

Happiness Grows from Trees



For Sustainable Development Goals



Sumitomo Forestry Group
Sustainability Report 2019

Contents

2	Top Commitment	65	Governance	203	Social Report
	Sustainability Activity Highlight	66	Corporate Governance	204	Human Rights
6	HIGHLIGHT 1 Providing Reliable and Safe Housing	76	Risk Management	207	Health and Safety
8	HIGHLIGHT 2 Contributing to the Protection of Biodiversity	82	Compliance	217	Employment and Human Resources Development
10	HIGHLIGHT 3 Promoting Sustainable and Innovative Technological Development	86	Business Continuity Management	229	Social Contribution
12	HIGHLIGHT 4 Expanding the Utilization of Sustainable Forest Resources	89	Responsible Advertising/Promotional Efforts	247	Quality Management
14	HIGHLIGHT 5 Responding to Climate Change	90	Information Security	249	Social Data
16	HIGHLIGHT 6 Promoting Workstyle Reform	92	Intellectual Property Management	255	Environmental Report
18	Sumitomo Forestry Group's Sustainability Management	93	Return to Shareholders and IR Activities	256	Environmental Management
19	Corporate Philosophy and Sustainability Management	96	Contribution Through Our Business	265	Environmental Impact of Business Activities
23	Mid-Term Sustainability Targets of Our 2021 Mid-Term Management Plan and Material Issues	97	Overall Business and Scope of Impact	279	Responding to Climate Change
27	Material Issue 1: Ongoing Timber and Materials Procurement that Considers Sustainability and Biodiversity	99	Housing and Construction Business	291	Responding to Waste and Pollution
30	Material Issue 2: The Development and Sale of Reliable and Safe Products and Services that Consider the Environment and Society	143	Distribution Business	310	Biodiversity Conservation
33	Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities	159	Manufacturing Facilities	316	Efficient Use of Water Resources
36	Material Issue 4: A Vibrant Work Environment Where a Diverse Workforce can Unharness their Skills and Individuality	169	Forest Management	319	Environment Related Data
40	Material Issue 5: Corporate Ethics and Governance Structures	194	Environmental Energy Business	327	Corporate Profile
42	Former Mid-Term CSR Management Plan and Results	201	Business Responding to the Super-Aging Society	329	Editorial Policy
50	Stakeholder Engagement			330	External Recognition
58	Sustainability-related Policies			335	GRI Content Index (GRI Standards)
				350	Independent Assurance Report

Boundary of the Report and Publication Date

Boundary of the Report:

The scope of this report is Sumitomo Forestry, its consolidated 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 consolidated companies in Japan and overseas as well as some affiliated companies accounted for by the equity-method

Published:

December 2019

Reporting Period:

Japan: April 2018 to March 2019

Overseas: January 2018 to December 2018

* Some activities started before the period and after April 2019 as well as future expectations are also included

Contact:

Sustainability Department

Sumitomo Forestry Co., Ltd.

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

Top Commitment

Utilizing Wood to Protect Forests
Utilizing Wood to Build the Future

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



A History of Revitalizing a Desolate Mountain 120 Years Ago

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

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

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

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

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

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

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

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

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

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

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

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

Increasing Biomass Power Generation, a Renewable Energy

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

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

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

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

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

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

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

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

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

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

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

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

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

Increasing Demand for Wood Will Lead to Climate Change Countermeasures

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

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

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

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

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

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

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

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

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

Creating a Good Working Environment for a Diverse Group of People

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

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

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

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

HIGHLIGHT 1

Providing Reliable and Safe Housing

Utilizing IoT for Quick Recovery After Disasters

Toward Commercialization of a Natural Disaster Assessment Data Gathering and Analysis System



Because homes are a core element of daily life, most customers consider safe and reliable housing important. Sumitomo Forestry Group is constantly striving to enhance the safety and durability of its buildings and to provide products and services that contribute to safety and reliability for customers and society. Natural disasters, such as earthquakes and intense rainfalls, have become more frequent in recent years, and quick response for recovery has become all the more vital. Sumitomo Forestry is working to develop new services that utilize IoT to provide quick support to those who have encountered natural disasters.

Addressing the Issue of the Time It Takes to Assess Disaster

Japan has many earthquakes and in recent years, climate change has made natural disasters more serious with concentrated downpours, typhoons and others causing extensive and frequent damage. In monetary terms, Japan accounts for 17% of the worldwide total of damages due to natural disasters. In the 20 years until 2015, the total cost of damages was a staggering 47 trillion yen*.

Of course, the bigger the disaster, the longer the recovery efforts, and it now takes more time to assess the situation as well. For the Kumamoto earthquake that occurred in April 2016, it took about one and a half months for

the government to conduct emergency safety checks of buildings aimed to prevent secondary disasters. Disaster victims expressed their anxieties, saying, "It takes too much time to get the information we need," highlighting one of the biggest hurdles in speedy recovery efforts.

* Centre for Research on the Epidemiology of Disasters database (EM-DAT)

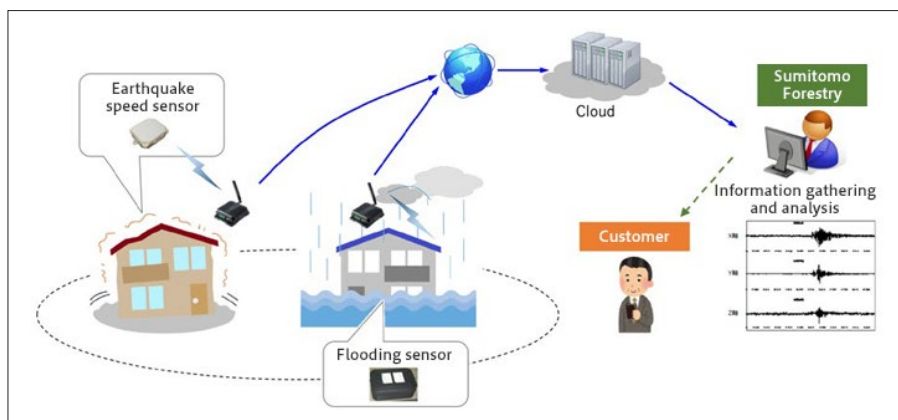
Quickly Gathering Data About Damaged Homes Using Sensing Technologies

Sumitomo Forestry is responding to such issues by developing services that promote quick recovery after disasters. Since 2017, we have

been conducting trials of IoT services that utilize our analysis technologies. Specifically, we are conducting trial experiments using sensors to measure, gather and analyze data of buildings to determine their condition. We place several sensors throughout a house to acquire data, such as the magnitude of an earthquake's tremors, flooding or other conditions, and gather this data through a network to analyze. At our Tsukuba Research Institute, we combine this data with the vast amount of data about earthquake resistance of wooden houses for high-precision analysis to create a technology that is uniquely ours. To ensure our customers' peace of mind and safety in the event of a disaster, we are working hard toward actual implementation.

These trials, which were started in the Kanto region, are now being conducted nationwide at 12 more new locations in its second year as of October 2018. We are working to build the necessary infrastructure to enable the secure gathering of data to evaluate disasters.

Overview of How Data Is Gathered



A sensor installed inside a wall of a house

Supporting the Speedy Recovery of Customers and Regions Affected by Disasters

With the actual implementation of these services in the future, Sumitomo Forestry will be able to provide new value in wider range of areas.

If sensors installed in homes can be used remotely to determine the level of damage, we will be able to more quickly grasp, report and respond to the situation and arrange for repairs or other work to provide our customers the support they need. As engineers would no longer have to check each and every house, it would resolve the problem of taking too much time and can even be used for areas made inaccessible after a major disaster.

One example of how gathered data can be utilized



In addition, by utilizing this gathered data in different ways, we can develop new services that would give more people a sense of security. For example, we could collaborate with casualty insurance companies to provide quick damage assessments necessary for insurance benefits, which would help people rebuild their lives more quickly. In addition, we could provide data to customers and local governments for emergency risk assessments that would help prevent secondary disasters. Furthermore, our data analysis results could promote development of technologies that enhance earthquake resistance and durability.

Providing Peace of Mind and Safety to More Customers with Our Services

While we are currently continuing to gather data, to assess building damage in a wider variety of areas, we are working to gather even more data to enhance reliability. At the same time, we are putting in place better infrastructures that will allow the installment of significantly more sensors and we are simplifying installation procedures, reducing device costs and making final improvement touches in preparation for commercialization. While there are still many unresolved issues, we are working to overcome them one by one, and eventually, we hope to apply them to non-housing structures, overseas housing, smart city plans and other possibilities. With the popularization of new added-value houses, we want to provide more customers peace of mind and safety.

Message from the Person in Charge of Service Development

Utilizing IoT for housing is still in its early stages in Japan. In North America, sensing technology is already being employed in many different aspects. As a member of the IoT Solutions Division, I am always thinking about what value we as a housing manufacturer can provide by using IoT. With an awareness that the number of customers concerned about safety is increasing because of the frequency of natural disasters in Japan, we decided to conduct trial experiments.

First, we are developing high-functionality sensors that can monitor our customers' homes. And to provide recovery support and give customers peace of mind in the event of a disaster, we are working to provide quick home damage assessments. Improving reliability and added value is our ongoing challenge.



Hidefumi Suzuki,
Group Manager
Housing and Building Technology Group,
IT Solutions Department

PICK UP

Collaborating to Build Affordable Housing Model Homes in Myanmar

Overseas, Sumitomo Forestry is working to sell and promote high energy saving houses and homes that help resolve other social issues. In Myanmar, we worked with the Japan-Myanmar Association for Industry of Housing and Urban Development (JMHU; currently, the Japan International Association for the Industry of Building and Housing (JIBH)) and the Myanmar

Construction Entrepreneurs Association (MCEA) to provide technical assistance and donations necessary to construct model homes of affordable houses (homes that are affordable for even low-income earners). The model homes were built in the Mingaladon Township in the Yangon suburbs. Forty-two Japanese companies that are JMHU members donated money, housing materials, technological support or other forms of assistance. As a chairman member of JMHU, we did the basic design of the model structure, supervised

construction and provided other support in an effort to help raise living standards and realize a more prosperous society in Myanmar.



Affordable Houses built in Myanmar

HIGHLIGHT 2

Contributing to the Protection of Biodiversity

From Gray to Green

Building Regional Infrastructures That Utilize the Natural Environment



So-called green infrastructures, in other words, infrastructures and land use plans that utilize natural functions, are increasingly becoming an area of focus. Infrastructures form the foundation of industrial and societal activity and include roads, trains, irrigation and other aspects of daily life.

Sumitomo Forestry Group strives to contribute to a sustainable society and economic development not through the development of conventional “gray infrastructures,” such as concrete and steel, but through “green infrastructures,” namely forests and urban green spaces.

A Green Infrastructure Project at a Large-Scale Operation

While green infrastructures are well known overseas, especially in North America and Europe, there have been no large-scale examples in Japan until now.

In fiscal 2018, Sumitomo Forestry Group worked with MS&AD InterRisk Research & Consulting, Inc., of Eco Asset Consortium*¹ to implement a biodiversity project at Aioi District of IHI Corporation. This has become a leading-edge example of a green infrastructure at a large-scale operation.

While 71% of the Aioi site is surrounded by lush nature, the site was vulnerable to natural disasters. Sumitomo Forestry, with its experience in forest management and greenery operations, was asked to come up with countermeasures. In 2013, we began surveys to identify all the issues and discovered that the risk of natural disasters was due to animal damage and imbalances in vegetation.

Instead of employing the conventional method of surrounding the site with concrete to prevent landslide damage, we proposed building a green infrastructure that would secure biodiversity within the compound and use greenery and other natural assets to avert damage from disasters. Specifically, we suggested a method of building a retaining wall using logs from windfall trees. In addition, we suggested planting trees in between these

logs so that by the time the logs decayed, the planted saplings will have rooted to form strong soil. Because of damage from animals, there was an overabundance of *Ilex pedunculosa*, which deer dislike, causing an imbalance in vegetation. *Ilex pedunculosa* is a tree species that burns easily. By thinning these trees and using them as materials for fascine*², we reduced the risk of fire hazards. In addition, to protect slopes, we used local vegetation found within a 20km radius and helped bring back original vegetation.

In addition, we facilitated study sessions among affiliated companies and nearby local companies, utilized local construction materials, and promoted building ties.

As a result of our efforts, the Aioi District of IHI has won high regard for its biodiversity and in March 2019, acquired certification from the Association for Business Innovation in Harmony with Nature and Community (ABINC)*³.

*1 Eco Asset Consortium: A consultancy team comprised of the four companies: Sumitomo Forestry, Sumitomo Forestry Landscaping, MS&AD InterRisk Research & Consulting and Regional Environmental Planning.

*2 Branches that are gathered and made into a bundles. Used for earth retaining walls, among other applications.

*3 A system that certifies initiatives taken by companies to create, maintain and utilize green spaces that take biodiversity into consideration.



Using logs from windfall trees to retain soil and then planting trees in between the logs to further solidify the soil.

To Expand Green Infrastructures in Japan

This green infrastructure project was implemented by bringing together Sumitomo Forestry Group's expertise and know how in timber use and greening technologies. As specified also in the Japanese government's National Spatial Planning Act, the use of green infrastructures is expanding but related laws have not kept up. One of the roles of our Company is to communicate closely with administrative authorities and determine which technologies we can utilize within the scope of the law to resolve issues one at a time. With this, we are steadily building more and more green infrastructures that are contributing to the protection of biodiversity.



Aioi District of IHI

Message from the Person in Charge of IHI

Since 2011, Aioi District of IHI Corporation has been conducting surveys into the operation's environmental CSR potential with the aim to become a manufacturing site that provides new value to society based on coexistence with the region. Hence, we launched a biodiversity project that would comprehensively resolve CSR-related issues, such as SDGs, and site management. In this green infrastructure project, Sumitomo Forestry Group provided us with its knowledge as specialists in forestry and greenery gave its perspective on the types of

materials our operation uses, what types of countermeasures to take to prevent animal damage, what types of vegetation to plant that would not be eaten by deer, ways to protect regional biodiversity and other areas. With ongoing work in biodiversity protection to create a stronger bond between nature and humans, our desire is for the operations to continue to develop as a major manufacturing site. With these activities, we hope that these operations will become a leading biodiversity model operation that is able to withstand and prevent the increasing number of natural disasters.



Shigeo Ozawa,
Headquarters Representative,
Aioi District, IHI Corporation

PICK UP

20th Anniversary of the Mt. Fuji Manabi no Mori Natural Forest Restoration Project

Mt. Fuji Manabi no Mori natural forest restoration project celebrates its 20th anniversary. This project started in 1998 to bring back the lush greenery of the national forest near the second station of Mt. Fuji, which was heavily wind damaged by a typhoon. Up until now, a cumulative total of 28,000 volunteers have helped to plant approximately 30,000 region-specific saplings and conduct other forestry efforts. To monitor the recovery of the natural forest, in addition to vegetation surveys, the Company has been conducting wildlife surveys with the cooperation of the Minami Fuji Branch of the Wild Bird Society of Japan since 2000 and has registered 75 indigenous species of birds to this date. The environment where the ground was bare after the removal of fallen trees gradually transformed from grasslands to forests. With this, the population of pheasants and shrikes is declining, and in their place, the population of such

birds of the forest as narcissus flycatchers and varied tit is increasing with opportunities to view them becoming more frequent, indicating that the forest is steadily recovering.

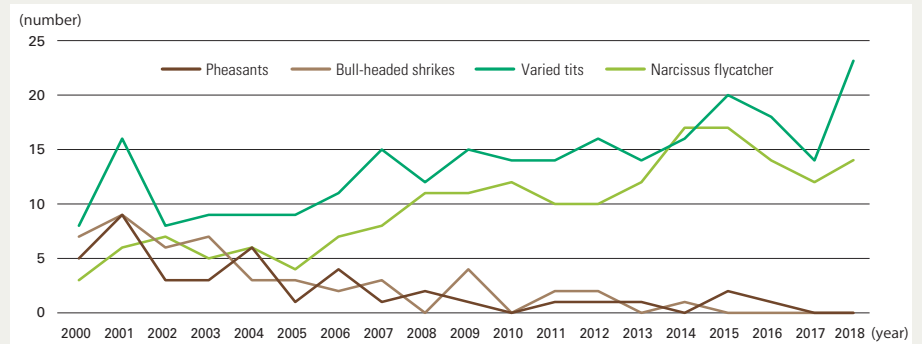


Before planting



Recovering forest

Trends in Wild Bird Population



HIGHLIGHT 3

Promoting Sustainable and Innovative Technological Development

Taking the First Step Towards 2041

A New Research Building at the Tsukuba Research Institute



Sumitomo Forestry Group is actively developing technologies and products that enhance the value of trees and contribute to the sustainability of the society.

In time for our 350th anniversary in 2041, we have embarked on our W350 Plan, a research and technological development plan centered on the construction of a 350-meter-high wooden high-rise building and the advancement of the use of wood in all aspects of urban planning to greenify our environment. Construction of a new research building at our Tsukuba Research Institute, which will form the basis of our efforts to realize our so-called Timberized Eco City that will transform our cities into forests, will be completed in October 2019.

Birth of a New Base to Conduct Technical Verification Tests for Our W350 Plan

Because of the deterioration with age of the Tsukuba Research Institute building and the increase in the number of personnel, construction of a new building was begun in March 2018. The wooden structure has three floors and a total floor area of 2,532.67m². This new research building has offices to hold 140 people and at the same time, numerous research areas to conduct various technical verification tests needed to realize the W350 Plan. Construction utilized a variety of the latest technologies, both in terms of the actual physical building and the software to support it and was selected as a “pilot program for sustainable buildings (wood type) in fiscal 2017” promoted by the Ministry of Land, Infrastructure, Transport and Tourism of the Japanese government.

The Technologies and Equipment That Contribute to an Earthquake Resistant and Low Carbon Building

One of the concepts behind the construction of the new research building is the pursuit of sustainability. A representative example of such is a structural technology called post-tension construction, which compensates for the lack of rigidity of wooden structures while maintaining its resistance and resiliency against earthquakes. Post tensioning is a technology that involves passing steel rods or wire ropes through the components to give it greater tensile force and increase the degree of fixation with other components. In conventional reinforced concrete or steel construction buildings, if a large earthquake causes the components to yield*, the building has to be rebuilt even if it does not collapse. However, in wooden post-tension construction buildings, damage is focused on

energy-absorbing components, which can be replaced. With this technology, even if there is damage that goes beyond the limit, only a minimum of repairs or parts replacement is necessary to recover earthquake resistance, making it a sustainable wooden building.

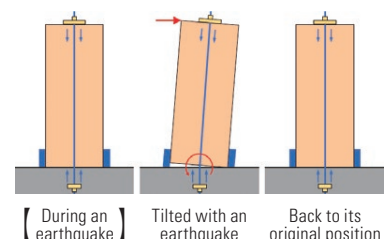
In pursuit of making it a Zero Energy Building (ZEB), solar panels are being installed on the roof, thermal insulation properties are being enhanced, wooden palette boilers that have low greenhouse gas emissions are being installed and other measures are being taken to create an energy-creating and energy-saving structure. In addition, sensors are being placed throughout the building based on wind environment simulations so that windows automatically open or close to allow natural breeze to flow in and out of the offices. This is a Sumitomo Forestry developed design method called Ryouonbou. It helps to significantly reduce energy consumption for cooling or heating of the building while maintaining a comfortable environment for the people inside.

* When a component is deformed beyond its elastic limit and does not go back to its original state



New research building at the Tsukuba Research Institute

Post Tension Construction



Software Technologies That Utilize the Strengths of Wood and Verification for the Future

Using the Whole Building Evacuation Safety Verification Method, we confirmed that everyone in the new research building can safely escape in the event of a fire, and in a first for a wooden building structure, we obtained Certification from the Minister of Land, Infrastructure and Transport. With advanced simulation technologies, we verified safety in the event of a fire, cleared all restrictions related to interior materials, proactively showed pillars, beams and other structural components and created an interior environment where people can sense the beauty and calming warmth of wood. In the atrium space, we planted trees in an inner courtyard to re-create a small forest within the building. In the future, we will verify various methods to maintain the greenery within the building and at the same time, gather data about the psychological and physiological impact an office environment filled with wood and greenery has on the people who work there.



Interior of the new research building

By making this new research building the site of our own research, we plan to gather data and verify hypotheses that will contribute to the realization of a totally new type of office building that utilizes the benefits of wood and greenery.

Sustainable Wooden High-Rise Office Buildings

The new research building is filled with many types of experimental features that are necessary in Sumitomo Forestry Group's efforts to propose mid- and high-rise wooden buildings on a wide scale. The higher a building is, the more difficult it is to create countermeasures for earthquakes, fires and other disasters. This building, which is a three-floor wooden structure, will be the basis for our research and development efforts in the W350 Plan, and with the accumulation of technology and know-how, we will continue our work to develop wooden offices that are safe even in the event of a fire, good for both people and the environment and sustainable.



Greenery on an exterior wall

Message from the Person in Charge of Development

We received the first proposal from the architect four years ago in August 2015. While even the first proposal utilized post-tension technologies, we had to have many discussions with the architect because the plan was different from what we were thinking. We were able to reach consensus on the current block structure around November 2016. The technical concept of how post tensioning could bring together disjointed wood blocks into one in a way that enables it to withstand the swaying of earthquakes was easy to understand and I really liked it as an architectural term, as well. While the technology behind large-scale wooden structures is in its infancy and there are many issues that still need to be resolved, by combining post-tension technologies with other construction methods and technologies, I think there is a lot of room for development. As we work toward fulfilling the goals set out in our W350 Plan, we will work to contribute to steadily achieving important technological development milestones along the way, such as W30 and W70.



Taisuke Nagashima,
Team Manager
Construction and Housing
Group
Tsukuba Research
Institute

PICK UP

With W30 As the First Step, the Roadmap to Realizing the W350 Plan

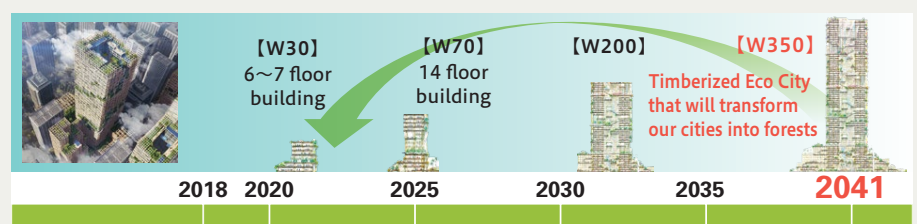
To fulfill an incredibly ambitious goal of building a 350-meter high-rise wooden building requires technological innovations that go beyond conventional wisdom and resolve a number of issues identified through backcasting. The proposed building will have 70 floors and will be a 9:1 ratio hybrid wood and steel construction. Basic R&D for this totally new type of technology is now taking place at the

Tsukuba Research Institute.

On the other hand, it is also important that we utilize the technologies we have developed thus far and evolve them with forecasting. By 2021, we aim to achieve W30 and pursue the limits of post-tension construction with a 20~

30-meter tall, 6~7 floor wooden structure. We are already in the site selection stage. Through the construction of W30, we will strive to advance our technologies, reduce costs and increase the possibility of achieving our W350 Plan.

W350 Plan Roadmap



HIGHLIGHT 4

Expanding the Utilization of Sustainable Forest Resources

Reinforcing Sustainable Timber Procurement

Formulation of a Timber Procurement Action Plan



Forest land area is continuing to decrease around the world and as indicated in the SDG goal, is a global-scale problem. According to the Fifth Assessment Report issued by the IPCC (Intergovernmental Panel on Climate Change), about 25% of the factors behind climate change are attributable to deforestation. After the Paris Agreement, this concern has grown even stronger. As more people are seeking sustainability in timber procurement, Sumitomo Forestry, with its business operations centered on wood, is contributing to the further promotion of responsible timber procurement by formulating a three-year action plan to realize a sustainable and prosperous society.

Reinforcing Sustainable Timber Procurement Due Diligence at Sumitomo Forestry

Our Company utilizes wood as a renewable natural resource in its business operations and has set out in its Corporate Philosophy to contribute to the realization of a sustainable and prosperous society. We formulated the Timber Procurement Standards in 2005 and the Timber Procurement Philosophy and Policy in 2007 to confirm legality in our timber procurement efforts. Since 2012, we have further promoted responsible timber procurement activities through such efforts as surveys regarding timber procurement sustainability.

On the other hand, according to the Food and Agriculture Organization (FAO), one of the primary reasons behind deforestation in recent years is the clearing of forests for conversion to farmland and other uses. When procuring timber, in addition to countermeasures against illegal logging, biodiversity of the surrounding environment and the considerations of local residents, we must be concerned about the sustainability of wood and agricultural products from forests that were converted to farmland. In the 2021 Mid-Term Management Plan that the Sumitomo Forestry Group announced in May 2019, we are promoting as one of our basic policies integrate the ESG with our operations.

By our target fiscal year of 2021, in addition to confirming 100% legality, we have set out a goal to handle 100% sustainable timber and with clear-cut timeframes, are working toward better visualization of our initiatives.

Our Thinking Regarding Sustainable Wood and Wood Products

We define sustainable wood or wood products if they fulfill one or more of the following criteria. Even when legality can be confirmed, for items that do not fulfill our definition of sustainable wood or wood products, we will shift to alternative wood and other such products by fiscal 2021.

- ① Certified timber and pre-certified timber: FSC, PEFC, and SGEN (Regardless of CoC connection, we place emphasis on certification at time of production and promote a shift to certified timber)
- ② Timber from plantation forests
- ③ Natural timber where forestry management and distribution can be assessed as sustainable. (this does not include timber from conversion forests = timber harvested from natural forests that were converted to farm land such as oil palm plantations)
- ④ Recycled timber



Checking tags at the interim log yard

In the sustainability surveys of our suppliers, we have made evaluation standards stricter by adding categories about human rights and labor practices. For suppliers with low scores, we request improvement measures and strive to raise the overall level of the entire supply chain. In addition, in the formulation and implementation of our Action Plan, we are working to have dialogue with outside experts and stakeholders, among other efforts, to ensure objectivity.



A QR code tag affixed to the cut end of a log

Working with Suppliers to Provide Wood with Value

To realize sustainable timber procurement, we must implement initiatives for the entire supply chain, including product development, and this requires the cooperation of all parties, in particular our suppliers. For this reason, when we were re-evaluating our due diligence process, we placed importance on dialogue with our suppliers. Through confirmation that timber does not come from forests that were converted to farmland or other uses, we are actively promoting measures for sustainable forest management, which we hope will lead to long-term stable timber procurement.

Message from an Outside Expert

One of the core elements of this new three-year Action Plan is the definition of sustainable timber. I think that recognizing natural forest timber that is not explicitly certified timber, so long as forest management has been determined to be sustainable, is a very challenging definition. For that reason, expressing a commitment

to exclude timber from forests that have been converted to farmland or other uses, and furthermore, adding human rights and labor practices as evaluation criteria are all in keeping with global trends.

On the other hand, many issues regarding timber procurement and management in Japan still remain, such as the fact that almost all plantation forests are considered sustainable and the wide definition of recycled timber. Sumitomo Forestry is a leading company and I hope they will tackle these and other related issues head on.



Mutai Hashimoto

Forest Programme Adviser,
World Wide Fund for Nature Japan(WWF)
Deputy Director, Coral Reef Conservation and
Research Center

PICK UP

Kikorin plywood Wins an EcoPro Award

Kikorin plywood, an original type of environmentally friendly plywood, is a JAS-compliant product made of at least 50% certified timber and sustainable plantation timber.

Since introducing Kikorin plywood in 2009, Sumitomo Forestry has been returning a portion of the sales to the plantation forest operations in Indonesia, which has grown to a total plantation area of 105ha (approximately 22 times the size of Tokyo Dome stadium). In addition, as a result of the ongoing cycle of planting and harvesting trees, we have been able to contribute to the local region. For example, we have been able to create

local employment with our plantation forest operations and contribute to industrial development with income from timber sales and by creating a processed wood business that utilizes plantation timber. Furthermore, we have reduced the burden on natural wood by utilizing plantation timber as a raw material instead.

These initiatives have won high regard and we were awarded honorable mention for the First EcoPro Awards* in September 2018 in Tokyo. We will continue to distribute seedlings to local residents and hold study sessions on afforestation methods and promote a sustainable cycle of plantation forest operations.



Kikorin plywood



*Organized by the Japan Environmental Management Association for Industry. In addition to providing consumers information about eco products, it supports providers, such as companies, support for their various initiatives in an effort to further develop and promote the use of eco products in Japan. Established in 2004 and in fiscal 2018, its Eco Products Awards was renamed the EcoPro Awards.

HIGHLIGHT 5

Responding to Climate Change

Developing Plantation Forest Operations That Provide Both a Stable Supply of Timber and Protect the Environment

Responsible Peatland Management by Wana Subur Lestari (WSL) and Mayangkara Tanaman Industri (MTI) of Indonesia



To mitigate deforestation, it is important to regenerate forest resources through appropriate management.

Sumitomo Forestry is practicing sustainable forest management based on the concept of perseverance forestry, where we plant, nurture, harvest and utilize trees and then replant. We own and maintain plantation forest operations that cover approximately 48,000ha of company-owned forests in Japan and about 230,000ha of plantation forest land overseas.

Utilizing our know-how gained from our wealth of experience in forest management both in Japan and abroad, we are working to expand sustainable plantation forest operations that are in harmony with the local society and environment.

View of the plantation forest

Production Forests in Indonesia

Sumitomo Forestry and an Indonesian forest management and plywood manufacturing company called Alas Kusuma Group jointly established WSL and MTI (hereinafter WSL/MTI) and with the license from Indonesia's Ministry of Environment and Forestry, has been operating a large-scale plantation forest in West Kalimantan since 2010. In addition to planting, growing and harvesting trees in a planned manner to produce sustainable timber, the operations are working in full consideration of biodiversity protection. Furthermore, the operation is contributing to development of the regional society through the creation of local job opportunities and other efforts.

Sustainable Peatland Management

Peatlands are formed when dry vegetation accumulates in water in an undecomposed state. According to the International Union for the Conservation of Nature (IUCN), the world's four million square kilometers of peatland account for 3% of the earth's total land area and are said to hold 630 gigatons of carbon. If the carbon gas trapped in the soil is released due to overdevelopment or peat fires, it would impact significantly on climate change. In the past, peatlands were dried



using drainage canals and made into plantation forests. However, drying the soil breaks down organic substances in the peat soil, which results in the emission of greenhouse gases. In addition, dry peat burns easily, creating the risk of large-scale peat fires. To prevent fires, appropriate water level management is important to ensuring that the soil is maintained at a desirable level of dampness.

WSL/MTI conducted detailed surveys for five years with the start of plantation forest operations in the peatland areas and came up with a comprehensive plan. After gathering in-depth data as well as totally new data about the geography, depth and other features of the peatlands, WSL and MTI formulated an evidence-based water level management plan. In addition, they implemented proper management systems, such as appropriate ways to measure water levels and fire prevention training, and with the cooperation of a research institute, they accumulated know-how about peat management to improve

operations. As a result, while peatland settlement rate is said to be usually 5~10cm/year, the operations have been able to maintain an average peatland settlement rate of 2.8cm/year, almost the same as natural forests. These efforts have helped to suppress the emission of greenhouse gases from the soil, and with the absorption of CO₂ from the plantation forests, are helping to mitigate climate change. In addition, at the plantation forest plan proposal phase, in line with thinking regarding high conservation value forests (HCVF), we are conducting detailed studies and establishing protection areas for forests, buffer zones and production forests (plantation forest land). With local governments and other companies, we have created a forest protection network and are working together to create green corridors with rare animal and plant species in a manner that ensures that their habitats are not isolated. These efforts have been highly regarded by animal specialists and NGOs.

Regional Grassroots Activities

There are about 300 local employees working at WSL/MTI, which is contributing to employment of local residents and vitalization of local industry. In addition, we are embarking on many different locally rooted activities to strengthen ties with the community, such as building water purification facilities and clinics, providing support to maintain full-time medical staff, teaching about the environment at local primary schools and other efforts. In 2018, we created a grievance mechanism whereby local residents can express in writing and through our regular visits their opinions, which we respond to within seven business days. This system helps us to appropriately handle any problems that local residents present.



Environmental class at a local primary school

Speaking at COP for Two Consecutive Years - an Increase in Overseas Interest

Our comprehensive approach to peat management has been regarded highly and at the 24th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP24) held in 2018, we gave a speech at the Indonesia Pavilion.

This speech was given in response to a request from Indonesia's Ministry of Environment and Forestry and was the second time we participated in COP after 2017. Under the title, "Sustainable landscaping for timber manufacturing and peat biodiversity protection," we talked about sustainable peat management. Half of the participants were from developing countries and the event showed us first-hand the interest and global need for peat management technologies.

We see potential in applying and expanding sustainable peat management to regions beyond Indonesia. Blessed with the possibility of expanding opportunities, we will increase our focus and efforts in the future.



At the lecture

Message from the On-site Manager

I consider my job in water level management to be about working with water and peat. Because I get covered in peat and my work clothes are always stained in the color of mud, I have a job that not many people like. In times of emergency, I sometimes have to go to measure water levels in the middle of the night or at dawn. I am always thinking about stabilizing water levels so that the plantation forest grows properly. We developed a simple yet effective method to manage water levels in 2010, which has gained a lot of attention from governments and international organizations as a superior technology. Though it is a job that most people dislike, I am truly honored that its value is being recognized and it is gaining more attention.

Now my stained work clothes are a symbol of my pride. In the future, I hope more people will become involved in working with water and peat and generate new ideas and technologies. It is truly wonderful that our technologies are being adopted around the world.

Bernardus Agusmulyadi,
Water Management Section,
Mayangkara Tanaman Industri



Talking with Minister Arlette of the Democratic Republic of the Congo (on left)

PICK UP

Plantation Forest Site Visits by Government and International Organization Representatives

For the primary purpose to observe and learn about sustainable peat management in Indonesia, a group visited WSL/MTI in October 2018 as part of the third conference of the United Nations Environment Programme (UNEP)*1-led Global Peatlands Initiative (GPI)*2.

The visitors included representatives of the Democratic Republic of the Congo's Ministry of Environment and Sustainable Development, the Republic of the Congo's Ministry of Tourism and Environment, the Forest Development Research

Center of Indonesia's Ministry of Environment and Forestry, the United Nations Environment Programme (UNEP), the Food and Agriculture Organization (FAO), forestry agencies and others for a total of 50 participants. The tour included explanations about water level management systems and real-time environment observation systems using IoT technologies. In addition, we explained how we are working to protect animal and plant life by creating protected forests and green corridors. Through this opportunity, we were able to gain global recognition for our combined pursuit of economic activity and conservation activity.

This visit helped us gain international interest and focus and gave us a stronger foothold in Sumitomo Forestry's aim to spread forest management to other regions.

*1 Established in 1972, the United Nations Environment Programme provides leadership and encourages partnership in protecting the environment to enable nations and peoples to improve their quality of life without compromising that of future generations. It is one of the leading UN bodies in the environmental field.

*2 An initiative to reduce greenhouse gas emissions with peatland protection that was launched at the Global Landscape Forum in November 2016 ahead of COP22 (Marrakech). Main members include Indonesia, Peru, Republic of Congo and Democratic Republic of the Congo.



View of site visit

HIGHLIGHT 6

Promoting Workstyle Reform

Going Beyond a Reduction in Work Hours

Exploring Various Measures That Lead to Providing Value



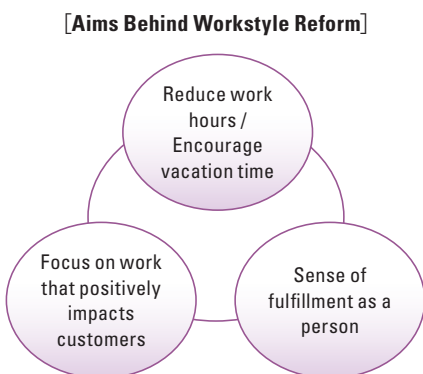
In Japan, a number of laws related to workstyle reform have been enacted and society as a whole is rapidly moving toward realizing better ways to work.

At Sumitomo Forestry Group, we are exploring a wide variety of initiatives that reflect employee input and are striving to achieve greater job satisfaction and productivity by utilizing the latest technologies and other methods.

With workstyle reform, we believe we can provide better quality products, services and new values.

Aims Behind Workstyle Reform

Sumitomo Forestry Group has set as one of its material issues, "A Vibrant Work Environment Where a Diverse Workforce can Unharness their Skills and Individuality" is promoting workstyle reform. In fiscal 2018, in addition to reducing work hours and encouraging employees to take vacation time, we have tried to increase the ratio of added-value time (time to do creative activities that lead to better services) by enhancing work efficiency. It is our hope that these efforts will lead to greater customer satisfaction as well as greater employee sense of fulfillment during after-work time, holidays and vacation.



Fiscal 2018 Workplace Reform Project

In fiscal 2018, in Japan, we incorporated performance indices as part of our bonus evaluation criteria, promoted the use of teleworking and expanded opportunities for paternity leave, among other measures.

These efforts have led to real results with a decline in overtime, an increase in male employees participating in parenting and other positive changes. As a company that is closely linked with people's lifestyles, employees began to get a direct sense of how new perspective of their lives lead to better work.

To further promote workstyle reform, the Housing and Construction Division set up pilot branch offices to implement various initiatives on a trial basis. Two offices of different sizes and regions, namely the West Tokyo Branch Office and the Hiroshima Branch Office, were selected to be the pilot branch offices. Here they were required to maintain records on

work tasks (to better visualize what tasks are performed and how time is used), introduce job sharing in sales and design for greater work efficiencies and shorter hours and apply flex time systems for groups in charge of marketing, design and manufacturing, all of which helped to identify issues that needed to be resolved and measure efficiency and other indicators. Surveys conducted after the trials indicated that employees gained a better awareness of how they used time and allotted their work, which led to changes in each employee's perception and actions.

With these results in mind, we will undertake workplace reform that takes into consideration each division's particular characteristics and needs and promote appropriate measures that reflect the actual situation at each office to the greatest degree possible.

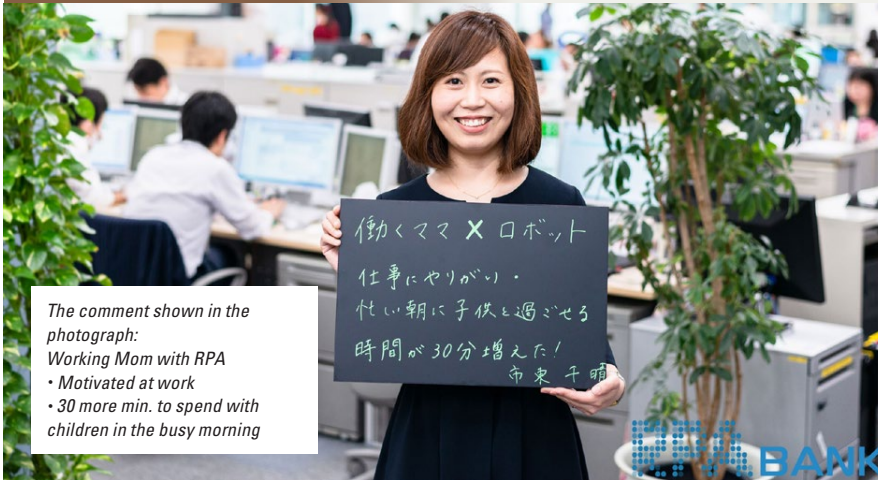


Workshop at the Tokyo West Branch



Workshop at the Hiroshima Branch

PICK UP



The comment shown in the photograph:
Working Mom with RPA
• Motivated at work
• 30 more min. to spend with children in the busy morning

Message from the Person in Charge of RPA

I feel that the implementation of RPA has led to less overtime, increased focus at work and lower psychological stress related to deadlines and other pressures. I myself was quite anxious to return to work after maternity leave but, after shifting from outsourcing management to RPA planning, I can now work from home and the opportunities where I can challenge myself have grown.

Chiharu Shito

Sumitomo Forestry Information Systems Co., Ltd.

Photograph courtesy of RPA Integrated Platform "RPA BANK" (RPA BANK, Inc.)

Creating Added-value Time with Business Automation Tools

Reasons behind its implementation and impact

With the aim to enhance the efficiency of routine tasks, in 2014, Sumitomo Forestry Information Systems introduced RPA (robotic process automation), a software robotic technology that automates PC and other operations. This company manages the IT-related back office operations of the Sumitomo Forestry Group. During advertising campaigns or events, they increase personnel on a temporary basis. In the first half year after implementation of RPA, they automated 26 internal company business tasks and succeeded in reducing the number of human-performed tasks by about 180 hours per month.

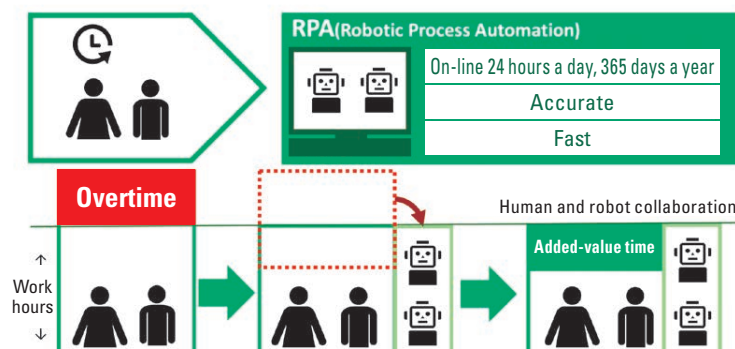
One of the biggest achievements is that with the reduction in human-performed tasks, added-value time for more creative work has increased. Employees have been able to embark on new projects that they did not have the time to do, and to become more efficient with their existing tasks, which has had an even greater positive effect. Furthermore, this had led to a wider diversity of workstyles and improvement of working conditions and employee motivation through shorter work hours and more work from home.

Trials at Sumitomo Forestry and future plans

In fiscal 2019, Sumitomo Forestry has begun RPA trials at a number of model branch offices. To clear various issues regarding governance and security, Sumitomo Forestry Information Systems is working closely with the IT Division and based on interviews with employees, considering which tasks to apply these trials to. We have completed a number of different programs that emphasize ease of use, such as enabling access to groupware and sending project completion reports over email.

In the future, we will implement RPA in more branches and at the same time, review plans to release it to the entire Group. By identifying business tasks where RPA has a significant impact and considering ways to make it easier to use, we hope to free employees from routine tasks to maximize their potential. At the same time, we know it is important to review and improve other business operations as we consider RPA implementation. With the hopes that RPA will create time that can be used more effectively, we will continue to develop new measures for workstyle reform.

Using RPA to Reduce Tasks and Create Added-value Time



Sumitomo Forestry Group's Sustainability Management

Corporate Philosophy and Sustainability Management

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

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

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

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

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

Material Issue 5: Corporate Ethics and Governance Structures

Former Mid-Term CSR Management Plan and Results

Stakeholder Engagement

Sustainability-related Policies

Corporate Philosophy and Sustainability Management

Sumitomo Forestry Group Corporate Philosophy and Sustainability Management

The Sumitomo Forestry Group operates under its Corporate Philosophy to utilize timber friendly to people and the global environment and contribute to a prosperous society through all types of housing-related services according to the Sumitomo Spirit, which aims to be beneficial to society based on the principles of integrity and sound management. We have been operating based on this philosophy and engaging in sustainable management that would contribute to achieving the SDGs. We redefined the Sumitomo Forestry Group Code of Conduct in July 2017 so that it conforms to the requirements of society, such as recent international standards and initiatives. We formulate various policies and guidelines according to these principles, such as our environmental, procurement and human rights policies. In addition, to ensure Group-wide adoption of the Sumitomo Forestry Group Code of Conduct, we explain the Sumitomo Forestry Group Code of Conduct by distributing a Sumitomo Forestry Group Code of Conduct Handbook to each and every employee of Group companies in Japan and by carrying out e-Learning. This information is translated into English and other languages to implement the Code of Conduct along with Corporate Philosophy and Our Values among affiliated companies outside of Japan.

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

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

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

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

Corporate Philosophy

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

Our Values

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

Sumitomo Forestry Group Code of Conduct

Purpose and scope of application

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

Fair and transparent corporate activities

1. Strict adherence to laws and regulations

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

2. Prevention of corruption

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

3. Fair business transactions

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

4. Fair accounting procedures

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

5. Communication with stakeholders

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

6. Maintaining confidentiality

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

7. Information security

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

8. Relationships with companies we do business with

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

9. Protection of intellectual property rights

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

10. Protection of personal information

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

11. Responsible advertising/promotional efforts

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

12. Healthy relationship with the government

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

13. Stance on organized crime

We shall have absolutely no involvement in organized crime.

14. Establishment of a whistleblowing mechanism

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

Ethical conduct

15. Avoidance of a conflict of interest

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

16. Prohibition of misappropriation of company assets

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

17. Prohibition of insider trading

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

18. Appropriate gift giving and entertainment

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

19. Prohibition of political or religious activities

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

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

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

21. Prohibition of discrimination and the promotion of diversity

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

22. Prohibition of forced labor and child labor

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

23. Freedom of association and collective bargaining rights

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

24. Appropriate working hours and wages

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

25. Work/life balance

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

26. Occupational health and safety

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

27. Human resources development

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

28. Prohibition of harassment

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

29. Protection of privacy

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

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

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

31. Coexistence with the environment

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

32. Contribution to the local community

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

Established July 1, 2017

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.



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

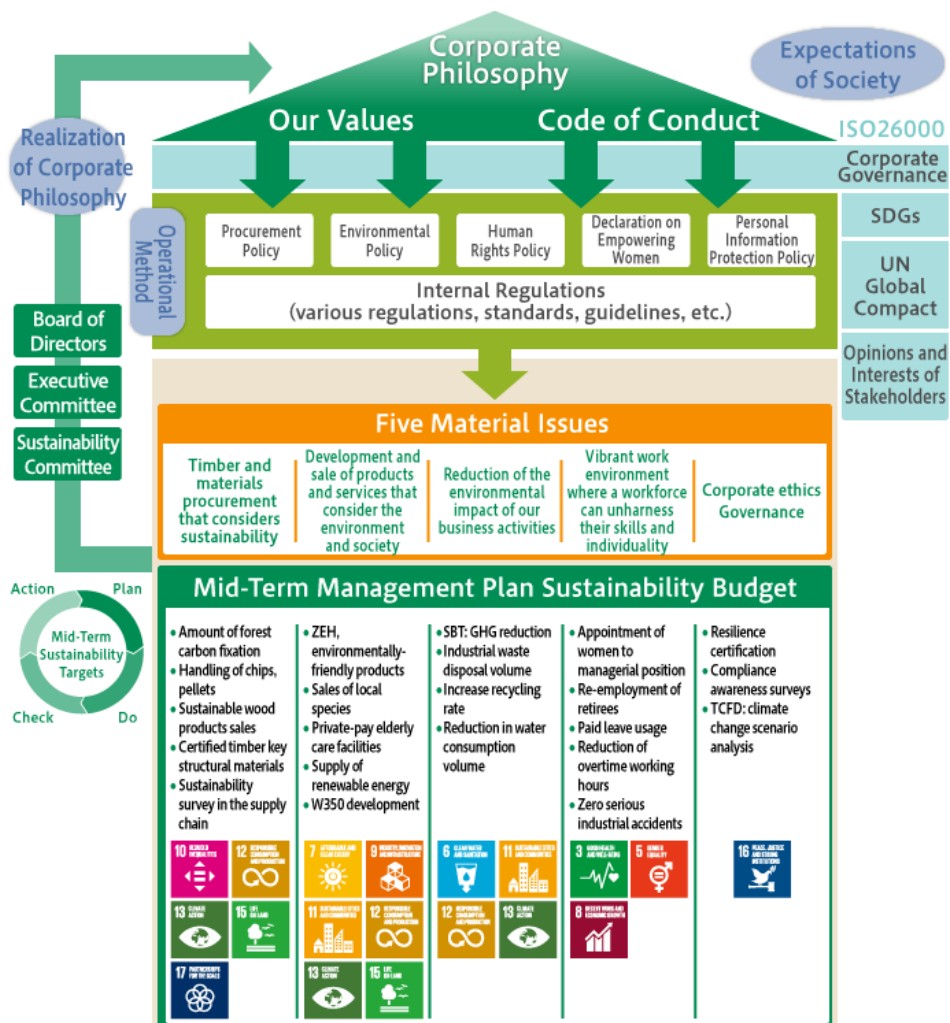
Formulation of Mid-Term Sustainability Targets

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

At the same time, as interest in ESG has heightened in the society and changes in our business environment, we have determined that there is a need to work on promoting sustainable management to an even greater extent. As such, we have formulated the "Mid-Term Sustainability Targets" that incorporates our sustainability strategy and CSR Material Issues within the "Sumitomo Forestry Group 2021 Medium-Term Management Plan", which includes "Promote further of business operations and ESG initiatives" as one of the basic policies of.

"Mid-Term Sustainability Targets" announced in May 2019 is a revision of our previous Mid-Term CSR Plan based on our contribution to achieving the SDGs and the five CSR Material Issues. Deliberations have been held in each business division and at management level, resulting in the expansion of our list of qualitative targets from 12 to 15 items.

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



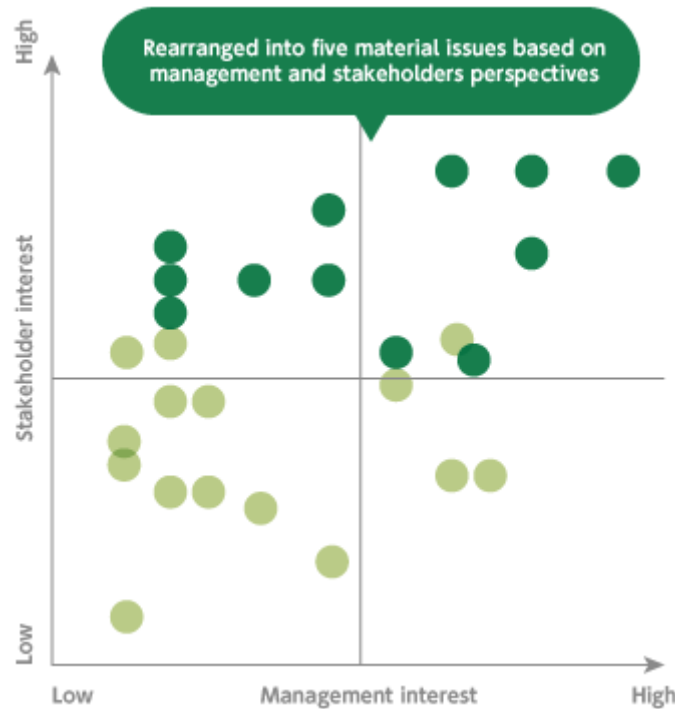
Identifying Sumitomo Forestry Group CSR Material Issues

Following the 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 Our Values, and taking into account such matters as ISO 26000, the international standard on the social responsibility of organizations, and evaluation points linked to socially responsible investment (SRI).

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

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



Management of Mid-Term Sustainability Targets

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

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

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

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



Dissemination of SDGs

Sumitomo Forestry Group, we believe that it is crucial to disseminate and foster an understanding of SDGs by each and every employee as we contribute to the SDGs through our business activities.

Cosponsoring the Nikkei SDGs Forum

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



Implementation of SDGs Dissemination Workshops

The Sumitomo Forestry Group holds “SDGs Workshop” sessions by external lecturers for employees to provide learning opportunities that link SDGs to business operations. At the workshops, participants play a card game in which participants envision the achievement of their life goals at the year 2030, such as “wealth acquisition,” “comfortable leisure lifestyle,” and “environmental conservation” in light of economic, social and environmental “barometers” that reflect global circumstances. Participants were divided into groups, which then used Lego blocks as a tool to discuss what they can do based on the results as members of the Sumitomo Forestry Group to help realize a world in which “No one will be left behind.”

Workshop and training sessions were held four times in fiscal 2018 with 127 participants, mainly among employees working on new business development.

At the Sumitomo Forestry Group, the workshops and other efforts are aimed at further dissemination of SDGs understanding and action toward achieving the goals, both internally and externally.



Workshop at Tsukuba Research Institute

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

Basic Policy

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

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

Related SDGs



Management of Material Issue 1

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

Targets of Material Issue 1

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

Management of Each Target

Ongoing Timber and Materials Procurement that Considers Sustainability and Biodiversity

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2018 result	FY2019 target	FY2020 target	FY2021 target
Maintain and expand the area of certified forests	Domestic and overseas certified forest area (ha)	Environment and Resources Division	220,951	220,417	221,117	221,467

Expanding the Utilization of Sustainable Forest Resources

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2018 result	FY2019 target	FY2020 target	FY2021 target
Expand domestic and overseas forest plantation area with seedlings produced.	Area of forest plantation with in-house produced seedlings (ha)	Environment and Resources Division	6,055	6,553	7,487	7,920
	Seedlings supplied (unit: 10 Thousand)	Environment and Resources Division Timber and Building Materials Division	-	511	604	726
Expand the volume of chip and pellet fuel used	Volume of chip and pellet fuel used (t)	Environment and Resources Division, Timber and Building Materials Division	-	1,188,010	1,221,130	1,363,930
Increase quantity of sustainable timber and timber products handled and used	Volume of sustainable timber and timber products handled (%)	Timber and Building Materials Division	85	89	93	100
	Ratio of certified timber (including material obtained from a certified process) used as primary building materials (%)	Housing and Construction Division	-(0.1)*	80(12)*	100(12)*	100(12)*

* Figures in parenthesis do not include per-certified timber.

Building Sustainable Supply Chains

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2018 result	FY2019 target	FY2020 target	FY2021 target
Update the CSR procurement survey form and formulate survey plan	Sustainability survey implementation rate in the supply chain of the domestic housing department (%)	Housing and Construction Division	-	65	75	80
	Sustainability survey implementation rate of suppliers of imported timber (%)	Timber and Building Materials Division	100	100	100	100

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

Basic Policy

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

One of the areas that we could contribute the most in reducing environmental impact is the reduction of greenhouse gases emissions from housings. Net Zero Energy Houses (ZEH) and other housing measures in Japan offer guidance to promote eco products as well as advocate excellent long-term housing as an asset. We have set targets for ratio of orders we receive for ZEH and other environmentally-friendly products to contribute in a sustainable society while serving customers in keeping with their needs by reducing household energy consumption through recommending houses built to ZEH specifications.

Related SDGs



Management of Material Issue 2

Within our Mid-Term Sustainability Targets, our material Issue 2 "the development and sale of reliable and safe products and services that consider the environment and society" is broadly divided into four goals, which we incorporate into our management practices through inclusion in annual activity policy and measures for each department.

Targets of Material Issue 2

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

Management of Each Target

Increasing Environmentally Conscious Products and Services

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2018 result	FY2019 target	FY2020 target	FY2021 target
Promote standards for energy generation and conservation housing	Rate of orders for ZEH (%)	Housing and Construction Division	38	60	80	80
	Rate of Environmentally-friendly renovation order rate (%)	Housing and Construction Division	48.4	50	55	60
	Sales of salsh, glass wool and solar power generation systems (unit: million yen)	Timber and Building Materials Division	22,723	23,119	23,568	24,040
Increase value added by carbon stock from use of timber	Carbon stock in wooden architecture in Japan (t-CO ₂)	Housing and Construction Division	192,536	190,676	190,164	199,509
Propose products utilizing local seedlings and natural cycle	Rate of orders for Environmentally-friendly product* (%)	Housing and Construction Division	56.5	58.0	60.0	63.0

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

Creating an Environment that Considers Biodiversity

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2018 result	FY2019 target	FY2020 target	FY2021 target
Expand sales of local species	Number of local tree species (unit: trees)	Housing and Construction Division	402,000	450,000	480,000	500,000

Expanding Businesses that Contribute to Resolving Social Issues

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2018 result	FY2019 target	FY2020 target	FY2021 target
Increase number of rooms through new facilities construction	Number of rooms at private-pay elderly care facilities (rooms)	Lifestyle Service Division	1,457	1,457	1,890	2,014
Expand renewable energy business	Amount of electricity supplied by renewable energy business (converted to number of households)	Environment and Resources Division	213,860	217,768	217,768	373,826

Promoting sustainable and innovative technological development

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2018 result	FY2019 target	FY2020 target	FY2021 target
Solve technical issues toward achieving W350 Project	The current state of progress in W350 Project development	Tsukuba Research Institute		Basic design formulation toward achieving W30	Achievement of W30 and construction of actual properties	Materials development and basic design formulation toward achievement of W70

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

Basic Policy

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

In consideration of the environmental impact of these operations, the Sumitomo Forestry Group fully recognizes the importance of reducing greenhouse emissions and taking other measures to combat climate change through the promotion of strict energy-saving activities, renewable energy use and other efforts. With a mid- to long-term perspective of the future, in 2018, we established greenhouse gas emission reduction goals for 2030, and were certified as SBT* in July 2018.

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

Related SDGs



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

Management of Material Issue 3


Within Mid-Term Sustainability Targets, our material Issue 3 “the reduction of the environmental impact of our business activities” is broadly divided into three goals, which we incorporate into our management practices through inclusion in annual activity policy and measures for each department.

Targets of Material Issue 3

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

Management of Each Target




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


Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2018 result	FY2019 target	FY2020 target	FY2021 target
Reduce greenhouse gas emissions	Greenhouse gas emissions (t-CO ₂ e) Percentage change from fiscal 2017	Each department	381,613  +3.2%	380,356 +2.9%	398,274 +7.7%	402,768 +8.9%
	Carbon efficiency (t-CO ₂ e/million yen)	Sustainability Department	- (0.292)*	0.341 (0.275)	0.341 (0.279)	0.318 (0.264)

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

 [About symbol for Independent assurance](#)

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

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2018 result	FY2019 target	FY2020 target	FY2021 target
Promote industrial waste separation	Recycling rate at new housing construction sites (%) ^{*1}		94.2 	96.1	98.0	98.0
	Recycling rate at housing demolition site (%) ^{*2} (as of start of demolition work on main structure)	Housing and Construction Division	77.6 ^{*3} 	98.0	98.0	98.0
	Recycling rate of renovation ^{*4} business (%)		74.3	80.0	82.0	84.0
	Recycling rate of power generation business (%)	Environment and Resources Division	64.5	52.5	54.3	56.5
	Recycling rate of overseas manufacturing plants (%)	Timber and Building Materials Division	97.5 	97.9	98.0	98.0

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2018 result	FY2019 target	FY2020 target	FY2021 target
	Recycling rates of domestic manufacturing plants (%)	Timber and Building Materials Division Housing and Construction Division Environment and Resources Division	99.1 	99.5	99.5	99.5
	Recycling rate of Lifestyle Service Business, etc. *5 (%)	Lifestyle Service Division, etc.	92.8	95.2	96.6	98.0
Waste reduction Promote zero-emissions	Industrial waste final disposal amount (t)	Sustainability Department	56,643 -11.0%*6	58,860 -7.5%	56,632 -11.0%	54,087 -15.0%
	Total industrial waste generated (waste generated per detached house) (kg/structure)	Housing and Construction Division	3,087 -7%*6	3,020 -9%	2,950 -11%	2,730 -18%

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

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

*3 Only result for FY2018 includes items not covered by the Construction Material Recycling Law.


*4 Includes renovation work sites of Sumitomo Forestry Home Tech.

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

*6 Percentage change from fiscal 2017.

 [About symbol for Independent assurance](#)

Conserving and Effectively Utilizing Water Resources

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2018 result	FY2019 target	FY2020 target	FY2021 target
Proper management of water resources	Water use volume (unit: 1,000m ³)	Sustainability Department	2,978 	2,981 or less	2,990 or less	3,011 or less

 [About symbol for Independent assurance](#)

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

Basic Policy

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

Related SDGs



Management of Material Issue 4


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

Targets of Material Issue 4

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

Management of Each Target

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

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2018 result	FY2019 target	FY2020 target	FY2021 target
Promotion of women's participation and advancement in the workplace	Female employees in management positions (%)	Sumitomo Forestry	Personnel Department	3.7 	4.2	5.0	5.5
		Consolidated in Japan	Personnel Department	6.0	6.2	6.7	7.3
Improve employee satisfaction	Employee satisfaction level (%)	Sumitomo Forestry	Personnel Department	81.0	83.0	84.0	85.0
	Change in employee satisfaction level compared to base year (%)	Consolidated in Japan	Personnel Department	-*	-*	Compared to Fiscal 2019 Percentage Change 105%	Compared to Fiscal 2019 Percentage Change 110%

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

 [About symbol for Independent assurance](#)

Securing Human Resources by Training Younger Workers and Utilizing Older Ones


Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2018 result	FY2019 target	FY2020 target	FY2021 target
Develop human resources from a long-term perspective according to the revision of the evaluation system (April 2019) and evaluator training	Three-year turnover rate among newly hired graduates (%)	Sumitomo Forestry	Personnel Department	18.0	17.0	16.0	15.0
		Consolidated in Japan	Personnel Department	22.2	15.3	13.2	12.9
Enhance training programs	Training cost per employee (unit: 1,000 yen)	Sumitomo Forestry	Personnel Department	97	120	132	132
		Consolidated in Japan	Personnel Department	53	65	66	66

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2018 result	FY2019 target	FY2020 target	FY2021 target
Enhance training programs	Total number of training participants (persons)	Sumitomo Forestry	Personnel Department	11,367	13,000	13,000	13,000
		Consolidated in Japan	Personnel Department	13,297	15,224	15,700	16,176
	Training time per employee (hours)	Sumitomo Forestry	Personnel Department	13.6	13.7	14.4	15.5
Implement year-initial interviews prior to full-term retirement	Rate of retiree re-employment (%)	Sumitomo Forestry	Personnel Department	81.7	82.0	85.0	87.0
		Consolidated in Japan	Personnel Department	73.3	64.0	67.7	78.0

Reducing Long Work Hours Through Work Style Reforms

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2018 result	FY2019 target	FY2020 target	FY2021 target
Guidance for improvement to departments with low rates of paid-leave use	Average paid leaves taken by employees (days)	Sumitomo Forestry	Personnel Department	10.1	12.3	13.5	14.0
		Consolidated in Japan	Personnel Department	8.7	10.0	10.6	11.3
Expand departments using flextime and internal mock inspections	Average overtime working hour reduction rate compared to fiscal 2013 (%)	Sumitomo Forestry	Personnel Department	-24.9	-27.6	-30.0	-32.0
	Average overtime working hour reduction rate compared to fiscal 2017 (%)	Consolidated in Japan	Personnel Department	2.0	-3.3	-6.2	-11.3

Eliminating Occupational Injuries

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2018 result	FY2019 target	FY2020 target	FY2021 target
Implement reciprocal safety audits and manufacturing department safety audits Share case studies and implement risk assessments	Number of serious occupational injuries occurrences (incidents) (four or more days' work leave)	Sumitomo Forestry, non-consolidated	Personnel Department	2 	0	0	0
		Consolidated in Japan	-	10	0	0	0
		Consolidated outside Japan	-	16	0	0	0
		Domestic forest sites (contractors)	Environment and Resources Division	4	0	0	0
		Overseas plantation sites (contractors)	Environment and Resources Division	3	0	0	0
		New construction sites* (contractors)	Housing and Construction Division	9	0	0	0
		New Construction sites* in Japan (contractors)	Housing and Construction Division	16	0	0	0
Number of occupational injuries (incidents) (requiring one or more days' work leave)							

* Includes sole proprietorships

 [About symbol for Independent assurance](#)

Material Issue 5: Corporate Ethics and Governance Structures

Basic Policy

With the background of globalization, diversification and expansion of our business, the Group is reviewing its philosophy structure. Sustainability management based on the Corporate Philosophy, Our Values, and Code of Conduct complies with international codes, international initiatives, and other social demands. In addition, we are working to reinforce the mechanism for managing business risk—which also encompasses Group companies—by constantly managing prioritized risks through the Risk Management Committee while strengthening Business Continuity Management (BCM) system as a measure against disasters.

Related SDGs



Management of Material Issue 5

Within our Mid-Term Sustainability Targets, our Material Issue 5 “corporate ethics and governance structures” is reflected in one broad goal, which we incorporate into our management practices through inclusion in annual activity policy and measures for each department.

Targets of Material Issue 5

Reinforcing risk crisis and compliance structures

Management of Each Target

Reinforcing Risk Crisis and Compliance Structures

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2018 result	FY2019 target	FY2020 target	FY2021 target
Progress check of prioritized risk items set by the Risk Management Committee and share materialized risks	Progress management for prioritized risks (conducted on a quarterly basis by the Risk Management Committee) (%)	General Administration Department	100	100	100	100
Understand the extent of compliance awareness and enhance channels for reporting misconduct and compliance violations	Regular implementation and phased deployment of compliance awareness surveys	General Administration Department	-	Sumitomo Forestry	Major group companies in Japan	All group companies in Japan and some group companies overseas
Obtain external certification for Business Continuity Management (BCM)	Obtaining resilience certification	General Administration Department	-	Sumitomo Forestry	Major group companies in Japan	All major domestic group companies
Analyze and disclose potential financial impact from climate-related risks that could (potentially) have on the organization	Conduct scenario analysis and disclosure consistent with guidance from the Task Force on Climate-related Financial Disclosures (TCFD)	Sustainability Department	Implement for two sectors, domestic housing business and timber and building materials business	Re-examination of analysis results and expansion of scope of application for two sectors: domestic housing business and timber and building materials business	Re-examination of analysis results and expansion of scope of application for two sectors: domestic housing business and timber and building materials business	Completion of re-examination of analysis results for all business departments, and incorporation into the subsequent mid-term plan.

Former Mid-Term CSR Management Plan and Results

Former Mid-Term CSR Management Plan and Results

In keeping with the Sumitomo Forestry Group Mid-Term CSR Management Plan formulated in fiscal 2015, we defined quantitative targets each year for both environmental and societal issues to be addressed by fiscal 2020. In undertaking specific measures, we have incorporated these targets into the CSR budget, and subjected them to PDCA cycles. Results through fiscal 2018 are explained below.

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

We conduct regular inspections of all of our suppliers of direct import timber and timber products to ensure legality. The volume of domestically produced timber and log exports is increasing year by year, particularly with respect to China. And the recent increase in demand at biomass power generation plants has caused an increase in the volume of fuel wood chips handled.

Related SDGs



Current awareness of issues and basic strategies		Indicators for Evaluation	FY2016 result	FY2017 result	FY2018 result	FY2018 target	FY2018 value	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 (%)	10.9	12.8	11.0	12.0	×	12.0
		Volume of exported Japanese timber (thousand m ³)	70	120	160	183	△	200
		Volume of plantation timber, certified timber, and Japanese timber handled at distribution hubs overseas (thousand m ³)	812	1,163	629	626	○	783
		Volume of fuel wood chips handled* ¹ (1,000m ³)	812	847	1,132	1,316	×	1,380
		Volume of certified timber (by SGEC) handled at distribution hubs in Japan (thousand m ³)	68	78	78	68	○	85
		Volume of unused wood resource handled from Japanese timber (kt)	191	286	338	236	○	236

Current awareness of issues and basic strategies		Indicators for Evaluation		FY2016 result	FY2017 result	FY2018 result	FY2018 target	FY2018 value	FY2020 target
		Percentage of Japanese timber used for new custom-built detached housing (Housing and Construction Division)	Multi-Balance Construction Method	70.9	71.0	71.0	71.0	○	75.0
			Big-Frame Construction Method	50.0	50.0	50.0	50.0	○	55.0
		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	○	100
	Establish forestry management that enables conservation of biodiversity, and value as natural capital	Percentage of certified (by SGEC) forests in newly acquired forests managed by the Group (%)		100	100	100	100	○	100
		Number of native species planted at new detached housing sites (trees)		30,614	31,248	30,101	36,000	×	210,000 /6 years

*1 Quantity including imported PKS and pellets, from FY2018 targets and results.

* Rating

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

[About symbol for Independent assurance](#)

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

Office segment CO₂ emissions volumes have been trending downward year by year. Since the initial 7% reduction target was achieved early, the target was adjusted upward in April 2018 to a 16% reduction. Gasoline consumption volume has been cut through the phasing in of hybrids in the company-owned vehicle fleet, while electric power consumption has been cut by switching to LED lighting and reducing overtime work by having personal computers shut down at preset times, all of which have helped reduce CO₂.


In non-office segment, meanwhile, increases in electricity consumption volume resulted from the introduction of new equipment, while declining sales resulted in a failure to reduce per-unit CO₂ emissions volumes as planned at some overseas manufacturing plants.

Regarding the ZEH specification ratio, we did not reach our target level of 45%, although the ratio is increasing year by year. We will continue to bring up the ZEH specification ratio by actively showcasing the appeal of first-rate insulation performance compared to other major housing builders.

Related SDGs



Current awareness of issues and basic strategies		Indicators for Evaluation	FY2016 result	FY2017 result	FY2018 result	FY2018 target	FY2018 value	FY2020 target
Low-carbon society	Reduction of CO ₂ emissions in the Group	In the office segment (consolidated company within and outside Japan)	-7.8 Total emissions 33,660 t-CO ₂	-10.1 Total emissions 31,871 t-CO ₂	-14.1 Total emissions 30,454 t-CO ₂	-11.4 Total emissions 31,407 t-CO ₂	○	-16.0 or more
		Sumitomo Forestry (offices in Japan)	-13.9	-18.7	-25.2	-19.4	○	-
		Affiliated companies in Japan (offices)	-0.9	-4.6	-6.1	-1.8	○	-
		Affiliated companies outside Japan (offices)	-0.7	+14.0	+14.1	-3.0	×	-
		Kutai Timber Indonesia (Indonesia)	+3.1	-10.8	+4.3	+0.8	×	At least 1.0% reduction per year on average per production volume in FY2015 - 2020
		Vina Eco Board (Vietnam)	-5.4	+38.0	-10.6	-23.9	△	
		AST Indonesia (Indonesia)	+16.0	+9.0	+20.6	-4.1	×	
		Nelson Pine Industries (New Zealand)	-0.7	-5.8	+0.2	+23.7	○	
		Rimba Partikel Indonesia (Indonesia)	+15.8	-9.6	-1.2	-0.5	○	
		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)	61.6	69.4	72.1	73.0	△	

Current awareness of issues and basic strategies	Indicators for Evaluation	FY2016 result	FY2017 result	FY2018 result	FY2018 target	FY2018 value	FY2020 target
	Percentage of ZEH type houses (%) (Number of ZEH type houses / total number of houses ordered)*1	32	33	40 	45	△	At least 80.0

*1 Excludes Hokkaido, Okinawa.

* Rating

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



About symbol for Independent assurance

The amount of industrial waste such as construction debris generated at new housing construction sites was reduced and the recycling rate was increased through the efforts of the Company's working group that included changing the standard dimensions of sub-floor plasterboard to reduce the amount of non-recyclable waste generated, and adopting reusable packing materials for flooring, etc.

Expansion of the area subject to inter-region recovery and recycling certification also helped reduce industrial waste.

Related SDGs



Current awareness of issues and basic strategies	Indicators for Evaluation	FY2016 result	FY2017 result	FY2018 result	FY2018 target	FY2018 value	FY2020 target	
Recycling society	Achieve zero emissions	Recycling rate at new housing construction sites (%) ^{*1}	92.5	92.5	94.1 	93.9	○	98.0
		Recycling rate at renovation sites (%) ^{*2}	76.2	76.2	77.7 	77.6	○	80.0
	Reduce volume of industrial waste generated	Reduction in industrial waste generated at new housing construction sites compared to FY2013 (%)	-8.8	-15.5	-31.9	-20.6	○	-30
		Change in industrial waste per sales cost ^{*3} compared to FY2014 (%)	-2.6	+5.2	+14.4	+1.9	×	At least 2%

*1 New housing construction sites under the Housing and Construction Division

*2 Includes housing-related materials sales by the Renovation Business, Lifestyle Service Business and Chip manufacturing plants.

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

* Rating

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

▶  [About symbol for Independent assurance](#)

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

Regarding energy consumption volumes, gasoline was reduced by 4.4% and electric power was reduced by 4.0%, although a 9.8% increase in gasoline unit cost meant that no cost-cutting effect was achieved.

Effects		Value (million yen)
Income	Profit on sold for value	46
Cost Reduction	Cost Reduction Amount saved as a result of energy-saving efforts * Include the fluctuation of petroleum price	-41
	Amount saved as a result of waste reduction efforts	124
Total		129

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

Measures aimed at changing employee awareness regarding work responsibilities helped reduce overtime working hours. These measures included encouragement of tablet terminal device use and direct commuting to and from home to increase operational efficiency, while setting work PC shut-off times and revising employee evaluation methods.

The rate of paid vacation / leave use was improved by hiring supplemental personnel and establishing planned vacations.



Current awareness of issues and basic strategies	Indicators for Evaluation		FY2016 result	FY2017 result	FY2018 result	FY2018 target	FY2018 value	FY2020 target
Promote fair employment and treatment	Female employees in management positions (%)	Sumitomo Forestry	2.8	3.2	3.7	At least 3.8	△	At least 5.0
		Consolidated in Japan	5.0	4.6	6.0	Target set by each company	-	-
	Female employees including contract employees (%)	Sumitomo Forestry	20.0	20.4	21.0	At least 20	○	At least 20
		Consolidated in Japan	25.4	31.6	32.0	Target set by each company	-	-
	Ratio of Disabled Employees (%) ^{*1}	Sumitomo Forestry	2.12	2.14	2.32	At least 2.2	○	At least 2.2
		Consolidated in Japan	1.45	1.75	1.76	Target set by each company	-	
Promote work-life balance	Paid leave usage	Sumitomo Forestry (days)	6.9	9	10.1	At least 10	○	At least 10
		Consolidated in Japan (%)	40	43.9	50.5	Target set by each company	-	50
	Overtime working hours (Reduction from the average overtime working hours in FY2013) (% reduction)	Sumitomo Forestry	-7.5	-20.7	-24.9	-25.2	△	-30
Strengthen occupational health and safety	Number of occupational injuries in Company-owned forests (incidents) ^{*2}	Sumitomo Forestry	3	1	3	0	×	Zero
	Number of occupational injuries at new construction sites (incidents) ^{*3}	Sumitomo Forestry	12	9	7	0	×	Zero
	Number of occupational injuries in other places (incidents) ^{*3}	Consolidated in Japan	8	2	10	Target set by each company	-	Zero

*1 Data as of June 2018

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

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

* Rating

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

 [About symbol for Independent assurance](#)

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

Regarding the 45 prioritized risk items, quarterly meetings were held by the Risk Management Committee to check on the state of progress as we worked to strengthen our risk management system.

Current awareness of issues and basic strategies	FY2016 result	FY2017 result	FY2018 result	FY2018 target	FY2018 value	FY2020 target
Strengthen risk management framework	Reviewed target items and shared case reports on emerging risks at the monthly Board of Executive Officers meetings.	Reviewed target items and shared case reports on emerging risks at the monthly Board of Executive Officers meetings.	Items shown at right were implemented.	Manage risks by using prioritized risk items set by the Risk Management Committee.	○	Manage risks by using prioritized risk items set by the Risk Management Committee.

* Rating

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

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

Among new custom-built detached houses, the implementation ratios of design performance evaluations, of construction performance evaluations, and of Excellent Long-term Housing certification were all at nearly 100%. We achieved our changed target for fiscal 2020 earlier than planned for the implementation ratio of design performance evaluations.

At the same time, the rate at which new custom-built detached houses were completed and handed over earlier than planned fell by 4% compared to the previous year.

