sumitomo Forestry Sumitomo Forestry Home Tech
October 2016	Wood Design Award 2016 Wood Design Award Operational Secretariat	<p>The Wood Design Awards Presented to Two Initiatives that Includes Kids Furniture Using Cypress as Materials Developed Through Corporate Cooperation and Research into the Relaxing Effect of Wood</p>  <p>► News Release (In Japanese)</p>	Sumitomo Forestry
October 2016	54th National Skills Competition Japan Vocational Ability Development Association (JAVADA)	<p>One Employee Wins Bronze Medal Two Employees the Fighting Spirit Award in the Carpentry Category at the National Skills Competition</p> <p>► News Release (In Japanese)</p>	Sumitomo Forestry Home Engineering Co., Ltd
October 2016	CDP Climate Change 2016 CDP	<p>Sumitomo Forestry Makes the CDP 2016 Climate A List, the Highest Rating of the CDP Climate Change Report</p>  <p>► News Release</p>	Sumitomo Forestry
January 2017	RobecoSAM Sustainability Award 2017 RobecoSAM	<p>Selected by RobecoSAM for Excellence in Sustainability Performance Selected for "Bronze Class" in the Homebuilding Industry Category for Two Consecutive Years</p>  <p>► News Release</p>	Sumitomo Forestry

Date	Award/Organizer	Recognition	Scope of Recognition
February 2017	29th Technical Grand Prix Japan Vocational Ability Development Association/ The National Federation of Certified Skilled Workers Associations	<p>One Employee Awarded Bronze Medal in Carpentry Category at an Expert Craftspersons Competition to be the Best in Japan</p> <p>▶ News Release (In Japanese)</p>	Sumitomo Forestry Home Engineering Co., Ltd
February 2017	20th Environmental Communication Awards Ministry of the Environment/Global Environmental Forum	<p>Sumitomo Forestry Group CSR Report 2016 Awarded the Special Judge's Panel Prize for Environmental Reporting (Judging Panel Chairman Commendation Award at the 20th Environmental Communication Awards)</p> <p>▶ News Release (In Japanese)</p>	Sumitomo Forestry
February 2017	2017 Certified Health and Productivity Management Organization Ministry of Economy, Trade and Industry/Nippon Kenko Kaigi	<p>Selected as a "2017 Certified Health and Productivity Management Organization»</p>  <p>▶ News Release</p>	Sumitomo Forestry
March 2017	3rd Health Science Business Best Selection Organization of Health Science Business Innovation	<p>Research into "Bedroom Environment Combining a Wooden Interior with Indirect Lighting to Improve Sleep Quality and Reduce Fatigue" Selected for Efforts in the Research and Development Category</p> <p>▶ News Release (In Japanese)</p>	Sumitomo Forestry
March 2017	Dark-Blue Ribbon Medal Japanese Government	<p>Recognized for Support to the Tobitate! (Leap for Tomorrow) Study Abroad Initiative Program to Assist High School and University Students to Study Abroad in Cooperation with the Japanese Government</p> <p>▶ News Release (In Japanese)</p>	Sumitomo Forestry
March 2017	Award for Corporate Promotion of Experience-based Learning Activities for the Youth Ministry of education, Culture, Sports, Science and Technology	<p>Mt. Fuji Manabi no Mori Environmental Education Program Presented the Judging Panel Chairman Commendation Award</p> <p>▶ News Release (In Japanese)</p>	Sumitomo Forestry

GRI G4 Content Index

This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines.

