

For Sustainable Development Goals



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【Boundary of the Report and Publication Date】

Change in the Accounting Period:

The Sumitomo Forestry Group changed its accounting period (the end of the fiscal business year) in fiscal 2020 from March 31 to December 31. Unless otherwise noted, the data collected for Japan is for nine months from April to December 2020 due to this change in the accounting period.

Boundary of the Reporting:

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

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

- ▶ [List of Sumitomo Forestry Group Companies](#)
- ▶ [Boundaries and Method of Environmental Data Aggregation \(Balance of Input and Output\)](#)

Published: August 2021

Reporting Period: Japan: April 2020 to December 2020 Overseas: January 2020 to December 2020

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

A note is also included if the period of data collection differs from the above.

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TOP COMMITMENT



Toshiro Mitsuyoshi

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

Working today to create a decarbonized society tomorrow

Resolving societal issues in a time of uncertainty

The year 2020 began with the coronavirus disease (COVID-19) that shook the world, and unfortunately, ended with no signs of its containment. The emergence of variant strains has fueled the spread of infection. With the absence of definitive treatment drugs, we are having to rely on vaccinations, but their rollout has been uneven among countries and regions. Although the global economy developed and expanded, the pandemic heightened social disparities, a rise in nationalistic sentiments and other serious concerns. All around the world, forest fires intensified, and flood and other natural disasters raged unabated. In Japan, torrential rains in July 2020 caused extensive damage in the Kyushu region, primarily Kumamoto Prefecture. We are entering an era where uncertainty is the new normal not only in terms of the COVID-19, but also in terms of natural disasters, the political economy and the social environment.

Although this message began with a list of worries and concerns, please allow me shift gears to a more positive tone. Companies have a strong responsibility to society and have many opportunities to help resolve social issues through their businesses. Sumitomo Forestry Group manages approximately 280,000 hectares of sustainable forests in Japan, Indonesia, New Zealand and Papua New Guinea and conducts businesses that utilize wood as a renewable natural resource. Through the manufacture and distribution of wooden building materials both in Japan and

overseas, we supply more than 20,000 wooden houses yearly in Japan, the United States and Australia. We also conduct wood biomass power generation operations and manage nursing homes in Japan. Because we are a company that provides a variety of lifestyle services, we believe we can offer the shared benefit that is composed of environmental and social value, which will help resolve some of the many societal issues we face.

Reevaluating materiality for our next Medium-Term Management Plan

We are currently reviewing our Mid-Term Sustainability Targets as part of the Sumitomo Forestry Group 2021 Medium -Term Management Plan, which was implemented in fiscal 2019. At the same time, we are also reevaluating the Group's material issues in preparation for our next Medium -Term Management Plan. Since formulating our material issues in March 2015, much has changed in our environment, such as the emergence of the Paris Agreement and the adoption of sustainable development goals (SDGs). In Japan, environmental, social and governance (ESG) investments have increased rapidly with the Government Pension Investment Fund (GPIF) becoming a signatory of the Principles for Responsible Investment (PRI) of the United Nations. We are working to determine what areas we can contribute by analyzing geopolitical changes, technological innovations, and the shift in preferences of employees, customers and other stakeholders, as well as by utilizing our strengths as a Group, which has grown substantially

with mergers, acquisitions and capital alliances. Through surveys of stakeholders both within and outside the company, consultations with individuals and repeated discussions among directors, we plan to finalize our material issues, which will set our management direction within the framework of planetary boundaries.

Addressing the challenges of creating a decarbonized society

In addition to the Suga Administration's carbon-neutral declaration in October 2020, 121 countries and regions around the world have aligned with the Paris Agreement's goal to create a decarbonized society by 2050. Our Group has already begun work on climate change initiatives in our Mid-Term Sustainability Targets, such as by endorsing the Task Force on Climate-Related Financial Disclosures (TCFD), setting science-based targets (SBT) to reduce long-term greenhouse gas emissions and becoming a member company of RE100. Currently, we are grappling with questions about how we should envision our society in 2030, the mid-way point to a decarbonized society in 2050, as well as how to position our management priorities. At the Leaders Summit on Climate in April 2021, President Biden of the United States announced ambitious new climate targets and Japan raised its emission reduction targets from 26% to 46% by 2030. Other countries followed suit, clearly signaling a commitment to resolve this issue now rather than rely on future generations. Society is placing greater hope and promise in carbon sequestration in forests and CO₂ emission reduction from wood products and wooden buildings, and the utilization of biomass fuel for power generation. Through the management of forests, the manufacturing and distribution of wood building materials, the construction of wooden buildings and the operation of renewable power generation sites, our Group is effectively utilizing renewable and natural forest resources to provide societal value and contribute to the creation of a decarbonized society.

According to the annual report^{*1} of the United Nations Environment Programme (UNEP), the world's total building floor area is forecasted to more than double by 2060.

Floor area is increasing at a faster pace than population growth, and most of the construction will take place in urban areas. Currently, the building and construction sector accounts for 38% of the world's greenhouse gas emissions and more than 70% of that is from energy usage in buildings^{*2}. Energy conservation technologies and initiatives have advanced significantly, and with the popularization of renewable energy, CO₂ emissions should fall. However, embodied carbon, the amount of greenhouse gases released throughout the supply chain from the procurement of raw materials to its processing, transport, construction and disposal, remains a significant issue. Europe and the United States have already implemented green building standards, certification requirements and policy incentives. However, in Japan, Australia and other countries where the Sumitomo Forestry Group conducts its businesses, discussion about embodied carbon has just begun. We will actively make policy recommendations to trigger greater movement towards creating a decarbonized society.

^{*1} First mentioned in the 2017 Global Status Report for Buildings and Construction, directed by the United Nations Environment Programme and issued by the Global Alliance for Buildings and Construction (GABC), which was launched at COP21 in 2015, the year the Paris Agreement was adopted.

^{*2} According to the 2020 Global Status Report for Buildings and Construction issued by GABC.

Building a resilient organization based on diversity and partnerships

To reduce embodied carbon and realize a circular bioeconomy, we must go beyond sustainable forest management, which absorbs CO₂, and the supply of wooden buildings, which contributes to carbon fixation. We must also cooperate with suppliers and companies in other industries. Furthermore, we must work with employees, business partners and stakeholders with diverse backgrounds and experiences to respond broadly to societal changes. In March 2021, working with Kumamoto Gumi, a company with which we have a capital alliance, we jointly developed and launched a mid- to large-scale wood building brand called "with TREE" based on the concept of environmental and health-conscious buildings. From materials procurement to design, construction and consulting, we will propose buildings that provide users both environmental value and well being.

With a rapidly changing operating environment, people are the most important element in creating a resilient organization. In terms of diversity management, starting with our Declaration on Empowering Women, we are working to embrace a wide range of work styles to allow time for nursing, childcare and other commitments. We are also reducing long working hours for healthy management. With the COVID-19, work style reform has accelerated. Given our operations based on renewable and natural forest resources, our Group's sustainability initiatives have been self-evident for some time. But with one of the basic principles of our Medium-Term Management Plan being to promote the integration of our ESG initiatives, the level of passion and earnestness to achieve these sustainability goals has risen dramatically within the Group. In terms of governance, we have increased the number of outside directors to three and now the ratio of outside directors and female directors is 33% and 22%, respectively.

The world's population is forecasted to exceed 9 billion people by 2050. Housing is the foundation of people's well-being. In addition to providing societal value through the supply of housing, the creation of employment opportunities, safe labor conditions and healthcare, we are striving to contribute environmental value through sustainable forest management and carbon sequestration, carbon fixation from wooden building materials and other efforts; It means that we provide "shared benefits".

It is important for Sumitomo Forestry Group employees, business partners, members of the local community and all stakeholders to be focused on a common goal. By working together, we will be able to accelerate transformation and achieve bigger results.

Sumitomo Forestry Group has been supplying detached houses for half a century, but these homes are no longer just a place to return to and relax after a day's work at the office. The spatial boundaries of daily life that separate where we sleep, commute, work, and enjoy family life and leisure are blurring with more people working from home or conducting remote work. Lifestyles are now characterized by pockets of time that are fragmented and mixed between work and non-work activities.

With this and other societal changes in mind, we will supply housing and non-housing spaces and communities that maximize resource efficiency and create a decarbonized society. As Sumitomo Forestry Group forges its future, look forward to the positive changes ahead.

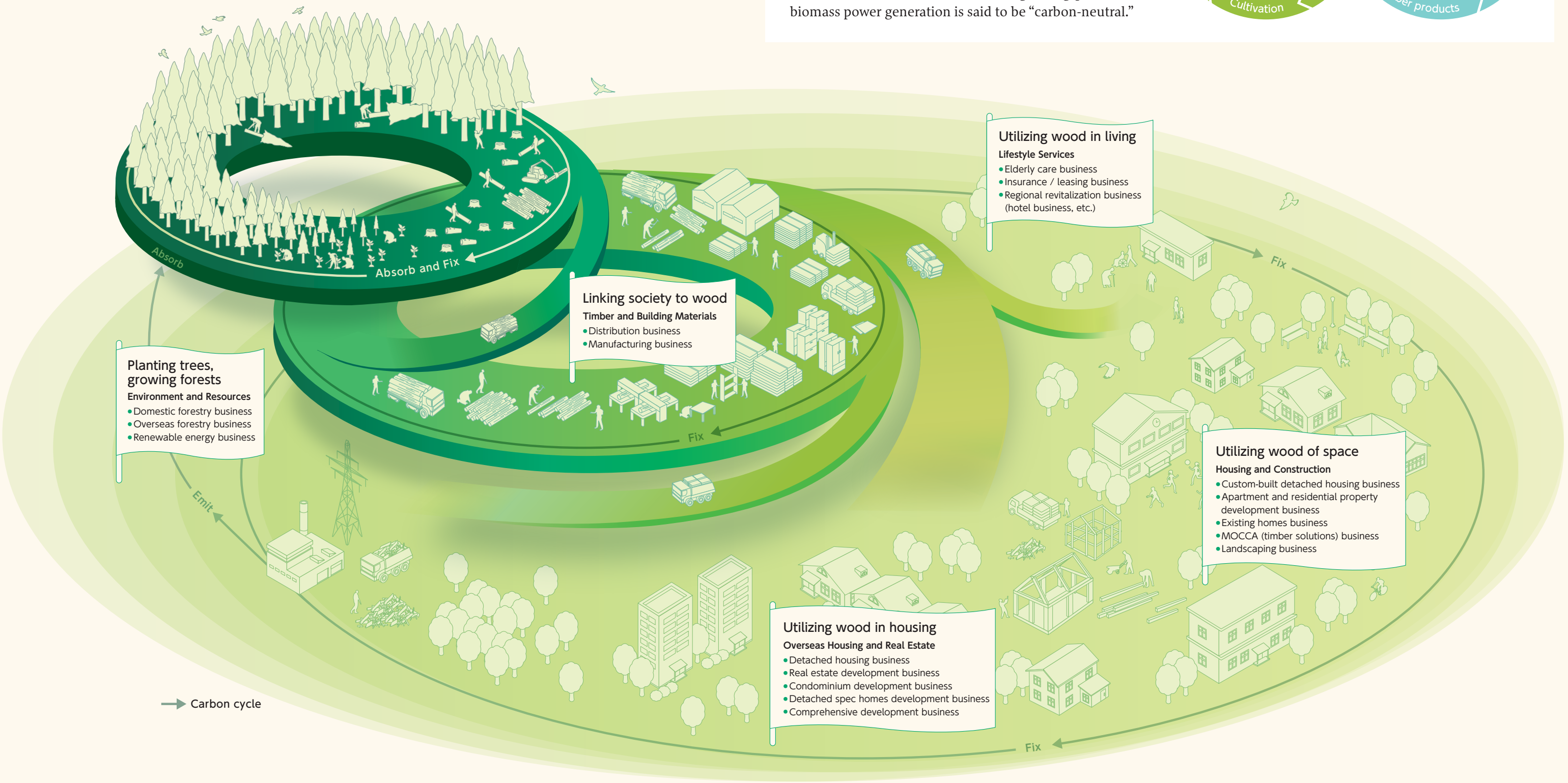
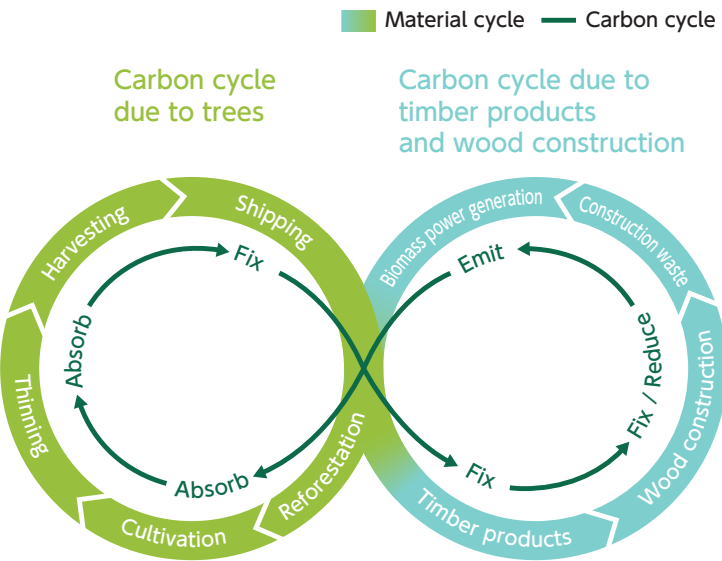
Planting trees, growing forests, utilizing wood

The Sumitomo Forestry Group's value chain

Through its business that spans a wide range of fields, the Sumitomo Forestry Group manages forests in Japan and abroad, distributes and manufactures timber and building materials, and provides a range of services that affect people's lifestyles, starting with home construction. To make this possible, the Group has constructed a unique value chain that uses forest resources, a renewable natural capital which absorbs CO₂ and fixes carbon.