Related SDGs



Current awareness of issues and basic strategies	Indicators for Evaluation	FY2016 result	FY2017 result	FY2018 result	FY2018 target	FY2018 value	FY2020 target
Improve safety and quality	Ratio of design performance evaluations implemented for new custom-built detached housing (%)	98.8	98.9	99.0	99.0	○	99.0
	Ratio of construction performance evaluations implemented for new custom-built detached housing (%)	97.8	97.9	98.4	99.0	△	99.0
	Ratio of houses certified as Excellent Long-term Housing for new custom-built detached housing (%)	93.3	93.3	93.8	97.0	△	97.0
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	○	100
	Ratio of early completion of handing the as-built drawing for new custom-built detached housing (%)	77.0	83.0	79.0	85.0	×	90

* Rating

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

Stakeholder Engagement

Basic Policy

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

Stakeholders of the Sumitomo Forestry Group



Responsibilities and Communication Methods

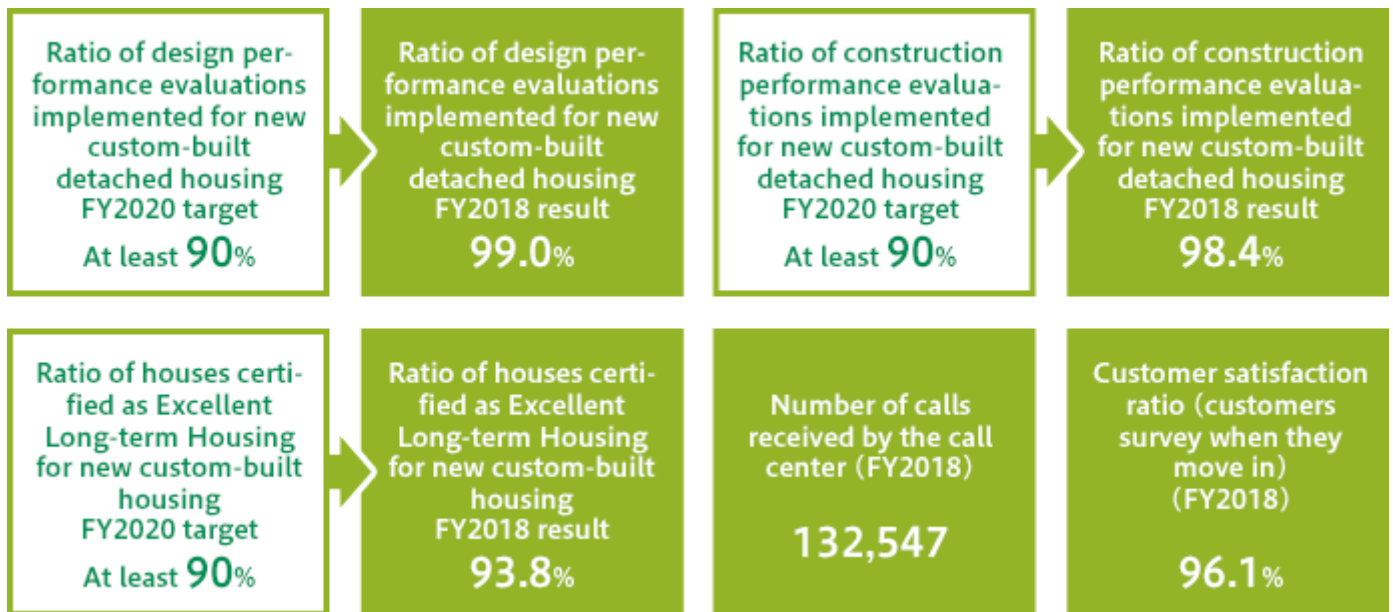
Customers

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

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

Responsibilities	Communication Methods
<ul style="list-style-type: none"> • 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 media, news magazines, etc. • Exhibitions and various other events

Relevant Targets and Performance



► Product Safety and Quality Control

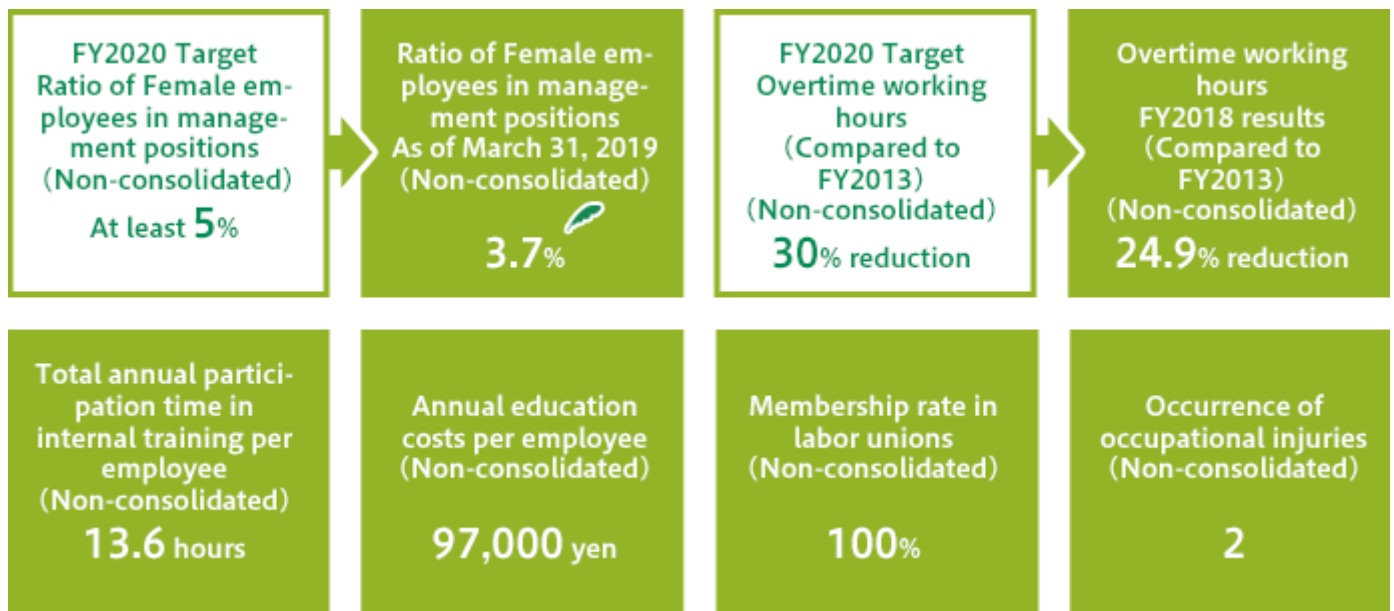
Employees and Their Families

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

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

Responsibilities	Communication Methods
<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 Equal and fair personnel evaluation 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 EAP (Employee Assistance Program) service Carrying on a dialogue (casual discussions) between the president and employees Holding Family Open Day Carrying out meetings made up of management and union members Publishing internal magazines, creating an internal website

Relevant Targets and Performance



Shareholders and Investors

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

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

Responsibilities	Communication Methods
<ul style="list-style-type: none"> • 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 shareholders, financial results briefings, investor briefings, analyst briefings, on-site briefings, and other relevant meetings • Communicating information on websites, shareholder correspondence, briefing materials and in other relevant forms • Responding to surveys for assessment and research agencies related to ESG, etc.

Relevant Performance



Government and Regulatory Authorities

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

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

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

Responsibilities	Communication Methods
<ul style="list-style-type: none"> • 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

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

We also know industry associations and other organizations are indispensable in creating relevant rules.

We participate in organizations such as industry associations and contribute to the growth and development of the industry by taking a leading role as a front runner in the industry.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> 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

► Contributions to Public Policy

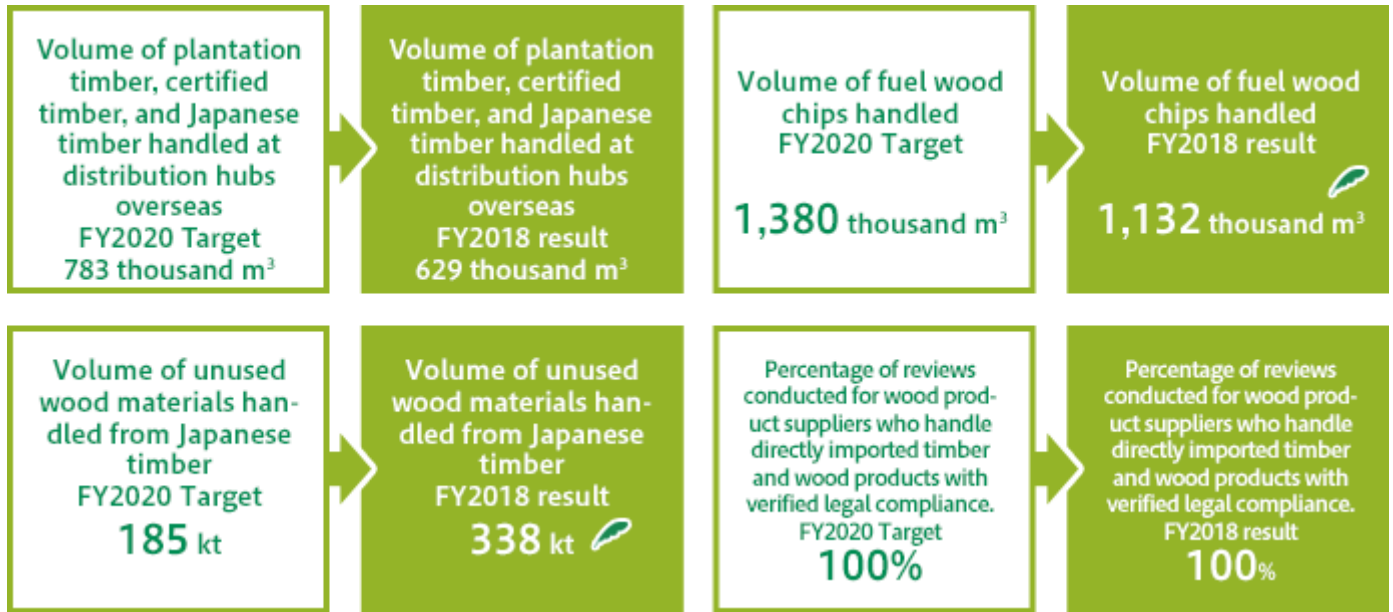
Business Partners

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

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

Responsibilities	Communication Methods
<ul style="list-style-type: none"> 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)

Relevant Targets and Performance



► Reinforcing Engagement with NGOs and Other External Stakeholders

Students

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

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

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

NPOs/NGOs

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

Responsibilities	Communication Methods
<ul style="list-style-type: none"> 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 Stakeholder Dialogue

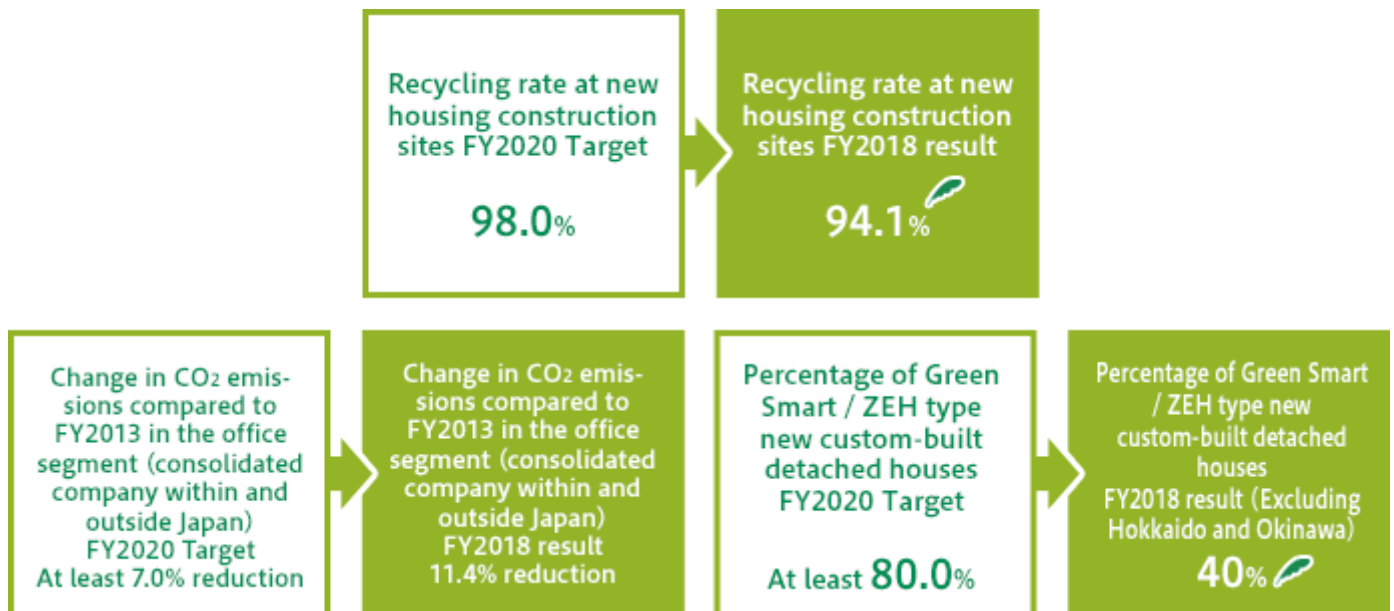
Global Environment

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

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

Responsibilities	Communication Methods
<ul style="list-style-type: none"> 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 up with NPOs/NGOs

Relevant Targets and Performance



Global Society and Local Communities

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

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

Responsibilities	Communication Methods
<ul style="list-style-type: none"> 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 Preparation of Regional Infrastructure

Relevant Performance



Grievance Desk

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

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

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

Moving forward, we will establish more contact points that can respond in each of the local language in where we conduct business activities.

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

Sustainability-related Policies

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

Governance Policies

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

Business Policies

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

Social Policies

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

Environmental Policies

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

Sumitomo Forestry Group Procurement Policy

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

1. Procurement based on legal and highly reliable supply chains

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

2. Procurement based on fair opportunity and competition

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

3. Procurement of sustainable timber and wood products

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

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

4. Pursue active communication

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

Revised July 23, 2015

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 protection, 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

Sumitomo Forestry Group Human Rights Policy

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

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

1. A commitment to respect human rights

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

2. Scope of application

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

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

3. Measures related to the respect for human rights

- Human rights due diligence

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

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

- Relief measures

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

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

- Education

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

- Communication with stakeholders

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

- Information disclosure

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

July 1, 2019

(Attachment)

Sumitomo Forestry Group Human Rights Material Issues

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

<Prohibition of discrimination>

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

<Workers' rights>

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

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

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

<Privacy>

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

July 1, 2019

Sumitomo Forestry Group Declaration on Empowering Women

Sumitomo Forestry Group is committed to creating "an open and inclusive corporate culture that values diversity," as set out in its Action Guidelines. We believe a diverse workforce and a business strategy developed from a wide range of ideas is important for the Company. As part of this effort, we are striving to promote the participation of women in the belief that this will meet the social needs and significantly contribute to increased corporate value. By expanding opportunities for women and by leveraging the creative power of women, we will integrate a diverse range of values that will spur innovation and enhance corporate value.

1. We will create a positive work environment for women

In Japan, with a falling birthrate and aging population, worker population is projected to decline. By utilizing a workforce made up of individuals without regard to values, age, gender, nationality or disability, and by respecting the individual lifestyles of each and every female employee, we are working to create an open corporate culture and positive working environment where everyone can gain a sense of fulfillment in their work.

2. We will leverage women's unique creative powers

Women's success in business is gaining prominence, such as with companies that utilize the perspective and creative powers of women to develop new products and services. In all business sectors, Sumitomo Forestry is striving to nurture the culture and processes that will harness women's unique creative powers and create new value.

3. We will spur innovation through the participation of women

Lively interaction among employees of different values, ages, gender, nationalities and other qualities leads to new ideas. Expanding work opportunities for women employees, in particular, spurs innovation in all areas, from sales and marketing to product development, business strategy and operational efficiencies.

December 24, 2013

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.

Revised July 23, 2015

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-certification and products and services that have undergone environmental assessment.

5. (Design)

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

6. (Construction)

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

7. (Greening)

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

8. (Plants)

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

9. (Public relations)

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

10. (Research)

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

11. (Social contribution)

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

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

1. Diversity of ecosystems

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

2. Diversity of species

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

3. Genetic diversity

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

June, 2006

Governance

Corporate Governance

Risk Management

Compliance

Business Continuity Management

Responsible Advertising/Promotional Efforts

Information Security

Intellectual Property Management

Return to Shareholders and IR Activities

Corporate Governance

Basic Policy

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

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

▶ [Integrated Report](#)

Corporate Governance and Internal Control

Sumitomo Forestry introduced the executive officer system to separate decision making and management oversight 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 to the Board of Directors on selecting director and statutory auditor candidates and executive officers as well as compensation of directors and executive officers, for the purpose of ensuring transparency and fairness of decision-making. Sumitomo Forestry has a board of company statutory auditors.

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

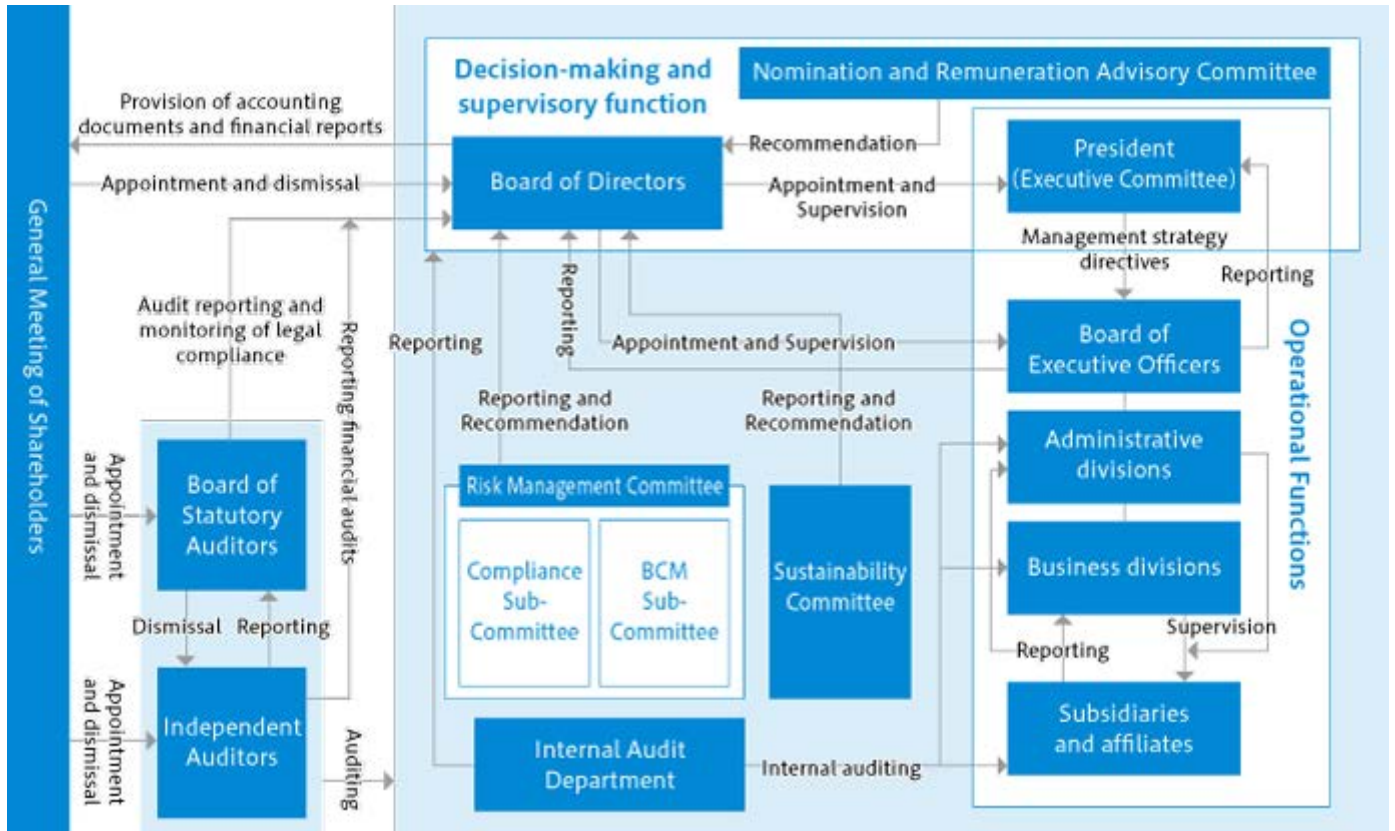
As of June 21, 2019, ten directors (including two outside directors), five auditors (including three outside auditors) and 20 executive officers had been appointed to the Company. The Company notified Tokyo Stock Exchange, Inc. of the designation of the two outside directors and three outside statutory auditors as independent officers as required by its regulations.

▶ [Basic Policy on Corporate Governance](#) 

▶ [Corporate Governance Report](#) 

▶ [Directors and Executive Officers](#)

Corporate Governance Structure



Board of Directors and Executive Committee

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

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

The Company ensures prompt decision-making and separation of supervision and operational execution functions, for effective performance of the Board of Directors. Board of Directors meetings were held 16 times while Executive Committee meetings were held 26 times in fiscal 2018.

Attendance of Directors at Meetings of the Board of Directors (FY2018)

Name and Responsibility/Expertise*1			Board of Directors	
			Attended Meetings (meetings)	Attendance Rate (%)
Chairman of the Board and Representative Director	Ryu Yano	-	16	100

Name and Responsibility/Expertise *1			Board of Directors	
			Attended Meetings (meetings)	Attendance Rate (%)
President and Representative Director	Akira Ichikawa	President and Executive Officer	16	100
Representative Director	Shigeru Sasabe	Executive Vice President and Executive Officer Overseeing of Environment and Resources Division, and Divisional Manager of Overseas Housing and Real Estate Division	16	100
Representative Director	Tatsuru Satoh	Executive Vice President and Executive Officer In charge of General Administration, Personnel, IT Solutions, Intellectual Property, Internal Audit, Tsukuba Research Institute	16	100
Director	Ken Wada	Senior Managing Executive Officer Supervisor of Lifestyle Service Division in Charge of TOP (Tokyo Olympics Paralympics) 2020, Secretarial, and External Relations	16	100
Director	Toshiro Mitsuyoshi	Senior Managing Executive Officer Divisional Manager of Housing and Construction Division	16	100
Director	Akihisa Fukuda	Managing Executive Officer Divisional Manager of Timber and Building Materials Division	16	100
Director	Tatsumi Kawata*2	Managing Executive Officer In charge of Corporate Planning, Finance, Corporate Communications, and Sustainability	13	100
Outside Director	Junko Hirakawa	Attorney at Law Outside Director of Tokyo Financial Exchange Inc. Outside Director of Hitachi Construction Machinery Co., Ltd.	16	100
Outside Director	Izumi Yamashita	Outside Director of AEON Bank, Ltd.	16	100

*1 The areas of responsibility and expertise are current as of April 1, 2019.

*2 Figures for Tatsumi Kawata represents attendance since his appointment on June 22, 2018.

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.

► [Directors and Executive Officers](#)

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

We assessed the effectiveness of the Board of Directors this fiscal year through deliberation at the Board meeting by conducting an analysis of each Director, checking on how the Board has been fulfilling its role with respect to our Basic Policy on Corporate Governance, and exchanging opinions with the outside directors and outside statutory auditors about the Board of Directors.

Initiatives undertaken this fiscal year include a revision of the Board of Directors discussion standards, a narrowing of its agenda items, and the establishment of a venue in which each division can explain its business operations to outside directors individually, all of which helped deepen the discussions at the Board of Directors meetings. In addition, holding multiple informal discussions regarding medium to long-term business strategies with external directors has enabled constructive discussions of a new Medium-term Management Plan. Regarding the strengthening of governance to prevent violations (stronger risk management, internal controls, etc.) as instructed in the effectiveness assessment for fiscal 2017, we have planned to revise our investment and loan management while enhancing our monthly reporting to the outside directors.

As a result, evaluations have found that the overall effectiveness of the Board of Directors has been ensured.

Upcoming issues will include deepening discussions related to rebuilding our human assets strategy, expanding our domains of business, and responding to changes in business environment. Some members expressed the view that they would like to further strengthening our defensive governance practices in pursuit of these goals.

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

Board of Statutory Auditors

The Board of Statutory Auditors meets to discuss and make decisions on important matters regarding audits. The five statutory auditors, including the three outside statutory auditors, utilize the deep insights and diverse perspectives they have acquired from their various business backgrounds to provide oversight for the directors' execution of duties. The Board of Statutory Auditors met 14 times during fiscal 2018.

The appropriate human resources are also appointed as statutory auditors at our main subsidiaries for the purpose of improving the effectiveness of auditing and informational exchange at these companies. The Board of Statutory Auditors met six times during fiscal 2018.

Attendance of Statutory Auditors at the Board of Directors and the Board of Statutory Auditors (FY2018)

Name and Expertise *1			Board of Directors		Board of Statutory Auditors	
			Attended Meetings (meetings)	Attendance Rate (%)	Attended Meetings (meetings)	Attendance Rate (%)
Senior Statutory Auditor	Hitoshi Hayano *2		13	100	11	100
Statutory Auditor	Noriaki Toi		16	100	14	100
Outside Auditor	Yoshitsugu Minagawa	Chief Counselor, Norinchukin Research Institute Co., Ltd.	16	100	14	100
Outside Auditor	Yoshimasa Tetsu *2	Certified Public Accountant External Auditor, Daiwa Motor Transportation Co., Ltd.	13	100	11	100
Outside Auditor	Makoto Matsuo *2	Attorney at Law Outside Director of CAPCOM Co., Ltd. (Member of the Audit and Supervisory Committee) Outside Statutory Auditor of Solasia Pharma K.K.	12	92	10	90

*1 The expertise of each person is current as of April 1, 2019

*2 Figures for Hitoshi Hayano, Yoshimasa Tetsu and Makoto Matsuo represent attendance since their appointment on June 22, 2018.

Outside Directors

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

(1) Standards of Independence

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

1. Company's operations executives

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

2. Consultants

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

(2) Lawyer, certified accountant, tax accountant, or other consultant whose annual compensation and other forms of monetary benefits given by the Company or its subsidiaries, exclusive of director's remuneration, has exceeded ten million yen in the past three years.

(3) Employee, partner, associate, or other staff hired by a law, auditing, tax law, consulting or any other advisory firm whose major client is the Company or its subsidiaries. (The major client means a company's received payment in a year by the Company or its subsidiaries has exceeded 2% of its consolidated total sales in the past three years.)

3. Major shareholder (non-owner)

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

4. Major shareholder (owner)

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

5. Business Partners

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

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

6. Lender

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

7. Recipient of contribution

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

8. Family

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

9. Background Item

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

10. Inter-assumption of outside executive officer

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

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

(2) Standards of Concurrent Board Positions

- (i) When concurrently holding a board or statutory board member position of another publicly listed company, the number of concurrent board or statutory board member positions will be follows:
- (a) When serving as an executive director at another company exercising relevant execution of operations, only one company other than this Company;
 - (b) In situations other than (a), up to four companies other than this Company.
- (ii) An attendance rate at the meetings of the Board of Directors or Board of Statutory Auditors of at least 75%.

Nomination and Remuneration Advisory Committee

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

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

Risk Management Committee

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

In fiscal 2018, the Risk Management Committee, Compliance Subcommittee, and BCP Subcommittee met four times, twice, and four times, respectively, while the Board of Directors received four sessions of reporting.

▶ [Risk Management Framework](#)

Sustainability Committee

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

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

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

▶ [Risk Management Framework](#)
▶ [Responding to TCFD](#)

Internal Audits

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

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

► [Integrated Report](#)

Executive Remuneration

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

Total Remuneration Paid to Directors and Statutory Auditors (FY2018)

Category	Number of Personnel	Total Amount (Million yen)
Directors	11	539
Auditors	8	78
Total	19	617

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

*2 One director and three statutory auditors who resigned at the conclusion of the 78th General Meeting of Shareholders held on June 22, 2018 are included in the above.

*3 Total amount of director's remunerations do not include a compensation as an employee or a compensation for the execution of other duties.

*4 Total amount of director's remunerations include the total bonus of 143 million yen as resolved by the 79th General Meeting of Shareholders held on June 21, 2019.

*5 Total amount of director's remunerations include the cost of 9 million yen allocating stock options and 28 million yen allocating shares with restriction of transfer for eight directors (excluding outside directors).

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

(1) The amount of remuneration for directors of no more than 40 million yen per month (no more than 5 million yen per month for outside directors) was approved at the 76th General Meeting of Shareholders held on June 24, 2016.

(2) The amount of remuneration concerning the allocation of shares with restriction of transfer of no more than 100 million yen for directors (excluding outside directors) per year was approved at the 78th General Meeting of Shareholders held on June 22, 2018.

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

*7 Of the total remuneration of directors and statutory auditors, the total amount paid to outside executives are shown in the table below. However, the table below includes two statutory auditors who resigned at the conclusion of the 78th General Meeting of Shareholders held on June 22, 2018.

Total Remuneration Paid to Outside Executives (FY2018)

Number of Personnel	Total Amount (Million yen)
7	55

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

Sumitomo Forestry Group regards the establishment of an executive remuneration system functioning as an appropriate incentive for directors and statutory auditors to be fundamental in achieving the Group's Corporate Philosophy.

1. Remuneration for Directors (Excluding Outside Directors)

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

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

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

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

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

2. Remuneration for Outside Directors

Remuneration for outside directors comprises only basic monthly remuneration.

3. Remuneration for Statutory Auditors

Remuneration for statutory auditors comprises only basic monthly remuneration.

4. General Meeting of Shareholders Resolution on Remuneration for Directors

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

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

Tax Strategies

All of the officers and employees of the Sumitomo Forestry Group adhere to laws and regulations, social norms of behavior and corporate regulations to act with the highest regard for ethics. We have put in place policies even for tax practices and strive to maintain and enhance tax compliance through efforts that include awareness raising for employees.

The Group properly and effectively takes steps to reduce the tax burden while striving to optimize tax payments. In business dealings which may present a high tax risk, we make efforts to reduce the tax risk by preparing systems for sufficient prior examination as well as request advice and guidance such as that from tax experts as necessary. Moreover, we do not engage in any tax strategies through interpretations or applications which stray from the meaning of the law.

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

Risk Management

Risk Management Framework

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

Based on these regulations, the Company also places the Risk Management Committee, comprised of the Company president as 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 Risk Management Committee. The Committee primarily discusses responses to compliance-related risks and other short-term risks, as well as risks that have already emerged. Executive Officers and Directors attend this committee as it outlines and reports about the content of the activities to the Board of Directors to put in place systems representative of the business.

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

In fiscal 2018, the Risk Management Committee met four times, and confirmed the state of progress with respect to 45 priority risks. Also in fiscal 2018, the Compliance Subcommittee and BCP Subcommittee met twice and four times, respectively, and reports were also submitted to the Board of Directors four times.

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

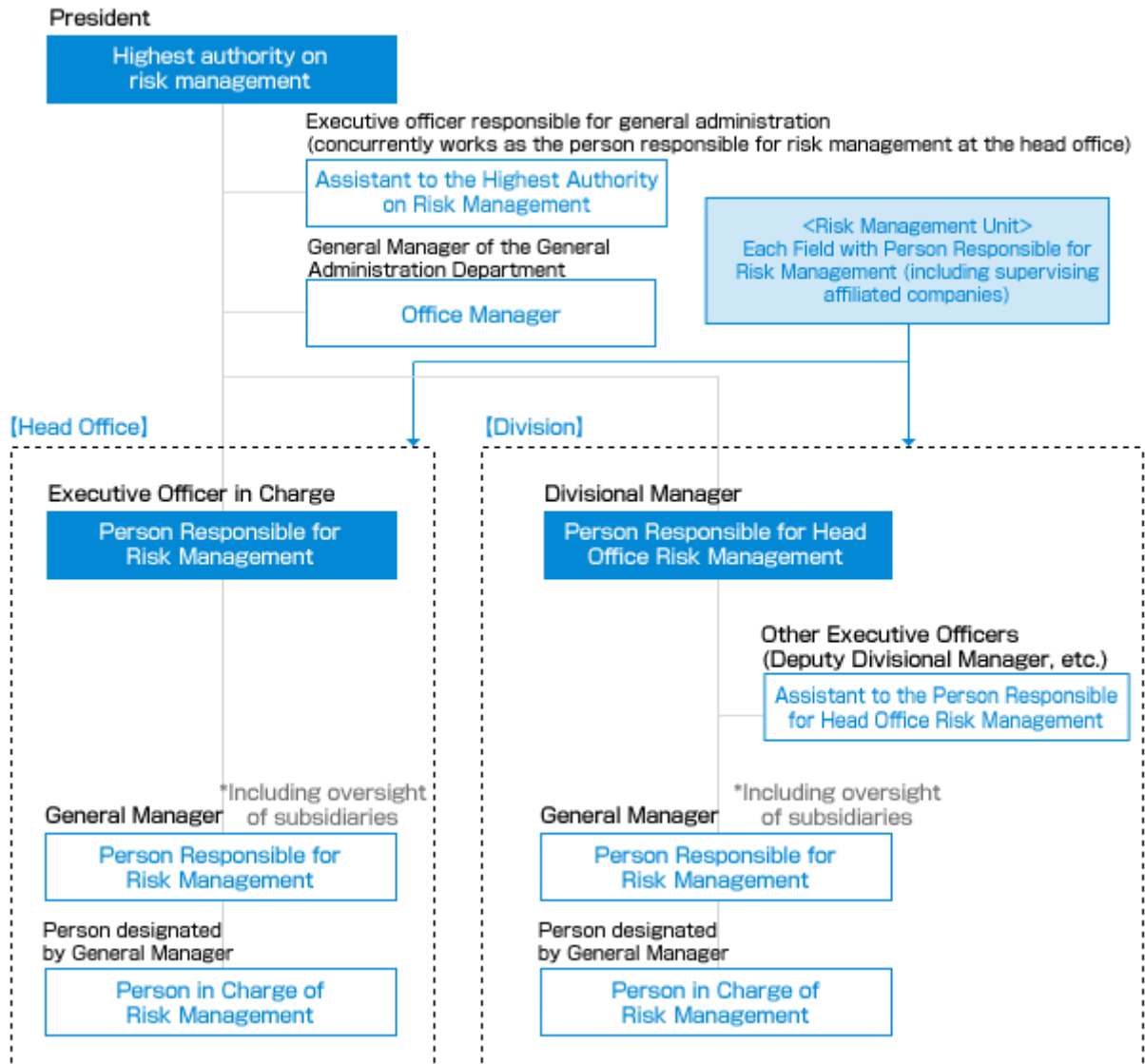
Items determined through this process to be priority risks in the medium to long term are discussed in the Sustainability Committee. The results are outlined and reported to the Board of Directors to build a system to reflect this information into the execution of our businesses.

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

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

Risk Management Structure of the Sumitomo Forestry Group



Risks in Operations

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

1. 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. Climate change and other environmental matters
14. Value falls of assets
15. Credit facility of business partners
16. Litigation risks
17. Funding risks

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

Risks Associated with Illegal Logging and Conversion Timber

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

In addition to legality of the procured timber and timber products, sustainability of forests that produce timber has been in question recently. "Conversion timber" is timber generated during the conversion of natural forest areas to non-forest use (such as oil palm plantation). While the conversion to farm land is often discussed from the commodity side (oil palm, soy, rubber and cattle), conversion timber now poses sustainability risks to forestry industry.

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

Impact on the Sumitomo Forestry Group

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

Risk Countermeasures

The Sumitomo Forestry Group has been committed to responsible timber procurement, pioneering legislation in Japan and having established the Timber Procurement Philosophy and Policy in 2005, to bring contributions to a sustainable society via business activities of “wood” -a renewable resource. In 2015, Timber Procurement Philosophy and Policy was extended beyond timber and became subject to procurement of building materials, raw materials of products, and end products, and reestablished as Sumitomo Forestry Group Procurement Policy.

The Group's economically, socially and environmentally responsible procurement today is being carried out based on the policy. Furthermore, in order to tackle this emerging issue surrounding conversion timber, Sumitomo Forestry has set a target in its Mid-term Sustainability Targets, targeting FY2021, to 100% procure “sustainable timber,” which eliminate conversion timber.

► Procurement Initiatives

Emerging Risks Associated with Carbon Accounting on Biomass Fuel

Biomass power generation using wood chips as fuel has long been considered as “carbon neutral” and as clean energy. While burning wood fuel generates methane and N₂O and thus it is not “GHG neutral,” it is only required to report emissions other than CO₂.

However, SBT initiative announced its updated criteria this April;

Bioenergy accounting: Direct emissions from the combustion of biomass and biofuels, as well as GHG removals associated with bioenergy feedstock¹, must be included alongside the company's inventory and must be included in the target boundary when setting a science-based target and when reporting progress against that target. If biogenic emissions from biomass and biofuels are considered climate neutral, the company must provide justification of the underlying assumptions.

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

Impact on the Sumitomo Forestry Group

Sumitomo Forestry operates four wood biomass power generation plants in Japan and is currently planning to add another in 2021, which would generate total of 177MW. If it is required to add CO₂ emissions to currently reported methane and N₂O from the biomass power generation operation, Sumitomo Forestry Group's SBT emission reduction target would be extremely challenging.

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

Risk Countermeasures

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

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

Risk Associated to IPCC 1.5 Degree-C Special Report

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

Impact on Sumitomo Forestry

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

Risk Countermeasures

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

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

New Business Plan Risk Assessment

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

■ Environmental Aspects

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

■ Social Aspects

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

Risk Education

As ways to increase the sensitivity of risk in the executives and employees and in the corporate culture of the Sumitomo Forestry Group, the Group conducts e-learning each year for executives and employees as well as a risk management training for newly joined employees. In 2018, 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.

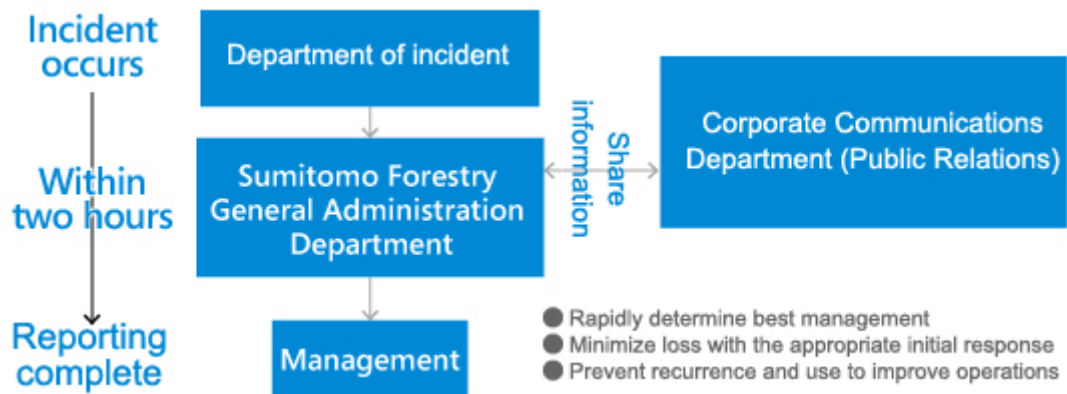
Rapidly Comprehending and Dealing with Risks

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



Compliance

Basic Policy

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

Compliance Promotion Framework

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

During fiscal 2018, the subcommittee met twice, and continuing on with its Group-wide initiatives from the previous fiscal year, it worked to make continuous improvements to its compliance system, such as making a comprehensive examination of risks with respect to legal requirements, such as for business activities requiring government permits and licenses.

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

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

Compliance Training

In order to heighten awareness among each and every employee about compliance, Sumitomo Forestry Group conducts compliance training for new employees to promote their understanding about general compliance issues, such as traffic safety, and information security. In fiscal 2018, training was administered to a total of 365 new graduate recruits (Group total in Japan), and to 86 mid-career recruits (Sumitomo Forestry). Compliance training was also provided to groups of employees at specific levels, including "Training for New General Managers."

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

Compliance Hotline

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

The Group has two Compliance Hotlines, one within the Group (general manager of the General Administration Department is responsible) and one external to it (lawyer), ready to provide advice and receive reports via telephone or a dedicated email address. The Hotlines not only assist Group company employees but are available for anyone who works continuously for the Group, such as employees at partner building contractors. 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 2018, the Compliance Hotlines were contacted with 14 times about such topics as the workplace environments and management of working hours. In cases where the facts were confirmed, in addition to implementing the necessary corrective measures, initiatives were promoted aimed at preventing recurrence including using these examples in training for managers.

Considering the current situation in which our Group is developing its business globally, we will be moving to establish a whistleblowing hotline with contact points accessible in languages other than Japanese.

Manual for Compliance Hotline



► Grievance Desk

Compliance Auditing

The internal auditing departments evaluate and investigate the appropriateness and validity of the management system at Sumitomo Forestry and its 200 operational sites from an independent standpoint. In fiscal 2018, roughly 60 sites were selected to conduct internal auditing. These internal audits not only examine simple imperfections but also point out issues related to compliance at each site and provide advice and guidance for improvement. In addition, in the event a compliance breach is found, the issue is reported to the President, executive officer in charge of internal auditing, the statutory auditor, and the executive officer/director supervising the business of the breach to put in place the necessary reform measures while offering advice on how to correct and improve the point of issues in the relevant departments.

Preventing Corruption

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

Aiming at Group employees, the Group also facilitates dissemination of corruption and bribery prevention. One of the Company's CSR targets was the establishment of separate regulations at consolidated subsidiaries in Japan during fiscal 2014. Consolidated subsidiaries overseas prepared regulations based on an aspect of the risk-based approach, implement staff training and promoted general awareness. 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. Efforts to formulate regulations at consolidated subsidiaries in Indonesia and Thailand moved forward in fiscal 2017. In fiscal 2018, progress was made in instituting regulations in each of our Group company, the North America, Australia and the Asian regions, as well as at our consolidated subsidiary in Papua New Guinea.

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

In fiscal 2018, no violation of corruption and relevant laws was identified.

* Small amount of payment to facilitate regular administrative services

Promotion of Fair Competition and Appropriate Transactions with Subcontractors

For the purpose of promoting fair competition, Sumitomo Forestry published the Antimonopoly Act Guide Book, and via articles on its intranet website, e-learning and other methods, it works to enhance understanding and awareness regarding the intent and outline of the Antimonopoly Act and about the risk of cartels stemming from contact with competitors. There were no breaches or issues related to the Antimonopoly Act in fiscal 2018.

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

Political Contributions Policy

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

Restriction of Insider Trading

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

There were no breaches or issues related to insider trading in fiscal 2018.

Rejection of Influence from Anti-Social Forces

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

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

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

Business Continuity Management

Business Continuity Management System

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

In fiscal 2018, Sumitomo Forestry held four BCP Subcommittee meetings. Critical initial responses in the event of a powerful earthquake, such as Tokyo Inland Earthquake was reviewed; in the meantime various training programs were planned and implemented.

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



BCP Simulation Training

Measures for Employee Safety and Systems for Business Continuity

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

Sumitomo Forestry Group distributes Portable Guides for Risk Responses to all Group employees in Japan, promoting the basic response procedure to take in the event of a disaster. A safety confirmation system has also been introduced, allowing the safety of employees to be checked quickly in the event of a natural disaster. Safety confirmation drills are conducted at domestic Group companies every year, and in fiscal 2018, a sum of 14,763 employees have participated in them.

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



Portable Guide for Risk Responses

Disaster Prevention and Damage Mitigation Measures

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

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

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

BCP Simulation Training

In order to overcome the chaos immediately after a large-scale earthquake strikes and to transition quickly to action for business continuity, it is vitally important that the people in charge can make an initial response and can make decisions according to the situation at hand. For this reason, since fiscal 2011, the Sumitomo Forestry Group has continued to conduct BCP Large Scale Earthquake Countermeasures Simulation Training, targeted at the persons in charge at each Group company. The aim of this training is to get participants to experience a simulated “crisis” in an earthquake and to acquire an awareness of the issues, by getting them to make spur of the moment decisions again and again based on rigorous hypothetical scenarios. During the training, since Group companies from neighboring areas are assembled together in one place, another aim of the exercise is to share an awareness of risks and to strengthen cooperation among them in an emergency. To date, a cumulative total of more than 550 people have participated in this training.

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

In fiscal 2018, we conducted first-response and rescue training to learn techniques using crowbars on-site (simulating the aftermath of serious earthquakes when no immediate emergency dispatch can be anticipated), simple triage and rapid treatment (JumpSTART Triage) for injured victims, and transport techniques for injured victims.



First response and rescue training

Strengthening Supply Chain Business Continuity Plan

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

The Company plans to work on further reducing risk of business disruption by considering reporting method for suppliers reporting the status of the disaster and systematization of history management in cases the suppliers are affected by natural disasters such as earthquakes or calamities such as fires.

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

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

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

Responsible Advertising /Promotional Efforts

Basic Policy

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

Observance of Laws, Standards and Norms

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

Sumitomo Forestry did not violate any of the various laws and regulations related to advertising in fiscal 2018. Furthermore, Sumitomo Forestry holds monthly meetings of the Brand Communication Committee, comprised of advertising personnel from relevant departments and relevant Japanese affiliates, in addition to study sessions for preventing non-compliance in an effort to raise awareness. Through these efforts, Sumitomo Forestry made certain of prior checks, and endeavored to ensure customers were not misled by unreliable information.

Initiatives to Improve Company-Internal Literacy

In fiscal 2018, the Brand Communication Committee held a study session about the Act on the Protection of Personal Information and the Copyright Act. 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.

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



The Brand Communication Committee

Information Security

Information Security Policy

In order to ensure the confidentiality, integrity and availability of its information systems, the Sumitomo Forestry Group 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 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, head of each department as a supervisor and 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.

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.

▶ [Personal Information Protection Policy](#)

Systems for Managing Information Security

Under the supervision of the executive officer in charge of IT solutions, the general manager of the IT Solutions 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 was continued to made in fiscal 2018 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.

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

Intellectual Property Management

Intellectual Property Management Policy

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

Systems for Managing Intellectual Property

Sumitomo Forestry established the Intellectual Property Department and it employs a number of patent lawyers on its department staff. The Intellectual Property Department provides a wealth of support that includes education to cultivate knowledge about intellectual property in employees, legal consultation about the infringement and violation of intellectual property rights, assistance for the execution of various contracts related to intellectual property as well as the creation of intellectual property in Tsukuba Research Institute and each division in addition to filings and the protection of the intellectual property that is created.

Intellectual Property Education

Sumitomo Forestry Group conducts intellectual property classroom training for employees under a systematic program that compiles content appropriate to each department. The purpose is to systematically teach the correct knowledge and fundamental actions for handling intellectual property from the perspectives of compliance and risk management. In fiscal 2018, Sumitomo Forestry held 11 training sessions on intellectual property for employees in charge of research and development as well as marketing and planning at the Tsukuba Research Institute, business departments and affiliate companies in an effort to ensure thorough compliance and risk management.

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

Return to Shareholders and IR Activities

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

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

Returns to Shareholders

Basic Policy on Returns to Shareholders and Retained Earnings

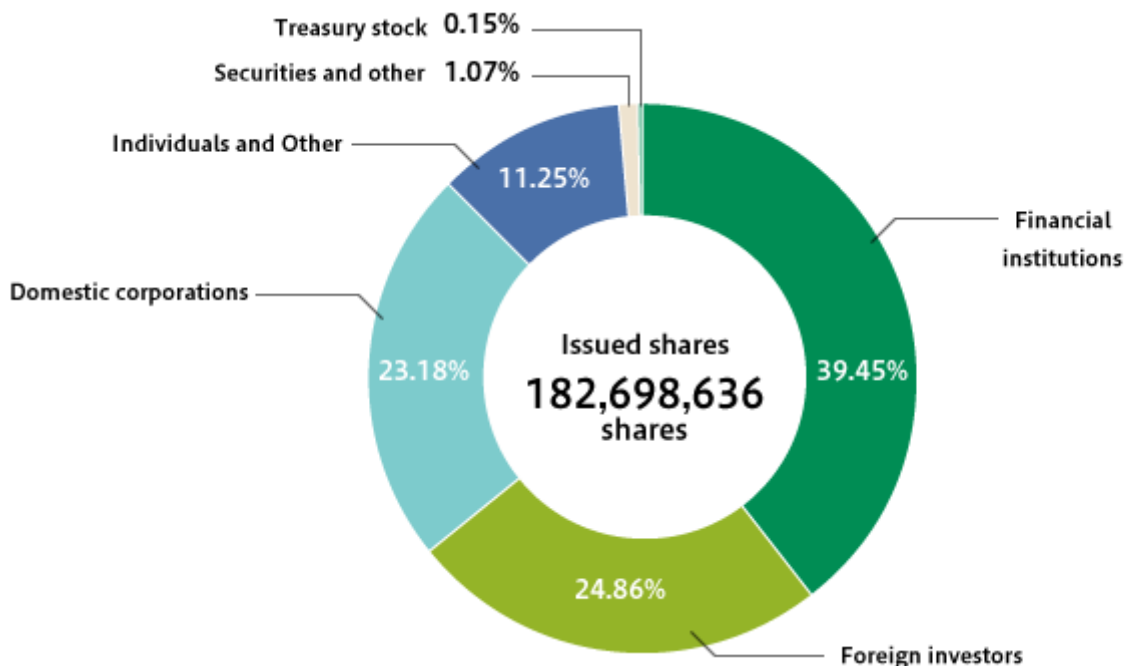
Acknowledging that providing returns to shareholders is one of its most important tasks, Sumitomo Forestry has adopted a basic policy of paying stable and continuous returns.

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

Dividends in Fiscal 2018

In fiscal 2018 (year ended March 31, 2019), a year-end dividend of 20 yen per share and an interim dividend of 20 yen per share were issued. This corresponds to a full-year dividend of 40 yen per share.

Share Distribution by Shareholder Type (As of March 31, 2019)



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

Information Disclosure and Communication

Basic Policy on Information Disclosure and Communication

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

We strive to provide reporting and explanations in an easy to understand manner at the General Meeting of Shareholders 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 in the housing businesses that includes short financial statements, factoring and a summary of financial results and forecasts on our website.

In addition, we also publish our CSR initiatives in Japanese and English online.

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

▶ IR Materials (Link to IR Information)



Integrated Report 2019



Japanese reports for shareholders on business activities (Year ended March 31, 2019)

Two-Way Communication with Shareholders and Investors

▶ Basic IR Policy

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 meetings and exercise their right to vote. These initiatives include sending out and posting online convocation notices (in Japanese and English) earlier than legally required, scheduling the meeting to avoid the date when most other shareholder meetings are held, and accommodating shareholders who wish to cast their votes online or via mobile phone.

Individual Meetings

Sumitomo Forestry holds individual meetings with security analysts and institutional investors following the announcement of its quarterly results. In fiscal 2018, we conducted a total of 183 consultations in Japan and overseas. In addition, we will also regularly hold forums such as small meetings and on-site briefings.

IR Informative Meetings for Individual Investors

Sumitomo Forestry holds regular IR informative meetings for individual investors. During fiscal 2018, 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, renovation, and private-pay elderly care facilities.

IR Activities for Overseas Institutional Investors and Shareholders



Sumitomo Forestry management team visits institutional investors and shareholders in Europe and North America in fiscal 2018 in addition to engaging in efforts such as the distribution of English versions of financial information to all of our institutional investors and shareholders overseas.

These efforts offer us the chance to exchange ideas in addition to explain aspects of our business such as our business performance and business strategies.

We also provide many opportunities for dialogue by participating in conferences held in Japan and overseas.

Issuance of Green Bonds

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

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

Contribution Through Our Business

Overall Business and Scope of Impact

Housing and Construction Business

Distribution Business

Manufacturing Facilities

Forest Management

Environmental Energy Business

Business Responding to the Super-Aging Society

Overall Business and Scope of Impact

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

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

Value Chain

Forest Management



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

Logistics



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

Manufacturing



- Product Development
- Raw Material Procurement
- Manufacturing
- Delivery

Housing and Buildings



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

Other



- Procurement
 - Fuel Production
 - Power Generation
 - Sales
- * related to the energy business

Relevant CSR Initiatives

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

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

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

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

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

Relevant Stakeholders

- Customers
- Industries and Companies in the Same Business
- Business Partners
- NPOs/NGOs
- Global Society and Local Communities
- Government and Regulatory Authorities
- Global Environment
- Employees and Their Families

Relevant Material Issues*

- | | | | | |
|--|--|--|--|--|
| <ul style="list-style-type: none"> ● Material Issue 1> Environmentally responsible society ● Material Issue 3> Low-carbon society ● Material Issue 4> Strengthen occupational health and safety ● Material Issue 5> Strengthen risk management framework | <ul style="list-style-type: none"> ● Material Issue 1> Environmentally responsible society ● Material Issue 3> Low-carbon society ● Material Issue 5> Strengthen risk management framework | <ul style="list-style-type: none"> ● Material Issue 1> Environmentally responsible society ● Material Issue 3> Low-carbon society ● Material Issue 3> Recycling society ● Material Issue 4> Strengthen occupational health and safety ● Material Issue 5> Strengthen risk management framework | <ul style="list-style-type: none"> ● Material Issue 1> Environmentally responsible society ● Material Issue 2> Improve safety and quality ● Material Issue 2> Improve communication with customers ● Material Issue 3> Recycling society ● Material Issue 3> Low-carbon society ● Material Issue 4> Strengthen occupational health and safety ● Material Issue 5> Strengthen risk management framework | <ul style="list-style-type: none"> ● Material Issue 3> Low-carbon society ● Material Issue 5> Strengthen risk management framework |
|--|--|--|--|--|

Relevant SDGs



* Material issues are CSR priority issues identified by the Sumitomo Forestry Group based on economic, environmental and social approaches.

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

Housing and Construction Business

Value Chain of the Housing and Construction Business



Sales/Product Development

Housing and constructions at the Sumitomo Forestry Group are mostly custom-built detached housing designed to each customer's individual home specifications. We listen carefully to the requests of our customers to propose the best lifestyle based on their wishes. We enhance knowledge of each and every staff member to fully grasp the needs of our customers, and offer multiple communication opportunities such as meetings at model homes and showrooms. We also visualize image of the housing to provide accessible proposals through the adoption of tools such as virtual reality (VR) systems.

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

Relevant Social Issues

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

Relevant CSR Initiatives

- ▶ [Communication with Our Customers](#)





Design

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

Relevant Social Issues

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

Relevant CSR Initiatives

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



Materials Procurement

The Housing and Construction Business procures a wide range of materials from timber and concrete to kitchens and toilets. For example, this business alone procures and uses 250,000m³ of wood annually. Promoting fair and responsible initiatives for these procurement activities are the social responsibility of the Group.

Relevant Social Issues

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

Relevant CSR Initiatives

- ▶ [Procurement Initiatives](#)





Construction

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

Relevant Social Issues

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

Relevant CSR Initiatives

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



After-Sales Support

The Sumitomo Forestry Group aims to provide housing residents can live in over the long term by pouring its strength into after-sales support. Therefore, we conduct regular inspections and customer satisfaction surveys for 25 years after homes are delivered to their owners in addition to setting up a call center.

Relevant Social Issues

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

Relevant CSR Initiatives

- ▶ [Communication with Our Customers](#)

Procurement Initiatives

Basic Policy

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

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

► [Sumitomo Forestry Group Procurement Policy](#)

Green Procurement and 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."

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

Environmental Consideration and Legal Compliance in Responsible Material Procurement

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

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

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

► [Status of Sumitomo Forestry Group Forest Certification/CoC Certification](#)

Communication with Procurement Partners and Partner Evaluation

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

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

Name/Scale	Description
Evaluation and feedback based on the Supplier Evaluation Standards Implementation rate: 100% (2018)	Material suppliers of the Housing and Construction Business (suppliers excluding on-site equipment manufacturers, precut factories, building material operators and frame centers) are evaluated every year per type of material based on items including corporate overview, quality, cost, delivery period, environmental response as well as services. We provide feedback from the evaluation results as a way of bettering our procurement. In fiscal 2018, we provided 235 feedbacks, a 100% implementation rate. In addition, we regularly audit supplier plants as part of the evaluation. In fiscal 2018, we carried out plant audit in 153 plants. If buildings are constructed with materials, which are not confirmed for performance quality, it would pose various risks for the people and the buildings. Therefore, we have formulated methods for auditing plants that focus on quality management to confirm whether material we procure are manufactured based on our quality standards and other aspects.

Initiatives for Sustainability in Timber and Timber Products

At Sumitomo Forestry Group, our Procurement Policy emphasizes procurement of sustainable timber and wood products. Sumitomo Forestry Group has established the Timber Procurement Committee to carry out due diligence on timber procurement to ensure that the procurement is performed in a sustainable manner with consideration of legal compliance, human rights, occupational health and safety, biodiversity, and indigenous/local communities. Personnel from the Construction Materials Development Department of the Housing and Construction Division also attend the Timber Procurement Committee meetings as members.

The Mid-Term Sustainability Targets published in May 2019 renewed our stated commitment to 100% procurement of sustainable timber and wood products, initiating an effort to reach this target by fiscal 2021.

Responsible Material Procurement

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

In the Mid-Term Sustainability Targets announced in May 2019, we commit to carrying out an annual sustainability procurement survey, through which we evaluate an extended set of targets in areas such as human rights, occupational health and safety, biodiversity conservation and sustainability of timber and wood products.

The plan calls for administering surveys on at least 90% of suppliers (based on the purchasing cost) by fiscal 2021.

Using More Domestic Timber in Home Products

Sumitomo Forestry Home houses primarily take advantage of the Big-Frame Construction Method (BF Method) and the Multi-Balance Construction Method (MB Method). We have been striving to increase the ratio of domestic wood of structural members and non-structural materials used in these two construction methods. By fiscal 2018, we had achieved 50% and 71% for these two materials, respectively.

▶ About symbol for Independent assurance

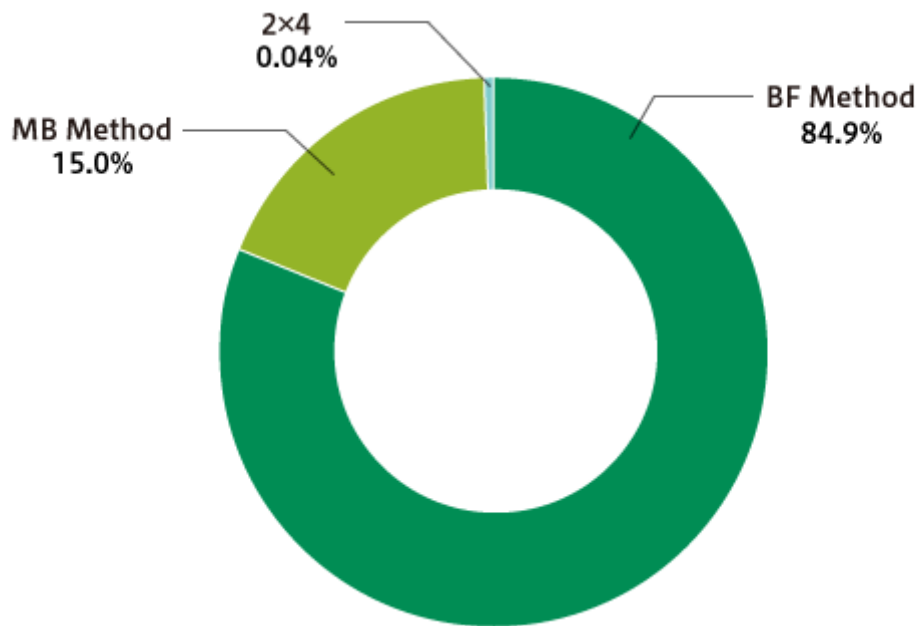
Fiscal 2018 Ratio of Domestic Wood of Structural and Non-structural Materials for each MB Method Home FY2018

71%

Fiscal 2018 Ratio of Domestic Wood of Structural and Non-structural Materials for each BF Method Home FY2018

50%

Fiscal 2018 Percentage of Custom-Built Detached Houses Completed



Product Safety and Quality Control

Basic Policy

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

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

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

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



Design Performance Evaluation

The Company is actively promoting the use of the Japanese Housing Performance Indication System^{*1} for customer peace of mind and safety as well as enhancing the value of property. In fiscal 2018, under the Japanese Housing Performance Indication System, implementation rate^{*2} of Design Performance Evaluation reached 99.0%, Implementation of Construction Performance Evaluation reached 98.4%, and the acquisition of Excellent Long-Term Housing certification reached 93.8%.

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

*2 The ratio of the number of applications against the total number of detached houses constructed, including extensions and/or alterations (applications for design and construction performance evaluation, April 1, 2018 - March 31, 2019) in the Housing and Construction Division.

Japanese Housing Performance Indication System Implementation Rate

	FY2014	FY2015	FY2016	FY2017	FY2018
Design performance evaluation [*]	97.7%	98.6%	98.8%	98.9%	99.0%
Construction performance evaluation	94.9%	97.3%	97.8%	97.9%	98.4%

* 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.

Certified Excellent Long-Term Housing

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

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

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

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

	FY2014	FY2015	FY2016	FY2017	FY2018
Ratio of houses certified as Excellent Long-term Housing for new custom-built housing	91.2%	92.7%	93.3%	93.3%	93.8%

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

Certification Type		Certification Criterion	Standard Performance of Sumitomo Forestry Home Houses
Durability	Long lasting	Rating measures for deterioration class 3 Measures to allow regular inspection	Equivalent to highest level 3
Seismic Resistance	Strong to earthquakes	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
Energy-saving performance	Energy-saving house	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 and Construction Division and Tsukuba Research Institute are collaborating in experiments at validation facilities and testing of prototypes, promoting the creation of products that incorporate customer feedback, including even in the details of guarantees.



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



A dedicated designer responsible for the work



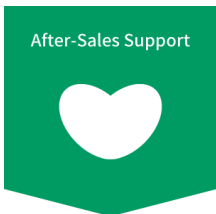
- The Materials Selection Subcommittee, which meets once every month to decide upon all materials, conducts design reviews. All materials are checked to ensure that they meet the acceptance and quality standards set by the Tsukuba Research Institute and the Materials Selection Subcommittee.
- After approved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



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



Construction Management



- Sumitomo Forestry includes 25 years of free regular inspections with its homes. Paid inspections every 10 years beginning with the 30th year are provided up to the 60th year to support over the long term to ensure a long life in these important living spaces.
- Sumitomo Forestry has developed a 60-year Maintenance Program that offers renovation and maintenance proposals and manages maintenance records in order to support its customers.



Regular inspection

Renovation

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

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.



Under Renovation



After renovation

Seismic Resistant Housing

The Great Hanshin-Awaji Earthquake and the Great East Japan Earthquake as well as a recent major earthquake in Kumamoto have been among the disasters that have wrought enormous damage in Japan. In addition, major earthquakes are forecast to occur in the Nankai Trough, resulting in year-by-year increase in demand for seismic resistance for wooden houses.

In response to customer need for seismic resistant houses, Sumitomo Forestry Home Tech has developed original construction methods that enable heightened seismic resistance without diminishing high levels of the home's structural strength, workability or insulation efficiency.

Development of K-type Corner Braces and RGS Panels

K-shaped corner brace bearing walls use 24 mm thick structural plywood that is in order to store 75 mm thick glass-wool insulation inside. This method has great workability because the materials are light, and it underwent a technological evaluation by the Japan Building Disaster Prevention Association (6.0KN/m² standard bearing wall).

GS panels for renovation (RGS panels) are used as a seismic resistance method to limit deformation by installing these right and left panels (structural plywood with a 24 mm thickness) made of special metals sandwiching highly rigid and highly damping rubber in vertical members. Even greater workability is provided by dividing these panels into top and bottom pieces as well. The method underwent a technological evaluation by the Japan Building Disaster Prevention Association (6.1KN/m² bearing wall).

Moving forward, we plan to develop new vibration dampers that can reduce earthquake damage to buildings to the greatest possible extent.



RGS Panel

BF Method

Sumitomo Forestry started selling the Big-Frame Construction Method (BF Method) as a product for three-story building products in February 2005 and expanded this method to two-story products in October 2009 as well as to products with fire-resistant specifications in four-story buildings in April 2015. Thereafter, as awareness of customers grew about risks such as disasters, the BF Method that had further evolved to provide greater strength in high seismic resistance matched customer needs and is now one of Sumitomo Forestry's main products.

The proprietary BF Method from Sumitomo Forestry is the first in Japan to realize the wooden beam Rahmen structure, which is used in high-rise buildings, in wooden houses.

The Rahmen structure is designed to stand up to horizontal forces such as earthquakes and wind through rigid-joints that unify the columns and beams with the fixings. The BF Method uses big columns with a large cross-section of 560 mm which is equivalent to roughly five standard 105 mm columns and incorporates structural materials in addition to a combination of metal-to-metal joints to achieve a robust Rahmen structure.

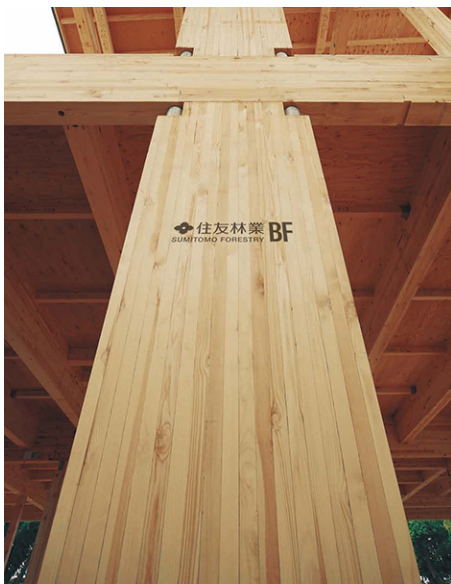
The beams and bases of the big columns join strongly thanks to the metal-to-metal joints. This brings about horizontal vibration resistance equal to a 22.4 (times/meter) shear resistance of walls. We ensure seismic resistance while being able to provide both large spaces and wide openings.

In addition, expanding and introducing a variety of original technology can support an even wider range of design requirements. Twin-bolt columns (shear resistance of walls equivalent to 33.6 times/meter) that doubles metal joints as well as double-large columns that layer two large columns (shear resistance of walls equivalent to 44.8 times/meter) provide freedom in floor plans and more spaciousness even on land with many restrictions. The pre-stressed timber beams are large-span beams enable the design for built-in garages ready for parking multiple vehicles, large open living rooms, multi-dwelling homes in addition to a wide range of other purposes.

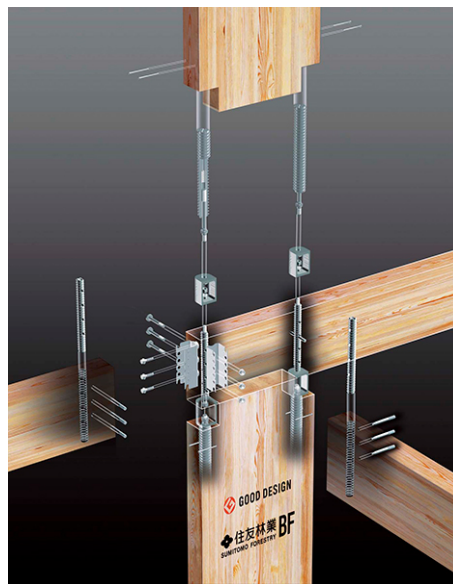
Sumitomo Forestry conducts vibration tests on verification models of structural framework, using the BF Method as well as full-scale structures to examine seismic resistance in anticipation of a large-scale earthquake.

The full-size verification model for a three-story building constructed with the BF Method cleared testing for vibrations of a maximum acceleration of 2,699 gal, which is equivalent to the Great East Japan Earthquake (3.3 times the Great Hanshin-Awaji Earthquake). Our technology has been proven tough through a total of 22 harsh vibration tests; two of which were conducted at a magnitude of 7 equal to the Great East Japan Earthquake and 20 of which at a magnitude of 7 equal to the Great Hanshin-Awaji Earthquake. We also estimate strong aftershocks after a massive earthquake by implementing a repetition of a total of 246 vibration tests. We have repeatedly conducted testing with strong vibrations from a magnitude of 4 to a magnitude of a weak 6 and beyond to magnitude of 7 to ensure continued seismic resistance of the structural framework.

In this way, the BF method responds to the needs of customers with powerful structures to bring security as well as flexible designs able to provide comfortably spacious spaces.



Strong Big Column with a Width More Than Five Times a Standard Pillar



Realizing a Robust Rahmen Structure via Metal-to-Metal Joints

Promotion of Universal Design

Sumitomo Forestry is a pioneer in establishing soft closers for all indoor furnishings such as sliding doors and hinged doors as an initiative to increase the safety of residents. In addition, an all flat design that does not create any level differences in flooring is now a standard specification while convex corners for inner walls and wall-mounted convex sections have an R-shape specification around living spaces and halls. We have set the standard specifications for the width of hallways to 780 mm to allow the use of assistive wheelchairs with the assumption that wheelchairs and care will be necessary in the future. We also flexibly respond to customer requirements through a freedom in design that includes slopes to entrances and the installation of home elevators.

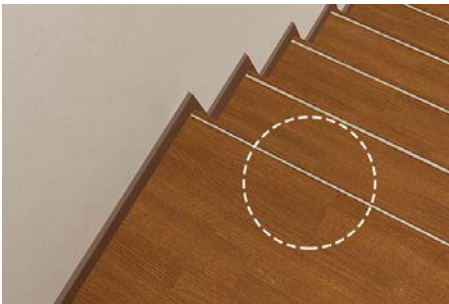
In addition, Sumitomo Forestry is placing its strength in the design of living spaces to satisfy the needs of customers such as roof balconies without level differences from the interior, heat shocks, and the Air-Dream Hybrid total air conditioning system that reduces house dust and realizes a comfortable 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.



R-Line Frames with Consideration to Safety



Ordinary Frame



Stairs with enhanced step visibility.
Received KIDS DESIGN AWARD in FY2012



Ordinary stairs

Home Building That Contributes to a Sustainable Society

Basic Policy

Net Zero Energy Houses (ZEH) and other housing measures in Japan offer guidance to creating eco products as well as advocate excellent long-term housing as an asset.

By promoting ZEH-specification housing, Sumitomo Forestry reduces each household's primary energy consumption while also providing living spaces that are disaster-resistant and comfortable to live in year-round.

We provide environmentally friendly houses that meet the needs of each customer while contributing to the realization of a sustainable society.

Promotion of Net Zero Energy House (ZEH) Specifications

The household sector in Japan still has high level emission of CO₂ although the trend has slowed down. Japan has launched policy targets that aim for more than half of all custom-built detached houses constructed by housing manufacturers and other companies to be ZEH compliant by 2020 in the measure to counter global warming approved by Cabinet decision in May 2016. ZEH is a scheme for housing to provide less than zero annual net primary energy consumption by combining equipment to generate energy such as high thermal insulation efficiency, energy-saving equipment, and solar power generation.

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 own unique Ryouonbou design, which takes advantage of natural blessings such as the wind and sun. The Company's expertise in utilizing these unique characteristics of wood and blessings of nature together with its technologies for the reduction of energy consumption, such as improvements in thermal insulation as well as the adoption of energy-saving equipment, and its technologies for the smart use of energy, such as equipment for generating and storing energy and HEMS^{*1}.

Given the ZEH targets established by the Japan, Sumitomo Forestry has set the goal of 80%^{*2} ZEH housing by fiscal 2020, and had reached 40%^{*2} as of fiscal 2018. We are making greater insulation efficiency in buildings and around openings as well as built-in solar power generation systems basic specifications as of April 2017 in our new housing.

*1 Home Energy Management System— a system whereby residents can visualize the amounts of energy they generate and use

*2 Values include Nearly ZEH while they exclude Hokkaido and Okinawa Pref. respectively. The fiscal 2018 results and 2020 target 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%.

ZEH Standardization Target
(2020)

80%^{*2}

ZEH Standardization
Performance
(2018)

40%^{*2}

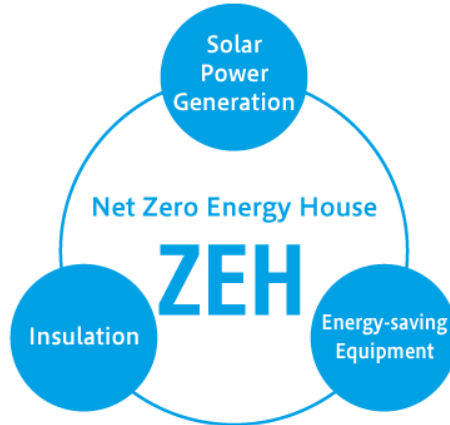
► [Ryouonbou Design Concept \(in Japanese\)](#)

Energy Creation

Solar power generation is used to generate more energy than is consumed.

Least Energy Required

Insulation efficiency minimizes the energy lost by mitigating the effects of external heat and cold

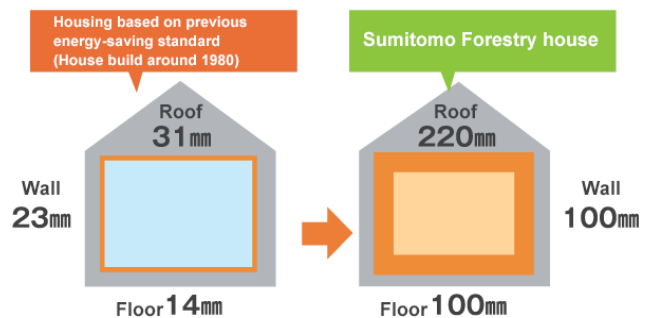
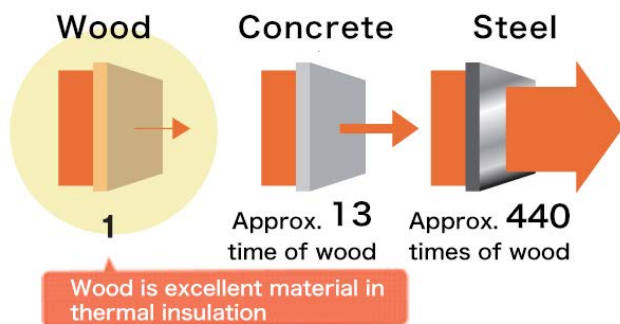


Proficient Use of Energy

High-efficiency equipment is used to reduce the amount of power consumed by the house.

Wooden Houses with Superior Insulation

If the thermal conductivity of wood is 1, the thermal conductivity of concrete would be almost 13 and steel upwards of 440. Wood as a material is a superior insulator to mitigate the transfer of heat. In addition, Sumitomo Forestry uses high-performance thermal insulators based on its own unique standards.



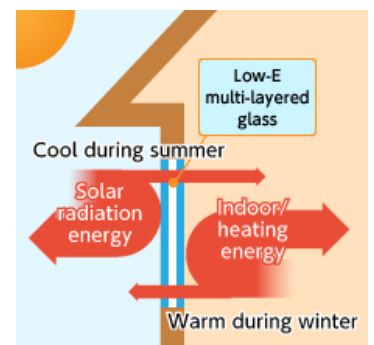
Unique Standards of Thermal Insulators of Sumitomo Forestry

Comparison of Materials by Thermal Conductivity

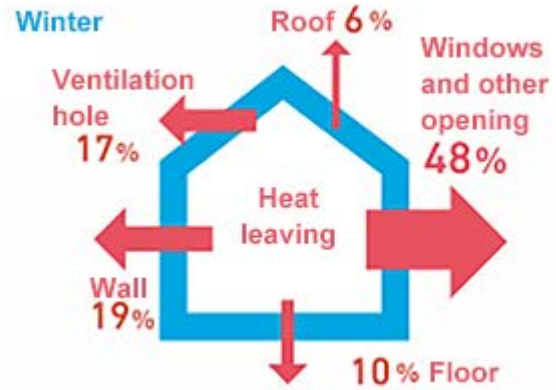
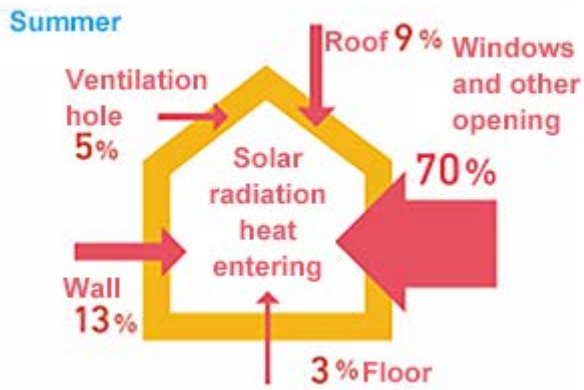
Limiting Energy Loss with Highly Insulating Glass

Windows cause the greatest loss of heat in living spaces. Shielding interior spaces from heat in the summer and preventing heat from escaping in the winter is vital. As windows cause the largest heat loss, Sumitomo Forestry uses low-E multi-layered glass with argon gas inside. Argon gas is injected between the multi-layers of glass to mitigate heat transfer to the air while the panes are coated with special metal film. The superior thermal insulation and insulation properties shield interior spaces from heat in the summer and prevent heat from escaping in the winter.

► Insulation of Sumitomo Forestry Home houses (in Japanese)



Insulation using low-E multi-layered glass



Heat Loss Ratio of Houses

Double Power Generation

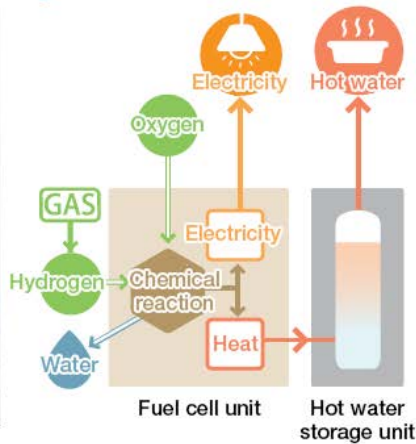
Sumitomo Forestry recommends the installation of solar power generation system, as well as residential fuel cell units. Double power generation can generate the necessary electricity for daily life in the home. Furthermore, Home Energy Management Systems (HEMS) realize zero energy homes (ZEH specifications) by proficiently managing energy consumption throughout the home.

Ene-Farm



Solar power generation system

Water heaters that also generate electricity



Heat and water are generated during the generation of electricity. That generated heat is not wasted and is collected to be used for making hot water and heating floors, greatly improving the efficiency of primary energy usage.



Combining solar power generation system and Ene-Farm further reduces utility costs and CO₂ emissions compared to using just either one. It can be more economical by using electricity generated by Ene-Farm during the day when use of electricity is low and selling excess electricity generated by solar power generation system.

Trends in Installation Rates of Environmentally-Friendly Equipment (based on number of houses)

	FY2014	FY2015	FY2016	FY2017	FY2018
Solar power generation systems	43%	35%	48%	46%	51%
Ene-Farm units	51%	43%	34%	34%	35%
Eco One* ¹	-	-	16%	18%	16%
Environmentally conscious equipment installation rate* ²	66%	58%	68%	69%	72%

*1 Hybrid electric and gas hot water and central heating systems

*2 Installation rate of solar power generation system or Ene-Farms until fiscal 2015. Fiscal 2016 includes Eco One on the left

Expanding Choices with the Launch of the Forest BF Design, a Home to Enjoy the Four Seasons

In September 2018, Sumitomo Forestry launched a renewed The Forest BF nationwide (excluding Okinawa), a detached house design that enables large, open spaces and built to ZEH specifications. The Forest BF represents a further structural enhancement of Sumitomo Forestry's original Big-Frame (BF) construction method for large, open spaces and wide openings among the features allowing for greater freedom in the use of space. The latest design renewal offers distinctive features of design coordinating diverse aspect of external appearance and interior, as well as providing abundant lifestyle that can feel the nature and the taste of Japan. While attending in particular detail to the overall design as well as interior and exterior materials, we developed these homes especially for the younger generation homeowners in their 30s, and those with design sensibilities, making this a product that can appeal to a wider range of customers than previously.

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

- ▶ [Expanding Choices with the Launch of the Forest BF Design, a Home to Enjoy the Four Seasons \(in Japanese\)](#)
- ▶ [The Forest BF page \(in Japanese\)](#)

Renovating to Improve Function and Asset Value

Sumitomo Forestry Home Tech 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 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.

We will continue to focus on seismic retrofitting proposals and actively strive to bring about excellent long-term housing in existing properties as well as long-term excellent extension and alteration standards by improving the performance in thermal efficiency, energy-savings and seismic retrofitting.

► Seismic Resistant Housing



Installation of a Thermal Insulator

Given Japan's establishment in recent years as a major tourism destination country, we began focusing efforts on renovation of hotels and inns. In fiscal 2017, Sumitomo Forestry joined the All Japan Ryokan Hotel Association^{*1} and Sumitomo Forestry Home Tech joined the Japan Ryokan & Hotel Association^{*2}. Sumitomo Forestry Group enjoys strong name recognition, and is building a track record in renovations.



Before Renovation of Japanese Inn

After Renovation

In 2017, Sumitomo Forestry and Kumagai Gumi Co. entered into a business and capital partnership and collaboration between Sumitomo Forestry Home Tech Co. and K&E K.K., companies belonging to the respective corporate groups is in progress. Sumitomo Forestry Home Tech handles interior renovations optimizing wood, while K&E is in charge of building exterior and other renovations that fully leverage its comprehensive abilities as a general contractor. The partners participate jointly in events as they move forward. By renovating the whole building, we are able to heighten its value as an asset.

*1 The association promotes Japanese inns and hotels throughout Japan to be more sanitary facilities, conduct better maintenance and stable management among other aspects of accommodation businesses.

*2 The organization aims to help provide comfortable accommodations for travelers from within Japan and overseas, improve the level of hospitality service and otherwise work to realize Japan's status as a tourism destination country, develop local economies, and promote the national health.