▶ [GRI G4 Content Index](#)

Independent Assurance Report

▶ [Independent Assurance Report](#)

GRI G4 Content Index and Compatibility Table

GRI G4 Report Context and Correspondence

■ General Standard Disclosures

G4 Disclosure		ISO26000 Disclosure	Location
Strategy and Analysis			
G4-1	a. Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	6.2	▶ Message from the President
G4-2	a. Provide a description of key impacts, risks, and opportunities. The organization should provide two concise narrative sections on key impacts, risks, and opportunities.	6.2	▶ Message from the President ▶ Risk Management ▶ Environmental Risk Management ▶ IR Library
Organizational Profile			
G4-3*	a. Report the name of the organization.		▶ Corporate Profile
G4-4*	a. Report the primary brands, products, and services.		▶ Corporate Profile ▶ Our Business ▶ List of Services
G4-5*	a. Report the location of the organization's headquarters.		▶ Corporate Profile

G4 Disclosure	ISO26000 Disclosure	Location
G4-6*	a. Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	▶ Sumitomo Forestry Group
G4-7*	a. Report the nature of ownership and legal form.	▶ Corporate Profile
G4-8*	a. Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	▶ Corporate Profile ▶ Sumitomo Forestry Group
G4-9*	a. Report the scale of the organization, including: <ul style="list-style-type: none"> - Total number of employees - Total number of operations - 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) - Quantity of products or services provided 	▶ Corporate Profile ▶ Performance Highlights
G4-10*	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	6.4 6.4.3 ▶ Employee Data

G4 Disclosure	ISO26000 Disclosure	Location
G4-11*	a. Report the percentage of total employees covered by collective bargaining agreements.	<p>6.4 6.4.3 6.4.4 6.4.5 6.3.10</p> <p>▶ Communication with Employees ▶ Employee Data</p>
G4-12*	a. Describe the organization's supply chain.	▶ Responsible Timber Procurement
G4-13*	<p>a. Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including:</p> <ul style="list-style-type: none"> - Changes in the location of, or changes in, operations, including facility openings, closings, and expansions - Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations) - Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination 	<p>▶ Corporate Profile ▶ Performance Highlights</p>
G4-14*	a. Report whether and how the precautionary approach or principle is addressed by the organization.	<p>6.2</p> <p>▶ Risk Management ▶ Housing Safety, Quality Control, and Universal Design ▶ Safety and Quality Control of Non-Residential Buildings ▶ Fair and Responsible Procurement ▶ Occupational Health and Safety ▶ Management of Hazardous Chemical Substances</p>
G4-15*	a. List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	<p>6.2</p> <p>▶ Corporate Philosophy and CSR Management ▶ Promotion of Social Contribution Activities</p>

G4 Disclosure	ISO26000 Disclosure	Location
G4-16*	a. List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: <ul style="list-style-type: none"> - Holds a position on the governance body - Participates in projects or committees - Provides substantive funding beyond routine membership dues - Views membership as strategic 	6.2 ▶ Promotion of Social Contribution Activities
Identified Material Aspects and Boundaries		
G4-17*	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial	6.2 ▶ Our Business ▶ Sumitomo Forestry Group
G4-18*	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	▶ CSR Material Issues and Mid-Term CSR Management Plan
G4-19*	a. List all the material Aspects identified in the process for defining report content.	▶ CSR Material Issues and Mid-Term CSR Management Plan

G4 Disclosure	ISO26000 Disclosure	Location
<p>G4-20*</p>	<p>a. For each material Aspect, report the Aspect Boundary within the organization, as follows:</p> <ul style="list-style-type: none"> - Report whether the Aspect is material within the organization - If the Aspect is not material for all entities within the organization (as described in G4-17), select one of the following two approaches and report either: <ul style="list-style-type: none"> -The list of entities or groups of entities included in G4-17 for which the Aspect is not material or -The list of entities or groups of entities included in G4-17 for which the Aspects is material - Report any specific limitation regarding the Aspect Boundary within the organization 	<p>► CSR Material Issues and Mid-Term CSR Management Plan</p>
<p>G4-21*</p>	<p>a. For each material Aspect, report the Aspect Boundary outside the organization, as follows:</p> <ul style="list-style-type: none"> - Report whether the Aspect is material outside of the organization - If the Aspect is material outside of the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified - Report any specific limitation regarding the Aspect Boundary outside the organization 	<p>► Editorial Policy</p>
<p>G4-22*</p>	<p>a. Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.</p>	
<p>G4-23*</p>	<p>a. Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.</p>	<p>► Editorial Policy</p>