Carbon cycle of forests and trees that support circular society

As trees grow, they absorb CO₂, and the CO₂ continues to be fixed as carbon even when the trees are harvested and used in timber products and wood construction. Using timber products instead of materials that emit large amounts of greenhouse gases during the process of procuring raw materials to production can help reduce the relative amount of emissions. They are used for as long as possible and fix carbon continuously, and when they are scrapped, they are used as fuel in biomass power generation. The CO₂ emitted when this is done is the same CO₂ that was absorbed in the growing process, so biomass power generation is said to be “carbon-neutral.”



Sumitomo Forestry Group's Sustainability Management

Corporate Philosophy and Sustainability Management

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

Contributions to the SDGs and Material Issues

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

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

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

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

Material Issue 5: Corporate Ethics and Governance Structures

Stakeholder Engagement

Sustainability-related Policies and Philosophy

Corporate Philosophy and Sustainability Management

Sumitomo Forestry Group Corporate Philosophy and Sustainability Management

The Sumitomo Forestry Group has been operating and engaging in sustainable management based on its Corporate Philosophy of “The Sumitomo Forestry Group utilizes wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society. All our efforts are based on Sumitomo Spirit, which places prime importance on fairness and integrity for the good of society”. We have been operating based on this philosophy and engaging in sustainable management. We redefined the Sumitomo Forestry Group Code of Conduct in July 2017 so that it conforms to the requirements of society, such as recent international standards and initiatives. We formulate various policies and guidelines according to these principles, such as our environmental, procurement and human rights policies. In addition, to ensure Group-wide adoption of the Sumitomo Forestry Group Code of Conduct, we explain it by distributing a Sumitomo Forestry Group Code of Conduct Handbook to each and every employee of Group companies and by carrying out e-Learning. This information is translated into English and other languages to implement the Code of Conduct along with Corporate Philosophy and Our Values among affiliated companies outside of Japan.

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

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

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

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

Corporate Philosophy

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

Our Value

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

Sumitomo Forestry Group Code of Conduct

Purpose and scope of application

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

Fair and transparent corporate activities

1. Strict adherence to laws and regulations

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

2. Prevention of corruption

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

3. Fair business transactions

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

4. Fair accounting procedures

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

5. Communication with stakeholders

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

6. Maintaining confidentiality

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

7. Information Security

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

8. Relationships with companies we do business with

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

9. Protection of intellectual property rights

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

10. Protection of personal information

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

11. Responsible advertising/promotional efforts

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

12. Healthy relationship with the government

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

13. Stance on organized crime

We shall have absolutely no involvement in organized crime.

14. Establishment of a whistleblowing mechanism

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

Ethical conduct

15. Avoidance of a conflict of interest

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

16. Prohibition of misappropriation of company assets

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

17. Prohibition of insider trading

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

18. Appropriate gift giving and entertainment

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

19. Prohibition of political or religious activities

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

A respectful, healthy workplace

20. Respect for human rights

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

21. Prohibition of discrimination and the promotion of diversity

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

22. Prohibition of forced labor and child labor

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

23. Freedom of association and collective bargaining rights

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

24. Appropriate working hours and wages

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

25. Work/life balance

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

26. Occupational health and safety

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

27. Human resources development

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

28. Prohibition of harassment

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

29. Protection of privacy

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

Business activities that respect society and the environment

30. Customer satisfaction and safety

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





31. Coexistence with the environment

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

32. Contribution to the local community

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

Established July 1, 2017

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

Participation and Sponsorship of Initiatives

United Nations Global Compact

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

The Ten Principles of the UN Global Compact

Human Rights

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

Labor

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

Environment

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

Anti-Corruption

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



World Business Council for Sustainable Development (WBCSD)

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

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

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



Task Force on Climate-related Financial Disclosures (TCFD)

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



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

► Responding to TCFD

Science Based Targets (SBT)

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



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

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

*² Scope 1: Direct GHG emissions of a company, including emissions from fuel consumption. E.g. CO₂ emissions from the use of gasoline for company vehicles.

Scope 2: Indirect GHG emissions including CH₄ and N₂O 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.

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

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

► Mitigation of Climate Change

RE100

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

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



► Aiming for 100% Renewable Energy and Joining the RE100

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

Mid-Term Sustainability Targets

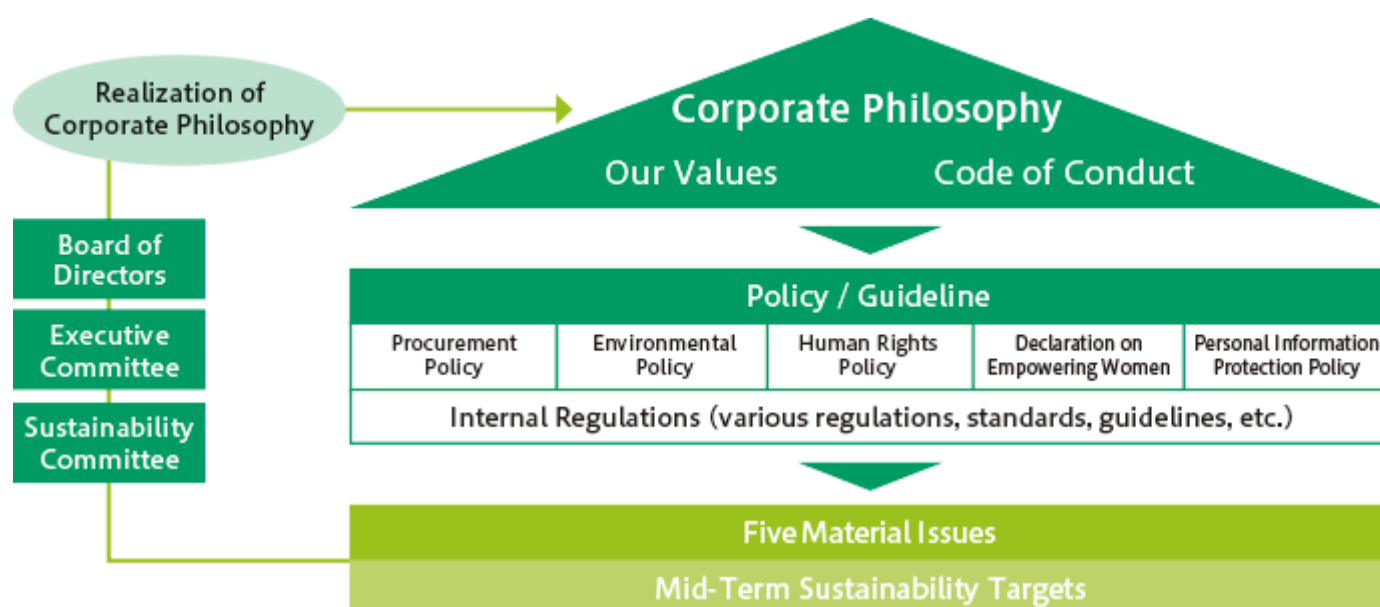
In May 2019, the Sumitomo Forestry Group formulated Mid-Term Sustainability Targets that incorporate the sustainability strategies and material issues within the 2021 Mid-Term Management Plan (FY2019 to FY2021). This plan includes promoting further integration of business operations and ESG initiatives as one of the basic policies.






















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

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

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





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

Identification of Material Issues Related to Sustainability

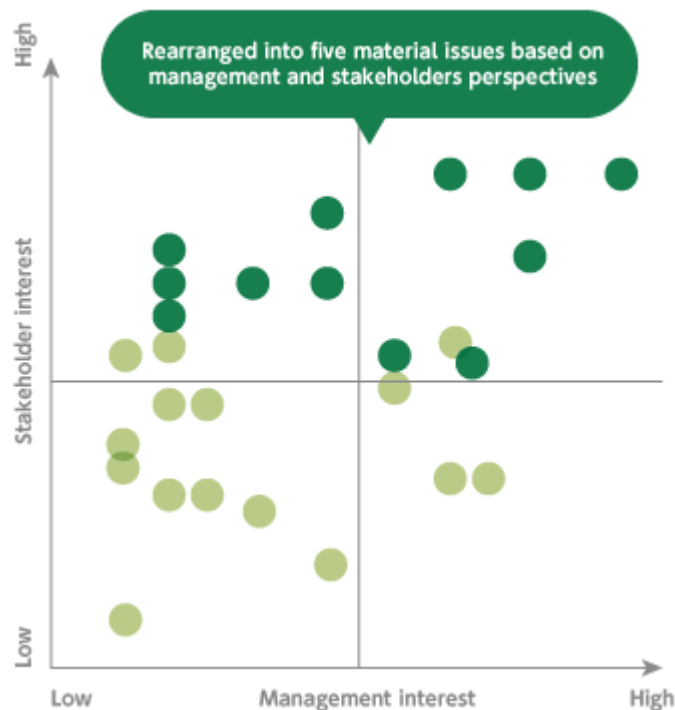
Following the changes in the economic, environmental and social situation, in March 2015, the Sumitomo Forestry Group identified material issues related to sustainability.

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

After incorporating management perspectives, the survey results were mapped out against axes of "management" and "stakeholders," before determining the materiality of each issue. 12 of these issues were identified as being highly material, and rearranged into 5 issues related to sustainability.

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

We are once again in the process of revising our material issues for the subsequent mid-term management plan that will begin in January 2022.



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 engaging in initiatives to 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



Relationship Between Material Issues and Business

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

15 Qualitative Targets	Timber and Building Materials Business	Housing and Construction Business	Overseas Housing and Real Estate Business	Environment and Resources Business	Other (Lifestyle Service Business)	Research & Development
Material Issue 1: Ongoing Timber and Materials Procurement that Considers Sustainability and Biodiversity						
1. Management forests while mitigating climate change and protecting biodiversity				○		○
2. Expanding the utilization of sustainable forest resources	○	○	○	○		○
3. Building sustainable supply chains	○	○	○			
Material Issue 2: The Development and Sale of Reliable and Safe Products and Services that Consider the Environment and Society						
4. Increasing environmentally conscious products and services * including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)	○	○	○			○
5. Creating an environment that considers biodiversity		○				○
6. Expanding businesses that contribute to resolving social issues	○	○	○	○	○	○
7. Promoting sustainable and innovative technological development	○	○				○

15 Qualitative Targets	Timber and Building Materials Business	Housing and Construction Business	Overseas Housing and Real Estate Business	Environment and Resources Business	Other (Lifestyle Service Business)	Research & Development
Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities						
8. Reducing greenhouse gas emissions toward creating a decarbonized society (SBT: Scope 1 & 2)	○	○	○	○	○	○
9. Protecting resources, reducing the generation of waste and achieving zero emissions	○	○	○	○	○	○
10. Conserving and effectively utilizing water resources	○	○	○	○	○	○
Material Issue 4: A Vibrant Work Environment Where a Diverse Workforce can Unharness their Skills and Individuality						
11. Creating a work environment that generates diverse ideas, job satisfaction and vibrancy	○	○	○	○	○	○
12. Securing human resources by training younger workers and utilizing older ones	○	○	○	○	○	○
13. Reducing long work hours through work style reforms	○	○	○	○	○	○
14. Eliminating occupational injuries	○	○	○	○	○	○

15 Qualitative Targets	Timber and Building Materials Business	Housing and Construction Business	Overseas Housing and Real Estate Business	Environment and Resources Business	Other (Lifestyle Service Business)	Research & Development
Material Issue 5: Corporate Ethics and Governance Structures						
15. Reinforcing risk crisis and compliance structures	○	○	○	○	○	○

► Contributions to the SDGs and Material Issues

Contributions to the SDGs and Material Issues

Basic Policy

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

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

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




Material Issues and SDGs

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







Material Issues and SDGs (Goals and Targets)




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




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

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

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

SDGs (Goals and Targets)	Relevant 15 Qualitative Targets	Main Initiatives
 <p>3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.</p>	<p>9 Protecting resources, reducing the generation of waste and achieving zero emissions</p>	<p>► Pollution Prevention</p>
 <p>5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.</p>	<p>11 Creating a work environment that generates diverse ideas, job satisfaction and vibrancy</p>	<p>► Promoting the Active Involvement of Female Employees</p>
 <p>6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.</p>	<p>10 Conserving and effectively utilizing water resources</p>	<p>► Efficient Use of Water Resources</p>
 <p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.</p>	<p>6 Expanding businesses that contribute to resolving social issues</p>	<p>► Aiming for 100% Renewable Energy and Joining the RE100</p>
 <p>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p>	<p>12 Securing human resources by training younger workers and utilizing older ones</p>	<p>► Diversity and Inclusion</p>
 <p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p>	<p>4 Increasing environmentally conscious products and services</p> <p>* including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)</p>	<p>► Promotion of Net Zero Energy House (ZEH) Specifications</p>
	<p>7 Promoting sustainable and innovative technological development</p>	<p>► Toward the Future - Aiming for the Timberized Eco Cities with W350 Plan-</p>

SDGs (Goals and Targets)		Relevant 15 Qualitative Targets	Main Initiatives
	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.	③ Building sustainable supply chains	▶ Human Rights Initiatives
	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.	⑥ Expanding businesses that contribute to resolving social issues	▶ Lifestyle Services Business Initiatives
	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management	⑨ Protecting resources, reducing the generation of waste and achieving zero emissions	▶ Waste Reduction and Recycling Management ▶ Initiatives to Achieve Zero Emissions ▶ Pollution Prevention
	11.b By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels.	④ Increasing environmentally conscious products and services * including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)	▶ Adaption to Climate Change
	12.2 By 2030 achieve sustainable management and efficient use of natural resources	③ Building sustainable supply chains	▶ Supply Chain Management
	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	⑨ Protecting resources, reducing the generation of waste and achieving zero emissions	▶ Waste Reduction and Recycling Management ▶ Initiatives to Achieve Zero Emissions
	13.1 Strengthen resilience and adaptive capacity to climate related hazards and natural disasters in all countries	① Management forests while mitigating climate change and protecting biodiversity	▶ Sustainable Forest Management
		⑥ Expanding businesses that contribute to resolving social issues	▶ Aiming for 100% Renewable Energy and Joining the RE100
	13.2 Integrate climate change measures into national policies, strategies and planning.	⑧ Reducing greenhouse gas emissions toward creating a decarbonized society (SBT: Scope 1 & 2)	▶ Greenhouse Gas Emissions from Business Activities
		④ Increasing environmentally conscious products and services * including reducing greenhouse gas emissions towards creating a decarbonized society (SBT: Scope 3)	▶ Mitigation of Climate Change

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

Dissemination of SDGs

Sumitomo Forestry Group believes that it is crucial to disseminate and foster an understanding of SDGs to contribute to the SDGs through business. We conduct various initiatives to raise awareness in not only our employees but all of our stakeholders (examples below).