Moving Higurashi Bettei, Shisakajima, Reopened as a Commemorative Hall

Higurashi Bettei was designed by Magoichi Noguchi, a renowned architect of the Meiji period. Built as a guest house and other purposes for the Sumitomo family in 1906, it is located on the island of Shisakajima in the Seto Inland Sea, about 20km off the shore of Niihama (where the copper mine was located).

As one of 20 Sumitomo Group companies involved in the project to move the structure to a hilltop location in the city of Niihama, Sumitomo Forestry Home Tech was engaged in the reconstruction of the structure, which opened to the public in November 2018 as the Higurashi Bettei Museum and conveys the history of Sumitomo.

The history behind the construction of Higurashi Bettei is that it was built as an adjacent structure when Sumitomo's copper smelter was moved to Shisakajima in order to overcome the smoke pollution in Niihama caused by the Besshi Copper Mine operation. More than 110 years after its construction, the building was deteriorating despite its many invaluable design features inside and out. In the relocation construction work, we used timber produced in Ehime Prefecture to build the structure with improved seismic resistance. Design features such as fireplaces, ceilings and floors were carefully dismantled from the original structure, and reconstructed upon relocation.



Exterior view



Interior



Cleaning drainage water stains

Research and Development of Life Cycle Carbon Minus (LCCM) Housing

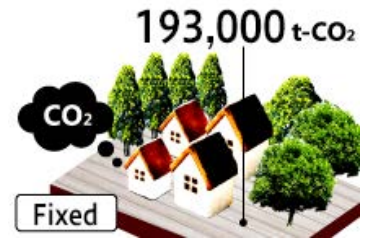
Sumitomo Forestry is engaged in the development of Life Cycle Carbon Minus housing to achieve negative CO₂ emissions across the entire life cycle of a home—from material procurement, occupation and renovation through to demolition and disposal—by using environmental sound equipment such as solar power generation systems.

In addition to effective use of electricity in housing that uses technology such as energy storage systems and sharing energy among multiple households, we conducted inspections through repeated simulations in our research into efficient use of energy which began in fiscal 2016. Sumitomo Forestry also began looking into the effectiveness of Vehicle-to-Home (V2H) and Vehicle-to-Grid (V2G) with energy provided between households and the introduction of electric vehicles, which are expected to become standard in the future. In the future, we plan further research and development not only of simple energy savings but also of the effects that wooden spaces have on human health and comfort, as well as the impact that the living environment has on the sensibilities of people.

Carbon Stock in the Housing and Construction Business

Trees retain CO₂ as carbon even after they are turned into products. Constructing wooden houses can therefore be likened to building forests in the city. The total domestic carbon stocks* in timber that was used in construction of the houses in the MOCCA (timber solutions) business in fiscal 2018 reached 193,000 t-CO₂. The Sumitomo Forestry Group contributes to measure to counter global warming by increasing carbon stocks for forests and cities.

* CO₂ fixation is calculated by categorizing the actual amounts of timber used per tree species for new detached houses, rental housing, and MOCCA business, and calculating carbon content from the specific gravity of each tree species.



Carbon stock of the timber used in the construction of houses and MOCCA (timber solutions) business in Japan in fiscal 2018

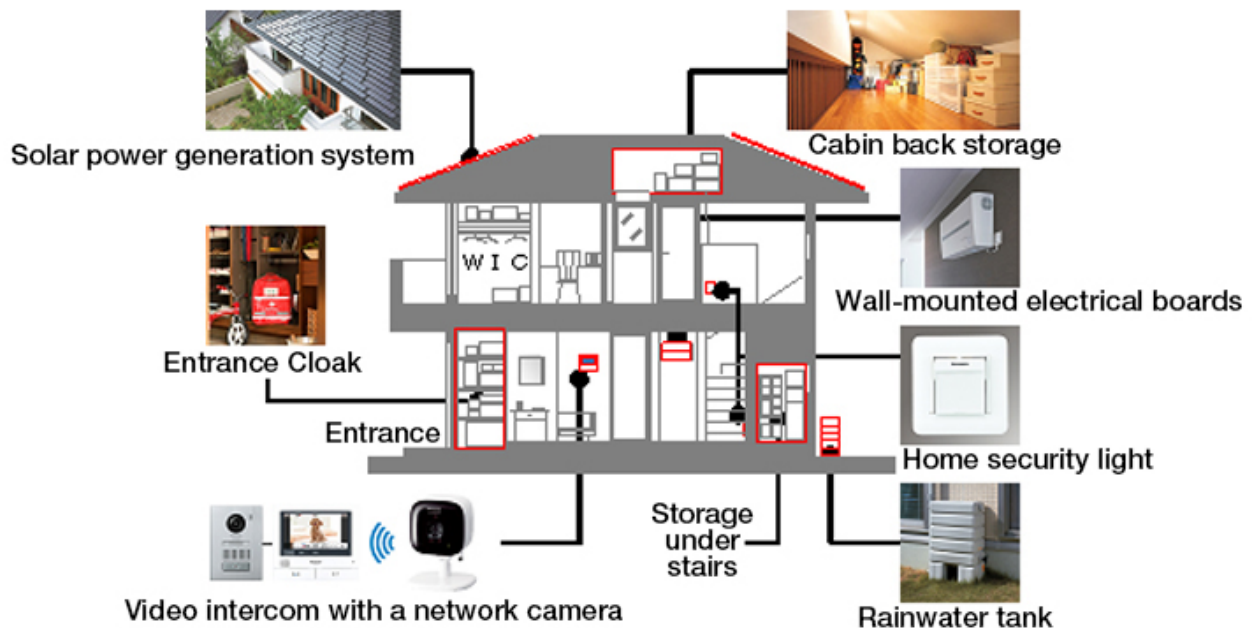
► [Sustainable Forest Management \(Carbon Stocks for Forests and the Housing Business\)](#)

Housing Sales Adapted to Climate Change

Disaster Recovery Guidelines were put in place in the Housing and Construction Division and measures and action guidelines for operations were defined to quickly and accurately respond to damages from natural disasters to our customers' houses as they become more prevalent due to climate change.

On November 2016, BF-Si Resilience Plus was released to pursue security, safety and comfort when disasters such as earthquakes or flooding strike. The BF Method that boasts structural strength only offered by Sumitomo Forestry ensures the safety of buildings and provides functionality for an uninterrupted lifestyle until recovery even when lifelines are cut thanks to equipment such as enhanced storage space, solar power generation systems, wall-mounted electrical boards and water tanks. A video intercom with a network camera allows the interior to be clearly seen with a wireless camera as well as gives owners the ability to check the state of their house in a disaster even while out-and-about. The large storage space helps keep rooms clean in daily life while the original built-in furniture effectively prevents the furniture from toppling in an earthquake and can achieve a space in harmony with the interior.

BF-Si Resilience Plus for Durability in Disasters and Greater Comfort in Each Day



► [Launch of BF-Si Resilience Plus Lifestyles with High Disaster Preparedness; Peace of Mind and Safety in Disasters Plus Everyday Comfort \(in Japanese\)](#)

Sales of Home in-line with Various Needs and Lifestyles

The Housing and Construction Division proposes housing to a broad range of customers from first time home buyers to married couples that plan to live with their children in multi-generational homes or who plan to live as a couple after their children are grown.

DUE CLASSO was released as custom-built housing for double-income families in August 2017. In response to needs such as efficient traffic lines and room plans easy for families to interact as well as storage ideas and the latest equipment, DUE CLASSO proposes Saku-kaji (prompt housework), Tomo-kaji (housework together) and Shin-kaji (new housework). These innovations are plentiful and help families spend a wonderful time together in this important space created through family cooperation. DUE CLASSO helps create a living space to achieve a leisurely lifestyle in both personal and professional life.

In addition, Forest Selection BF was launched to propose 1,000 carefully selected plans from approximately 300,000 proven custom-built homes in November 2017. This housing is realizing living suited to the needs and lifestyles of customers from a rich selection of choices.

Both of these products promote ZEH specifications to provide living spaces that value the lifestyle environment as well as the global environment.

- ▶ [Launch of DUE CLASSO Houses for Dual-Income Families: Rich lifestyles through ingenious houses that expedite housework and work style reforms](#)
- ▶ [New Launch of Forest Selection BF Select Style Product: Choose from 1,000 Plans for and Custom-Built Lifestyle \(in Japanese\)](#)

Initiatives for Overseas Housing

Sumitomo Forestry is furthering the expansion of the housing business overseas centered upon detached house sales in United States and Australia. We sell environmentally-friendly housing in addition to fully grasping the culture of each region and the way people live to provide housing tailored to the demand.

Sales of Environmentally-Friendly Housing in Australia

The Sumitomo Forestry Group sells housing with high energy-saving performance overseas.

In 2001, Henley Properties, a Group company, drove forward efforts to enhance energy-saving performance in the Australian housing industry, such as pioneering its own standard specifications ahead of competitors, by recommending a five-star energy rating^{*1} for the standard energy-saving performance in Victoria at the time. Efforts toward the environment accelerated further after the involvement of the Sumitomo Forestry Group in 2009. We conducted a variety of initiatives to reduce the environmental impact, including the realization of a commercial zero emission house^{*2} for the general consumer for the first time as a major builder in the country.

In Victoria, we use a blended cement replacing approximately 20% of cement, the primary ingredient in concrete used in foundations of homes, with fly ash (ash produced when burning charcoal) and blast furnace slag (byproduct separated from iron ore in the iron manufacturing process in blast furnaces). The blended cement reduces CO₂ emissions by about three tons per home in the construction stage.

Japanese housing generally uses multi-layered glass, but this is not common practice in Australia due to the cost. More than 80% of the new housing uses single-pane glass. However, in 2018, we were the first in Victoria to make multi-layered glass a standard specification to increase the insulation efficiency of homes^{*3}.

We are also actively working to improve airtightness. The homes built by our Group company have shown airtightness three times higher than the average home in Australia shown by airtightness inspections conducted in 2017^{*4}.

Henley Properties is taking advantage of the know-how cultivated in efforts to develop energy-saving housing over many years in a wide range of endeavors. As interest in realizing a sustainable society grows worldwide, Henley Properties is striving to develop housing with a high-level of energy performance by continually conducting improvements of materials and equipment as well as surveys of performance.

*1 An evaluation metric of the energy burden for heating and cooling the inside of a building in Australia. Insulation, windows, the type, size and orientation of the building, and the climatic zone are all items included in this metric. The highest rating of 10 stars indicates that no heating or cooling whatsoever is needed to maintain a comfortable indoor living environment. Five stars indicate that the building has high insulation performance, but that a minimum of energy is required for heating and cooling. The five star standard specifications pioneered by Henley Properties brought competitors to do the same. As a result the government of Victoria enacted policy to make five stars the standard. Thereafter, Henley Properties leading the environmental performance standards in the Australian housing industry through efforts that including raising the internal standard to six stars, which then led Victoria to also raise their standards to six stars.

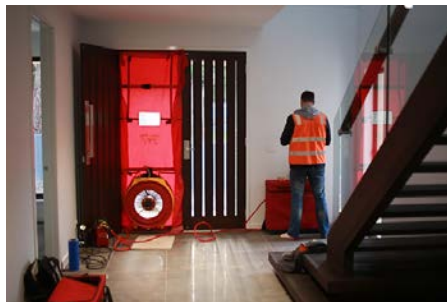
*2 Environmentally-friendly housing expected to have an energy-saving effect of more than 70% compared to conventional housing.

*3 Multi-layered glass is effective in improving insulation efficiency of homes by limiting the thermal reflux to approximately 35% less compared to veneer glass.

*4 The average value for Henley Properties is 5 ACH where the average housing in Australia is 15.4 ACH (ACH is an index that indicates the air leakage per hour at a 50 Pa indoor-outdoor air pressure difference. The lower the value the higher the airtightness).



Henley Properties Home



Inspection of Airtightness Performance

Received Five Star Housing Award for Providing Valuable Housing in Hong Kong

Soeng Jyu / 2GETHER, a multi-unit housing complex project jointly developed (25% owned by Sumitomo Forestry) from October 2013 to December 2017 by Sumitomo Forestry and HKR International Ltd.*, received a Five Star Housing award in the Housing category at an evaluation conference of the Hong Kong Professional Building Inspection Academy 2018.

Developed and sold in Hong Kong's Tuen Mun area, Soeng Jyu / 2GETHER (completed in December 2017) is a 25-story condominium complex (comprising 222 housing units, one day care center and a commercial facility [approximately 1,900m²]). In Hong Kong, which has a low rate of architectural greening, the complex received high praise for incorporating green walls as part of a highly environmentally conscious design.

Also, in Hong Kong, where homes are typically small, the building features a sophisticated level of completeness and the functionality of a fully appointed clubhouse exclusively for residents. These are among the features that earned praise for the project as one effort to help solve the societal problem of the supply of valuable housing.

Other features that helped earn the award include clearly delineated traffic flows among residences, the daycare center, commercial facility, clubhouse and parking lot, for a high level of security.

* The Hong Kong Professional Building Inspection Academy (BIA) has been holding evaluation conferences since its founding in 2012 in order to provide comprehensive evaluations of structures throughout Hong Kong with attention to the perspectives of those who use newly constructed buildings, the degree of completeness of buildings, their levels of sophistication, and the environment. Honoring the Most Outstanding Building Development and its Developers



Exterior view



Clubhouse



Green wall surfaces

Collaborating to Build Affordable Housing Model Homes in Myanmar

SumitomoForestry worked with the Japan-Myanmar Association for Industry of Housing and Urban Development (JMHU)* and the Myanmar Construction Entrepreneurs Association (MCEA) to provide technical assistance and donations necessary to construct model homes of affordable houses (homes that are affordable for even low-income earners).

In Myanmar, where housing shortage has become a social issue, this project was aimed at building model homes for affordable housing while disseminating Japanese housing construction technical capabilities, quality and building materials. The model homes were built in the Mingaladon Township in the Yangon suburbs. Forty-two Japanese companies that are JMHU members donated money, housing materials, technological support or other forms of assistance. As a chairman member of JMHU, we did the basic design of the model structure, supervised construction and provided other support in an effort to help raise living standards and realize a more prosperous society in Myanmar.

* JMHU was dissolved in March 2019 upon the formation of the new Japan International Association for the Industry of Building and Housing (JIBH). In addition to taking over the projects of the former JMHU, the newly organized JIBH also hosts seminars and mutual exchange visits to exchange information with various related countries. At the same time, it joins together with government, administrative and private sectors in countries overseas to provide unified support for the development of the construction and housing industry.

Affordable houses built in
Myanmar

Occupational Health and Safety on Construction Sites

Basic Policy

Sumitomo Forestry prioritizes occupational health and safety above all else on housing construction sites. Therefore, we raise awareness about information and important items about safety in employees of the Sumitomo Forestry Group of course but also every worker involved with Sumitomo Forestry Home houses, such as on-site construction contractors.

Occupational Health and Safety on Construction Sites

At the beginning of every fiscal year, the Divisional Manager of the Housing and Construction Division formulates an Occupation Health and Safety Policy to provide notification based on circumstances such as the accidents that occurred in the previous period, the state of occupational health and safety promotion as well as compliance with relevant laws.

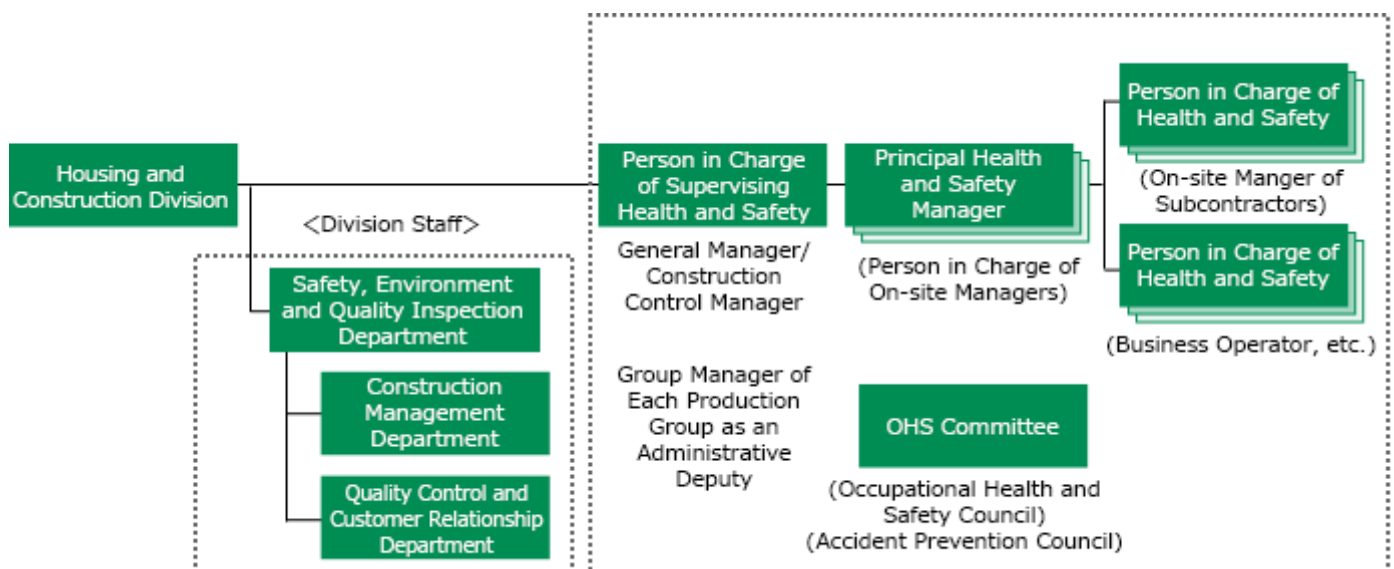
In addition, permeating a safety culture has been designated as a basic policy, and we are working to achieve this in primarily three ways; compliance with the law, promotion of occupation health and safety education and eradication of occupational injuries.

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





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

	FY2014	FY2015	FY2016	FY2017	FY2018
Number of occupational injuries*1 	11	6	12	9	7
Lost-time injury frequency rate*2 	3.63	2.23	3.35	2.31	2.79
Work-related illness frequency rate	0	0	0	0	0

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

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

- ▶  [About symbol for Independent assurance](#)
- ▶ [Occupational Injuries](#)

Training Designed to Improve Awareness for Occupational Health and Safety

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

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

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



Training for circular saw work

Together with Construction Contractors

Sumitomo Forestry publishes monthly safety and environment information that includes information and topics about safety and the environment to help prevent accidents and avoid risks by repeatedly raising awareness at branches and construction contractors.

Safety Training for Construction Contractors

Sumitomo Forestry conducts safety training throughout Japan by visiting building and demolition contractors throughout Japan. Directly instructing the people working on-site advances our initiatives toward on-site safety and the environment by building understand about instructions from our company such as permeating a safety culture.

Education for Construction Contractors

Sumitomo Forestry holds monthly health and occupation councils at branches for the purpose of preventing construction accidents by promoting health and safety. On-site health and safety patrols help bring awareness about safety to construction contractors and provides advice to enhance knowledge, such as confirming the state of sites and improving guidance.

The District Safety Improvement Committee launched in fiscal 2018 is advancing system development to raising awareness and verify policies and measures in divisions related to safety by strengthening links with offices, divisions, and branches.

Environmental Consideration on Construction Sites

Basic Policy

Sumitomo Forestry is working to advance toward building a sustainable circular society. Particularly at construction and building sites, where the environmental impact of waste is high, we endeavor to reduce environmental impact through appropriately restricting the production of industrial waste, reusing and processing materials for recycling.

Initiatives to Reduce Waste

Initiative for Reduction of Industrial Waste Generated at New Housing Construction Sites

FY2018 Initiatives to Reduce Waste

In July 2014, Sumitomo Forestry set up the Waste Reduction Working Group comprising representatives from the product development, material procurement, production management and environment divisions. The working group has been planning and implementing a wide range of measures to reduce waste on new housing construction sites.

We discovered two-thirds of all our waste is made up of wood waste, gypsum board and cardboard from detailed data about waste aggregated from the industrial waste management system used under this inter-region certification. We are working to reduce waste by concentration on these three primary forms of waste.

In fiscal 2018, we changed the packing materials for interior materials and the standard size of the sub-floor gypsum board and also revised our curing methods for flooring and other materials. In particular, revised curing methods can realize approximately 150 kg reduction of waste (cardboard) per home by replacing conventional disposable curing materials with reusable curing materials.

Furthermore, we strive to raise awareness on construction sites and conduct educational activities by providing feedback of data for waste emissions of each property.

Reduction Rate of Industrial Waste Generated at New Housing Construction Sites

The Sumitomo Forestry Group also upholds the fiscal 2020 target in its former Mid-Term CSR Management Plan to reduce the industrial waste generated at new housing construction sites by 30% from the fiscal 2013 level. In fiscal 2018, the initiative described above achieved major results, reducing the amount of industrial waste per new houses by 31.9% from the fiscal 2013 level and we achieved our fiscal 2020 target early.

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

Reduction Rate of Industrial Waste Generated at New Housing Construction Sites

	Reduction Rate
FY2013 (Baseline)	-
FY2015	-2.5%
FY2016	-8.8%
FY2017	-15.5%
FY2018	-31.9%
FY2020 (Target year)	-30%

Initiative for Recycling of Industrial Waste Generated at New Housing Construction Sites

Sumitomo Forestry meticulously sorts waste produced on new housing construction sites. We will raise awareness through mediums such as posters including specific waste information to make sorting of the 11 categories of waste easier.

Acquisition of the Inter-Region Recovery and Recycling Certification by the Ministry of Environment

Sumitomo Forestry acquired the inter-region recovery and recycling certification from the Ministry of the Environment in December 2010. This certification enabled us to build our own industrial waste recycling system by allowing transport of waste by proprietors other than waste disposal operators.

Our industrial waste management system for new housing construction sites helps contribute to the rationalization of waste disposal by using returning transportation for collecting waste while also securing traceability by applying bar codes to waste and collecting detailed data about the waste that is produced.

Operations at the Metropolitan Area Recycling Center

Sumitomo Forestry used the acquisition of the inter-region recovery and recycling certification to establish the Metropolitan Area Recycling Center in Kazo, Saitama Prefecture for advanced sorting and data collection.

The Metropolitan Area Recycling Center started full operation in fiscal 2012 and has been collecting and processing waste produced by new housing construction sites of the metropolitan and six prefectures of Kanto (Metropolitan Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Tochigi, and Gunma prefectures).

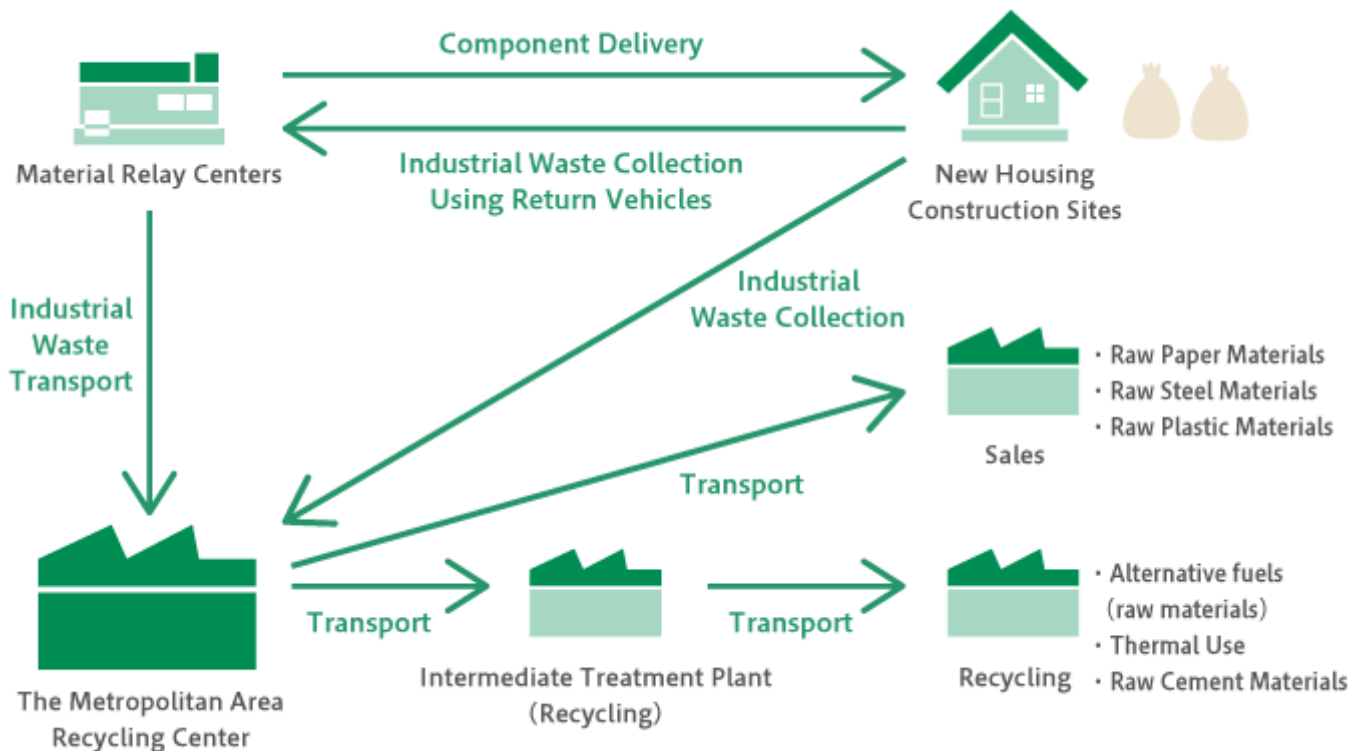
Setting up the Metropolitan Area Recycling Center brings data feedback to product development, material procurement and production management divisions by facilitating the collection of specifications, construction branches as well as the detailed status and trends of waste generation in each region. This data is being leveraged in our initiatives to reduce waste.



Metropolitan Area Recycling Center

This initiative works to expand operation under the certification for the inter-region recovery and recycling, build processing routes led by Sumitomo Forestry, and further promote recycling even in regions outside the metropolitan area.

Flow of Materials Distribution and Collection of Industrial Waste Using Material Relay Centers



Waste Management for Demolition Work

Sumitomo Forestry is strengthening management by building a system able to confirm the type, quality and packaging of waste to transport from demolition work sites using mobile phones and smartphones.

The delivery confirmation invoice sent thanks to input into an electronic manifest checks whether the issuance is correct via our system.

Moreover, this system has been fully adopted by all demolition partners as of fiscal 2013.

Together with Construction Contractors

Sumitomo Forestry publishes monthly safety and environment information that includes information and topics about safety and the environment to help prevent accidents and avoid risks by repeatedly raising awareness at branches and construction contractors.

Conducting Environmental Training for Business Partners

In fiscal 2017, we began conducting joint trainings for personnel in charge of industrial waste management and administration personnel in charge of manifest input at demolition contractors at branches. This joint learning environment becomes a venue for communication with our business partners and realizes close contact between branch administration and demolition contractors to ensure smooth electronic manifest input vital to industrial waste management.

Communication with Our Customers

Basic Policy

Sumitomo Forestry provides proposals for ideal home building to customers who are thinking about buying a home through continuous communication with useful and effective information offering.

We introduce information helpful in housing development such as the design examples as well as structural and technological information as part of the stream of home building. Next, we provide guidance at showrooms to help customers see Sumitomo Forestry home building and exhibitions to provide a first-hand experience of the warmth in wood. We also provide information in various other forms such as tours in the homes our customers are actually living in.

In addition, Japanese housing policy is encouraging the standardization of excellent long-term housing to transition to emphasis on the importance of creating high-quality stock which is easy to maintain so that each house can be valued and lived in for a long time. Sumitomo Forestry conducts housing maintenance and replaces equipment in addition to providing appropriate proposals such as exterior renovations to sustain comfortable living in the long term for every owner. We are able to create opportunities such as consultation and inquiries through ongoing communication at owners events held in each location throughout Japan in addition to sustaining ongoing asset value through long-term support for the comfortable living of our customers.

Strengthening Sales Capabilities

Sumitomo Forestry offers a unique application system that realizes ideal home building.

Once a customer applies, we meet to discuss everything from the exterior and room plan to the interior and housing exteriors with a home building team dedicated to the customer made up of a person in charge of sales, design, interior design, production and housing exteriors. At the point of application, each person with expert knowledge inquires about the requirements for the home such as the budget, family composition, lifestyle and any other areas of emphasis to help achieve the ideal home in all respects.

In addition, we ensure ideal home building by escorting our customers to the actual construction site and giving them an image of the real home upon completion.

Model Homes/Showrooms

Sumitomo Forestry has roughly 300 model homes and about 80 showrooms located throughout Japan. Technology housing display centers in Tokyo, Osaka and Nagoya specialize in appealing to the technological and performance features of Sumitomo Forestry Home houses.

Sumitomo Forestry provides first-hand experience of the attractive living it provides through these model houses.

Sumitomo Forestry model homes offer variety of homes on display such as western and Japanese styles to three-story homes in addition to smart homes.

1. High-quality Luxurious Wooden Spaces

Each of these model houses let customers interact with luxurious wooden spaces that fully take advantage of design capabilities unique to Sumitomo Forestry, which has cultivated expertise in both the quality and charm of wood. In particular, visitors can get a taste of the high-quality atmosphere only provided in these real spaces from the flooring made from the world's precious wood and wooden fittings that impeccably fluidity with the interior design.

2. Design Proposals Founded in Comfortable Living

The strength of a structure is obviously important in a home, but a room plan, flow planning and storage plan as well as other aspects to provide comfortable lifestyles is also vital to every family living in the home. Visitors to these exhibitions can see the innovative room plans and ease of cleaning provided by Sumitomo Forestry with their own

eyes. Families with children can also get a picture about raising their children there, including proposals for floor plan and children room as well as a study corner perfect to raise children.

3. Environmentally-Friendly Design and the Latest Equipment

Sumitomo Forestry is revolutionizing design with the Ryouonbou design concept. This design concept aims to incorporate the soothing qualities of nature and facilitate a lifestyle which does not rely too much on air-conditioning and heating systems. Everyone can see the actual innovations at our model houses, such as a design to create airflow from the south to north of the home with wonderful light via deep eaves. Furthermore, the smart house exhibition builds in an Ene-Farm solar power generation system and fuel cell units for homes as well as central air-conditioning systems in addition to the latest environmental devices.

The Sumitomo Forestry model homes offer a unique line-up only possible from a housing builder. Every visitor can form a specific vision of their home while comparing a broad line-up of curtains, wallpapers, interior materials, furniture as well as exterior materials such as exterior walls and entrance doors in addition to plumbing equipment such as system kitchens and bathrooms.

1. Large Exhibition of a Variety of the Latest Equipment

We exhibit system kitchens from multiple product manufacturers. Design features from the sink tops to the color and texture of doors from different manufactures can be examined while comparing the storage space and convenience. Our model homes also provide a sanitary corner for bathrooms sinks and other equipment so that visitors can imagine the usability of these kitchens, restrooms and any other rooms requiring plumbing.

2. Total Coordination of Interiors and Exteriors

A wealth of floor materials, doors and windows, furniture and more are on display together with curtains and wallpaper with a wide variety of colors and patterns. These displays can provide a base to specifically consider an indoor feel suitable to the interior decor of each customer's image. We also have brought together a broad line-up of exterior materials for entrance doors and external walls to help visitors solidify their exterior images, which can offer coordination for the entire home. Everyone can get a distinct individual feel with wood that varies in color and look for each tree species. The showrooms make available floor materials in addition to a broad range of other interior and exterior materials. Each person can experience the look and actual feel of these materials from the touch to texture which cannot be felt in catalogs or on websites.

3. Exhibition of the Housing Structure and Latest Environmental Devices

Sumitomo Forestry puts on display the housing structure which brings the most concern. This lets potential buyers experience the strength for themselves. In addition, we have the latest environmental devices on display, such as solar power generation.



Hit Akeno Model Homes (Oita) Opens 2018

Technology Exhibition Houses

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

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

Currently, the exhibition houses are in Tokyo, Osaka, and Nagoya, and total visitors exceeded 2,975 groups in fiscal 2018.



Outside of Technology
Exhibition House



Inside of Technology Exhibition
House

Respect for and Application of Customer Feedback

Operation of Sumitomo Forestry Customer Service Department

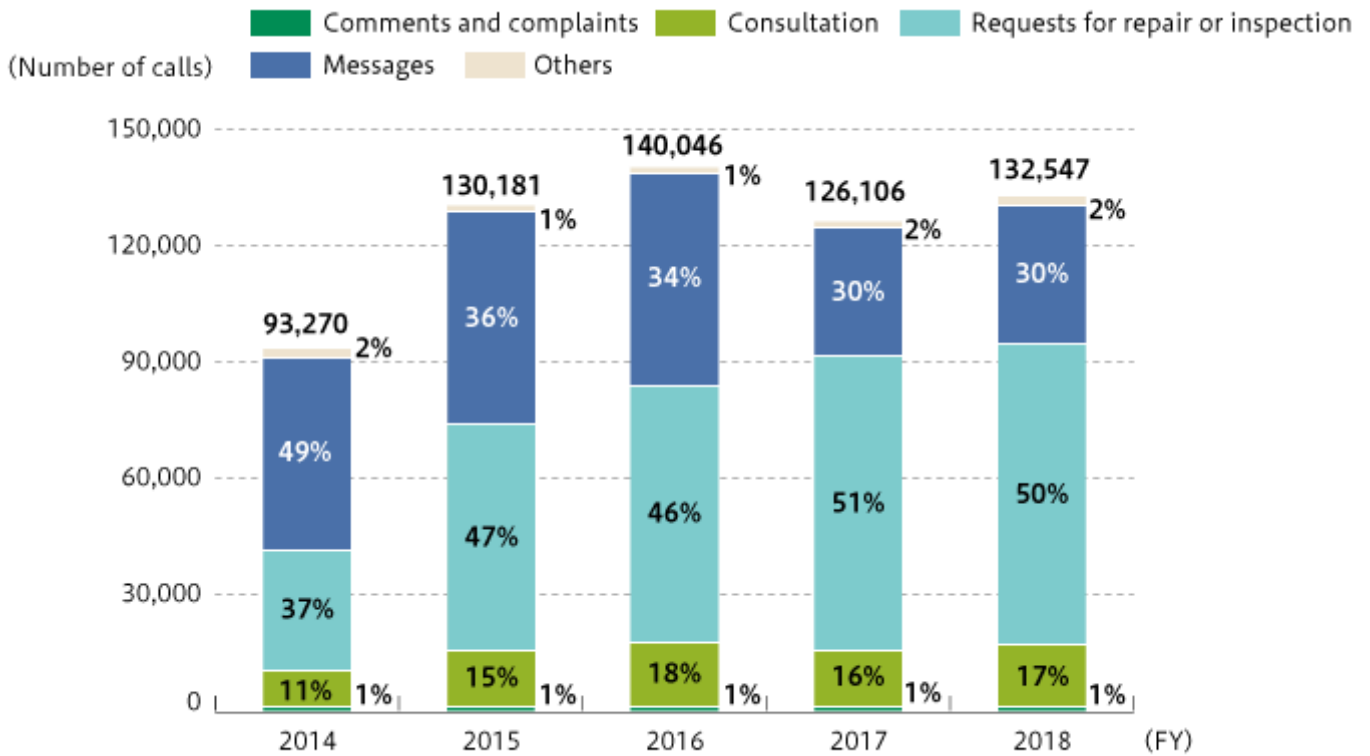
Sumitomo Forestry established the Customer Service Department in April 2000 as a Group-wide customer service help desk. Communicating the opinions and complaints of customers, including neighboring residents, to improve each department as well as management is an important mission for the Customer Service Department in enhancing customer first actions even further. The Customer Service Department holds periodic meetings and working groups with each business division and Group company as well as shares information to provide high-quality products and services which will bring sensation to our customers. The Department discusses the issues and examples of solutions to bring together as specific measures. The measures then are executed throughout the Group, and the Customer Service Department regularly evaluates progress and efficacy of the measures, and undertakes reviews and corrective actions, in line with the PDCA cycle.

Additionally, the Company regularly 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. Direct feedback and opinions of customers sent to the Customer Service Department, details of the consultations and their analysis results, and examples of superior response are consistently communicated to prevent recurrence of factors causing problems. The support for internal training and one-on-one meetings with Group companies are also provided.

Operation of Sumitomo Forestry Call Centers

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

Presently the centers are located in Tokyo and 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.



* The Call Center has been receiving an increased number of calls as general housing support since July 2015. Counting of the total number of calls was changed in fiscal 2017 (to include calls from customers while excluding relevant business partners)

Customer Surveys

Sumitomo Forestry conducts resident surveys three times from the second to tenth year from when residents move in to collect opinions and feedback of owners in order to deliver greater satisfaction and services to customers.

The survey questions primarily elicit responses about specifications, design, building materials, systems and fixtures, and the support service provided by the staff. The Company then statistically processes and analyzes these results, and applies any findings to product development and employee training.

In fiscal 2018, the satisfaction ratio for overall satisfaction was 96.1% in the survey of new owners, and 95.0% in the survey of second-year owners.

Furthermore, Sumitomo Forestry has adopted the Net Promoter Score (NPS)* advocated by the housing industry for the purpose of enhancing customer satisfaction. In October 2017, we revised the five stage evaluation to an 11 stage evaluation for the questions above.

We will continue to provide high-quality products and services which bring sensation to our customers by further leveraging customer feedback through the NPS survey analysis.

* NPS is a new index used to measure customer loyalty (the amount of trust and affinity for the company and brand).

Communicating Information to Customers

Website Operation and Magazine Publication

Sumitomo Forestry operates its clubforest special website for owners of Sumitomo Forestry Home houses. As of March 2019, about 116,000 owners had registered as members.

Through a variety of content on the site, we provide information that is useful in helping members get more enjoyment and comfort out of their lives as homeowners. The site offers various contents such as a page where members can see photos of the construction site as its progresses, exclusive sales pages where only owners can purchase Sumitomo Forestry Home products at special discount prices and a 24-hour inquiry that accepts requests for building repairs.

Lovely Family is a home and lifestyle magazine sent out twice a year. It also features details about Group company activities such as renovation and utilization of lands. About 290,000 prints were issued for each issue in fiscal 2018.



The cover of "Lovely Family", fall and winter 2018 issue



Progress check page in clubforest

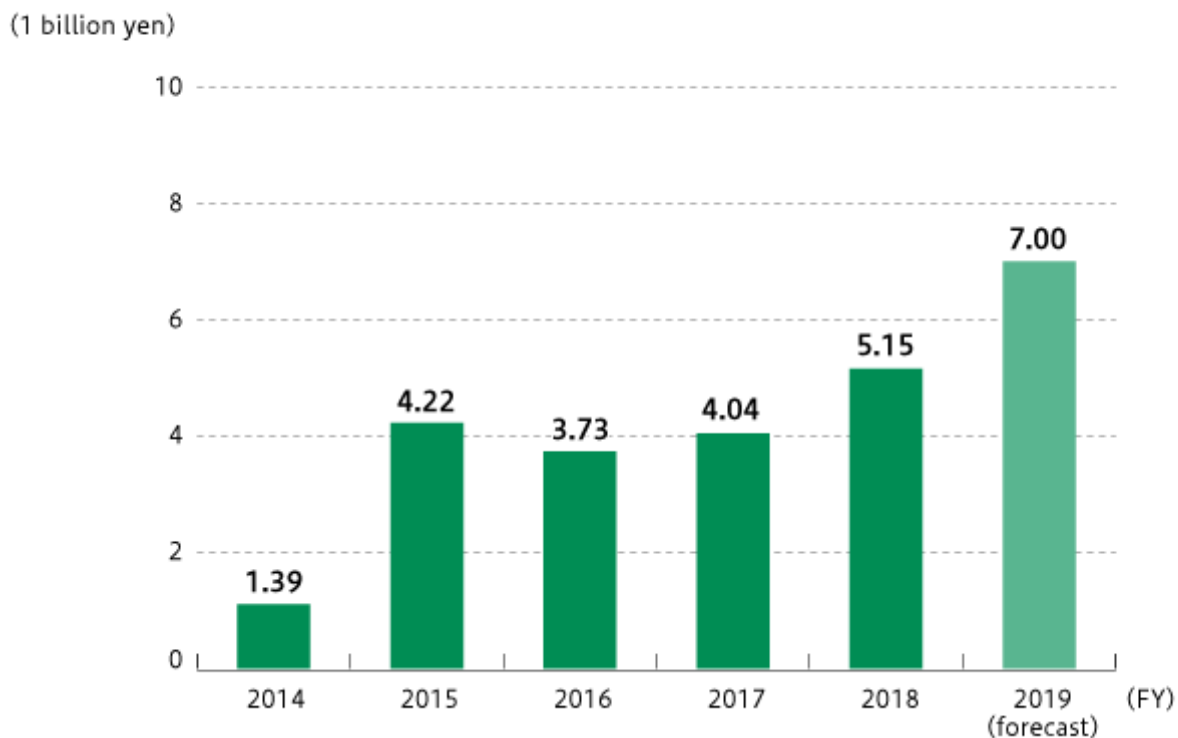
MOCCA (Timber Solutions) Business

Basic Policy

Sumitomo Forestry is advancing the MOCCA (Timber Solutions) Business specialized in proposing wooden non-residential medium to large-scale construction to brand MOCCA (Timber Solutions) as a business.

Sumitomo Forestry has been engaging in forest management for more than 300 years. In addition, we create living spaces which take advantage of wood through our expertise in the various properties of wood worldwide. By dramatically furthering wide-ranging experience, knowledge and technology, we propose wider use of wood and timber in non-residential buildings, such as medium to large-scale construction.

Funding Trends for the Initiatives (FY2014-2018 Performance/FY2019 Forecast)



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 (Timber Solutions) Department provides high-quality buildings with consideration for users' health, safety, and comfort via wooden architecture, and obtained ISO9001 in September 2015 in response to customer expectations. Complying with this international standard, policies were established as shown in the following. Each plant sets tangible quality targets and a business expansion plan adhering to the policy to attain maintained safety and enhanced product quality.

Quality Policy

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

1. Continually better quality and improve customer satisfaction

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

2. Complying with the law

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

3. Establishing policies

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

4. Conducting Education and Training

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

5. Publishing this policy

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

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

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

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

► Quality Management

MOCCA (Timber Solutions) Business Initiatives

Senri Rehabilitation Hospital Annex Building, Wooden Space that Heals Body and Mind

Sumitomo Forestry completed the annex building for Senri Rehabilitation Hospital in Osaka in September 2017.

Most of the conventional hospitals had been built inorganically, with a priority on efficiency from the perspective of the hospital operation. The concept that gave rise to Senri Rehabilitation Hospital is consideration for the patients on what kind of hospital would provide the ideal environment. The annex building was completed in October 2007 as Japan's first hospital to have a concept of rehabilitation resort.

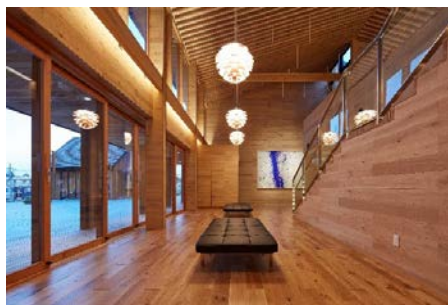
The new annex building built for the 10th anniversary of the hospital maximizes the utilization of wood, both interior and exterior, to enable patients to relax as much as possible and feel the natural power as they undertake their recovery. It is a rehabilitation hospital that represents a new endeavor, with painting and music ward and a gardening ward, all of which use arawashi exposed timber* style.

In order to support those patients who experienced deep trauma through sudden illness and to regain their positive attitude and physical abilities, the hospital offers rehabilitation facilities that are close to real daily life environment. The ultimate goal is to return and live in their own home. To achieve this concept, it chose a design with uneven levels and stairs instead of making the facility completely accessible. In addition, painting and music ward and gardening ward are available separately for patients to find their new joy in life and possibility. Accessing to these wards is part of rehabilitation.

As with the main building, Creative Director Kashiwa Sato has undertaken design direction for the annex building. Paintings by Sato have been incorporated into the interior design to convey a sense of energy.

Wood offer comfort through all five senses, from its aroma, texture, and sound echoes in the air. The qualities of wood contribute not only to physical treatment but also physiological treatment during the stay. This integration of wood and medical sites of this annex building is a great example of the new possibility of MOCCA (Timber Solutions) Business.

In addition to this kind of medical facilities, Sumitomo Forestry aims to create attractive environments that motivate residents and provide impetus for the business success of residents and users by using timber in the structure and interior and exterior finishing materials of educational, elderly care, commercial and other facilities.



Senri Rehabilitation Hospital Annex Building

* A finishing technique in wooden constructions which structural members such as columns and beams are exposed to view.

Using Wood in Buildings to Help Transform Work Styles- Kokubunji Head Office Building of Flavor Life Co. Ltd.

Flavor Life Co., Ltd., which has its head office in Kokubunji City, Tokyo, provides aroma products that incorporate blessing of nature into daily life. It is a company that creates lifestyles with fragrance and smiles through aromatherapy.

As a company that handles products made of natural materials, wish for a building that used natural materials it is a matter of course to wish. Above all else, the company wanted an environment in which employees could work comfortably. A wooden-hybrid building was realized in July 2017 with the passion of the proprietor.

Time spent in a workplace is no fleeting moment for the working people. It is surely fair to say that bringing comfort and coziness to a living space in which so much time is spent to be an important element of in promoting work style reform.

The effects of a peaceful workplace incorporating wood, in which employees say they can relax while working, and communicate more with coworkers, has begun to be reflected in employee satisfaction levels and productivity of work.

This wooden-hybrid building has a steel frame structure for the first three floors and a wooden-hybrid structure for fourth through seventh floors. Its most distinctive characteristic is its use of hybrid laminated engineered wood which the steel frame is completely covered in wood. Featuring a combination of the soft texture of wood and the strength of steel, it enables the wood to protect the steel from heat as a fire-resistant coating, contributing to disseminate incorporation of wood as a material for buildings.

The aim of Sumitomo Forestry is to create vistas lined with buildings that provide a sense of the warmth of wood in cities, where contact with wood is rare. We apply our knowledge and experience in using wood to propose new ways of doing so.

* This project was selected as a pilot program for sustainable buildings (wood type) of Ministry of Land, Infrastructure and Transport in fiscal 2015.



Head office building of Flavor Life with full use of quality of wood

Toward the Future -Aiming for the Timberized Eco Cities with W350 Plan-

Sumitomo Forestry announced its W350 Plan in February 2018. The W350 plan is a research and technological development roadmap aiming to build a 350-meter-tall wooden high-rise building in 2041, which will mark the 350th year since foundation of business in 1961, in preparing to create Timberized Eco Cities. The plan is intended to develop future technologies that contribute to people's lives, society and the global environment, including building construction methods, environmental technologies, wood for building materials and resources.

The plan is to move forward at a new research building of the Tsukuba Research Institute, where frame erection was completed in December 2018, and construction is slated for completion in October 2019.

Toward Realizing the W350 Plan

In February 2018, Sumitomo Forestry created and announced a research and technological development concept "W350 Plan" aiming to build a 350-meter-tall wooden high-rise building by 2041, which will mark the 350th year since foundation of business, in preparing to create Timberized Eco Cities.

Managed mainly by our research and development center, Tsukuba Research Institute, this research and technological development plan is a roadmap for the future technologies; to develop building construction methods, environmental technologies, wood for building materials and resources and will expand the possibility of wooden structures.

This plan of creating Timberized Eco Cities centered on wooden high-rise buildings will revitalize the forestry industry with increased demand of timber and mitigate climate change with increased fixation of CO₂; in essence, Sumitomo Forestry will contribute to invigorate the community and to realize coexistence with the global environment.

Building outline:

- Height - 350m, Number of floors above ground - 70 floors
- Building use: Stores, offices, hotels, residences
- Building area: 6,500m²
- Design collaboration: Nikken Sekkei Ltd.
- Architectural area: 455,000m² (6,500m² × 70 floors)
- Amount of timber used: 185,000m³
- Structure: Wood and steel hybrid structure (Internally, pure wooden structure)



New Research Building of the Tsukuba Research Institute, Which will Serve as the Research Base for the W350 Plan

It has been 28 years since Tsukuba Research Institute was established. The deterioration of the main research building and increase in staff have become issues needing to be addressed. Post-tensioning^{*1} technique, a new technology related to wooden structures used in this building will form the foundation for the W350 Plan. Energy saving technology and renewable energy will also be used with a view of achieving a zero energy building (ZEB).

The new research building is a three-story building with a floor area of 2,532.67m². The beams, pillars, and walls use arawashi^{*2} exposed timber that has either received Ministry of Land, Infrastructure, Transport and Tourism (MLIT) certification or has been designed using the semi-fireproofing technique. Full building evacuation safety verification [Route C (Minister's certification)]^{*3} makes it possible to eliminate restrictions on wooden interiors so that spaces with the qualities of wood can be presented. The building greatly reduces CO₂ emissions by installing solar panels on the roof and adopting absorption water chiller-heaters fired using wood pellets. Research and development of green technologies for non-residential wooden architectural structures will be conducted while office space will be used for verifications such as green layouts that seek to improve intellectual productivity. It will also be used to test greening on the roof, balconies, and external walls.

This facility has been accepted as a pilot program for sustainable buildings (wood type) in fiscal 2017 promoted by Ministry of Land, Infrastructure, Transport and Tourism. Plans include an office for housing 140 persons, and a gallery, etc., to provide information about timber.

With the new research building positioned as the cornerstone of the W350 Plan, we also began a construction plan for a six- to seven-story wooden building (20m to 30m tall) as the next actual step forward. This plan has been named "W30" and is currently under way.

*1 A construction method where high-strength steel poles and wire ropes running through load-bearing members is tensioned to increase the fixation of position between members.

*2 A finishing technique in wooden constructions which structural members such as columns and beams are exposed to view.

*3 A method for verifying safety performance where everyone within a building is able to evacuate safely to the ground level given a pre-determined fire scenario. If safety can be confirmed, some of the regulations of the Building Standards Act of the Japanese government are eased, enabling greater freedom of design, such as exposing wood structural members to view. Route C designation requires certification by the Minister of Land, Infrastructure, Transport and Tourism, but since evacuation safety performance is confirmed using sophisticated calculation methods not stipulated by the notice, it allows for the highest level of design freedom.

Ad for the W350 Plan Received the Environment Minister's Award for Environmental Excellence at the Nikkei Advertising Awards

The ad titled "Changing Cities into Forests. The W350 Plan Begins," which ran in the Nikkei on February 15, 2018, received the Environment Minister's Award for Excellences in the Environment Category at the 67th Nikkei Advertising Awards. The judging considered a total of 1,027 entries across all categories, with 59 receiving awards including the highest honors.

The award was conferred on this ad on its excellence as an ad that expresses the environmental aspect of the design that emphasizes wood as a renewable natural material, while also expressing the aspect of sophisticated technology involved in constructing a 350m, 70-story high-rise building with wood.

なぜ、住友林業は、350mの超高層木造ビルなんて、つくるんだろう？

その答えは、少し先の未来に広がる風景に、きっと見えてくる。

住友林業は創業350年を超える2041年、都市のまんなかに、地上350m・70階建ての超高層木造ビルディングをつくる計画を立てています。それは、地球環境を保全して持続可能な未来へ向かうために、木をより高く活用しなければという使命のもとに始まる、大きな物語。そして、木の価値を高める技術において世界一の森林会社でありたいという情熱をかたちにするのです。たとえば新素材の開発や牧草材とのハイブリッドなど、革新的進化を遂げる木材の技術開発においても、世界に誇れる存在へ。新しい木々が、自然の調を、森を、人々の生活を支えていく。人と木、様々な生物が共生できる「環境木化都市」をめざすW350計画。これからの「木」に、新しい価値を、どうぞご期待ください。

環境木化都市に向かって——住友林業の挑戦。

住友林業は気候変動研究を中心に、人と木が共生できるなかでより高く活用できる「環境木化都市」への取り組みを、住友林業の旗で一つ一つ進めています。それは、生物を都市に馴染み、共生可能な素材である木をふんだんに使った、持続可能な都市づくりの挑戦。W350計画のたどりしるべき道程や目標は、さまざまな建築物でも実現可能。街が暮らし、緑の未来を育てていくことになるでしょう。木の強さが、ますます広がります。

人と木、自然が共生できるデザイン

木の美しさを残した自然のまんなかに建てた超高層木造ビルディング「W350」の計画は、自然と共生する建築デザイン。樹木は、都市の暮らしを支え、暮らしの質を高める役割を果たします。

循環型の未来を育むビジョン

木は使用された後、自然に還る約90%の循環。木はCO2を吸収・貯蔵するだけでなく、都市の緑化にも貢献します。木は、自然の恵みを受け、自然に還る。木は、自然の恵みを受け、自然に還る。木は、自然の恵みを受け、自然に還る。

350mの超高層を支える木質ハイブリッド

木質ハイブリッドは、木と鉄の複合構造。木は、自然の恵みを受け、自然に還る。木は、自然の恵みを受け、自然に還る。木は、自然の恵みを受け、自然に還る。

街を、森に。W350計画、はじまる。

木と生きる幸福
住友林業

Contributions to Eco Cities Through Greening

Basic Policy

The use of as many plants as possible which are native to the region in urban development is a growing trend as society shifts toward a goal to co-exist with nature.

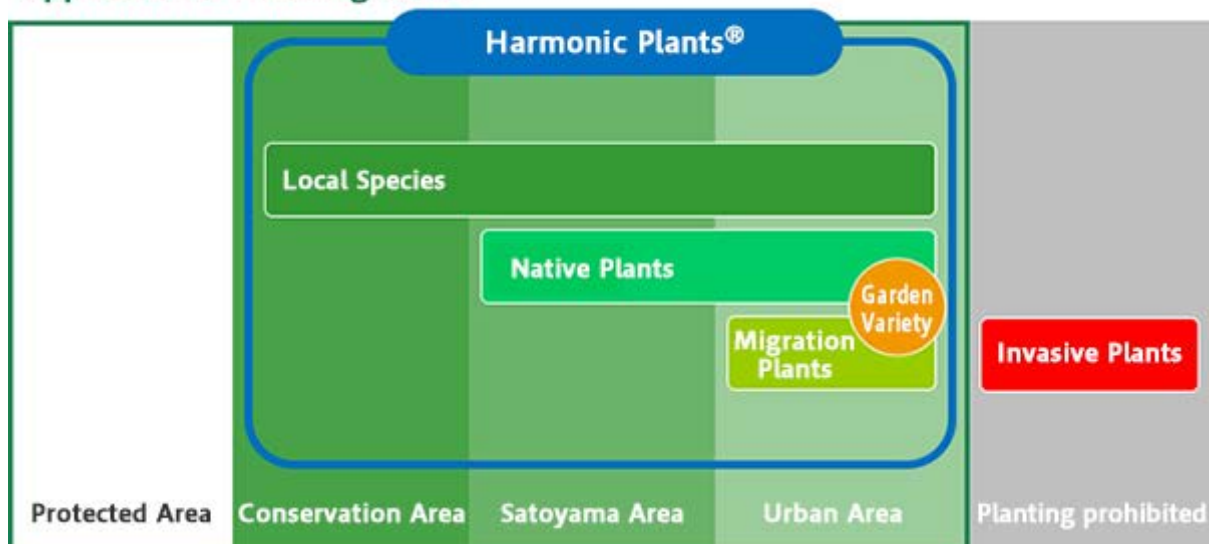
In the midst of these trends, Sumitomo Forestry Landscaping Co., Ltd. has defined guidelines Harmonic Plants[®] for selecting plants species based on greening areas with the concepts that using indigenous and local species in greening plans is in the best interest of natural revitalization. The Company has been promoting this model up until now.

There are plants that have grown in Japan since long ago (native plants) and plants that have come to Japan from abroad (migration plants) for trees. Among these migration plants, there are species that will overrun areas where native plants live due to their characteristics, which endanger the biodiversity of the region (invasive plants^{*}). Some of these plants are cultivated plants classified as garden vegetation (agrotype).

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 agrotype plants. In addition, the Group has in place a policy of not using invasive plants that clearly have an adverse impact on local ecosystems and a division responsible for coordinating technology at Sumitomo Forestry Landscaping Co., Ltd. checks that such species are not used.

* Specified alien species and alien species requiring caution as stipulated by the Invasive Alien Species Act

Approach to Planting Areas



Contributions to Property Development

Forest Garden Hadano Receives the First ABINC Certification As a Detached Housing Complex.

Forest Garden Hadano, a detached housing complex in Hadano City, Kanagawa Prefecture, received the first ABINC (Association for Business Innovation in harmony with Nature and Community) certification under the detached housing complex and city area category in March 2018. The ABINC certification system certifies results of biodiversity preservation activities of companies to promote coexistence of nature and people. The certification began the certification of office buildings and commercial facilities from 2014 and has expanded its scope to include housing complexes and factories.



Forest Garden Hadano

Furthermore, detached housing complex and city area category and city area category and logistic facilities were newly added in fiscal 2017. Forest Garden Hadano received the first certification for the detached housing complex and city area category for its innovative initiatives.

The property design of Forest Garden Hadano is green property that coexists with life. It realizes rich greenery through the use of local tree species and Harmonic Plants®. Consideration toward sustainable circulation of water utilizing spring water was one of the major factors of receiving the certification.

Sumitomo Forestry Landscaping work together with the residents through holding study sessions, monitoring, and regularly supporting maintenance of garden vegetation to continue creating rich residential environment and support improvement of asset value.

Biodiversity Greening and ABINC Certification Support Business

We supported Aioi District (Hyogo Prefecture) of the IHI Corporation in obtaining the ABINC certification.

In fiscal 2018, the Branch conducted a landslide disaster prevention construction to reinforce the slopes with consideration of reusing resources such as fallen trees that had been blown down by winds in Hyogo Prefecture as well as timber and pruned branches produced by tree thinning and pruning as well as planting local tree species.

► HIGHLIGHT 2 Contributing to the Protection of Biodiversity



Planting trees with "Tree Shelter" protective structure to increase the rate of seedlings taking root

Participating in Gardening Exhibit at the 35th National Urban Greening Fair

From September through November 2018, the 35th National Urban Greening Fair “Yumehana Yamaguchi” was held at Yamaguchi Kirara Expo Memorial Park (sponsored by Yamaguchi Prefecture, Yamaguchi City, and Organization for Landscape and Urban Green Infrastructure, and advocated by the Ministry of Land, Infrastructure, Transport and Tourism).

The national urban greening fair is a flower and greenery fair that has been held every year since 1983 in different locations nationwide to promote the comfortable and prosperous living that greening provides.

At this fair, we exhibited a model garden rich in wood textures in collaboration with the Yamaguchi Branch of Housing and Construction Division of Sumitomo Forestry. Garden vegetation centered on native plants of Yamaguchi including Japanese sapphireberry, viburnum japonicum, elaeocarpus japonicus and Nippon daisies for a design that considered of the local environment.

The garden won the Gold Medal, as well as the Special Prize presented by the Japan Landscape Contractors Association. It enabled us to communicate nationwide a comforting new garden design from Yamaguchi.



The garden that won the Gold Prize

Education for Biodiversity Conservation

Publish of Biodiversity Handbook Vol. 2: Local Vegetation

We are receiving a wide range of concerns for information about what the local vegetation is to the production, distribution and consumption of native plants and the cultivation plans for native plants in addition to future trend of local vegetation required for greening that consider biodiversity.

Sumitomo Forestry Landscaping has responded to these concerns by publishing the Biodiversity Handbook Vol. 2: Local Vegetation in January 2018.

This handbook offers explanations while interweaving cutting-edge examples that use locally cultivated plants to address primarily the information below.

1. Reconstruction projects for the Great East Japan Earthquake using local plants
2. The development of large-scale test driving course using local plants in
3. Beach plant revitalization project using local plants
4. Urban redevelopment using local plants from the Edo period
5. Mixed tree revitalization using local plants cultivate on large-scale artificial grounds

We believe these initiatives will help as one measure for use of local plants toward future revitalization.



Cover of the Biodiversity Handbook Vol. 2: Local Vegetation

Publish of an Illustrated Guide to Home Trees Revised Edition

The Ministry of the Environment and The Ministry of Agriculture, Forestry and Fisheries of Japan newly released a list of alien species which harm biodiversity of Japan (list of potentially harmful alien species for biodiversity) for the purpose of deepening interest and understanding about alien species to incite the appropriate action by various independent entities.

This list not only stipulates the specified alien species up until now but also selects alien species which have the potential to become highly invasive to the ecosystem or kill or harm people as well as damage agriculture, forestry and fisheries.

Sumitomo Forestry Landscaping has reorganized criteria for alien species unique to its business in accordance with the regulations on the list of harmful alien species for biodiversity with considerations to further impact on the ecosystem. The Illustrated Guide to Home Trees published based upon this criteria has released a revised edition in March 2017 which replaces some of the tree species included therein.

We will continue to advocate Harmonic Plants[®] and the use of these standards for alien species to include in proposals for plants to customers as well as in raising the awareness of our employees.



Cover of "An Illustrated Guide to Home Trees Revised Edition"

Overseas Greening Businesses

In North Melbourne, Australia, we are leveraging our expertise in a design partnership with Tract Landscape, a local landscape design firm, for the Annadale estate project (1,087 total lots for sale), which is a joint residential development project between Sumitomo Forestry and NTT Urban Development.

In this design partnership that began in January 2017, Sumitomo Forestry proposed a concept, Growing Wellness Life & The Five Sense, for the basic design of Tract. Tract highly evaluated this proposal as a fantastic reference because a story is not usually incorporated into standard design plans in Australia and playground equipment using natural stone and logs was employed to better the motor skills of the children as well as the vegetation plans. Even in the second stage of park planning conducted thereafter, we proposed basic concepts to further tasks to bring together the basic design founded upon this idea.

Green zones in Australia and the U.S. is imperative to raise the value of the estate development and pursue the creation of efficiently green open spaces. We have just begun our efforts in the overseas greening business, but will continue to further these businesses in the future with the aim of creating beautiful and comfortable spaces loved by residents overseas.



Nature Play Equipment Using Natural Stone

Distribution Business

Value Chain of Distribution Business



Verification of Legal Compliance and Sustainability

Under the Sumitomo Group Procurement Policy, we carry 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, local communities, and other matters.

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. In fiscal 2018, we conducted sustainability surveys at all 109 direct suppliers under study, as well as to 43 suppliers for overseas Group companies engaged in distribution. We strengthened the management system by scoring and improving the visualization of initiatives based on the responses from questionnaire survey. Moreover, we demanded improvement on the suppliers that did not satisfy our standards.

In addition, in order to comply with the Clean Wood Act from 2017, our applications for registration as Wood Related Entities were processed by the registration application agency, and we were registered. Also in compliance with the law, we completed our reporting on timber procurement for fiscal 2018.

Relevant Social Issues

In our verification of legal compliance and sustainability, we directly confront broad social challenges related to wood, such as human rights, occupational health and safety, biodiversity conservation and local communities. We continually endeavor to mitigate these issues, all of which impose risks on our business.

Relevant CSR Initiatives

▶ [Procurement Initiatives](#)



Procurement

The Sumitomo Forestry Group strives to conduct procurement activities while making considerations about human rights and labor in all timber and wood products verified to be sustainably and legally compliant as well as conserve biodiversity and contribute to the local community. The progress of these initiatives is reported to the Timber Procurement Committee made up of managers from each section procuring timber to encourage continued improvements in the supply chain.

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

Relevant Social Issues

In efforts at the stage of procurement in distribution operations, we verify legal compliance and sustainability while also endeavoring to respond to broad social issues such as human rights, occupational health and safety, labor, biodiversity conservation and the local community.

In response, we have built a management system which deliberates matters such as timber procurement standards and illegal timber with the Timber Procurement Committee at its core. We are confirming traceability of timber and legal compliance while also confirming consideration towards human rights, labor and biodiversity conservation.

Relevant CSR Initiatives

▶ [Procurement Initiatives](#)



Commercialization and Delivery

Sumitomo Forestry Group commercializes and ships the timber that is procured not only as raw wood but also plywood, commercial timber, building materials and other products.

Relevant Social Issues

In developing and delivering products, we engage in appropriate information disclosure regarding our initiatives related to social challenges from not only the quality as products but also with certification of sustainability and legal compliance.

Relevant CSR Initiatives

▶ [Sales Initiatives](#)





Shipping and Sales

The Sumitomo Forestry Group fulfills accountability by encouraging sales of certified timber as well as labeling with considerations to traceability.

Increasing support to generate demand for wood not only from Japan but overseas as well as increasing exports of Japanese timber is helping revitalize forestry in Japan.

Relevant Social Issues

Social challenges related to initiatives at the point of sales such as certified and Japanese timber include the depletion of forest resources, illegal logging and regional revitalization.

Our Group believes it is our social responsibility to respond to social challenges related to wood now and into the future by encouraging sales of certified materials and Japanese timber.

Relevant CSR Initiatives

▶ [Sales Initiatives](#)

Procurement Initiatives

Basic Policy

Sumitomo Forestry Group strives to contribute to a sustainable and prosperous society through business activities that use wood, a renewable resource. To do so, we engage in responsible timber procurement activities in accordance with our Timber Procurement Basic Policy formulated in 2005 and our Timber Procurement Principles and Policies formulated in 2007. To deliver legal and sustainable timber, we only engage in responsible timber procurement. In 2015 with the Sumitomo Forestry Group Procurement Policy, we expanded our scope beyond timber to include a wide range of other procured products, such as metals, ceramics, resin and other building materials, and based on this policy, are engaged in procurement activities that take into consideration the economy, society and environment.

► [Sumitomo Forestry Group Procurement Policy](#)

Promotion System of Timber Procurement Management

Sumitomo Forestry Group established the Timber Procurement Committee, chaired by the general manager of the Sustainability Department and comprising managers from departments in charge of timber procurement for the trading and housing operations. (as of the end of March 2019). The committee discusses issues related to group-wide timber procurement, including procurement standards and risk assessments for illegal logging.

In fiscal 2018, the Timber Procurement Committee met three times as stipulated and confirmed legality and conducted the Sustainability Survey for all 109 direct import source companies who are covered in the study and 43 companies that our overseas group companies (distribution) procure from. Regularly (once a year or once every two years), we confirm legality and sustainability of both new and ongoing parties we conduct business with.



Timber Procurement Committee meeting

Sustainable Timber Procurement Initiatives

Promoting Initiatives Adhering to the Procurement Policy

Procurement Policy

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

Sumitomo Forestry Group Procurement Policy

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

1. Procurement based on legal and highly reliable supply chains

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

2. Procurement based on fair opportunity and competition

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

3. Procurement of sustainable timber and wood products

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

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

4. Communication

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

Revised July 23, 2015

Compliance

Timber & Building Materials Business, Housing & Construction Business and each of the relevant Group timber procurement divisions confirm that the timber provided by suppliers has been legally harvested, or that the wood products they provide have been made only from legally harvested timber as a raw material. Each person in charge of procurement is required to follow the Timber Procurement Due Diligence Manual, gather the following information, cross-check relevant documents for each location and tree species, and confirm traceability of the entire supply chain all the way to the logging site.

No.	Category name
1	Supplier name
2	Supplier address
3	Timber type
4	Tree species of timber type
5	Country or region of logging

No.	Category name
6	Annual procurement volume (weight, area, volume or quantity)
7	If sold to a legal entity, the name and address of that legal entity
8	Results of supplier surveys and other, inspection records and other
9	Documents certifying that harvesting was conducted in accordance with laws and regulations of the logging country

With these information sorted by country, region, wood species, and timber type, risk assessment on the illegal logging or human rights violation is carried out based on procurement standards stipulated by the Committee. Risk categories are A (low risk), B (medium risk) and C (high risk). Timber and wood products in the B (medium risk) and C (high risk) categories should not be solely evaluated with documentation to prove that they are legally harvested according to that country's laws and regulations. In addition, when necessary, company staff are sent for on-site inspections to ensure traceability back to the logging site.

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

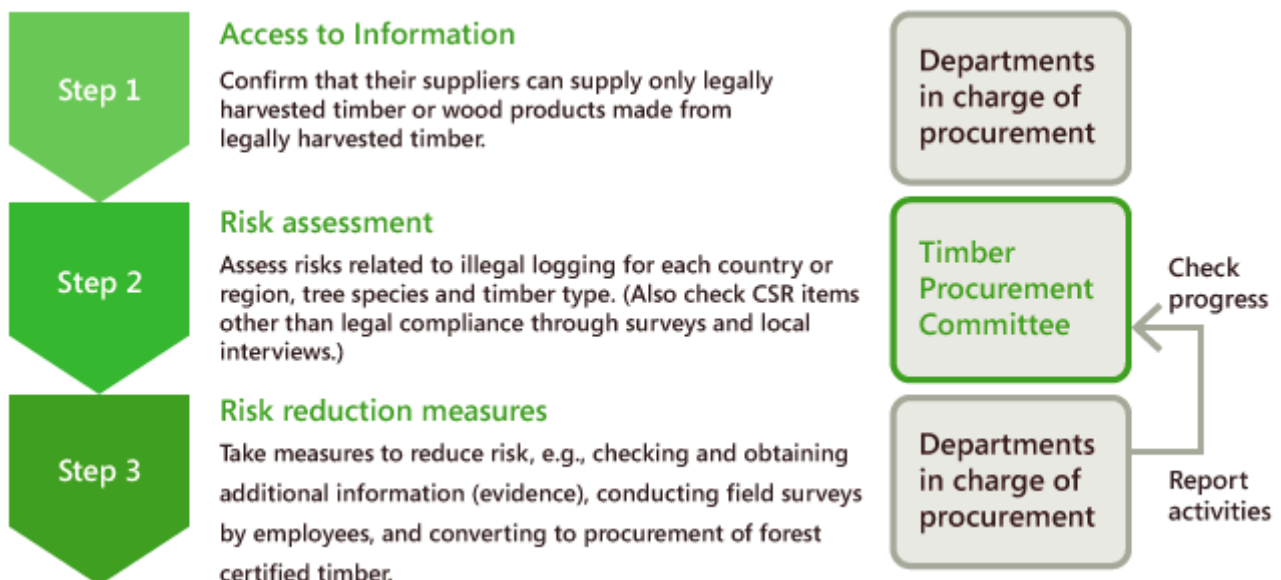
Following items are checked, through Sustainability Procurement Surveys to suppliers and local interviews for the products that are being procured:

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

Review

Each procurement division reports the status and progress of these initiatives to the Timber Procurement Committee, facilitating continuous improvements throughout the supply chain. In fiscal 2018, we strengthened the management system by scoring survey outcomes to improve the visualization of suppliers' sustainability initiatives. Sumitomo Forestry requested that improvements be made at five suppliers that did not satisfy our standards.

Timber Procurement Management System



Reinforcing Measures for the Sustainability of Timber Products

There is increasing concern about deforestation as climate change. Our Group's timber procurement sustainability measures comply with our own Timber Procurement Due Diligence. In May 2019, we newly implemented an Action Plan to further reinforce evaluation standards for sustainability.

Policy on "Sustainable Timber and Wood Products"

We define timber and wood products as sustainable if they fulfill one of the following:

1. Certified timber and pre-certified timber: FSC, PEFC, and SGEC
(Regardless of CoC connection, we place emphasis on certification at time of production and promote a shift to certified timber)
2. Timber from plantation forests
3. Natural timber where forestry management and distribution can be assessed as sustainable.
(this does not include timber from conversion forests = timber harvested from natural forests that were converted to farm land such as oil palm plantations)
4. Recycled wood

In the "Mid-Term Sustainability Targets as part of the 2021 Mid-Term Management Plan" announced in May 2019, Even in situations where legality can be confirmed, we will promote the gradual increased use of alternative wood (natural timber from forest thinning or plantation timber) to stop the handling of items that do not fall under our definition of sustainable timber or wood products. By our target fiscal year of 2021, we strive to achieve our procurement goal of 100% sustainable timber and wood products.

Reinforcing Timber Procurement Due Diligence Through Our Action Plan

The Company engages in responsible timber procurement as a Group in accordance with the Sumitomo Forestry Group Procurement Policy. To respond to recent concerns, in May 2019, we launched an Action Plan to reinforce on a regular basis our timber procurement due diligence. Major areas of reinforcement to further promote responsible procurement include the appointment of the director in charge of sustainability as the chairman of the Timber Procurement Committee, the holding of regular study sessions for persons in charge of procurement, and for suppliers with low scores, a two-year probation period to implement requested improvement measures and the cessation of transactions in the event that no improvement is seen.

Education for Personnel in Charge of Procurement

As concern about deforestation increases worldwide, interest is focusing on efforts by companies with regard to procurement of tropical timber. In this connection, we held a seminar on October 31, 2018 titled "Timber Production in Indonesia and Malaysia and Efforts Toward Sustainable Forest Management." It was attended by a total of 32 managers and other responsible personnel at international distribution departments handling tropical timber and other imported timber. At the seminar, participants learned the latest information about timber legality certification systems in both countries, the current state of certified timber, and sustainable forest management.

Each year, we keep up with changing circumstances by providing seminars and training sessions on the latest societal and environmental issues. These are separate from the ordinary training provided to all employees by the Personnel Department.



Institute for Global Environmental Strategies (IGES)
A lecture by Research Manager Hiromitsu Samejima

Reinforcing Engagement with NGOs and Other External Stakeholders

To formulate and implement our Action Plan, to respond sincerely to societal demands and to promote responsible procurement, we organized a stakeholder dialogue with environmental NGOs, ESG specialists and researchers (held in July 2019).

Experts from the certified NPO Sustainable Management Forum of Japan, the World Wildlife Fund (WWF) Japan, FoE Japan, Global Environment Forum, Institute for Global Environmental Strategies, Takasaki City University of Economics and Waseda University participated to discuss various themes, such as the implementation of the Sustainability Procurement Survey, the process and timeframe for demanding improvements, timber from conversion forests and recycled timber.

During the discussions, in addition to considering ways to build capacity, participants agreed on the need for adequate communication with suppliers in implementing Sustainability Procurement Surveys and requesting improvement measures in a manner that would enhance the quality of suppliers and consequently, lead to utilization of sustainable forest resources throughout the industry. For timber from converted forests, while keeping close watch on measures for sustainable commodity production in other industries, it should be confirmed that appropriate assessment, such as for forests with high protection value (HCVA), is being conducted. Participants voiced the opinion that recycled timber should be defined as timber that has been used once by the consumer (building materials, etc.) and that wood waste, old fruit trees and such should undergo the same level of due diligence as regular timber.

With these opinions in mind, the Company revised and is implementing its Timber Procurement Management Regulations and its Timber Procurement Due Diligence Manual to fulfill its goal of 100% sustainable timber and wood materials as outlined in the Management Plan 2021.



The scene at the Dialogue Conference

Timber Procurement in Romania

Several environmental groups have expressed concerns about forest management and timber production in Romania in terms of whether or not logging has been appropriately conducted. In April 2017, members of the Timber Procurement Committee conducted on-site inspections, first gathering information through meetings with such organizations as the Ministry of Environment and Forests of the Romanian Government, the Embassy of Japan in Romania, ASFOR (Romanian Forest Association), among others. The members also went to a supplier manufacturing facility and inspected representative logging sites of logs that were transported to the facility. At the manufacturing facility, they confirmed that the supplier properly checks transport permits and the logs bundled on the trailer when receiving raw material logs at the lumber manufacturing plants.

For example, the visiting team was able to confirm that the supplier was thorough in segregated management to ensure that logs exceeding the amount permitted were not used and that they engaged in such measures as reporting to forestry authorities. The team received an explanation about forest management from a forest ranger at the logging site and checked the actual hammer stamp mark and process when loading the trailer in the field. In addition, they were able to confirm the dedication to preserving the rare forest ecosystem by observing forest conservation areas under the Romanian government's jurisdiction.

The Company regularly meets with environmental groups that we receive concerns from, most recently, in January 2019, where we obtained information and provided the latest on our Group initiatives.



Inspection of harvest land still covered in snow



Check when loading the trailer



Properly checking the delivery at the plant using tablet terminals



Segregated management of round wood beyond the amount on the permit

Concrete Form Plywood from Indonesia

In recent years, several environmental groups have expressed their concerns about the legality of the logs used as raw material for plywood manufactured in Indonesia. In Indonesia, the SVLK timber legality verification system is in place, requiring timber product manufacturers and exporters to register by obtaining SVLK business certification issued by an independent evaluation and certification organization recognized by the National Accreditation Committee. Upon doing so, the business obtains documentation (V-Legal documents) from the independent verification and certification body certifying the timber as legal, and expressly confirming the legality of the entire supply chain, from logging to timber processing at manufacturing plants to export. In July 2018, we conducted an on-site inspection of the concrete formwork paneling plywood manufacturing plant that serves as our supplier. At a timber yard near the harvesting site, we were able to use QR-code labeling on tags attached to logs to confirm the harvesting information at the Indonesian Ministry of the Environment and Forestry website, as well as with V-Legal documentation. After the same logs were transported to the plant, we were once again able to use QR codes at a plant timber yard to access the ministry website and V-Legal documents, successfully tracing them back through the transport process to their harvest location.

In terms of the procurement of raw material logs used to process plywood, the Company continues to work with suppliers on various initiatives as we strive to fulfill our "Mid-Term Sustainability Targets as part of the 2021 Mid-Term Management Plan" to achieve the targets of 100% procurement of sustainable timber and wood products.



Confirming tags attached to the logs at the plant timber yard



Confirming tags at an intermediate timber yard



Confirming the harvest site from tag information at the logging company (1)



Confirming the harvest site from tag information at the logging company (2)

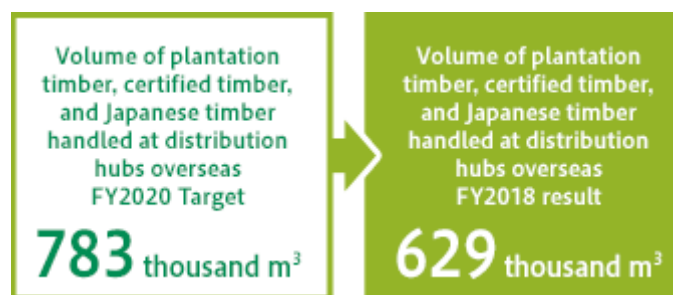
In terms of concrete formwork plywood for the construction of sports facilities, in November 2018, environmental NGOs reported to the Organizing Committee their concerns that the Company's supplier may be using raw material logs that were not appropriately managed or harvested. With this, we responded by submitting relevant documents and explaining to the Olympic Organizing Committee that these types of raw material logs were not part of the Company's supply chain. As a result, the Olympic Organizing Committee concluded that the concerns were unfounded and not eligible for reporting, which was disclosed in February 2019 on their website.