G4 Disclosure	ISO26000 Disclosure	Location
Stakeholder Engagement		
G4-24*	a. Provide a list of stakeholder groups engaged by the organization.	6.2 ▶ Stakeholder Engagement
G4-25*	a. Report the basis for identification and selection of stakeholders with whom to engage.	6.2
G4-26*	a. Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	6.2 ▶ Stakeholder Engagement
G4-27*	a. Report 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. Report the stakeholder groups that raised each of the key topics and concerns.	6.2 ▶ Social Report
Report Profile		
G4-28*	a. Reporting period (such as fiscal or calendar year) for information provided.	▶ Editorial Policy
G4-29*	a. Date of most recent previous report (if any).	▶ Editorial Policy
G4-30*	a. Reporting cycle (such as annual, biennial).	▶ Editorial Policy
G4-31*	a. Provide the contact point for questions regarding the report or its contents.	▶ Questionnaire

G4 Disclosure	ISO26000 Disclosure	Location
GRI Content Index		
G4-32*	<ul style="list-style-type: none"> a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option (see tables below). c. Report the reference to the External Assurance Report, if the report has been externally assured. (GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.) 	GRI Content Index
Assurance		
G4-33*	<ul style="list-style-type: none"> a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report. 	7.5.3 ▶ Independent Assurance Report
Governance		
Governance Structure and Composition		
G4-34*	<ul style="list-style-type: none"> a. Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts. 	<ul style="list-style-type: none"> ▶ Corporate Governance ▶ Environmental Management Structure
G4-35	<ul style="list-style-type: none"> a. Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees. 	<ul style="list-style-type: none"> ▶ Corporate Governance ▶ Environmental Management Structure ▶ Communication with Employees

G4 Disclosure	ISO26000 Disclosure	Location
G4-36	<p>a. Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.</p>	<ul style="list-style-type: none"> ▶ Corporate Governance ▶ Environmental Management Structure
G4-37	<p>a. Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.</p>	<ul style="list-style-type: none"> ▶ Corporate Governance ▶ Information Disclosure and Communication ▶ Communication with Employees
G4-38	<p>a. Report the composition of the highest governance body and its committees by:</p> <ul style="list-style-type: none"> - Executive or non-executive Independence - Tenure on the governance body - Number of each individual's other significant positions and commitments, and the nature of the commitments - Gender - Membership of under-represented social groups - ompetences relating to economic, environmental and social impacts - Stakeholder representation 	<ul style="list-style-type: none"> ▶ Corporate Governance
G4-39	<p>a. Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).</p>	<ul style="list-style-type: none"> ▶ Corporate Governance

G4 Disclosure	ISO26000 Disclosure	Location
<p>G4-40</p> <p>a. Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including:</p> <ul style="list-style-type: none"> - Whether and how diversity is considered - Whether and how independence is considered - Whether and how expertise and experience relating to economic, environmental and social topics are considered - Whether and how stakeholders (including shareholders) are involved 		<p>► Corporate Governance</p>
<p>G4-41</p> <p>a. Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders, including, as a minimum:</p> <ul style="list-style-type: none"> - Cross-board membership - Cross-shareholding with suppliers and other stakeholders - Existence of controlling shareholder - Related party disclosures 		<p>► Corporate Governance</p> <p>► Compliance</p>
<p>Highest Governance Body’s Role in Setting Purpose, Values, and Strategy</p>		
<p>G4-42</p> <p>a. Report the highest governance body’s and senior executives’ roles in the development, approval, and updating of the organization’s purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.</p>		<p>► Corporate Governance</p> <p>► Environmental Management Structure</p>
<p>Highest Governance Body’s Competencies and Performance Evaluation</p>		
<p>G4-43</p> <p>a. Report the measures taken to develop and enhance the highest governance body’s collective knowledge of economic, environmental and social topics.</p>		<p>► Corporate Governance</p>