Implementation of SDGs Dissemination Workshops, Training and Recognition Surveys

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

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



Workshop Using Lego Blocks

Workshop and training sessions were held three times in fiscal 2020 with 32 participants, mainly junior employees working in the environment and resources business as well as the overseas housing and real estate business.

Recognition surveys about Sumitomo Forestry Group SDG initiatives were also conducted for Group employees in Japan, which showed 87% of respondents knew about the SDGs.

In addition, our internal magazine started an SDG Lab series in January 2021 to teach the relationship between our businesses and the SDGs.

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

Cosponsoring the Nikkei SDGs Forum

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

Committing to the Shizuoka City SDGs Declaration

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

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



Shizuoka City SDGs Declaration



At the Symposium

Registration as a Kanagawa SDGs Partner

The Kanagawa SDGs Partner program is a registration program to encourage cooperation in efforts between the prefecture and corporations and other entities working to achieve the SDGs in the prefecture.

Sumitomo Forestry registered as a Kanagawa SDGs Partner on April 13, 2020. Broader standardization of ZEH to reduce greenhouse gas emissions aims to help combat climate change, energize the economy and bring greater environmental awareness.

We announce our progress in standardizing ZEH in the Kanagawa area each quarter internally with the goal of raising awareness of employees who belong to affiliate companies. In November, Sumitomo Forestry also participated in the online Kanagawa SDGs Partner meeting.



KANAGAWA SDGs PARTNER
神奈川県 SDGs推進部 認定SDGsパートナー企業登録



Kanagawa SDGs Partner Logo

Registration as a Company Promoting SDGs in Niihama City

The Niihama City SDGs Promotion Company Registration System that supports companies actively working to achieve the SDGs welcomed the Sumitomo Forestry Niihama General Administration Office as a member in February 2021.

In Niihama where the Sumitomo Forestry Group was founded, we will continue to advance activities to achieve the SDGs from encouraging the employment of people with disabilities and procuring plantation timber and certified timber which considers sustainability and biodiversity to creating public forest benefits through the management of company owned forests.

Publication of Examples to the Educational “EduTown SDGs” Website for Elementary and Junior High School Students

Tokyo Shoseki provides educational materials on the educational EduTown: Let's Build Our Future website for the SDGs to inspire elementary and junior high school students to think about the future of our planet from a global perspective through each sustainable development goal and learn what they can do. This website also includes our activities since fiscal 2020 to foster circular forest resources by planting and using trees as an example for Goal 15 of the SDGs.

- ▶ [EduTown: Let's Build Our Future \(in Japanese\)](#)
- ▶ [Example of Our Initiative for Goal 15 \(in Japanese\)](#)

Holding a Greenery and SDGs Seminar Jointly with Kumagai Gumi

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

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

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

Related SDGs



► Contributions to the SDGs and Material Issues

Management of Material Issue 1

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

Targets of Material Issue 1

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

Impact on Society and the Environment

Targets of Material Issue 1	Impact (Influence)
1. Management forests while mitigating climate change and protecting biodiversity	<ul style="list-style-type: none"> Contributing to climate change measures through CO₂ fixation Contributing to the protection of rare species and other conservation of biodiversity Contributing to forest industry and regional revitalization by heightening forest sustainability
2. Expanding the utilization of sustainable forest resources	<ul style="list-style-type: none"> Securing seedlings for replanting and promoting circular use of forest resources from cutting to replanting Contributing to greater biomass power generation (renewable energy supply) in Japan Heightening regional resilience Contributing to forest industry and regional revitalization by utilizing domestic timber Enhancing standardization, awareness, and added value of sustainable timber and products as well as certified timber
3. Building sustainable supply chains	<ul style="list-style-type: none"> Improving the sustainability of timber products imported from overseas and domestic housing materials (Resolve the environmental and human rights issues/ Coexisting and co-prospering with society)

Management of Each Target

Ratings in the table below

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

Management Forests While Mitigating Climate Change and Protecting Biodiversity

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2020 target	FY2020 result	FY2020 value	FY2021 target
Maintain and expand the area of certified forests	Domestic and overseas certified forest area (ha)	Environment and Resources Division	222,144	221,644*	△	221,467

* As of December 31, 2020


► Sustainable Forest Management

Expanding the Utilization of Sustainable Forest Resources

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2020 target	FY2020 result	FY2020 value	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	7,456	3,263	×	7,920
	Seedlings supplied (unit: 10 Thousand)*	Environment and Resources Division Timber and Building Materials Division	509	213	×	726

* The period for FY2020 results is from January 1 to December 31, 2020.



► Protecting Domestic Forest Resources

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2020 target	FY2020 result	FY2020 value	FY2021 target
Expand the volume of chip and pellet fuel used	Amount of biofuel material used (such as wood chips and pellets) (t)* ¹	Environment and Resources Division Timber and Building Materials Division	1,217,541	1,465,901* ² 	○	1,363,930

*¹ Includes Japan Bio Energy Co., Ltd., Okhotsk Bio Energy Co. Ltd., Michinoku Bio Energy Co., Ltd., and the Sumitomo Forestry Timber and Building Materials Business.

*² The period for FY2020 results is from January 1 to December 31, 2020.



► Expanding Renewable Energy Demand

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2020 target	FY2020 result	FY2020 value	FY2021 target
Increase quantity of sustainable timber and timber products handled and used	Percentage of sustainable timber and timber products handled (%)	Timber and Building Materials Division	93.0	94.6* 	○	100
	Percentage of sustainable timber used as primary building material (%)	Housing and Construction Division	100	95.8* 	△	100

* The period for FY2020 results is from April 1 to December 31, 2020.

- Distribution Business Initiatives
- Manufacturing Business Initiatives
- Housing and Construction Business Initiatives
-  About symbol for Independent assurance

Building Sustainable Supply Chains

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2020 target	FY2020 result	FY2020 value	FY2021 target
Update the Sustainability procurement survey form and formulate survey plan	Sustainability procurement survey implementation rate ^{*1} in the supply chain of the domestic housing department (%)	Housing and Construction Division	88.0	97.3 ^{*3} 	○	80.0
	Sustainability procurement survey implementation rate ^{*2} of suppliers of imported timber (%)	Timber and Building Materials Division	100	100 ^{*3} 	○	100

*1 Surveys target suppliers that we worked with in the previous fiscal year, and the implementation rate is calculated as a rate made up of the purchasing amount of the previous fiscal year for each company subject to the survey

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

*3 The survey period for FY2020 results is from April 1 to December 31, 2020.

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

Toward the Future

Sumitomo Forestry conducts periodic reviews to confirm sustainability at all procurement suppliers for timber and timber products we directly import from overseas. The percentage of sustainable timber and timber products handled in fiscal 2020 showed a favorable shift upward to 94.6% against our target of 93.0%. We aim to reach 100% procurement of sustainable timber and timber products in fiscal 2021. The sustainability procurement survey implementation rate in the supply chain of the domestic housing department which was set as a new target in fiscal 2019, was 97.3% out of the amount of material purchases from suppliers. We aim to build and expand the scope of sustainable supply chains in the future.

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

Basic Policy

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

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

Related SDGs



► Contributions to the SDGs and Material Issues

Management of Material Issue 2

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

Targets of Material Issue 2

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

Impact on Society and the Environment


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

Management of Each Target


Ratings in the table below

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

Increasing Environmentally Conscious Products and Services

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2020 target	FY2020 result	FY2020 value	FY2021 target
Promote standards for energy generation and conservation housing	Percentage of orders for ZEH type houses out of new custom-built detached housings (%)	Housing and Construction Division	80.0	52.1* 	△	80.0
	Rate of environmentally-friendly renovation order rate (%)	Housing and Construction Division	55.0	62.2*	○	60.0
	Sales of sash, glass wool and solar power generation systems (unit: million yen)	Timber and Building Materials Division	22,980	21,362	×	24,040


* The period for FY2020 results is from April 1 to December 31, 2020.

- ▶ Promotion of Net Zero Energy House (ZEH) Specifications
- ▶ Renovating to Improve Function and Asset Value
- ▶  About symbol for Independent assurance

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2020 target	FY2020 result	FY2020 value	FY2021 target
Increase value added by carbon stock from use of timber	Carbon stock in wooden architecture in Japan (t-CO ₂)	Housing and Construction Division	199,417	185,715*	×	199,509

* The period for FY2020 results is from January 1 to December 31, 2020.

► Carbon Stock in the Housing and Construction Business

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2020 target	FY2020 result	FY2020 value	FY2021 target
Propose products utilizing seedlings and natural cycle	Rate of orders for environmentally-friendly products of the Environmental Landscaping Business*1 (%)	Housing and Construction Division	59.0	56.8*2 	△	63.0

*1 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

*2 The period for FY2020 results is from April 1 to December 31, 2020.

► Contributions to Eco Cities Through Greening

► About symbol for Independent assurance

Creating an Environment that Considers Biodiversity

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2020 target	FY2020 result	FY2020 value	FY2021 target
Expanding sales of native species	Sales of native species logs (unit: trees)*	Housing and Construction Division	450,000	416,000	×	500,000

* The period for FY2020 results is from January 1 to December 31, 2020.


► Contributions to Eco Cities Through Greening

Expanding Businesses that Contribute to Resolving Social Issues

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2020 target	FY2020 result	FY2020 value	FY2021 target
Number of rooms added through new facilities construction	Number of rooms at private-pay elderly care facilities (rooms)	Lifestyle Service Division	1,764	1,764*	○	2,014

*As of December 31, 2020

► Lifestyle Service Business Initiatives

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2020 target	FY2020 result	FY2020 value	FY2021 target
Expand renewable energy business	Amount of electricity supplied by renewable energy business (converted to number of households supplied)*1	Environment and Resources Division	220,486	215,768*2 	×	373,826

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

*2 The period for FY2020 results is from January 1 to December 31, 2020.

▶ Aiming for 100% Renewable Energy and Joining the RE100

▶  About symbol for Independent assurance

Promoting Sustainable and Innovative Technological Development

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2020 target	FY2020 result	FY2020 value	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 (Design for actual property planned)	Completion of basic plan	△	Materials development and basic design formulation toward achievement of W70

▶ Toward the Future -Aiming for the Timberized Eco Cities with W350 Plan-

Toward the Future

The percentage of orders for ZEH type houses out of new custom-built detached housings increased from 38% in fiscal 2018 to 48.2% in fiscal 2019 and 52.1% in fiscal 2020. However, we did not meet our 80.0% target. Sumitomo Forestry will continue to promote the economic, disaster prevention and health benefits of ZEH as well as encourage an even higher number of orders toward achieving a target of 80% in fiscal 2021, which is the final year of our mid-term management plan.

In terms of the amount of electricity supplied by renewable energy business, although we were not able to achieve our target, we were able to supply power worth the annual electricity use of 215,768 households through the stable operation of the Mombetsu Biomass Power Generation and other renewable energy plants. We aim to supply power worth the annual electricity use of 373,826 households in fiscal 2021 with the addition of power that will be generated in the Kanda Biomass Power Generation Plant which is scheduled to start operation in fiscal 2021.

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

Basic Policy

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

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

Furthermore, we joined the RE100 international initiative with the goal of transition of power generation fuel to 100% renewable energy for power used in business activities of Sumitomo Forestry Group and power generation business by 2040.

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

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

Related SDGs



► Contributions to the SDGs and Material Issues

Management of Material Issue 3

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

Targets of Material Issue 3

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

Impact on Society and the Environment


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

Management of Each Target


Ratings in the table below

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

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	FY2020 target	FY2020 result	FY2020 value	FY2021 target
Reduce greenhouse gas emissions	Greenhouse gas emissions (t-CO ₂ e)* Percentage change from fiscal 2017	Each department	371,855 +0.6%	370,526 +0.2% 	○	402,768 +8.9%
	Carbon efficiency (t-CO ₂ e/million yen)	Sustainability Department	0.331	0.324	○	0.318

* The period for FY2020 results is from January 1 to December 31, 2020.

- ▶ [Greenhouse Gas Emissions from Business Activities](#)
- ▶ [Boundaries and Methods of Greenhouse Gas Emissions Calculation](#)
- ▶  [About symbol for Independent assurance](#)

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

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2020 target	FY2020 result	FY2020 value	FY2021 target
Promotion of industrial waste separation	Recycling rate at new housing construction sites (%) ^{*1}	Housing and Construction Division	97.7	95.2 	△	98.0
	Recycling rate at housing demolition sites (%) ^{*2} (as of start of demolition work on main structure)		98.0	99.0	○	98.0
	Recycling rate at the work sites of the renovation business unit ^{*3} (%)		82.0	72.3 	×	84.0
	Recycling rate at the work sites of the power generation business unit	Environment and Resources Division	79.3	91.0 	○	56.5
	Recycling rate at overseas manufacturing plants (%)	Timber and Building Materials Division	98.2	98.4 	○	98.0
	Recycling rate at domestic manufacturing plants (%)	Timber and Building Materials Division Housing and Construction Division Environment and Resources Division	99.2	99.1 	△	99.5
	Recycling rate of Lifestyle Service Business, etc. ^{*4} (%)	Lifestyle Services Division, etc.	93.1	83.7	×	98.0

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


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

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

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

* The period for the above recycling rates in the fiscal 2020 results is from January 1 to December 31, 2020.

► Resource Conservation and Waste Reductions

►  About symbol for Independent assurance

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2020 target	FY2020 result	FY2020 value	FY2021 target
Waste reduction Promote zero-emissions	Industrial waste final disposal amount (t) (Compared to 2017 Percentage Change)*	Sustainability Department	56,632 (-11.0%)	40,548 (-36.3%)	○	54,087 (-15.0%)
	Total industrial waste generated (waste generated per detached house) (kg/structure) (Compared to 2017 Percentage Change)	Housing and Construction Division	2,950 (-11%)	2,977 (-10%)	△	2,730 (-18%)

* The period for FY2020 results is from January 1 to December 31, 2020.