Promoting Certified Timber

Sumitomo Forestry Group works with its procurement partners to build a reliable supply chain and to procure sustainable timber. As an index to confirm whether timber was obtained from forests with sustainable forest management, we support and utilize the Forest Certification System, a third-party certification system.

Furthermore, the Company itself receives the Forest Certification and we believe we can contribute to the system's wider use by providing the market and consumers certified forest timber.

Sumitomo Forestry Group has obtained FM certification for 221,000 hectares and CoC certification for 10 organizations.



Status of Sumitomo Forestry Group Forest Certification/ CoC Certification*1 (FSC-C113957)

Organization	Certification System	Date Certified	Certification Number	Certification Issuing Body
Sumitomo Forestry Co., Ltd. Timber and Building Materials Division, International Marketing Department, Branch	FSC®	December 14, 2017	CU-COC-823910/ CU-CW-823910	Control Union Certifications
	PEFC	December 14, 2017	CEF1201	Japan Gas Appliances Inspection Association (JIA)
Sumitomo Forestry Co., Ltd. Timber and Building Materials Department, Timber and Building Materials Division, Hokkaido Branch MOCCA (Timber Solutions) Department, Housing and Construction Division	SGEC	January 24, 2017	JIA-W045	Japan Forest Technology Association (JAFTA)

Organization	Certification System	Date Certified	Certification Number	Certification Issuing Body
Sumitomo Forestry Co., Ltd. Timber and Building Materials Division, Hokkaido Branch Materials Development Department, Housing and Construction Division	SGEC	October 1, 2017	JAFTA-W038* ²	Japan Forest Technology Association (JAFTA)
Sumitomo Forestry Wood Products Co., Ltd.	SGEC	September 25, 2016	JAFTA-W017	Japan Forest Technology Association (JAFTA)
Sumitomo Forestry Crest Co., Ltd.	FSC®	April 18, 2018	SGSHK-COC-006693	SGS
	SGEC	December 26, 2017	JAFTA-W041	Japan Forest Technology Association (JAFTA)
Nelson Pine Industries Ltd. (NPIL) (New Zealand)	FSC®	June 21, 2019	SAI-COC-001290 / SAI-CW-001290	QMI-SAI CANADA Limited
PT. Kutai Timber Indonesia (KTI) (Indonesia)	FSC®	January 10, 2015	TT-COC-002009	BM TRADA
PT. Sumitomo Forestry Indonesia	FSC®	April 26, 2016	TT-COC-005903	PT. Mutuagung Lestari
Sumitomo Forestry (Singapore) Ltd.	FSC®	December 5, 2018	NC-COC-005542 / NC-CW-005542	NEP Con

*1 CoC (Chain of Custody) certification is a system that covers the processing and distribution of forest products. In addition to determining whether the forest product was from a certified forest (certified timber) at each stage of processing and distribution, it certifies risk assessments for uncertified timber. When all companies in the entire process obtain CoC certification, a certification mark can be displayed on the product.

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

Major Forest Certification Systems

FSC (Forest Stewardship Council®) (FSC-C113957)

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

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

PEFC (Programme for the Endorsement of Forest Certification)


Forestry organizations of 11 European countries established PEFC together in 1999 as an organization to mutually authenticate the system of each country. PEFC does not directly authenticate an individual forest, but when the PEFC's required conditions that adapted "the inter-governmental process" implemented by 149 countries is met, the country's own forest certification system is authenticated by PEFC. Joined by non-European countries in 2003, the organization originally called Pan European Forest Certification Schemes changed its name to Program for the Endorsement of Forest Certification. Since then, PEFC has shown drastic growth, and to date its total certified area is the largest across the world.

Sustainable Green Ecosystem Council (SGEC)


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

Promoting the Use of Certified Timber

The most important aspect of selling certified timber is managing the procurement of certified timber separately from other types of timber. With CoC certification, because we are inspected by a third party, we are able to guarantee that timber and other products are from certified forests and sell them to our customers.

Sumitomo Forestry Group has set a goal to achieve by 2020 at least a 12% sales volume ratio of imported certified timber and other products. In fiscal 2018, the actual figure was 11% .

Furthermore, for sales of SGEC certified timber, Japan's forest certification system, we have set a sales volume target of 85,000 square meters or more by 2020. In fiscal 2018, the actual figure was 78,000 square meters.

 [About symbol for Independent assurance](#)

Smooth Response to the Clean Wood Act

The Act on the Promotion of Use and Distribution of Legally Harvested Wood and Wood Products (the Clean Wood Act) was enacted in May 2017 to encourage use of timber from trees harvested in compliance with the laws and regulations of Japan and other countries and to create a market where illegally logged timber, which damages the environment, is not made available. Sumitomo Forestry was the first in the country to register the Timber and Building Materials Business, which imports and sells timber, as a Type 1 Wood-Related Entity on November 22, 2017. This same division was registered as a Type 2 Wood-Related Entity on August 1, 2018. Subsequently, Sumitomo Forestry Wood Products was registered as a Type 1 and Type 2 Wood-Related Entity (purchase and sale of timber) on February 20, 2018, and furthermore, the Housing and Construction Business (on March 16, 2018) and Sumitomo Forestry Crest (on May 9, 2018) were registered as Type 2 Wood-Related Entities as part of our efforts to procure legal timber throughout the entire Group.

Registered Wood Related Entity	Type	Registration Date	Registration Number	Agency Issuing Registration
Timber and Building Materials Division	Type 1, Type 2 Wood Related Entity	November 22, 2017	No. JIA-CLW- I II 17001	Japan Gas Appliances Inspection Association
Building Materials Procurement and Logistics Department, Housing and Construction Division	Type 2 Wood Related Entity	March 16, 2018	No. HOWTEC-CLW- II 0001	Japan Housing and Wood Technology Center
Sumitomo Forestry Wood Products	Type 1/Type 2 Wood Related Entity	February 20, 2018	No. JAFTA-CLW- I II-3	Japan Forest Technology Association
Sumitomo Forestry Crest Co., Ltd.	Type 2 Wood Related Entity	May 9, 2018	No. JIA-CLW- II 18002	Japan Gas Appliances Inspection Association

Participation in JBIB (Japan Business Initiative for Biodiversity)

Sumitomo Forestry participates as a member of the Japan Business Initiative for Biodiversity (JBIB), made up of companies that engage in activities aimed to conserve biodiversity. In fiscal 2018, the supply chain working group conducted research and worked on creating lists of disclosed information that could be used to assess risk.

Communication with Our Business Partners

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

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

Name/scale	Description
The Sumirin club -a membership organization to communicate with regional suppliers of timber and building materials Number of members: 871 companies (as of July 2018)	Established in different regions around Japan as a forum for communication with business partners for distribution operations of timber and building materials. Training sessions and informational exchange meetings are held two or three times a year in each region, allowing members to deepen mutual friendships, promote product R&D, enhance production and distribution, and support improvements in the industry as a whole.
Publication of Building Materials Monthly Monthly print run of approximately 4,200 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.

Sales Initiatives

Basic Policy

Sumitomo Forestry Group engages in responsible procurement in accordance with the Sumitomo Forestry Group Procurement Policy. Up to now, we have been promoting the procurement of sustainable timber as domestic timber, plantation timber and certified timber. In keeping with our “Mid-Term Sustainability Targets as part of the 2021 Mid-term Management Plan”, we will work for still more widespread use of sustainable timber and building materials throughout the broader community by procuring 100% sustainable timber and wood products.

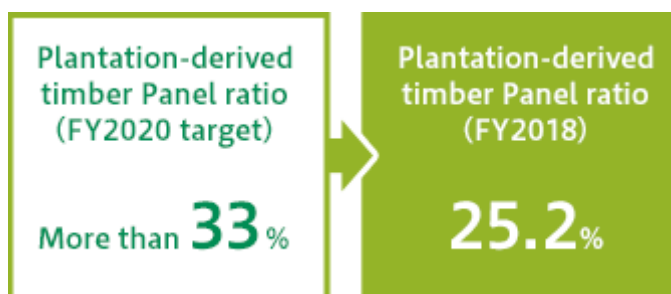
Promotion for Sales of Environmentally-friendly KIKORIN-PLYWOOD

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. This product made using 50% or more plantation timber, was praised as being environmentally conscious. It received a Commendation Prize in the 1st EcoPro Awards* on September 12, 2018. It accounted for 9.1% of our plywood sales volume during fiscal 2018, amounting to about 50,541m³. We will contribute to environmental protection by expanding this volume fivefold in fiscal 2020 to 240,000m³.



KIKORIN-PLYWOOD

* Hosted by the Japan Environmental Management Association for Industry. It was established in fiscal 2004 in order to help further develop and spread the use of Japanese eco-products by broadly communicating information about eco-products among current and prospective clients while also supporting the efforts of the relevant suppliers. The EcoProducts Awards were renovated in fiscal 2018, now presented as the EcoPro Awards.



Sales of KIKORIN-PLYWOOD

2014	2015	2016	2017	2018
31,900m ³	28,100m ³	30,200m ³	46,255m ³	50,541m ³

Exporting Domestic Timber

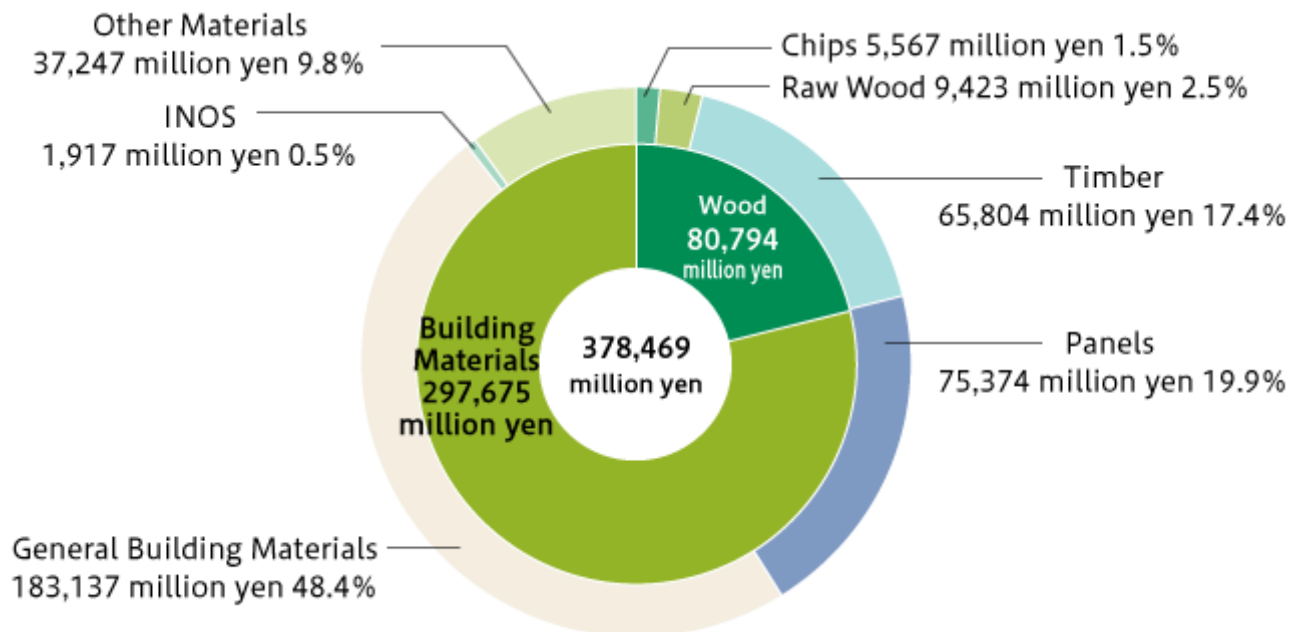
Overseas demand for timber is forecast to grow in emerging countries including China propelled by economic development and population growth. Under these circumstances, Japanese timber exports have also been on the rise in recent years, and a target of 262,000 m³ has been set for Japanese timber export volume within our Mid-Term Sustainability Targets, to be reached in fiscal 2021 as we explore overseas market opportunities for Japanese timber.

In fiscal 2018, export volumes from existing ports centering around Kyushu increased in response to robust demand from China, while new port development and the start of exports from ports other than in Kyushu also began, resulting in a 33.3% annual increase in domestic timber exports to 160,000 m³.



▶ [About symbol for Independent assurance](#)

Fiscal 2018 Breakdown of Net Sales in the Timber & Building Materials Business (Non-consolidated)



Manufacturing Facilities

Value Chain of Manufacturing Operations



Product Development/ Raw Material Procurement

We work to meet customers' needs not just through design, but also by moving forward with product development that optimizes the characteristics of raw materials. Our slab and board operations include lightweight plywood and board development using light plantation timber such as Falcata (*Albizia falcataria*) and balsa. For building materials and carpentry operations, we develop materials for such applications as flooring and furniture that optimize the sense of quality wood. Our manufacturing operations include systems for using raw materials without any waste.

Relevant Social Issues

Forests around the world continue to decline due to practices such as illegal logging and excessive slash-and-burn farming, making sustainable timber procurement a crucial issue.

We procure plantation timber and certified timber which are legal and highly sustainable in order to achieve ongoing timber and materials procurement that considers sustainability and biodiversity.

Relevant CSR Initiatives

- ▶ [Procurement Initiatives](#)





Manufacturing

By operating according to the ISO9001 International quality management system and through management that meets or exceeds JIS/JAS product quality requirements, we go beyond merely manufacturing high-quality products as we strive to build products with even greater safety.

With so many employees working at our manufacturing plants, our Group regards the establishment of a safe, healthy work environment to be our responsibility, and we therefore continually pursue a goal of zero occupational injuries. We also recycle and make energy and resource saving efforts in our manufacturing processes.

Relevant Social Issues

In our manufacturing operations, it is crucial that we strive (1) to manufacture and market safe, reliable products, (2) to create positive work environments, and (3) to reduce environmental impact. In manufacturing products that are reliable and safe, we place great importance on customer feedback in our efforts to promote the development and sale of reliable and safe products and services that consider the environment and society.

In promoting a vibrant work environment where a diverse workforce can unharness their skills and individuality, we enhance our manufacturing plant safety policies and improve working environments, to provide safe, secure work environments. In addition, in order to reduce the environmental impact of our business activities, we are working to reduce greenhouse gas emissions while increasing recycling rates.

Relevant CSR Initiatives

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





Delivery

We ship and sell processed and manufactured products not only in Japan, but in countries around the world.

We have been moving forward with continual improvements such as redesigning packaging to cut waste, revising delivery methods to provide customers with greater ease of access, and reductions in greenhouse gas emissions.

Relevant Social Issues

We do business in each country by complying with the rules and regulations from a compliance perspective for shipments and product sales. The extent to which delivery can be made more efficient by reducing the greenhouse gas emissions associated with transport has become a societal issue. In order to reduce the environmental impact of our business activities, our Group is working to reduce greenhouse gas emissions while increasing recycling rates. We have increased loading efficiency as we use the return trips after construction materials delivery for the transport of waste materials.

Relevant CSR Initiatives

- ▶ [Product Safety and Quality Control](#)
- ▶ [Reducing CO₂ Emissions from Transportation](#)

Procurement Initiatives

Basic Policy

Overseas manufacturing facilities can be broadly categorized into two - raw timber slabs and board operations and building materials and timber products operations. Slab and board operations use the renewable resource wood as its primary raw material and with the use of heat-hardening adhesives, manufacture plywood, MDF (medium density fiberboard) and particle board. The building materials and timber products operations use the plywood and MDF manufactured by the slab and board operations to manufacture building materials used for housing, furniture, musical instruments and other products.

Our domestic manufacturing facilities use the plywood, MDF, engineered wood and other products manufactured overseas to manufacture and sell wooden housing materials, stair materials, counters and other products.

The raw materials used for manufacturing are procured legally and sustainably in accordance with Sumitomo Forestry Group's Procurement Policy.

Promoting Sustainable Timber Procurement

PT. Kutai Timber Indonesia (KTI), a production site in Indonesia, has been working to build a system for sustainable forest management in cooperation with local plantation cooperative associations to heighten the ratio of plantation timber used as raw materials.

KTI also began reforestation with fast-growing trees such as Falcata (*Albizia falcataria*) in 1999. With the system of "social forestry", KTI has aimed to support the environment, community and economy by distributing seedlings to local residents for free to plant on the lands they own and promises to purchase timber when the trees are mature at its market value. In addition, the KTI Reforestation Cooperative supported by KTI (KBM KTI)* has acquired the FSC-FM certification for forests owned by KTI (KAM-KTI)*.

In the future, KTI will strive to expand the manufacture and sales of products with high environmental value by expanding the area of certified forests and procuring sustainable timber in order to fulfill the requirements of many of our business partners.

* KAM KTI: FSC-C023796, KBM KTI: FSC-C133562



View of Plantation Forest

Promoting the Use of Plantation Timber and Certified Timber

PT.Sinar Rimba Pasifik uses sustainable timber that takes into consideration the environment and at the same time, manufactures high-quality wood interior materials (floors, stairs, counters, etc.) of a consistent design and supplies products primarily for Sumitomo Forestry houses. The timber used as the main raw material procured for these products is solely plantation timber or certified timber.

In fiscal 2018, approximately 60% of our overall timber used was imported from abroad, and all of the imported timber from our overseas suppliers is certified timber based on AHEC (American Hardwood Export Council) or QWEB (Quebec Wood Export Bureau). The remaining 40% of our overall timber used is timber from plantation forests purchased from a forestry company in Indonesia (Perum Perhutani), all of which is material that has received SVLK (Sistem Verifikasi Legalitas Kayu) certification.

We will continue to pursue sustainable timber procurement and manufacture and sell high-value-added products that use verified as legal and sustainable timber.



Timber Storage Warehouse

Product Safety and Quality Control

Basic Policy

In response to legal requirements and customer requests, we use PDCA cycles as we work to ensure and improve product safety and quality at each stage of our business activities, from planning and product development to production and sales. Moving forward with continual improvement is a policy we pursue in our manufacturing operations in order to elevate the quality of the products and services we provide.

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

Basic Policy for Product Safety and Quality Control

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

Operating in keeping with the 2015 version of the ISO 9001 quality management system, we strive to elevate quality and service by reinforcing its integration with our actual business operations.

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

1. 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 customer feedback and demands at production sites.

Internal audits are also carried out twice a year at all plants for the purpose of following the PDCA cycle for the quality management system established under ISO 9001. In order to ensure product safety, we have put in place a system in which any key information on a product defect can be communicated by the person in charge through an emergency contact network to the company president within two hours of obtaining the information.

Promotion of Quality Improvement Activities Based on Company-Wide Targets

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

During fiscal 2018, it strived to enhance and maintain quality control systems at manufacturing locations as well as at business partners' plants.

These management control systems will be maintained in fiscal 2019 as continual improvements are also made, including measures to help prevent human error through standardization of procedures, revision of logs, work operation standardization and QC process chart compliance.



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

Safety and Quality Control in Overseas Manufacturing Business

Basic Policy and Framework for Safety and Quality Control

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

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

► Quality Management

Updating to ISO9001:2015

Six consolidated companies have completed their update to ISO9001:2015: Nelson Pine Industries (NPIL), Kutai Timber Indonesia (KTI), Rimba Partikel Indonesia (RPI), AST Indonesia (ASTI), Canyon Creek Cabinet (CCC), and Vina Eco Board (VECO).

Under the new quality management system, we will move forward with even greater continual improvement, maintaining and increasing the safety and quality of our products.

Three-Company Technical Study Session on Particle Board

In 2018, three particle board companies, KTI and RPI of Indonesia and VECO of Vietnam, began holding study conferences aimed at mutually elevating their levels of particle board manufacturing technology, while improving quality. While the effort is similar to those conducted in the past, leadership by national staff is leading to greater awareness among all companies.

Occupational Health and Safety

Occupational Health and Safety Initiatives

Initiatives in Japan

Basic policy of Sumitomo Forestry Crest Co., Ltd. is to move “from zero accidents to zero danger.” Its goal is to achieve zero occupational injuries by nipping danger in the bud. To achieve this, Sumitomo Forestry Crest began operating an Occupational Health and Safety Management System (OHSMS) in July 2012, and acquired OHSAS 18001 certification in February 2013. Through repeating the PDCA management cycle with near-miss incident reports submitted voluntarily by employees (643 reports by 505 employees in fiscal 2018), and sharing opinions through small-circle activities at each workplace (held weekly), efforts are being made to reduce risks while engaging in production. In addition, with OHSAS18001 set to migrate to ISO45001 in March 2021, we plan to migrate systems in fiscal 2019.

There was one occupational injury in fiscal 2018. 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 Wood Building Materials in Japan

FY2014	FY2015	FY2016	FY2017	FY2018
0	0	1	0	1

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

Safety Patrols and Risk Assessments

Each plant of Sumitomo Forestry Crest regularly conducts safety patrols at the workplace. Any sign of danger discovered in these patrols is immediately addressed with safety measures to prevent that risk from being realized. Furthermore, Sumitomo Forestry Crest is committed to ensuring the safety of its workplaces, responding from the following three perspectives by identifying operations and facilities at risk, such as of workers getting caught in or between machinery.

1. Reduce the frequency with which sources of danger are approached (keep people away, use of protective equipment etc.)
2. Reduce the likelihood of accidents (covers, auto-shut off, etc.)
3. Reduce the severity of injuries (protective gear, lower speeds, etc.)



A safety patrol

Overseas Initiatives

We are proactively moving forward with risk assessment (recognizing unsafe conditions at facilities) and danger prediction training (not having workers engage in unsafe actions, increased sensitivity to unsafe conditions) at overseas manufacturers*, particularly in Indonesia. We also implemented safety promotion procedures at other preceding group companies in our efforts to ensure workplace safety.

* Six consolidated group companies: Nelson Pine Industries (NPIL), Kutai Timber Indonesia (KTI), AST Indonesia (ASTI), Sinar Rimba Pasifik (SRP), Canyon Creek Cabinet (CCC), and Vina Eco Board (VECO).



Risk prediction training for local employees at Indonesian manufacturers

Number of Occupational Injuries in the Manufacture of Wood Building Materials in Overseas

FY2014	FY2015	FY2016	FY2017	FY2018
6	18	16	23	11

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

Forest Management

Value Chain of Forest Management



Seedling Farming and Cultivation

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

We have put in place a system able to produce 1.6 million seedlings annually throughout Japan as of fiscal 2018.

We also engage in tree cultivation under the concept of “the right tree in the right place,” with consideration of soil conditions at a given plantation, orientation and geography, etc.

Relevant Social Issues

In addition to resource recycling and other environmental issues, we have taken the first step toward sustainable forest management. These steps are related to solving broad social challenges such as regional revitalization with the establishment of seedbeds, in addition to resource recycling and other environmental challenges.

Relevant CSR Initiatives

- ▶ [Sustainable Forest Management](#)
- ▶ [Protecting and Utilizing Domestic Forest Resources](#)





Cultivation

The Sumitomo Forestry Group manages a total of approximately 48,000 hectares of company-owned forests in Japan and a total of around 230,000 hectares of company-owned plantation forest area overseas.

The Group works to maintain and enhance the public functions of forests by carrying out underbrush clearing, pruning, thinning and other appropriate management required for them to grow.

Relevant Social Issues

Forests are managed in a way that allows the diverse needs for timber to be lastingly satisfied by maintaining a healthy ecosystem throughout the forest while receiving the benefit of the timber it provides. Within Japan, this management not only contributes to revitalizing the forestry industry, but also to addressing both economic and environmental challenges, such as climate change measures and biodiversity conservation.

Relevant CSR Initiatives

- ▶ [Protecting and Utilizing Domestic Forest Resources](#)
- ▶ [Forest Management Overseas](#)
- ▶ [Consulting Business](#)
- ▶ [Reforestation Activities Contributing to the Society](#)





Logging/ Transport

The Sumitomo Group logs in forests it owns or manages based on long-term logging plans.

Forest operations include appropriate thinning, which helps to preserve and increase forest resources, while taking into consideration the surrounding environment including the ecosystem. The Group 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. The timber that is harvested is transported to business partners and plants. The Sumitomo Forestry Group furthers mechanization of transport operations and supports the use of domestic timber through the reduction of costs.

Relevant Social Issues

Sumitomo Forestry Group realizes sustainable forest management through long-term planned harvesting to address a variety of social challenges, including resource recycling and response to climate change as well as the conservation of biodiversity.

In addition, ensuring the safety of every worker is an important issue when harvesting trees. Sumitomo Forestry Group pays close attention to the occupational health and safety of every employee who is working for the Group, including business partners.

Relevant CSR Initiatives

- ▶ [Sustainable Forest Management](#)
- ▶ [Occupational Health and Safety in the Forestry Business](#)



Site Preparation/ Planting

The Sumitomo Forestry Group prepares plantations that have been harvested to build an environment allowing subsequent planting.

Relevant Social Issues

The Sumitomo Forestry Group always recognizes sustainability from an environmental perspective in a cycle that starts with planting, cultivation, harvest, use, and back to planting. We strive to address social challenges such as use of Japanese timber and forest revitalization.

Sustainable Forest Management

Basic Policy

Forests perform a variety of functions for the public good, such as storing and purifying water, preventing floods and landslides, and absorbing and retaining CO₂, which is linked to global warming, preserving biodiversity, production of timber, and recreation.

On a basis of appropriate management, the Sumitomo Forestry Group advances sustainable forest management both in Japan and overseas to ensure that timber resources will be available in perpetuity while preserving the public functions of forests.

In the domestic forestry business, production in company-owned forests is aimed at realizing profitable forestry together with ensuring legality with due consideration for biodiversity and unique local cultures. By practicing sustainable forest management, we have obtained and maintain certification of 100% of certifiable forests.

We operate under the following philosophy when obtaining new forests in our overseas forestry business.

1. To build good relationships with surrounding villages and local communities.
2. The major presumption is that HCVA^{*1}, HCSA^{*2} and FPIC^{*3} are to be implemented. It is also possible to eliminate environmental risk, and there must be no identified past environmental problems.
3. FSC[®]-FM certification must be obtained (FSC-CW and PEFC certification are also desirable).
(FSC-C113957)

*1 High Conservation Value Assessment: inspection and assessment to establish conservation policies for areas specified as having high conservation value, such as rare flora and fauna habitat.

*2 High Carbon Shock Assessment: inspection and assessment to specify and restrict development in areas with high carbon absorption volumes so that the volume of carbon retained by forests does not decline when forest land is converted to other uses.

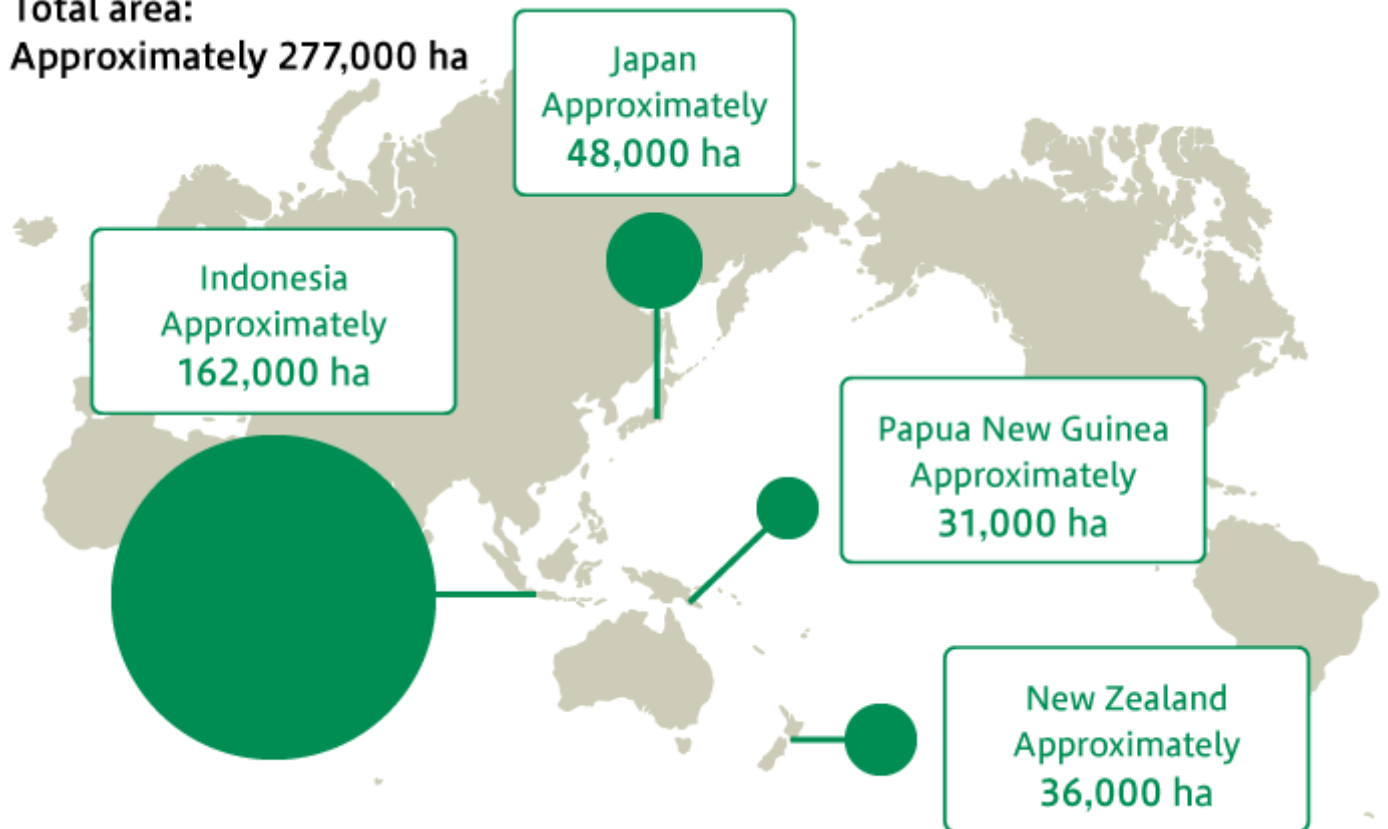
*3 Free Prior Informed Consent: Prior sharing of information and consensus formation with indigenous people and others in cases where there is likelihood that operations could impact the lands, territories or resources of indigenous people.

Forest Management and Timber Usage



Area of Forest Managed and Owned in Fiscal 2018

**Total area:
Approximately 277,000 ha**



Niihama Forest

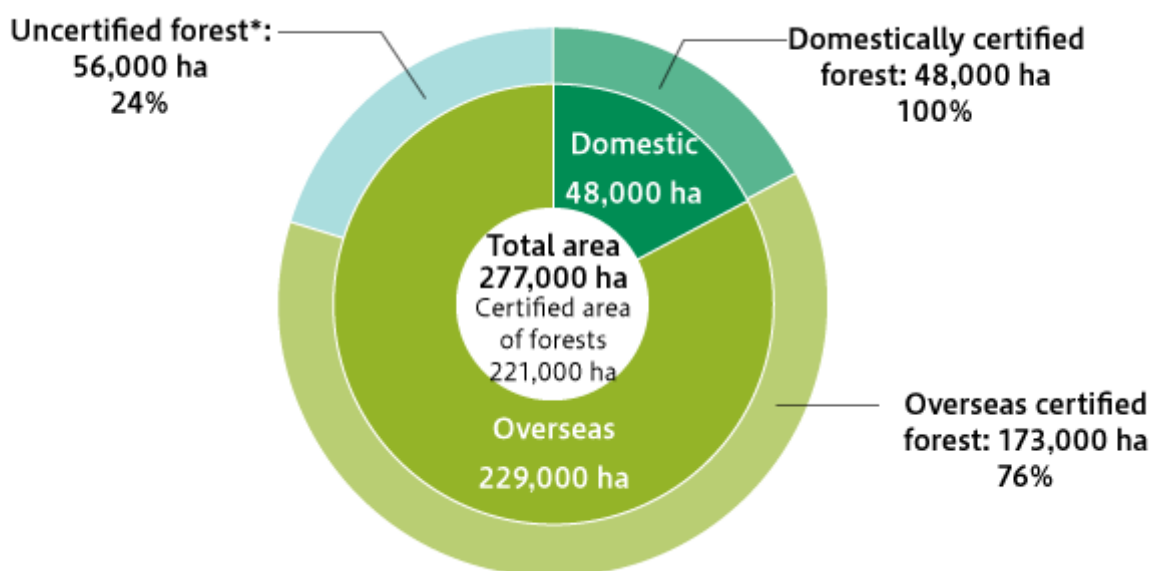


New Zealand Forests

Promoting Certification of Forests

In upstream forest management, middlestream timber distribution and downstream construction of wooden houses, the Sumitomo Forestry Group promotes the acquisition of FSC forest certification as well as PEFC forest certification and the mutually authenticable SGEC forest certification both domestically and abroad.

Status of Forest Certification



* Uncertified forest includes social forestry and other plantation area

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
Forests Owned by Sumitomo Forestry	47,746	SGEC	September 25, 2006	JAFTA-010	Japan Forest Technology Association (JAFTA)
Open Bay Timber Ltd. (OBT) (Papua New Guinea)	12,854	FSC®	December 5, 2018	NC-FM/COC-005600	NEP Con
	7,066	FSC®	December 5, 2018	NC-CW/FM-003093	NEP Con
OBT Total	19,920				
PT. Wana Subur Lestari (WSL) (Indonesia)	40,750	PHPL* ²	June 25, 2013	LPPHPL-006-IDN	PT Almasentra Konsulindo
PT. Mayangkara Tanaman Industri (MTI) (Indonesia)	74,870	PHPL* ²	September 24, 2013	015/EQC-PHPL/IX/2013	PT Equality Indonesia
Koperasi Serba Usaha Alas Mandiri KTI (KAM KTI) (Indonesia)	1,005	FSC®	December 22, 2008	SA-FM/COC-002083	Woodmark

Certified Forests (Company)	Certified Area (ha)	Certification System	Date Certified	Certification Number	Certification Issuing Body
Koperasi Bromo Mandiri KTI (KBM KTI) (Indonesia)	460	FSC®	January 4, 2017	SA-FM/COC-005493	Woodmark
Tasman Pine Forests Ltd. (TPF) (New Zealand)	36,200	FSC®	September 7, 2016	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: (1) compliance with laws and system frameworks, (2) forest ecosystem and biodiversity maintenance and conservation, (3) respect for rights of indigenous people and local communities, and (4) maintenance and enhancement of forest productivity.

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

Seedling Farming and Cultivation: a First Step Toward Sustainable Forest Management

Securing superior seedlings is a crucial first step toward sustainable forest management. Stable production of superior seedlings enables appropriate forest establishment. Sumitomo Forestry was the first to modernize seedling production. We are contributing to the sustainability of forest resources and active resource production through efforts such as the construction of greenhouse-type cultivation facilities with proper environmental management. With the opening of a new facility in Midori City, Gunma Prefecture in fiscal 2018, we have established a system capable of cultivating 1.6 million seedlings a year with five locations throughout Japan. Also, in overseas plantation forest operations, we practice sustainable forest management, producing our own seedlings for planting, cultivation, logging and replanting.

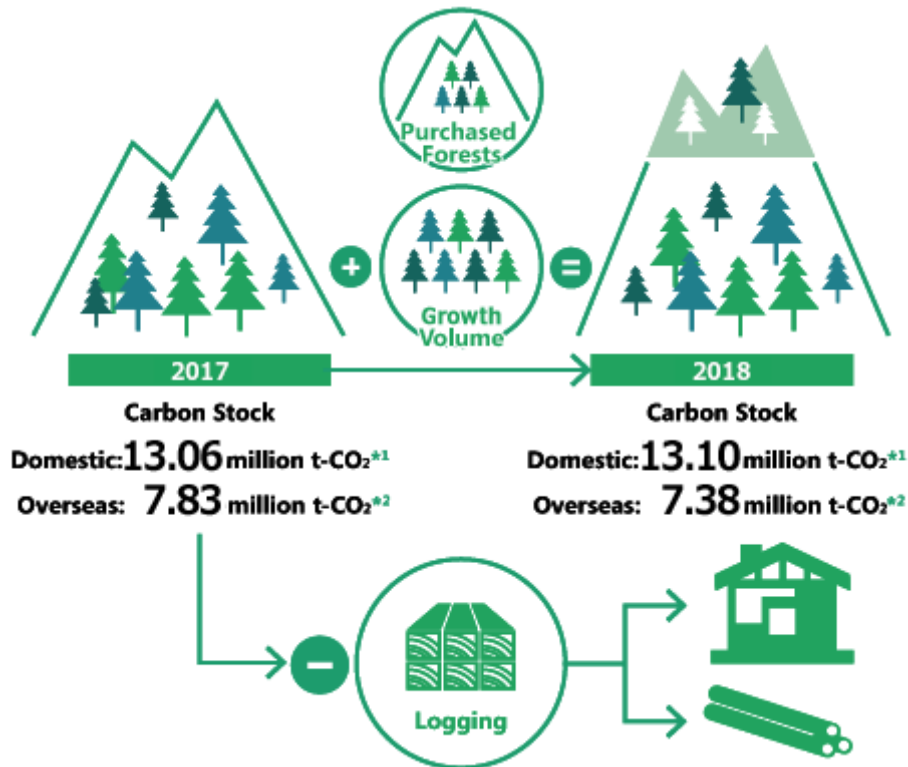
Cultivation: Preserving the Public Functions of Forests Through Appropriate Management

The Sumitomo Forestry Group manages a total of approximately 48,000 hectares of company-owned forests in Japan and a total of around 230,000 hectares of company-owned plantation forest area overseas. The Group works to maintain and enhance the public functions of these forests by carrying out underbrush clearing, pruning, thinning and other appropriate management required for them to grow.

Carbon stocks* of forests in Japan owned by Sumitomo Forestry Group at the end of fiscal 2018 were 13.1 million t-CO₂ (+40,000 t-CO₂ from the previous year). Carbon stocks at overseas plantation forests were 7.38 million t-CO₂ (-450,000 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

Logging and Transport: Supplying Timber Products Through Systematic Logging

The Sumitomo Forestry Group logged approximately 70,000 m³ of trees in Japan and approximately 930,000 m³ of trees overseas in fiscal 2018 in forests it owns or manages based on long-term logging plans. Harvested trees are milled and processed before finally reaching the market as products such as housing and furniture. In the case of timber turned into structural members for housing, the products are used for several decades. Even after being dismantled or at the end of their product life, wooden construction and timber products can be reused as fiberboard or other wood materials in construction or as raw material for making paper, and all that time it will continue to retain 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.

► [Carbon Stock in the Housing and Construction Business](#)

Site Preparation and Planting: Preparing for the Next Cycle

Harvesting and using timber alone will lead to a diminishing of forest resources. The Sumitomo Forestry Group therefore promotes sustainable forest management by always planting new trees after harvesting.

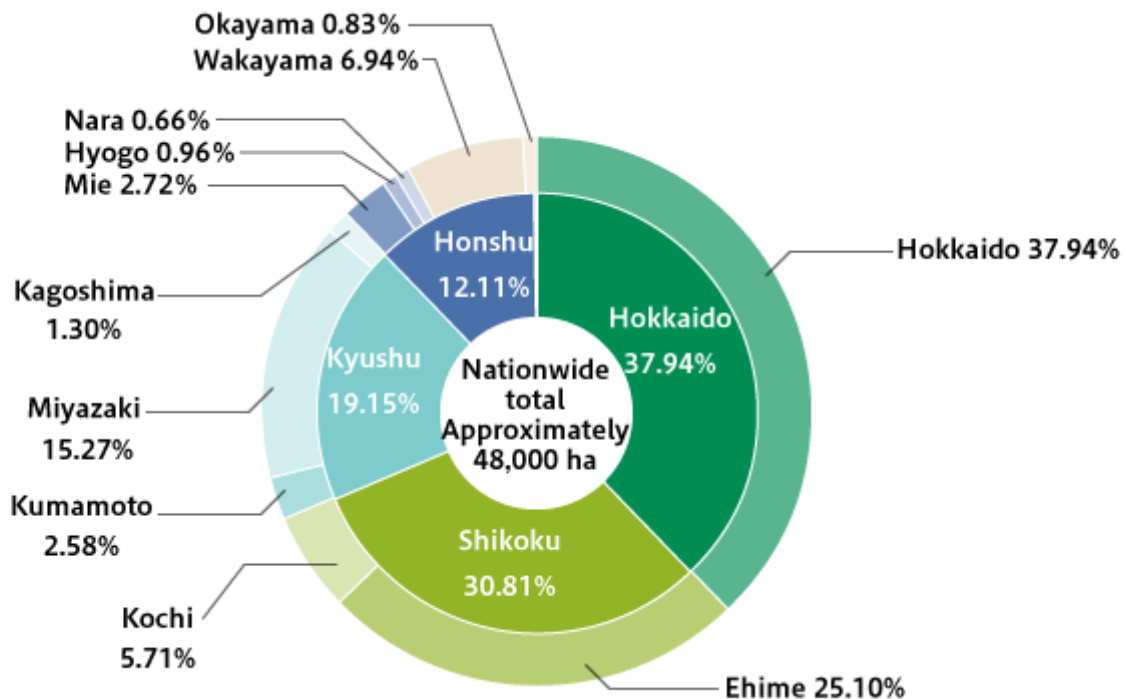
In fiscal 2018, we planted forests on 139 ha in Japan, and on 5,829 ha overseas. The newly planted trees will absorb CO₂ during their growth and retain it as carbon.

Protecting and Utilizing Domestic Forest Resources

Basic Policy

In recent years, the degradation across Japan of artificial forest plantations of cedar, Japanese cypress and other species has resulted in the alarming loss of the multifaceted functions of forests, such as water source recharge. The reasons for this devastation include the stagnation of timber value and worsening profitability as well as the inability for proper thinning or other management of the forests. In order to prevent further devastation of forests by revitalizing the forestry industry, the government of Japan has set a goal of raising Japan's timber self-sufficiency rate to roughly 50% by 2025.

Breakdown of Company-Owned Forests



Preserving and Increasing Forest Resources Through Management of Company-Owned Forests

The Sumitomo Forestry Group owns a total of approximately 48,000 hectares (about 1/800 of the national land area) of forest land area. Company-owned forests are categorized as either "commercial forests," where the production of timber is the priority, or "environmental forests," where conservation of the environment is the focus.

Sumitomo Forestry acquired a forestry certification from Japan's Sustainable Green Ecosystem Council (SGEC)^{*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%.

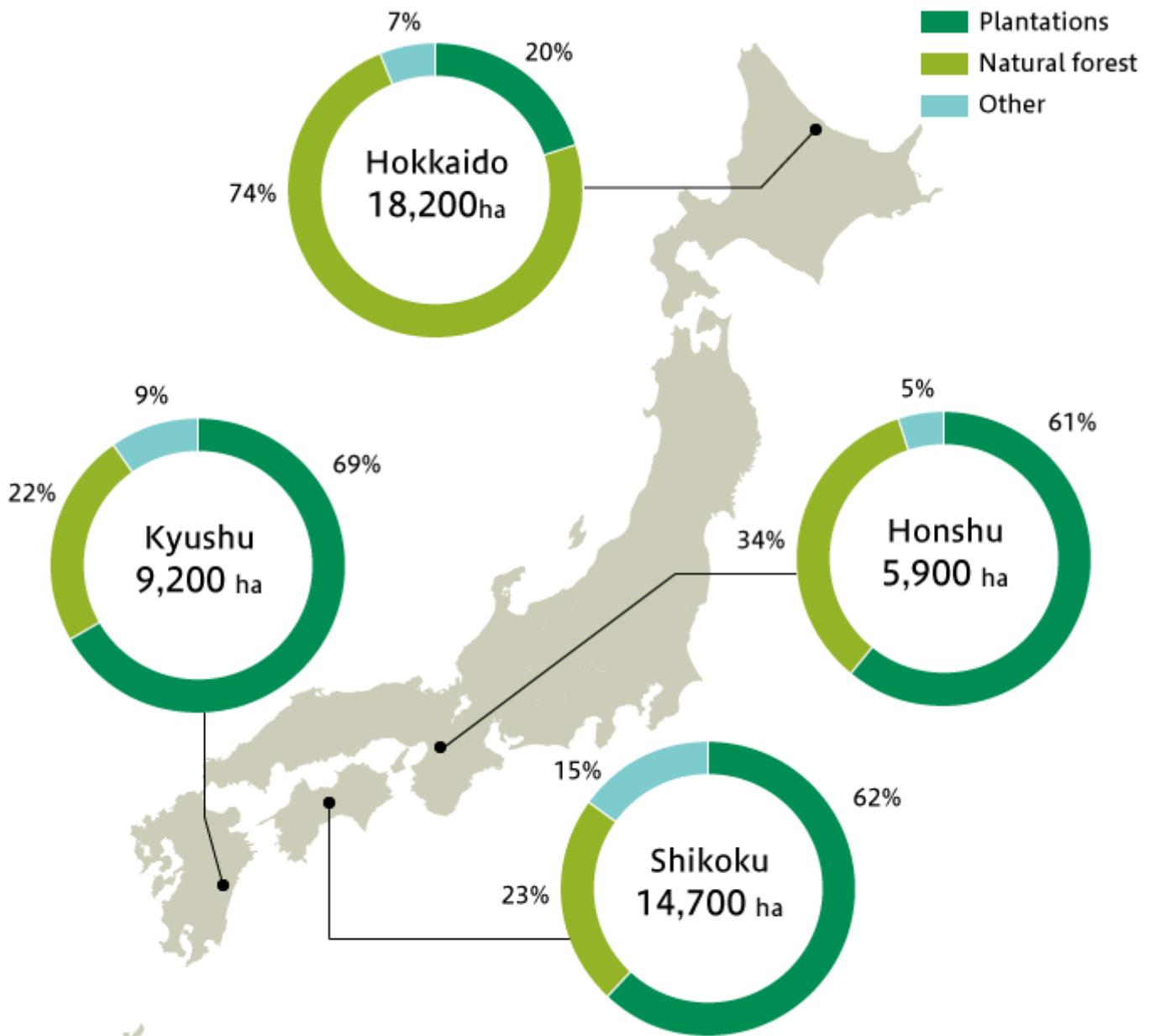
Forest operations include appropriate thinning, which helps to preserve and increase forest resources, while taking into consideration the surrounding environment including the ecosystem. Sumitomo Forestry also aims for highly productive management of its forests based on operational plans that follow the principle of performing the appropriate management for the appropriate tree species on the suited land.

*1 Japan's own forestry certification system through which forest management is verified as sustainable by third parties. Certification is based on seven criteria that include the preservation of biodiversity and the conservation and maintenance of soil and water resources. Due to the June 2016 approval of mutual recognition of the PEFC*³ international forest certification system, international recognition has increased.

*2 The forests owned by Sumitomo Forestry exclude the lands leased to Kawanokita Development Co., Ltd., which is a Group company responsible for operating a golf course. Newly purchased forests are excluded because they underwent expanded inspections during the subsequent fiscal year.

*3 The programme for the Endorsement of Forest Certification Schemes is an international NGO that mutually authenticates certification standards created in each country and region as criteria to be shared internationally. Forest certification systems in 49 countries have joined PEFC of which 44 have been mutually recognized as forest certification systems.

Distribution and Area of Company-Owned Forests (as of March 31, 2019)



Total area of Company-owned forests approximately 48,800 ha
(around 1/800 of Japan's land area)

Forest Revitalization Initiatives

Seedling Production for Regional Revitalization

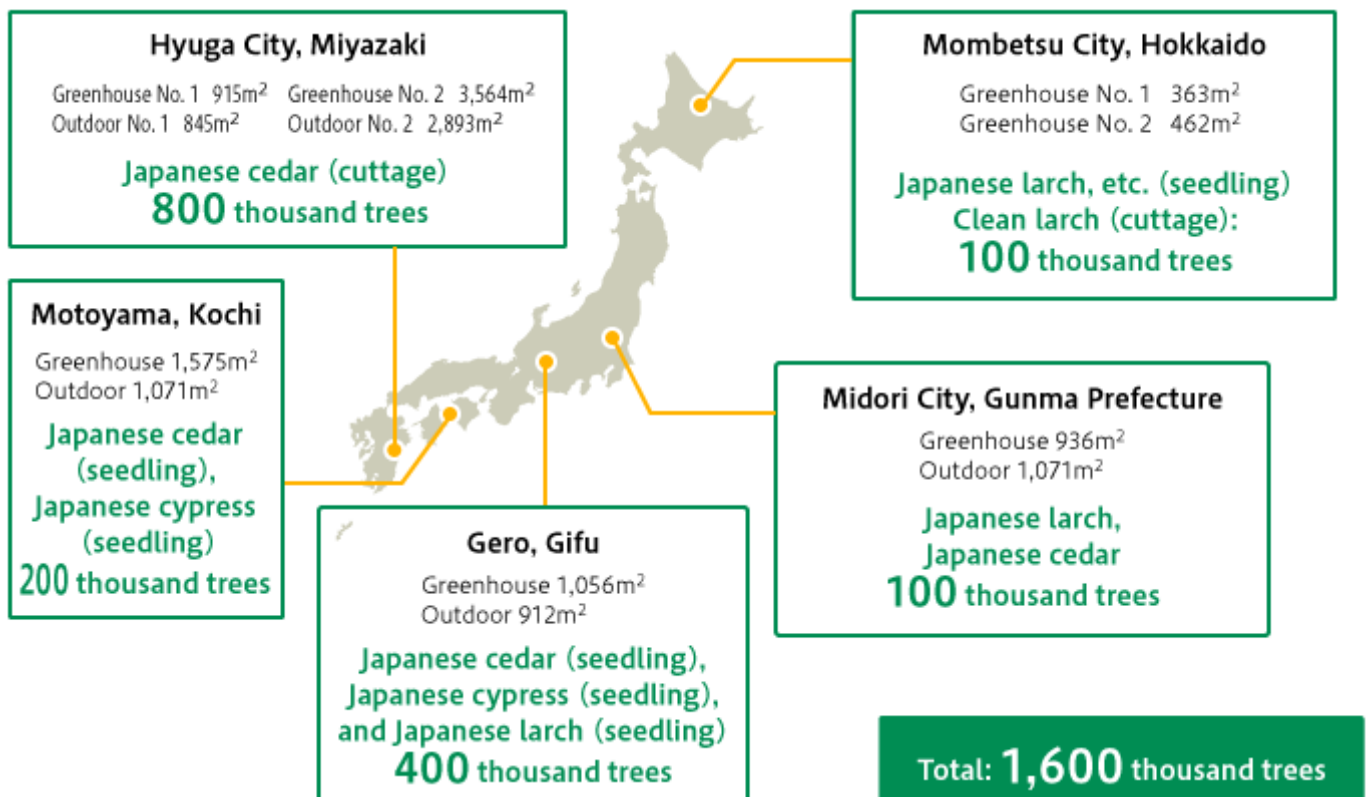
Increasing number of municipalities are working to foster forest resources that are not yet effectively utilized as one part of regional revitalization measures. Areas of clear cutting is expected to increase in the future as the harvesting period approaches for cedar and Japanese cypress planted after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

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

More specifically, starting from the development of an environmental control greenhouse facility in Hyuga City, Miyazaki in 2012, we established the know-how for production in Mombetsu City, Hokkaido as well. The production per unit of area significantly increased by controlling the temperature and humidity and allowing cultivation throughout the year compared to conventionally raising seedlings in the open. We opened greenhouse facilities in Gero City, Gifu Prefecture in fiscal 2016, in Motoyama City, Kochi Prefecture in May 2017, and in Midori City, Gunma Prefecture in fiscal 2018 to establish a system capable of cultivating 1.6 million seedlings a year throughout Japan.

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

Cultivating Sumitomo Forestry Seedlings Throughout Japan



Total: 1,600 thousand trees

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, Sumitomo forestry is also advancing the implementation of plans for test harvesting these fast-growing trees with the Forest and Landscape Research Center.

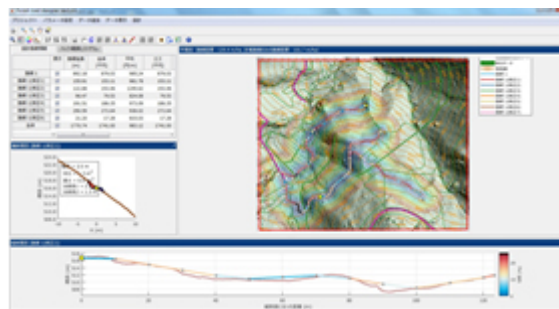


Chinese fir

Launch of FRD Forestry Roadway Design Support System

Forests in Japan often have insufficient roads or strip roads in place which prevent smooth management of forests and transport of the timber that is harvested. Currently, when constructing roads or strip roads in forests, lines are drawn by hand over a paper topographical map before visiting the site to see if that plan for the road network can be executed as is. This process of examination is usually done over and over again. The work to create these line drawn plans as well as check and verify the site rely heavily on individual intuition and experience as well as cost a vast amount of time and labor.

This software takes advantage of precise topographical data obtained from aerial laser and other measurements to design forestry road networks such as forest roads and strip roads. The main feature is a function for automatic design able to automatically create the line drawings by inputting the site of departure and destination in the operation screen. This feature creates low-cost line drawn plans based on parameters, including requirements such as longitudinal slope and the curvature radius, width, and operation costs specified in advance. In addition, the software packs more features than necessary for the job, such as allowing the design of safety lines that reflect areas which should be avoided due to potential collapse and other circumstances when creating a plan. The on-site exploration of the line drawn plans for roadways designed in the software offers efficient on-site verification.



Automatic Design Screen (Image)

Spearheading Forest Revitalization and Developing Power Assist Suits for the Forestry Industry

Sumitomo Forestry exhibited the TABITO-03 prototype at the International Robot Exhibition 2017 to demonstrate the first power assist suit for the forestry industry able to reduce physical labor by 17%. In fiscal 2018, we tested the improved TABITO-04, featuring improvements making it easier to put on and take off, as well as more effective functionality. This consortium is comprised of the Forest Research and Management Organization, ATOUN Inc. and the Nara Institute of Science and Technology. Development is moving forward with the aim of practical application by 2025.

The power assist suit for forestry work now under development can reduce manual labor done by forestry workers by 17%. This is the first time a reduction in the physical load has been broken down into data in the forestry industry. The load on the shoulders and feet of workers can also be reduced by wearing this assist suit when carrying heavy seedling packs and planting tools for several dozen kilometers. Forestry workers make their way to worksites by climbing up sudden slopes on mountain routes that zig-zag through the landscape when working in steep mountain forests. Practical applications of the power assist suit for the forestry industry would dramatically improve work efficiency in the shortest climbs and descents without worry of exhaustion.



During Evaluation of the TABITO-03

Forest Management Overseas

Basic Policy

As national governments throughout Southeast Asia strengthen their promotion of natural forest conservation, they are implementing restrictions on harvesting and exports, among other measures that reduce the supply of natural wood. In addition, as momentum toward SDGs and sustainable development increases, it has become necessary to convert to timber obtained through forest plantation and certified forest management practices that ensure both environmental consciousness and stable supply. The Sumitomo Forestry Group implements forest plantation operations that take local communities and ecosystems into consideration to enable a stable and sustained timber supply while helping to reduce the impact on natural forests.

Overseas Plantation Area (Unit: ha)

Country		Name of Plantation Business	Managed Area	Plantation Area for Social Forestry	Planted Area in FY2018	Logged Area in FY2018
Indonesia	Industrial tree plantation	PT. Mayangkara Tanaman Industri	104,664	0	2,558	2,991
		PT. Wana Subur Lestari	40,750	0	2,134	2,392
		PT. Kutai Timber Indonesia (KTI)	4,400	0	0	0
	Social forestry	PT. Kutai Timber Indonesia (KTI)	0	6,144	0	0
		Koperasi Serba Usaha Alas Mandiri (KAM KTI)	0	1,005	0	0
		Koperasi Bromo Mandiri KTI (KBM KTI)	0	460	0	0
		PT. Rimba Partikel Indonesia (RPI)* ¹	0	637	0	0
		Other* ²	0	3,633	0	0
	Subtotal	149,814	11,879	4,692	5,383	
Papua New Guinea	Industrial tree plantation	Open Bay Timber Ltd. (OBT)	31,260	0	469	113
New Zealand	Industrial tree plantation	Tasman Pine Forests Ltd. (TPF)* ³	36,360	0	668	753
Total			217,434	11,879	5,829	6,249

*1 The land area is calculated by conversion from the number of seedlings distributed at RPI. Vegetation determined to have withered is included in the harvest.

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

*3 Acquisition of the forest area managed by TPF was completed in June 2016.

Forest Management Overseas

The Sumitomo Forestry Group is expanding three approaches to conducting plantation forest operations; industrial tree plantation, environmental reforestation, and social forestry. The purpose of industrial tree plantation is to produce wood and increase the supply of plantation timber (raw material). By zoning its managed land appropriately, the Group aims to achieve both the conservation of valuable ecosystems and the development of local communities through plantation forest operations.

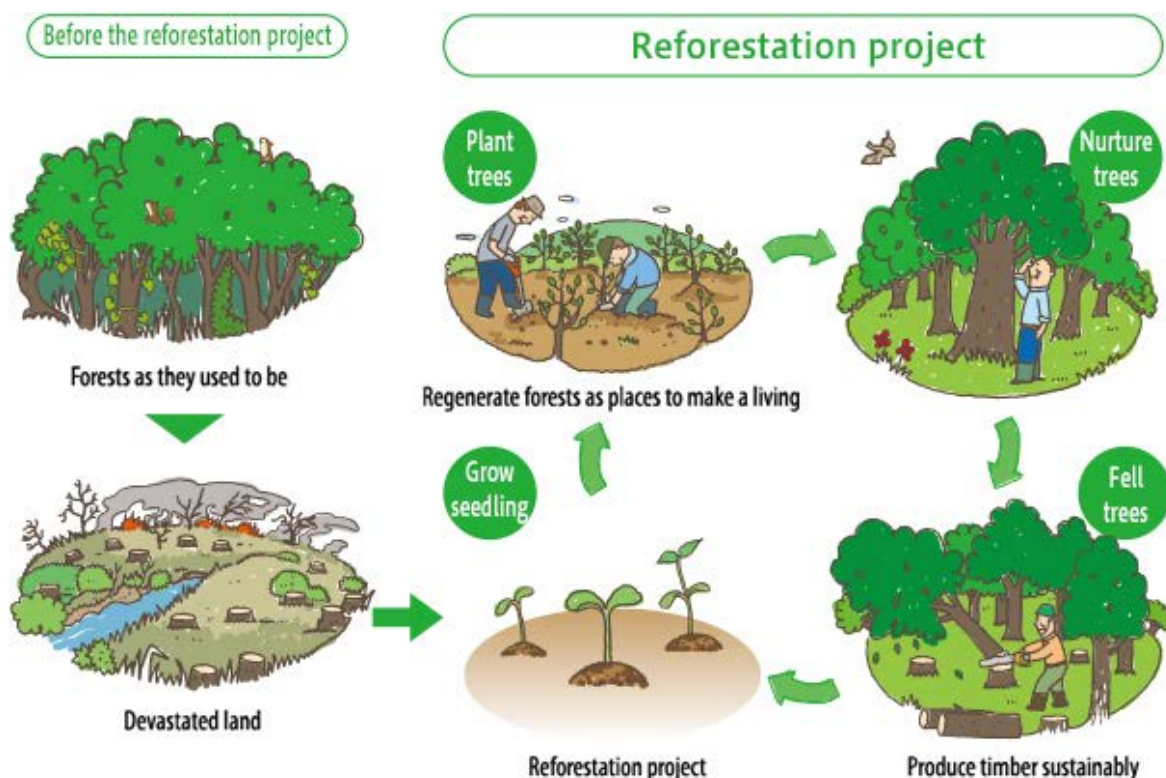
In addition, the Group also conducts environmental reforestation, planting trees for environmental conservation. It aims to contribute to environmental conservation through the expansion of forested areas and the fulfillment of the ecosystem services function of forests, by actively planting trees on land where natural regeneration would otherwise be difficult. The Group has also been engaged in "social forestry" which shares the economic benefits of forest plantation with local communities while enlisting the cooperation of local residents.

Plantation Forest Operations in West Kalimantan, Indonesia (Industrial Tree Plantation)

Since 2010, under the license from Indonesian Ministry of Environment and Forestry permitting utilization of timber from commercial forests*, Sumitomo Forestry has been committed to a large-scale forest plantation business conducted in cooperation with the ALAS Kusuma Group, a company involved in forestry management and plywood manufacturing in Indonesia. The project covers areas in which forest degradation has advanced due to commercial harvesting from the 1960s to the mid 1990s in addition to repeated illegal logging and slash-and-burn farming practices. In these types of lands, Sumitomo Forestry Group actively uses devastated forests where productivity is not expected 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 trees with appropriate management for each piece of land with consideration to different environmental factors such as topography and soil conditions 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 contribute 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.



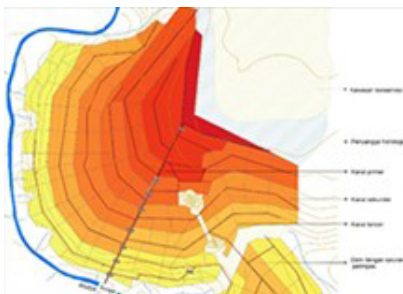
2012	<ul style="list-style-type: none"> • Signed a contract with International Finance Corporation (IFC)—member of the World Bank Group for the provision of advisory services. In accordance with the concept of High Conservation Values Forests (HCVF)* that draws great attention in recent years, Sumitomo Forestry conducted assessments on its operational properties with IFC and investigated whether the property use plan is implemented as stated and adequate consideration is made for biodiversity and livelihood of local residents. The reports of the investigation results were audited by a third-party organization, and valuable comments made by stakeholders on the report were adapted in the business plan.
2013	<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.
2015	<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	<ul style="list-style-type: none"> • Advanced efforts with the Indonesian Ministry of Environment and Forestry to build a model for sustainable plantation forest operations and peat management methods in peatlands through our businesses and research activities. • The Commissioner of Peat Land Recovery visited the local grounds to observe the peat management technology. Gained high praise for groundwater level control technology and the newest initiatives founded in data as well as introduced both in an international venue for government officials as beneficial examples for Indonesia.
2017	<ul style="list-style-type: none"> • Entered into a Memorandum of Understanding (MOU) with the Indonesian Ministry of Environment and Forestry for a pilot project that aims to examine unique water level management technologies to sustainably manage peatlands and establish peatland management models in Indonesia. The term of this project is set for five years. The project is being conducted with the cooperation of the Ministry of the Environment and Forestry as well as the Peatland Restoration Agency. • The peatland management technology from this project was introduced as an example of excellent, leading-edge peat management at the November 2017 United Nations Climate Change Conference (COP23) held in Bonn, Germany.
2018	<ul style="list-style-type: none"> • In 2018, the Group formulated a grievance mechanism with the help of the IFC. Together with the University of Indonesia, we also conducted a social survey of operational and surrounding areas on a three-year plan. • We reported on peatland management technology at the December 2018 United Nations Climate Change Conference (COP24) held in Poland.

* In considering the value of forests, it goes beyond their value as absorbers of greenhouse gases, outlining methods of extracting each one of the many aspects of value forests contain. These aspects include their value as habitats of rare, endangered animal species, as water resources, as providers of essential natural services such as soil erosion control, and as land that has an intimate relationship with the lifestyles and cultures of local communities.

Conservation of Peat Swamp Forests

Conventionally, reforestation in peatlands* pushed water out of the soil and dried the land by digging many drainage routes for planting. However, drying-out land results in the decomposition of organic matter in the peat soil and acts to heighten global warming due to the emission of greenhouse gases. Dried peat, once ignited, is very difficult to extinguish, creating the risk of large-scale forest fires. The soil needs to always be in a damp state to prevent fires, but this means maintaining a constant groundwater level throughout the year through proper water level management is extremely vital. Therefore, in drawing up a forestation plan, the Sumitomo Forestry conducts detailed measurements and surveys based on which the following areas are identified: (1) forests to be protected with riparian forest and high rarity value, (2) areas to set as buffer zones between protection zones and plantation zones, and finally (3) areas the final determination as plantation zones. In plantation zones, water routes that function as round log transport, water level control, and fire belts are constructed while allowing a constant water level in the peatlands to always be maintained without affecting the rivers by not directly connecting the water routes and the rivers. Maintaining a constant groundwater level not only prevents forest fires and minimizes the breakdown of peats but also limits the emission of greenhouse gases. These results have been announced at relevant government agencies, universities and other institutes and some aspects have even been adopted as new policy measures. In addition, we actively release technical abstracts as we work to spread technologies to reduce environmental impact. The technology we have developed also has the potential to be utilized in reforestation of areas devastated by large-scale fires.

* 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.

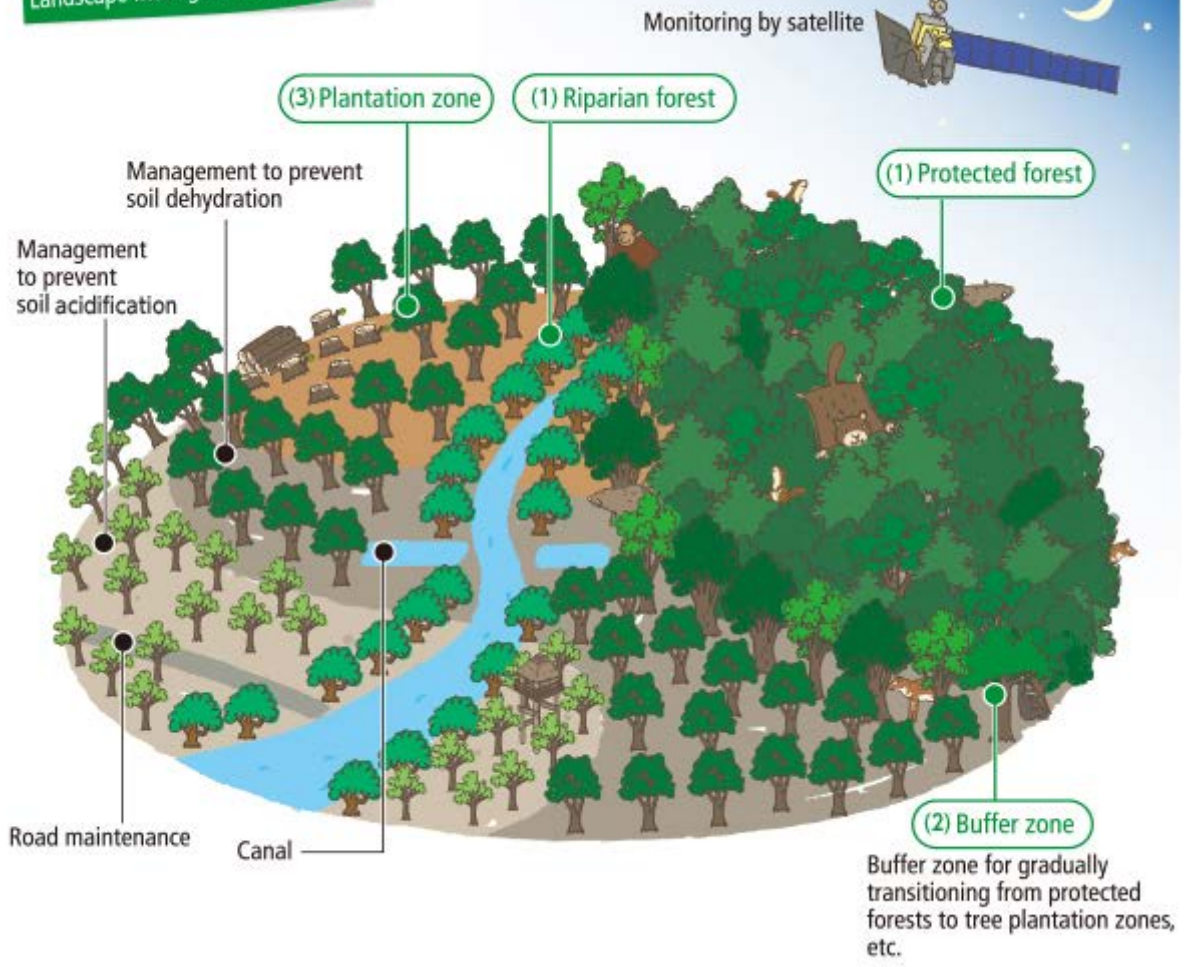


Land for plantation forest operations designed based on detailed data



Monitoring the water level in peatlands

Landscape Management Overview



Occupational Health and Safety in the Forestry Business

Domestic Initiatives in Forestry

In Japan, the Sumitomo Forestry Group manages approximately 48,000 hectares of company-owned forests. Contractors conduct planting, weeding, improvement cutting, thinning and clear cutting operations. For the purpose of preventing occupational injury to these contractors, the Group conducts safety patrols and holds Workplace Safety Conferences at each forestry office once every half year.

In fiscal 2018, there were 4 instances of occupational injury requiring payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act in Sumitomo Forestry-owned forests. As a result, with the contractors involved, response measures to prevent recurrence were discussed and agreed. Additionally, warnings were issued to other contractors through the Workplace Safety Conferences.



A safety patrol

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

FY2014	FY2015	FY2016	FY2017	FY2018
2	1	3	1	4

Overseas Initiatives in Forestry

The Sumitomo Forestry Group manages a total of approximately 230,000 hectares of company-owned plantation forests overseas. As in company-owned forest, overseas plantation companies (Open Bay Timber Ltd., PT. Mayangkara Tanaman Industri, PT. Wana Subur Lestari and Tasman Pine Forests Ltd.) take thoroughgoing companywide safety measures and are thoroughly equipped to prevent occupational injury. Regular safety lectures are also provided.

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

Open Bay Timber Ltd.	PT. Mayangkara Tanaman Industri PT. Wana Subur Lestari	Tasman Pine Forests Ltd.
2	1	0

Lectures Given by External Experts

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

At the Workplace Safety Conferences held at various forestry offices in fiscal 2018, experts from the Forestry and Timber Manufacturing Safety & Health Association gave lectures on accident prevention measures based on analysis of causes of recent forestry occupational injuries, and on-site emergency training was also conducted.



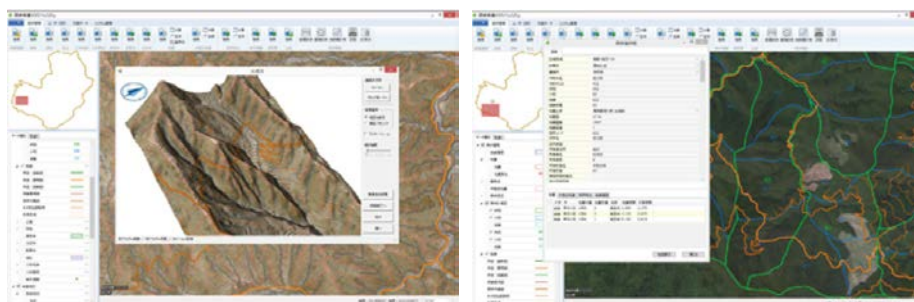
On-site guidance by experts
(Hyuga Forestry Office)

Consulting Business

Domestic Case Example

Supporting Municipalities in Introducing Forestry ICT Platforms

While quantitative forest resources are analyzed through aerial surveys and forest resource data systems are prepared in some advancing areas, many of the forests in Japan do not have sufficient forest resource information. Sumitomo Forestry built the Forestry ICT Platform together with AS Locus Corporation as a measure to address this situation. The Forestry ICT Platform is a holistic system with a wide range of functionality related to advance forest resource information as well as forests and forestry that has been provided to municipalities throughout Japan and organizations in the forestry business since fiscal 2013. The key distinctive feature of this platform is that it is provided in regionally customized form, with a variety of forest and forestry-related data and functions optimized for local characteristics. We have supported 13 municipalities with the platform as of the end of fiscal 2018.



System screen (geographical information)

System screen (forest resources information)

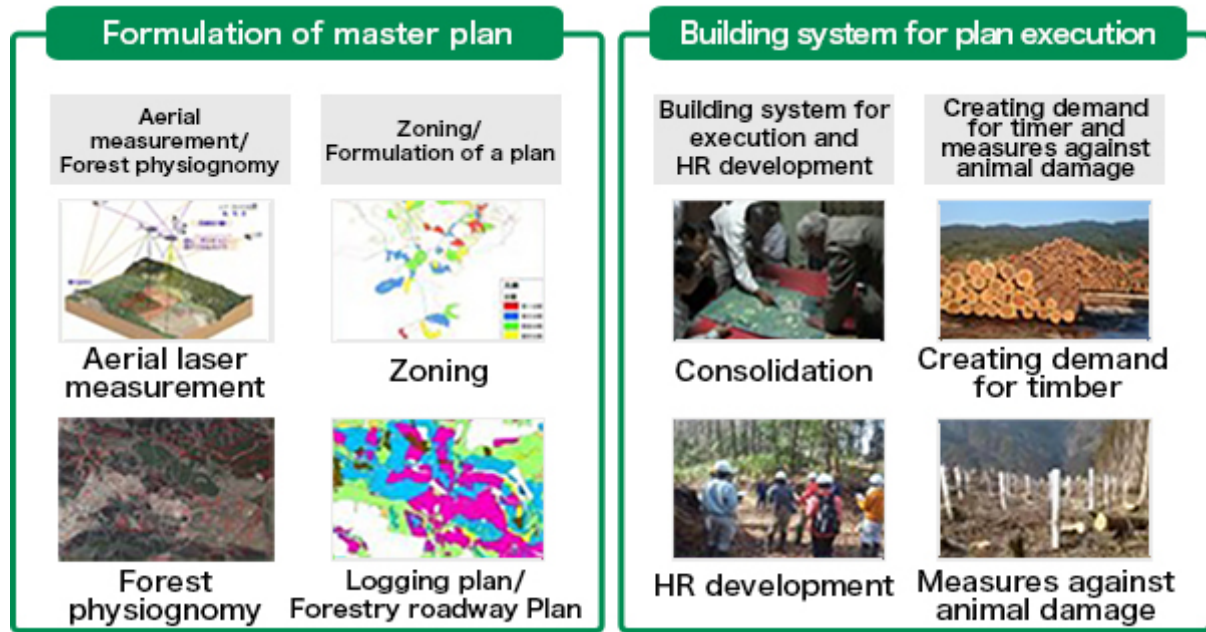
Supporting the Creation of a Forest and Forestry Master Plan for Itoshima City, Fukuoka Prefecture

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 under which businesses are to build supply chains for city use of timber that takes advantage of ICT promoted by Itoshima.

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

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



Overseas Case Example

Corporate needs for forest management are diverse. In recent years, a considerable number of companies have been conducting forest conservation and planting activities in developing countries to mitigate the impact on forests in overseas countries and regions where they engage in various business activities, and to otherwise fulfill their corporate social responsibilities.

Drawing on its knowledge of forest management in Japan and overseas, Sumitomo Forestry implements its consulting business for the restoration of degraded forests in tropical regions, the rehabilitation of biodiversity, and for the protection and cultivation of forests that takes into account local communities.

Mitsui Sumitomo Insurance Co., Ltd.'s Project for the Rehabilitation and Regeneration of the Paliyan Wildlife Sanctuary (Environmental Reforestation / Social Forestry)

Mitsui Sumitomo Insurance Co., Ltd. has been involved since 2005 in efforts to restore the devastated forests in the Paliyan Wildlife Sanctuary (Gunung Kidul Regency in the Special Region of Yogyakarta) in Indonesia. Sumitomo Forestry has provided associated consulting services.

During the first phase of activities to March 2011, around 300,000 trees were planted on 350 hectares of land. As second phase of activities since April 2011, with a goal of creating a framework for local people to voluntarily protect their abundant forest areas, Sumitomo Forestry has been providing support for an agricultural guidance program aimed at improving the livelihoods of local residents, the establishment of an inclusive organization to examine ways of managing protected forests, and an environmental education program in cooperation with local schools. As third phase of activities since April 2016, we have been supporting additional planting in areas with few trees in protected forests as well as social forestry through local communities around protected forests.

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.

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 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 local residents through joint plantation activities so that they will be able to continue managing forests after they have been returned.

► [Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas](#)



Social Forestry Monitoring



Seedlings Planted in Bromo Tengger Semeru National Park

Reforestation Activities Contributing to the Society

Reforestation Activities Contributing to the Society

Distribution of Free Seedlings and Buy Back Guarantee of Logs

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



Local KTI Staff Celebrate the Minister's Prize

Number of Seedling Stocks Given to Indonesia

Company	FY2018 results
KTI	1,020,000 trees
RPI	220,000 trees

Promoting Certification of Forests Together With Local Communities

KTI organized KSU ALAS MANDIRI KTI (KAM KTI)*, which is a community plantation cooperative association. In 2008, KTI obtained the first FSC®-FM certificate for the 152-hectare plantation and has expanded its certification to 1,005 hectares in 2015. Koperasi Bromo Mandiri-KTI (KBM KTI)*, which is a second reforestation cooperative with the same certification, acquired a certificate for 206 hectares in January 2017. In 2018, the area expanded to 460 hectares and began extracting raw wood. The area of certified forest has reached a total of 1,465 hectares. These certified forests will strengthen the manufacture and sale of products with high environmental value based on a growing supply of certified timber materials.

* KAM KTI: FSC-C023796, KBM KTI: FSC-C133562

Sustainable Plantation Business by Leveraging Forestry Certification System

Of an approximately 30,000-hectare plantation owned and managed by OBT* of Papua New Guinea, about two-thirds, or 20,000 hectares, has received FSC® forest certification. 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 2018 was 469 hectares.

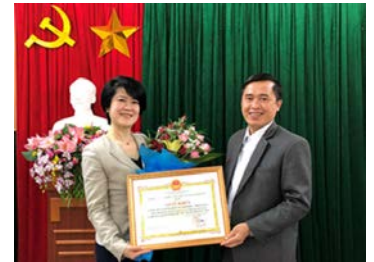
Approximately 36,000 hectares managed by Tasman Pine Forests Ltd. (TPF) of New Zealand has been FSC®-FM certified*. In fiscal 2018, they planted approximately 668 hectares of forest, carrying out sustainable forest management in harmony with the local community and environment.