G4 Disclosure	ISO26000 Disclosure	Location
G4-44	<p>a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment.</p> <p>b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.</p>	<p>► Corporate Governance</p>
Highest Governance Body's Role in Risk Management		
G4-45	<p>a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes.</p> <p>b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.</p>	<p>6.2</p> <p>► Corporate Governance</p> <p>► Risk Management</p> <p>► Fair and Responsible Procurement</p> <p>► Environmental Management Structure</p>
G4-46	<p>a. Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.</p>	<p>► Risk Management</p>
G4-47	<p>a. Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.</p>	<p>6.2</p> <p>► Corporate Governance</p> <p>► Risk Management</p> <p>► Fair and Responsible Procurement</p> <p>► Environmental Impact of Business Activities</p>

G4 Disclosure		ISO26000 Disclosure	Location
Highest Governance Body's Role in Sustainability Reporting			
G4-48	a. Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.		▶ Environmental Management Structure
Highest Governance Body's Role in Evaluating Economic, Environmental and Social Performance			
G4-49	a. Report the process for communicating critical concerns to the highest governance body.	6.2	▶ Corporate Governance ▶ Risk Management ▶ Compliance ▶ Information Disclosure and Communication ▶ Communication with Employees
G4-50	a. Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.		▶ Compliance
Remuneration and Incentives			
G4-51	a. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration: <ul style="list-style-type: none"> - Fixed pay and variable pay: <ul style="list-style-type: none"> - Performance-based pay - Equity-based pay - Bonuses - Deferred or vested shares - Sign-on bonuses or recruitment incentive payments - Termination payments - Clawbacks - Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	6.2	▶ Corporate Governance

G4 Disclosure	ISO26000 Disclosure	Location
G4-52	a. Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	
G4-53	a. Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	<ul style="list-style-type: none"> ▶ Corporate Governance ▶ Information Disclosure and Communication ▶ Communication with Employees
G4-54	a. Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	
G4-55	a. Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	
Ethics and Integrity		
G4-56*	a. Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	<ul style="list-style-type: none"> ▶ Corporate Philosophy and CSR Management
G4-57	a. Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	<ul style="list-style-type: none"> ▶ Intellectual Property Management ▶ Compliance

G4 Disclosure		ISO26000 Disclosure	Location
G4-58	a. Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.		<ul style="list-style-type: none"> ▶ Intellectual Property Management ▶ Compliance

* Core Indicator

■ Specific Standard Disclosures

G4 Disclosure		ISO26000 Disclosure	Location
Economic			
Aspect: Economic Performance			
G4-EC1	Direct economic value generated and distributed	6.8.1 6.8.2 6.8.3 6.8.7 6.8.9	<ul style="list-style-type: none"> ▶ Returns to Shareholders ▶ Intellectual Property Management ▶ Corporate Profile ▶ Financial Results
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	6.5.5	<ul style="list-style-type: none"> ▶ Environmental Risk Management ▶ Contributing to the Reduction of Greenhouse Gases through Our Business
G4-EC3	Coverage of the organization's defined benefit plan obligations	6.8.7	▶ IR Library
G4-EC4	Financial assistance received from government		
Aspect: Market Presence			
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	6.3.7 6.3.10 6.4.3 6.4.4 6.8.1 6.8.2	

G4 Disclosure		ISO26000 Disclosure	Location
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	6.4.3 6.8.1 6.8.2 6.8.5 6.8.7	<ul style="list-style-type: none"> ▶ Fair Employment and Benefits ▶ Employee Data
Aspect: Indirect Economic Impacts			
G4-EC7	Development and impact of infrastructure investments and services supported	6.3.9 6.8.1 6.8.2 6.8.7 6.8.9	<ul style="list-style-type: none"> ▶ Fair and Responsible Procurement ▶ Promotion of Social Contribution Activities ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions During Occupancy ▶ Contributing to the Reduction of Greenhouse Gases Through Our Business ▶ Forest Management in Japan ▶ Forest Management Overseas ▶ Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas ▶ Conservation of Biodiversity Through Business and Services
G4-EC8	Significant indirect economic impacts, including the extent of impacts	6.3.9 6.6.6 6.6.7 6.7.8 6.8.1 6.8.2 6.8.5 6.8.6 6.8.7 6.8.9	<ul style="list-style-type: none"> ▶ Risk Management ▶ Environmental Risk Management
Aspect: Procurement Practices			
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	6.4.3 6.6.6 6.8.1 6.8.2 6.8.7	