► Resource Conservation and Waste Reductions

Conserving and Effectively Utilizing Water Resources

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2020 target	FY2020 result	FY2020 value	FY2021 target
Proper management of water resources	Water use volume (unit: 1,000m ³)*	Sustainability Department	2,824 or less	2,851	△	3,011 or less

* The period for FY2020 results is from January 1 to December 31, 2020.

► Efficient Use of Water Resources

Toward the Future

Sumitomo Forestry Group had 370,526t-CO₂e in total greenhouse gas emissions in fiscal 2020, which achieved our target of 371,855t-CO₂e. The main factors were the 8,879t-CO₂e reduction in the amount of emissions due to revision of the estimation method in the overseas affiliate companies of the Overseas Housing and Real Estate Division compared to fiscal 2019 and a decline in production volume mainly in overseas manufacturing compared to fiscal 2019 caused by the impact of the coronavirus disease (COVID-19).

Our recycling rate of industrial waste on new housing construction sites was 95.2%, which did not achieve our 97.7% target. We will further reduce industrial waste emissions and improve our recycling rate by quickly advancing our fiscal 2019 initiatives in precast Lattice Panels, roofing, and external wall materials throughout Japan.

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

Basic Policy

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

Related SDGs



► Contributions to the SDGs and Material Issues

Management of Material Issue 4

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

Targets of Material Issue 4

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

Impact on Society and the Environment

Targets of Material Issue 4	Impact (Influence)
1. Creating a work environment that generates diverse ideas, job satisfaction and vibrancy	<ul style="list-style-type: none"> Eliminating gender discrimination in Japan, a nation facing the worst gender discrimination of developed countries Enhancing corporate and social sustainability through innovation realized from diverse ideas
2. Securing human resources by training younger workers and utilizing older ones	<ul style="list-style-type: none"> Securing better human resources as society at large faces an aging population with a falling birth rate and a declining workforce Enhancing corporate value by improving work productivity Realizing a diverse society
3. Reducing long work hours through work style reforms	<ul style="list-style-type: none"> Securing better human resources as society at large faces an aging population with a falling birth rate and a declining workforce Enhancing corporate value by improving work productivity Realizing a diverse society
4. Eliminating occupational injuries	<ul style="list-style-type: none"> Ensuring employee health by building a safe, secure workplace (higher satisfaction)

Management of Each Target

Ratings in the table below

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

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

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2020 target	FY2020 result	FY2020 value	FY2021 target
Promotion of women's participation and advancement in the workplace	Percentage of female employees in management positions (%)	Sumitomo Forestry	Personnel Department	5.0	4.8*	△	5.5
		Consolidated in Japan	Personnel Department	6.7	7.1*	○	7.3
Improve employee satisfaction	Employee satisfaction level (%)	Sumitomo Forestry	Personnel Department	81.0	80.1	△	85.0
	Change in employee satisfaction level compared to base year (%)	Consolidated in Japan	Personnel Department	61.5	63.0	○	Compared to Fiscal 2019 Percentage Change 110

* As of December 31, 2020

Securing Human Resources by Training Younger Workers and Utilizing Older Ones

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2020 target	FY2020 result	FY2020 value	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	15.6	17.7	×	15.0
		Consolidated in Japan	Personnel Department	10.2	20.6	×	12.9

► Human Resources Development

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2020 target	FY2020 result	FY2020 value	FY2021 target
Enhance training programs	Training cost per employee (unit: 1,000 yen)	Sumitomo Forestry	Personnel Department	132	77	×	132
		Consolidated in Japan	Personnel Department	66	27	×	66
	Total number of training participants (persons)*	Sumitomo Forestry	Personnel Department	13,000	9,105	×	13,000
		Consolidated in Japan	Personnel Department	15,700	16,659	○	16,176
	Training time per employee (hours)	Sumitomo Forestry	Personnel Department	14.4	13.0	×	15.5

* The period for FY2020 results is from January 1 to December 31, 2020.

► Human Resources Development

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2020 target	FY2020 result	FY2020 value	FY2021 target
Implement year-initial interviews prior to full-term retirement	Employment rate of people over 60 years old (including re-employment) (%)	Sumitomo Forestry	Personnel Department	82.0	91.9*	○	87.0
		Consolidated in Japan	Personnel Department	67.7	78.5*	○	78.0

* As of March 31, 2021

► Diversity and Inclusion

Reducing Long Work Hours through Work Style Reforms

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2020 target	FY2020 result	FY2020 value	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	13.5	11.6	△	14.0
		Consolidated in Japan	Personnel Department	10.6	10.3	×	11.3




* The period for FY2020 results is from January 1 to December 31, 2020.

► Work-life Balance

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2020 target	FY2020 result	FY2020 value	FY2021 target
Expand departments using flextime and internal mock inspections	Average overtime working hour reduction rate compared to fiscal 2013 (%)	Sumitomo Forestry	Personnel Department	▲30.0	▲38.7	○	▲32.0
	Average overtime working hour reduction rate compared to fiscal 2017 (%)	Consolidated in Japan	Personnel Department	▲9.9	▲23.2	○	▲11.3

► Work-life Balance


Eliminating Occupational Injuries

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2020 target	FY2020 result	FY2020 value	FY2021 target
Implement reciprocal safety audits and manufacturing department safety audits Share case studies and implement risk assessments	Number of serious occupational injuries (incidents) (four or more days of lost worktime)* ¹	Manufacturing sites (employees and contractors)	Timber and Building Materials Division	0	14 	×	0
		Plantation sites (contractors)	Environment and Resources Division	0	4 	×	0
		New housing construction sites in Japan (contractors)* ²	Housing and Construction Division	0	21 	×	0

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2020 target	FY2020 result	FY2020 value	FY2021 target
		New housing construction sites outside Japan (contractors)	Overseas Housing and Real Estate Division	0	5 	△	0
	Number of occupational injuries (incidents) (requiring one to three days of lost worktime)*1	New housing construction sites in Japan (contractors)	Housing and Construction Division	0	31	×	0

*1 The period for FY2020 results is from January 1 to December 31, 2020.

*2 Includes sole proprietorships

- ▶ Occupational Health and Safety Management
- ▶ Occupational Health and Safety in the Forestry Business
- ▶ Occupational Health and Safety in the Manufacturing Business
- ▶ Occupational Health and Safety on Construction Sites
- ▶  About symbol for Independent assurance

Toward the Future

The Arrangement of Related Acts to Promote Work Style Reform in Japan was enacted in April 2019, which defines various policies on work style reform, such as setting an upper limit to overtime, and mandatory acquisition of five days of paid leave per year. In fiscal 2020, we not only had to respond to the coronavirus disease (COVID-19) but also stay-at-home orders issued by national and local governments. This resulted in only slightly higher average paid leave taken by employees of 11.6 days compared to the previous fiscal year (11.5 days). Our affiliated companies had the same results.

We were also able to reduce overtime by 38.7%, a dramatic reduction from 30.2% in the previous fiscal year, compared to fiscal 2013. Our affiliated companies were also able to reduce overtime. We will continue to improve paid leave taken by employees and reduce overtime.

Sumitomo Forestry set a target of zero occupational injuries, but incidents occurred in each business sector in fiscal 2020. In particular, serious occupational injuries (incidents), such as heat stroke and fall accidents, increased, resulting in 21 incidents requiring four or more days of lost work time on new housing construction sites in Japan. 13 incidents requiring four or more days of lost work time resulting from accidents such as forklift accidents also occurred at overseas manufacturing sites.

Sumitomo Forestry established the new Quality Control and Worker Safety Management Department directly under the President in April 2020 to strengthen the on-site quality and safety management system utilizing the ISO 9001 and ISO 45001. In the future, we will continue to strengthen our Group initiatives to manage occupational accidents, enhance safety education and expand support across each division and at affiliate companies toward zero occupational accidents throughout the entire Group.

Material Issue 5: Corporate Ethics and Governance Structures

Basic Policy

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

Related SDGs



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

Management of Material Issue 5

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

Targets of Material Issue 5

Reinforcing risk crisis and compliance structures

Impact on Society and the Environment

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

Management of Each Target

Ratings in the table below

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

Reinforcing Risk Crisis and Compliance Structures

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2020 target	FY2020 result	FY2020 value	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

► Risk Management

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2020 target	FY2020 result	FY2020 value	FY2021 target
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	Major group companies in Japan	Implemented independently by Sumitomo Forestry	×	Not applicable as the initiative is implemented every other year

► Compliance

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2020 target	FY2020 result	FY2020 value	FY2021 target
Obtain external certification for Business Continuity Management (BCM)	Obtaining resilience certification	General Administration Department	Sumitomo Forestry and all major domestic group companies	Not obtained	×	Sumitomo Forestry and all major domestic group companies

► Business Continuity Management

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2020 target	FY2020 result	FY2020 value	FY2021 target
Analyze and disclose potential financial impact from climate-related risks that could (potentially) have on the organization	Conduct scenario analysis and disclosure consistent with guidance from the Task Force on Climate-related Financial Disclosures (TCFD)	Sustainability Department	Re-examination of analysis results and expansion of scope of application for two sectors: domestic housing business and timber and building materials business	More comprehensive informational disclosure through the Sustainability Report, etc.	×	Completion of re-examination of analysis results for all business departments, and incorporation into the subsequent mid-term plan.

► Responding to TCFD

Toward the Future

In February 2020, Sumitomo Forestry conducted a questionnaire to survey employee awareness about compliance. This questionnaire scheduled once every two years will broaden the scope of the survey set for 2022 by including affiliate companies as well. Although Sumitomo forestry did not obtain the Resilience certification in the year under review, we aim to acquire the certification in fiscal 2021.

We implemented TCFD scenario analyses in two departments: the domestic housing business as well as the timber and building materials business. In fiscal 2021, we plan to re-analyze these two departments while expanding the scope and disclosing information about these measures after reviewing future implementation methods and systems.

Stakeholder Engagement

Basic Policy

The Sumitomo Forestry Group is involved with various stakeholders because the business activities conducted by the Group are in a broad range of global businesses from the upstream to the downstream with wood—as a renewable natural resource—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

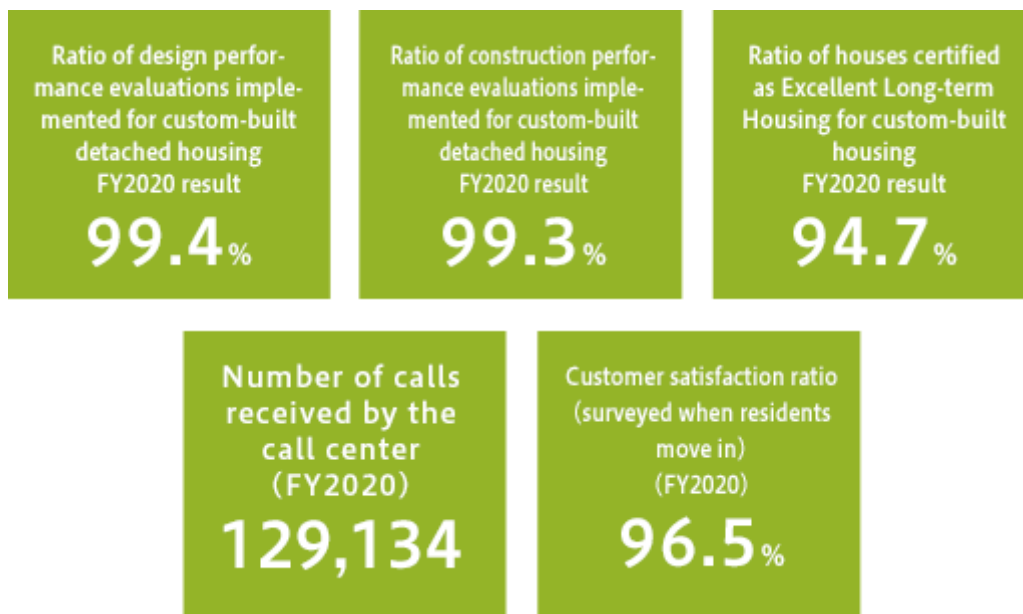
Customers

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, depopulation and centralization to 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 Performance



- ▶ Product and Service Safety as well as the Quality Management System
- ▶ Housing and Construction Business Initiatives

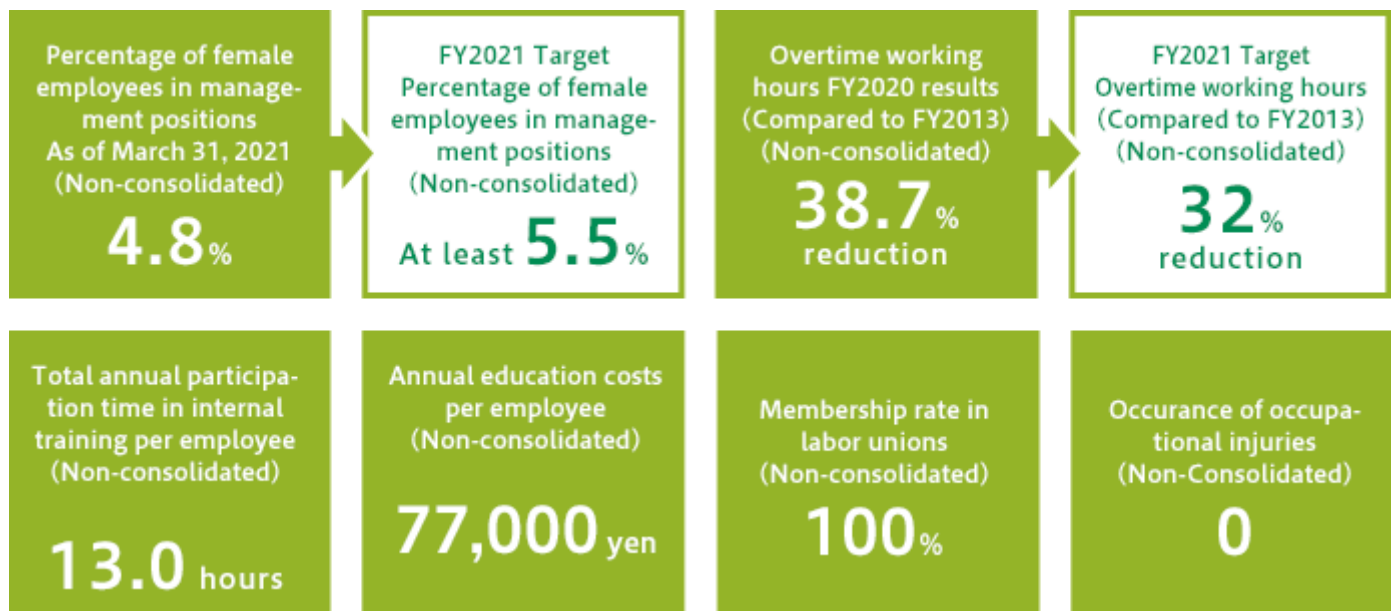
Employees and Their Families

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

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

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

Relevant Targets and Performance



- Diversity and Inclusion
- Human Resources Development
- Communication with Employees
- Work-Life Balance
- Occupational Health and Safety Management

Shareholders and Investors

In recent years, long-term 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, integrated reports, shareholder correspondence, briefing materials and in other relevant forms • Responding to surveys for assessment and research agencies related to ESG, etc.