* OBT: CW certification FSC-C019117, FM certification FSC-C103694, TPF: FM certification FSC-C132002

Contributing to Reforestation in Collaboration with Governments

Since 2013, Sumitomo Forestry has teamed up with the Japan International Cooperation Agency (JICA) to engage in forest management activities with Dien Bien Province in Vietnam, including forest conservation and planting of deforested areas. Our comprehensive support has also included livelihood assistance to help reduce excessive dependency on forests. Among Vietnam's poorest areas, Dien Bien has suffered severe forest depletion due to practices by local residents such as expansion of farmland and burning of fields. Given its importance as the location of a hydroelectric generator dam and sources of water crucial for all of Vietnam, however, we assist with a portion of the support that JICA provides to the province, such as the formation of organizations to protect forests, conservation activities, forest planting, fruit tree and vegetable cultivation support, as well as helping to provide feed for fish and livestock. As of fiscal 2018, we had reforested a total of approximately 19.5 hectares in five locations.

In Dien Bien Province, where open livestock grazing has been the local custom, the resulting damage to planted tree seedlings has become an issue as it prevents them from taking root and growing. We are therefore promoting a forestation model that introduces the use of protective barriers. The seedling survival rate has increased compared to previous forestation models, thus confirming the effectiveness of the forestation model using protective barriers. The results have been acknowledged by the provincial Rural Agricultural Development Bureau, and received an award in October 2018.



Award ceremony

Environmental Energy Business

Value Chain of Environmental Energy Business



Procurement

The Sumitomo Forestry Group aims to further use scrap wood produced during construction and renovation of housings in urban areas and unused forest resource from forests as fuel for wood biomass power generation plants to promote renewable energy and enhance forest value.

In fiscal 2018, 394,000 tons of wood fuel was manufactured and procured to be supplied to fuel-burning electric power generation plants. Of that total, unused forest resource comprised 297,000 tons. We will continue to work on building up systems for the efficient, stable collection of unused forest resource.

Relevant Social Issues

We promote the use of construction debris and unused forest resource, generating fresh demand for timber at the procurement stage of the energy business, revitalizing the timber industry, which is a crucial issue for local businesses.

Relevant CSR Initiatives

▶ [Procurement Initiatives](#)



Production

The energy business of the Sumitomo Forestry Group strives to recycle wood waste into wood resources through our business operations supplying chips as fuels including for biomass power generation plants. We make chips from waste wood such as offcuts produced in the logging process for timber as well as wood waste produced on construction sites, in addition to unused forest resource from plantations.

Relevant Social Issues

The Sumitomo Forestry Group strives to develop and standardize renewable green energy while expanding the applications for wood and increasing its asset value.

Relevant CSR Initiatives

▶ [Procurement Initiatives](#)



Power Generation/ Wholesales

The Sumitomo Forestry Group is making progress in the generation of renewable energy and we aim to build a power generation system able to generate 300MW in the future.

The wood biomass power generation business at the core of these efforts is expanding our energy business by leveraging the characteristics and conditions of each area in four regions.

Relevant Social Issues

The theme of social challenges related to initiatives at the power generation and wholesale stage is an insufficient supply of sustainable energy services. The trend toward expansion of renewable energy is not only occurring in Japan but worldwide. However, many countries are still in the middle of trials for renewable energy.

Our Group strives to expand and standardize the renewable energy business.

Relevant CSR Initiatives

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

Procurement Initiatives

Promoting the Use of Unused Forest Resource

Unused wood resource is left-over woody biomass generated from logging or thinning of standing trees in forests. Wood biomass power generation plants are operating in each area and the demand for wood biomass is growing following the adoption of the FIT law (Feed-in Tariff for Renewable Energy). By using unused wood resource, we can expect an effective increase in the value of forests while also promoting renewable energy. In fiscal 2018, the Group used 297,000 tons of unused wood resource. We will continue to work on building up systems for the efficient, stable collection of unused forest resource.

Amount of unused wood
resource from domestic
forest (FY2018)

297 kt

Promoting Effective Wood Procurement Through the Adoption of High-Performance Silviculture Machines

Effectively Extracting Unused Forest Resource for Mombetsu Biomass Power Plant

Mombetsu Forestry Office introduced Scandinavian harvesters and forwarders able to turn in small circles in 2015 to begin efforts to deliver log harvest/thinnings (unused forest resource) as biomass electric power generation plant fuels.

Moreover, by selecting forestry equipment with high-level driving performance in narrow forest areas, operators are able to execute all harvesting and transport operations while on the machine. We consider this is an initiative that improves safety and will play a role even in eliminating occupational injuries.



Scandinavian harvester*1



Scandinavian forwarder*2

*1 Self-propelled high-performance forestry machine that brings together each operation to cut, de-limb, and vertically cross-cut*3 timber, which had traditionally been done with a chainsaw

*2 Self-propelled high-performance forestry machine that collects and feeds vertically cross-cut timber on a cargo bed

*3 To cut crude timber to a standard length

Fuel Manufacturing (Chips, Pellets)

New Wood Pellet Company Established to Use Unused Forest Resource for Electric Power Generation Fuel

Forests are approaching the cutting cycle throughout Japan while the challenge is the cycle of these forests from harvest through use and reforestation. Encouraging further use of forests from use of unused forest resource to other wood resources helps realize a sustainable society.

The Sumitomo Forestry Group leverages the wood procurement network throughout the entire Group. This led to a joint venture with the Electric Power Development Company to establish a manufacturing and sales company for wood pellets*¹ in July 2018. The new company aims for use of unused forest resource from forests in Japan*² as fuel for power generation in addition to examining the largest wood pellet supply system in Japan for the purpose of commercialization by 2021. Proper management of forests and a stable supply of domestic timber secure sources for sustainable wood resources.

Forests have a variety of public welfare benefits from the production of timber to the cultivation of groundwater, the prevention of sediment run-off and absorption of carbon dioxide. Through these efforts, Sumitomo Forestry and Electric Power Development Company promote domestic reforestation and regional revitalization as well as sustain and conserve the social welfare functions of forests by using unused forest resource as renewable energy.

*1 Wood ground, dried and compressed into a pellet form

*2 Unused woody biomass generated from logging or thinning of standing trees in forests

Production with Consideration for Environmental Conservation

Japan Bio Energy Co., Ltd. Recognized as Superior Industrial Waste Disposal Operator

Japan Bio Energy Co., Ltd., which manufactures and sells wood biomass chips, was recognized as a superior industrial waste disposal operator in May 2016 by Kawasaki City.

The system to recognize superior industrial waste disposal operators evaluates and certifies superior industrial waste disposal operators through the prefecture or city. In order to receive this recognition, the business must satisfy a full set of criteria including legal compliance, business transparency, efforts in environmental friendliness, and a healthy financial strength. The validity of certification in industrial waste disposal is extended from five to seven years by receiving recognition through this system.

Rovander Foundation Filler Made with Incineration Ash, Has Been Certified As a Hokkaido Government-Certified Recycled Product

At the Mombetsu Biomass Power Plant, incinerator ash emitted by the biomass boiler is used to manufacture foundation fill material (product name "Rovander") for forest roads. This environmentally-friendly product is aimed at building a cyclical operation in which the amount of waste is controlled, reducing environmental impact by helping maintain forests using a by-product of power generated with timber resources.

In addition, Rovander has been recognized as meeting environmental safety standards, and is a Hokkaido Government-certified Recycled Product.



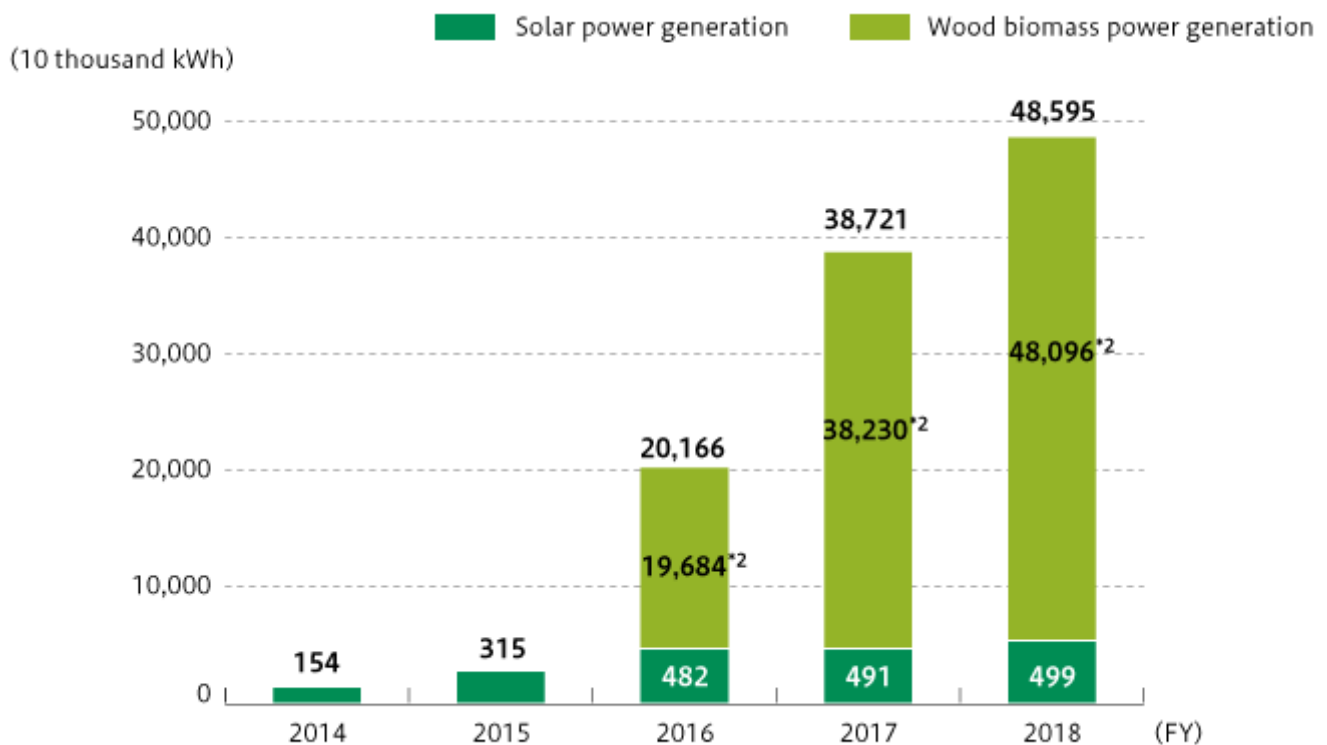
The Hokkaido
Government-
certified Recycled
Product mark

Contributing to the Reduction of Greenhouse Gases Through the Renewable Energy Business

Basic Policy

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 2018, the combined output of power generation that resulted from all of these efforts was 485,950,000kWh.

The Amount of Power Generation Shifted*1 to Renewable Energy



*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

Wood Biomass Power Generation Business

The Sumitomo Forestry Group operates wood biomass power generation facilities that are fueled by recycled chips primarily using leftover from construction as raw materials, wood not suitable as a building material, and thinning leftover in forests and other unused forest resource.

The 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 February 2011, the Sumitomo Forestry Group entered this sector with the operation of the urban-oriented Kawasaki Biomass Power Generation Plant (generation capacity: 33 MW), which primarily uses scrap construction wood as fuel. Thereafter, full operations began at the Mombetsu Biomass Power Plant in December 2016 with a generation capacity of 50 MW, the Tomakomai Biomass Power Generation Plant in April 2017 with a generation capacity of 6.2 MW and the Hachinohe Biomass Power Generation Plant in April 2018 with a generation capacity of 12.4 MW. All of these plants generate power primarily from unused forest resource from Japan. Once the Kanda Biomass Power Generation Plant begins full operation in 2021, the Group will have a total power generation capacity of roughly 177 MW, which will supply electricity to approximately 387,000 households.

Drawing on past experience in the wood biomass power generation business, the Group will continue to expand renewable energy business operations suited to local conditions and other requirements, aiming to build a power generation system with a capacity of 300MW primarily generated from wood biomass.



Mombetsu Biomass Power Plant



Hachinohe Biomass Power Generation Plant

The Group's Wood Biomass Power Generation Business

Business	Location	Power generation capacity	Start of operations	Main features
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	<ul style="list-style-type: none"> • Largest biomass power generation facility in Japan that primarily burns scrap wood as fuel • Utilizes recycled chips produced from construction debris and waste pallets from Tokyo and surrounding suburbs, as well as pruned branches • Equipped with environmental mechanisms, such as flue gas desulfurization equipment, an exhaust gas denitrizer and a bag filter, the urban-sourced biomass power generation plant clears Kawasaki City's strict environmental standards

Business	Location	Power generation capacity	Start of operations	Main features
Mombetsu Biomass Power Generation Business (Joint investment with Sumitomo Joint Electric Power Co., Ltd.)	Hokkaido Mombetsu City	50MW	December 2016	<ul style="list-style-type: none"> Unused timber and forest material is primarily procured from within a 75km radius of the power plant and turned into chips at an adjacent plant before being used as fuel. 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	6.2MW	April 2017	<ul style="list-style-type: none"> All of the fuels are from unused forest resource in Hokkaido.
Hachinohe Biomass Power Generation Business (Joint investment with Sumitomo Osaka Cement Co., Ltd. and East Japan Railway Company)	Aomori Prefecture Hachinohe City	12.4MW	April 2018	<ul style="list-style-type: none"> Unused forest resource from forestlands in the Sanpachi-Kamikita-Shimokita region of Aomori Prefecture, timber offcuts, and railway forest thinnings from the nearby railway lines will be used as the main source of fuel Some palm kernel shell will be used
Kanda Biomass Power Generation Business A joint capital venture between Renova Inc., Veolia Japan K.K., Kyuden Mirai Energy Co. Inc., and Mihara Group K.K.	Fukuoka Prefecture Miyako District	74.0MW	June, 2021	<ul style="list-style-type: none"> Fuel uses thinnings and unused forest resource from northern Kyushu in addition to American pellets and Indonesian palm kernel shell

Solar Power Generation Business

Sumitomo Forestry owns a solar power generation facility that generates 3,429 kW in Kashima City, Ibaraki Prefecture.

The Company gives consideration to mitigating the environmental impact of the power generation facility and expanding applications for the use of timber by installing some wooden mounting frames that are mainly made of domestically produced Japanese cedar.



Solar panels and environmentally friendly wooden frames

Business Responding to the Super-Aging Society

Contributing the Super-Aging Society Through Our Business

The rate at which Japan's population is aging continues to accelerate even after having become a super-aged society in 2010. In October 2017, the aging rate reached 27.7%*, and is estimated to exceed 30% by 2025. This rapidly advancing trend toward a super-aged society is one of the most critical societal issues our country faces.

In order to address this issue, we are making use of the experience and knowledge in creating comfortable living spaces that we have cultivated over many years in the housing business. We apply this know-how as we strive to enhance both quality and quantity in implementing various services centering on enabling the elderly to continue living with vitality for every possible day in safely living environments.

* Source: Annual Report on the Aging Society, 2018 ed.

Expanding Services for Customer Need

Sumitomo Forestry provides long-term healthcare for the elderly through consolidated subsidiary Sumirin Fill Care Co., Ltd. (Chiyoda-ku, Tokyo; formerly Fillcare Co., Ltd.), which joined the Sumitomo Forestry Group in December 2007, and Sumirin Care Life Co., Ltd. (Nada-ku, Kobe; formerly Shinko Care Life Co., Ltd.), a consolidated subsidiary whose shares were acquired in April 2017.

In May 2018, Sumirin Fill Care opened Gran Forest Nerima-Takamatsu, its 16th private-pay elderly care facility, with nursing care and day-service. The facility brings to 768 the total number of living spaces provided by Sumirin Fill Care. During the three years since fiscal 2016, it has added 324 living spaces to the total by opening five private-pay elderly care facilities with nursing care within the 23 wards of metropolitan Tokyo and one facility in Kobe. The company is operating a total of three day-service center facilities.

Sumirin Care Life has begun construction on Elegano Nishinomiya, an elder residential facility with 309 living units and peripheral services, slated to begin operating in the spring of 2020. Elegano Nishinomiya will be a mixed-use facility combining the location of a Group-run long-term care insurance business. This will enable the facility to provide appropriate support based on care plans that accommodate a wide range of residents, from those living independently to those needing assisted living or nursing care. Construction began in June 2018, with a Senior Residence Gallery sales center opening in September that year, providing virtual-reality simulated model room experiences. Once Elegano Nishinomiya is completed, it will bring to 998 the total number of living spaces available in combination with the existing three facilities. The company also operates a total of eight Service Stations offering visiting nurse services, in-home nursing care and day-care facilities.



Gran Forest Nerima-Takamatsu



A view of the facility's interior

Efforts to Help Extend Healthy Lifespans from the Customer's Perspective —Providing Visibility Using ICT, and Health Maintenance Programs with Specialist Support—

With the segment of the population requiring nursing care expected to increase drastically from 2025, when all members of the Baby Boom generation will have reached old age, attention is focusing on a wide range of efforts to help the elderly maintain activities for daily living (ADL) and extend their healthy lifestyles.

Sumirin Fill Care is adopting the ICT-equipped Life Rhythm Navi^{*1} Plus Doctor resident monitoring system in private-pay elderly care facilities that have opened since fiscal 2016. The system analyzes data from numerous sensors such as bed sensors, motion-detection sensors, and temperature/humidity sensors. It provides a detailed real-time grasp of the interior environments of living spaces, as well as residents' sleep states and activities, converting all of this information into data.

Bringing "visibility" to resident monitoring data in this way can be useful in preventing falls and in keeping up on the condition of each resident. Advice from specialized medical institutions based on the data makes it possible to effectively maintain and improve the medical condition of each patient. Also, implementing the system in conjunction with nurse-call functions enables unified management of information from residents, enhanced information sharing and collaboration among staff, which is expected to help reduce staff workloads.

A system using Sumirin Fill Care's Life Rhythm Navi Plus Doctor won the highest honor in the Living of the Year 2017 prize contest (hosted by the Council of Senior Housing Industry Executives) for advanced systems using ICT. Beginning in fiscal 2019, Sumirin Fill Care plans to phase the system in at facilities where it has yet to be adopted.

In fiscal 2018, Sumirin Fill Care made still more progress with these types of systems, developing and making available the Forest Life daily health support service program.

Forest Life focuses attention on four elements that determine healthy lifespans: high-quality sleep, comfortable living environments (air quality), healthy diet (swallowing function^{*2}) and appropriate exercise (walking function). This is a service aimed at extending the healthy lifespans of residents by using ICT technology to bring visibility to their status in terms of these four elements, in combination with guidance by doctors and rehabilitation specialists based on data that has been rendered "visible".

In fiscal 2018, the system was adopted in a verification trial at Gran Forest Gakugei Daigaku, a private-pay elderly care facility operated by Sumirin Fill Care. On the basis of the trial results, the decision was made that its implementation would be phased in at other facilities beginning the subsequent fiscal year.

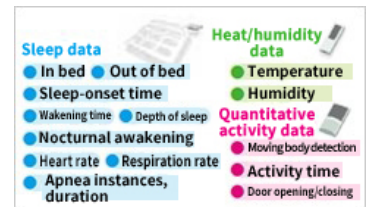
*1 Life Rhythm Navi is a registered trademark of EcoNaviSta Ltd.

*2 The function by which food in the mouth is transported to the stomach.

Providing Day-to-Day Peace of Mind and Vitality Through Links to Healthcare and a Varied Activity Program

Sumirin Care Life Co. currently operates three large-scale private-pay elderly care facilities in Kobe that combine independent living and nursing care services. Sumirin Care Life facilities have at least double the number of staff on duty as are specified under nursing care insurance standards, and nursing staff are on site 24 hours a day. All facilities also include conjoining clinics and partnerships with participating general hospitals as part of the high level of overall service provided. The quality of service has earned high praise from external institutions.

The Elegano Nishinomiya facility slated to open in spring 2020 will help each and every resident live full intellectual and individualistic day-to-day lives through a Senior College Program featuring diverse lectures in the arts, sciences, sports and other topics by guest speakers invited from outside based on residents' requests. In addition to nursing care and nurse staff, as well as an adjoining clinic and partnerships with external medical institutions, staff sports instructors, certified nutritionists and care managers will work as a team to provide preventive medicine and support tailored to the circumstances of each resident. The system is aimed at further heightening the quality of service provided.



Life Rhythm Navi



Exterior view of Elegano Nishinomiya

Social Report

Human Rights

Health and Safety

Employment and Human Resources Development

Social Contribution

Quality Management

Social Data

Human Rights Initiatives

Basic Policy

The Sumitomo Forestry Group formulated the Sumitomo Forestry Group Human Rights Policy in July 2019 and complies with international human rights bills (Universal Declaration of Human Rights and International Covenants on Human Rights), the International Labour Organization (ILO) Core Labour Standards, and the United Nations Guiding Principles on Business and Human Rights. Based on these international standards, the Sumitomo Forestry Group has put forth a commitment to human rights respect and a healthy workplace in its Sumitomo Forestry Group Code of Conduct. In addition, the Code calls for the respect of the human rights of all individuals, including women, children, indigenous people, minorities and other socially vulnerable people and stipulates that there will be no discrimination whatsoever on the basis of race, ethnicity, nationality, gender, religion, ideology, disability, sexual orientation, gender identity or other. The Code also does not permit forced labor or child labor in any form.

Furthermore, the Sumitomo Forestry Group is permeating these policies and conducts proper assessments to ensure this same level of respect by business partners as well. We are also conducting human rights due diligence and respond to human rights risks in an effort to fully grasp and mitigate any risk to human rights.

- ▶ [Corporate Philosophy](#)
- ▶ [Our Values](#)
- ▶ [Sumitomo Forestry Group Code of Conduct](#)
- ▶ [Sumitomo Forestry Group Human Rights Policy](#)

Implementation of Due Diligence and Managing Important Risks

Through human rights due diligence, Sumitomo Forestry Group identifies factors that may have a negative impact on human rights and works to prevent or reduce them.

Internal CSR Survey of the Sumitomo Forestry Group

Since fiscal 2012, an Internal CSR Survey is conducted every year at each of the Group companies regarding their CSR initiatives to review and improve the human rights situation. In fiscal 2018, based on the surveys for the major 57 Japanese and overseas Group companies (28 Japanese companies, 29 overseas companies), 44 subsidiaries implement human rights trainings, 40 have functions to handle grievance and 47 implement mitigation plans. For our suppliers, we strive to prevent human right infringements through conducting surveys and face-to-face interviews.

Based on this survey, in fiscal 2018, we did not find any human rights violations.

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 inspection to the suppliers. The Group has conducted surveys more than 200 to suppliers in two years as well as engaged in on-site inspection and interviews with any suppliers which measures to mitigate risks was deemed necessary based on the risk categories.

- ▶ [Procurement Initiatives](#)

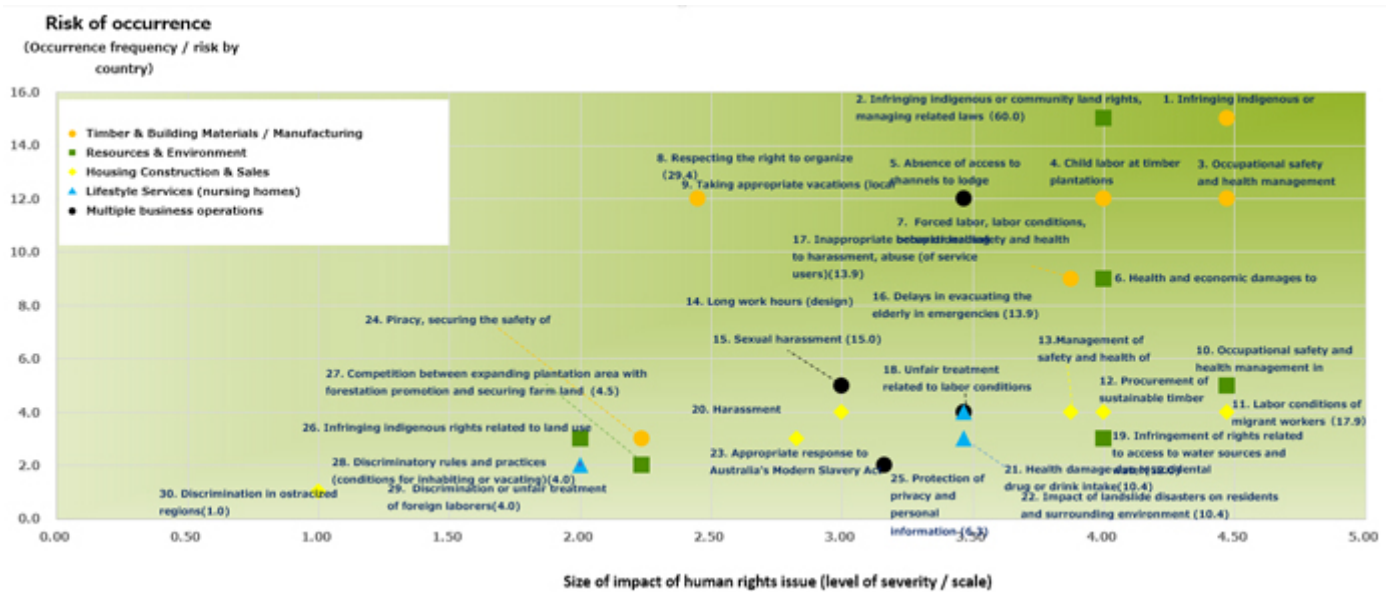
Identifying and Managing Human Rights Risks

In conjunction with the formulation of its Human Rights Policy, Sumitomo Forestry Group has created a risk map to clearly identify important human rights risks affecting stakeholders in the value chain of each of its business divisions.

Each business division identified its important risks as follows: The Environment and Resources Division - "Infringing indigenous or community land rights and managing related laws" as well as "Occupational safety and health management in mountain forests (dangerous work, etc.)." The Timber & Building Materials Division - "Infringing indigenous land rights," "Occupational safety and health management at factories (fires, dust explosions, etc.)," and "Child labor at timber plantations (including dangerous labor)." The Housing and Construction Division and the Overseas Housing and Real Estate Division - "Labor conditions of migrant workers (forced labor, etc.)."

In addition to risk measures already being undertaken, the Company is working on countermeasures and implementation plans for each stakeholder to further prevent, avoid, lessen or rectify these identified important risks.

Sumitomo Forestry Group Human Rights Impact Analysis Map



Respect for Human Rights at Overseas Plantations

For timber plantations in Indonesia's West Kalimantan, the Company signed an advisory agreement with International Finance Corporation (IFC), the World Bank's group institute in 2012. Sumitomo Forestry conducted inspections of its operational properties with the IFC to examine whether plans for use of commercial land were being implemented properly considering the rights of indigenous people and protection of cultural heritage as well as livelihood of local residents, which are indicators in the High Conservation Values Forests (HCVF) that has drawn great attention in recent years.

Sumitomo Forestry Group held hearings and invited stakeholders (local residents, neighbor corporations, academics, NGOs, and government workers) to conduct forest operations with considerations toward human rights. Hearing was held in 2013 to share the content and result of a survey and hearing held in 2015 to deepen stakeholders understanding about content of the business and environmental considerations prior to harvesting the plantation forest.

In 2018, the Group built a grievance mechanism with the help of the IFC in PT. Wana Subur Lestari (WSL) and PT. Mayangkara Tanaman Industri (MTI). This mechanism provides two routes for grievances. The first allows local residents to share their opinion in writing with WSL or MTI while the second provides WSL and MTI the opportunity to conduct informal visits with local residents to gather feedback. Both of these grievance routes provide a response to local residents within seven business days with the approval of the WSL and MTI management team.

In addition, the Group has begun social surveys as part of the three-year plan with the University of Indonesia around its business zones and neighboring area.

► [Grievance Desk](#)

Human Rights Training

The Sumitomo Forestry Group provides lectures about human rights in its new employee training in Japan. Sumitomo Forestry also incorporates classes about human rights in its training for new general managers. We also require all Group employees with access to the intranet to take the “Work and Human Rights” module in e-learning every year with the intention to promote respect for human rights and a workplace where no discrimination is permitted (completed with a test score of at least 80 points).

In fiscal 2018, 10,605 employees of whom 5,379 and 5,226 belong to the parent company and Group companies, respectively, took the class. The effort in raising human right awareness via e-learning will be continued into the future.

Prevention of Harassment

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

Furthermore, a framework to properly handle inquiries and complaints was put in place in fiscal 2000 with the establishment of the Harassment Consultation Hotline within the Personnel Department and Compliance Hotline both inside and outside of the Company. The privacy of all those involved is protected and every effort are made to ensure that neither the complainant nor those cooperating are treated detrimentally.

- ▶ [Sumitomo Forestry Group Code of Conduct](#)
- ▶ [Preventative Measures for Mental Health Care](#)

Occupational Health and Safety Management

Basic Policy

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

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

Occupational Health and Safety Management System

Personnel department responsible for OHS across the Sumitomo Forestry, and heads of personnel department provides OHS instructions and support for each Branch to establish OHS system. The OHS Committee where the general manager of the Personnel Department serves as chairman meets monthly has been established, and matters discussed are posted on the intranet for the purpose of information sharing and enlightenment.

Targets and Performance Concerning Occupational Injuries

In the Mid-Term Sustainability Targets as part of the Sumitomo Forestry Group 2021 Mid-Term Management Plan, Sumitomo Forestry Group sets critical targets by fiscal 2021 as "zero occupational injury and lost work time." The Sumitomo Forestry Group aims to achieve its critical targets and defines priority sustainability measures in each division. The performance toward achieving these targets is reviewed each fiscal year.

Occupational Injuries (Non-Consolidated)*1

	FY2014	FY2015	FY2016	FY2017	FY2018
Number of serious occupational injuries (incidents)*2	1	0	3	0	2
Lost-time injury frequency rate*3	0.19	0.19	0.30	0.10	0.20
Work-related illness frequency rate	0	0	0	0	0

*1 No occupational injuries resulting in death occurred during the reporting years shown.

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

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

In addition to developing occupational health and safety promotion activities in accordance with the laws and regulations in Japan and overseas where the Group is active, each Sumitomo Forestry Group company also promotes acquisition of certifications such as OHSAS* Certification.

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

Acquisition Status of Occupational Health and Safety Certifications at Each Group Company

Company	Country	Type of certification	Date acquired	Date renewed
Sumitomo Forestry Crest Co., Ltd.	Japan	OHSAS18001	February 2013	February 2016
PT. Rimba Partikel Indonesia (RPI)	Indonesia	OHSAS18001	March 2013	March 2019
PT. Kutai Timber Indonesia (KTI)	Indonesia	OHSAS18001	October 2013	December 2016
Nelson Pine Industries Ltd. (NPIL)	New Zealand	AS/NZS4801	December 2012	September 2018
Henley Arch*	Australia	AS/NZS4801: 2001	May 2018	-

* Affiliated two companies of the Henley Group have also acquired the same certification.

- ▶ [Occupational Health and Safety on Construction Sites](#)
- ▶ [Occupational Health and Safety](#)
- ▶ [Occupational Health and Safety in the Forestry Business](#)

Work-life Balance

Basic Policy

Sumitomo Forestry recognizes employees' diverse work styles and strives to create a workplace where they can be motivated in their jobs, and still enjoy 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 motivation as well as productivity by preventing harm to health from accumulated fatigue due to working long hours in addition to heightening awareness about cost versus time to realize a work-life balance.

Addressing Long Working Hours

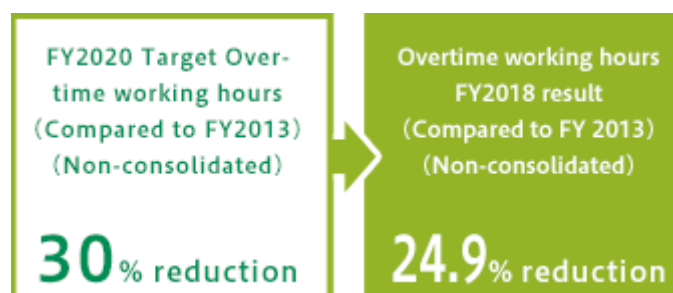
Sumitomo Forestry sees long working hours left unaddressed as a factor causing occupational injuries and damage to the image of plants and it recognizes the lack of a workforce in the future as a grave management risk.

However, close communication with customers is indispensable in the sales and construction of custom-built detached housing, and long working hours occur as a result of this need.

Therefore, average overtime hours and individual overtime hours are reported to the head of each department to increase awareness about mitigating long working hours.

Additionally, the Workstyle Improvement Committee has been set up at branches of the Housing and Construction 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, the Long Working Hours Mitigation Committee set within the Housing and Construction Division continuously leads the long working hours mitigation campaign by making proposals for the systems improvement.



Revisions to the Personnel System

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

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

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

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

Mental Health Care

Practical Mental Health Care

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

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

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

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

* A workplace mental health care service for employees



Mental Health Education for
Management

Preventative Measures for Mental Health Care

As part of its prevention of mental health disorders, the Company has offered stress checks, which were made mandatory after amendments to the Industrial Safety and Health Law in December 2015, on a website to employees covered by health insurance (excluding those employees on long-term leave, such as maternity leave or convalescence leave) since fiscal 2013. Sumitomo Forestry 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 health care and to implement appropriate prevention measures in their respective workplaces. The number of participants reached 161, 187, 198, and 152 in fiscal 2013, 2014, 2015, and 2016 respectively.

In fiscal 2017, consultation and self-assessments for general managers (103 participants) and self-learning seminars (22 participants) were conducted in departments with a particularly high level of risk based on the analysis results of stress checks. In addition, self-care seminars (70 participants) and line care seminars (11 participants) were held at the Tsukuba Research Institute.

In fiscal 2018, as health care training, Sumitomo Forestry held a sleep toughness seminar for executives, general manager of each department at the head office, and all management employees appointed as a group manager or higher (124 employees) to teach the techniques for high-quality sleep to heighten the work capacity of employees and increase corporate productivity.

Line care seminars were also held for how-to to prevent mental health disorders before they occur for 49 trainers in charge of the education of junior technical employees. Moreover, self-care seminars were conducted for 52 first-year technical employees to help them notice and handle mental health disorders.

Furthermore, since fiscal 2009, Sumitomo Forestry also provides guidance to all of its employees twice a year through general manager of personnel department while fostering communication with staff on a daily basis to prevent harassment with the purpose of building a lively, comfortable and friendly workplace. In conjunction, a harassment consultation desk has also been put in place in personnel departments to support consults from employees. In addition, Work and Human Rights e-learning is required for all Group employees as training that includes education about harassment (passing the comprehension test require a score of at least 80 points). In fiscal 2017, Sumitomo Forestry conducted harassment prevention seminars through outside instructors for 360 general managers.

An employee who is a certified public health nurse has been hired into the Workstyle Diversification Department to not only offer mental health care but also provide assistance such as various health consultations, enlightenment about health for new employees, and follow-up after health check-ups.

We also conduct health check-ups before appointing or returning an employee to a post for overseas appointees as well as interview individuals, gain information and provide advice about the state of their health as well as address other needs they may have.

► Human Rights Initiatives

Practical Mental Health Care Results

	FY2014	FY2015	FY2016	FY2017	FY2018
Stress Check Response Rate (%)	92.8	91.6	88.2	92.1	91.6

Encouraging Employees to Take Paid Leave

Sumitomo Forestry encourages employees to take at least 14 days of planned paid leave each year, inclusive of refresh leave and the summer holiday period. The list of results for the paid leave usage by employees at each site is published on the intranet to encourage employees to take their paid leave.

As for fiscal 2017, Sumitomo Forestry has consolidated the working hour management system in a way that not only employees but also their supervisors can see their leave plans, and thereby, enabled employees to plan their paid leaves better. In addition, the Housing and Construction Division established planned annual leave for all departments as of fiscal 2017 (general rule of four days).

As a result, the average paid leave usage by employees in fiscal 2018 was 10.1 days, increasing from 9.0 days in the previous fiscal year.

The percentage of paid leave taken was 31.6%, 35.2%, 32.8%, 35.9%, 47.4%, and 53.2% in fiscal 2013, 2014, 2015, 2016, 2017, and 2018 respectively.

The Company has again listed “take at least 12.3 days of paid leave” in its Sustainability Budget, and will continue to further promote this initiative during fiscal 2019.

Paid Leave Usage Ratio
(Fiscal 2018; Non-consolidated)

53.2%

▶ [About symbol for Independent assurance](#)

Refresh Leave and Family Friendly Day Leave

So that employees can engage energetically in their jobs with healthy body and mind, Sumitomo Forestry is developing workplace environments that allow employees to take leave as they wish. As part of those efforts, employees are encouraged to take consecutive days of “refresh leave” at a time that suits them in addition to the summer and New Year holiday periods. Each workplace is required to draw up refresh leave schedules for individual employees. The number of days available for the refresh leave program changed from “three days” to “five days” in fiscal 2019 to put in place an environment where employees can take leave more easily.

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

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

	FY2014	FY2015	FY2016	FY2017	FY2018
Percentage of Refresh Leave Program takers (%) [*]	50.0	46.0	42.3	38.9	32.1
Percentage of Family Friendly Day Leave takers (%)	29.5	26.0	27.0	28.3	28.7

* Decline of the ratio who takes refresh leave is due to implementing various measures to encourage employees to take paid leave since the introduction of programs that match diverse work styles.

Supporting the Workstyles of Employees Currently Raising Children

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

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

Moreover, employees who want to work while raising children can apply for programs such as the flextime system as well as reduced working hours so that they can have a flexible workstyle.

The 6th Next Generation Law Action Plan (for Fiscal 2015 to 2019)

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

Sumitomo Forestry has formulated its 6th Action Plan for fiscal 2015 to 2019 with the following targets.

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



"Kurumin" mark

An Iku-boss Seminar was held by inviting an outside instructor in September 2017 with the theme of renewing the way of thinking to continually improve results while realizing a work style in-line with each person's circumstances by limiting long hours according to an action plan. Approximately 120 people participated with most being general managers who work at the head office in fiscal 2016. Approximately 180 general managers from around Japan from the Housing and Construction Division as well as others participated in fiscal 2017.

Family Open Day

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

In fiscal 2018, the event was held in three branches and four locations in the head office, totaling 129 participants from 49 families. The children took part in the morning briefing, exchanged business cards, interviewed employees about their work, tour of the showroom, planning of 3D design and made wooden crafts. Celebrating its fifth anniversary in fiscal 2018, Family Open Day was held as summer event by spearheading innovation in each place it was held. Sumitomo Forestry plans to continue and expand this initiative to as many more sites in fiscal 2019.



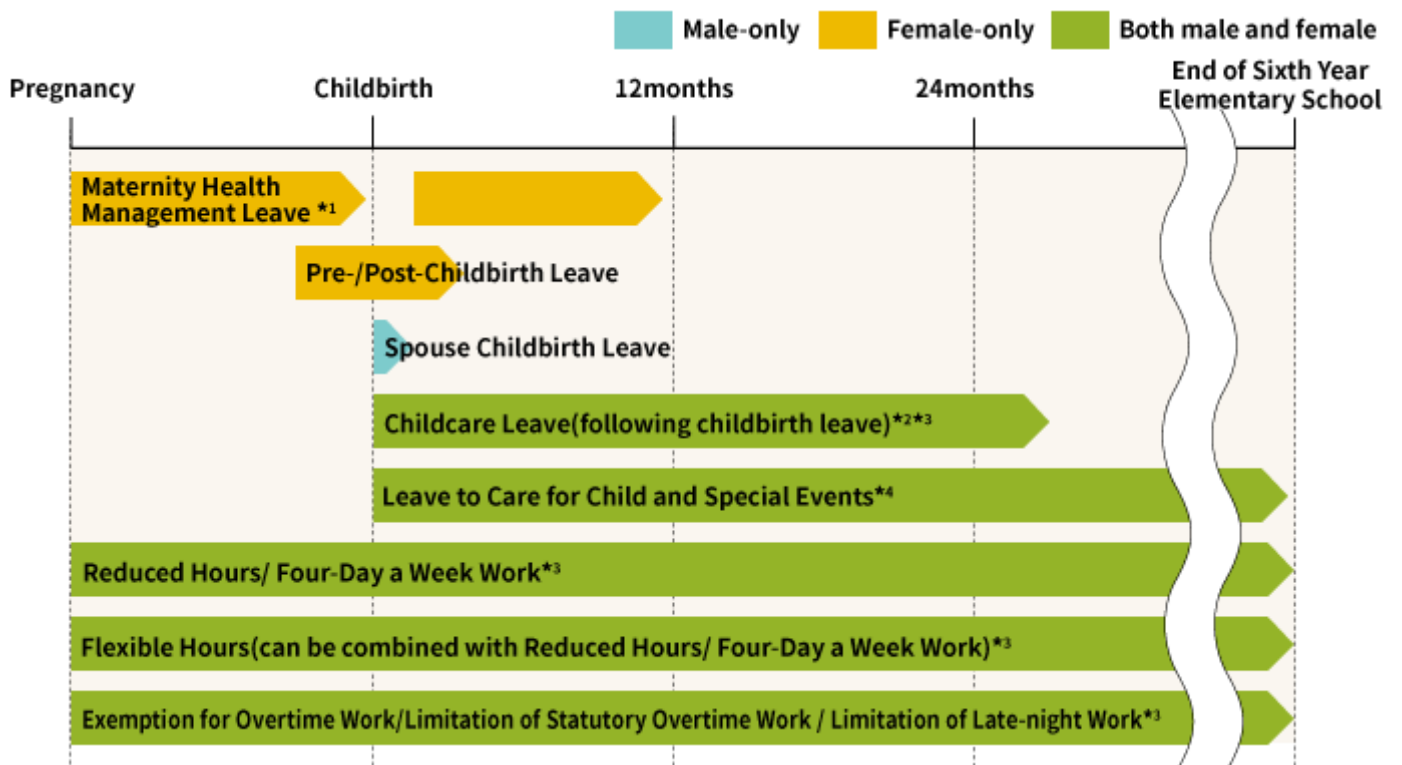
Hanshin Sales Office

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 (FY2018)

Program	Description
Childcare leave	Childcare leave may be taken by employees until March 31 immediately following the child’s second birthday
Shorter working hours	Until the child completes the sixth grade of elementary school, employees may use the flextime system, work shorter hours, work a four-day week and be exempt from overtime work, limit statutory overtime work, and limit late-night work.
Leave to care for child and attend special events	Employees may take the equivalent of ten days a year for their first child or 15 days a year for two or more children in 30-minute increments with full-pay to care for a sick or injured child until their children have completed the sixth grade of elementary school. Of these ten days, up to five days may be used for attending special events with their child (ten days for two or more children). Employees who have two or more children may use up to 10 days to take care of their children even if they have used five or more days for special events (however, leave that exceeds 15 days is unpaid).



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

*2 Until March 31 immediately following the child’s second birthday

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

*4 Employees who have worked for six months or more

Supporting Workstyles for Employees Caring for Family Members

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

Main Family Care Support Programs (FY2018)

Program	Description	Usage in FY2018
Family care leave	This system allows up to 365 cumulative days of leave per family member requiring care, and is available to employees	<ul style="list-style-type: none"> Number of family support program users: Total of 3 (Flextime System: 2; Four-Day Work Week: 1) No. of employees who took family care leave: 1
Shorter working hours	Employees may use the flextime system, work shorter hours, work four-day a week, be exempt from overtime work, limit statutory overtime work, and limit late-night overtime work.	
Family illness and injury	Regular employees may take the equivalent of ten days a year in 30-minute increments (employees may take an additional five days for two or more family members who require care). Employees may take five of the ten days of leave to take care of a sick or injured family member	

Family Care Support Program Performance (Non-consolidated)

	FY2014	FY2015	FY2016	FY2017	FY2018
Family care leave (Persons)	1	1	2	2	1
Number of family support program users (Persons) (Flextime System, Shorter Working Hours, Four-Day Work Week, etc.)	2	3	3	7	3

Telework Program

Sumitomo Forestry introduced the telework option in fiscal 2009 for such reasons as the time saved from commuting can be spent on work or family activities, and employees can concentrate when working in a quiet home environment.

Since fiscal 2017, this program was expanded to all employees (approval system) except new graduates who joined the company less than three-years ago or career hires who have only been with the company for less than six months with emphasis on employees who are taking care of children or a family member as well as employees who have a long commute.

In fiscal 2019, in order to promote flexible work styles 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 work style consultations.

First Participation in “Telework Days”

In fiscal 2018, Sumitomo Forestry participated in the “Telework Days” campaign promoted by the Ministry of Internal Affairs and Communications, Ministry of Health, Labour and Welfare, Ministry of Economy, Trade and Industry, Ministry of Land, Infrastructure, Transport and Tourism, the Cabinet Secretariat, the Cabinet Office, and the Tokyo Metropolitan Government in addition to relevant associations and corporations as a special cooperative organization to promote work style innovation. 227 employees worked remotely at home or mobile for at least two days of the week, and the participation of 182 employees throughout Japan on July 24, the focus date of the campaign. Through this campaign by providing opportunity for many employees to experience the benefits of telecommuting and working remotely first hand, Sumitomo Forestry promotes understanding and create a foundation for a telework system.

Transfer Request Application Systems (Spouse Relocation / Family Care)

In fiscal 2008, Sumitomo Forestry established a program facilitating the transfer of employees to a certain destination for reasons limited to marriage or a spouse transfer accompanied by a change of residence. The program enables employees to continue working for the Company even after marriage or their spouse being transferred.

In fiscal 2014, with the new addition of “childcare” to the reasons for application, transfers are now considered in cases where an employee wants to live with their spouse for the purpose of balancing work and parenting. Also, a new system was established whereby employees can submit a transfer request for reasons of “family care.” Transfers are now also considered in cases where the location of employment restricts the employee from balancing work with family care.

As at the end of March 2019, a total 35 employees have made use of these programs to transfer to a different location.

Fair Employment and Benefits

Basic Policy

According to internationally accepted human rights norms, we shall of course respect equal opportunity and diversity as well as respect the human rights of all individuals, including women, children, indigenous people, minorities and vulnerable people in the employment and treatment of employees as stated in the Sumitomo Forestry Group Code of Conduct Guidebook. 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 issues for management in Japan triggered mainly by low birth rate and thereby aging population. Sumitomo Forestry communicates its employment and benefit policies with potential employees during recruitment and expands supportive programs to foster diverse work styles and performance of female employees in effort of acquiring valuable, next-generation talent.

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

Promotion System

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

Promoting the Active Involvement of Female Employees

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

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

In December 2014, numerical targets for the appointment of women to managerial posts have been set in order to foster further empowerment of female employees

Ratio of Female employees in
management positions FY2021
targets
(non-consolidated)


At least 5.5%

Ratio of Female employees in
management positions as of March
31, 2019
(non-consolidated)

3.7%

at Sumitomo Forestry. We have publicly announced our goal of raising the ratio of female managers to at least 5% by 2020 (3.7% as of March 31, 2019), and have worked to achieve this goal. In fiscal 2016, in accordance with The Act on Promotion of Women's Participation and Advancement in the Workplace of the Japanese Government, the Company's first phase action plan (April 1, 2016 - March 31, 2019) was implemented. In fiscal 2019, the second phase action plan (April 1, 2019 to March 31, 2022) was formulated in conjunction with the 2021 Mid-Term Management Plan. This phase advocates and is advancing efforts toward the goal of raising the ratio of female managers to at least 5.5% as a new numerical target to achieve by fiscal 2021.

Sumitomo Forestry has been conducting a mentoring system for the purpose of encouraging growth for the active participation of female employees as management since fiscal 2016. The mentoring system is a program where assigned mentors periodically interview mentees to support the growth of the mentee. In fiscal 2018, nine female manger and manager candidates mentees where mentored by male managers in positions of general manager or above with the aim to further success and self-reformation.

- ▶ [Sumitomo Forestry Group Declaration on Empowering Women](#)
- ▶ [Supporting the Workstyles of Employees Currently Raising Children](#)
- ▶ [Sumitomo Forestry Co., Ltd. Second Phase Action Plan \(in Japanese\)](#) 
- ▶ [About symbol for Independent assurance](#)

Employment and Promotion of Women (Non-consolidated)

	FY2014	FY2015	FY2016	FY2017	FY2018
Female employees including contract employees*1 (%)	18.8	19.4	20.0	20.4	21.0
Female employees in management positions*1 (%)	2.2	2.6	2.8	3.2	3.7
Female new graduates*2 (%)	29.0	26.8	22.8	18.0	24.8

*1 The ratio of female employees and the ratio of female employees in management roles is based on the number of employees as of March 31 each year.

*2 The ratio of new female graduates is calculated based on the number of employees as of April 1 each year.

Employment and Promotion of Women (Subsidiary Companies in Japan)

	FY2014	FY2015	FY2016	FY2017	FY2018
Female employees including contract employees*1 (%)	29.6	30.4	30.7	31.6	32.0
Female employees in management positions*1 (%)	3.6	4.0	4.2	4.6	6.0
Female new graduates*2 (%)	36.1	48.0	40.3	40.2	43.5

*1 The ratio of female employees and the ratio of female employees in management roles is based on the number of employees as of March 31 each year.

*2 The ratio of new female graduates is calculated based on the number of employees as of April 1 each year.

Development and Sales from a Woman's Perspective

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

In addition, the brush-up customer service training from a woman's perspective is intermittently held for female home advisors in each sales office and branch. This training is held for the purpose of making proposals after understanding Sumitomo Forestry products which utilize the perspective of women as well as building trusting relationships with customers after understanding the current concerns and dreams from a woman's perspective through an open dialogue. Up until now, 293 female employees took this training program.

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 2018 was held to strengthen proposal techniques and closing through utilizing knowledge and skills to improve the first contact with customers. The education not only helped enhance knowledge but also increase motivation by sharing information beyond area and generation. Furthermore, versatile contents of the female sales training program are incorporated into the junior sales training to better the customer service of the sales staff as a whole.

The Sumitomo Forestry Group on-site training for female engineers provided an informational exchange with other companies in the same industry as well as construction site tours for female on-site managers with the goal of teaching successful examples of construction engineers who are women outside Sumitomo Forestry as well as improving skills and motivation.

Main Initiatives Aimed at Increasing the Motivation of Female Employees

Eligible Persons	Description	Date	Number of Participants
Sales Staff	Female Sales Staff Training	December 2018	52
	Networking Event for Female Housing Sales Staff: Joint Program by Nine Housing Builders	November 2018	4
Production Staff	Sumitomo Forestry Group On-site Training for Female Engineers	August 2018	54
Managers and Manager Candidates	Mentoring Program	July 2018 to May 2019	9
Management	External Management Leadership Training	October 2018 to February 2019	2

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, 2019 was 2.32%. 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, 2019
(Non-consolidated)

2.32%

Employment of Persons with Disabilities (Non-consolidated)

	FY2014	FY2015	FY2016	FY2017	FY2018
Ratio of Disabled Employees (%)	2.24	2.12	2.12	2.26	2.32

*The calculation includes the subsidiary Sumirin Wood Peace Co., Ltd. for fiscal 2017.

*The calculation includes the subsidiary Sumirin Wood Peace Co., Ltd. as well as the affiliated Group company Sumirin Business Services Co., Ltd. for fiscal 2018.

Promoting Proactive Employment of Persons with Disabilities -Sumirin Wood Peace Founded

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



Exterior of new Sumirin Wood Peace 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 48 people who had retired in fiscal 2018. 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 81.7% of employees who retired. The re-employment rate of people who requested re-employment is 100%. 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

FY2014	FY2015	FY2016	FY2017	FY2018
43	33	47	52	48

In addition, "senior human resource asset bank center" system began operations in April 2018 to utilize human resources over the age of 65 who are necessary to the company and would like to keep working with the purpose of actively using human assets regardless of age. As of the end of March 2019, 19 of the 23 people registered with the senior human asset bank are currently active in the Sumitomo Forestry Group.

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 2019, the Company received 232 applications.

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

Direct Employment of Non-permanent Employees

In recent years, regulations for dispatched employees have been strengthened to correct disparities arising out of different forms of employment. In response, Sumitomo Forestry reviewed its personnel systems to appoint competent employees, and in April 2011, changed the status of its dispatched employees to directly employed fixed-term employees, referred to as "partner employees." Sumitomo Forestry also operates a system for promoting partner employees to permanent status. It promoted 14 workers to permanent employee status in fiscal 2019.

Number of Partner Employees Promoted to a Permanent Employee

FY2015	FY2016	FY2017	FY2018	FY2019
19	14	19	12	14

* As of April 1 of each fiscal year

Human Resources Development

Basic Policy

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

Promotion System

Sumitomo Forestry Business Institute, Personnel Department

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

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

Human Resources Development Department, Housing and Construction Division

The Human Resources Development Department conducts practical education around the axes of the customer perspective and professionalism for employees who belong to the Housing and Construction Division (sales, design, interiors, production, general affairs, and head office staff).

This department also supports training at each company by working closely with each Group company managed by the Housing and Construction Division.

Group company and each department

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

Development of the Sumitomo Forestry Business Institute

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

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

Sumitomo Forestry Business Institute Training System, Personnel Department (FY2018)

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 Training for 5th year graduates Training for 3rd year general management Shikoku forestry training for 3rd year graduates Follow-up training for 1st year general management Follow-up training for 1st year general management		Follow-up training for proposed graduate recruits
				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 (work, human rights, corporate policies, legal compliance, environment, information security, etc.)			Business skills (logical thinking, marketing, etc.)			
	Management skills (team management, coaching, etc.)			Knowledge (legal, financial, accounting, labor, harassment, mental health, etc.)			
	Specific learning for each business division (Timber & Building Materials Division, Housing Division, etc.)						

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

Number of Employees Attending Main Training Programs (FY2018)

Training program	Number of people attending (Non-consolidated)	Number of people attending (Group companies)	Total
Training by specific levels (13 courses)	876	154	1,030
Elective training (24 courses)	74	24	98
Self-development training (40 courses)	144	1	145
e-learning (6 mandatory courses)	4,798	4,911	9,709

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

	FY2014	FY2015	FY2016	FY2017	FY2018
Hours of training received per employee	6.8	9.3	9.4	13.1*	13.6
Expenditure on training per employee (yen)	91,000	91,000	100,000	100,000	97,000

* Calculation method was changed from fiscal 2017.

Support for Obtaining Qualifications and Attending External Education

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

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

In particular, a lump-sum payment is provided to employees who pass the examination for first-class registered architects to acquire a first-class registered architect's license. 29 employees satisfied the criteria in fiscal 2018.

Initiatives in the Human Resources Development Department, Housing and Construction Division

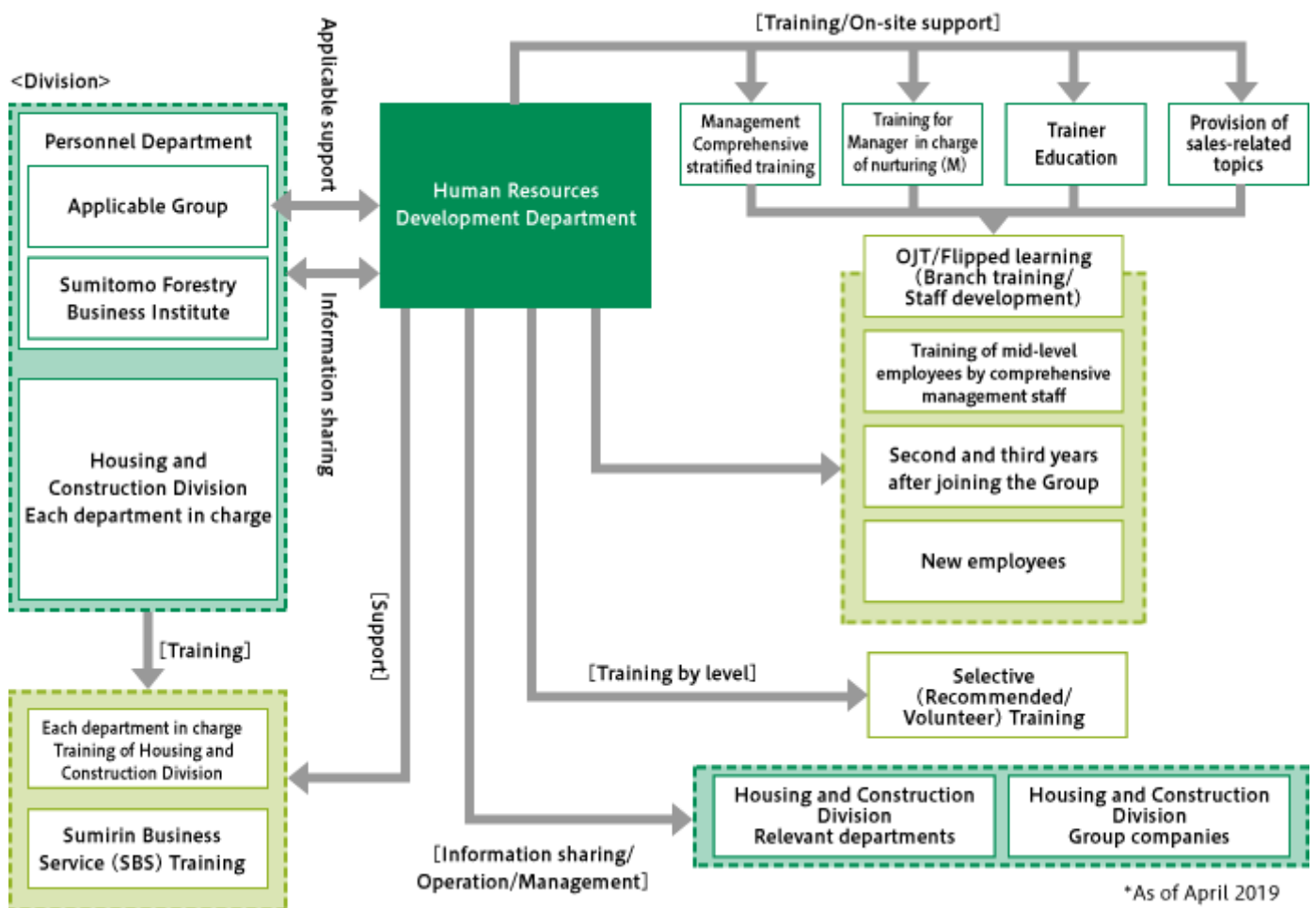
The Human Resources Development Department engaged in training and a variety of other initiatives in accordance with the training and education policies. Among the trainees, junior employees aim to become independent (fully qualified) by the end of their third year in education that concentrates on making trainees think. OJT strengthens the coordination with trainers and incorporates methods for flipped learning as a means to strengthen OJT. The training aims to provide faster mastery of the content as a place to find more practical follow up.

Flow of Flipped Learning



To ensure the OJT for junior and mid-level employees reaches its full potential, we are nurturing management skills, product knowledge, and human assets development capabilities of current and future managers to support and guide on efficient work styles.

Training Framework of the Housing and Construction Division



Handing Down the Techniques Used in Building Wooden Houses

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

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

In fiscal 2018, the school welcomed 69 new enrollments, including carpenters employed at partner firms outside the Company and saw 68 graduating. In fiscal 2019, the school had another 57 new enrollments.



Practical training in construction of a house

New Students and Performance at The Sumitomo Forestry School of Professional Building Techniques

	FY2015 (28th graduating students)	FY2016 (29th graduating students)	FY2017 (30th graduating students)	FY2018 (31st graduating students)	FY2019 (32nd graduating students)
Number of new students	64	63	67	69	57
Number of graduates	57	61	66	68	-
Students who acquired the 2nd class carpenter license	54	57	49	62	-

Communication with Employees

Basic Policy

Sumitomo Forestry strives to create an environment that facilitates free and vigorous expression as well as an exchange of opinions by employees so that they can perform their responsibilities with vigor, integrity and consideration for others. The Company wants each and every employee to grow within a corporate culture of respect for individual employees, and fair evaluation of accomplishments and efforts.

Communication in Employee Evaluation and Job Execution

Sumitomo Forestry has a policy of providing all employees feedback on their evaluation results, with the main objective of nurturing and developing human resources through employee evaluations. Meetings between individual employees and supervisors must be held once every six months, providing an opportunity to set targets and receive an explanation of evaluation results.

In fiscal 2018, the multi-faceted evaluation system (360 Degree Evaluation) was conducted for management employees in charge of organizational management. This program increases management skills by providing feedback to evaluation results and bring new awareness to each individual.

The evaluation results are utilized for measures in future personnel systems.

Sumitomo Forestry also recognizes the continuous service of employees who have worked for 10 and 20 years to thank them for their contributions to the company over so many years. In addition, the Personnel Department conducts direct self-report hearings of all employees once a year to ascertain opinions on jobs and workplaces, transfer requests and family circumstances, among other matters.

Casual Discussion

Casual Discussions have been held on a regular basis since 2007 as a platform for discussion between the President and employees, with an aim of facilitating new ideas for the Sumitomo Forestry Group.

The Sumitomo Forestry Group held two dialogues by recruiting participants from Group companies in fiscal 2018. The first dialogue was held by bringing together junior employees under the theme to better the Sumitomo Forestry Group. The second dialogue provided an exchange of ideas while offering practical experience under the theme of Customers First. As an opportunity for face-to-face dialogue between management and employees, discussions will be organized again in fiscal 2019.



Casual Discussion

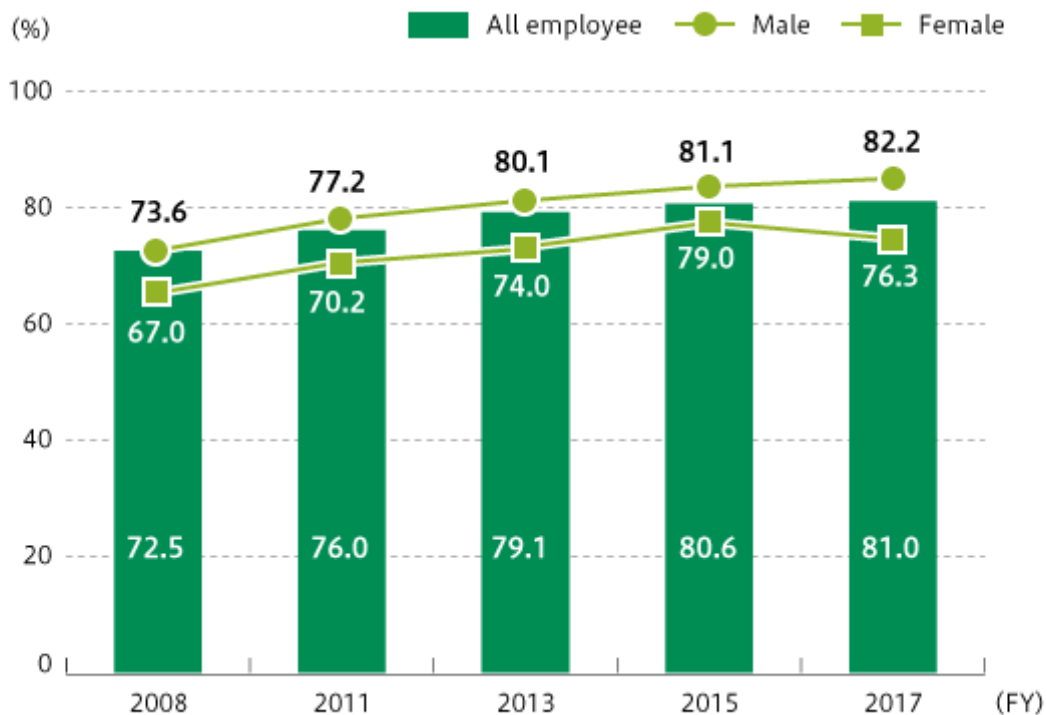
Employee Satisfaction Survey

In November 2017, Sumitomo Forestry conducted its eighth bi-annual Employee Satisfaction Survey, targeting its 4,852 employees. This survey included items to gain feedback on ten indicators such as work motivation, career goals and employee satisfaction with a 92.0% response rate. The satisfaction of employees was 81.0%, which is the highest ever on this survey. Furthermore, in terms of improving motivation, we appealed to the importance of good bilateral communication in vitalizing an organization.

Based on the results of this survey, Sumitomo Forestry revised feedback interviews of assessments and techniques for guiding careers as an effort to improve motivation while reviewing training for assessments and career guidance. In addition, we will share favorable examples and initiatives based on the results of this feedback to employees and work to promote work-style reforms to enhance productivity.

From fiscal 2019, this survey set to be conducted every year and will also include affiliated companies in Japan.

Employee Satisfaction Survey Trend



Relationship with Labor Unions

All of the eligible employees at Sumitomo Forestry (3,664 people) have joined the labor union as of April 1, 2019. Within the labor agreement completed between the Company and the Sumitomo Forestry Labor Union, the Company recognizes the Labor Union's right to freely engage in activities and to collective bargaining, and promises to guarantee the stable livelihoods of labor-union members, and to maintain and improve labor conditions by establishing meetings with management comprised of both labor and management members.

In fiscal 2018, joint labor-management discussions were held on 20 occasions, and following on from the previous year, consideration was given to measures for reducing long working hours and innovating work styles.

Membership rate in labor unions
(Non-consolidated)

100%

Promotion of Social Contribution Activities

Basic Policy

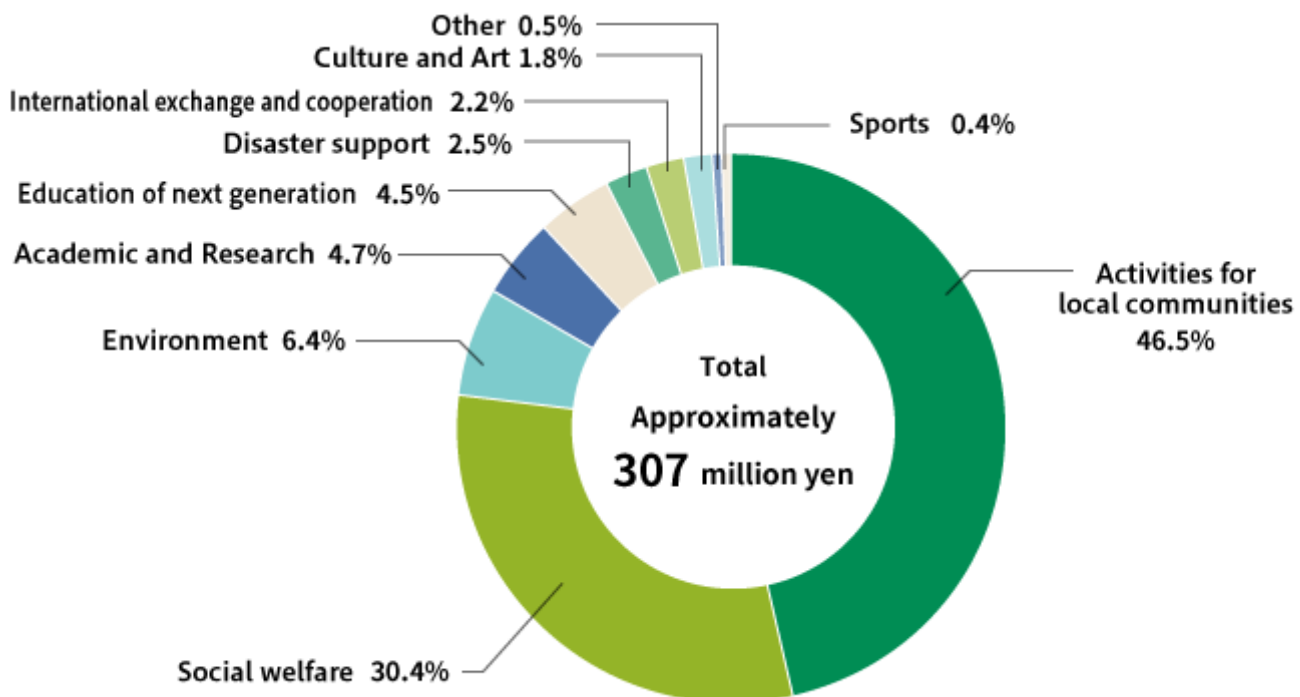
The Sumitomo Forestry Group advocates “the development and sale of reliable and safe products and services that consider the environment and society” as one of five important issues. Even in business processes, the Group makes considerations that include community development and local social welfare. Other social contribution activities are expanding globally around fields that include the environment and education of the next generation around an axis of forests and wood, which are closely related to the Group's businesses.

In addition to the emphasis on education in elementary and junior high schools, such as forest field trips and support for building monastic schools in developing countries, Sumitomo Forestry actively promotes reforestation of forests afflicted by disasters and cultivation of heritage and precious trees as well as other activities. Sumitomo Forestry also supports volunteer activities undertaken by individual employees in local communities to create a workplace environment that encourages people to contribute to their local communities.

- ▶ [Examples of Social Contribution Activities in Japan](#)
- ▶ [Examples of Overseas Community Development and Regional Contribution Activities](#)

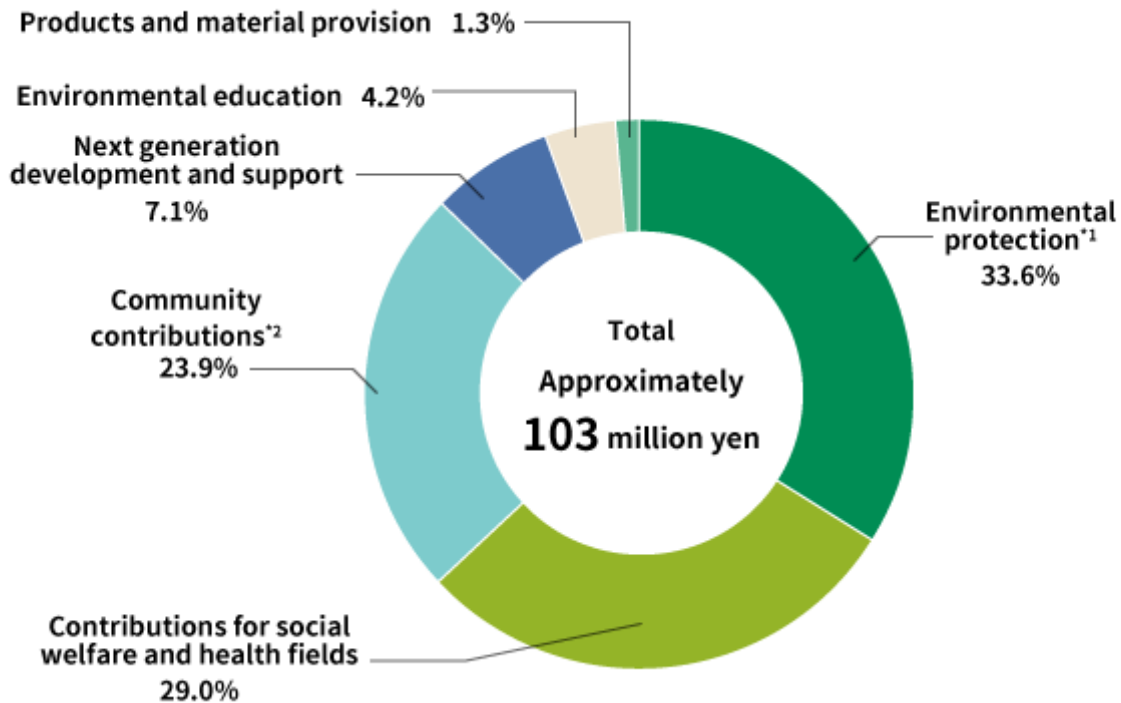
Social Contribution Donations

Breakdown of Social Contribution Donations by Category (FY2018)



Expenditure on Social Contribution Activities

Breakdown of Expenditure on Social Contribution Activities (FY2018)



*1 Mt. Fuji Manabi no Mori operation costs, etc.

*2 Costs of community cleaning activities and the Forester House operation, etc.

Volunteer Leave Program

To support its employees' volunteering activities, in May 2011 the Company established a volunteer leave program that allows employees a total of five days of leave a year for volunteer activities. One employee took volunteer leave in fiscal 2018.

Moreover, the Company provided special support for volunteer activities for the Great East Japan Earthquake, for a specific time period, it paid the travel expenses and volunteer insurance premiums of employees who wanted to help.

In addition to the five days that can be taken in the current volunteer leave program, employees can now take an additional ten days of leave (unpaid) if participating as a competition volunteer recruited by the Tokyo Organising Committee of the Olympic and Paralympic Games. 20 employees are expected to take advantage of this additional leave.

Contributions to Public Policy

The Sumitomo Forestry Group coordinates and cooperates with national and local governments, the business community and others, making recommendations toward the improvement and resolution of worsening environmental and social issues.

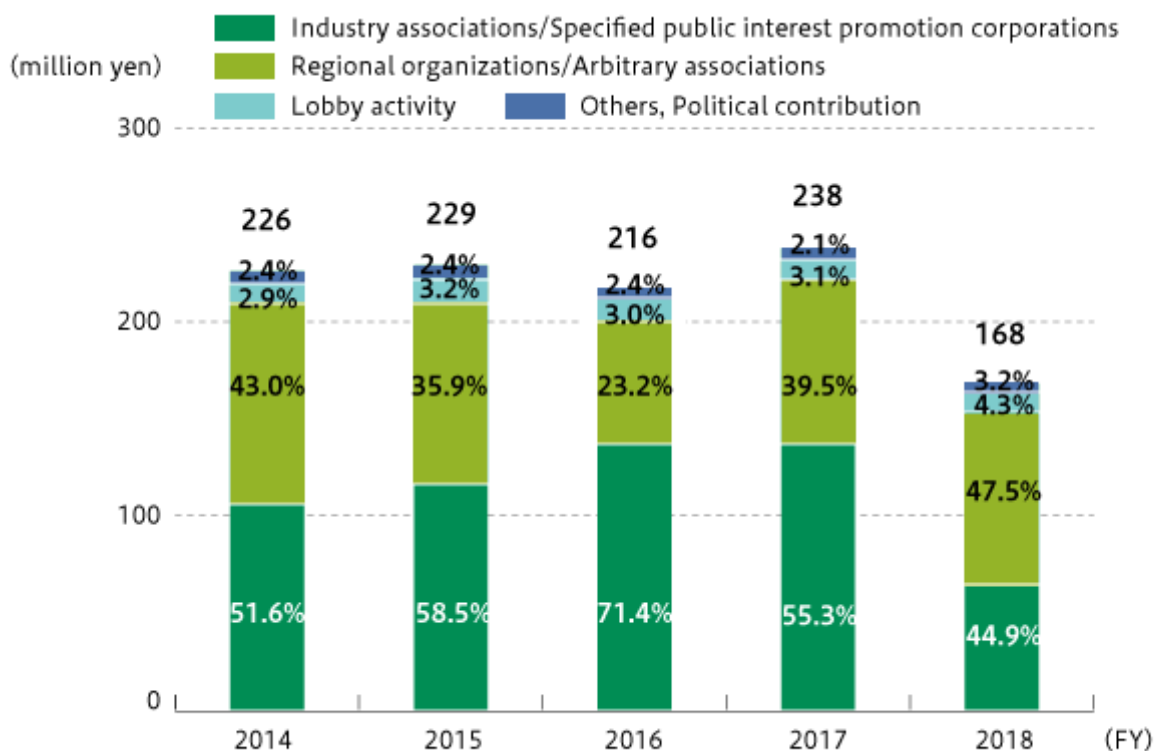
Public Service (As of April 1, 2019)

Organization	Position	Position in the Company	Name
The Tokyo Chamber of Commerce and Industry	Special adviser	Chairman of the Board and Representative Director	Ryu Yano
The Japan Chamber of Commerce and Industry	Special adviser	Chairman of the Board and Representative Director	Ryu Yano
Japan International Association for the Industry of Building and Housing	Representative Supervisory Officer & Chairperson	Chairman of the Board and Representative Director	Ryu Yano
Organization for Landscape and Urban Green Infrastructure	Representative Supervisory Officer & Chairperson	Chairman of the Board and Representative Director	Ryu Yano
National Conference for Promoting Forestry Revival and Regional Revitalization	Vice-chairperson	Chairman of the Board and Representative Director	Ryu Yano
Japan Global Exchange Forum for Housing, Building and Urban Development	Supervisory Officer & Vice Chairperson	Chairman of the Board and Representative Director	Ryu Yano
Yamaguchi Industrial Strategy Committee	Industrial Strategy Advisor	Chairman of the Board and Representative Director	Ryu Yano
Kansai Philharmonic Orchestra	Council member	Chairman of the Board and Representative Director	Ryu Yano
32nd Local Government System Research Councils	Chairperson	Representative Director President and Executive Officer	Akira Ichikawa
Keidanren Committee on Nature Conservation	Vice-chairperson	Representative Director President and Executive Officer	Akira Ichikawa
Japan Association of Corporate Executives	Vice Chairperson	Representative Director President and Executive Officer	Akira Ichikawa
The Machinami Foundation	Director	Representative Director President and Executive Officer	Akira Ichikawa

Organization	Position	Position in the Company	Name
The Tokyo Chamber of Commerce and Industry - Japan Committee for the Japan-New Zealand Business Council	Vice-chairperson	Representative Director President and Executive Officer	Akira Ichikawa
The Building & Housing Center of Japan	Outside director	Representative Director President and Executive Officer	Akira Ichikawa
Japan-China Association for Building and Housing Industry	Supervisory Officer & Vice Chairperson	Representative Director President and Executive Officer	Akira Ichikawa
Gifu Academy of Forest Science and Culture	Special guest professor	Representative Director President and Executive Officer	Akira Ichikawa
Japan Indonesia Association, Inc.	Director	Representative Director President and Executive Officer	Akira Ichikawa
Wooden Home Builders Association of Japan	Chairperson (Representative Supervisory Officer)	Representative Director President and Executive Officer	Akira Ichikawa
Japan Federation of Housing Organizations	Vice Chairperson (Representative Supervisory Officer)	Representative Director President and Executive Officer	Akira Ichikawa
Japan Association of Corporate Executives Sustainable Development Goals (SDGs) Workshop	Vice-chairperson	Representative Director Executive Vice President and Executive Officer	Tatsuru Satoh
Institute for Innovative Healthcare	Director	Representative Director Executive Vice President and Executive Officer	Tatsuru Satoh
Wooden Home Builders Association of Japan	Committee chairperson	Director Senior Managing Executive Officer	Ken Wada
Japan 2x4 Home Builders Association	Director	Director Senior Managing Executive Officer	Toshiro Mitsuyoshi
Japan Lumber Importer's Association	Chairperson	Director Managing Executive Officer	Akihisa Fukuda
Japan Federation of Housing Organizations - Environment Committee	Committee chairperson	Adviser	Hideki Nose

Organization	Position	Position in the Company	Name
Japan Federation of Housing Organizations - International Foreign Relations Committee	Committee chairperson	Adviser	Hideki Nose
Institute for Building Environment and Energy Conservation	Director	Adviser	Hideki Nose
Japan Greenery Research and Development Center	Trustee	Chief Engineer, Environment and Resources Division	Akito Kataoka
National Land Afforestation Promotion Organization	Director	Chief Engineer, Environment and Resources Division	Akito Kataoka
The Forest Culture Association	Director	Chief Engineer, Environment and Resources Division	Akito Kataoka
Japan Overseas Plantation Center for Pulpwood	Director	General Manager, Overseas Resources Department	Kaori Hasegawa
Japan-Papua New Guinea Association	Director	General Manager, Overseas Resources Department	Kaori Hasegawa

Costs Such as to Various Associations



Examples of Social Contribution Activities in Japan

Mt. Fuji Manabi no Mori Project

In 2018, the Mt. Fuji Manabi no Mori project celebrated its 20th anniversary since it began in 1998 to commemorate the 50th anniversary of the Company's establishment, setting out to restore the vitality of the rich national forest cloaking the foothills of Mt. Fuji that was extensively damaged by a typhoon.