G4 Disclosure		ISO26000 Disclosure	Location
Environmental			
Aspect: Materials			
G4-EN1	Materials used by weight or volume	6.5.1 6.5.2 6.5.4	▶ Environmental Impact of Business Activities
G4-EN2	Percentage of materials used that are recycled input materials	6.5.1 6.5.2 6.5.4	▶ Reduction, Recycling and Appropriate Disposal of Waste
Aspect: Energy			
G4-EN3	Energy consumption within the organization	6.5.1 6.5.2 6.5.4	▶ Environmental Impact of Business Activities
G4-EN4	Energy consumption outside of the organization	6.5.1 6.5.2 6.5.4	▶ Saving of Energy and Reduction of Greenhouse Gas Emissions During Occupancy
G4-EN5	Energy intensity	6.5.1 6.5.2 6.5.4	▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
G4-EN6	Reduction of energy consumption	6.5.1 6.5.2 6.5.4 6.5.5	▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions During Occupancy
G4-EN7	Reductions in energy requirements of products and services	6.5.1 6.5.2 6.5.4 6.5.5	▶ Contributing to the Reduction of Greenhouse Gases Through Our Business

G4 Disclosure		ISO26000 Disclosure	Location
Aspect: Water			
G4-EN8	Total water withdrawal by source	6.5.1 6.5.2 6.5.4	<ul style="list-style-type: none"> ▶ Environmental Impact of Business Activities ▶ Efficient Use of Water Resources ▶ Environmental Data for Group Companies
G4-EN9	Water sources significantly affected by withdrawal of water	6.5.1 6.5.2 6.5.4	<ul style="list-style-type: none"> ▶ Environmental Data for Group Companies
G4-EN10	Percentage and total volume of water recycled and reused	6.5.1 6.5.2 6.5.4	
Aspect: Biodiversity			
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	6.5.1 6.5.2 6.5.6	<ul style="list-style-type: none"> ▶ Policies and Targets for Biodiversity Conservation ▶ Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas ▶ Conservation of Biodiversity Through Business and Services
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	6.5.1 6.5.2 6.5.6	<ul style="list-style-type: none"> ▶ Examples of Social Contribution Activities in Japan ▶ Environmental Risk Management ▶ Policies and Targets for Biodiversity Conservation ▶ Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas ▶ Conservation of Biodiversity Through Business and Services

G4 Disclosure		ISO26000 Disclosure	Location
G4-EN13	Habitats protected or restored	6.5.1 6.5.2 6.5.6	<ul style="list-style-type: none"> ▶ Examples of Social Contribution Activities in Japan ▶ Policies and Targets for Biodiversity Conservation ▶ Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas ▶ Conservation of Biodiversity Through Business and Services
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	6.5.1 6.5.2 6.5.6	<ul style="list-style-type: none"> ▶ Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas
Aspect: Emissions			
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	6.5.1 6.5.2 6.5.5	<ul style="list-style-type: none"> ▶ Environmental Impact of Business Activities ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	6.5.1 6.5.2 6.5.5	<ul style="list-style-type: none"> ▶ Environmental Impact of Business Activities ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	6.5.1 6.5.2 6.5.5	<ul style="list-style-type: none"> ▶ Environmental Impact of Business Activities ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities

G4 Disclosure		ISO26000 Disclosure	Location
G4-EN18	Greenhouse gas (GHG) emissions intensity	6.5.1 6.5.2 6.5.5	<ul style="list-style-type: none"> ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
G4-EN19	Reduction of greenhouse gas (GHG) emissions	6.5.1 6.5.2 6.5.5	<ul style="list-style-type: none"> ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions During Occupancy ▶ Contributing to the Reduction of Greenhouse Gases Through Our Business ▶ Sustainable Forest Management
G4-EN20	Emissions of ozone-depleting substances (ODS)	6.5.1 6.5.2 6.5.3 6.5.5	
G4-EN21	NOX, SOX, and other significant air emissions	6.5.1 6.5.2 6.5.3	<ul style="list-style-type: none"> ▶ Management of Hazardous Chemical Substances ▶ Environmental Data for Group Companies
Aspect: Effluents and Waste			
G4-EN22	Total water discharge by quality and destination	6.5.1 6.5.2 6.5.3	<ul style="list-style-type: none"> ▶ Environmental Impact of Business Activities
G4-EN23	Total weight of waste by type and disposal method	6.5 6.5.3	<ul style="list-style-type: none"> ▶ Environmental Impact of Business Activities ▶ Reduction, Recycling and Appropriate Disposal of Waste
G4-EN24	Total number and volume of significant spills	6.5.1 6.5.2 6.5.3	
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention ² Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	6.5.1 6.5.2 6.5.3	

G4 Disclosure		ISO26000 Disclosure	Location
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	6.5.1 6.5.2 6.5.3 6.5.4 6.5.6	
Aspect: Products and Services			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	6.5.1 6.5.2 6.5.3 6.5.4 6.5.5 6.7.5	<ul style="list-style-type: none"> ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions During Occupancy ▶ Contributing to the Reduction of Greenhouse Gases Through Our Business ▶ Forest Management in Japan ▶ Forest Management Overseas ▶ Conservation of Biodiversity Through Business and Services
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category a. Report the percentage of reclaimed products and their packaging materials for each product category. b. Report how the data for this Indicator has been collected.	6.5.1 6.5.2 6.5.3 6.5.4 6.7.5	<ul style="list-style-type: none"> ▶ Reduction, Recycling and Appropriate Disposal of Waste
Aspect: Compliance			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	6.5.1 6.5.2 4.6	
Aspect: Transport			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	6.5.1 6.5.2 6.5.4 6.6.6	<ul style="list-style-type: none"> ▶ Environmental Impact of Business Activities ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities

G4 Disclosure		ISO26000 Disclosure	Location
Aspect: Overall			
G4-EN31	Total environmental protection expenditures and investments by type	6.5.1 6.5.2	<ul style="list-style-type: none"> ▶ Promotion of Social Contribution Activities ▶ Environmental Accounting
Aspect: Supplier Environmental Assessment			
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	6.3.5 6.5.1 6.5.2 6.6.6 7.3.1	
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	6.3.5 6.5.1 6.5.2 6.6.6 7.3.1	
Aspect: Environmental Grievance Mechanisms			
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	6.3.6 6.5.1 6.5.2	
Social			
Labor practices and decent work			
Aspect: Employment			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	6.4.1 6.4.2 6.4.3	▶ Employee Data
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	6.4.1 6.4.2 6.4.4 6.8.7	
G4-LA3	Return to work and retention rates after parental leave, by gender	6.4.1 6.4.2 6.4.4	▶ Employee Data
Aspect: Labor/Management Relations			
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	6.4.1 6.4.2 6.4.3 6.4.5	