Relevant Performance

Return on equity
(ROE)
(as of December
31, 2020)

8.8%

Individual meetings for
institutional investors
(in and outside Japan)
(FY2020 results)

117

Issued shares
(as of December
31, 2020)

182,778,336
shares

Full-year divi-
dend per share
FY2020

35 yen

- ▶ [Return to Shareholders and IR Activities](#)
- ▶ [To All Shareholders and Other Investors \(IR Information\)](#)

Government and Regulatory Authorities

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

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

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

Responsibilities	Communication Methods
<ul style="list-style-type: none"> 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 of its business.

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

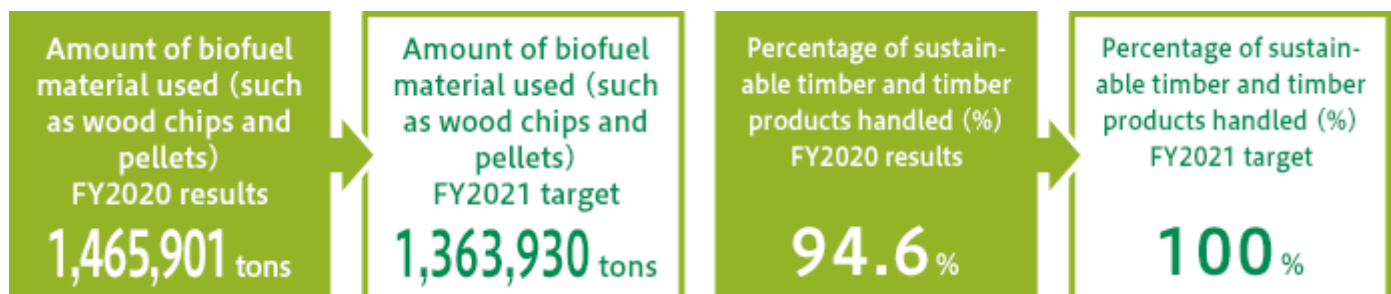
Business Partners

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



► [Supply Chain Management](#)

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 online 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 (including communication in online formats) Distributing information through our recruiting website

► [Recruiting information \(in Japanese\)](#)

NPOs/NGOs

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

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

► Reinforcing Engagement with NGOs and Other External Stakeholders

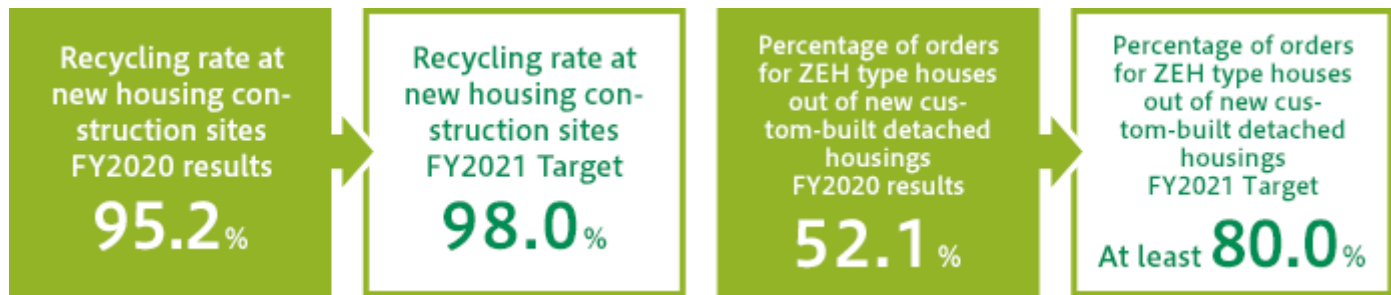
Global Environment

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

We also formulated the Mid-Term Environmental Management Plan (FY2010-FY2014) with Mid-term environmental targets for the first time in fiscal 2009 and established the Mid-Term CSR Management Plan (FY2015-FY2020) that includes environmental targets in fiscal 2014. In addition, given further heightened ESG-related demands from the society, we began further increasing our numerical targets from fiscal 2019, incorporating them as Sustainability Goals into our "Sumitomo Forestry Group 2021 Medium-Term Management Plan." By implementing PDCA cycles for all organizations, we are steadily stepping up our environmentally conscious activities based on the plan. Currently, we are underway drafting the next mid-term management plan that will begin in January 2022.

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



- ▶ Mitigation of Climate Change
- ▶ Sustainable Forest Management
- ▶ Policies and Targets for Biodiversity Conservation
- ▶ Waste Reduction and Recycling Management

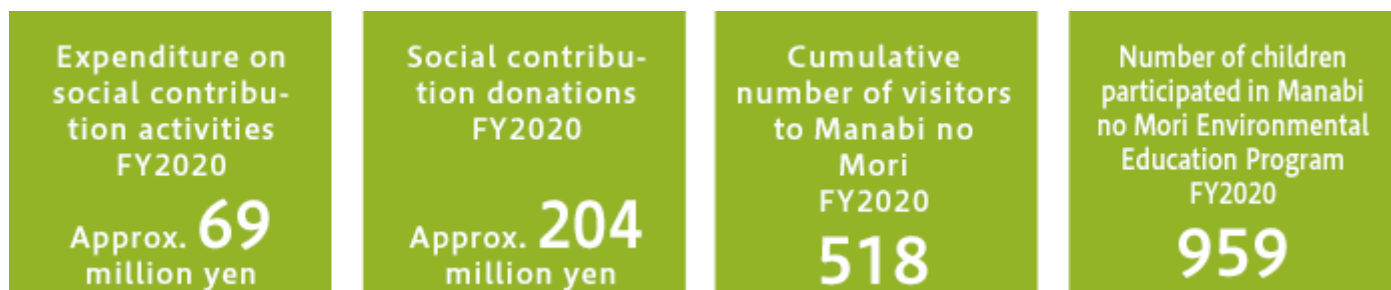
Global Society and Local Communities

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



- ▶ Promotion of Social Contribution Activities

Grievance Desk

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

In October 2019, we put in place a whistleblowing mechanism shared with Group companies overseas. An external multilingual operator is used for this reporting system to receive reports in English, Chinese, Indonesian, Vietnamese, and Thai.

Communication with the stakeholders is extremely important in plantation forest operations overseas. For example, Open Bay Timber Ltd. (OBT) in Papua New Guinea has 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.

We have also been operating a grievance mechanism at our plantation forest operations in Indonesia since 2018. We receive opinions from local residents, both in writing and through regular visits, and respond to them within seven working days as a general rule.

In addition, Tasman Pine Forests Ltd. (TPF) in New Zealand registers any important exchanges with local residents, partner companies and other stakeholders in a stakeholder registry. Communication with a recognition of the past background helps to build smooth relationships.

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

Sustainability-related Policies and Philosophy

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

Environmental Policies

- ▶ Sumitomo Forestry Group Environmental Policy
- ▶ Policy on Biodiversity Conservation in Company-Owned Forests in Japan (excerpt)

Social Policies

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

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

Sumitomo Forestry Group Environmental Policy

Through our experience nurturing forests since our founding, Sumitomo Forestry Group has learned to appreciate the wonders of wood and the importance of nature. As a corporate entity with a close affinity to nature, we will pursue business activities that balance both environmental and economic interests and contribute to a sustainable society.

1. Develop business operations centered on wood and forests

We will cultivate forests and their ability to preserve and enhance the rich ecosystem to protect biodiversity, actively utilize timber resources and create new corporate value.

2. Develop and offer environmentally conscious products and services

We will develop and sell products and services that are environmentally conscious throughout the entire product lifecycle.

3. Minimize and improve environmental impact

To minimize and improve environmental impact, we will employ procurement practices that prevent environmental pollution and climate change and promote the effective utilization of natural resources.

4. Ensure strict legal compliance

We will adhere to all environmental laws, rules and regulations, global standards, voluntary standards and accords with stakeholders.

5. Make continual improvements to our environmental management system

We will accurately assess environment-related risks associated with our business activities and with a mid-to-long-term outlook, set and work to fulfill yearly environment goals. In addition, we will regularly evaluate our environmental management system and make continual improvements

6. Promote environmental education

We will provide environmental education for all parties involved in Sumitomo Forestry Group's business operations and encourage voluntary environmental efforts.

7. Pursue active communication

We will actively disclose information about our environmental policies and initiatives and pursue activities that convey the wonders of trees and forests and the importance of nature.

President and Representative Director Toshiro Mitsuyoshi

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.

Sumitomo Forestry Group Procurement Policy

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

1. Procurement based on legal and highly reliable supply chains

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

2. Procurement based on fair opportunity and competition

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

3. Procurement of sustainable timber and wood products

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

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

4. Pursue active communication

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

President and Representative Director Toshiro Mitsuyoshi

Green Procurement Guidelines (extract)

Evaluation Items**①. Corporate activity assessment (evaluation of sustainability initiatives)****a. Environmental aspects**

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

b. Social aspects**(a) Overall Corporate Social Responsibility (CSR)**

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

(b) Human Rights

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

(c) Occupational health and safety

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

(d) Ethic

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

(e) Information security

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

(f) Product safety

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

(g) Supply chain

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

(h) Social contributions

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

②. Product assessment

a. Common items

(a) Requirements

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

(b) Initiatives

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

Sumitomo Forestry Group Occupational Health and Safety Policy

Based on the fundamental concept of "SAFETY FIRST," the Sumitomo Forestry Group seeks to create a thriving workplace by maintaining a healthy and safe work environment.

1. Full employee participation in health and safety initiatives

All employees of our Group's operations shall consciously participate in health and safety initiatives.

2. Thorough compliance

We shall strictly comply with all laws, ordinances, safety standards and other rules related to occupational health and safety.

3. Reducing risk and creating a thriving workplace

We shall identify hidden risks in the work environment and continuously make improvements to create a thriving workplace.

4. Securing safety with state-of-the-art technologies and labor-saving measures

We shall create a safe workplace by actively promoting the use of state-of-the-art technologies and labor-saving measures that will help address personnel shortages and technical transfer issues.

5. Nurturing a culture of mutual respect

We shall nurture a culture where everyone respects both the processes and the results of health and safety initiatives to increase motivation to pursue them.

6. Developing human resources through health and safety training programs

We shall provide all employees health and safety training and we shall actively pursue initiatives to develop human resources who will take on the responsibility of creating a thriving workplace.

7. Promoting active communication

Through the active pursuit of mutual dialogue, including with stakeholders, we shall build good relationships that help ensure a sense of psychological security.

President and Representative Director Toshiro Mitsuyoshi

Sumitomo Forestry Group Quality Policy

Through the pursuit of “ZERO DEFECTS” and the implementation of new initiatives, the Sumitomo Forestry Group seeks to provide reliable products and services that bring joy to our customers.

1. Full employee participation in quality enhancement

All employees of our Group operations shall consciously strive to enhance quality with an understanding that our products and services must be of the highest standards.

2. Improving customer satisfaction

We shall identify quality risks and continuously refine processes and rules to improve customer satisfaction.

3. Thorough compliance

We shall fulfill customer expectations and strictly comply with all applicable laws, regulations, voluntary standards and other rules.

4. Promoting digitalization and labor-saving measures

To respond to rapidly changing societal structures, we shall actively promote digitalization and the implementation of labor-saving measures to reduce workloads and raise quality.

5. Developing human resources who will maintain and enhance quality

Through educational programs related to maintaining and enhancing quality, we shall ensure that our know-how, which is our asset, is passed on to the next generation.

6. Promoting active communication

We shall effectively utilize our structures and systems to actively pursue communication with our customers and all other stakeholders.

President and Representative Director Toshiro Mitsuyoshi

Sumitomo Forestry Group Human Rights Policy

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

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

1. A commitment to respect human rights

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

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

2. Scope of application

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

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

3. Measures related to the respect for human rights

- Human rights due diligence

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

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

- Relief measures

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

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

- Education

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

- Communication with stakeholders

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

- Information disclosure

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

President and Representative Director Toshiro Mitsuyoshi

(Attachment)

Sumitomo Forestry Group Human Rights Material Issues

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

<Prohibition of discrimination>

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

<Workers' rights>

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

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

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

<Privacy>

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

Sumitomo Forestry Group Declaration on Empowering Women

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

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

1. We will create a positive work environment for women

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

2. We will leverage women's unique creative powers

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

3. We will spur innovation through the participation of women

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

President and Representative Director Toshiro Mitsuyoshi

Overall Picture of Our Business

Overall Picture of Our Business

Timber and Building Materials Business

Housing and Construction Business

Overseas Housing and Real Estate Business

Environment and Resources Business

Lifestyle Services Business







Research & Development

Overall Picture of Our Business

Sumitomo Forestry Group strives 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 330 years since our founding to the brand cultivated with a network in Japan and overseas that connects us to our customers. We utilize wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society.