As a commemoration, Sumitomo Forestry published the "20-year History of Mt. Fuji Manabi no Mori" booklet in July 2018 and distributed them to local elementary and junior high schools as well as other relevant facilities.

Furthermore, as a 20th anniversary volunteer activity, volunteers refurbished the Forest Ark^{*1} using three-blend hard-packed dirt^{*2} (approx. 200 m²) in addition to the tour of the Manabi no Mori held in November to check the growth of planted trees over the 20 years. A total of 169 people (including staff) participated in the event over three days.

In fiscal 2018, the Mt. Fuji Manabi no Mori was used for environmental education programs as well as opened to NPOs and other organizations. A total of 1,630 people visited Mt. Fuji Manabi no Mori from inside and outside of the Company with a total of 28,264 people visiting the project between fiscal 1998 and 2018.

*1 An environmentally friendly facility located at the entrance of Mt. Fuji Manabi no Mori and is a site for education and volunteer activities.

*2 Three-blend hard-packed dirt is made from natural soil, lime and bittern that are mixed and packed. The mixture of these three materials is the reason it is called three-blend hard-packed dirt. The volunteer activities reused the existing soil of the doma earthen floor inside the Forest Ark to fully refurbish the area packed the soil.

▶ [20-year History of Mt. Fuji Manabi no Mori Booklet \(in Japanese\)](#) 

Volunteer Activities in Forestry Development

Since the start of the project in 1998, up until now, a cumulative total of 28,000 volunteers have helped to plant approximately 30,000 region-specific saplings and conduct other forestry efforts.

In fiscal 2017, reforestation efforts of national forest damaged by typhoon were completed by removing the hexatubes. The activities from fiscal 2018 moved from reforestation to volunteer tree survey efforts to verify the growth of the forest. The Manabi no Mori project will shift to a more suitable forest for learning while visualizing the growth of the trees that have been cultivated by the volunteers up until now under the guidance of arborists and other tree experts.

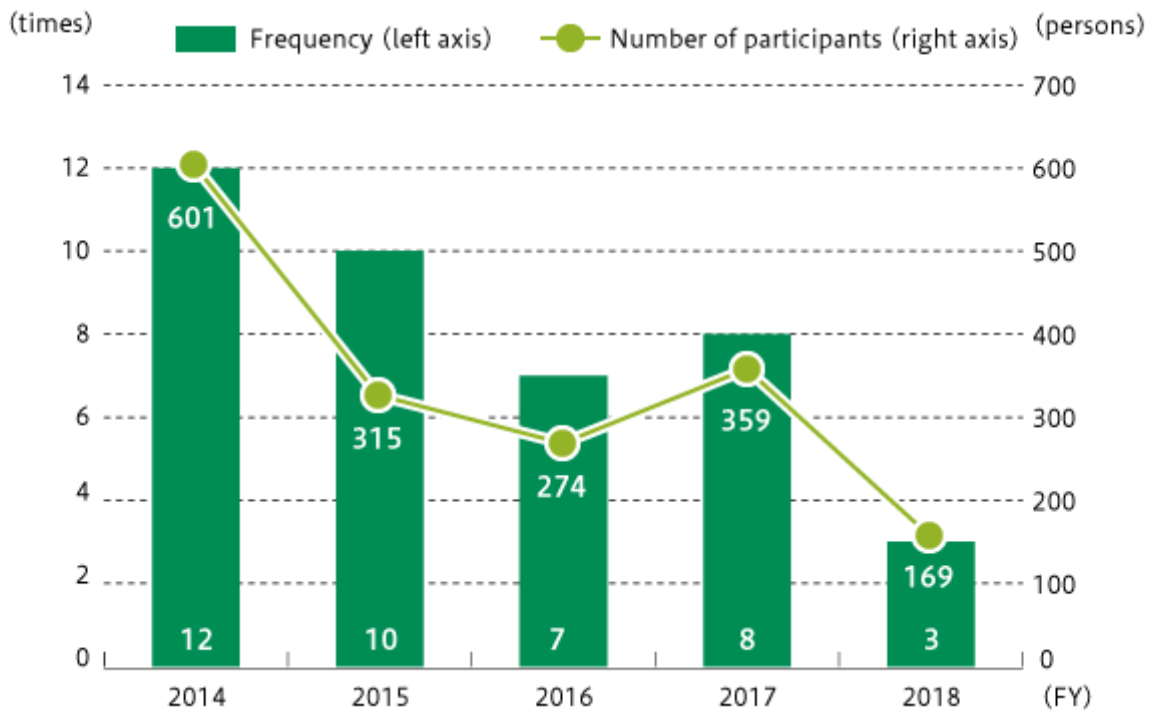


Employees Participating as Volunteers



Students of the Sumitomo Forestry School of Professional Building Techniques Participating as Volunteers

Forest Recovery Volunteer Activities Trend



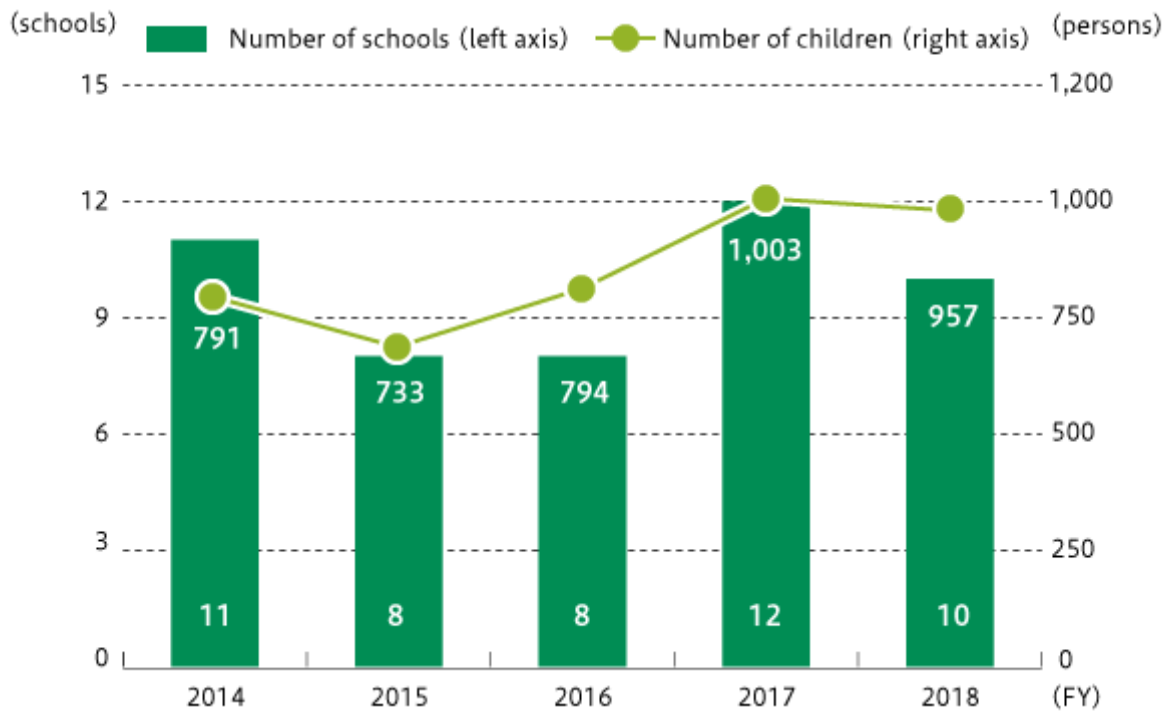
Environmental Education Program

Sumitomo Forestry has been implementing an Environmental Education Program for local elementary and junior high school students since fiscal 2006 in collaboration with the NPO Whole Earth Institute. Activities include nature observation and games incorporating the five senses. The aim of these opportunities to rediscover the natural world is for the students to learn about the importance of nature and encourage them to consider new ways in which people can coexist with nature in the future. In fiscal 2018, a total of 957 students and children from 10 schools were invited to the program.



Environmental Education Program

Environmental Education Program Trend



Vegetation Monitoring and Wildlife Habitat Survey

We have been conducting vegetation surveys since fiscal 2000 to monitor the recovery of the natural forest under the guidance of Vegetation Management Science Laboratory, Tokyo University of Agriculture and Technology. From the same year, we have been conducting wildlife surveys with the cooperation of the Minami Fuji Branch of the Wild Bird Society of Japan.

The vegetation monitoring was able to confirm the gradual growth of beech, Japanese zelkova, and other trees that were planted as well as dogwood and amur cork trees that grew naturally after the damage caused by the typhoon. Over the last 20 years, the survey revealed that the planted trees had not only gotten larger but entire species in the forest also recovered.

The environment where the ground was bare after the removal of fallen trees gradually transformed from grasslands to forests. With this, on the wildlife habitat survey, the population of pheasants and shrikes is declining, and in their place, the population of such birds of the forest as narcissus flycatchers and varied tit is increasing with opportunities to view them becoming more frequent, indicating that the forest is steadily recovering.

Cultivating a forest is a never-ending job and Mt. Fuji Manabi no Mori, too, is a 100-year project. To ensure that the project is still running 100 years from now, forest management and environmental activities will be continued as a way to communicate the importance of nature to as many people as possible.

Vegetation Shift in the Wind-affected Area



(2001)



(2008)



(2016)

- ▶ [HIGHLIGHT 2 Contributing to the Protection of Biodiversity, 20th Anniversary of the Mt. Fuji Manabi no Mori Natural Forest Restoration Project](#)
- ▶ [Link to Mt. Fuji Manabi no Mori \(in Japanese\)](#)

Cooperation with Local Communities

The Sumitomo Forestry Group conducts biodiversity conservation in surrounding areas where it engages business in and conducting and activities tied to local communities with local residents.

Forest Maintenance Activities at Gunma Manabi no Mori

In July 2012, Sumitomo Forestry and Gunma Prefecture signed a prefectural forest maintenance partnership agreement, and are working with the prefectural authorities to promote the maintenance of forest at the foot of Mt. Akagi.

Located within the jurisdiction of Maebashi City, Akagi Forest is owned by Gunma Prefecture, which promotes maintenance and conservation of its forests in cooperation with companies and organizations. Sumitomo Forestry held Gunma Manabi no Mori during fiscal 2018. 33 employees of Sumitomo Forestry and partner building contractors as well as their families participated in the activities which included planting of Japanese cypress seedlings and thinning work with the help of local forest associations in August.



Gunma Manabi no Mori

Advocating the Kanagawa Zero Plastic Waste Declaration

In February 2019, the Sumitomo Forestry sales offices in Kanagawa (Yokohama Branch, Yokohama North Branch, Kanagawa West Branch, Shonan Branch, and Tokyo South Branch of Housing and Construction Division) pledged their support for the Kanagawa No Plastic Waste Declaration. In the future, we will continue the beach cleaning activities that began in fiscal 2018 as well as providing environmental education for local communities about plastic waste.

- ▶ [Kanagawa Zero Plastic Waste Declaration](#)

Development of Technology to Pass Down Heritage and Precious Trees to the Next Generation

Sumitomo Forestry uses the most cutting-edge biotechnology in addition to conventional grafting and cutting based on the request of owners to pass down heritage and precious trees to the next generation. We are also putting our strength into breeding seedlings that provide the properties in the flowers and leaves of heritage and precious trees as a way to pass down both heritage and precious trees to the next generation. In addition, we are building a DNA database for trees to further advance a sophisticated program to identify individual varieties.

- Protected Species that Survived the Great East Japan Earthquake - Fukushima- Return of the Successor of “Izumi no Ichiyo Matsu” Pine Tree

Izumi no Ichiyo Matsu is a pine tree adored locally since long ago that is estimated to be over 400 years old. Fukushima prefecture has designated the tree as a protected species. However, since the Great East Japan Earthquake, the weevil damages has greatly impacted the vitality of the tree. While exploring the potential of cultivating a new generation of the tree, Minamisoma City asked Sumitomo Forestry for help based on its success in cloning the Miracle Pine Tree. Sumitomo Forestry began to cultivate the successor tree of the Izumi no Ichiyo Matsu in 2013. The few remaining pine cone seeds that were successfully harvested sprouted in March 2015. The single leaf, “Ichiyo” as the distinction of the Izumi no Ichiyo Matsu appeared at the end of 2018 on the seedling that had grown and was decided for it to return home.



Izumi no Ichiyo Matsu

Launch of the TOKYO Sakura Project -Preserving and Popularizing the Tokyo Sakura by Tokyo Metropolitan Government and Sumitomo Forestry-

The Tokyo Metropolitan Government and Sumitomo Forestry launched the TOKYO Sakura Project to preserve and popularize the cherry blossoms that has close ties with Tokyo. Sumitomo Forestry is passing on the genetic strains of Tokyo Sakura through species identification via the genetic information as well as the cloning techniques via tissue cultures unique to Sumitomo Forestry in accordance with the Partnership Agreement on the Natural Park Business concluded by Sumitomo Forestry and the Tokyo Metropolitan Government in April 2018.



TOKYO Sakura Project Logo

Training and Education for the Next Generation

Sponsoring the Marunouchi Kids Jamboree 2018 to Share the Importance of Trees and Nature with Children

Sumitomo Forestry sponsored and exhibited a booth at the Kids Jamboree held at the Tokyo International Forum in August 2018. The Kids Jamboree is an event for children that have been held continually throughout the summer season since 2007 under a concept to deliver wonder, discovery and surprise to nurture aspiration for the future in the next generation. Sumitomo Forestry has sponsored the Kids Jamboree for three consecutive years since 2016. This year the Company introduced the life and nature around us in a quiz format under the theme of biodiversity. Anyone who answered the quiz was given Kikorin merchandise as a present. Both parents and children alike were able to experience the fun and thrill of learning at the Kids Jamboree.



Parents and Children Trying the Quiz

Teaching a Course Under the Theme “The Dream of Bio Hanami to Create a Future for the Earth Through the Power of Trees!” to High School Students

Sumitomo Forestry Group cooperated in the 18th Nikkei Education Challenge (Host: Nikkei Inc.) held in July 2018. The Group conducted a course under the theme “The Dream of Bio Hanami to Create a Future for the Earth Through the Power of Trees!” for high school students who will be entrusted with the future of our society. Through participation in this program, Sumitomo Forestry introduced the broad range of its businesses center upon trees and the direct connection to businesses through the research results of the Tsukuba Research Institute. This effort was able to share the sensation, dreams and joy earned through research experience and work.

This course reviewed the project for the weeping cheery blossom trees synonymous with Toyotomi Hideyoshi at the Daigoji temple in Kyoto found in the research to cultivate and pass down these heritage trees utilizing the research and development in tissue cultures for plant life. We talked about the many failures in thousands of attempts to find a culturing medium suitable for cherry blossom trees until finally finding success in cultivating the first weeping cherry blossom tree in the world. High school students also passionately worked in actual experiments to harvest cells for growth using a microscope.



In the Classroom

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 2018 was made up of two sections; a lecture to introduce the businesses of the Sumitomo Forestry Group as well as a discussion about the experiences of employees working abroad among other things in Niihama Office as well as field work at the Forester House in Kyubesshi. These students learned about the corporate spirit passed down through the close to 325-year history of Sumitomo Forestry as well as the contributions to current business expansion overseas.

In fiscal 2014 and fiscal 2015, students visited the Djakarta office to experience the Sumitomo Forestry business expansion in Indonesia.

Sumitomo Forestry sponsors and cooperates with the 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.



Forester House

Examples of Overseas Community Development and Regional Contribution Activities

Contributing to Communities Where Sumitomo Forestry Operates

The Sumitomo Forestry Group aims to contribute to sustainable local development through its operations. When starting new businesses or expanding its overseas business sites, the Group's policy is to consider the environment, revitalize local economies and promote employment and thereby operate in harmony with local communities.

Activities Which Contribute to Local Communities in Indonesia

Support for Children Through the KTI Educational Foundation

PT. Kutai Timber Indonesia (KTI) founded the KTI Educational Foundation in 2000 to commemorate its 30th anniversary with the purpose of improving the livelihood of people in Indonesia through education as well as engaging in social activities. This foundation primarily provides 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 2018, the foundation provided support for supplies to elementary schools as well as IDR 12,715,000 (approx. 100,000 yen) in financial support to children.



KTI Educational Foundation provided environmental education and donated garbage bags to an elementary school

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 delivered from April 2009 to March 2017 by planting in Indonesia. New reforestation efforts have already been completed and the work has currently migrated to cultivation, harvest and subsequent reforestation.

The project also encompassed activities leading to enhanced regional infrastructure through efforts such as the preparation of roads necessary for the reforestation work, thereby contributing to improvement of the livelihoods of residents. Sumitomo Forestry also makes donations such as academic supplies to kindergartens and elementary schools in addition to setting up public restrooms in villages.

Following the lead of KTI which implemented the project, we have provided seedlings to local residents and guarantee purchase of plantation timber that is cultivated at a fair price to contribute to creating a revenue source for the local people while taking responsibility for one aspect of sustainable plantation activities.

- ▶ [Reforestation Activities Contributing to the Society](#)
- ▶ [News Release: KTI Reforestation Cooperative Newly Acquires the FSC Forest Certification \(in Japanese\)](#)



Public Bathrooms Set Up in Village



Harvesting and Transport of Timber

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 guarantees the purchase of the timber at a fair market price from the seedlings that are cultivated, 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 seedlings to the local Kendal Regency

Respect for Local Tradition and Culture at Overseas Plantations

The plantation forest operations in Indonesia communicate with the local residents and associations to gain a deep understanding of the local traditions and culture and conduct safety festivals together with the local people when starting operations in accordance with those traditions. Sumitomo Forestry also engages in efforts to respect the traditions and cultures of local communities, such as capital support for traditional events held by local residents.



Village meeting

Technical Development for Sustainable Peatland Use

Sumitomo Forestry strives to develop forestry technologies together with the region through large-scale plantation operations in West Kalimantan, Indonesia.

► [Plantation Forest Operations in West Kalimantan, Indonesia \(Industrial Tree Plantation\)](#)

Building Infrastructure and Providing Basic Educational and Medical Support in Neighboring Business Regions

PT. Mayangkara Tanaman Industri (MTI), a large-scale plantation forest business operator in Indonesia, views sustainable development of local communities as a vital managerial challenge, and thereby, undertaking community services that meet the needs of local residents in the areas through education, medicine and hygiene, infrastructure development, agriculture, and livelihood enhancement.

Up until now, a water purifying plant was setup in villages in business regions to supply safe water for daily life to residents. In addition, Sumitomo Forestry works to provide basic educational support by building local elementary schools and deploying teachers where facilities and instructors are lacking in addition to medical support which includes free examinations for neighboring residents.

In fiscal 2018, adoption of flood disaster prevention in neighboring communities began with the water level management technology developed through the Sumitomo Forestry business. Infrastructure that is easy to maintenance and able to effectively adjust water levels is offered to neighboring communities.



Support for stationary at elementary schools in operating areas



Educational Environment at the Elementary School



Ladakh Water Level Management Infrastructure

Building Social Infrastructure in Papua New Guinea

Open Bay Timber Ltd. (OBT) in Papua New Guinea has been operating a plantation forest since 1984 and it contributes greatly to the economic development of the region. In April 2007, OBT became a Group company of Sumitomo Forestry to further healthy expansion and effective use of reforestation timber resources.

OBT also operates its own clinics and super markets for their employees and local residents to use because the preparation of social infrastructure is insufficient in Papua New Guinea. In neighboring villages, OBT nurses periodically visit neighboring villages to perform infant health checkups and provide advice to the sick as well as conduct educational activities. Furthermore, a dedicated clinic vehicle was arranged to transport patients to larger hospitals.



Full View of Open Bay Clinic



Four-wheel drive vehicle to transport patients available at the clinic

As support for the economic activities of local residents, OBT builds a public sales space with a roof that is open to the community so that anyone can sell their own fruits and vegetables after establishing company-owned land facing the coast. The building which had collapsed due to strong winds and rains was also rebuilt. OBT also plans to build three additional buildings in the future to respond to the strong requests of nearby residents who fill this sales space.



Local Community in the Newly Built Community Market Place

A large-scale charity medical event was also held at the Open Bay Clinic built and operated by OBT to offer local citizens a place to be examined properly for those that cannot visit major town to receive such examinations with the cooperation of the health department of the province. The medical staff of over 40 professionals brought together from around the world examined for diagnosis for approximately 500 people over the three days of this event.



Diagnosing and Treating Adults and Children Alike

Hygiene Guidance for Children

Stand-by generators were newly installed in the Open Bay Clinic in anticipation of power-outages in the evening when the main generators stop. These generators have been able to provide support in case of emergencies or childbirth in the middle of the night.

OBT employs full-time health workers day and night at the Open Bay Clinic to provide general medical care, support childbirth and pharmaceutical needs, accept patients into the hospital, and transfer patients with serious medical concerns to major hospitals by land and sea.

The patients receiving care are not only employees and their families but also many people who travel from far away for treatment. Therefore, the Open Bay Medical Clinic contributes greatly to the local community as the most advanced medical clinic within a 60 km radius from its grounds in a country where medical facilities are lacking.

Books were donated to the Open Bay Elementary School attended by the local children (elementary, junior, and senior high students) in addition to the student community classroom (origami experience) that was held.



Junior and Senior High School Students Receiving the Books

Elementary School Students Showing Off Their Origami Art

Social Contribution Through the Housing Business in Australia and the United States

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 whereby the money raised from the sales of spec homes, built with cooperation of a housing lot developer, materials supplier and other business partners, is donated to children's hospitals and other facilities.

The Henley Properties Group held the Good Friday Charity Auction in April 2019, which was the 26th year of the event. Several hundred business partners from the provision of land to design, estimation, material manufacturing, procurement, and labor management have participated in these activities. The Henley Properties Group donated the entire 761,000 Australian dollars (approx. 63 million yen) earned from the charity auction this year of two-story homes built in Clyde North, a southeastern district of Melbourne, to a children's hospital. Since these efforts began in 1993, more than 15.4 million Australian dollars (1,271 million yen) in total donations have been provided through the auction to be used for the medical costs of children suffering from intractable diseases.

MainVue Homes has been working to donate proceeds from the building and sale of charity homes since 2015. The charity auction sold a charity home built in Tehaleh located in the southern area of Seattle, Washington in 2018 and donated 705,000 US dollars (78 million yen) raised for research into treatment of intractable diseases. This is the second charity home built and sold by MainVue Homes in the United States.



Henley Properties Group detached house auction



MainVue Homes charity home

Regional Contribution Activities in New Zealand

Tasman Pine Forests Ltd. (TPF) in New Zealand engages in local contribution activities to bring health and safety to the local community.

In fiscal 2017, TPF donated activity capital as a sponsor to the Nelson Marlborough Rescue Helicopter Trust. This trust is deploying rescue helicopters roughly 500 times a year for natural disasters that occur in the region and for leisure accidents. The TPF logo is posted on the helicopter.

Furthermore, TPF donated the funds to Fire and Emergency New Zealand (FENZ), the fire-fighting organization of New Zealand, for the purchase of a small fire engine to fight forest fires. In New Zealand, TPF worked together with the Rural Fire Network made up of forestry companies and FENZ engaged in forest fire prevention and fire-fighting activities.

In fiscal 2018, TPF donated to the new care hospital wing built at the Nelson Tasman Hospice as New Zealand faces an aging population. The Nelson Tasman Hospice is a charity (non-profit) organization rooted in the community which has been providing hospice care in Nelson since its founding in 1987.



Rescue Helicopter



Fire Engine

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 charity organizations which donate toys to make donations of wooden toys and puzzles to child protection facilities and children's hospitals.



Trains and Other Donated Wooden Toys



Local Charity Organization Members Making Toys

Construction of Monastic Schools in Myanmar

Sumitomo Forestry is involved in the Myanmar Monastic School Support Team and the secretariat, bodies established to support the construction of monastic school-style community schools in Myanmar. Activities which began in 2014 have completed five monastic-style schools as of January 2019 thanks to the donations of companies and individuals who see the benefit. These schools were small shacks before they were rebuilt but have now transformed into three-story schoolhouses built from steel and concrete.

At the completion of a school, the donor companies held an opening ceremony with participants from advocating companies and an opportunity to engage with the local children.

The milestone of the fifth anniversary of the project this year was captured on video through the use of drones and other methods.

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



Monastic School After Rebuilding and Attendees at the Ceremony

Construction of Monastic Schools by Myanmar Monastic School Support Team, in Number

Monastic School	Completion	Construction Region	Number of Students	Sponsors
Wutt Kyway Taw Pyay Monastery School	October 2014	Mingaladon Township, Yangon City	Approx. 260	18 companies, 4 individuals
Pyin Nyar Theingi Nun School	November 2015	Mingaladon Township, Yangon City	Approx. 120	18 companies, 4 individuals
Myittar Yaung Chi Nun School	November 2016	South Dagon Township, Yangon City	Approx. 180	19 companies, 5 individuals
Shuepi Paremiin Monastery Elementary and Middle School	March 2018	Aung Myay Tharzan Township, Mandalay	Approx. 520	20 companies, 6 individuals
Aung Mingalar Monastery Elementary and Middle School	January 2019	Pyigyidagun Township, Mandalay	305	19 companies, 6 individuals

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 high. Sama village, located at the foot of the mountain, once had virgin forests with rich vegetation and soil; nonetheless, recent population growth in the villages and deregulated logging have deprecated the forests. The degraded forest system has resulted in increased frequency of landslide and adversely affecting lives of the villagers.

Sumitomo Forestry, therefore, has been providing advice from the technical aspect by sending experts of nurturing seedlings and forests to the project site. In fiscal 2018, we gave advice on seedling production, proposed sites for reforestation, and reforestation methods locally and implemented test reforestation with approximately 3,000 trees.



Approx. Two-Year Old Japanese Larch Seedlings Ready for Planting

Quality Management

Acquisition Status of Management System Certifications at Each Group Company

Group companies	Country	Type of certification	Date acquired	Date renewed
MOCCA (Timber Solutions) Department, Housing and Construction Division, Sumitomo Forestry Co., Ltd.	Japan	ISO9001:2015	September 2015	August 2018
Sumitomo Forestry Crest Co., Ltd.	Japan	ISO9001:2015	December 2017	-
Sumitomo Forestry Landscaping Co., Ltd. Environmental Greenification Division	Japan	ISO9001:2015	September 2002	September 2018
Sumitomo Forestry Home Engineering Co., Ltd	Japan	ISO9001:2015	March 2006	March 2018
Sumitomo Forestry Home Tech Co., Ltd.	Japan	ISO9001:2015	March 2017	-
Nelson Pine Industries Ltd. (NPIL)	New Zealand	ISO9001:2015	July 1993	September 2017
PT. Kutai Timber Indonesia (KTI)	Indonesia	ISO9001:2015	September 1997	September 2016
PT. Rimba Partikel Indonesia (RPI)	Indonesia	ISO9001:2015	June 2003	March 2019
PT. AST Indonesia (ASTI)	Indonesia	ISO9001:2015	October 2002	October 2017
Vina Eco Board Co., Ltd. (VECO)	Vietnam	ISO9001:2015	March 2014	March 2017
Canyon Creek Cabinet Company (CCC)	United States	ISO9001:2015	August 2003	March 2019

Acquisition Status of Product Certifications at Each Group Company

Group companies	Country	Type of certification	Date of certification renewal
Nelson Pine Industries Ltd. (NPIL)	New Zealand	JIS certification (MDF)	March 2003
		JAS (LVL)	May 2008
		JIS certification: 2014 (MDF)	October 2015
		CARB certification(MDF)* EPA certification (MDF)	October 2008 August 2017
PT. Kutai Timber Indonesia (KTI)	Indonesia	JAS (Plywood, LVL, laminated engineered wood)	July 2002
		Q-Mark (Door blanks)	August 2016
		CARB certification (PB) EPA certification (PB)	May 2017 December 2018
		CARB certification (Plywood) EPA certification (Plywood)	December 2018 December 2018
		CE Marking (Plywood)	February 2018
PT. Rimba Partikel Indonesia (RPI)	Indonesia	JIS certification: 2014 (PB)	January 2019
		CARB certification (PB) EPA certification (PB)	February 2018 November 2018
PT. Sinar Rimba Pasifik	Indonesia	JAS (Flooring/laminated engineered wood)	March 2012
PT. Wana Subur Lestari	Indonesia	Timber Legality Assurance	February 2013
Vina Eco Board Co., Ltd. (VECO)	Vietnam	CARB certification (PB) EPA certification (PB)	July 2017 August 2017
		JIS certification: 2014 (PB)	December 2018

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

Social Data

Basic Employee Data

Number of Employees

(Unit: Persons)	FY2014	FY2015	FY2016	FY2017	FY2018
Non-consolidated	4,499	4,417	4,485	4,693	4,824
Consolidated	18,137	17,001	17,802	18,195	19,159

Breakdown of Number of Employee (Non-Consolidated)

(Unit: Persons)	FY2014	FY2015	FY2016	FY2017	FY2018
Management level	2,047	1,995	2,030	2,117	2,164
Non-management level	2,297	2,292	2,303	2,398	2,458
Fixed-term employees	125	98	92	97	119
Hosted from other companies	30	32	60	81	83
Total	4,499	4,417	4,485	4,693	4,824

Breakdown of Number of Employee (Subsidiary Companies in Japan)

(Unit: Persons)	FY2015	FY2016	FY2017	FY2018
Management level	1,509	1,803	1,546	1,460
Non-management level	3,383	3,361	4,043	4,440
Fixed-term employees	688	799	825	818
Hosted from other companies	330	263	231	218
Total	5,910	6,226	6,645	6,936

Breakdown of Number of Employee by Age (Non-Consolidated)

(Unit: Persons)	FY2014	FY2015	FY2016	FY2017	FY2018
under 30	707	693	690	769	860
30-50	2,881	2,959	2,817	2,799	2,875
Older than 50	911	765	978	1,125	1,089

Number of Newly Hired Graduates* (Non-Consolidated)

(Unit: Persons)		FY2014	FY2015	FY2016	FY2017	FY2018
Housing sales	Male	60	73	80	100	90
	Female	13	17	21	13	17
Housing engineering	Male	23	22	27	37	40
	Female	8	13	7	9	12
General management	Male	15	17	22	22	28
	Female	6	5	6	6	11
Clerical	Male	0	0	0	0	0
	Female	13	6	4	7	12
Total	Male	98	112	129	159	158
	Female	40	41	38	35	52
	Total	138	153	167	194	210

* Calculated based on the number of new graduate recruits as of April 1 of each fiscal year.

Employment

Average Annual Pay (Non-Consolidated)

FY2014	FY2015	FY2016	FY2017	FY2018
8,337,767 yen	8,483,875 yen	8,518,404 yen	8,635,865 yen	8,593,312 yen

Average Length of Service* (Non-Consolidated)

	FY2014	FY2015	FY2016	FY2017	FY2018
Male	15 years and 5 months	15 years and 3 months	15 years and 8 months	15 years and 9 months	15 years and 11 months
Female	11 years and 0 month	11 years and 1 month	11 years and 1 month	11 years and 2 months	11 years and 4 months

* Calculated at the end of the fiscal year (as of March 31 every year)

Separation Rate*¹*² (Non-Consolidated)

	FY2014	FY2015	FY2016	FY2017	FY2018
Voluntary separation rate (%)	2.5	2.4	2.6	2.1	2.3
Separation rate* ³ (%)	3.0	3.9	3.1	3.0	2.7

*1 Calculated by dividing the number of people who left during the year by the number of employees at the beginning of the year, including employees seconded to partner companies but excluding executive officers, hosted from other companies and exchange employees.

*2 The data for each fiscal year has been calculated retrospectively.

*3 The calculation includes voluntary separations and excludes hiatuses and the end of terms.

▶ [About symbol for Independent assurance](#)

Diversity

Employment and Promotion of Women (Non-Consolidated)

	FY2014	FY2015	FY2016	FY2017	FY2018
Female employees including contract employees* ¹ (%)	18.8	19.4	20.0	20.4	21.0
Female employees in management positions* ¹ (%)	2.2	2.6	2.8	3.2	3.7
Female new graduates* ² (%)	29.0	26.8	22.8	18.0	24.8

*1 The ratio of female employees and the ratio of female employees in management roles is based on the number of employees as of March 31 each year.

*2 The ratio of new female graduates is calculated based on the number of employees as of April 1 each year.

▶ [About symbol for Independent assurance](#)

Employment and Promotion of Women (Subsidiary Companies in Japan)

	FY2014	FY2015	FY2016	FY2017	FY2018
Female employees including contract employees* ¹ (%)	29.6	30.4	30.7	31.6	32.0
Female employees in management positions* ¹ (%)	3.6	4.0	4.2	4.6	6.0
Female new graduates* ² (%)	36.1	48.0	40.3	40.2	43.5

*1 The ratio of female employees and the ratio of female employees in management roles is based on the number of employees as of March 31 each year.

*2 The ratio of new female graduates is calculated based on the number of employees as of April 1 each year.

Employment of Persons with Disabilities (Non-Consolidated)

	FY2014	FY2015	FY2016	FY2017* ¹	FY2018* ²
Ratio of Disabled Employees (%)	2.24	2.12	2.12	2.26	2.32

*1 The calculation includes the subsidiary Sumirin Wood Peace Co., Ltd. for fiscal 2017.

*2 The calculation includes the subsidiary Sumirin Wood Peace Co., Ltd. as well as the affiliated Group company Sumirin Business Services Co., Ltd. for fiscal 2018.

Employment of Persons with Disabilities* (Subsidiary Companies in Japan)

	FY2015	FY2016	FY2017	FY2018
Ratio of Disabled Employees (%)	1.45	1.45	1.75	1.76

* As of June each fiscal year

Rate of Local Employment in Group Companies Outside Japan*

	FY2014	FY2015	FY2016	FY2017	FY2018
Rate of Local Employment in Group Companies Outside Japan (%)	99.3	99.2	99.6	99.8	99.1

* Calculated by dividing the number of employees hired locally by consolidated subsidiaries and working for the company at the end of the year by the total number of employees at the end of the year

Training and Education

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

	FY2014	FY2015	FY2016	FY2017	FY2018
Hours of training received per employee	6.8	9.3	9.4	13.1*	13.6
Expenditure on training per employee (yen)	91,000	91,000	100,000	100,000	97,000

* Calculation method was changed from fiscal 2017

Work-Life Balance

Work-Life Balance Program Usage (Non-Consolidated)

		FY2014	FY2015	FY2016	FY2017	FY2018
Number of childcare leave users (Persons)	Male	7	13	13	19	38
	Female	33	40	43	41	43
Percentage of childcare leave users* ¹ (%)	Male	4.2	7.8	8.5	11.6	24.1
	Female	103.0	105.0	95.7	120.6	97.7
Percentage of returnees after childcare leave* ² (%)		92.8	96.4	96.2	93.6	96.2
Number of reduced hours program users* ³ (persons)		29	32	40	53	61
Number of telework program users* ⁴ (persons)		21	19	19	25	49

*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 The number of returnees for the fiscal year divided by returnees for the fiscal year plus employees who resigned for childcare leave but have not returned to work

*3 Available for reasons such as childcare and family care; combined figures of employees on programs of the reduced working hours and the four-day work per week

*4 Available for any reasons other than childcare or family care

Work-Life Balance Program Usage (Subsidiary Companies in Japan)

		FY2015	FY2016	FY2017	FY2018
Number of childcare leave users	Male	1	3	3	6
	Female	68	110	92	73
Percentage of childcare leave users* (%)	Male	0.6	5.0	3.0	4.3
	Female	115.3	102.8	85.2	104.3

* The number of childcare leavers starting in the respective fiscal year divided by the number of employees who had a baby in respective fiscal year

Paid Leave Usage Ratio (Non-Consolidated)

	FY2014	FY2015	FY2016	FY2017	FY2018
Average paid leaves taken (day)	6.7	6.3	6.9	9.0	10.1
Paid Leave Usage Ratio* (%)	35.2	32.8	35.9	47.4	53.2

* Paid leave entitlements are issued each year in January, therefore the table shows figures as of December 31 of the respective year. Calculated by dividing the number of days of paid leave taken by the number of days of paid leave issued.

 [About symbol for Independent assurance](#)

Paid Leave Usage Ratio (Subsidiary Companies in Japan)

	FY2015	FY2016	FY2017	FY2018
Average paid leaves taken (day)	7.1	7.3	7.6	8.7
Paid Leave Usage Ratio*	39.7	40.0	43.9	50.5

* Paid leave entitlements are issued each year in January, therefore the table shows figures as of December 31 of the respective year. Calculated by dividing the number of days of paid leave taken by the number of days of paid leave issued.

Occupational Health and Safety

Occupational Injuries (Non-Consolidated)*1

	FY2014	FY2015	FY2016	FY2017	FY2018
Number of occupational injuries (incidents)*2	1	0	3	0	2
Lost-time injury frequency rate*3	0.19	0.19	0.30	0.10	0.20
Work-related illness frequency rate	0	0	0	0	0

*1 "0" work-related accidents resulting in death occurred during the reporting years shown.

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

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

 [About symbol for Independent assurance](#)

Occupational Injuries (Subsidiary Companies in Japan)

	FY2015	FY2016	FY2017	FY2018
Number of occupational injuries*	10	8	5	10

* 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.

Occupational Injuries of Contractors at On-Site Construction of Houses

	FY2014	FY2015	FY2016	FY2017	FY2018
Number of occupational injuries* ¹	11	6	12	9	7
Lost-time injury frequency rate* ²	3.63	2.23	3.35	2.31	3.01
Work-related illness frequency rate	0	0	0	0	0

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

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

Number of Occupational Injuries in the Manufacture of Wood Building Materials in Overseas

FY2014	FY2015	FY2016	FY2017	FY2018
6	18	16	23	11

* 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.

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

FY2014	FY2015	FY2016	FY2017	FY2018
2	1	3	1	4

Relationship with Labor Unions

Labor Union Membership (Non-Consolidated)*

	FY2014	FY2015	FY2016	FY2017	FY2018
Labor union membership rate (%)	100	100	100	100	100

* As of April 1, 2019, the number of eligible employees is 3,664. The scope of eligibility for labor union membership is stipulated in the labor agreement.

Environmental Report

Environmental Management

Environmental Impact of Business Activities

Responding to Climate Change

Responding to Waste and Pollution

Biodiversity Conservation

Efficient Use of Water Resources

Environment Related Data

Environmental Management of the Sumitomo Forestry Group

Environmental Management of the Sumitomo Forestry Group

The Sumitomo Forestry Group advocates contributions to the realization of a sustainable society in its Corporate Philosophy. The Group established its Environmental Philosophy in 1994 and Group-wide Environmental Policies in 2000.

Moreover, in 2015, the Group has initiated the Sumitomo Forestry Group Environmental Policy, bringing together the Environmental Philosophy, the Environmental Policies, the Sumitomo Forestry Group Declaration of Biodiversity, and the Sumitomo Forestry Group's Biodiversity Action Guidelines. The Environmental Policies applies to the product life cycle and all business processes from product and service development, design and manufacturing to material procurement, distribution, waste management, supplier and partner selection, new project launches, mergers, and acquisitions in all businesses of the Sumitomo Forestry Group to promote businesses that contribute to the realization of a sustainable society.

A green procurement survey is conducted for the selection and evaluation of suppliers based on the Sumitomo Forestry Group Environmental Policies to assess risks from both environmental and social perspectives in each business when launching new businesses as well as in mergers and acquisitions.

To share and raise awareness of the Environmental Policies among Group employees, they were printed in employee handbooks. Opportunities to read through and discuss them were also arranged, for example as part of new employee training, ISO 14001 internal environmental auditor training courses and departmental meetings. The environmental policies are also posted in meeting rooms, and the environmental approach of the Sumitomo Forestry Group has been shared with business partners.

Furthermore, the Sumitomo Forestry Group Code of Conduct established in 2017 not only encompasses Group companies but everyone in the supply chain. The Code of Conduct drives coexistence with the environment and clarifies the approach to advance efforts toward the environment, including all of the business partners of Sumitomo Forestry Group.

We formulated the Mid-Term Environmental Management Plan (fiscal 2010 to 2014) with specific numerical targets for the first time in fiscal 2009 as environmental goals and established the Mid-Term CSR Management Plan (fiscal 2015 to 2020) that includes environmental targets in fiscal 2014. The plan was incorporated into CSR budget as concrete numerical targets for each fiscal year and environmental activities have been steadily enhanced through implementation of the PDCA (plan-do-check-act) cycle at each organization.

In May 2019, We have announced the Sumitomo Forestry Group 2021 Mid-Term Management Plan (fiscal 2019 to 2021). As one of four basic policies, the Mid-Term CSR Management Plan (fiscal 2015 to 2020) was revised to promote the integration of business and ESG efforts in addition to the formulation of non-financial targets as Mid-Term Sustainability Targets. In the future, the Sumitomo Forestry Group will further enhance its environmental management in accordance with these goals.

- ▶ [New Business Plan Risk Assessment](#)
- ▶ [Sumitomo Forestry Group Corporate Philosophy and Sustainability Management](#)

Sumitomo Forestry Group Environmental Policy

Through our experience nurturing forests since our founding, Sumitomo Forestry Group has learned to appreciate the wonders of wood and the importance of nature. As a corporate entity with a close affinity to nature, we will pursue business activities that balance both environmental and economic interests and contribute to a sustainable society.

1. **Develop business operations centered on wood and forests**

We will cultivate forests and their ability to preserve and enhance the rich ecosystem to protect biodiversity, actively utilize timber resources and create new corporate value.

2. **Develop and offer environmentally conscious products and services**

We will develop and sell products and services that are environmentally conscious throughout the entire product lifecycle.

3. **Minimize and improve environmental impact**

To minimize and improve environmental impact, we will employ procurement practices that prevent environmental pollution and climate change and promote the effective utilization of natural resources.

4. **Ensure strict legal compliance**

We will adhere to all environmental laws, rules and regulations, global standards, voluntary standards and accords with stakeholders.

5. **Make continual improvements to our environmental management system**

We will accurately assess environment-related risks associated with our business activities and with a mid-to-long-term outlook, set and work to fulfill yearly environment goals. In addition, we will regularly evaluate our environmental management system and make continual improvements.

6. **Promote environmental education**

We will provide environmental education for all parties involved in Sumitomo Forestry Group's business operations and encourage voluntary environmental efforts.

7. **Pursue active communication**

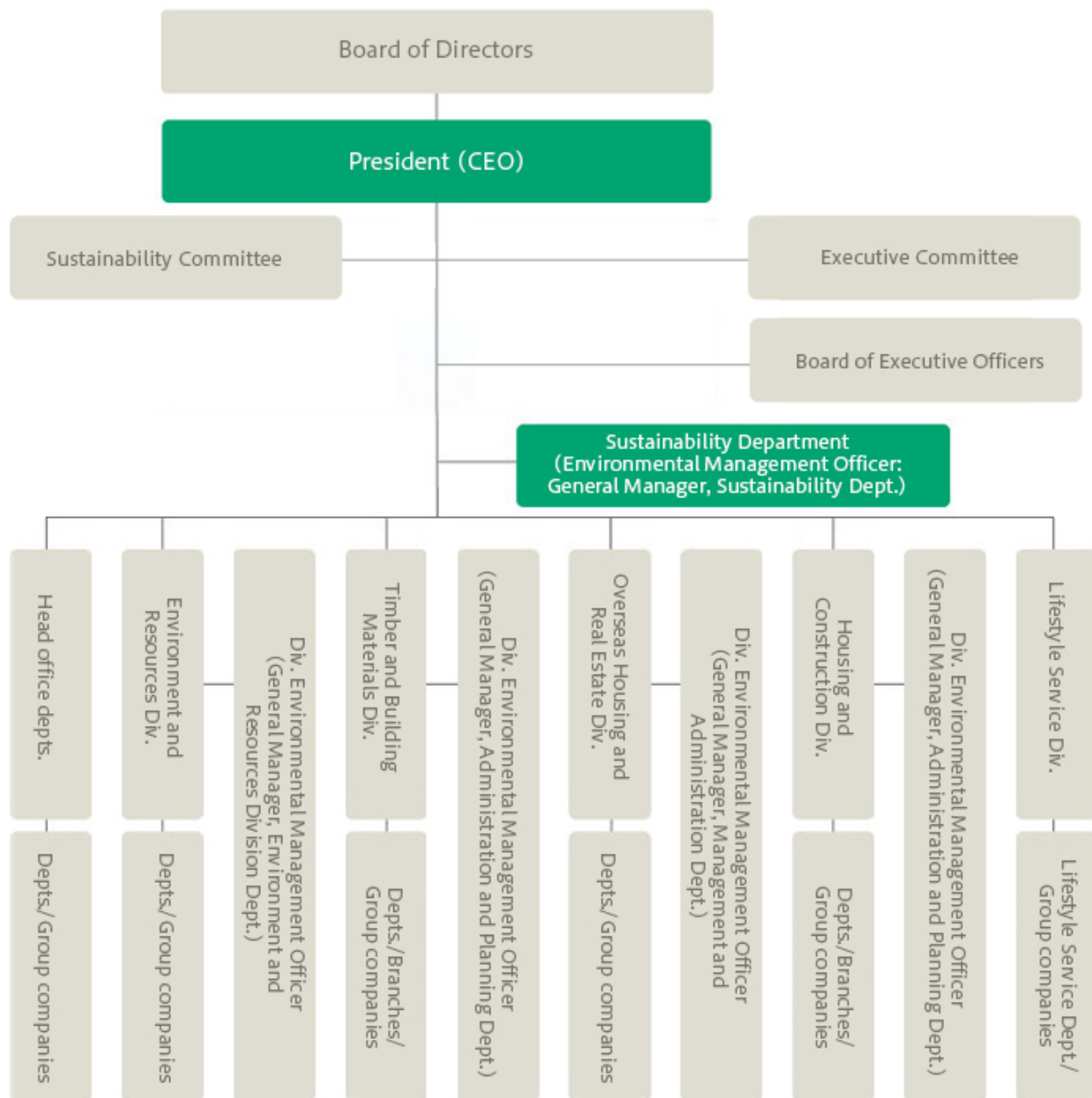
We will actively disclose information about our environmental policies and initiatives and pursue activities that convey the wonders of trees and forests and the importance of nature.

Environmental Management Structure

Environmental Management Structure

To ensure that management is practiced in accordance with the Environmental Policies, whose objective is to contribute to the creation of a sustainable society, the Sumitomo Forestry Group has established an environmental management structure with the President of Sumitomo Forestry assuming overall responsibility.

The General Manager of Sustainability Department under the President (CEO) acts as the Environmental Management Officer to raise the effectiveness of environmental activities by drafting a Sustainability Budget as a quantitative targets for each fiscal year for environmental activities that each department of the Group is advancing and regularly checks in with the Sustainability Committee.



► [Mid-Term Sustainability Targets of Our 2021 Mid-Term Management Plan and Material Issues](#)

Roles of Environmental Management Personnel

- Group Overall Environmental Representative: President (CEO)
- Group Environmental Management Officer: General Manager, Sustainability Dept.
- Division Environmental Management Officers: General Manager, Administration and Planning Dept. (Timber and Building Materials Div.); General Manager, Administration and Planning Dept. (Housing and Construction Div.); General Manager, Overseas Administration Dept. (Overseas Housing and Real Estate Div.); Management and Administration Dept. (Environment and Resources Div.)
- Department Environmental Managers: General Managers, presidents of group companies, etc.
- Environmental activity personnel: Environmental promotion personnel

ISO 14001 Certification

Sumitomo Forestry introduced an environmental management system in fiscal 1995 and acquired ISO 14001 certification for its housing operations in fiscal 1997 ahead of other players in the housing industry. Certification was subsequently acquired for other operations with all departments and divisions in Japan achieving integrated ISO 14001 certification in fiscal 2002.

The scope of certified Group companies has been extended to businesses that have a large influence on the environment, and today the Group has four certified companies in Japan. Progress is also being made on certification of overseas Group companies, focused on manufacturing companies, with six companies already certified.

As of March 2019, the certification rate of consolidated organizations was 85.7% (based on sales).

ISO 14001 Certification Rate
(Based on Sales)

85.7%

Sumitomo Forestry Group ISO 14001 Certification

Company Name		Date acquired	Date renewed
Expanded Certification at Group Companies in Japan	Sumitomo Forestry Co., Ltd. (excl. overseas operations)	August 2002*1	August 2016*1
	Sumitomo Forestry Landscaping Co., Ltd.	November 2002*2	
	Sumitomo Forestry Crest Co., Ltd.	September 2003*2	
	Sumitomo Forestry Home Tech Co., Ltd.	March 2013*2	
	Japan Bio Energy Co., Ltd.	August 2014*2	
PT. Kutai Timber Indonesia (KTI)		July 2001	September 2016
Nelson Pine Industries Ltd. (NPIL)		July 2003	April 2018
PT. Rimba Partikel Indonesia (RPI)		October 2005	October 2017
PT. AST Indonesia (ASTI)		January 2007	October 2017
Vina Eco Board Co., Ltd. (VECO)		March 2014	March 2017
Pan Asia Packing (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 2018, 37 departments at 5 companies went under migration and surveillance reviews for the ISO14001:2015 (JISQ14001:2015) standards.

As a result of these reviews, all of the entities were approved for registration on August 30, 2018 after examining 42 points of advice for improvement without any incompatibilities.

In addition to examining methods of improvement and taking action for each of the observation items, notices were issued by the Sustainability Department to share information on any issues common to the Group companies, and internal environmental audits were conducted to check the implementation of preventive measures.

Internal Environmental Audits

In addition to reviews conducted by external certification bodies, companies covered by the 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.

Two courses of internal auditor development training are being held; one course for the Company-certified auditors based on old standards and another course based on new standards were offered following the amendments of the international standards in September 2015. In particular, requiring these courses be taken and passed by all general managers within the scope of the registration enhances understanding about the revisions to these standards and strengthens leadership. As a result, the number of employees certified as internal environmental auditors has reach a cumulative total of 1,102 (as of the end of fiscal 2018).

Internal environmental audits are in the fourth year since the update to the ISO14001:2015 standard. After a full audit of all the departments at five Japanese companies within the scope of the registration, internal environmental audits were conducted at 98 departments from September to December in fiscal 2018 with emphasis on departments that had many points of improvement. When irregularities due to the amendments were found, the audited departments took corrective actions and subsequently submitted the action reports to the audit department. Audit results were reported to management by the General Manager of Sustainability Department and a review was conducted.

Compliance and Violations of Environmental Laws

There were no significant violations* of any, environment-related laws or ordinances in the past five years.

* Violation with a penalty or punishment of one million yen or more

Significant violations in the last five
years

0

Environmental Risk Management

Understanding and Responding to Environmental Risks

The Sumitomo Forestry Group is aware of the risk upon our business activities from environmental changes such as climate change or reduced biodiversity and works to gather related information, analyze this information as necessary as a way to evaluate business risks.

We also determined specific measures as evaluation metrics in each department for risk with the potential to arise in daily operations and report on the progress of those measures to the Risk Management Committee each quarter while the Sustainability Committee formulates measures for risk with the potential to arise in the medium to long term. Risks with the potential to high impact business are reported to the Board of Directors to discuss their countermeasures. In fiscal 2018, each business department cooperated to analyze scenarios based on TCFD, and the Sustainability Committee deliberated on the results.

- ▶ [Risk Management Framework](#)
- ▶ [Responding to TCFD](#)

Climate Change and Biodiversity-related Risks and Strategies

Responding to Natural Disasters

Damage from a major earthquake, windstorm, flood or other natural disaster could result in significant costs arising from restoring operations at facilities, verifying the safety of delivered housing products, delays in the completion and handover of contracted properties, or other events. Such costs could influence the Group's operating results and financial position.

As countermeasures, Sumitomo Forestry promotes the sale of homes built with highly seismic resistant BF construction method as well as the sale of resilience housing equipped with the functionality to sustain living for a certain period of time even if lifelines are cut. Furthermore, we are building a service framework that aims to provide rapid assistance through IoT technology that rapidly grasps the damage during a disaster in real time.

- ▶ [HIGHLIGHT 1 Providing Reliable and Safe Housing](#)
- ▶ [BF Method](#)
- ▶ [Housing Sales Adapted to Climate Change](#)

Responding to Changes in the Wood Cultivation and Procurement Regulations

Because Sumitomo Forestry positions wood as its principal material and product, the risk of higher costs as well as the risk of having to change suppliers in the event of limitations being imposed due to the depletion of timber resources or changes to habitats resulting from climate change.

Sumitomo Forestry imports timber and wood products from more than 20 different countries and strives to place representatives in primary locations to collect information to mitigate the risk of changes in timber cultivation and timber procurement regulations. The company also makes efforts to verify legal compliance, such as deploying employees from the head office. We work to procure legally harvested timber throughout the entire Group in accordance with the Clean Wood Act enacted in May 2017, such as becoming the first company to register in Japan.

- ▶ [HIGHLIGHT 4 Expanding the Utilization of Sustainable Forest Resources](#)
- ▶ [Procurement Initiatives](#)

Setting Carbon Pricing Such as Mandatory Emission Reductions

As reduction of greenhouse gases advances globally, there is the possibility that reduction obligations will be imposed upon businesses in countries where the Sumitomo Forestry Group has bases. If Group companies with bases in these countries are unable to meet reduction obligations, they will be required to purchase emission credits, creating the risk of increased business costs.

Even in Japan, carbon pricing has been implemented as the introduction of a global warming tax in October 2012. Achieving targets outlined in the Paris Agreement could result in changes such as higher taxes and the adoption of new carbon taxes, which could influence business activities and costs.

As a countermeasure, Sumitomo Forestry sets greenhouse gas reduction target for each Group company and department and pursues those reductions based on the numerical targets that are drafted each fiscal year.

▶ [Mid-Term Sustainability Targets of Our 2021 Mid-Term Management Plan and Material Issues](#)

Responding to Energy Supply Shortages

In countries like New Zealand, where hydroelectric power is used, there is a risk that a change in the amount of rainfall will cause dam levels to fall and lead to a disruption of supply from hydroelectric power stations, forcing Sumitomo Forestry Group sites in those countries to suspend plant operations.

As a countermeasure, Sumitomo Forestry sets greenhouse gas reduction targets for each Group company and department and promotes energy savings while pursuing those reductions based on the numerical targets that are drafted each fiscal year.

▶ [Former Mid-Term CSR Management Plan and Results](#)

Corporate Image Deterioration

Any failure in addressing various risks such as climate change measures and the preservation of biodiversity may be detrimental to the corporate image, directly affecting sales and other performance indicators.

Sumitomo Forestry comprehensively analyzes and addresses risks from environmental, social and governance perspectives in the short to medium and long term through the Risk Management Committee and Sustainability Committee.

▶ [Risk Management](#)

Responding to Environmental Laws and Regulations

The Sumitomo Forestry Group is striving to reduce and to prevent the manifestation of legal risks such as the disposal of industrial waste, soil and water pollution caused by toxic substances, noise and vibration.

In fiscal 2018, there were no significant violations of any environment-related laws or regulations or any grave environmental incidents.

Processing of Industrial Waste

Construction-related waste makes up the highest percentage of industrial waste that is illegally dumped in Japan. Viewing the environmental risks presented by the processing of industrial waste as one of the biggest in terms of the potential impact on society and business, the Sumitomo Forestry Group works to ensure that industrial waste is disposed of appropriately.

Specifically, to comply with the Waste Management and Public Cleansing Act and other related laws and regulations, the Group has established a set of industrial waste management regulations covering appropriate disposal, reduction, recycling and reuse of industrial, as well as manufacturing regulations stipulating standards essential for production activities. In

keeping with these regulations, voluntary audits of waste manifests and terms of outsourcing agreements with waste processors are carried out twice a year for each Group company office in Japan emitting industrial waste. If an audit concludes that corrective action is required, appropriate action is taken and it is subsequently confirmed through reports submitted in line with the industrial waste management system that waste is being properly treated.

In addition, industrial waste managers at each office conduct site checks of contractors' waste treatment plants at least once a year. In fiscal 2018, managers from the Housing and Construction Division conducted approximately 608 on-site checks at roughly 500 waste treatment plants run by 363 waste treatment contractors. Divisions other than the Housing and Construction Division as well as offices of Group companies are being instructed to continue using waste treatment plants which the Housing Division has already inspected.

To be able to determine whether industrial waste is being processed in an appropriate manner, the Group asks waste treatment contractors to employ electronic manifests. All branches of the Housing and Construction Division as well as all contractors accepting industrial waste from new housing construction sites have already introduced electronic manifests. In fiscal 2018, 99.7% of all manifests, including those for housing demolition waste, were electronic.

In conjunction with this, training is also provided for employees who coordinate the processing of industrial waste. In fiscal 2018, a total of 101 people participated, including newly appointed personnel in charge of industrial waste processing at Group companies in Japan. Moreover, training was conducted in the same way for building contractors, demolition contractors and industrial waste disposal operators.

► Promotion of Waste Reduction and Recycling

Initiatives Against the Risk of Soil Contamination

Soil contamination is difficult to discover as contaminants build up and spread underground out of sight. The Sumitomo Forestry Group implements soil contamination countermeasures for land owned or administered by the Group and conducts voluntary soil contamination studies prior to new land purchases in the subdivision business. We are in compliance on land applicable to the Soil Contamination Countermeasures Act.

Water Pollution

Water pollution creates the risks of human health being directly affected by contamination of drinking water and of contamination affecting the habitats of organisms living in rivers, lakes and seas. Inspections entrusted to external measurement agencies are conducted once every two months and daily water quality tests are done internally through automatic COD measurement devices for the waste water expelled from waste water processing facilities in the Sumitomo Forestry Crest Co., Ltd. Imari Plant, which is a specified office under the amended Water Pollution Control Act of Japan, and the inspection results are issued to the local municipalities every six months.

Water is also sampled and inspected by the prefecture once a year and by the city three times a year. Through this measure, all inspections found the level of water pollution to be within the statutory limit for wastewater.

In addition, the Tsukuba Research Institute is considered a specified office under the amended Water Pollution Control Act of Japan and therefore, delivers notification of updates to some testing equipment and new installations according to this law. The Institute also conducts water quality inspections once every month through an external measurement agency to monitor those results and issue reports to Tsukuba City once every six months.

► Management of Hazardous Chemical Substances and Appropriate Disposal

Contamination by Hazardous Chemical Substances

Contamination caused by hazardous chemical substances leads to risks of a major impact on human health or the environment and the risk of a disaster. The Sumitomo Forestry Group keeps track of amounts of hazardous chemical substances including volatile organic compounds (VOCs) used and discharged as part of appropriate management, meanwhile making an effort to reduce the use of these chemicals.

The Group takes appropriate action in response to the Air Pollution Control Act. Sumitomo Forestry Crest's Niihama Plant equipped with boilers and Kagoshima and Shizuoka plants equipped with incinerator make regular measurements of emission volumes and concentrations of NO_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 and Appropriate Disposal](#)

Noise and Vibrations

Sumitomo Forestry makes an effort to prevent noise and vibrations during housing construction. When complaints about noise or vibrations are received, the circumstances are recorded and the information is shared with the rest of Group to prevent the occurrence of similar incidents.

Sumitomo Forestry Crest confirms that noise levels within the site boundaries of plants are below the statutory limit by taking regular measurements.

No complaints about noise or vibrations having a major impact on the environment were received from local residents during fiscal 2018.

Global Warming (Addressing the Act on Rational Use and Proper Management of Fluorocarbons)

In April 2015, the Fluorocarbons Recovery and Destruction Law came into force for the purpose of promoting drastic measures over the entire lifecycle of chlorofluorocarbons that have a strong greenhouse effect, from manufacture to disposal.

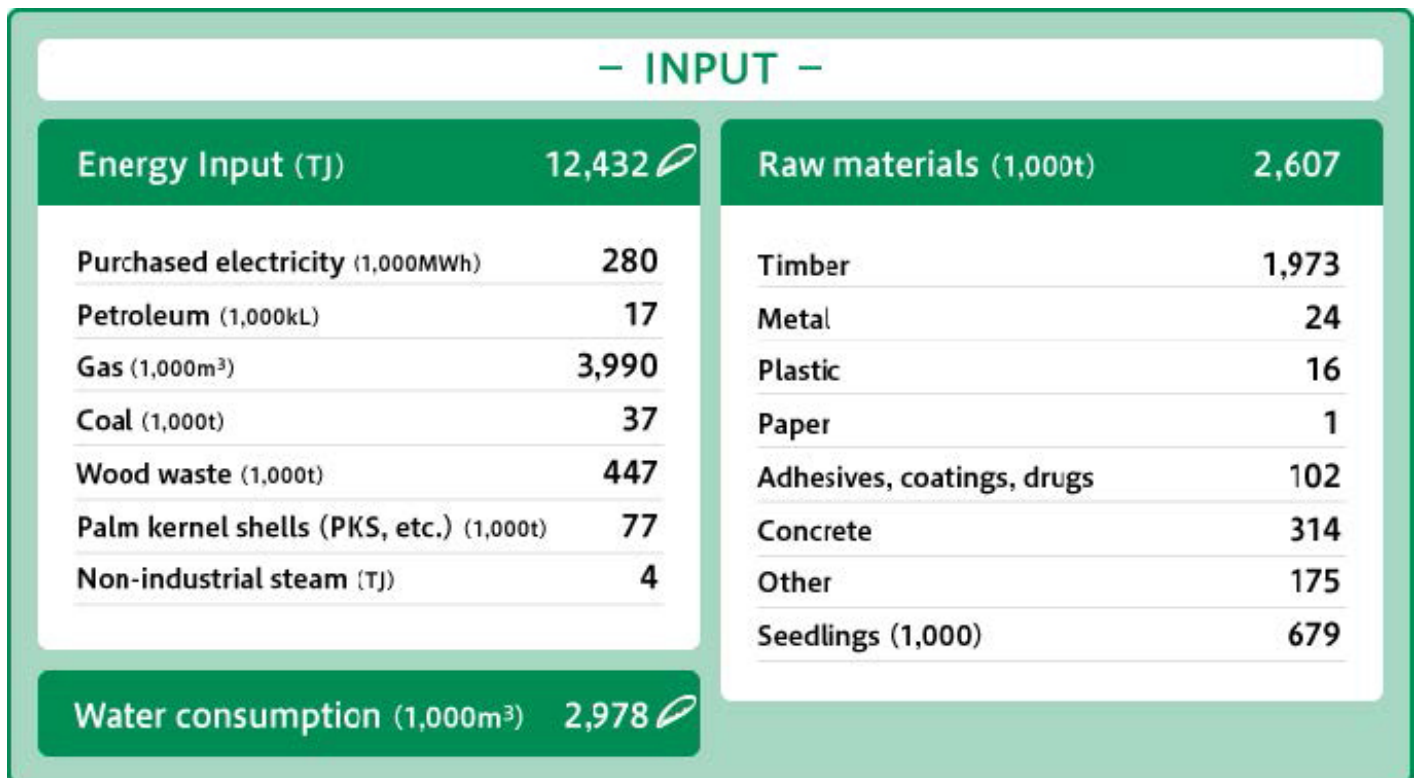
In most cases, the Sumitomo Forestry Group leases its offices in buildings, and since the Group is primarily engaged in the construction and sale of housing and the manufacture and distribution of processed wood products, it does not own (or manage) that much commercial refrigeration and air conditioning equipment (air-conditioners, refrigerators, etc.). However, in response to the enactment of this law, we are conducting periodic simple inspections of the same equipment that is using fluorocarbons as a coolant as well as executing legal and periodic inspections for devices with compressors that have 7.5kW or higher rated output. Furthermore, Sumitomo Forestry promotes the transition to products that do not use fluorocarbons in accordance with the Law on Promoting Green Purchasing when replacing existing equipment or purchasing new equipment.

Balance of Input & Output

Balance of Input & Output

The Sumitomo Forestry Group accurately understands how its business activities impact the environment and make evaluations and manage them in its environmental management. As such, data on environmental impact is collected at each stage from energy and raw material input to manufacturing and disposal per plant and business to utilize them for reduction initiatives.

Fiscal 2018 Sumitomo Forestry Group Material Balance



Business activities



Product

Building, housing materials, (1,000t)	75
Chips (1,000t)	249
MDF (1,000m ³)	337
PB (1,000m ³)	448
LVL, plywood (1,000m ³)	189
Laminated engineered wood, woodworking, etc. (1,000m ³)	139
Kitchen cabinets (1,000)	136
Quantity harvested at company-owned forests (1,000m ³)	54
Seedling production volume (1,000)	1,521
Unused timber (1,000m ³)	18

Generated energy (1,000MWh) 428




Number of delivered domestic household sales 7,628
Number of delivered overseas household sales 9,718



- OUTPUT -

Waste (1,000t)

Total generated 487 
Final processing volume 57

Greenhouse Gas (1,000t-CO₂e) (Scope 1, 2) 382 

Chemical substance waste released(t) 15

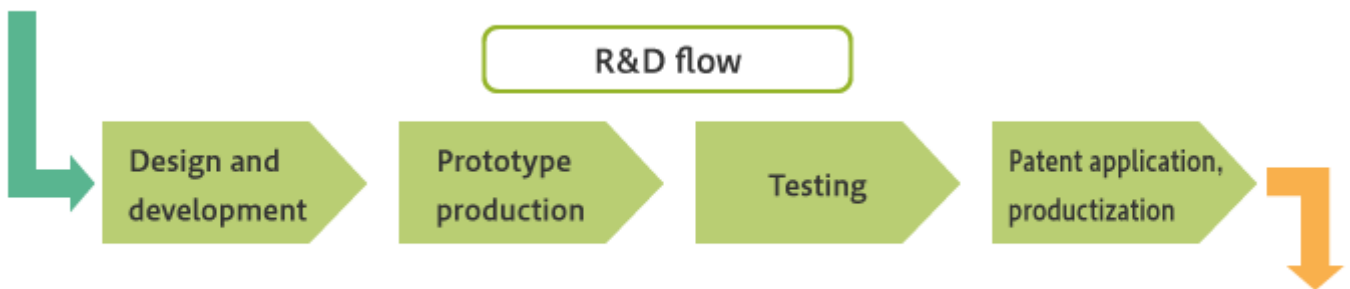
Waste water discharge (1,000m³) 1,076

Greenhouse Gas (1,000t-CO₂e) (Scope 3) 9,877 

 About symbol for Independent assurance

R&D*

- INPUT -			
Energy Input (TJ)	24	Water consumption (1,000m³)	7
Purchased electricity (1,000MWh)	2		
Petroleum (1,000kL)	0.02		
Gas (1,000m ³)	64		

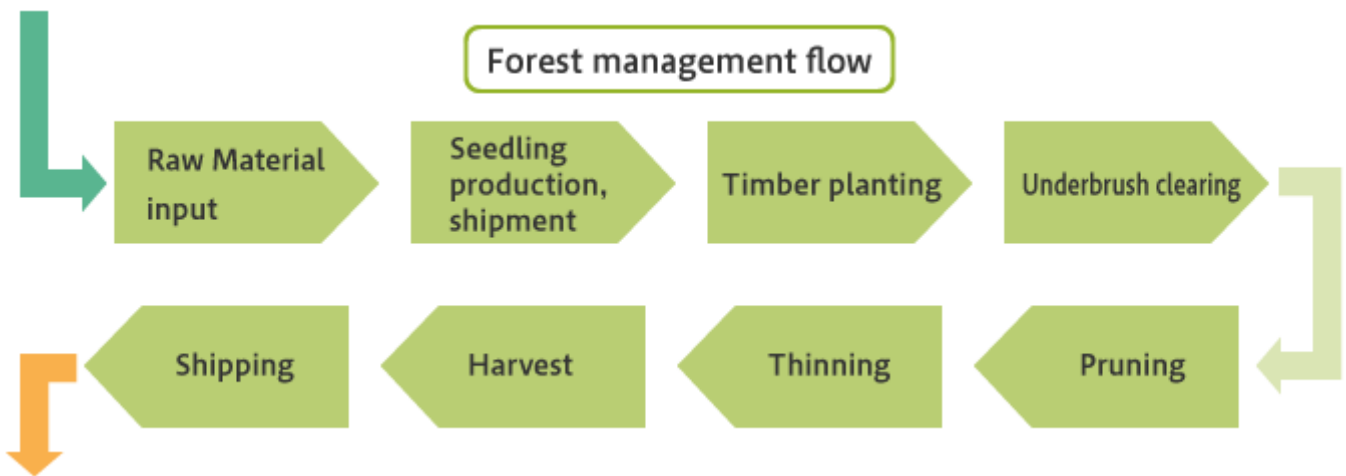


- OUTPUT -			
Generated energy (1,000MWh)	0.04	Greenhouse Gas (1,000t-CO₂e)	1
Waste (1,000t)		Waste water discharge (1,000m³)	8
Total generated	0.23		
Final processing volume	0.025		

* Subject: Tsukuba Research Institute

Forest Management*

- INPUT -	
Energy Input (TJ)	3
Purchased electricity (1,000MWh)	0.1
Petroleum (1,000kL)	0.1
Raw Materials	
Domestic forest raw materials (seedling shipment volume [1,000])	679
Water consumption (1,000m³)	29

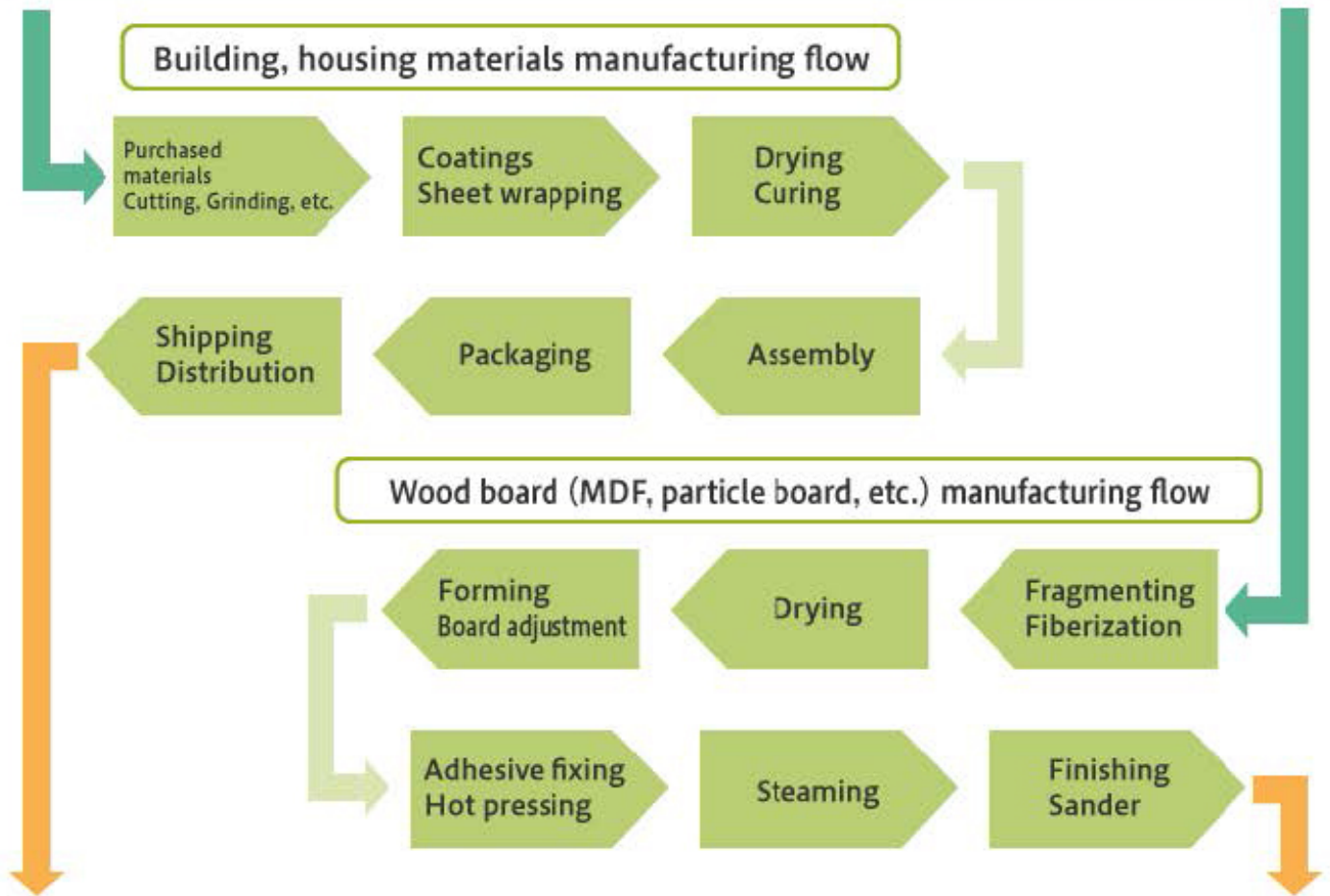


- OUTPUT -	
Product	Greenhouse Gas (1,000t-CO₂e) 0.2
Quantity harvested at company-owned forests (1,000m³)	54
Seedling production volume (1,000)	1,521
Unused timber (1,000m³)	18

* Subjects: Forestry offices (Hyuga, Niihama, Osaka, Mombetsu), seedling tree farming centers (Hyuga, Motoyama, Gero, Midori, Mombetsu)

Manufacturing Business*

- INPUT -			
Energy Input(TJ)	4,489	Raw materials (1,000t)	2,009
Purchased electricity (1,000MWh)	234	Timber	1,879
Petroleum (1,000kL)	4	Metal	3
Gas (1,000m ³)	2,610	Plastic	5
Wood waste (1,000t)	126	Paper	1
Waste plastic (1,000t)	0.01	Adhesives, coatings, drugs	97
		Water purification properties	19
		Other	4
Water consumption (1,000m³)	1,126		



- OUTPUT -

Product	
Building, housing materials, (1,000t)	75
Chips (1,000t)	249
MDF (1,000m ³)	337
PB (1,000m ³)	448
LVL, plywood (1,000m ³)	189
Laminated engineered wood, woodworking, etc. (1,000m ³)	139
Kitchen cabinets (1,000)	136

Chemical substance waste released (t) 13

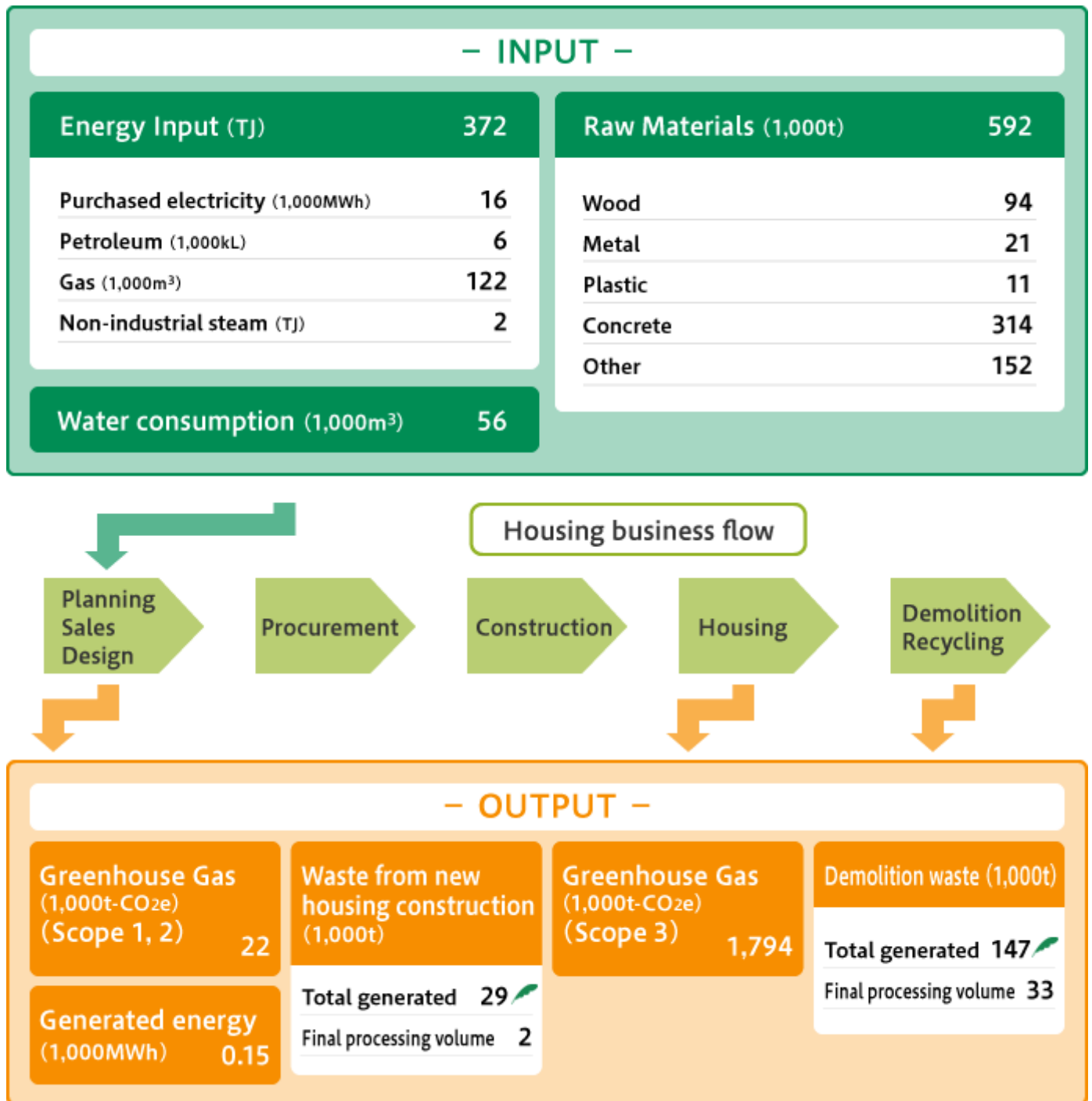
Waste (1,000t)	
Total generated	247
Final processing volume	6

Greenhouse Gas (1,000t-CO₂e) 118

Waste water discharge (1,000m³) 564

* Subjects: Sumitomo Forestry Crest Co., Ltd. (Kashima Plant, Shizuoka Plant, Niihama Plant and Imari Plant), Sumitomo Forestry Landscaping (Shinshiro Plant and Tobishima Plant), Kutai Timber Indonesia (KTI, Indonesia), Rimba Partikel Indonesia (RPI, Indonesia), Sinar Rimba Pasifik (SRP, Indonesia), AST Indonesia (AST, Indonesia), Nelson Pine Industries (NPIL, New Zealand), Vina Eco Board (VECO, Vietnam), Canyon Creek Cabinet Company (America), Japan Bio Energy, Okhotsk Bio Energy, Michinoku Bio Energy.