G4 Disclosure		ISO26000 Disclosure	Location
Aspect: Occupational Health and Safety (OHS)			
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on Occupational Health and Safety (OHS) programs	6.4.1 6.4.2 6.4.6	► Communication with Employees
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	6.4.1 6.4.2 6.4.6 6.8.8	► Occupational Health and Safety ► Employee Data
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	6.4.1 6.4.2 6.4.6 6.8 6.8.3 6.8.4 6.8.8	► Occupational Health and Safety
G4-LA8	Health and safety topics covered in formal agreements with trade unions	6.4.1 6.4.2 6.4.6	► Communication with Employees
Aspect: Training and Education			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	6.4.1 6.4.2 6.4.7	► Employee Data
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	6.4.1 6.4.2 6.4.7 6.8.5	► Human Resources Development
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	6.4.1 6.4.2 6.4.7	► Human Resources Development
Aspect: Diversity and Equal Opportunity			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	6.2.3 6.3.7 6.3.10 6.4.1	► Corporate Governance ► Employee Data
Aspect: Equal Remuneration for Women and Men			
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	6.3.7 6.3.10 6.4.1 6.4.2 6.4.3 6.4.4	

G4 Disclosure		ISO26000 Disclosure	Location
Aspect: Supplier Assessment for Labor Practices			
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria a. Report the percentage of new suppliers that were screened using labor practices criteria.	6.3.5 6.4.1 6.4.2 6.4.3 6.6.6 7.3.1	
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	6.3.5 6.4.1 6.4.2 6.4.3 6.6.6 7.3.1	► Occupational Health and Safety
Aspect: Labor Practices Grievance Mechanisms			
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	6.3.6 6.4.1 6.4.2	► Compliance
Human Rights			
Aspect: Investment			
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	4.8 6.3.1 6.3.2 6.3.3 6.3.5 6.6.6	► Respect for Human Rights
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	4.8 6.3.1 6.3.2 6.3.5	► Respect for Human Rights
Aspect: Non-discrimination			
G4-HR3	Total number of incidents of discrimination and corrective actions taken	4.8 6.3.1 6.3.2 6.3.6 6.3.7 6.3.10 6.4.3	

G4 Disclosure		ISO26000 Disclosure	Location
Aspect: Freedom of Association and Collective Bargaining			
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.3.8 6.3.10 6.4.5 6.6.6	
Aspect: Child Labor			
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.3.7 6.3.10 6.6.6 6.8.4	<ul style="list-style-type: none"> ▶ Responsible Timber Procurement ▶ Communication with Our Business Partners ▶ Respect for Human Rights
Aspect: Forced or Compulsory Labor			
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.3.10 6.6.6	<ul style="list-style-type: none"> ▶ Fair and Responsible Procurement ▶ Communication with Our Business Partners ▶ Respect for Human Rights
Aspect: Security Practices			
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	4.8 6.3.1 6.3.2 6.3.4 6.3.5 6.6.6	
Aspect: Indigenous Rights			
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	4.8 6.3.1 6.3.2 6.3.4 6.3.6 6.3.7 6.3.8 6.6.7 6.8.3	

G4 Disclosure		ISO26000 Disclosure	Location
Aspect: Assessment			
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5	<ul style="list-style-type: none"> ▶ Respect for Human Rights ▶ Communication with Our Business Partners
Aspect: Supplier Human Rights Assessment			
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.6.6	<ul style="list-style-type: none"> ▶ Communication with Our Business Partners
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.6.6	<ul style="list-style-type: none"> ▶ Responsible Timber Procurement ▶ Respect for Human Rights
Aspect: Human Rights Grievance Mechanisms			
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	4.8 6.3.1 6.3.2 6.3.6	<ul style="list-style-type: none"> ▶ Compliance
Society			
Aspect: Local Communities			
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	6.3.9 6.5.1 6.5.2 6.5.3 6.8	<ul style="list-style-type: none"> ▶ Examples of Social Contribution Activities in Japan ▶ Examples of Overseas Community Development and Regional Contribution Activities ▶ Forest Management in Japan ▶ Forest Management Overseas
G4-SO2	Operations with significant actual or potential negative impacts on local communities	6.3.9 6.5.3 6.8	