Value Chain

Value Chain					
Environment and Resources Business		Timber and Building Materials Business		Housing and Construction Business Overseas Housing and Real Estate Business	Lifestyle Services Business
Forest Management	Renewable Energy	Logistics	Manufacturing	Housing and Construction	Regional Revitalization and Welfare
					
<ul style="list-style-type: none"> • Seedling Farming • Site Preparation • Garden Vegetation • Cultivation • Harvest • Transport 	<ul style="list-style-type: none"> • Procurement • Fuel Production • Power Generation • Sales 	<ul style="list-style-type: none"> • Verification of Legal Compliance/Sustainability • Procurement • Shipping/Sales • Delivery 	<ul style="list-style-type: none"> • Product Development • Raw Material Procurement • Manufacturing • Delivery 	<ul style="list-style-type: none"> • Sales/Product Development • Design • Materials Procurement • Construction • After-Sales Support 	<ul style="list-style-type: none"> • Elderly Care Business • Insurance and Leasing Business • Golf Course Management • Regional Revitalization Business (Lodging, etc.)

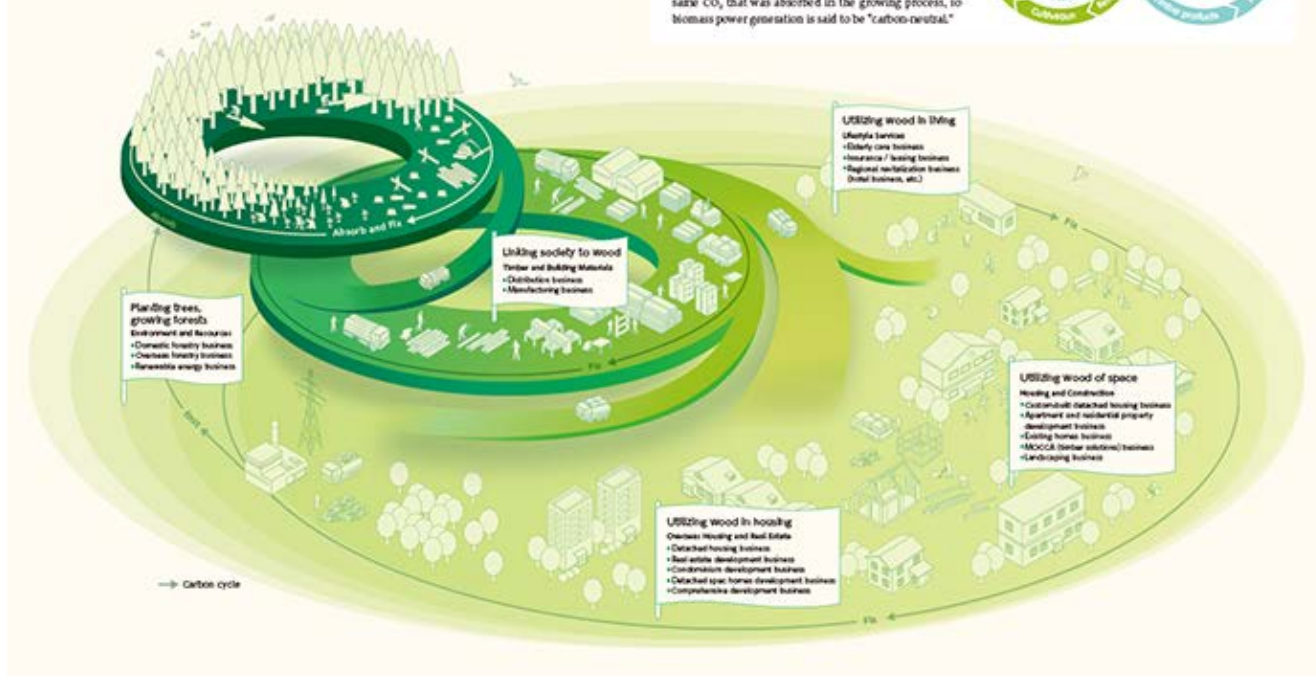
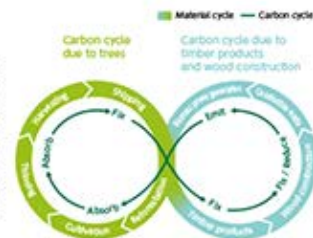
Planting trees, growing forests, utilizing wood The Sumitomo Forestry Group's value chain

Planting trees, growing forests, utilizing wood The Sumitomo Forestry Group's value chain

Through its business that spans a wide range of fields, the Sumitomo Forestry Group manages forests in Japan and abroad, distributes and manufactures timber and building materials, and provides a range of services that affect people's lifestyles, starting with home construction. To make this possible, the Group has constructed a unique value chain that uses forest resources, a renewable natural capital which absorbs CO₂ and fixes carbon.

Carbon cycle of forests and trees that support circular society

As trees grow, they absorb CO₂, and the CO₂ continues to be fixed as carbon even when the trees are harvested and used in timber products and wood construction. Using timber products instead of materials that emit large amounts of greenhouse gases during the process of procuring raw materials to production can help reduce the relative amount of emissions. They are used for as long as possible and fix carbon continuously, and when they are scrapped, they are used as fuel in biomass power generation. The CO₂ emitted when this is done is the same CO₂ that was absorbed in the growing process, so biomass power generation is said to be "carbon-neutral."



Timber and Building Materials Business



Business Overview

The Timber and Building Materials Business is developing a broad range of businesses as the top timber and building materials trading company in Japan handling everything from procurement through manufacturing and distribution.

Based on a global network built up over years of developing operations worldwide, the Distribution Business sources stable supplies of high-quality timber from properly managed forests.

The Manufacturing Business in Japan produces construction articles such as doors and windows, interior wood materials, and staircase materials. Overseas, we produce wooden board products such as plywood, medium-density fireboard (MDF) and particle board and various building materials such as flooring, furniture and kitchen cabinets at each location in South East Asia, Oceania, and North America. We supply them all over the world including Japan.



Main Business Figures (FY2020 Result)

Amount of sustainable timber and timber products handled



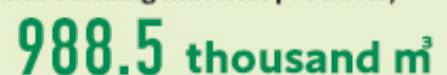
Sustainability procurement survey implementation rate of suppliers of imported timber



Recycling rate at manufacturing plants



Total production of products at overseas manufacturing subsidiaries
(total of board and building material products)



Value Chain of Distribution Business



Verification of Legal Compliance and Sustainability

The Sumitomo Forestry Group engages in due diligence on its procurement suppliers and timber procurement according to the Sumitomo Forestry Group Procurement Policy. We not only ensure legal compliance but also verify considerations toward human rights, labor, biodiversity conservation and the local community while practicing sustainable procurement.



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.



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.



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.

Value Chain of Manufacturing Business



Product Development/Raw Material Procurement

We work to meet customer's needs not just through design in slab and board operations and building material and timber product operations, but also by moving forward with product development that optimizes the characteristics of raw materials and procurement that takes into account the sustainability of raw materials.



Manufacturing

By operating according to the ISO9001 International quality management system and through management that meets or exceeds JIS/JAS product quality requirements, we manufacture high-quality products and strive to build products with even greater safety. We are also focusing on greater energy and resource savings and recycling in manufacturing processes. Our Group also regards the establishment of a safe, healthy work environment for all employees working in each manufacturing plant as our responsibility, and we therefore continually pursue a goal of zero occupational injuries.



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.

Take an Integrated Approach to Business Operations and ESG Initiatives in the Timber and Building Materials Business

The Timber and Building Materials Business develops a broad range of businesses centered upon wood, which encounter various social issues in each process from procurement through manufacturing and distribution.

The Sumitomo Forestry Group recognizes a broad range of important social issues regarding timber and timber products handled in its distribution businesses from compliance with laws, regulations and social norms to the respect of human rights, securing of occupational health and safety, biodiversity conservation and the consideration of local community. We promote the integration of business with ESG by setting targets related to the percentage of sustainable timber and timber products handled and incorporating confirming the sustainability initiatives of suppliers in the business flow.

We recognize that establishing safe, stable working environments and reducing the environmental impact in manufacturing business is a material issue. Therefore, we are working to enhance safety measures, improve working environments, and reduce greenhouse gas emissions while increasing recycling rates.

ESG Initiatives in the Timber and Building Materials Business

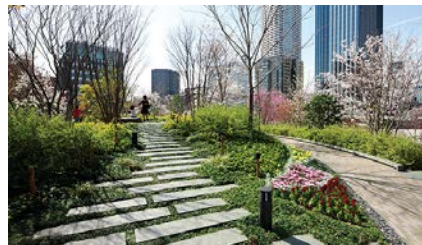
- ▶ Utilization of Sustainable Forest Resources
- ▶ Waste Reduction and Recycling Management
- ▶ Occupational Health and Safety in the Manufacturing Business
- ▶ Product Safety and Quality Management in the Manufacturing Business
- ▶ Supply Chain Management > Distribution Business Initiatives
- ▶ Supply Chain Management > Manufacturing Business Initiatives
- ▶ Initiatives to Achieve Zero Emissions

Housing and Construction Business



Business Overview

The Housing and Construction Business has provided quality living environments by expanding long-lasting, high-quality homes since entry into the custom-built detached housing business in 1975. Currently, Sumitomo Forestry leverages the design skills and technical capabilities cultivated in the custom-built detached housing business to develop a wide range of housing and lifestyle businesses from remodeling and renovations, and rental housing businesses to renewal and sales of pre-owned housing, real estate management and mediation, subdivision, greening and MOCCA (timber solutions) businesses.



Main Business Figures (FY2020 Result)

Managed and owned forest area

Japan: Approx. 48,000 ha

Overseas: Approx. 231,000 ha

Domestic and overseas certified forest area

Japan: Approx. 48,000 ha

Overseas: Approx. 174,000 ha

Percentage of orders for ZEH type houses out of new custom-built detached housings 52.1%

Value Chain of the Housing and Construction Business



Sales/Product Development

Housings 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 provide the best lifestyle based on their wishes.

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



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.



Materials Procurement

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



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.



After-Sales Support

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

Promote Further Integration of Business Operations and ESG Initiatives in the Housing and Construction Business

The Housing and Construction Business provides homes and services to give customers long-lasting peace of mind and safety in life while being environmentally sound in each process from development and design through construction, the use of sustainable timber and construction materials and the execution of construction on safe work sites as important issues.

One of the areas which we can contribute the most in reducing environmental impact is the reduction of greenhouse gases emissions from housings that people live in. Sumitomo Forestry sets ZEH order quotas and other targets for environmentally conscious products. Recommendations of ZEH housing while tailoring energy saving, energy generation and resilience function specifications to customer needs reduces the energy consumption of each household.

The Sumitomo Forestry Group will contribute to the realization of a prosperous and sustainable society from home building and popularization of non-residential wooden constructions to townscapes redevelopment.

ESG Initiatives in the Housing and Construction Business

- ▶ Mitigation of Climate Change
- ▶ Adaption to Climate Change
- ▶ Utilization of Sustainable Forest Resources
- ▶ Contributions to Eco Cities Through Greening
- ▶ Taking Advantage of Nature in Residential Property Development
- ▶ Initiatives to Achieve Zero Emissions
- ▶ Occupational Health and Safety on Construction Sites
- ▶ Product Safety and Quality Control in the Housing and Construction Business
- ▶ Product Safety and Quality Control in MOCCA (Timber Solutions) Business
- ▶ Communication with Our Customers > Housing and Construction Business Initiatives
- ▶ Supply Chain Management > Housing and Construction Business Initiatives

Overseas Housing and Real Estate Business



Business Overview

The Sumitomo Forestry Group has been actively entering promising growth markets since launching the housing business in the United States in 2003. Currently, the Housing and Real Estate Business is expanding even in Australia and Asia. We not only sell housing that matches the needs of the climate and natural features as well as markets in each region but also promote initiatives to create shared value through our business activities by respecting employees, local residents, corporate organizations, society and every other stakeholder.