Housing Business (Domestic)*

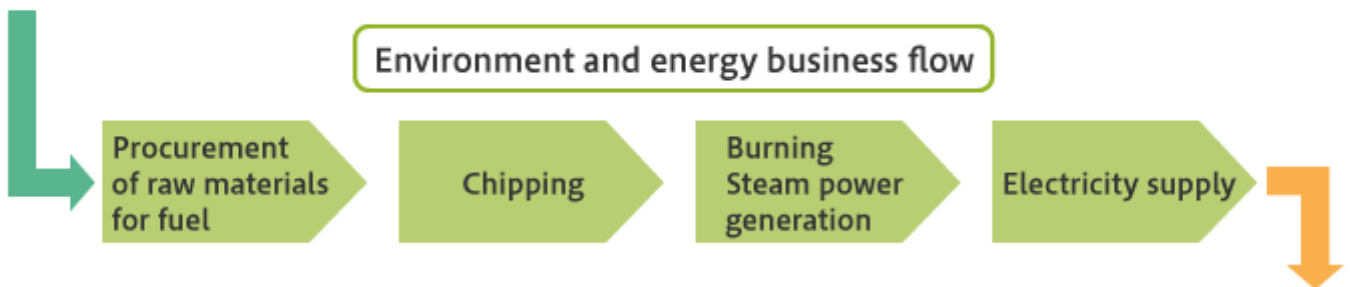


* Boundary: Sumitomo Forestry Housing and Construction Division, Sumitomo Forestry Archi Techno Co., Ltd. (Design), Sumitomo Forestry Home Engineering Co., Ltd. (Execution), Sumitomo Forestry Home Tech Co., Ltd. (Renovations), and Sumitomo Forestry Landscaping Co., Ltd. (Garden Landscaping/Greening)

▶ About symbol for Independent assurance

Environment and Energy Business*

- INPUT -	
Energy Input (TJ)	6,986
Purchased electricity (1,000MWh)	1
Petroleum (1,000kL)	0.3
Gas (1,000m³)	0.1
Wood waste (1,000t)	321
Palm kernel shells (PKS, etc.) (1,000t)	77
Coal (1,000t)	37
Raw Materials (1,000t)	
Adhesives, coatings, drugs	5
Water consumption (1,000m³)	1,374



- OUTPUT -	
Generated energy (1,000MWh)	424
Greenhouse Gas (1,000t-CO₂e)	209
Waste water discharge (1,000m³)	505
Chemical substance waste released (t)	1
Waste (1,000t)	
Total generated	15
Final processing volume	5

* Subjects: Mombetsu Biomass Power Generation, Hachinohe Biomass Power Generation

► [Data Aggregation Scope and Method](#)

Boundaries and Method of Data Aggregation (Balance of Input & Output)

Boundaries (Organizational Range)

Classification	Boundary
All Business Activities	All Sumitomo Forestry Group Companies
R&D	Tsukuba Research Institute
Forest Management	Forestry offices (Hyuga, Niihama, Osaka, Mombetsu), seedling tree farming centers (Hyuga, Motoyama, Gero, Midori, Mombetsu)
Manufacturing Facilities	Sumitomo Forestry Crest (Kashima Plant, Shizuoka Plant, Niihama Plant and Imari Plant), Sumitomo Forestry Landscaping (Shinshiro Plant and Tobishima Plant), Japan Bio Energy, Okhotsk Bio Energy, Michinoku Bio Energy, Rimba Partikel Indonesia, AST Indonesia, Kutai Timber Indonesia, Nelson Pine Industries, Vina Eco Board, Sinar Rimba Pasifik and Canyon Creek Cabinet Company
Power Generation Business	Mombetsu Biomass Electric Power Co., Hachinohe Biomass Electric Power Co.
Housing Business (Domestic)	Sumitomo Forestry (Housing and Construction Division), Sumitomo Forestry Home Tech, Sumitomo Forestry Home Engineering, Sumitomo Forestry Landscaping, Sumitomo Forestry Archi Techno
Offices and other sites	Sumitomo Forestry and Group companies other than the above

► [All Sumitomo Forestry Group Companies](#)

Prerequisites

Classification	Prerequisites	
R&D	Energy/CO ₂	Energy use and CO ₂ emissions at research institutes
	Raw Materials	Raw materials used during research and development
	Water	Water used during research and development
	Waste	Waste produced during research and development
Forest Management	Energy/CO ₂	Energy use and CO ₂ emissions from harvesting and seedbed production at Company-owned forests
	Raw Materials	Raw materials use during harvesting and seedbed production at Company-owned forests
	Water	Water use from harvesting and seedbed production at Company-owned forests
	Waste	Waste produced during harvesting and seedbed production at Company-owned forests

Classification	Prerequisites	
Manufacturing Facilities	Energy/CO ₂	Energy use and CO ₂ emissions at each plant
	Raw Materials	Raw materials used during production of wood products, construction materials and horticulture
	Water	Water used during production of wood products, construction materials and horticulture
	Waste	Waste produced during production of wood products, construction materials and horticulture
Power Generation Business	Energy/CO ₂	Energy use and CO ₂ emissions at power generation plants
	Raw Materials	Raw materials used during power generation
	Water	Water used during power generation
	Waste	Waste produced during power generation
Housing Business (Domestic)	Energy/CO ₂	Energy use and CO ₂ emissions for business sites (including model homes) related to the housing business
	Raw Materials	Materials invested in housing construction
	Water	Water use at business sites related to the housing business
	Waste	Waste emitted from housing construction (including renovations) and demolition
Offices and other sites	Energy/CO 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 produced at Sumitomo Forestry and other business sites of Group companies not related to domestic or overseas manufacturing or design, construction and sales of houses

Aggregation Method

CO₂: Refer to the pages below

► [Boundaries and Methods of CO₂ Emissions Calculation](#)

Waste: Calculating Emissions with Data Collected from Manifests

Boundaries and Methods of CO₂ Emissions Calculation

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, 2 and 3

All Group companies, including consolidated subsidiaries in Japan and overseas.

* For scope 3, the boundary was expanded to include the entire Sumitomo Forestry Group in fiscal 2017 from Japan

* Performance of Mark III and Crescent Communities Group were included in the statistical scope, following new equity acquisition from fiscal 2018.

▶ [List of Applicable Companies](#)

Scope 1 CO₂ Emissions

The CO₂ emissions both inside and outside of Japan are calculated by using heat conversion, carbon dioxide emission coefficients stipulated in the Act on Promotion of Global Warming Countermeasures, and average value of emission coefficient measured at the biomass power plant.

Wood waste used for energy in manufacturing plants is included in the heat conversion calculation for input energy since fiscal 2017.

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 Act on Promotion of Global Warming Countermeasures.

The CO₂ emissions due to the use of purchased heat are calculated by the CO₂ emission coefficient stipulated in the Act on Promotion of Global Warming Countermeasures.

The CO₂ emissions caused by use of purchased electricity overseas in fiscal 2018 are calculated by the carbon dioxide emission coefficient of each country according to the IEA Emission Factors 2018 issued by the International Energy Agency (IEA).

Scope 3 CO₂ Emissions

Category 1. Purchased goods 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

(Purchased products)

Σ (Amount of procured product or sales \times Emissions per weight or per price)

Overseas companies handling timber and building materials: Sales per unit of housing in Japan is calculated and multiplied to the sales of each overseas company.

Domestic companies handling timber and building materials: Sales per unit of timber and building materials in the Timber & Building Materials Business is calculated and multiplied to the sales of each affiliate company.

Category 2. Capital goods

Σ (Capital goods procurement value by all Group companies \times Per unit emissions by industrial division)

Category 3. Fuel- and energy-related activities (not included in scope 1 or scope 2)

(Procurement)

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. Upstream transportation and distribution

(Transport in Japan)

Σ (Amount procured by each plant \times Estimated transport distance \times Per unit use of fuel in ton-kilometers \times CO₂ emissions coefficient)

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 \times Distance to transport by sea from the country of procurement \times Per unit emissions of ship transport)

Category 5. Waste generated in operations

Σ (Amount of emissions by type of waste \times Per unit emissions by the type of waste or processing method)

Category 6. Business travel

Number of employees of all Group companies × Per unit emissions during business trips

Category 7. Employee commuting

(Type of transportation: Train/bus)

Number of employees of all Group companies × Per unit emissions during commute

* Per unit emissions during commute: Calculated from the emissions during commute for the past three years (2013, 2014, 2015) of Group companies in Japan

(Type of transportation: Automobile)

Number of employees of all Group companies × Per unit emissions during commute by automobiles

* Per unit emissions during commute: Calculated by dividing the costs of commuting by automobiles by average unit price of gasoline of that fiscal year, and then multiplying the emission coefficient of burning gasoline

* Emissions during commute using employee-owned vehicles is included in Scope 1

Category 9. Downstream transportation and distribution

(Wood yard pick up such as the plywood or fiberboard that is sold)

Σ (Sales volume × Estimated transport distance × Per unit fuel use in ton-kilometer × CO₂ emissions coefficient)

* Calculation based on transportation scenario

Category 10. Processing of sold products

(Plywood work and Precut factories)

Σ (Sales volume of crude wood and processed materials × Per unit emissions during processing)

* Per unit is based on the LCA procurement implemented in the past by the company

Category 11. Use of sold products

(CO₂ emissions during habitability)

Σ (Annual energy use per household × CO₂ emissions coefficient by energy) × Number of households × Number of houses completed by construction method for fiscal 2017

* Emissions related to renovations are omitted because there is a possibility to count a portion of Scope 1 and Scope 2 emissions twice for affiliate companies engaged in the renovations business (Sumitomo Forestry Home Tech Co., Ltd.)

* Energy use per household (electricity/city gas) :

In Japan : Calculated by using the Building Research Institute's energy consumption performance calculator program

Overseas: Average of dividing amount of fuel and electricity used per state released by the government by number of households

Category 12. End-of-life treatment of sold products

(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

Responding to TCFD

Responding to TCFD

Established by the direction of the Financial Stability Board (FSB) in April 2015, the Task Force on Climate-related Financial Disclosures (TCFD) issued its final report in June 2017. At Sumitomo Forestry Group, our Sustainability Committee, tasked with taking up the medium to long-term ESG challenges, has undertaken this as one of its agenda items, recognized the risks associated with climate change as serious risks, and announced its support to the TCFD in July 2018. Based on the TCFD recommendations, scenario analysis was begun the same year.

Identifying and Evaluating Risks and Opportunities

In business operations in which we position wood as our principal material and product, a major transitional business risk that we face is the increase in timber procurement costs associated with measures against illegal logging such as reinforced regulations. Examples of physical risks include the increased costs associated with increasingly intense natural disasters, which cause delayed construction processes and require checking on safety at homes already delivered. At the same time, the advance of regulations against fossil fuels provide a boost (opportunities) for our biomass energy generation operations business and demand for fuels made from wood chips.

Our corporate headquarters has worked with each business department to identify the risks and opportunities and to evaluate the financial and other impacts. We discuss measures to take with respect to the items identified as critical risks and opportunities, and report them to the Sustainability Committee, chaired by the president and executive officer. Moving forward, we will increase the accuracy of our scenario analyses and discuss how to reflect them in our business planning, while moving forward with the creation of business strategies for the resilience that will see us through into the future.

- ▶ [Governance](#)
- ▶ [Risk Management Framework](#)
- ▶ [Climate Change and Biodiversity-related Risks and Strategies](#)

Climate Change and Biodiversity-related Opportunities and Strategies

Expanding Housing Sales in Concert with Government ZEH Promotion

Japan has launched policy targets that aim for more than half of all custom-built detached houses constructed by housing manufacturers and other companies to be ZEH compliant by 2020 as a countermeasure global warming approved by Cabinet decision in May 2016.

Working in concert with this policy, Sumitomo Forestry is promoting ZEH housing sales while also leveraging the appeal of Double Power Generation that distinguishes our ZEH homes by using both solar panel cells and fuel cell batteries for residential use. This gives us a competitive edge that is boosting our ZEH market share.

- ▶ [Promotion of Net Zero Energy House \(ZEH\) Specifications](#)

Expanding Renewable Energy Demand

The need for renewable energy sources such as biomass power generation and solar power generation is increasing as a means of countering climate change. By moving forward with our renewable energy business, we are able to increase our revenue from energy sales.

These efforts include our wood biomass power generation business, which had expanded to four domestic locations by March 2019. Once the Kanda Biomass Power Generation Plant, slated for completion in 2021, begins operation, the Group will have a total power generation capacity of roughly 177MW, which will supply electricity to approximately 378,000 households.

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

Response to ESG Evaluation (Impact on Capital Procurement)

The final TCFD recommendations have resulted in financial markets seeking climate change countermeasures. While climate change can be addressed through business operations, appropriate information disclosure can increase trust from financial institutions through improved corporate ESG evaluations, making smooth capital procurement possible.

At Sumitomo Forestry, we engage in appropriate information disclosure and respond to inquiries and questionnaires, and have earned a place on the A List of the CDP Climate Change for three consecutive years. This gives us a high ESG evaluation. In 2018, we became the first Japanese company to receive a Green Bond Pioneer Award from Climate Bonds Initiative.

▶ [External Recognition](#)

▶ [The first Japanese company to receive a Green Bond Pioneer Award](#)

Climate Change Countermeasure Indices and Targets

At Sumitomo Forestry, our climate change countermeasures are driven by quantitative targets that are set each fiscal year by each department within each group company based on the Mid-Term CSR Management Plan indexes by which climate-related risks and opportunities are evaluated and managed, as well as our Mid-Term Sustainability Targets.

▶ [Mid-Term Sustainability Targets of Our 2021 Mid-Term Management Plan and Material Issues](#)

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

Establishment and Certification of Science Based Targets (SBT)

As the impact of climate change becomes more urgent globally, companies are being asked to reduce their emissions of greenhouse gases as a measure to counter global warming. The Sumitomo Forestry Group has announced the formulation of SBTi* and set new greenhouse gases reduction target for the entire Group in June 2017 and was certified as SBT in July 2018. Sumitomo Forestry Group's new SBT is as follows:



1. Scope 1&2: 21% reduction of greenhouse gas emissions compared to 2017 (base year) by 2030.

2. Scope 3: 16% reduction of total greenhouse gas emissions from Category 1 and Category 11 compared to 2017 (base year) by 2030.

Sumitomo Forestry Group will further strengthen its energy-saving activities, promote use of renewable energy, and other initiatives to reduce greenhouse gas emissions and mitigate climate change based on the SBT.

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

Toward to SBT Certification Goals

In July 2018, the Sumitomo Forestry Group greenhouse gas emissions reduction targets have been officially approved by international SBT initiative (SBTi). Its progress and results are explained below.

Target Details	Base Year FY2017 t-CO ₂ e	FY2018 t-CO ₂ e	Rate of Change %
Scope 1&2: 21% reduction of greenhouse gas emissions compared to 2017 (base year) by 2030.	369,785	381,613*	3.2
Scope 3: 16% reduction of total greenhouse gas emissions from Category 1 and Category 11 compared to 2017 (base year) by 2030.	8,895,066	9,009,596	1.3

* The fiscal 2018 increase in greenhouse gas emissions was caused by the start of full operations in April 2018 at the Hachinohe Biomass Power Generation plant.

► [Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities](#)

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 2018 at the Sumitomo Forestry Group were 381,613t-CO₂e, a 3.2% increase compared to the previous year.

In addition, when looking by business, our plants in Japan and the power generation business make up 56.9% while our plants overseas compose 29.0%. We started to calculate Scope 3 in fiscal 2013 and the targets for this calculation largely expanded in fiscal 2015 and fiscal 2017. Among these results, the impact in category 11, "emissions during use of detached houses sold," is acknowledged to be a major factor, and the increase in residential and construction operations in fiscal 2020 of Net Zero Energy House (ZEH) projects is expected to reduce CO₂ emissions volumes while the homes are in use.

In the future, we will work to meet targets via SBT*² in an effort to take greenhouse gas emissions reduction to another level.

*1 The GHG Protocol requires businesses to disclose their greenhouse gas emissions according to the following categories

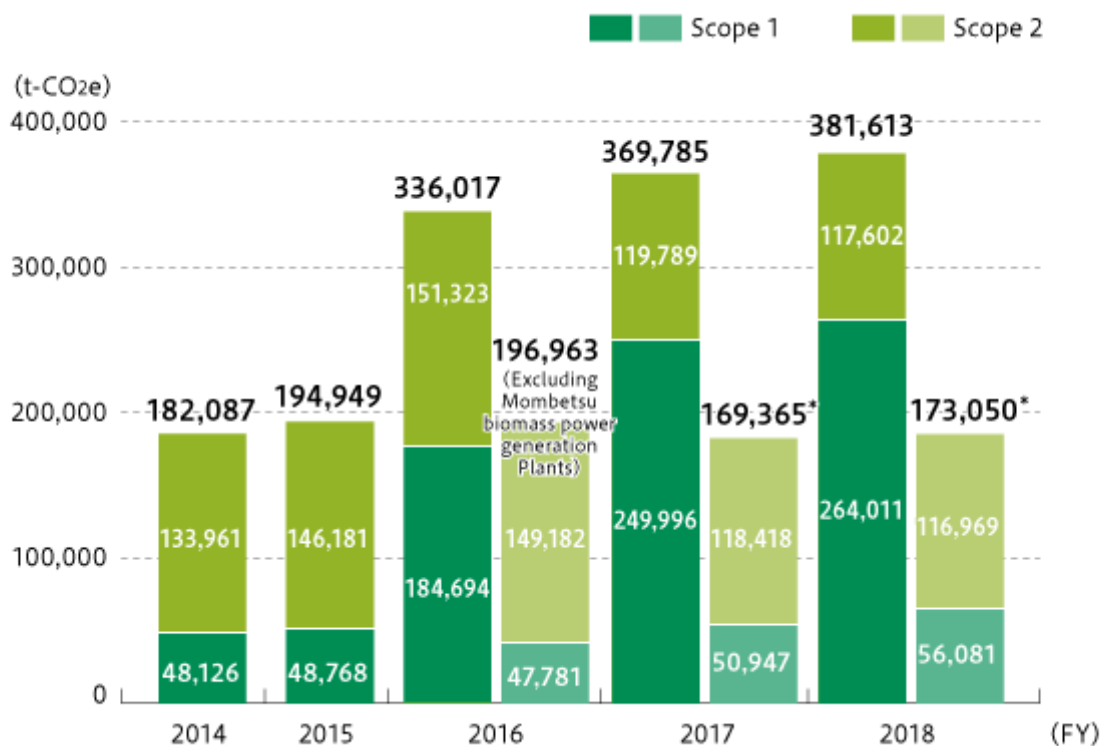
Scope 1: Direct GHG emissions of a company, including emissions from fuel consumption. E.g. CO₂ emissions from the use of gasoline for company vehicles.

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.

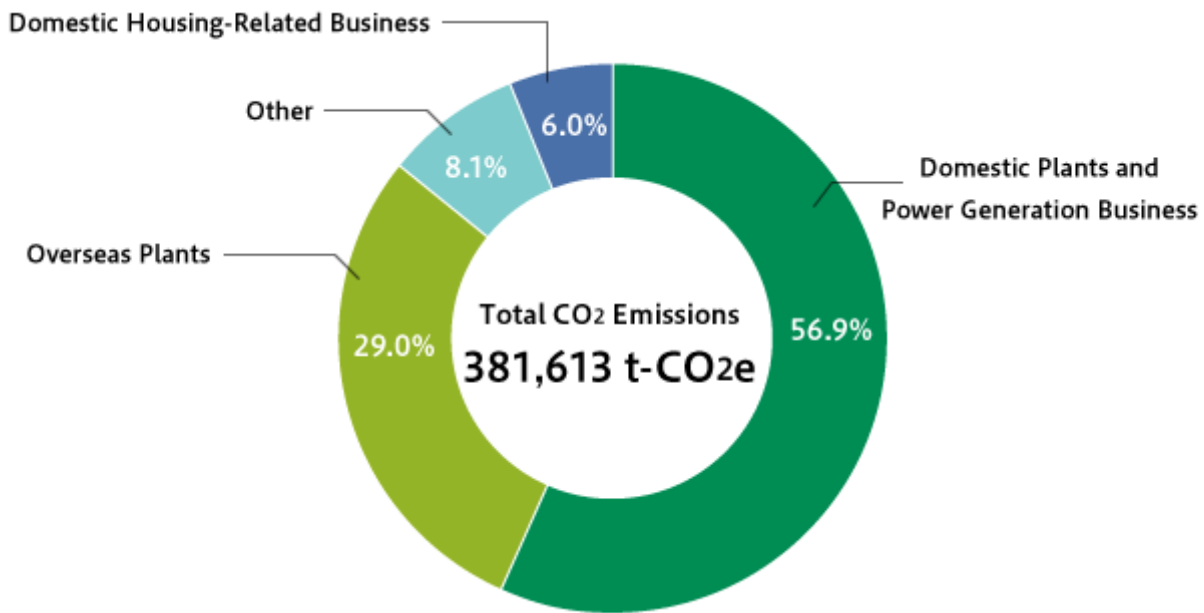
*2 Science Based Targets. These targets are set for companies to achieve reduction goals in-line with scientific knowledge to limit the raising average temperature around the world to 2°C or less.

Scope 1 and Scope 2 CO₂ Emission Trends



* Electric power generation (Mombetsu Biomass Power Generation, Hachinohe Biomass Power Generation) figures are excluded.

Scope 1 and 2 Breakdown by Business (FY2018)

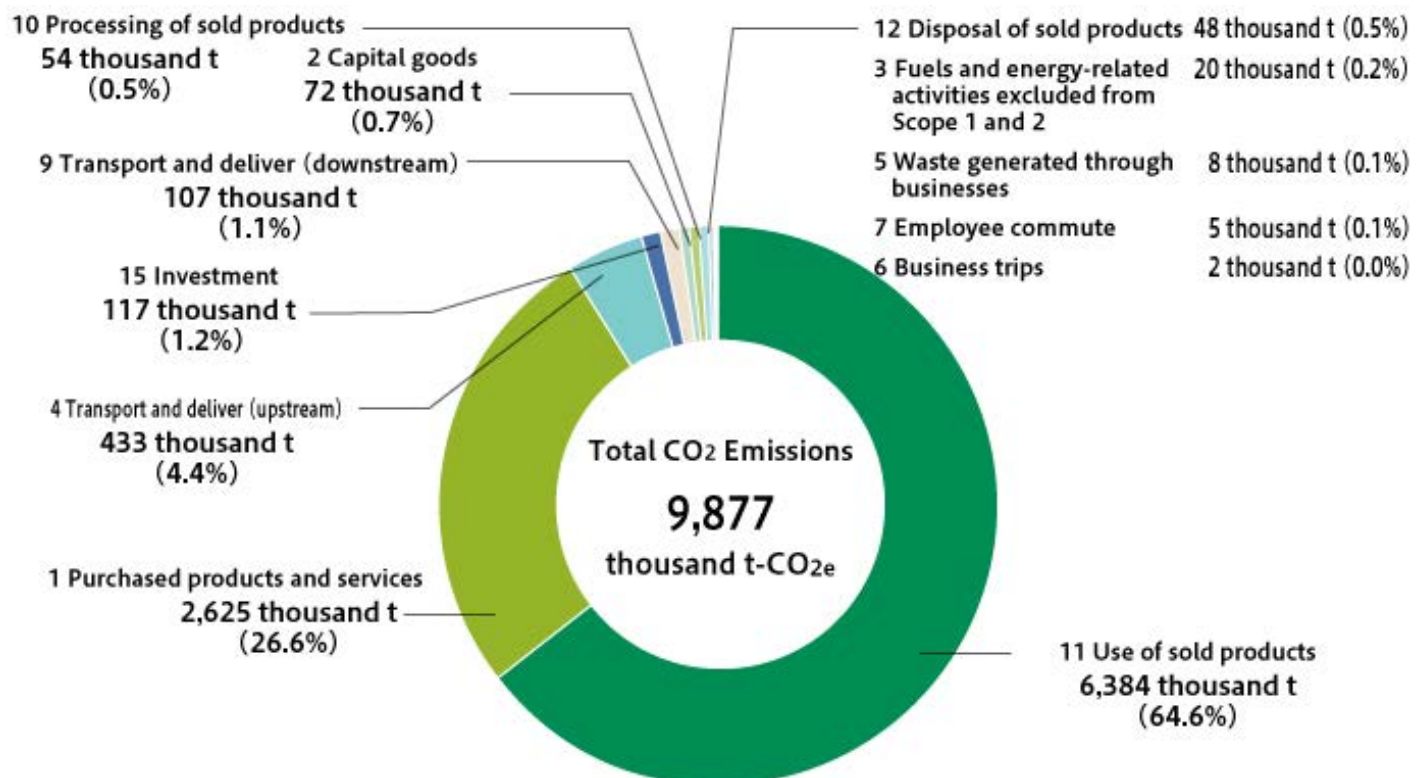


FY2018 Scope 1 and 2 CO₂ Emissions Breakdown

(Thousand t-CO₂e)

	Domestic and Overseas Office	Domestic Non-Office	Overseas Non-Office	Total
Scope 1	28	213	22	264
Scope 2	16	11	90	118
Total	45	224	113	382

Scope 3 Emissions by Category



Scope 3 Emissions by Category (three years)

(Thousand t-CO₂e)

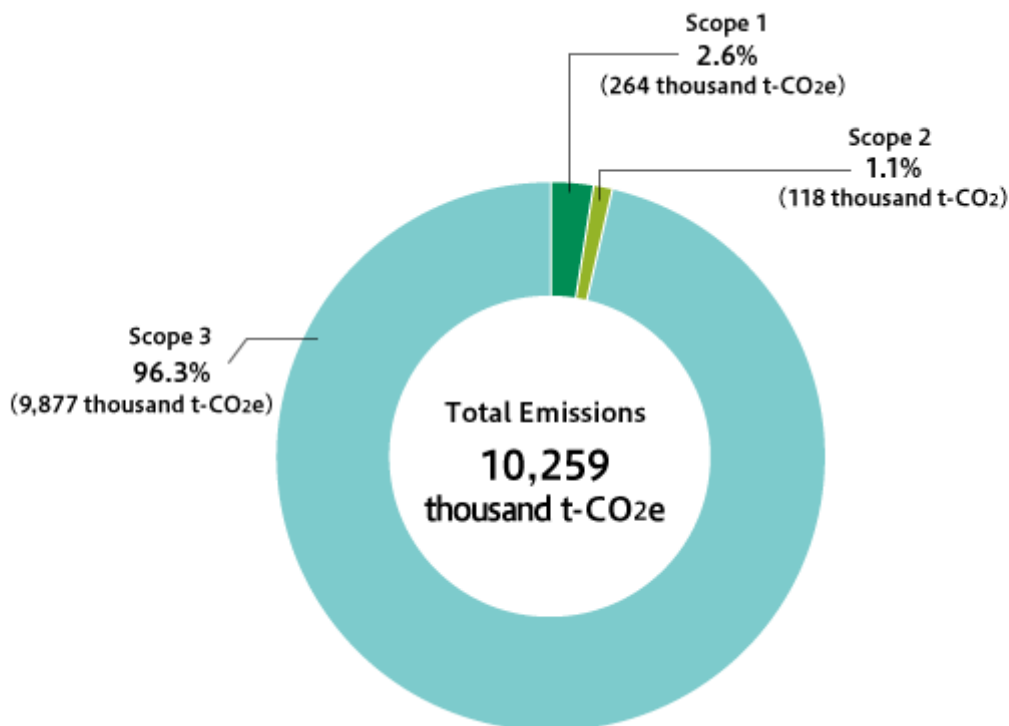
Category	Boundary of Emissions included in the Category	FY2016	FY2017	FY2018
1 Purchased products and services	Emission from upstream of products and services purchased by Sumitomo Forestry	1,228	2,543	2,625
2 Capital goods	Emissions from upstream of purchased equipment	61	71	72
3 Fuels and energy-related activities excluded from Scope 1 and 2	Emissions from the upstream of purchased fuels, electricity, heat capacity, and water	9*2	21*2	20*2
4 Transport and deliver (upstream)	Emissions from Sumitomo Forestry distribution from suppliers of purchased products and services in (1) and emissions due to logistics services other than (1) for costs incurred by Sumitomo Forestry.	268	420	433
5 Waste generated through businesses	Emissions from waste treatment and its transport	10	8	8
6 Business trips	Emissions related to business trips of employees such as use of public transportation and accommodation	1	2	2
7 Employee commute	Emissions from employee commuting	3	5	5
8 Leased property (Upstream)	(Emissions from use of upstream leased property such as office buildings, heavy machinery, vehicles, and facilities are included in Scope 1 or 2)	-	-	-
9 Transport and deliver (downstream)	Emissions during transport of products sold	7*2	106*2	107*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	50	52	54
11 Use of sold products	Emissions during use of homes sold	2,054	6,352	6,384

Category	Boundary of Emissions included in the Category	FY2016	FY2017	FY2018
12 Disposal of sold products	Emissions from demolition and disposal of homes sold by the Company	42	47	48
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)	91	90	117

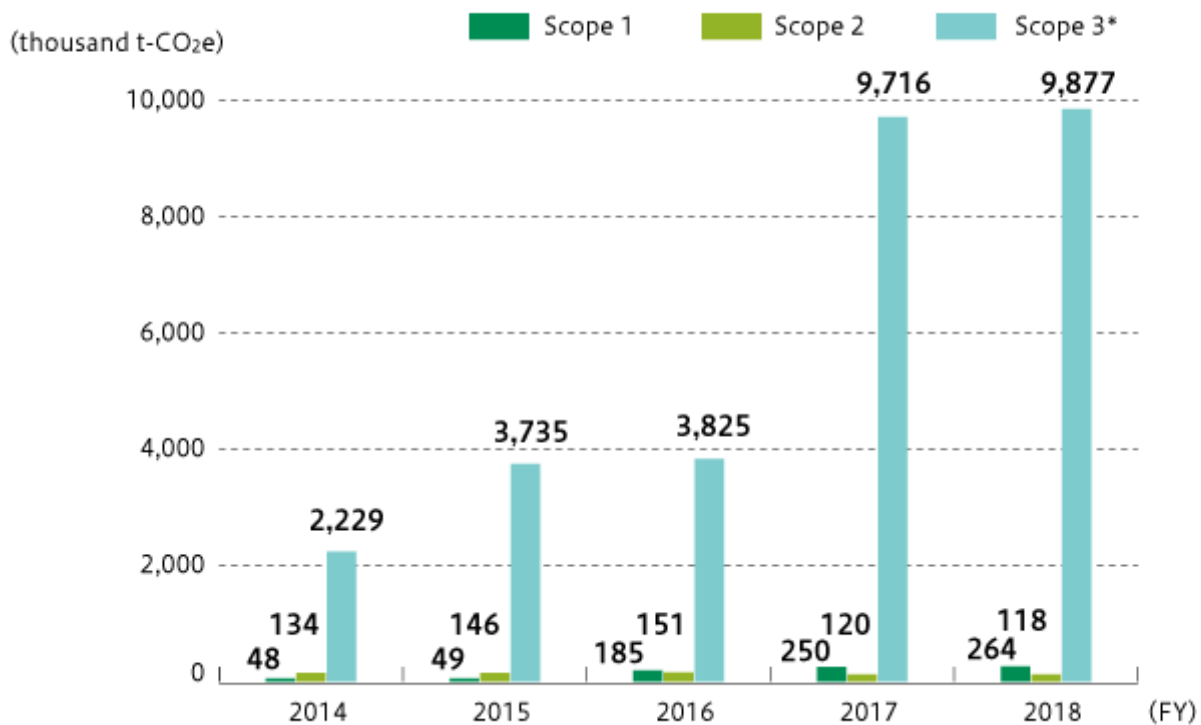
*1 Figures through fiscal 2016 are calculated domestically, and from fiscal 2017, they are calculated for overall Group companies. Some of the numerical values that are used are data such as that from the database published by the Ministry of the Environment. The data with greater accuracy will be obtained progressively in the future by requesting the provision of primary data.

*2 From fiscal 2017, the estimated overseas transport distances have been set as follows. Short distance: 20 km; Medium distance: 500 km; Long distance: 1,000 km

FY2018 Total Greenhouse Gas Emissions Accrued From Corporate Activities



Emission Trends in Scope 1, 2, and 3



* The scope of calculation of Scope 3 expanded from the traditional three categories to fifteen categories as of fiscal 2015.

* The scope of calculation of Scope 3 expanded from the traditional domestic scope in Japan to the entire Sumitomo Forestry Group as of fiscal 2017.

- ▶ [Boundaries and Methods of CO₂ Emissions Calculation](#)
- ▶ [About symbol for Independent assurance](#)

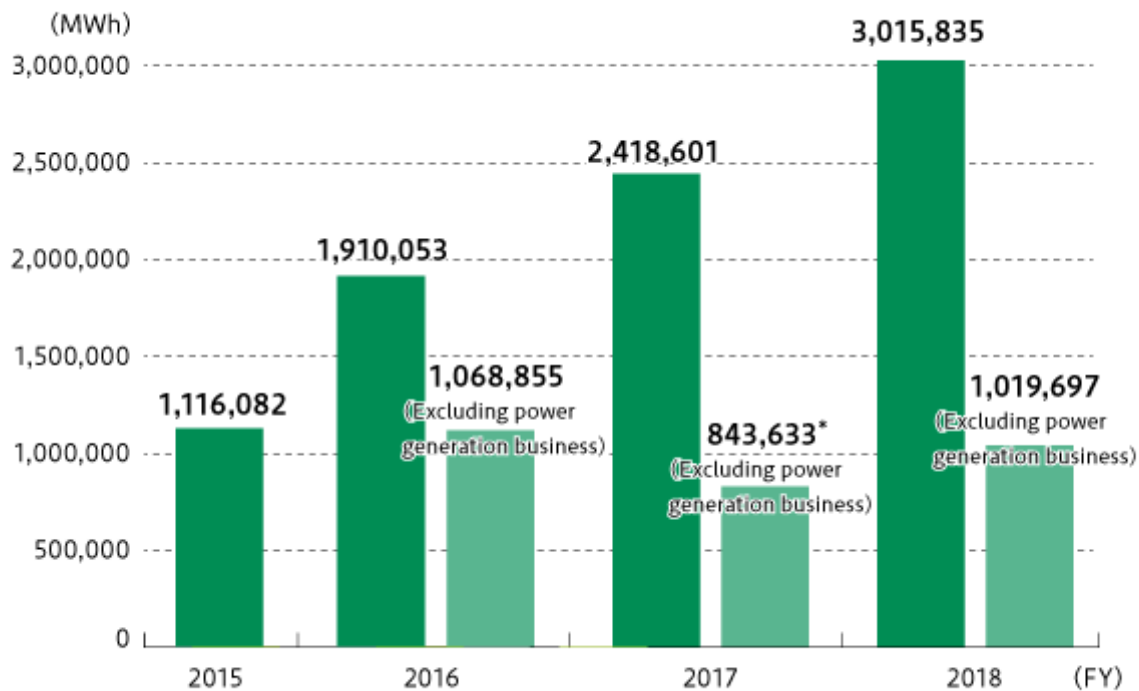
Energy Consumption from Business Activities

The Sumitomo Forestry Group consumed 3,015,835 MWh* of energy in fiscal 2018. The energy consumption of the Group increased due to the start of trial and full-fledge operations of the Mombetsu Biomass Power Generation and Hachinohe Biomass Power Generation Businesses.

The start of full operations at the Hachinohe Biomass Power Generation Plant makes up a dramatic amount of the rise in energy consumption, but this power consumption is forecast to decline from fiscal 2019. The energy consumption in business other than the power generation business has declined thanks to various energy-saving activities.

* The Balance of Input & Output is calculated according to the TJ unit based on the Environmental Reporting Guidelines issued by the Ministry of the Environment. Both are equivalently calculated for the amount of energy consumption.

Energy Consumption Trends Over Four Years



* Data for Alpine MDF Industries Ltd. has been excluded because the company was sold in March 2017.

Reducing CO₂ Emissions from Offices

At offices, the Sumitomo Forestry Group CO₂ emissions in fiscal 2018 were 30,455t-CO₂, a 14.1% reduction compared to the base year (fiscal 2013) for the former Mid-Term CSR Management Plan (and a 4.4% year-on-year decrease).

All business sites of Group companies in Japan are advancing the introduction of fuel-efficient vehicles to make 503 of the 556 company-owned vehicles introduced during fiscal 2018 fuel-efficient vehicles (for a 90.5% adoption rate of fuel-efficient vehicles). In addition, the Group has encouraged employees who drive on the job at offices and business sites of Group companies in Japan to participate in the Eco Training course run by the Japan Automobile Federation (JAF).

The Group has also worked to reduce power consumption. In the Housing and Construction Division, power consumption has been reduced by moving to a "free address" office system (where personnel are not assigned to fixed desks) to make more efficient use of office space. In addition, the division has also proceeded to install solar power generation systems and LED lighting at its model homes and other business sites.

The Group will continue to reduce CO₂ emissions by such means as reducing prolonged working hours and raising awareness among employees.

Former 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



Chiba Branch Narita Model Homes (Built-in Solar Panels)

CO₂ Emissions (t-CO₂) from Offices

FY	FY2013 (Baseline)	FY2016 (Results)	FY2017 (Results)	FY2018 (Results)	FY2018 (Target)
Total CO ₂ emissions	35,440t-CO ₂	32,660t-CO ₂	31,871t-CO ₂	30,455t-CO ₂	31,407t-CO ₂
Compared to 2013 Percentage Change	-	7.8% reduction	10.1% reduction	14.1% reduction	11.4% reduction

▶ Former Mid-Term CSR Management Plan and Results

Reducing CO₂ Emissions Outside Offices

To address CO₂ emissions collectively, the Group set manufacturing plants of Sumitomo Forestry Crest and the Agro-Products division of Sumitomo Forestry Landscaping (formerly Sumirin Agro-Products Co.), as well as Tsukuba Research Institute, the Tokyo Metropolitan Area Recycling Center, Sumirin Fill Care (formerly Fill Care Co.), Kawanokita Development, and Japan Bio Energy as domestic non-office category constituents, as well as overseas manufacturing plants of RPI, ASTI, KTI, VECO, NPIL, SRP, and CCC in addition to OBT, and Canyon Creek as overseas non-office category constituents with their respective reduction targets.

In fiscal 2018, the start of full operations at Hachinohe Biomass Power Generation caused an increase of 2.8%.

Former 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

Major Non-Office CO₂ Emission Reduction Performance and Targets (Per-unit Emissions)

Company Name	FY2016 (Results)	FY2017 (Results)	FY2018 (Results)	FY2018 (Target)
Sumitomo Forestry Crest Co., Ltd.	4.5% reduction	4.1% reduction	2.2% increase	3.0% increase
The Agro-Products division of Sumitomo Forestry Landscaping (formerly Sumirin Agro-Products Co.)	54.6% increase	0.6% reduction	1.6% increase	11.7% reduction
PT. Rimba Partikel Indonesia (RPI)	15.8% increase	9.6% reduction	1.2% reduction	0.5% reduction
PT. AST Indonesia (ASTI)	16.0% increase	9.0% increase	20.6% increase	4.1% reduction
PT. Kutai Timber Indonesia (KTI)	3.1% increase	10.8% reduction	4.3% increase	0.8% increase
Nelson Pine Industries Ltd. (NPIL)	0.7% reduction	5.8% reduction	0.2% increase	23.7% increase
Vina Eco Board Co., Ltd. (VECO)	5.4% reduction	38.0% increase	10.6% reduction	23.9% reduction

* Increases and decreases are in reference to respective previous years.

▶ Former Mid-Term CSR Management Plan and Results

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 2018, Sumitomo Forestry's per-unit energy consumption was 93.3% compared to the previous year and Sumitomo Forestry Crest's was 98.3%.

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.

*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 (FY2018 Performance)

	Energy Use (Crude Oil Equivalent)	CO ₂ Emissions	Energy Consumption Per Unit
Sumitomo Forestry	2,550kL	6,821t-CO ₂	0.00174kL/m ³ (Ratio to Previous FY: 93.3%)
Sumitomo Forestry Crest Co., Ltd.	1,953kL	5,188t-CO ₂	79kL/1,000 Yen (Ratio to Previous FY: 98.3%)

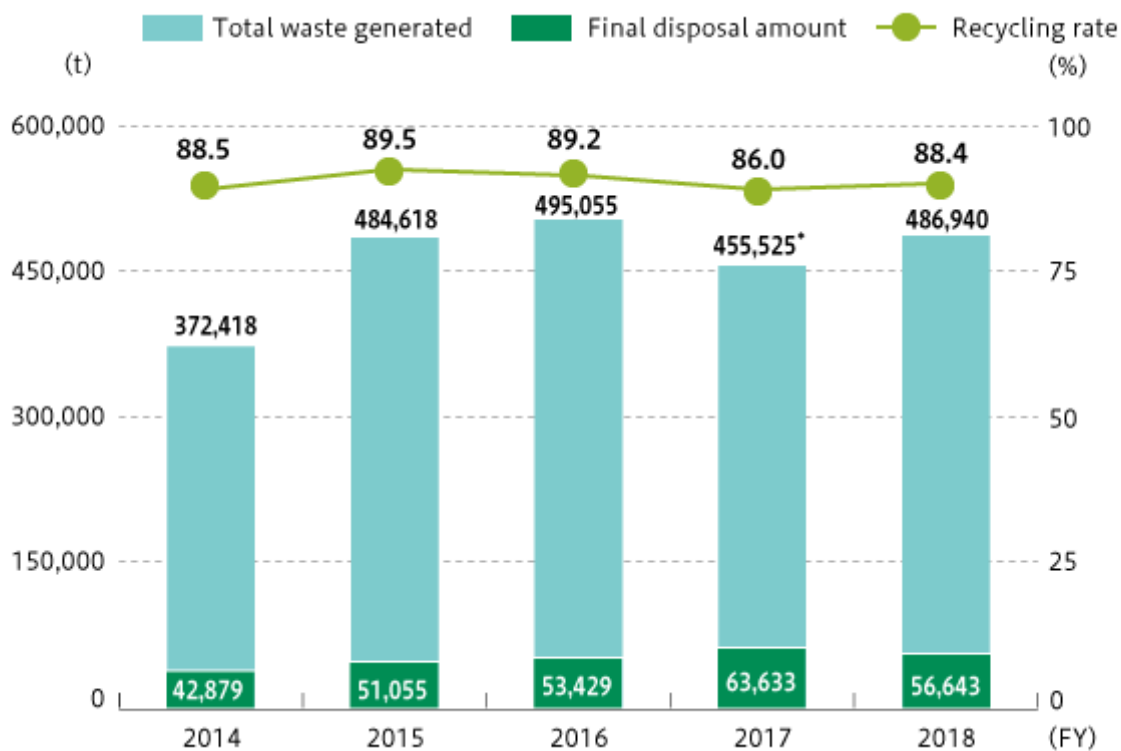
Establishment of an Efficient Delivery

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 fiscal 2018, we contracted as consultants to provide two construction materials operators with proposals for more efficient internal warehousing operations and inventory management rationalization. As of March 2019, Home Eco Logistics had provided logistics operations to more than 56 client 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.

Promotion of Waste Reduction and Recycling

The Sumitomo Forestry Group makes efforts in attaining zero emissions and reducing industrial waste generated at the same time as promoting reuse and recycling for each operational process in accordance with the Sumitomo Forestry Group Environmental Policies in order to build a sustainable environment. In fiscal 2018, overall Sumitomo Forestry Group emissions volume was up 6.9%. However, new housing construction site waste processing operations under expanded areas covered by the inter-region recovery and recycling certification helped reduce the final processing volume by 11.0%. We will continue to strive to effectively use resources in the future.

Trends in Waste Generated and Recycling Rate Over the Last Five Years



* Data for Alpine MDF Industries Ltd. (Alpine) has been excluded because the company was sold in March 2017.

Initiatives to Achieve Zero Emissions

The Sumitomo Forestry 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. and Sumitomo Forestry Landscaping [formerly Sumirin Agro-Products Co.]) in fiscal 2009. As for new housing construction sites, including exterior landscaping, the Group achieved zero emissions in the Tokyo metropolitan area in fiscal 2012.

Since fiscal 2015, the Group has been adhering to the former Mid-Term CSR Management Plan with its target year of fiscal 2020 while continuously working towards zero emissions. From fiscal 2019, we are working to achieve zero emissions in keeping with the new Mid-Term Sustainability Targets, with a target year of fiscal 2021. Within the Mid-Term Sustainability Targets, we take factors such as the state of progress of business activities and the resulting waste generation into account,

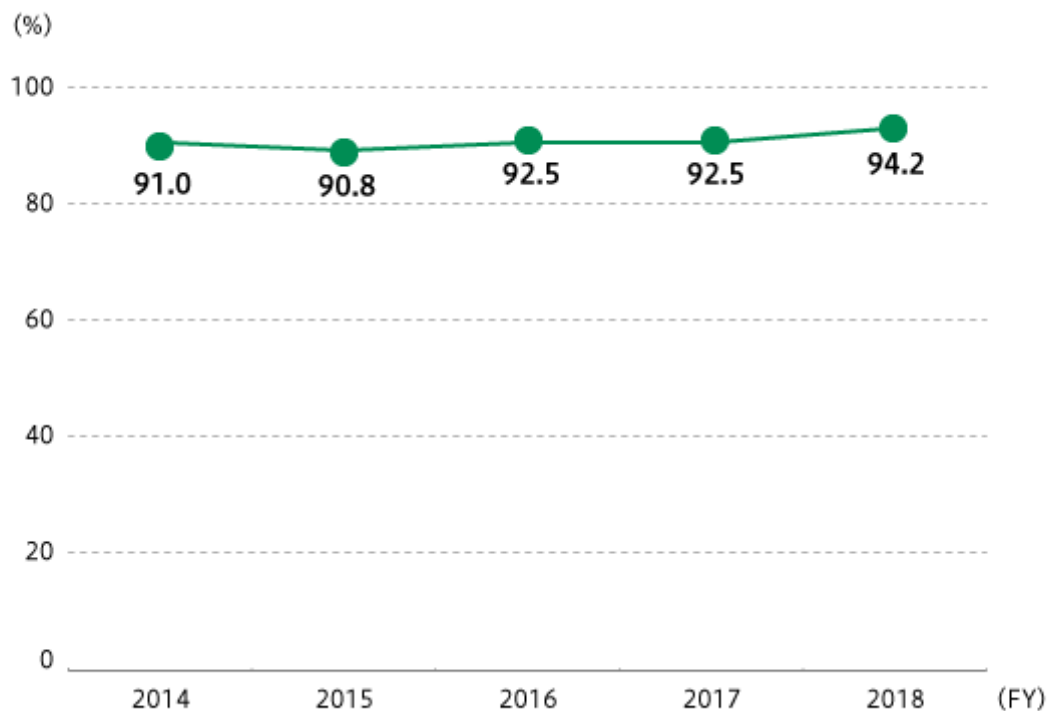
establishing the following seven categories for a more finely differentiated effort to achieve zero emissions than in the Mid-Term CSR Management Plan. These categories are: New Housing Construction Sites, Domestic Production Plants, Power Generation Business, Renovation Business, Lifestyle Service Business, Overseas Manufacturing Plants, and Demolition Work sites.

Efforts at New Housing Construction Sites

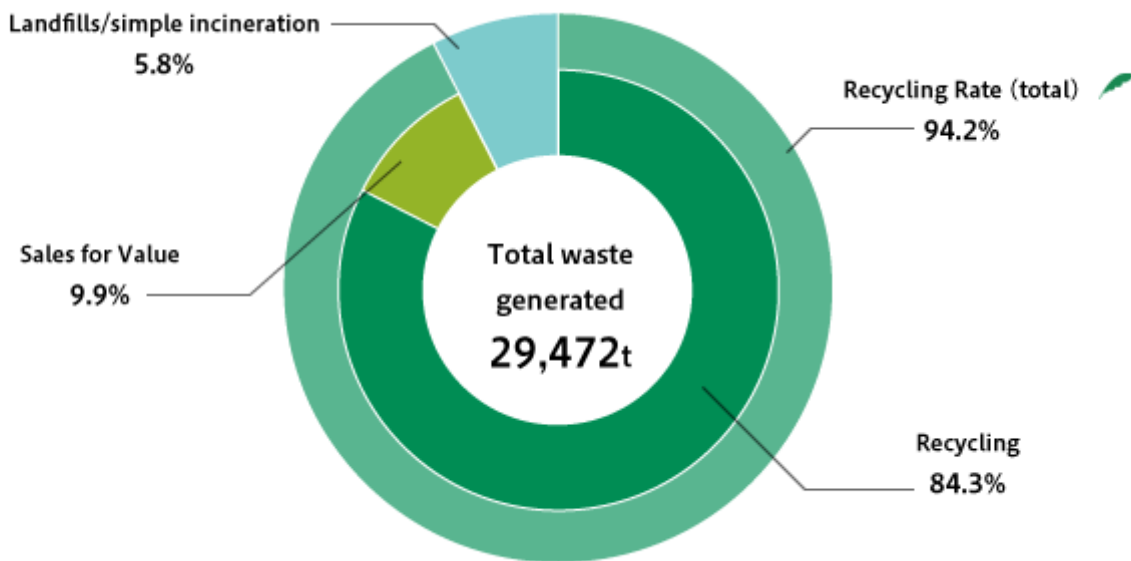
We work to reduce waste generated at Sumitomo Forestry's new housing construction sites. At monthly meetings of our Waste Reduction Working Group, leaders of sub-groups raise and share issues while managing progress toward meeting targets. Efforts to reduce waste have included the use of the bare minimum necessary packaging materials and reusable protective material for flooring. Moving forward, we plan to promote the use of pre-cut construction materials of all kinds for further progress in waste reduction.

In the Tokyo metropolitan area, the Company obtained inter-region recovery and recycling certification, whereupon we established the Metropolitan Area Recycling Center, and implemented streamlined sorting of waste. In fiscal 2018, new housing construction site waste processing operations under expanded areas covered by the inter-region recovery and recycling certification helped improve the recycling rate by 1.7% from the previous year.

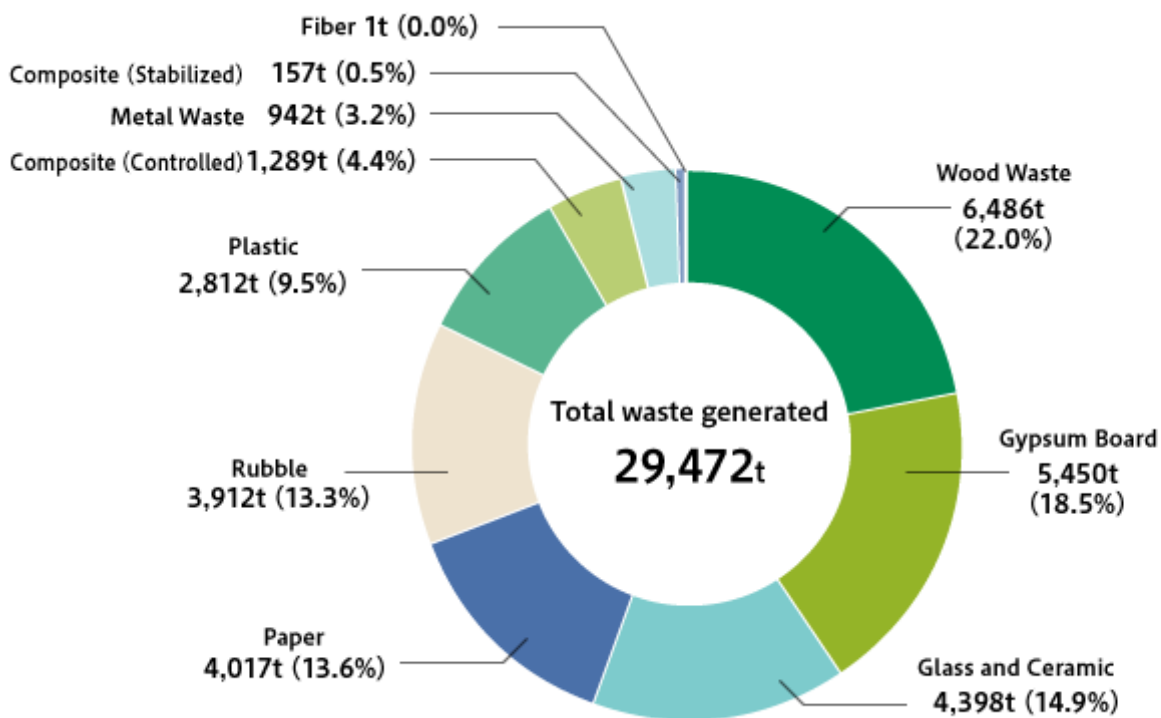
Recycling Rate at New Housing Construction Sites (Housing and Construction Division, Sumitomo Forestry Landscaping, Sumitomo Forestry Home Engineering)



Breakdown of Waste Generated by Disposal Process for New Housing Construction Sites (FY2018)



Breakdown of Waste Generated at New Housing Construction Sites (FY2018)



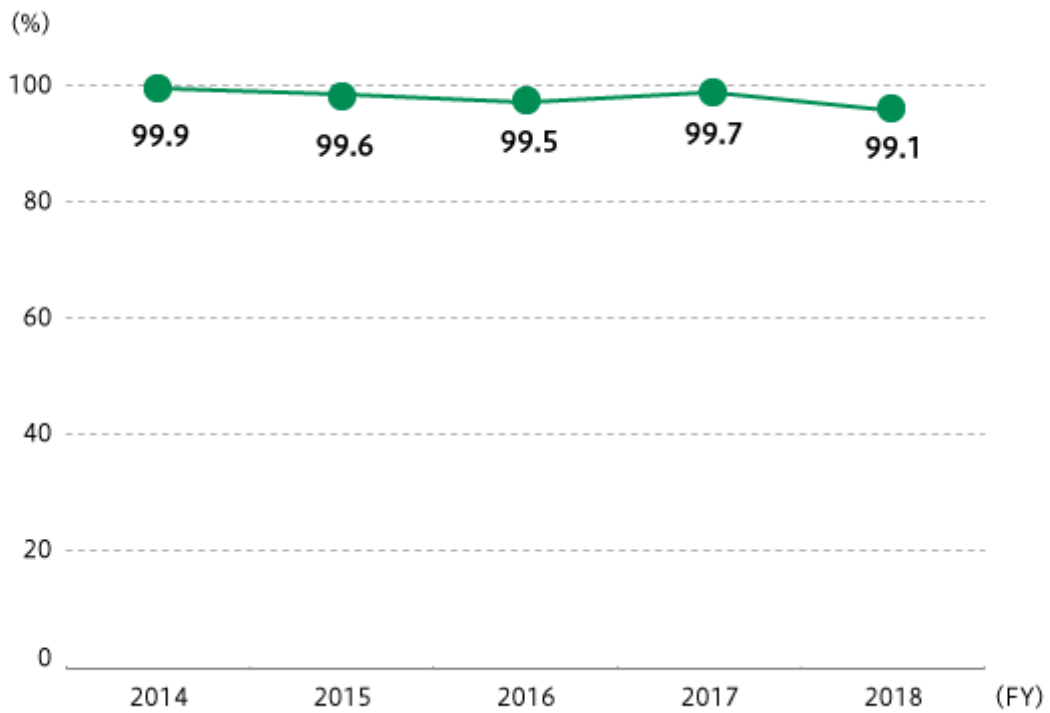
▶ About symbol for Independent assurance

Initiatives at Domestic Manufacturing Facilities

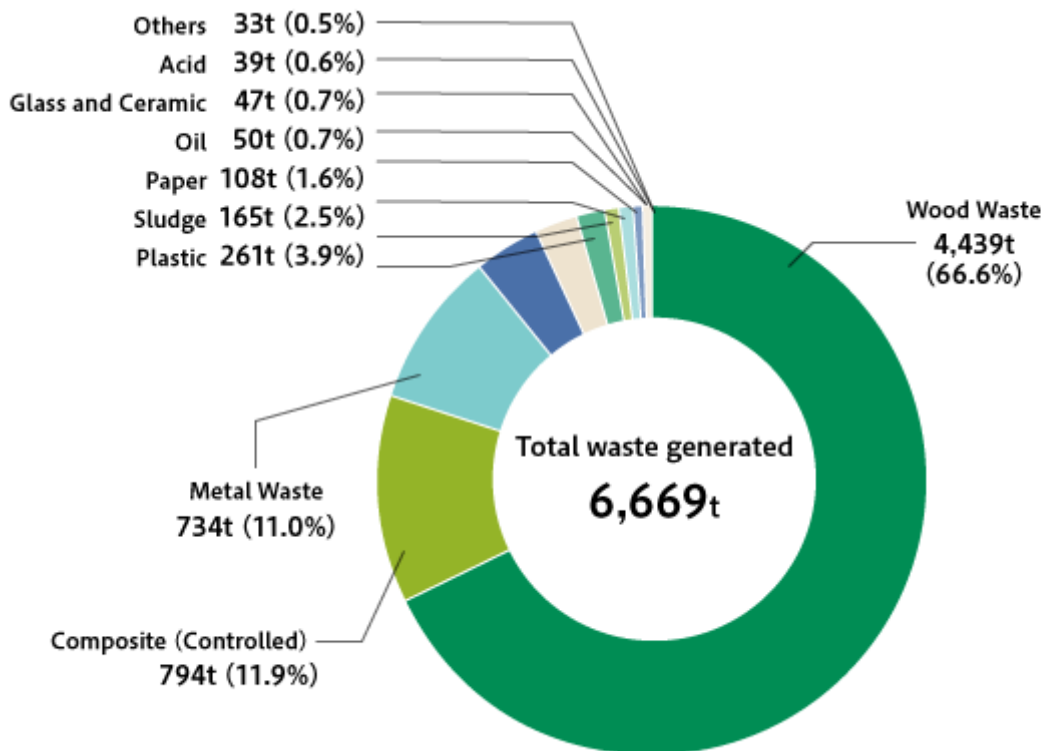
Sumitomo Forestry Group managed to achieve zero emissions (recycling rates of over 98%) again at all plants in fiscal 2018 as a result of each plant continuing with efforts to reduce waste emissions, for example by tightening the sorting of industrial waste and selling it for a profit.

Recycling Rates at Domestic Manufacturing Plants

(Sumitomo Forestry Crest, the Agro-Products division of Sumitomo Forestry Landscaping, Japan Bio Energy, Okhotsk Bio Energy, Michinoku Bio Energy)



Breakdown of Waste Generated at Domestic Manufacturing Plants (FY2018)

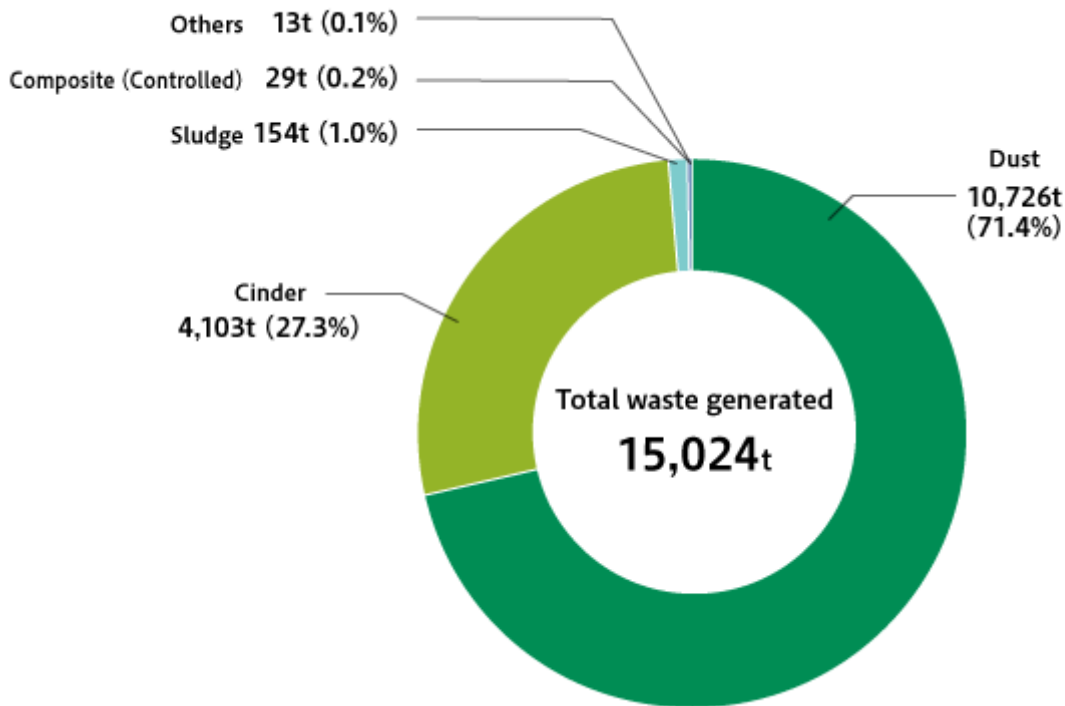


 About symbol for Independent assurance

Power Generation Business Initiatives

In power generation business operations, incineration ash emitted by biomass boilers is blended with quicklime for reuse primarily as a forest roadbed material. In fiscal 2018, it was manufactured under the product name Rovander, and received approval as a Hokkaido Government-certified Recycled Product.

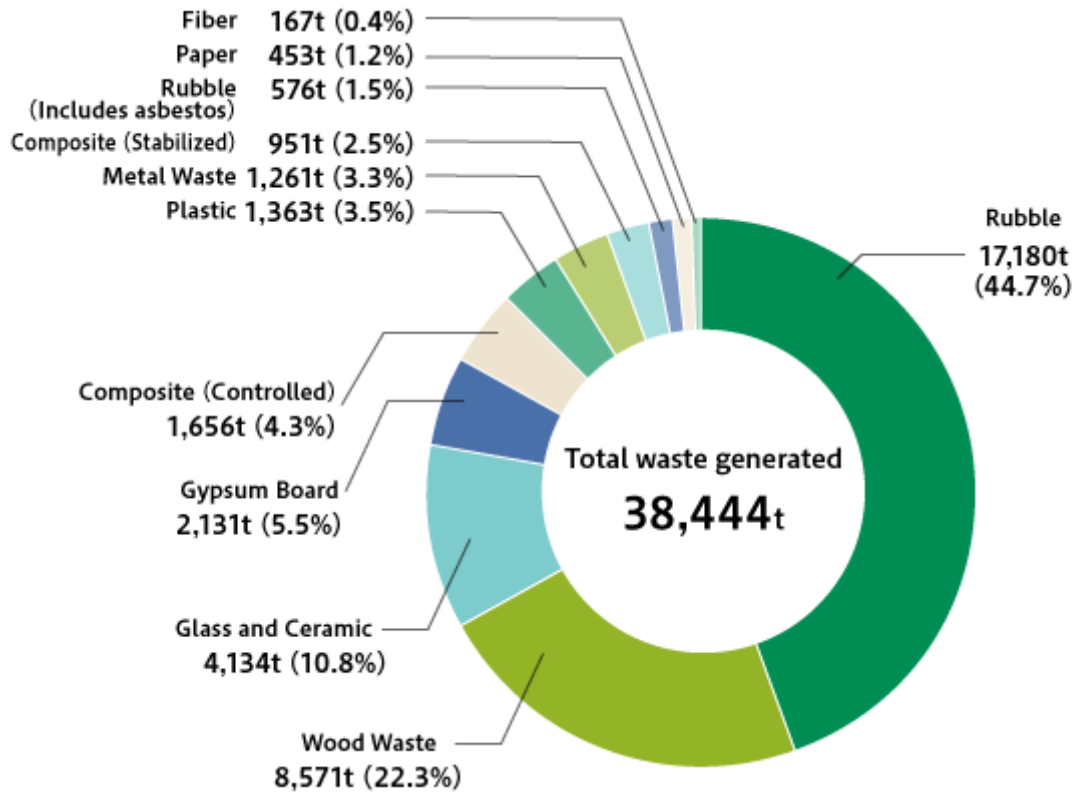
Breakdown of Waste Generated at Power Generation Business Operations (FY2018) (Mombetsu Biomass Power Generation, Hachinohe Biomass Power Generation)



Renovation Business Initiatives

We are working to reduce waste generated by renovation sites by using protective materials as well as other measures to mitigate waste generation. In fiscal 2014, Sumitomo Forestry Home Tech Co., Ltd. began recycling wood waste materials generated at its renovation sites. Our efforts to use resources effectively include recycling wood waste as raw material for particle board. The recycling rate in fiscal 2018 was 74.3%. The Mid-Term Sustainability Targets set the target of an 80% recycling rate to be achieved by fiscal 2021.

**Breakdown of Waste Generated at Renovation Business Operations (FY2018)
(Sumitomo Forestry Home Tech)**

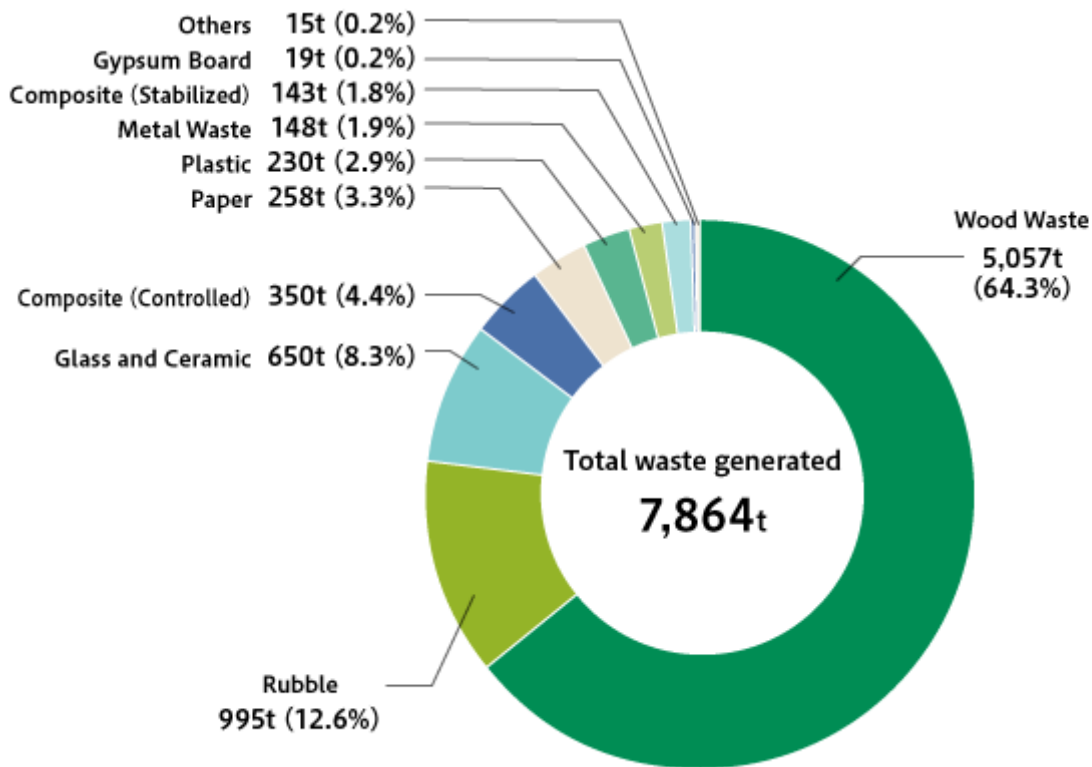


Initiatives at Lifestyle Service Business, Housing-Related Materials Sales*, etc.

At waste-generating locations of enterprises such as Lifestyle Service Business and housing materials sales, initiatives to reduce amounts of waste generated are implemented at a department level.

* Housing materials sales comprise distribution and renovation operations, Tsukuba Research Institute, etc.

Breakdown of Waste Generated by Lifestyle Service Business, Housing-related Materials Sales, etc. (FY2018)



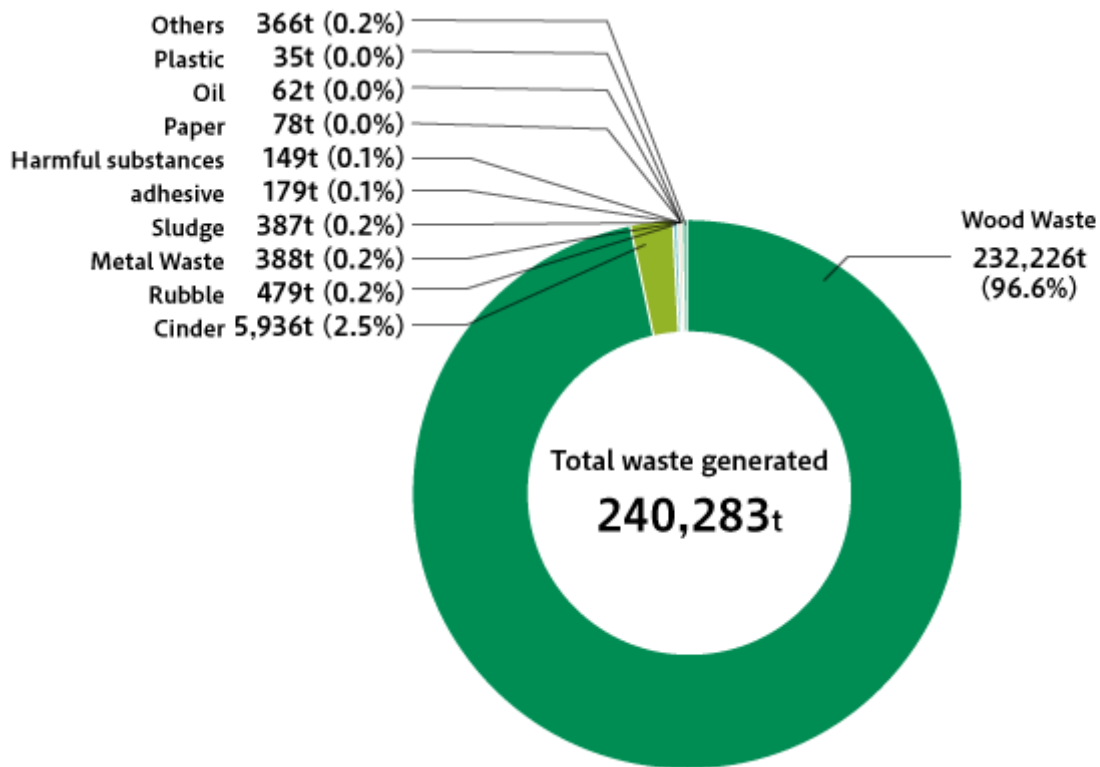
Initiatives at Overseas Manufacturing Plants

We are working toward zero emissions at our five main manufacturing companies outside Japan*. Kutai Timber Indonesia collects wood waste generated during the particle board manufacturing process and reuses it as boiler fuel or in wood building materials.

In fiscal 2018, the total volume of waste produced was 240,283t, with a final waste processing volume of 6,002t and a recycling rate of 97.5%. The 2021 Mid-Term Sustainability Goals set the target of a 98% recycling rate.

* Indonesia: PT. Kutai Timber Indonesia, PT. Rimba Partikel Indonesia, and PT. AST Indonesia
New Zealand: Nelson Pine Industries Ltd.
Vietnam: Vina Eco Board Co., Ltd.

Breakdown of Waste Generated at Overseas Manufacturing Plants (FY2018)



▶ About symbol for Independent assurance

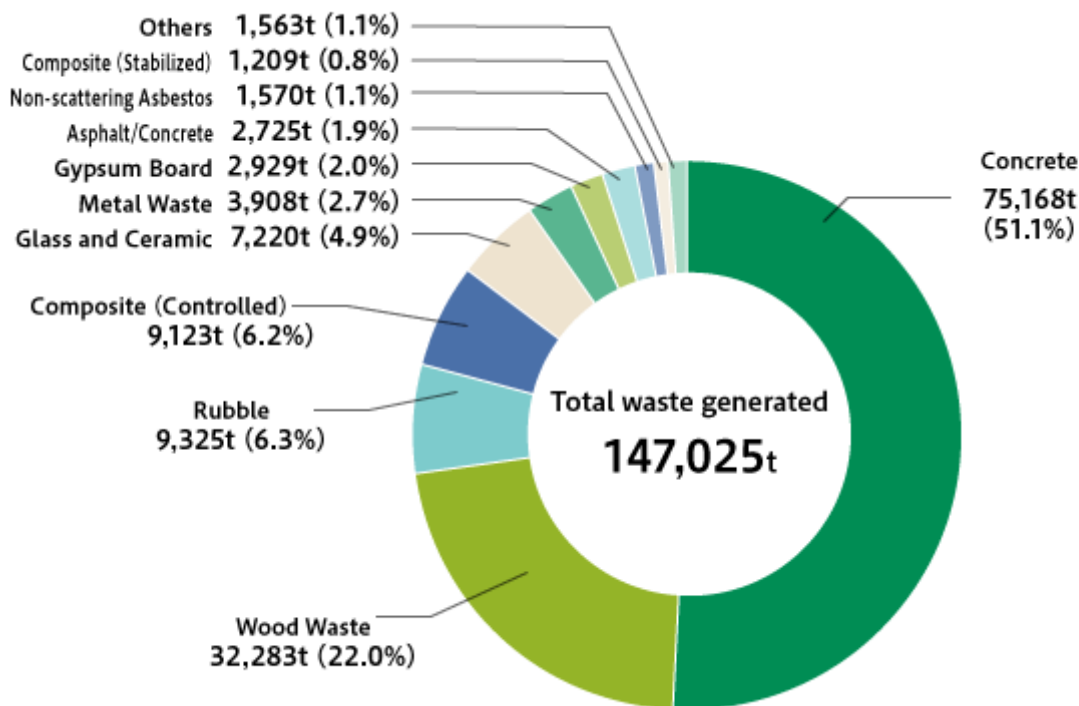
Efforts at Demolition Housing Sites

Sumitomo Forestry was promoting resource recycling even before the enactment of the Construction Material Recycling Law implemented in 2002 by ensuring that materials were properly sorted during demolition prior to the construction of a new house and that waste remained sorted for processing afterwards. Since the enactment in 2002, the Company has recycled the items required under the Law (wood waste, concrete, etc.), sorting them at the sites where the waste is generated.

The recycling rate* for concrete and metal waste was almost 100% in fiscal 2018, as it was the previous year. A 100% recycling rate was achieved for wood waste through measures including the thorough removal of extraneous matter. The 2021 Mid-Term Sustainability Goals set the target of a 98% recycling rate for construction materials specified under the Construction Material Recycling Law and metals as well as at construction areas that the Law does not apply to (total floor area of 80m² or less).

* Recycling rate calculation includes metals in addition to construction materials specified under the Construction Material Recycling Law (concrete, asphalt-concrete and wood waste) and metals.

Breakdown of Demolition Waste Generated (FY2018)



▶ [About symbol for Independent assurance](#)

Education for New Construction and Demolition Contractors

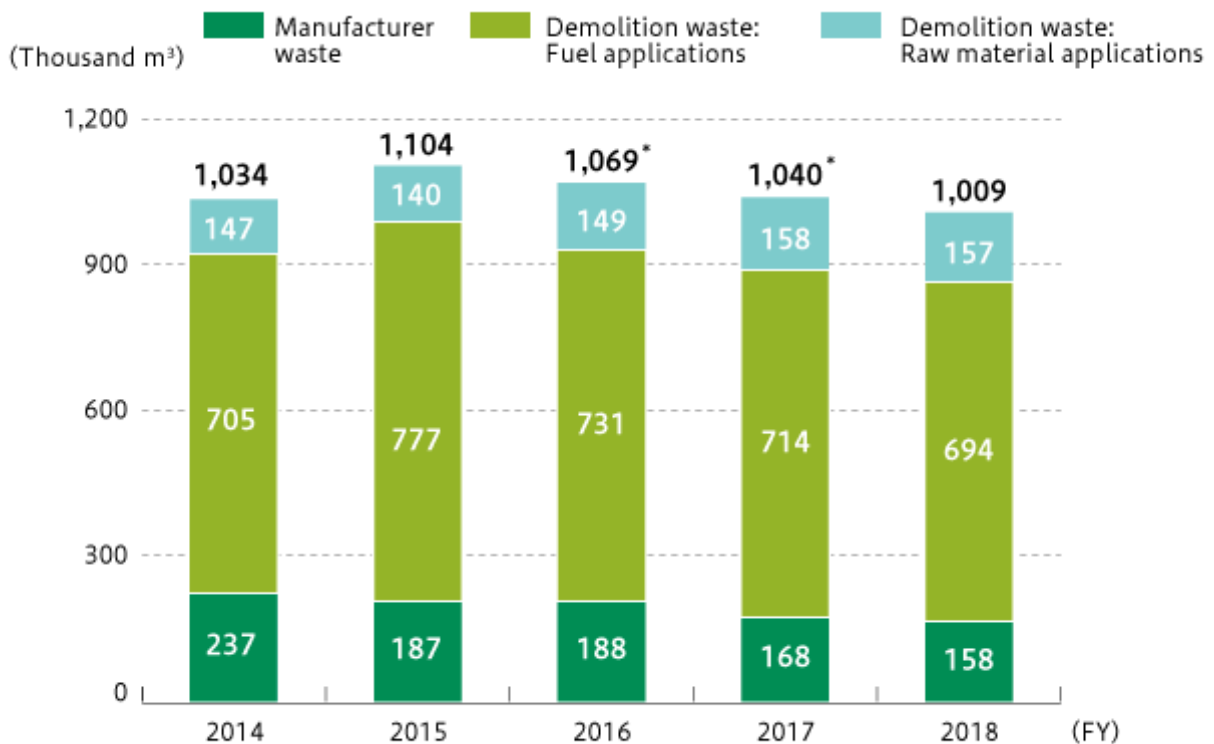
Demolition contractors report about industrial waste to the Housing and Construction Division from the start of demolition work to its completion, recording the work according to a manual. The Housing and Construction Division comprehensively checks these reports and, if there are any inconsistencies, education and comprehension tests about industrial waste are conducted for new construction contractors with monthly construction contractor meetings as an important management branch to confirm their capabilities.