G4 Disclosure		ISO26000 Disclosure	Location
Aspect: Anti-corruption			
G4-S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	6.6.1 6.6.2 6.6.3	► Compliance
G4-S04	Communication and training on anti-corruption policies and procedures	6.6.1 6.6.2 6.6.3 6.6.6	► Compliance
G4-S05	Confirmed incidents of corruption and actions taken	6.6.1 6.6.2 6.6.3	► Compliance
Aspect: Public Policy			
G4-S06	Total value of political contributions by country and recipient/beneficiary	6.6.1 6.6.2 6.6.4	
Aspect: Anti-competitive Behavior			
G4-S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	6.6.1 6.6.2 6.6.5 6.6.7	► Compliance
Aspect: Compliance			
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	4.6 6.6.1 6.6.2	
Aspect: Supplier Assessment for Impacts on Society			
G4-S09	Percentage of new suppliers that were screened using criteria for impacts on society	6.3.5 6.6.1 6.6.2 6.6.6 6.8.1 6.8.2 7.3.1	
G4-S10	Significant actual and potential negative impacts on society in the supply chain and actions taken	6.3.5 6.6.1 6.6.2 6.6.6 6.8.1 6.8.2 7.3.1	► Responsible Timber Procurement

G4 Disclosure		ISO26000 Disclosure	Location
Aspect: Grievance Mechanisms for Impacts on Society			
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	6.3.6 6.6.1 6.6.2 6.8.1 6.8.2	
Product Responsibility			
Aspect: Customer Health and Safety			
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	6.7.1 6.7.2 6.7.4 6.7.5 6.8.8	<ul style="list-style-type: none"> ▶ Responsible Timber Procurement ▶ Housing Safety, Quality Control, and Universal Design ▶ Safety and Quality Control of Non-Residential Buildings ▶ Safety and Quality Control of Building Materials
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	4.6 6.7.1 6.7.2 6.7.4 6.7.5 6.8.8	
Aspect: Product and Service Labeling			
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	6.7.1 6.7.2 6.7.3 6.7.4 6.7.5 6.7.9	<ul style="list-style-type: none"> ▶ Responsible Timber Procurement ▶ Housing Safety, Quality Control, and Universal Design ▶ Safety and Quality Control of Non-Residential Buildings ▶ Safety and Quality Control of Building Materials
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	4.6 6.7.1 6.7.2 6.7.3 6.7.4 6.7.5 6.7.9	

G4 Disclosure		ISO26000 Disclosure	Location
G4-PR5	Results of surveys measuring customer satisfaction	6.7.1 6.7.2 6.7.6	<ul style="list-style-type: none"> ▶ Housing Safety, Quality Control, and Universal Design ▶ Communication with Our Customers
Aspect: Marketing Communications			
G4-PR6	Sale of banned or disputed products		
G4-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	4.6 6.7.1 6.7.2 6.7.3	<ul style="list-style-type: none"> ▶ Communication with Our Customers
Aspect: Customer Privacy			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	6.7.1 6.7.2 6.7.7	<ul style="list-style-type: none"> ▶ Communication with Our Customers
Aspect: Compliance			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	4.6 6.7.1 6.7.2 6.7.6	



Independent Assurance Report

To the President and Representative Director of Sumitomo Forestry Co., Ltd.

We were engaged by Sumitomo Forestry Co., Ltd. (the “Company”) to undertake a limited assurance engagement of the environmental and social performance indicators marked with  for the period from April 1, 2016 to March 31, 2017 (the “Indicators”) included in its CSR Report 2017 (the “Report”) for the fiscal year ended March 31, 2017.

The Company’s Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Report, which are derived, among others, from the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative and Environmental Reporting Guidelines of Japan’s Ministry of the Environment.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’, ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’, issued by the International Auditing and Assurance Standards Board, and the ‘Practical Guidelines for the Assurance of Sustainability Information’ of the Japanese Association of Assurance Organizations for Sustainability Information. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing with the Company’s responsible personnel to obtain an understanding of its policy for the preparation of the Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical reviews of the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and also recalculating the Indicators.
- Visiting to Mombetsu Biomass Electric Power Co., Ltd. selected on the basis of a risk analysis.
- Evaluating the overall statement in which the Indicators are expressed.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company’s reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

November 24, 2017