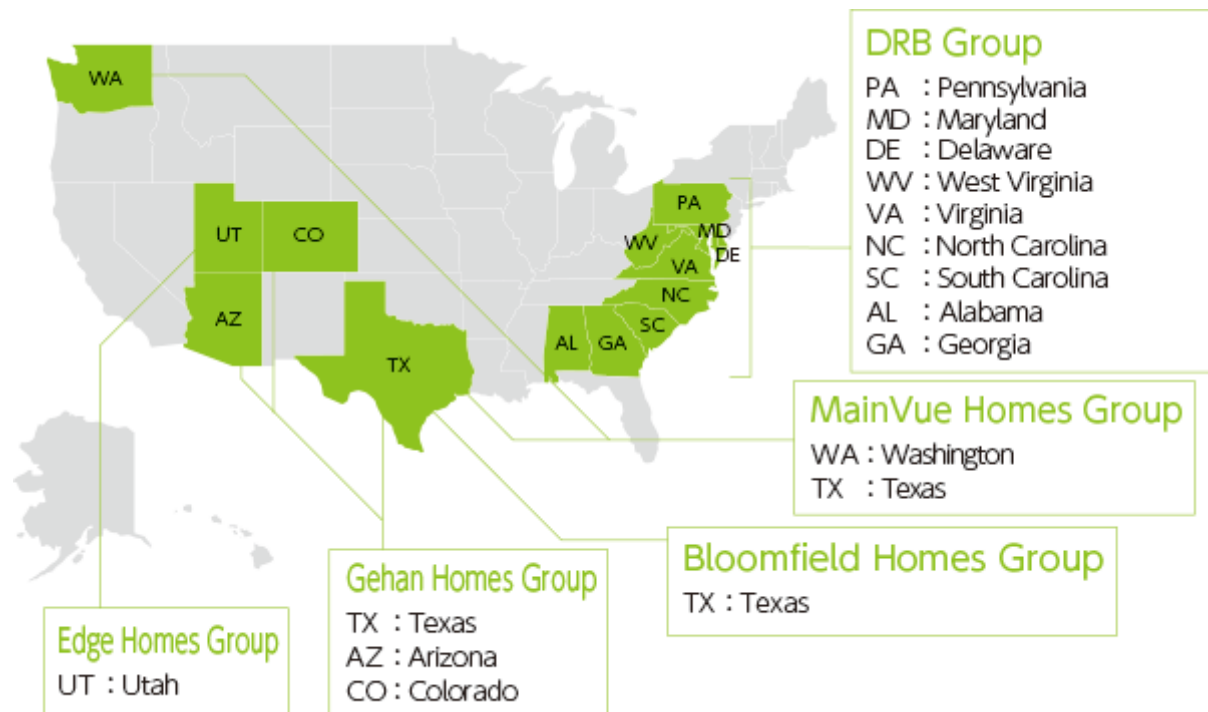


Main Business Figures (FY2020 Result)

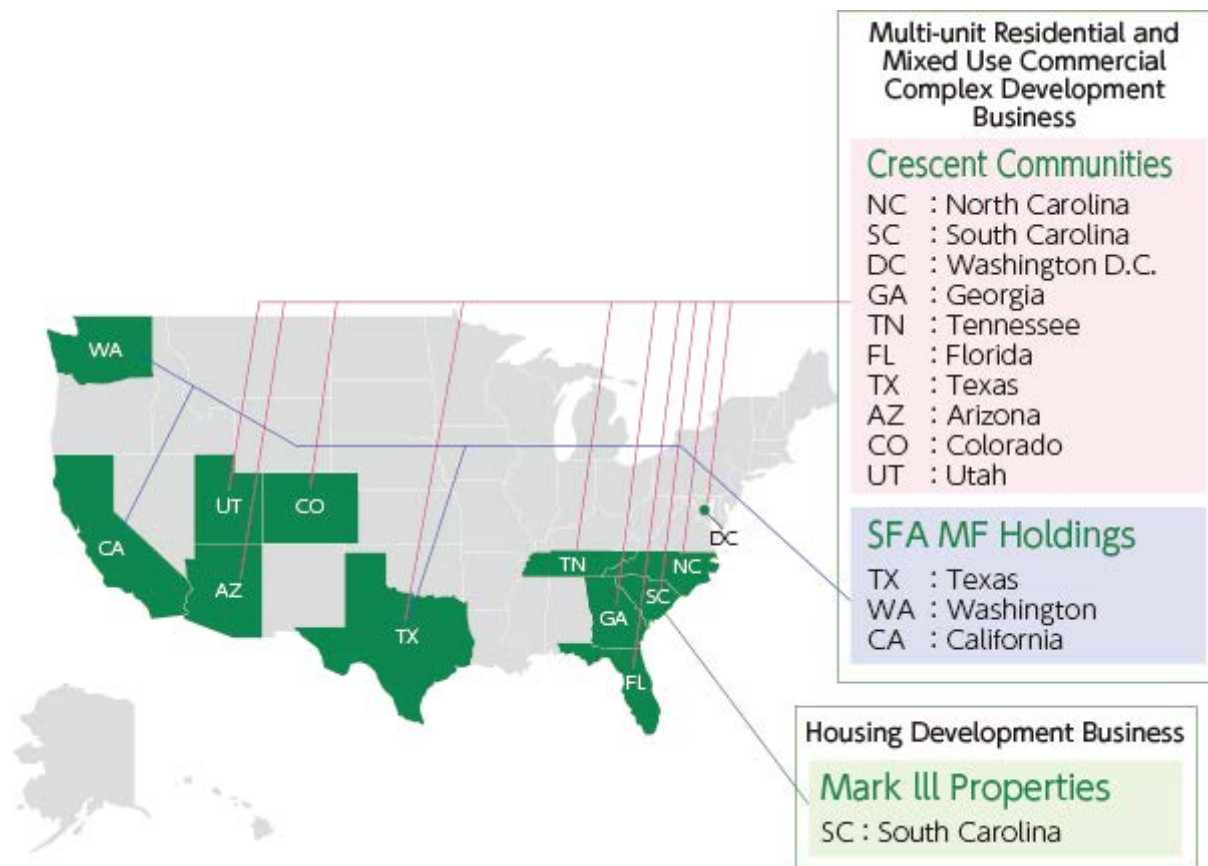
Housing sold and delivered in
the United States and Australia **11,805**

Overseas Housing and Real Estate Business Development Areas

United States Housing Construction Business Areas



United States Housing, Multi-unit Residential and Mixed Use Commercial Complex Development Business Areas



Australian Housing Construction Business Areas



Asian Real Estate Development Areas



Promote Further Integration of Business Operations and ESG Initiatives in the Overseas Housing and Real Estate Business

The Overseas Housing and Real Estate Business places value on construction that adapts to the living customs and culture of each region. We respect the management policies of our local Group companies to create a system that is able to provide products and services best suited to each region. For example, in the United States, enhancements to common areas such as walkways lush with nature and playgrounds as well as information centers built alongside pools, parks, cafés and other amenities in line with the scale of a development heighten community value and satisfaction of lifestyle environments.

In Australia, we are also improving added value toward reductions in the environmental impact by actively selling environmentally-sound housing and successfully developing zero-emission homes in addition to other initiatives.

At the same time, the Overseas Housing and Real Estate Business communicates closely with the Sumitomo Forestry head office while building a system for rapid, precise response to material issues whether risk evaluations in the development of housing and real estate or efforts to ensure on-site occupational health and safety.

ESG Initiatives in the Overseas Housing and Real Estate Business

- ▶ Sales of Environmentally-friendly Housing Overseas
- ▶ Occupational Health and Safety at Overseas Housing Construction Sites
- ▶ Human Rights Initiatives
- ▶ Risk Management > Risks in Operations

Environment and Resources Business



Business Overview

The Environment and Resources Business is acquiring SGEK and other forest certifications across roughly 48,000 ha (about 1/800 of the national land area) of company-owned forests in Japan while strategically expanding forest management based on a policy of “sustainable forestry” that plants, cultivates, harvests and replants trees.

In Indonesia, Papua New Guinea and New Zealand, we own and manage approximately 231,000 ha of plantation forest, including forests which have acquired the Forest Stewardship Council (FSC) and other third-party forest certifications, which help conserve biodiversity and contribute to the development of local communities.

Other initiatives primarily include the development of a wood biomass power generation business in Japan as a renewable energy business that effectively uses wood and other resources.



Main Business Figures (FY2020 Result)

Managed and owned forest area

Japan: Approx. **48,000 ha**
Overseas: Approx. **230,000 ha**

Domestic and overseas certified forest area

Japan: Approx. **48,000 ha**
Overseas: Approx. **174,000 ha**

Power generation capacity (based on fixed cases)

Approx. **252MW**

Value Chain of Forest Management



Seedling Farming and Cultivation

We are contributing to the sustainability of forest resources and active resource production through efforts such as the construction of greenhouse-type cultivation facilities with proper environmental management using proprietary production technology for seedling containers. We also engage in tree cultivation under the concept of “the right tree in the right place,” with consideration of soil conditions at a given plantation, orientation and geography, etc.



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.



Logging / Transport

The Sumitomo Group logs in forests it owns or manages based on long-term logging plans. The timber that is harvested is transported to business partners and plants.



Site Preparation

The Sumitomo Forestry Group prepares plantations that have been harvested to build an environment allowing subsequent planting.

Value Chain of the Renewable Energy Business



Procurement

The Sumitomo Forestry Group aims to further use of scrap wood produced during construction and renovation of housing and unused forest resources as fuel for wood biomass power generation plants to generate energy and promote the business while also enhancing forest value.



Production

The Sumitomo Forestry Group strives to recycle wood waste into wood resources through our business operations supplying chips as fuels including for biomass power generation plants. We make chips from waste wood such as offcuts produced in the logging process for timber as well as wood waste produced on construction sites, in addition to unused forest resource from plantations.



Power Generation/ Wholesales

The Sumitomo Forestry Group aims to build a 300 MW power generation capacity system in the future. The wood biomass power generation business at the core of these efforts is expanding our energy business by leveraging the characteristics and conditions of each area in five regions.

Take an Integrated Approach to Business Operations and ESG Initiatives in the Environment and Resources Business

The perspective of sustainability is essential to management of forests with multifaceted functions such as water source recharge, prevention of global warming, biodiversity conservation and the supply of timber and other forest products in cycle of several decades to several centuries from the planting, cultivation and harvest to the replanting of trees.

Currently in Japan, plantations planted after the war are approaching the harvesting period, and the nation is underway trying to turn forestry into a growth industry by encouraging the use of timber. The stable supply of seedlings for replanting has become a challenge amid expectations of ongoing clear cutting while encouraging the use of domestic timber. Our domestic forestry business adopted leading-edge forestry equipment to improve productivity while furthering preparations and enhancements for a seedling production system among other initiatives.

In our overseas plantation forest operations, worldwide deforestation and stronger regulations on harvesting natural forest are expected to reduce the supply of natural wood even more. In this business climate, the Sumitomo Forestry Group engages in sustainable forest management and industrial material production harmonized with local communities and the environment. This includes the development of large-scale plantation forest operations and the use of cut raw wood as raw materials of our manufacturing business.

The renewable energy business mainly promotes wood biomass power generation that uses chipped scrap wood and unused forest resources as fuel to address the insufficient supply of sustainable energy services. Not only does this business supply renewable energy, but it also contributes to the advancement of forestry from the effective use of forest resources to local forest environment maintenance.

ESG Initiatives in the Environment and Resources Business

- ▶ [Mitigation of Climate Change](#)
- ▶ [Sustainable Forest Management](#)

Lifestyle Services Business



Business Overview

The Lifestyle Services Business is expanding a broad range of lifestyle-related services focusing on elderly care businesses in downstream businesses that support people's lifestyles. We are making use of the experience and knowledge in creating comfortable living spaces that have been cultivated over many years in the housing business to develop a variety of services which primarily provide safe and secure living environments for seniors.

In addition to elderly care businesses, the Sumitomo Forestry Group is also involved in the VISON lodging business being developed in Taki-cho, Mie Prefecture, Japan. The joint industry, government and academia project takes advantage of local resources with the goal of advancing industry and creating jobs around the keywords of food, nature and health.

Moreover, we are also involved with insurance and other businesses with the hope of achieving a vibrant society where people can live healthy lives.



Main Business Figures (FY2020 Result)

Sumirin Fill Care

Number of private-pay elderly care facilities **16**

Number of day service sites **3**

Sumirin Care Life

Number of private-pay elderly care facilities **4**

Number of home nursing care service sites **7**

Sumirin Enterprises

Insurance business revenue **1,295 million yen**

Number of insurance business site **13**

Number of insurance companies managed **12**

Sumirin Fill Care

Sumirin Fill Care manages 16 private-pay elderly care facilities and other sites mainly in the Tokyo metropolitan area under themes to connect people with the warmth of wood and provide elderly care services suitable for the changing times. The adoption of revolutionary systems using ICT and guidance from experts of those systems is actively advancing the use of the latest technologies at elderly care sites, such as the promotion of the original Forest Life service that maintains and betters the living environment and the health of everyone who uses these facilities.

Sumirin Care Life

Sumirin Care Life provides lifestyle support services tailored to the life stage of each resident in cooperation with various recreational facilities and medical institutes. Moreover, a substantial number of staff handles each service to achieve the most comprehensive support system. Elegano Nishinomiya which opened in May 2020 as well as four other large-scale private-pay elderly care facilities and seven stations providing home nursing care services are currently in operation.

Promote Further Integration of Business Operations and ESG Initiatives in the Lifestyle Services 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 2019, the aging rate reached 28.4%*, and is estimated to exceed 30% by 2025. This rapidly advancing trend toward a super-aged society is one of the most critical societal issues Japan faces.

In an effort to expand a business that helps to solve this social issue, the Lifestyle Services Business is increasing the number of rooms added through new facility construction. The Mid-Term Sustainability Targets set a goal of increasing the number of rooms of private-pay elderly care facilities to 2,014 rooms.

* Source: Annual Report on the Aging Society, 2020 ed.

ESG Initiatives in the Lifestyle Services Business

► Lifestyle Services Business Initiatives

Research & Development

Overview

Wood has great latent potential. This includes possibilities for everything from the global, urban and living environments to the physical and mental health of people. Wood also potentially holds many important solutions to the problems that we encounter in our lives today. Constant technical development is essential to tap into this potential of wood and heighten its value. The Tsukuba Research Institute has been fulfilling the role of realizing this potential of wood by supporting the foundation of the Sumitomo Forestry Group with leading-edge research and technical development capabilities related to wood since its establishment in 1991.



Main Figures (FY2020 Result)

Research and
development expenses **1,612** million yen

Research and Development System and Fields

The Tsukuba Research Institute engages in two main types of research and development using a seven group organization: corporate research and development to bring about future technology in the long term as well as research and development linked to business divisions for the purpose of driving profitability in the short-to medium-term. We believe taking a medium-to long-term perspective breaking from existing ideas is vital as society and the lifestyle environment changes at a bewildering rate. By finding unconventional ways to use wood and by enhancing the added value therein, the Sumitomo Forestry Group strives together as one under new research and development themes with the goal of not only supporting society and people's lives but also contributing to a prosperous global environment.



► [Tsukuba Research Institute Website](#)

Research Results Benefiting People and Society

The Sumitomo Forestry Group announced its W350 Plan in 2018. This plan is a research and technology development roadmap to realize a Timberized Eco City with tall wooden high-rise buildings by 2041, which is also Sumitomo Forestry's 350th anniversary. We will spark innovation aiming to encourage a sustainable cycle of wood use and forest management and work to fulfill our goal of achieving a Timberized Eco City that changes a city to forest while thinking the sustainability in people's lifestyles and the global environment. The Sumitomo Forestry Group will give back a wide range of research results gained at Tsukuba Research Institute to people and society through our businesses to 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.