Recycling of Wood Resources into Chips

The Sumitomo Forestry Group contributes to resource recycling through its wood chip operations, whereby offcuts generated during the timber milling process and wood waste from new housing construction and demolition sites are turned into wood chips to be used as a raw material for products such as paper and particle board, and also as a fuel for power-generating boilers or other equipment.

In fiscal 2019, we aim to further increase the volume we handle for use as fuel in order to meet the growing demand for fuel used in biomass power generation.

Handling Volume of Wood Chips



* Data category adjustments resulted in revision of figures for fiscal 2016 and 2017.

 [About symbol for Independent assurance](#)

Effective Utilization of Used Activated Carbon from Water Purification Plants

The Tokyo Metropolitan Government (TMG) Bureau of Waterworks uses an advanced water treatment system combining ozonation and the use of biological activated carbon.

The Agro-Products division of Sumitomo Forestry Landscaping (formerly Sumirin Agro-Products Co.) is making effective use of this used activated carbon to develop and market potting media for agriculture and horticulture and a soil improvement agent for greening. Joint research conducted with the TMG found that these items were effective in promoting plant growth, and the two parties applied for a joint patent based on the research results.

The amount of used activated carbon in fiscal 2018 was 3,620m³, up 44.8% compared to the previous fiscal year. In fiscal 2019, Tane Baido and Karuido products that use activated carbon are expected to perform favorably with an estimate of 4,300m³, an 18.8% increase compared to fiscal 2018.



Used activated carbon and farming-garden products made from it

Endorsement of “Kanagawa Zero Plastic Waste Declaration” in Response to Plastic Waste

The problem of plastic waste in the oceans is internationally acknowledged as an extremely serious environmental problem for the major impact it exerts on aquatic ecosystems and human lives. On February 12, 2019, the Yokohama Branch Office, representing the five offices^{*1} it manages in the Kanagawa Prefecture area, announced its endorsement of the “Kanagawa Zero Plastic Waste Declaration”.^{*2} Efforts spearheaded by the Shonan Branch Headquarters, which have included clean-up activities at the Shonan-Tsujido shoreline, will be stepped up in a collaborative effort by all five offices.

*1 The Housing and Construction Division Yokohama, Yokohama-kita, Kanagawa-nishi, Shonan and Tokyo-minami Branches.

*2 As an “SDGs Future City,” area, Kanagawa Prefecture announced its “Kanagawa Zero Plastic Wasted Declaration” as part of its specific SDG targets for a sustainable society, publicized as a “Message from the Whales” in September 2018. The project aims to achieve “zero plastic waste” by 2030 or earlier if possible by spreading efforts among the municipalities, private-sector companies and residents of the prefecture to eliminate and collect plastic straws, shopping bags, etc.



Clean-up efforts at the Shonan shore.

Management of Hazardous Chemical Substances and Appropriate Disposal

Management of Chemical Substances

Management of Chemical Substances at Plants in Japan

The Sumitomo Forestry Group manages 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 (FY2018)

Applicable Company	Applicable Department	Substance No.	Name of Chemical Substance	Total Use (kg/year)	Total Released (kg/year)			Total Transferred (kg/year)		Conversion into Products	
					Air *For VOC regulations	Water	Soil	Landfill Disposal	Sewerage		Outside Plant Premises
Sumitomo Forestry Crest Co., Ltd.	Kashima Plant	186	Methylene chloride (dichloromethane)	11,214	7,400	0	0	0	0	3,800	1
		448	Methylenebis (4,1-phenylene) diisocyanate	1,438	0	0	0	0	0	61	0
		Subtotal		12,652	7,400	0	0	0	0	3,861	1
	Niihama Plant	186	Methylene chloride (dichloromethane)	4,810	3,500	0	0	0	0	1,300	0.6
		Subtotal		4,810	3,500	0	0	0	0	1,300	0.6
	Imari Plant	4	Acrylic acid and water-soluble salts	12,495	0	0	0	0	0	0	12,495
		7	n-Butyl acrylate	8,659	0	0	0	0	0	24	8,635
		84	Glyoxal	2,940	0	0	0	0	0	6	2,934
		134	Vinyl acetate	2,226,166	2,400	97	0	0	0	41	2,223,676
		349	Phenol	51,480	0	1	0	0	0	21	51,458
395	The water-soluble salts of peroxy disulfuric acid	3,472	0	0	0	0	0	9	3,463		

Applicable Company	Applicable Department	Substance No.	Name of Chemical Substance	Total Use (kg/year)	Total Released (kg/year)				Total Transferred (kg/year)		Conversion into Products
					Air *For VOC regulations	Water	Soil	Landfill Disposal	Sewerage	Outside Plant Premises	
		407	Poly (Oxyethylene) = Alkylether (alkyl group: C12~C15)	2,371	0	17	0	0	0	6	2,348
		411	Formaldehyde	160,306	48	0	0	0	0	310	159,951
		415	Methacrylic acid	834	0	0	0	0	0	0	834
		448	Methylenebis (4,1-phenylene) diisocyanate	11,060	0	0	0	0	0	54	11,006
	Subtotal			2,479,783	2,448	115	0	0	0	472	2,476,749
Total				2,497,245	13,348	115	0	0	0	5,633	2,476,750

▶  [About symbol for Independent assurance](#)

Management of Chemical Substances at Plants Overseas

Chemical substances, including adhesives and coatings, in the table below are managed at overseas plants in accordance with the management regulations for chemical substances in each country.

Management Table of Chemical Substances at Plants Overseas (FY2018)

Applicable Company	Country	Name of Chemical Substance	Total Use (kg/year)	Total Released (kg/year)		Total Transferred (kg/year)
				Air * For VOC regulations	Waters, etc	Waste Processing
KTI	Indonesia	Adhesives at MA, UA, etc.	21,367,961	-	-	53,420
ASTI	Indonesia	Styrene, xylene, solvents	28,290	-	-	849
RPI	Indonesia	Isocyanate/formaldehyde	552,091	-	-	0
NPIL	New Zealand	Formaldehyde	385,410	-	-	0
VECO	Vietnam	Isocyanate/formaldehyde, etc.	234,097	27	3,040	0
CCC	United States of America	MEK, alcohols, etc	147,688	142,667	-	5,103
Total			22,715,537	142,694	3,040	59,372

Management of Air Pollutants

Management of Air Pollutants at Plants in Japan

The Sumitomo Forestry Group periodically conducts atmospheric emission concentration tests for dioxins, NOx, SOx, and smoke dust for each relevant plant at Sumitomo Forestry Crest Co. (Kashima Plant, Shizuoka Plant, Niihama Plant), the Shinshiro Plant at the Agro-Products division of Sumitomo Forestry Landscaping (formerly Sumirin Agro-Products Co.), and at the Mombetsu Biomass Power Plant in accordance with the Air Pollution Control Act as well as local regulations. In fiscal 2018, emissions concentration testing results were all within the relevant standard values.

Management Table of Air Pollutants at Plants in Japan (FY2018)

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	2.9	94
	Shizuoka Plant	Dioxin	-	ng-TEQ/m ³	5	0.64	2.3

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 (Waste Wood Boiler)	SOx (Sulfur oxide)	52	ppm	-	Less than 5	3,370
		NOx (Nitrogen oxide)	822	ppm	350	110	3,370
		Soot and dust	51	g/Nm ³	0.3	0.014	3,370
	Niihama Plant (Heavy Oil Boiler)	SOx (Sulfur oxide)	511	ppm	-	0.18	590
		NOx (Nitrogen oxide)	86	ppm	180	110	590
		Soot and dust	2.0	g/Nm ³	0.3	0.003	590
Imari Plant	SOx (Sulfur oxide)	1,308	ppm	-	-	-	
The Agro-Products division of Sumitomo Forestry Landscaping (formerly Sumirin Agro-Products Co.)	Shinshiro Plant	SOx (Sulfur oxide)	48	ppm	-	49	10,300
		NOx (Nitrogen oxide)	728	ppm	200	40	10,300
		Soot and dust	213	g/Nm ³	0.2	0.024	10,300
Mombetsu Biomass Power Plant	SOx (Sulfur oxide)	152,906	ppm	373	8.2	189,000	
	NOx (Nitrogen oxide)	269,575	ppm	250	89.7	189,000	
	Soot and dust	1,491	g/Nm ³	0.1	0.0027	189,000	
Hachinohe Biomass Power Generation Plant	SOx (Sulfur oxide)	267	ppm	32.3	0.01	71,790	
	NOx (Nitrogen oxide)	71,096	ppm	250	61.7	71,790	
	Soot and dust	0.0	g/Nm ³	0.3	0.0	71,790	

About symbol for Independent assurance

Management of Air Pollutants at Plants Overseas

At overseas plants, the Sumitomo Forestry Group measures the concentration of NO_x, SO_x and smoke dust in Indonesia and Vietnam as well as VOC emission in the United States of America in accordance with the regulations of each country and region. In fiscal 2018, emissions concentration testing results were all within the relevant standard values.

Management Table of Air Pollutants at Plants Overseas (FY2018)

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	4,430	-
		SO _x (Sulfur oxide)	μg/Nm ³	262	36	-
		NO _x (Nitrogen oxide)	μg/Nm ³	92.5	60	-
		H ₂ S (Hydrogen sulfide)	μg/Nm ³	42	8	-
		NH ₃ (Ammonia)	μg/Nm ³	1,360	137	-
		O ₃ (Ozone)	μg/Nm ³	200	34	-
		Soot and dust	mg/Nm ³	0.26	0.14	-
RPI	Indonesia	SO _x (Sulfur oxide)	mg/Nm ³	800	Below Detection Boundary	-
		NO _x (Nitrogen oxide)	mg/Nm ³	1,000	200	-
		Soot and dust	mg/Nm ³	350	341	-
ASTI	Indonesia	CO (Carbon monoxide)	μg/Nm ³	15,000	2,517	-
		SO _x (Sulfur oxide)	μg/Nm ³	632	25	-
		NO _x (Nitrogen oxide)	μg/Nm ³	316	33.4	-
		H ₂ S (Hydrogen sulfide)	μg/Nm ³	0.02	Below Detection Boundary	-
		NH ₃ (Ammonia)	ppm	2.0	0.073	-
		TSP (Debu Total) Total Suspended Particulate Matter	μg/Nm ³	230	131.4	-
VECO	Vietnam	SO _x (Sulfur oxide)	mg/Nm ³	500	51.63	-
		NO _x (Nitrogen oxide)	mg/Nm ³	850	158.76	-
		Soot and dust	mg/Nm ³	200	125.14	-
CCC	United States of America	Volatile organic compounds (VOCs)	lbs	200,000	153,146	-

Management of Water Pollutants

Management of Water Pollutants in Japan

The Sumitomo Forestry Group conducts periodic water quality concentration tests of waste water at all of the relevant plants at the Tsukuba Research Institute and Sumitomo Forestry Crest Co., Ltd. (Kashima Plant, Shizuoka Plant, Niihama Plant, Imari Plant) in accordance with the Water Pollution Control Act of Japan. In fiscal 2018, emissions concentration testing results were all within the relevant standard values.

Management Table of Water Quality at Plants in Japan (FY2018)

Applicable Company	Applicable Department	Test Items	(Baseline)		Measured Concentration
			Unit		
Sumitomo Forestry	Tsukuba Research Institute	pH	-	5~9	7.8
		BOD (Biochemical Oxygen Demand)	mg/L	< 600	7.3
		COD	mg/L	-	-
		SS (Suspended Solids)	mg/L	< 600	8.25
		Normal hexane extracts (mineral oils)	mg/L	≤ 5	1
		Normal hexane extracts (animal and vegetable oils and fats)	mg/L	≤ 30	1
		Iodine consumption	mg/L	≤ 220	7.08
		Phenol content	mg/L	≤ 5	< 0.025
		Cyanogen compound	mg/L	≤ 1	< 0.1
		Copper content	mg/L	≤ 3	< 0.02
		Zinc content	mg/L	≤ 2	0.023
		Soluble iron content	mg/L	≤ 10	0.049
		Soluble manganese content	mg/L	≤ 10	< 0.02
		Benzene	mg/L	≤ 0.1	< 0.001
		Boron and other compounds	mg/L	≤ 10	0.05
Fluorine and other compounds	mg/L	≤ 8	< 0.17		
Sumitomo Forestry Crest Co., Ltd.	Kashima Plant	pH	-	5.8~8.6	12.5
		BOD (Biochemical Oxygen Demand)	mg/L	-	2.6
		COD (Chemical Oxygen Demand)	mg/L	10.0	5.3
		SS (Suspended Solids)	mg/L	10.0	1.0
	Shizuoka Plant	pH	-	5.8~8.6	7.6
		BOD (Biochemical Oxygen Demand)	mg/L	≤ 160	28.0
		COD (Chemical Oxygen Demand)	mg/L	-	-
		SS (Suspended Solids)	mg/L	≤ 200	< 0.5
	Niihama Plant	pH	-	5.8~8.6	6.8
		BOD (Biochemical Oxygen Demand)	mg/L	-	-
		COD (Chemical Oxygen Demand)	mg/L	160	13
		SS (Suspended Solids)	mg/L	200.0	4
	Imari Plant	pH	-	5.8~8.6	7.8
		BOD (Biochemical Oxygen Demand)	mg/L	-	-
		COD (Chemical Oxygen Demand)	mg/L	70	31.9
		SS (Suspended Solids)	mg/L	70	5.6
Mombetsu Biomass Power Plant	pH	-	5~9	7.5	
	BOD (Biochemical Oxygen Demand)	mg/L	1,000 mg/L or less over five days	3.4	
	SS (Suspended Solids)	mg/L	1,000	2.8	
Hachinohe Biomass Power Generation Plant		pH	-	5.8~8.6	7.5

Management of Water Pollutants Overseas

The Sumitomo Forestry Group conducts concentration tests of water pollutants at overseas plants in accordance with the water quality regulations for waste water in each country. In fiscal 2018, emissions concentration testing results were all within the relevant standard values.

Management Table of Water Quality at Plants Overseas (FY2018)

Applicable Company	Applicable Department	Test Items	(Baseline)		Measured Concentration
			Unit		
KTI	Indonesia	pH	-	6~9	6.8
		BOD (Biochemical Oxygen Demand)	mg/L	75.0	11.3
		COD (Chemical Oxygen Demand)	mg/L	125.0	39.5
		TSS (Suspended Solids)	mg/L	50.0	6.3
		NH ₃ -N (Ammonia concentration)	mg/L	4.0	0.94
		Fenol (Fenol concentration)	mg/L	0.25	0.04
RPI	Indonesia	pH	-	6~9	7.6
		BOD (Biochemical Oxygen Demand)	mg/L	75	6.5
		COD (Chemical Oxygen Demand)	mg/L	125	81.4
		TSS (Suspended Solids)	mg/L	50	20
		NH ₃ -N (Ammonia concentration)	mg/L	4	0,16
		Fenol (Fenol concentration)	mg/L	0.25	< 0,001
ASTI	Indonesia	pH	-	6~9	7.3
		BOD (Biochemical Oxygen Demand)	mg/L	50.0	7.0
		COD (Chemical Oxygen Demand)	mg/L	100.0	21.7
		Soluble iron content	mg/L	5	1.2
		Soluble manganese content	mg/L	2	0.6
		Copper content	mg/L	2	0.01
		Zinc content	mg/L	5	0.1
		Chromium hexavalent compound	mg/L	0.1	< 0.0001
		Chromium compound	mg/L	0.5	0.0014
		Cadmium compound	mg/L	0.05	0.0112
		Lead compound	mg/L	0.1	< 0.0547
		Hydrogen sulfide compound	mg/L	0.05	0.0256
		Nitrate compound	mg/L	20	0.1782
Nitrite compound	mg/L	1	0.0003		
VECO	Vietnam	pH	-	5~9	6.9
		BOD (Biochemical Oxygen Demand)	mg/L	100	49.0
		COD (Chemical Oxygen Demand)	mg/L	300	100.0
		SS (Suspended Solids)	mg/L	200	23.0
		Nitrogen compound	mg/L	40	35.0
		Phosphate compound	mg/L	6	1.0
NPIL	New Zealand	pH	-	6~9	-
		BOD (Biochemical Oxygen Demand)	mg/L	2,350	2,006.0
		COD (Chemical Oxygen Demand)	mg/L	6,400	4928.8
		SS (Suspended Solids)	mg/L	650	436.1

Appropriate Disposal of Building Materials Containing Asbestos

The Sumitomo Forestry Group has secured the proper disposal routes for asbestos. Sumitomo Forestry strives to prevent the spread of asbestos in the demolition work of residences through the formulation of the Guide for Appropriate Measures during Demolition Work.

The Group is also engaged in proper disposal of asbestos in the buildings of each office based on the law.

Proper Disposal of Building Materials Containing Asbestos

We are also furthering the proper management and processing of Polychlorinated Biphenyl (PCB) contained in equipment such as spent high-voltage capacitors in accordance with the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Wastes.

Disposal Status of Polychlorinated Biphenyl (PCB) Waste *1

Applicable Company	Applicable Facility	Total Disposal in FY2016 (kg) *1	Total Disposal in FY2017 (kg) *1	Total Disposal in FY2018 (kg) *1
Sumitomo Forestry Crest Co., Ltd.	Imari Plant	1,385	0	0
	(Former) Nagoya Plant *2	0	44,190	0
	(Former) Kyushu Plant *2	8,570	0	0
Kawanokita Development Co., Ltd.		0	350	0
Subtotal		9,955	44,540	0

*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	FY2018 Onward Estimated Processing (Units)	Management Status
Sumitomo Forestry Crest Co., Ltd.	(Former) Nagoya Plant *2	513 unit	Stabilizers in storage
ASTI	ASTI Plants	169 kg	Electrical Boards

*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 emissions 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

Location	Fluorocarbons Filled	Emissions (kg)	Coefficient	Calculated Fluorocarbon Emissions (t/CO ₂)
Sumitomo Forestry	R410A	1.5	2,090	3
Tsukuba Research Institute	R404A	1.2	3,920	5
	R22	8.1	1,810	15
Total				23

* 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.

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. Received the Good Design Award in October 2018 from the Japan Institute of Design Promotion.

Moving forward, by steadily producing results in soil purification based on this technique, the Group will continue to help resolve the nationwide problem of oil contamination.



Grass laid on the site where a gasoline station once stood

Policies and Targets for Biodiversity Conservation

Declaration of Biodiversity and Biodiversity Action Guidelines

Sumitomo Forestry established its policy on Biodiversity Conservation in Company-owned Forests in Japan in fiscal 2006, and its Timber Procurement Philosophy and Policy in fiscal 2007. The Company also revised its Environmental Policies in fiscal 2007 to incorporate biodiversity considerations. Then in March 2012, the Sumitomo Forestry Group established its Declaration of Biodiversity, setting out the Sumitomo Forestry Group's understanding of and stance on biodiversity; Biodiversity Action Guidelines, specifying an internal set of guidelines; and Biodiversity Long-Term Targets as specific goals of activity.

In July 2015, the Group initiated the Sumitomo Forestry Group Environmental Policy, bringing together the Environmental Philosophy, the Environmental Policies*, the Sumitomo Forestry Group Declaration of Biodiversity, and the Sumitomo Forestry Group's Biodiversity Action Guidelines. Therefore, the efforts in biodiversity are also operated based on the policies integrated in the Sumitomo Forestry Group Environmental Policy.

* The Sumitomo Forestry Group formulated the Environmental Philosophy in 1994 and the Environmental Policies in 2000.

► [Sumitomo Forestry Group Environmental Policy](#)

Long-Term Biodiversity Targets

As well as advancing biodiversity conservation initiatives, the Group established its Long-Term Biodiversity Targets in March 2012 as a way of contributing to the international community in respect to attainment of the Aichi Biodiversity Targets adopted at the Conference of Parties to the Convention on Biological Diversity (COP10) in 2010. Rough schedules for achieving each of the long-term targets were put in place covering the period up until 2020 and serve as a guideline for advancing initiatives.

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

Group-wide Targets

1. (Aim to achieve sustainable forests)

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

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

2. (Increase the amount of 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 protection.
- We will maintain that 100% Company-owned forests remain forest-certified.
- We will maintain and increase biodiversity at our operation sites based on results of our biodiversity monitoring of Company-owned forests in Japan.
- We will conduct operations at plantation forests overseas while considering how best to contribute to local communities, economies and education.

4. (Products)

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

5. (Construction)

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

6. (Design)

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

7. (Greening)

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

8. (Plants)

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

9. (Public relations)

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

10. (Research)

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

11. (Social contribution)

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

Company Structure for Biodiversity Conservation

In accordance with our environmental management structure, the Representative Director and President is the person in charge of Sumitomo Forestry Group's biodiversity conservation initiatives, and the Executive Officer in charge of the Sustainability and the General Manager of the Sustainability Division manage Sumitomo Forestry Group company activities.

Commitment to Protected Areas

To manufacture and secure timber resources, Sumitomo Forestry owns or manages many forests both in Japan and overseas. None of these forests is located in areas designated as world heritage sites. Furthermore, we have not and will not operate in areas designated as world natural heritage sites. Regardless of land ownership, national parks in Japan, which has a small land area, operate under the Regional Natural Park System and many national parks include private property. A portion of Sumitomo Forestry's Company-owned forests are located inside national park areas, and as is the case for other areas designated as protected forests or other, we operate in strict compliance with all legal regulations.

Furthermore, in terms of risk assessment, in areas determined to be important from a biodiversity perspective, we not only strictly adhere to all legal regulations, also work to mitigate our impact through reevaluation, minimization, revitalization, offsetting and other efforts.

We manage approximately 48,000 hectares of Company-owned forests in Japan and approximately 230,000 hectares of forests overseas. These managed forests are categorized as environmental forests, 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 hold stakeholder meetings (with local residents, surrounding companies, academics, NGOs, government officials) to exchange opinions.

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 (UNDB-J; 10th).

Sumitomo Forestry Landscaping Co., Ltd. is actively striving toward the registration of certifications in the JBIB Guidelines for Sustainable Business Sites promoted by the Association for Business Innovation in harmony with Nature and Community (ABINC) and the SEGES Green Certification promoted by the Organization for Landscape and urban Green Infrastructure for properties undertaken with the environmental greening business. Moreover, the 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 \(UNDB-J\) \(in Japanese\)](#)
- ▶ [Japan Business Initiative for Biodiversity \(JBIB\)](#)

Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas

Biodiversity Conservation in Company-Owned Forests in Japan

The Policy on Biodiversity Conservation for Company-owned forests in Japan calls for efforts to promote diversity of ecosystems through proper management of protected areas and consideration toward the continuity of forests, diversity of species through protection of rare flora and fauna, and genetic diversity through the maintenance of populations. In keeping with these policies, forests are subject to appropriate zoning and management according to certain criteria, such as the increment of trees. Sumitomo Forestry is also making efforts to create endangered species lists and manuals and conduct monitoring surveys of wildlife.

Policy on Biodiversity Conservation in Company-Owned Forests in Japan(Excerpt) (Formulated June 2006)

1. Diversity of ecosystems

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

2. Diversity of species

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

3. Genetic diversity

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

Red Data Book and Riparian Forest Management Manual

Sumitomo Forestry creates a Sumitomo Forestry Red Data Book listing flora and fauna at threat of extinction which may exist in Company-owned forests and distributes it to employees and contractors involved in forest management. By carrying the book with them during operations, personnel can refer to the opinions of specialists when they come across flora and fauna included in the book and take action. While using the latest version of this book today, we will continually advance measures focused on biodiversity and update the content of the text as necessary.

The Company has also created the Riparian Forest Management Manual to ensure the appropriate management and preservation of areas around bodies of water that are rich in biodiversity.



Sumitomo Forestry Red Data Book

Wildlife Monitoring Surveys

Sumitomo Forestry monitored wildlife inhabiting Company-owned forests. Every year, surveys are conducted in one of four areas— Mombetsu (Hokkaido), Niihama (Shikoku), Hyuga (Kyushu) and Hyogo/Mie (Honshu). Data for each area is therefore accumulated in four-year cycles. This is used to create basic reference materials relating to biodiversity and to ascertain the impact of forestry on the surrounding environment over the long-term.

Monitoring surveys conducted nine times up until now have clearly shown diverse life being maintained through the production of a habitat environment and a change in the number of mammals and birds during the gradual transition from a clear-cut area to forest.

While a number of species decline temporarily, the clear-cut areas have been shown to distribute places suitable for umbrella species such as hawks and land appropriate for hunting in a mosaic shape in addition to realizing a favorable environment for life such as the species above to thrive.

In the future, we will consider monitoring results to date as we work to properly sustain functions such as maintaining environmental conservation and biodiversity in company-owned forests.

Species of Mammals and Birds Confirmed by Past Surveys

	Managed Area (ha)		Verified mammal and avian species									
			2008	2009	2010	2011	2012	2013	2014	2015	2016	
Company-owned forests in Shikoku	14,783	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	5,813	Mammals				12					(Wakayama) 10 (Hyogo) 6	
		Birds					25				(Wakayama) 29 (Hyogo) 21	
Total	47,977											

* 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 illegal logging and forest fires. The Sumitomo Forestry Group, which runs a large-scale plantation in West Kalimantan, Indonesia, has formulated appropriate land-use plans based on a scientific standpoint for the purpose of finding harmony between biodiversity and economy. In particular, we device business areas into protection zones and reforestation zones and reduce the impact on protection zones by setting a buffer zones between the protection and plantation zones for indigenous trees to grow.

Protection zones with a high rarity value are properly managed through patrols and periodic survey activities because various environmental functions are at work from the water cultivation functions as well as areas where rare types of animals live to genetic resource preservation functions. In addition, long-nosed monkeys endangered due to poaching are known to like to live along rivers. The conventional 50 to 100 meter protected area along the banks of rivers had been expanded up to a maximum of 500 meters based on scientific information. Furthermore, establishing a route between the mangrove forest where the long-nosed monkeys live and the designated protective forest contributes to expanding the habitat for the long-nosed monkeys. We regularly conduct surveys of rare wildlife for protection zones by inviting in experts and will reflect these results in management and protection in the future.

We strive in efforts to conserve biodiversity via a new landscape management approach by cooperating with local NGOs and local companies because ecosystems are expanding beyond boundaries of business zones stipulated by government agencies.

Efficient Use of Water Resources

Reduction of Water Consumption in Business Activities

Around the world, there is a growing sense of crisis over water shortages. It is expected that this problem will become more and more urgent as the demand for water rises with population increase and economic growth in developing countries.

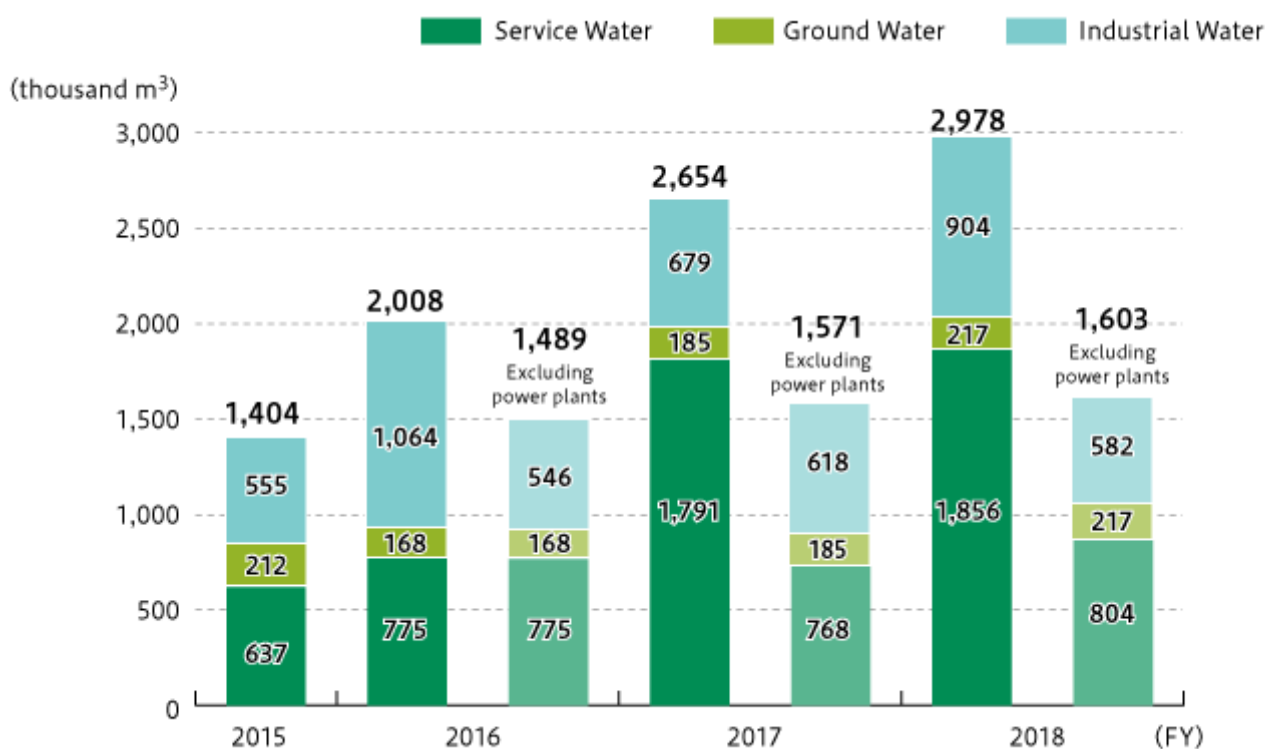
The primary businesses of the Sumitomo Forestry Group include the Timber & Building Materials Business and the Housing Business, which operate on a business model that does not use high-volume of water. However, our businesses are expanding into sectors that do use water as a valuable resource. Our policy is to reduce the amount of water used with emphasis on these businesses while conducting risk assessments and examining countermeasures for problems that arise.

In addition to manufacturing plants inside and outside Japan, since fiscal 2012, the Sumitomo Forestry Group began examining the consumption of water and the associated sources at bases where actual water usage is measurable, such as at buildings owned by the Sumitomo Forestry Group. In fiscal 2017, we discovered 98.1% of water use is at eight group companies which make up 7.2% of the consolidated net sales by analyzing the water use of all Group companies in fiscal 2016. Therefore, we have positioned these eight companies as important water management companies and conducted risk assessments for water use at five companies in Japan as well as brought together specific measures to address any cases of insufficient water. The Sumitomo Forestry Group has also begun to grasp the actual state of water use even at three overseas companies.

In fiscal 2018, water usage volume targets at our overall domestic group companies and at departments in which data collection became possible in fiscal 2018 specified a reduction of 2.5%. Actual performance, however, was a 3.7% reduction (excluding the biomass power generation operations that were on the verge of beginning full operation). Major factors included water conservation through recycling of industrial water at Sumitomo Forestry Crest's Imari Plant. Our Mid-Term Sustainability Targets include water use targets for the entire Group, in effect beginning with fiscal 2019. The target for fiscal 2019 is less 2,981,000m³.

Sumitomo Forestry conducted a sample survey of water used by partner companies at on-site construction of houses in fiscal 2015 to grasp the water consumption in the supply chain and found the volume of water used per 1m² of floor area is approximately 0.0887 m³.

Water Usage over the Past Four Years*1



Water Usage per Department*1

	Office Departments in Japan, etc. (Unit: 1,000m³)			Plants and Power Generation Business Departments in Japan (Unit: 1,000m³)			Overseas Plants (Unit: 1,000m³)			Total (Unit: 1,000m³)
	FY2016	FY2017	FY2018	FY2016	FY2017	FY2018	FY2016	FY2017	FY2018	FY2018
Service Water	80	73	79	114	1,258	1,302	581	460	475	1,856
Ground Water	0*2	0	29	0*2	10	14	168	175	174	217
Industrial Water	131	119	125	718	263	470	215	297	310	904
Total	211	192	232	832*3	1,531*3	1,786	964	932	959	2,978

*1 Covers sites where actual water usage is measurable, such as at buildings owned by the Sumitomo Forestry Group.

*2 Since fiscal 2016, water purchased from the water authorities is all included as service water based on standard disclosure.

*3 A portion of the industrial water for fiscal 2016 was calculated as public water in fiscal 2017 due to a revision in the data collection category.

▶ About symbol for Independent assurance

Efforts at Sumitomo Forestry Crest

Sumitomo Forestry Crest's Imari Plant manufactures synthetic resin adhesives and other products. It promotes water conservation by using industrial water to cool manufacturing equipment, then uses the water to dilute plant effluent. New water conservation measures were begun in fiscal 2018, including subjecting waste water (after processing for coagulating sedimentation) to further biological processing, so that water used for dilution in plant waste water quality management could be restricted. These measures are estimated to have resulted in conservation of approximately 350m³ of water per day. Also, the volume of industrial water used in fiscal 2018 was 147,730m³, down 27% from fiscal 2017.



Biological processing facility (aeration blower)



Biological processing facility (aeration tank)



Measuring the COD of effluent

Measures Used at the Sumitomo Forestry Crest's Imari Plant for Saving Water

1. Subjecting waste water (after processing for coagulating sedimentation) to further*1 biological processing makes it possible to restrict the water used for dilution in plant waste water quality management (approximately 350m³/day).
2. Maintain water-quality control by measuring COD*2 and treat wastewater using only the minimum amount of water necessary.
3. After water is used to cool manufacturing equipment, it is used to dilute plant waste water.
4. Improve the proportion of rainwater used, such as by upgrading the pumps used for collecting rainwater.

*1 Beneficial microorganisms are supplied with air (oxygen), whereupon they absorb and break down organic substances, lowering COD values.

*2 Chemical Oxygen Demand (COD): An indication of the amount of oxygen required to oxidize an organic compound in water; one of the most important indicators of water quality.

Participation in Relevant Incentives

The Sumitomo Forestry Group provides answers to the CDP Water questions and discloses more detailed information about efforts on risks related to water.


Environmental Related Data

Environmental Data of Group Companies in Japan

The Sumitomo Forestry Group reports information about its environmental impact of each company and each plant for domestic manufacturers and power plants that have a large influence on the environment.

Sumitomo Forestry Crest Co., Ltd.



Item (unit)	Kashima Plant	Shizuoka Plant	Niihama Plant	Imari Plant	Subtotal
Energy Input (GJ)	34,059	26,964	27,132	14,961	113,116
Raw Material Input (t)	8,675	33,872	5,301	8,128	55,976
Water Resource Use (m ³)					
Service Water	3,628	4,147	3,603	165	11,543
Main Water Source	Lakes - Lake Kitaura in Kasumigaura (Protected region: A portion is part of Suigo-Tsukuba Quasi-National Park)	Groundwater -- Oi River Basin		- Reservoirs	-
Industrial water	-	-	-	147,730	147,730
Main Water Source	-	-	Groundwater (water authority in Niihama City)	River -- Arita-gawa River basin (partly Mt. Kurokami mammal and avian species wildlife refuge)	-
Greenhouse gas emissions (t-CO ₂)					
Carbon dioxide (CO ₂)	1,304	1,194	1,824	857	5,179
Methane (CH ₄)*	10.2	4.9	4.2	-	19.3
Dinitrogen oxide (N ₂ O)*	2.4	0.5	0.4	-	3.3
Waste generations (t)	2,427	2,050	1,011	274	5,761
Water discharge (m ³)					
Sewerage	2,468	0	3,603	0	6,071
Ocean	0	0	0	129,722	129,722
Rivers	0	4,147	0	0	4,147
Lakes	0	0	0	0	0
Emissions to the air (kg)					
Sulfur oxide (SO _x)	-	-	563	1,308	1,871

Item (unit)	Kashima Plant	Shizuoka Plant	Niihama Plant	Imari Plant	Subtotal
Nitrogen oxide (NOx)	-	-	908 	-	908
Soot and dust	-	-	51	-	51

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

 [About symbol for Independent assurance](#)





The Agro-Products division of Sumitomo Forestry Landscaping (formerly Sumirin Agro-Products Co.)

Item (unit)	Tobishima Plant	Shinshiro Plant	Subtotal
Energy Input (GJ)	2,211	5,184	7,395
Raw Material Input (t)	13,796	5,462	19,258
Water Resource Use (m ³)			
Service Water	574	481	1,055
Main Water Source	River -- Kiso-gawa River Basin	River -- Toyokawa Prefectural Water System	-
Industrial water	-	-	-
Main Water Source	-	Well water	-
Greenhouse gas emissions (t-CO ₂)			
Carbon dioxide (CO ₂)	128	329	457
Methane (CH ₄) [*]	-	-	-
Dinitrogen oxide (N ₂ O) [*]	-	-	-
Waste generations (t)	41	18	60
Water discharge (m ³)			
Sewerage	0	0	0
Ocean	0	0	0
Rivers	573	481	1,054
Lakes	0	0	0
Emissions to the air (kg)			
Sulfur oxide (SOx)	-	48 	48
Nitrogen oxide (NOx)	-	728 	728
Soot and dust	-	0	-

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

 [About symbol for Independent assurance](#)

Power Plants

Item (unit)	Mombetsu Biomass Power Generation	Hachinohe Biomass Power Generation	Okhotsk Bio Energy Co. Ltd.	Japan Bio Energy Co., Ltd.	Michinoku Bio Energy Co., Ltd.	Subtotal
Energy Input (GJ)	5,361,506	1,620,991	17,693	10,495	6,973	7,017,657
Raw Material Input (t)	3,820	990	126,872	59,949	58,647	250,278
Water Resource Use (m ³)						
Service Water	1,043,205	8,741	180	6,485	192	1,058,803
Main Water Source	Shokotsu River System	Mount Haku Water System Service Reserve	Shokotsu River System	Lake Sagami, Sagami River System, and Miyagase Dam	Mount Haku Water System Service Reserve	-
Industrial water	-	322,256	-	-	-	322,256
Main Water Source	-	Mabechi River	-	-	-	-
Greenhouse gas emissions (t-CO ₂)						
Carbon dioxide (CO ₂)	87,573	171	1,159	221	475	89,599
Methane (CH ₄)*	5,991	2,562	-	-	-	8,553
Dinitrogen oxide (N ₂ O)*	86,011	26,044	-	-	-	112,054
Waste generations (t)	12,743	2,282	1	665	-	15,691
Water discharge (m ³)						
Sewerage	415,536	-	122	-	-	415,658
Ocean	-	89,305	-	-	-	89,305
Rivers	-	-	-	-	-	-
Lakes	-	-	-	-	-	-
Emissions to the air (kg)						
Sulfur oxide (SO _x)	152,906 	267 	-	-	-	153,173
Nitrogen oxide (NO _x)	269,575 	71,096 	-	-	-	340,671
Soot and dust	1,491	0	-	-	-	1,491

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

 [About symbol for Independent assurance](#)

Total for All Plants in Japan

Item (unit)	Total
Energy Input (GJ)	7,141,450
Raw Material Input (t)	325,512
Water Resource Use (m ³)	
Service Water	1,071,400.5
Main Water Source	As indicated above
Industrial water	469,986
Main Water Source	As indicated above
Greenhouse gas emissions (t-CO ₂)	
Carbon dioxide (CO ₂)	96,083
Methane (CH ₄)*	8,572
Dinitrogen oxide (N ₂ O)*	89,750
Waste generations (t)	21,746
Water discharge (m ³)	
Sewerage	429,246
Ocean	219,027
Rivers	5,201
Lakes	0
Emissions to the air (kg)	
Sulfur oxide (SO _x)	155,092
Nitrogen oxide (NO _x)	342,307
Soot and dust	1,542

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

Environmental Data of Group Companies Overseas

The Sumitomo Forestry Group reports information about its environmental impact for each plant for overseas manufacturers that have a large influence on the environment.

Overseas Manufacturers 1/2

Item (unit)	PT. Rimba Partikel Indonesia (RPI)	PT. AST Indonesia (ASTI)	PT. Kutai Timber Indonesia (KTI)
Energy Input (GJ)	528,761	86,243	1,374,285
Raw Material Input (t)	102,618	43,990	559,203
Water Resource Use (m ³)			
Service Water	-	604	-
Industrial water	-	34,495	275,099
Ground water	57,690	-	114,203
Greenhouse gas emissions (t-CO ₂)			
Carbon dioxide (CO ₂)	19,211	6,288	48,075
Methane (CH ₄)*	473	-	1,283
Dinitrogen oxide (N ₂ O)*	44	-	120
Waste generations (t)	24,030	3,760	69,891
Water discharge (m ³)			
Sewerage	0	2,529	0
Ocean	0	0	8,521
Rivers	54,837	0	0

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

Overseas Manufacturers 2/2

Item (unit)	Nelson Pine Industries Ltd. (NPIL)	Vina Eco Board Co., Ltd. (VECO)	Canyon Creek Cabinet Company (CCC)	Total
Energy Input (GJ)	1,864,281	398,485	66,801	4,318,857
Raw Material Input (t)	773,607	195,788	9,187	1,684,393
Water Resource Use (m ³)				
Service Water	368,540	101,998	3,998	475,140
Industrial water	-	-	-	309,594
Ground water	-	-	-	174,310
Greenhouse gas emissions (t-CO ₂)				
Carbon dioxide (CO ₂)	13,241	15,224	3,204	105,243
Methane (CH ₄)*	1,394	125	-	3,275
Dinitrogen oxide (N ₂ O)*	256	12	-	432

Item (unit)	Nelson Pine Industries Ltd. (NPIL)	Vina Eco Board Co., Ltd. (VECO)	Canyon Creek Cabinet Company (CCC)	Total
Waste generations (t)	117,674	24,928	-	240,283
Water discharge (m ³)				
Sewerage	323,140	29,580	3,998	359,247
Ocean	0	0	0	8,521
Rivers	0	0	0	54,837

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

Environmental Accounting Results for Fiscal 2018

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.

* The basis of calculation includes Sumitomo Forestry on a non-consolidated basis and certain Group companies

Environmental Preservation Costs

Cost Category		Main Activities	Total Cost (Million yen)
Costs within operational area	Global environmental protection costs ^{*1}	Sustainable forestry cultivation	695
		Environment-related business (Overseas consulting, REDD+ business, etc.)	123
		Carbon offset	25
	Resource recycling costs ^{*2}	Promotion of appropriate treatment, reduction, and recycling of industrial waste	6,384
		Waste wood chip distribution operations	266
		Recycling Used Activated Carbon, etc.	287
Upstream / Downstream costs ^{*3}		Green purchasing	25
Management activity costs ^{*4}	Operation and promotion of environmental management activities (ISO14001 certification, environmental education, LCA surveys, etc.)		187
	Monitoring of environmental impact		1
	Disclosure and administration of environmental information (CSR Report, environment-related advertising, environment-related exhibitions, etc.)		20
R&D costs ^{*5}		R&D activities related to environmental conservation	838
Social contribution costs ^{*6}	Management and operation of Mt. Fuji Manabi no Mori		21
	Management and operation of Forester House		8
	Other social contribution activities		3
	Donations to the Keidanren Nature Conservation Fund		2
Total			8,887

- *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 sustainability reports; expenditures relating to lectures on environmental education; and costs for LCA inspections and environmental impact oversight.
- *5 R&D costs: Expenditures for environment-related research conducted at the Tsukuba Research Institute
- *6 Social contribution costs: Expenditures related to operating the Mt. Fuji Manabi no Mori natural forest restoration project, and maintaining and operating Forester House; expenditures related to other social contribution activities; donations to the Keidanren Nature Conservation Fund; and provision of financial assistance to the Keidanren Nature Conservation Fund commissioned by the Keidanren Committee on Nature Conservation.

▶ [Link to the Keidanren Committee on Nature Conservation](#)

Environmental Benefits

Category	Effects	Benefits
Benefits from costs within operational area	Volume of recycled waste wood from distribution operations(converted into chip equivalents)	1,009,000m ³
	Volume sold of potting mix using recycled sediment from water purification	15kt
Benefits from Upstream/Downstream costs	Green procurement ratio	66.0%
Benefits from management activity costs	Employees designated as internal environmental auditors	217
Benefits from R&D costs	Success in cultivating Senhime clone cherry blossom seedlings of Choukouzan Shoutai-ji Temple weeping cherry blossoms Contributions to urban development and preservation of culture by protecting and cultivation of notable tree species invaluable to the traditions of each region	-
	Biodiversity-friendly Forest Garden Hadano First ABINC certification for detached housing estates	-
	A foundation reinforcement method jointly developed by Tobishima Corp., Sumitomo Forestry Co. and Misawa Homes Co., and recognized by the Building & Housing Center of Japan as for the first time	-
	Started operations of the Tomakomai Biomass Power Plant Supplied electricity equivalent to roughly 10,000 households via local unused wood materials	-
	Started operations of the Hachinohe Biomass Electric Power Co., Ltd. Supplied electricity equivalent to electricity to roughly 27,000 households via local unused wood materials	-
	Launched FRD roadway design support software Supported more efficient development of better roadways to contribute to the revitalization of the forest industry	-
Benefits of social contribution costs	Volunteers who participated in Mt. Fuji Manabi no Mori project	169

Category	Effects	Benefits
	Children participating in the Environmental Education Program at Mt. Fuji Manabi no Mori project	957
	Visitors to Forester House	2,141
	The Sumitomo Forestry Group CSR Report 2018 Presented the Excellence Award for Biodiversity Reporting at the 22nd Environmental Communication Awards	-

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 32,752 million of yen (as of March 31, 2019)

Incorporated February 20, 1948

Founded 1691

Number of Employees Non-consolidated: 4,824; Consolidated: 19,159 (as of March 31, 2019)

Business scope

- **Environment and Resources Business**
Management of domestic forests, biomass power generation business, plantation forest operations overseas, plantation forest tree sales, forest-related consulting in Japan and overseas, etc.
- **Timber & Building Materials Businesses**
Purchase, manufacture, secondary processing and sales, in Japan and overseas, of timber (logs, wood chips, processed timber, laminated 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 Housing and Real Estate Business**
Overseas leasing of detached houses, contract construction and sales of housing and real estate development.
- **Housing & Construction Business**
Contract mid-range and large-scale 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 Service Business**
Operation and leasing of private-pay elderly care facilities, insurance agency; information systems development, temporary staffing, etc.

Company-managed or owned forest area Approximately 48,000 ha in Japan, Approximately 230,000 ha in Overseas (As of March 31, 2019)

Key Financial Data

Consolidated Net Sales, Operating Income, Recurring Income and Net Income

	FY2014	FY2015	FY2016	FY2017	FY2018
Net Sales (Billions of yen)	997.3	1,040.5	1,113.4	1,222.0	1,308.9
Operating Income (Billions of yen)	34.0 (3.4%)	30.1 (2.9%)	54.0 (4.8%)	53.0 (4.3%)	49.2 (3.8%)
Recurring Income (Billions of yen)	36.4 (3.7%)	30.5 (2.9%)	57.8 (5.2%)	57.9 (4.7%)	51.4 (3.9%)
Net Income (Billions of yen)	18.6 (1.9%)	9.7 (0.9%)	34.5 (3.1%)	30.1 (2.5%)	29.2 (2.2%)

* Percentages indicate the ratio to net sales

Consolidated Net Sales, Net Sales Ratios by Segment (FY2018)

	Timber & Building Materials Businesses	Housing & Construction Business	Overseas Housing and Real Estate Business	Other Businesses
Net Sales (Billions of yen)	487.1	452.8	364.9	40.4
Ratio of Net Sales (%)	36.2	33.7	27.1	3.0

*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 (1,308.9 billion yen).

► Performance Highlights

Editorial Policy

Editorial Policy

The Sumitomo Forestry Group regards the Sustainability Report as an important tool for communicating with our stakeholders.

As in previous reports, the fiscal 2018 report continues with coverage of Sustainability Activity Highlights, Sustainability Management, Governance, a Social Report and Environmental Report, in addition to Contributing Our Business, a new section that introduces in more detail the ways in which we are applying sustainability management through our business activities.

In addition to the website, we also publish a pamphlet with content centering on Sustainability activity highlights, arranged to be used in line with the interests of all our readers.

We appreciate your feedback on our wide range of sustainable activities.

► [Sustainability Report Questionnaire Page](#)

Boundary of the Report:

The scope of this report is Sumitomo Forestry, its consolidated 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 consolidated companies in Japan and overseas as well as some affiliated companies accounted for by the equity-method

► [List of Sumitomo Forestry Group Companies](#)

Published:

December 2019

Reporting Period:

Japan: April 2018 to March 2019

Overseas: January 2018 to December 2018

* Some activities started before the period and after April 2019 as well as future expectations are also included

Reference Guidelines:

Environmental Reporting Guidelines (2012 Edition), Japanese Ministry of the Environment

ISO 26000:2010 procedures related to social responsibility (Japanese Standards Association)

GRI Standards (2016), Global Reporting Initiative (GRI)

Reliability of Report Content

The environmental and social performance indicators have obtained third-party assurance by KPMG AZSA Sustainability Co., Ltd., and bear the third-party guarantee mark.

The respective departments of the Sumitomo Forestry Group have endeavored to ensure accuracy by using appropriate measurements and data collection methods for the initiatives and results reported in the Sustainability Report. These methods are also disclosed when relevant.

External Recognition

Socially Responsible Investment (SRI) Indices / ESG Indices

Interest in Social Responsible Investment (SRI) that considers environment and social contribution on top of financial aspects are on the rise in recent years when making investments. Sumitomo Forestry Group has been included in the following Socially Responsible Investment (SRI) and ESG Indices as of July 2019.

DJSI (Dow Jones Sustainability Indices)

The most trusted index for companies' environmental and sustainability index developed by Dow Jones & Company in 1999. The index surveys 2,500 companies included in the Dow Jones Global Index around the world on their economic, environmental, and societal aspects. Sumitomo Forestry was selected as component of Industry Leaders and DJSI Asia Pacific in September 2018.



FTSE4Good Global Index

Evaluation of companies that fulfill international standards in environment, social, and governance aspects by FTSE Russell, a group company of London Stock Exchange. Sumitomo Forestry has been consecutively included in the FTSE4Good Global Index every year since 2004.



FTSE4Good

Used as a Constituent Company in all Four ESG Indices Selected by GPIF

FTSE Blossom Japan Index

An ESG index for Japanese stocks by FTSE Russell, Ltd. and selected by the Government Pension Investment Fund, Japan (GPIF) as one of its three ESG indices in July 2017.



FTSE Blossom
Japan

MSCI Japan ESG Select Leaders Index

Index for Japanese stocks selected by the Government Pension Investment Fund, Japan (GPIF) as one of its three ESG indices in July 2017. With Free float-adjusted market capitalization weighted index based on the MSCI Japan IMI Top 500 Index of MSCI, Inc. as a parent index, it represents relative sector weights of companies that excel in ESG.



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.

S&P/JPX Carbon Efficient Index

Discloses the S&P/JPX Carbon Efficient Index, jointly developed as an environmental index by the Japan Exchange Group, the Tokyo Stock Exchange, and the S&P Dow Jones Index.

The Government Pension Investment Fund, Japan (GPIF) selected the S&P/JPX Carbon Efficient Index as a benchmark for ESG investment strategy from fiscal 2018.








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.



Awards and Recognition by Third Parties in Fiscal 2018

Date	Award/Organiser	Recognition	Scope of Recognition
August 2018	Kids Design Association	Two DUE CLASSO homes for families with two working parents won prizes in the 12th Kids Design Awards.  ▶ News Release (In Japanese)	Sumitomo Forestry
August 2018	Urban Renaissance Agency	Honored as a top builder by the Urban Renaissance Agency in Kamaishi City for using local timber in public housing for disaster recovery ▶ News Release (In Japanese)	Sumitomo Forestry

Date	Award/Organiser	Recognition	Scope of Recognition
September 2018	Environmental Management Association for Industry (JEMAI)	Environmentally-friendly KIKORIN-PLYWOOD receives EcoPro Award  ▶ News Release (In Japanese)	Sumitomo Forestry
October 2018	Japan Institute of Design Promotion	Five projects receive fiscal 2018 Good Design Awards for offering technology and space design that realizes the appeal, peace of mind and safety of wood  ▶ News Release (In Japanese)	Sumitomo Forestry
October 2018	Wood Design Award Operational Secretariat	Awarded the Japan Wood Design Award 2018 in appreciation of products and systems that present the value and rediscovery of wood's good qualities  ▶ News Release (In Japanese)	Sumitomo Forestry
November 2018	Japan Vocational Ability Development Association (JAVADA)	Awarded the Gold, Silver, Bronze and Fighting Spirit Awards in the Carpentry Category at the 56th National Skills Competition ▶ News Release (In Japanese)	Sumitomo Forestry School of Professional Building Techniques
January 2019	CDP Climate Change 2018	On the Climate Change A-List for 3 consecutive years, top CDP2018 evaluation  ▶ News Release (In Japanese)	Sumitomo Forestry

Date	Award/Organiser	Recognition	Scope of Recognition
February 2019	Global Environmental Forum	<p>The Sumitomo Forestry Group CSR Report 2018 Presented the Excellence Award at the 22nd Environmental Communication Awards</p>  <p>▶ News Release (In Japanese)</p>	Sumitomo Forestry
February 2019	RobecoSAM Sustainability Award 2019 RobecoSAM	<p>Recognition by RobecoSAM as a company exceling in sustainability. Selected for Gold Class in the housing construction field. Simultaneously recognized as an "Industry Mover."</p>  <p>▶ News Release (In Japanese)</p>	Sumitomo Forestry
February 2019	2019 Certified Health and Productivity Management Organization, Ministry of Economy, Trade and Industry Nippon Kenko Kaigi	<p>Selected as a 2019 Certified Health and Productivity Management Organization (White 500) for the third consecutive year</p>  <p>▶ News Release (In Japanese)</p>	Sumitomo Forestry
March 2019	Climate Bond Initiative	<p>The first Japanese company to receive a Green Bond Pioneer Award</p>  <p>▶ News Release (In Japanese)</p>	Sumitomo Forestry
March 2019	Ministry of Economy, Trade and Industry	<p>Selected for the first time by the Ministry of Economy, Trade and Industry as a company with a positive work environment, among the Ministry's "Select 100 New Diversity Management Companies"</p>  <p>▶ News Release (In Japanese)</p>	Sumitomo Forestry

GRI Standard Content Index

This report refers to the GRI Standards.

▶ [GRI Standard Content Index](#)

Independent Assurance Report

▶ [Independent Assurance Report](#) 

GRI Content Index (GRI Standards)

GRI Content Index (GRI Standards)

Sumitomo Forestry's Sustainability Report refers to GRI Standards.

Below Content Index includes related information available on Sustainability Report.

Disclosures		ISO26000 Disclosure	Location
Organizational profile			
102-1	a. Name of the organization		▶ Corporate Profile
102-2	a. A description of the organization's activities b. Primary brands, products, and services, including an explanation of any products or services that are banned in certain markets		▶ Corporate Profile ▶ Our Business ▶ List of Services
102-3	a. Location of the organization's headquarters		▶ Corporate Profile
102-4	a. Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report		▶ Sumitomo Forestry Group
102-5	a. Nature of ownership and legal form		▶ Corporate Profile
102-6	a. Markets served		▶ Corporate Profile ▶ Sumitomo Forestry Group
102-7	a. Scale of the organization		▶ Corporate Profile ▶ Performance Highlights
102-8	a. Total number of employees by employment contract (permanent and temporary), by gender b. Total number of employees by employment contract (permanent and temporary), by region c. Total number of employees by employment type (full-time and part-time), by gender d. Whether a significant portion of the organization's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees. e. Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c (such as seasonal variations in the tourism or agricultural industries) f. An explanation of how the data have been compiled, including any assumptions made	6.4 6.4.3	▶ Social Data
102-9	a. A description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products, and services		▶ Overall Business and Scope of Impact
102-10	a. Significant changes to the organization's size, structure, ownership, or supply chain		▶ Corporate Profile ▶ Performance Highlights

Disclosures		ISO26000 Disclosure	Location
102-11	a. Whether and how the organization applies the Precautionary Principle or approach	6.2	<ul style="list-style-type: none"> ▶ Risk Management ▶ Procurement Initiatives (Housing and Construction Business) ▶ Procurement Initiatives (Distribution Business) ▶ Procurement Initiatives (Manufacturing Facilities) ▶ Procurement Initiatives (Environmental Energy Business) ▶ Occupational Health and Safety on Construction Sites ▶ Human Rights Initiatives ▶ Occupational Health and Safety Management ▶ Environmental Risk Management ▶ Management of Hazardous Chemical Substances and Appropriate Disposal
102-12	a. List of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses	6.2	<ul style="list-style-type: none"> ▶ Corporate Philosophy and Sustainability Management ▶ Mid-Term Sustainability Targets of Our 2021 Mid-Term Management Plan and Material Issues ▶ Promotion of Social Contribution Activities
102-13	a. A list of the main memberships of industry or other associations, and national or international advocacy organizations	6.2	<ul style="list-style-type: none"> ▶ Promotion of Social Contribution Activities
Strategy			
102-14	a. A statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability	6.2	<ul style="list-style-type: none"> ▶ Top Commitment
102-15	a. A description of key impacts, risks, and opportunities	6.2	<ul style="list-style-type: none"> ▶ Top Commitment ▶ Risk Management ▶ Environmental Risk Management ▶ Responding to TCFD ▶ IR Library
Ethics and Integrity			
102-16	a. A description of the organization's values, principles, standards, and norms of behavior	4.4	<ul style="list-style-type: none"> ▶ Corporate Philosophy and Sustainability Management
102-17	a. A description of internal and external mechanisms for: <ol style="list-style-type: none"> i. Seeking advice about ethical and lawful behavior, and organizational integrity ii. Reporting concerns about unethical or unlawful behavior, and organizational integrity 		<ul style="list-style-type: none"> ▶ Intellectual Property Management ▶ Compliance

Disclosures		ISO26000 Disclosure	Location
Governance			
102-18	a. Governance structure of the organization, including committees of the highest governance body b. Committees responsible for decision-making on economic, environmental, and social topics		<ul style="list-style-type: none"> ▶ Corporate Governance ▶ Risk Management ▶ Environmental Management Structure
102-19	a. Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees		<ul style="list-style-type: none"> ▶ Corporate Governance ▶ Risk Management ▶ Environmental Management Structure ▶ Communication with Employees
102-20	a. Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental, and social topic b. Whether post holders report directly to the highest governance body		<ul style="list-style-type: none"> ▶ Corporate Governance ▶ Risk Management ▶ Environmental Management Structure
102-21	a. Processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics b. If consultation is delegated, describe to whom it is delegated and how the resulting feedback is provided to the highest governance body		<ul style="list-style-type: none"> ▶ Corporate Governance ▶ Return to Shareholders and IR Activities ▶ Communication with Employees
102-22	a. Composition of the highest governance body and its committees		<ul style="list-style-type: none"> ▶ Corporate Governance
102-23	a. Whether the chair of the highest governance body is also an executive officer in the organization b. If the chair is also an executive officer, describe his or her function within the organization's management and the reasons for this arrangement		<ul style="list-style-type: none"> ▶ Corporate Governance
102-24	a. Nomination and selection processes for the highest governance body and its committees b. Criteria used for nominating and selecting highest governance body members		<ul style="list-style-type: none"> ▶ Corporate Governance
102-25	a. Processes for the highest governance body to ensure conflicts of interest are avoided and managed b. Whether conflicts of interest are disclosed to stakeholders		<ul style="list-style-type: none"> ▶ Corporate Governance ▶ Compliance
102-26	a. The highest governance body's and senior executives' roles in the development, approval, and updating of the organizations' purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social topics		<ul style="list-style-type: none"> ▶ Corporate Governance ▶ Environmental Management Structure
102-27	a. Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics		

Disclosures		ISO26000 Disclosure	Location
102-28	<ul style="list-style-type: none"> a. Processes for evaluating the highest governance body's performance with respect to governance of economic, environmental, and social topics b. Whether such evaluation is independent or not, and its frequency c. Whether such evaluation is a self-assessment d. 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 		<ul style="list-style-type: none"> ▶ Corporate Governance
102-29	<ul style="list-style-type: none"> a. Highest governance body's role in identifying and managing economic, environmental, and social topics and their impacts, risks, and opportunities—including its role in the implementation of due diligence processes b. Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental, and social topics, and their impacts, risks, and opportunities 	6.2	<ul style="list-style-type: none"> ▶ Corporate Governance ▶ Risk Management
102-30	<ul style="list-style-type: none"> a. Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics 		<ul style="list-style-type: none"> ▶ Corporate Governance ▶ Risk Management
102-31	<ul style="list-style-type: none"> a. Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities 	6.2	<ul style="list-style-type: none"> ▶ Corporate Governance ▶ Risk Management
102-32	<ul style="list-style-type: none"> a. The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material topics are covered 		<ul style="list-style-type: none"> ▶ Corporate Governance
102-33	<ul style="list-style-type: none"> a. Process for communicating critical concerns to the highest governance body 	6.2	<ul style="list-style-type: none"> ▶ Corporate Governance ▶ Risk Management ▶ Compliance ▶ Return to Shareholders and IR Activities
102-34	<ul style="list-style-type: none"> a. Total number and nature of critical concerns that were communicated to the highest governance body b. Mechanism(s) used to address and resolve critical concerns 		<ul style="list-style-type: none"> ▶ Compliance
102-35	<ul style="list-style-type: none"> a. Remuneration policies for the highest governance body and senior executives b. How performance criteria in the remuneration policy relate to the highest governance body's and senior executives' objectives for economic, environmental, and social topics 	6.2	<ul style="list-style-type: none"> ▶ Corporate Governance
102-36	<ul style="list-style-type: none"> a. Process for determining remuneration b. Whether remuneration consultants are involved in determining remuneration and whether they are independent of management c. Any other relationships which the remuneration consultants have with the organization 		

Disclosures		ISO26000 Disclosure	Location
102-37	a. How stakeholders' views are sought and taken into account regarding remuneration b. If applicable, the results of votes on remuneration policies and proposals	6.2	<ul style="list-style-type: none"> ▶ Corporate Governance ▶ Return to Shareholders and IR Activities
102-38	a. Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country		
102-39	a. Ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country		
Stakeholder Engagement			
102-40	a. A list of stakeholder groups engaged by the organization	6.2	▶ Stakeholder Engagement
102-41	a. Percentage of total employees covered by collective bargaining agreements		▶ Social Data
102-42	a. The basis for identifying and selecting stakeholders with whom to engage	6.2	
102-43	a. The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	6.2 6.7 6.7.4 6.7.5 6.7.6 6.7.8 6.7.9	▶ Stakeholder Engagement
102-44	a. Key topics and concerns that have been raised through stakeholder engagement	6.2	▶ Stakeholder Engagement
Reporting practice			
102-45	a. A list of all entities included in the organization's consolidated financial statements or equivalent documents b. Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report	6.2	▶ IR Library
102-46	a. An explanation of the process for defining the report content and the topic Boundaries b. An explanation of how the organization has implemented the Reporting Principles for defining report content		▶ Mid-Term Sustainability Targets of Our 2021 Mid-Term Management Plan and Material Issues
102-47	a. A list of the material topics identified in the process for defining report content		▶ Mid-Term Sustainability Targets of Our 2021 Mid-Term Management Plan and Material Issues
102-48	a. The effect of any restatements of information given in previous reports, and the reasons for such restatements		

Disclosures		ISO26000 Disclosure	Location
102-49	a. Significant changes from previous reporting periods in the list of material topics and topic Boundaries		<ul style="list-style-type: none"> ▶ Editorial Policy ▶ Mid-Term Sustainability Targets of Our 2021 Mid-Term Management Plan and Material Issues
102-50	a. Reporting period for the information provided		▶ Editorial Policy
102-51	a. If applicable, the date of the most recent previous report		▶ Editorial Policy
102-52	a. Reporting cycle		▶ Editorial Policy
102-53	a. The contact point for questions regarding the report or its contents		▶ Inquiries
102-54	a. The claim made by the organization, if it has prepared a report in accordance with the GRI Standards		▶ Editorial Policy
102-55	a. The GRI content index		GRI Content Index
102-56	a. A description of the organization’s policy and current practice with regard to seeking external assurance for the report b. If the report has been externally assured:	7.5.3	▶ Independent Assurance Report
Management Approach			
103-1	a. An explanation of why the topic is material b. The Boundary for the material topic c. Any specific limitation regarding the topic Boundary		<ul style="list-style-type: none"> ▶ Mid-Term Sustainability Targets of Our 2021 Mid-Term Management Plan and Material Issues ▶ Material Issue 1 ▶ Material Issue 2 ▶ Material Issue 3 ▶ Material Issue 4 ▶ Material Issue 5 ▶ Former Mid-Term CSR Management Plan and Results
103-2	a. An explanation of how the organization manages the topic b. A statement of the purpose of the management approach c. A description of the following, if the management approach includes that component: <ol style="list-style-type: none"> i. Policies ii. Commitments iii. Goals and targets iv. Responsibilities v. Resources vi. Grievance mechanisms vii. Specific actions, such as processes, projects, programs and initiatives 		<ul style="list-style-type: none"> ▶ Top Commitment ▶ Sustainability-related Policies ▶ Mid-Term Sustainability Targets of Our 2021 Mid-Term Management Plan and Material Issues ▶ Material Issue 1 ▶ Material Issue 2 ▶ Material Issue 3 ▶ Material Issue 4 ▶ Material Issue 5 ▶ Former Mid-Term CSR Management Plan and Results

Disclosures		ISO26000 Disclosure	Location
103-3	a. An explanation of how the organization evaluates the management approach		<ul style="list-style-type: none"> ▶ Mid-Term Sustainability Targets of Our 2021 Mid-Term Management Plan and Material Issues ▶ Material Issue 1 ▶ Material Issue 2 ▶ Material Issue 3 ▶ Material Issue 4 ▶ Material Issue 5 ▶ Former Mid-Term CSR Management Plan and Results

Disclosures		ISO26000 Disclosure	Location
Economic Performance			
201-1	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"> ▶ Return to Shareholders and IR Activities ▶ Corporate Profile ▶ Financial Statements
201-2	Financial implications and other risks and opportunities due to climate change	6.5.5	<ul style="list-style-type: none"> ▶ Environmental Risk Management ▶ Responding to TCFD ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
201-3	Defined benefit plan obligations and other retirement plans	6.8.7	<ul style="list-style-type: none"> ▶ IR Library
201-4	Financial assistance received from government		
Market Presence			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	6.3.7 6.3.10 6.4.3 6.4.4 6.8.1 6.8.2	
202-2	Proportion of senior management hired from the local community	6.4.3 6.8.1 6.8.2 6.8.5 6.8.7	<ul style="list-style-type: none"> ▶ Social Data
Indirect Economic Impacts			
203-1	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"> ▶ Sustainable Forest Management ▶ Promotion of Social Contribution Activities ▶ Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas

Disclosures		ISO26000 Disclosure	Location
203-2	Significant indirect economic impacts	6.3.9 6.6.6 6.6.7 6.7.8 6.8.1 6.8.2 6.8.5 6.8.6 6.8.7 6.8.9	<ul style="list-style-type: none"> ▶ Risk Management ▶ Environmental Risk Management ▶ Responding to TCFD
Procurement Practices			
204-1	Proportion of spending on local suppliers	6.4.3 6.6.6 6.8.1 6.8.2 6.8.7	
Anti-corruption			
205-1	Operations assessed for risks related to corruption	6.6.1 6.6.2 6.6.3	▶ Compliance
205-2	Communication and training about anti-corruption policies and procedures	6.6.1 6.6.2 6.6.3 6.6.6	▶ Compliance
205-3	Confirmed incidents of corruption and actions taken	6.6.1 6.6.2 6.6.3	▶ Compliance
Anti-competitive Behavior			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	6.6.1 6.6.2 6.6.5 6.6.7	▶ Compliance
Materials			
301-1	Materials used by weight or volume	6.5.1 6.5.2 6.5.4	▶ Environmental Impact of Business Activities
301-2	Recycled input materials used	6.5.1 6.5.2 6.5.4	▶ Promotion of Waste Reduction and Recycling
301-3	Reclaimed products and their packaging materials	6.5.1 6.5.2 6.5.4	▶ Promotion of Waste Reduction and Recycling
Energy			
302-1	Energy consumption within the organization	6.5.1 6.5.2 6.5.4	<ul style="list-style-type: none"> ▶ Environmental Impact of Business Activities ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities

Disclosures		ISO26000 Disclosure	Location
302-2	Energy consumption outside of the organization	6.5.1 6.5.2 6.5.4	<ul style="list-style-type: none"> ▶ Environmental Impact of Business Activities ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
302-3	Energy intensity	6.5.1 6.5.2 6.5.4	<ul style="list-style-type: none"> ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
302-4	Reduction of energy consumption	6.5.1 6.5.2 6.5.4 6.5.5	<ul style="list-style-type: none"> ▶ Home Building That Contributes to a Sustainable Society ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
302-5	Reductions in energy requirements of products and services	6.5.1 6.5.2 6.5.4 6.5.5	<ul style="list-style-type: none"> ▶ Home Building That Contributes to a Sustainable Society
Water			
303-1	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 Related Data
303-2	Water sources significantly affected by withdrawal of water	6.5.1 6.5.2 6.5.4	<ul style="list-style-type: none"> ▶ Environmental Related Data
303-3	Water recycled and reused	6.5.1 6.5.2 6.5.4	
Biodiversity			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	6.5.1 6.5.2 6.5.6	<ul style="list-style-type: none"> ▶ Policies and Targets for Biodiversity Conservation ▶ Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas
304-2	Significant impacts of activities, products, and services on biodiversity	6.5.1 6.5.2 6.5.6	<ul style="list-style-type: none"> ▶ Contributions to Eco Cities Through Greening ▶ Environmental Risk Management ▶ Policies and Targets for Biodiversity Conservation ▶ Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas
304-3	Habitats protected or restored	6.5.1 6.5.2 6.5.6	<ul style="list-style-type: none"> ▶ Contributions to Eco Cities Through Greening ▶ Examples of Social Contribution Activities in Japan ▶ Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas

Disclosures		ISO26000 Disclosure	Location
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	6.5.1 6.5.2 6.5.6	▶ Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas
Emissions			
305-1	Direct (Scope 1) GHG emissions	6.5.1 6.5.2 6.5.5	▶ Environmental Impact of Business Activities ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
305-2	Energy indirect (Scope 2) GHG emissions	6.5.1 6.5.2 6.5.5	▶ Environmental Impact of Business Activities ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
305-3	Other indirect (Scope 3) GHG emissions	6.5.1 6.5.2 6.5.5	▶ Environmental Impact of Business Activities ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
305-4	GHG emissions intensity	6.5.1 6.5.2 6.5.5	▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
305-5	Reduction of GHG emissions	6.5.1 6.5.2 6.5.5	▶ Home Building That Contributes to a Sustainable Society ▶ Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
305-6	Emissions of ozone-depleting substances (ODS)	6.5.1 6.5.2 6.5.3 6.5.5	▶ Environmental Risk Management
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	6.5.1 6.5.2 6.5.3	▶ Management of Hazardous Chemical Substances and Appropriate Disposal ▶ Environmental Related Data
Effluents and Waste			
306-1	Water discharge by quality and destination	6.5.1 6.5.2 6.5.3	▶ Environmental Impact of Business Activities ▶ Environmental Related Data
306-2	Waste by type and disposal method	6.5 6.5.3	▶ Environmental Impact of Business Activities ▶ Promotion of Waste Reduction and Recycling
306-3	Significant spills	6.5.1 6.5.2 6.5.3	▶ Environmental Risk Management
306-4	Transport of hazardous waste	6.5.1 6.5.2 6.5.3	

Disclosures		ISO26000 Disclosure	Location
306-5	Water bodies affected by water discharges and/or runoff	6.5.1 6.5.2 6.5.3 6.5.4 6.5.6	
Environmental Compliance			
307-1	Non-compliance with environmental laws and regulations	6.5.1 6.5.2 4.6	▶ Environmental Risk Management
Supplier Environmental Assessment			
308-1	New suppliers that were screened using environmental criteria	6.3.5 6.5.1 6.5.2 6.6.6 7.3.1	
308-2	Negative environmental impacts in the supply chain and actions taken	6.3.5 6.5.1 6.5.2 6.6.6 7.3.1	▶ Procurement Initiatives (Housing and Construction Business) ▶ Procurement Initiatives (Distribution Business) ▶ Procurement Initiatives (Manufacturing Facilities)
Employment			
401-1	New employee hires and employee turnover	6.4.1 6.4.2 6.4.3	▶ Social Data
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.4.1 6.4.2 6.4.4 6.8.7	
401-3	Parental leave	6.4.1 6.4.2 6.4.4	▶ Social Data
Labor/Management Relations			
402-1	Minimum notice periods regarding operational changes	6.4.1 6.4.2 6.4.3 6.4.5	
Occupational Health and Safety			
403-1	Workers representation in formal joint management-worker health and safety committees	6.4.1 6.4.2 6.4.6	▶ Occupational Health and Safety Management ▶ Communication with Employees ▶ Social Data
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	6.4.1 6.4.2 6.4.6 6.8.8	▶ Occupational Health and Safety Management ▶ Social Data

Disclosures		ISO26000 Disclosure	Location
403-3	Workers with high incidence or high risk of diseases related to their occupation	6.4.1 6.4.2 6.4.6 6.8 6.8.3 6.8.4 6.8.8	▶ Occupational Health and Safety Management
403-4	Health and safety topics covered in formal agreements with trade unions	6.4.1 6.4.2 6.4.6	▶ Communication with Employees
Training and Education			
404-1	Average hours of training per year per employee	6.4.1 6.4.2 6.4.7	▶ Human Resources Development ▶ Social Data
404-2	Programs for upgrading employee skills and transition assistance programs	6.4.1 6.4.2 6.4.7 6.8.5	▶ Human Resources Development
404-3	Percentage of employees receiving regular performance and career development reviews	6.4.1 6.4.2 6.4.7	▶ Human Resources Development
Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	6.2.3 6.3.7 6.3.10 6.4.1	▶ Corporate Governance ▶ Social Data
405-2	Ratio of basic salary and remuneration of women to men	6.3.7 6.3.10 6.4.1 6.4.2 6.4.3 6.4.4	
Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	4.8 6.3.1 6.3.2 6.3.6 6.3.7 6.3.10 6.4.3	
Freedom of Association and Collective Bargaining			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.3.8 6.3.10 6.4.5 6.6.6	

Disclosures		ISO26000 Disclosure	Location
Child Labor			
408-1	Operations and suppliers at significant risk for incidents of child labor	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.3.7 6.3.10 6.6.6 6.8.4	<ul style="list-style-type: none"> ▶ Procurement Initiatives (Housing and Construction Business) ▶ Procurement Initiatives (Distribution Business) ▶ Procurement Initiatives (Manufacturing Facilities) ▶ Human Rights Initiatives
Forced or Compulsory Labor			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.3.10 6.6.6	<ul style="list-style-type: none"> ▶ Procurement Initiatives (Housing and Construction Business) ▶ Procurement Initiatives (Distribution Business) ▶ Procurement Initiatives (Manufacturing Facilities) ▶ Human Rights Initiatives
Security Practices			
410-1	Security personnel trained in human rights policies or procedures	4.8 6.3.1 6.3.2 6.3.4 6.3.5 6.6.6	
Rights of Indigenous Peoples			
411-1	Incidents of violations involving rights of indigenous peoples	4.8 6.3.1 6.3.2 6.3.4 6.3.6 6.3.7 6.3.8 6.6.7 6.8.3	
Human Rights Assessment			
412-1	Operations that have been subject to human rights reviews or impact assessments	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5	▶ Human Rights Initiatives
412-2	Employee training on human rights policies or procedures	4.8 6.3.1 6.3.2 6.3.5	▶ Human Rights Initiatives


Disclosures		ISO26000 Disclosure	Location
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	4.8 6.3.1 6.3.2 6.3.3 6.3.5 6.6.6	
Local Communities			
413-1	Operations with local community engagement, impact assessments, and development programs	6.3.9 6.5.1 6.5.2 6.5.3 6.8	<ul style="list-style-type: none"> ▶ Protecting and Utilizing Domestic Forest Resources ▶ Consulting Business ▶ Promotion of Social Contribution Activities ▶ Examples of Social Contribution Activities in Japan ▶ Examples of Overseas Community Development and Regional Contribution Activities ▶ Human Rights Initiatives
413-2	Operations with significant actual and potential negative impacts on local communities	6.3.9 6.5.3 6.8	
Supplier Social Assessment			
414-1	New suppliers that were screened using social criteria	6.3.5 6.6.1 6.6.2 6.6.6 6.8.1 6.8.2 7.3.1	
414-2	Negative social impacts in the supply chain and actions taken	6.3.5 6.6.1 6.6.2 6.6.6 6.8.1 6.8.2 7.3.1	<ul style="list-style-type: none"> ▶ Procurement Initiatives (Housing and Construction Business) ▶ Procurement Initiatives (Distribution Business) ▶ Procurement Initiatives (Manufacturing Facilities) ▶ Human Rights Initiatives
Public Policy			
415-1	Political contributions	6.6.1 6.6.2 6.6.4	
Customer Health and Safety			
416-1	Assessment of the health and safety impacts of product and service categories	6.7.1 6.7.2 6.7.4 6.7.5 6.8.8	<ul style="list-style-type: none"> ▶ Product Safety and Quality Control (Housing and Construction Business) ▶ Product Safety and Quality Control (Manufacturing Facilities)

Disclosures		ISO26000 Disclosure	Location
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	4.6 6.7.1 6.7.2 6.7.4 6.7.5 6.8.8	
Marketing and Labeling			
417-1	Requirements for product and service information and labeling	6.7.1 6.7.2 6.7.3 6.7.4 6.7.5 6.7.9	► Communication with Our Customers
417-2	Incidents of non-compliance concerning product and service information and labeling	4.6 6.7.1 6.7.2 6.7.3 6.7.4 6.7.5 6.7.9	
417-3	Incidents of non-compliance concerning marketing communications	4.6 6.7.1 6.7.2 6.7.3	► Responsible Advertising/Promotional Efforts
Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	6.7.1 6.7.2 6.7.7	► Communication with Our Customers
Socioeconomic Compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	4.6 6.7.1 6.7.2 6.7.6	



Independent Assurance Report

To the President and Representative Director of Sumitomo Forestry Co., Ltd.

We were engaged by Sumitomo Forestry Co., Ltd. (the “Company”) to undertake a limited assurance engagement of the environmental and social performance indicators marked with  (the “Indicators”) for the period from April 1, 2018 to March 31, 2019 included in its Sustainability Report 2019 (PDF version) (the “Report”) for the fiscal year ended March 31, 2019.

The Company’s Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’ and the ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’ issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company’s responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and recalculating the Indicators.
- Visiting PT. Kutai Timber Indonesia selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company’s reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

December 13, 2019