- [Research and Development Related to Life Cycle CO₂ \(LCCO₂\)](#)
- [Toward the Future -Aiming for the Timberized Eco Cities with W350 Plan-](#)

Environmental Report

Environmental Management

Responding to Climate Change

Sustainable Forest Management

Biodiversity Conservation

Resource Conservation and Waste Reductions

Pollution Prevention

Efficient Use of Water Resources

Environmental Impact of Business Activities

Environmental Related Data

Sumitomo Forestry Group's Environmental Management

Sumitomo Forestry Group's Environmental Management

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 Policy in 2000.

Moreover, in 2015, the Group has initiated the Sumitomo Forestry Group Environmental Policy, bringing together the Environmental Philosophy, the Environmental Policy, the Sumitomo Forestry Group Declaration of Biodiversity, and the Sumitomo Forestry Group's Biodiversity Action Guidelines. The Environmental Policy 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 sustainability procurement survey is conducted for the selection and evaluation of suppliers based on the Sumitomo Forestry Group Environmental Policy 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 Policy 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 Policy 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. Currently, the Sumitomo Forestry Group is further enhancing its environmental management in accordance with these goals.

- ▶ [Corporate Philosophy and Sustainability Management](#)
- ▶ [Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities](#)
- ▶ [New Business Plan Risk Assessment](#)

Sumitomo Forestry Group Environmental Policy

Through our experience nurturing forests since our founding, Sumitomo Forestry Group has learned to appreciate the wonders of wood and the importance of nature. As a corporate entity with a close affinity to nature, we will pursue business activities that balance both environmental and economic interests and contribute to a sustainable society.

1. Develop business operations centered on wood and forests

We will cultivate forests and their ability to preserve and enhance the rich ecosystem to protect biodiversity, actively utilize timber resources and create new corporate value.

2. Develop and offer environmentally conscious products and services

We will develop and sell products and services that are environmentally conscious throughout the entire product lifecycle.

3. Minimize and improve environmental impact

To minimize and improve environmental impact, we will employ procurement practices that prevent environmental pollution and climate change and promote the effective utilization of natural resources.

4. Ensure strict legal compliance

We will adhere to all environmental laws, rules and regulations, global standards, voluntary standards and accords with stakeholders.

5. Make continual improvements to our environmental management system

We will accurately assess environment-related risks associated with our business activities and with a mid-to-long-term outlook, set and work to fulfill yearly environment goals. In addition, we will regularly evaluate our environmental management system and make continual improvements.

6. Promote environmental education

We will provide environmental education for all parties involved in Sumitomo Forestry Group's business operations and encourage voluntary environmental efforts.

7. Pursue active communication

We will actively disclose information about our environmental policy and initiatives and pursue activities that convey the wonders of trees and forests and the importance of nature.

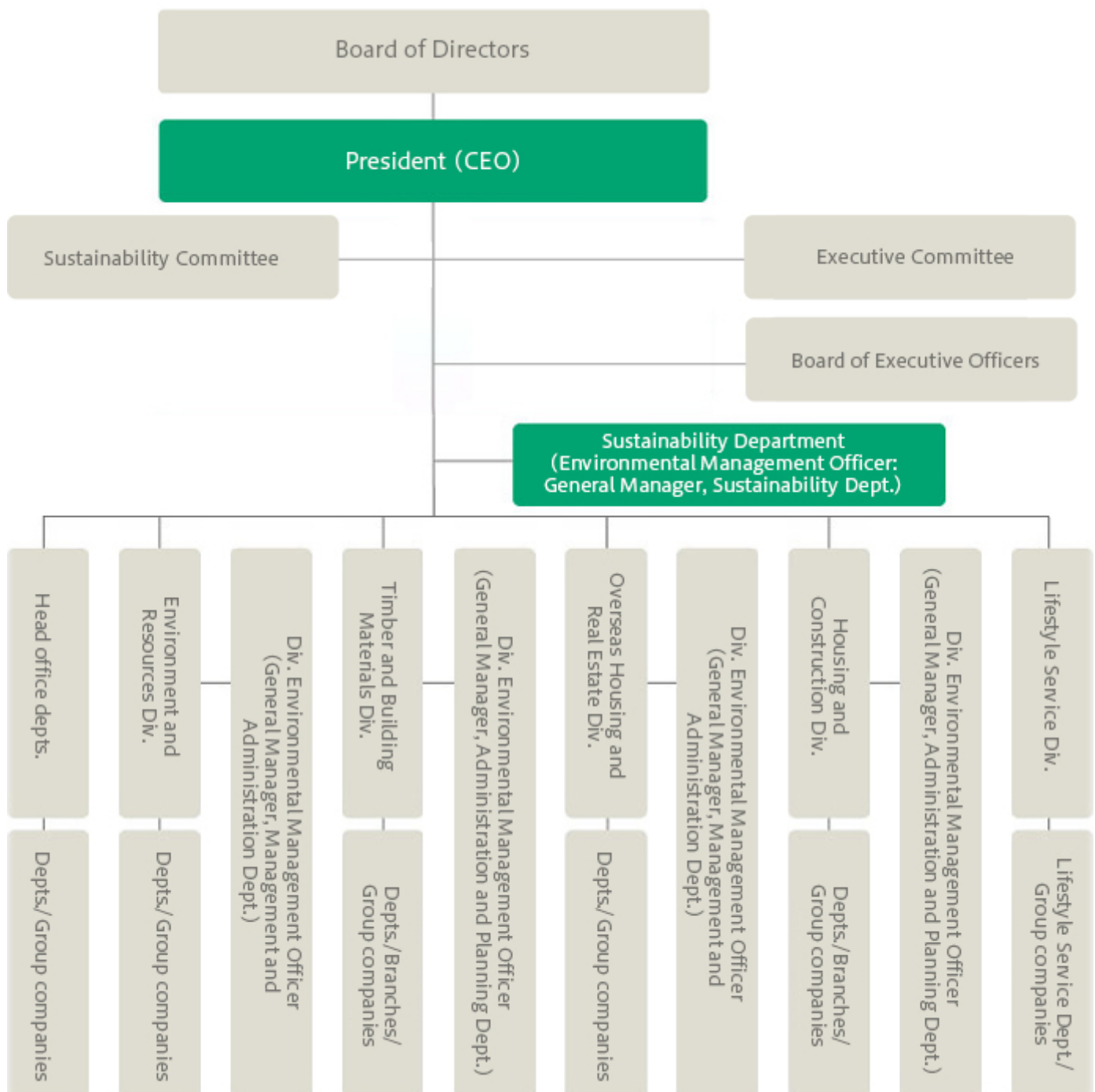
President and Representative Director Toshiro Mitsuyoshi

Environmental Management Structure

Environmental Management Structure

To ensure that management is practiced in accordance with the Environmental Policy, 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.



Roles of Environmental Management Personnel

- Group Overall Environmental Representative: President (CEO)
- Group Environmental Management Officer: General Manager, Sustainability Dept.
- Division Environmental Management Officers: General Manager, Administration and Planning Dept. (Timber and Building Materials Div.); General Manager, Administration and Planning Dept. (Housing and Construction Div.); General Manager, Management and Administration Dept. (Overseas Housing and Real Estate Div.); General Manager, Management and Administration Dept. (Environment and Resources Div.)
- Department Environmental Managers: General Managers, presidents of group companies, etc.
- Environmental activity personnel: Environmental promotion personnel

ISO 14001 Certification

Sumitomo Forestry introduced an environmental management system in fiscal 1995 and acquired ISO 14001 certification for its housing operations in fiscal 1997 ahead of other players in the housing industry. Certification was subsequently acquired for other operations with all departments and divisions in Japan achieving integrated ISO 14001 certification in fiscal 2002.

The scope of certified Group companies has been extended to businesses that have a large influence on the environment, and today the Group has four certified companies in Japan. Progress is also being made on certification of overseas Group companies, focused on manufacturing companies, with six companies already certified.

The scope of consolidated companies to be certified focuses on companies that are engaged in manufacturing business and other businesses that have a large influence on the environment. As of December 2020, the certification rate of consolidated organizations was 94.3% (based on sales).

ISO14001
Certification Rate
(Based on Sales)

94.3%

Sumitomo Forestry Group ISO 14001 Certification

Group companies		Date acquired	Date renewed (valid for three years)
Multi-site Certification at Group Companies in Japan	Sumitomo Forestry Co., Ltd. (excl. overseas operations)	August 2002 ^{*1}	August 2019 ^{*1}
	Sumitomo Forestry Landscaping Co., Ltd.	November 2002 ^{*2}	
	Sumitomo Forestry Crest Co., Ltd.	September 2003 ^{*2}	
	Sumitomo Forestry Home Tech Co., Ltd.	March 2013 ^{*2}	
	Japan Bio Energy Co., Ltd.	August 2014 ^{*2}	
Cohnan Kensetsu Inc. ^{*3}		March 2011	March 2020
Kutai Timber Indonesia (KTI)		July 2001	February 2020
Nelson Pine Industries Ltd. (NPIL)		July 2003	October 2019

Group companies	Date acquired	Date renewed (valid for three years)
PT. Rimba Partikel Indonesia (RPI)	October 2005	December 2020
PT. AST Indonesia (ASTI)	January 2007	January 2019
Vina Eco Board Co., Ltd. (VECO)	March 2014	March 2020
Pan Asia Packing (PAP)	April 2017	April 2020

*1 Certification was acquired by individual departments and divisions from 1997 before integrated ISO 14001 certification was acquired for the entire company.

*2 Acquired by inclusion in Sumitomo Forestry's integrated certification

*3 Joined the Sumitomo Forestry Group in January 2021.

Audits by External Certification Bodies

Companies covered by the multi-site integrated ISO 14001 certification in Japan undergo routine reviews conducted once a year by the certification body JIC Quality Assurance Ltd. In fiscal 2020, 45 departments at five companies underwent surveillance and transition reviews for the ISO 14001: 2015 (JISQ 14001: 2015).

As a result of these reviews, no incompatibilities and 54 points of advice for improvement were identified as matters to be observed. On August 13, 2020, the companies under review were approved to sustain their registration after the assessment.

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. In particular, when creating environmental impact evaluations, careful attention was paid during audits because the observations pointed out points such as whether impact evaluations were conducted by extracting environmental factors based on operational processes (whether the life cycle is taken into account) and whether relationships such as those with environmental laws and regulations were properly recognized.

The impact of Coronavirus disease (COVID-19) delayed assessment periods for some overseas manufacturing companies, but the certifications were updated without problems.

Internal Environmental Audits

In addition to reviews conducted by external certification bodies, companies covered by the multi-site ISO 14001 certification periodically carry out internal environmental audits. These audits are implemented by employees who have passed an exam upon completion of an in-house training course taught by third-party instructors to become internal environmental auditors.

Following the amendments of the international standards in September 2015, requiring these courses be taken and passed by all general managers within the scope of the registration in particular enhances understanding about the revisions to these standards and strengthens leadership. As a result, the number of employees certified as internal environmental auditors has reached a cumulative total of 1,390 (as of the end of fiscal 2020).

Internal environmental audits are in the sixth 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 78 departments from June 2020 to October 2020, following the audits conducted in fiscal 2019 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.

Each of our overseas manufacturing companies has acquired the certification and conducts internal environmental audits. The Sumitomo Forestry Group has a system in which any serious problems or irregularities that occur as a result of these internal environmental audits are reported to Sumitomo Forestry through the management team at each company.

Compliance and Violations of Environmental Laws

The Sumitomo Forestry Group had 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 2020, the Sustainability Committee invited outside lecturers to provide a study session under a theme to think about the forest policies and challenges facing forests worldwide through climate change and Coronavirus disease (COVID-19). This seminar emphasized the importance of business stories in anticipation of a society after the COVID-19 and a society responding to climate changes as well as innovations and the commitment to achieve the SDGs.

► Risk Management Framework

Climate Change and Biodiversity-related Risks and Strategies

Responding to Natural Disasters

Damage from a major earthquake, windstorm, flood or other natural disaster could result in significant costs arising from restoring operations at facilities, verifying the safety of delivered housing products, delays in the completion and handover of contracted properties, or other events. Such costs could influence the Group's operating results and financial position.

As countermeasures, Sumitomo Forestry promotes the sale of homes built with highly seismic resistant BF construction method as well as the sale of resilience housing equipped with the functionality to sustain living for a certain period of time even if lifelines are cut. Furthermore, we are building a service framework that aims to provide rapid assistance through IoT technology that rapidly grasps the damage during a disaster in real time.

► Adaption to Climate Change

Responding to Changes in the Wood Cultivation and Procurement Regulations

Because Sumitomo Forestry positions wood as its principal material and product, the risk of higher costs as well as the risk of having to change suppliers in the event of limitations being imposed due to the depletion of timber resources or changes to habitats resulting from climate change and the loss of biodiversity.

Sumitomo Forestry imports timber and wood products from more than 20 different countries and strives to place representatives in primary locations to collect information to mitigate the risk of changes in timber cultivation and timber procurement regulations. The company also makes efforts to verify legal compliance, such as deploying employees from the head office. We work to procure legally harvested timber throughout the entire Group in accordance with the Clean Wood Act enacted in May 2017, such as becoming the first company to register in Japan.

► Distribution Business 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 due to Tax for Climate change measures enforced in October 2012. Achieving targets outlined in the Paris Agreement could result in changes such as higher taxes and the adoption of new carbon taxes, which could influence business activities and costs.

As a countermeasure, Sumitomo Forestry sets greenhouse gas reduction target for each Group company and department and pursues those reductions based on the numerical targets that are drafted each fiscal year.

► [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.

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. We also engage in dialogues with our stakeholders as necessary and provide opportunities for these stakeholders to share their opinions with us.

► [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 2020, 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 2020, managers from the Housing and Construction Division conducted approximately 476 on-site checks at roughly 541 waste treatment plants run by 326 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 2020, 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 2020, a total of 52 people participated, including newly appointed personnel in charge of industrial waste processing at Group companies in Japan. Furthermore, in April 2020, the Sumitomo Forestry Group created an e-learning program on basic waste management to teach the fundamentals of industrial waste management and built a system for employees to undergo this curriculum via the intranet.

► Waste Reduction and Recycling Management

Soil Contamination

Soil contamination is difficult to discover as contaminants build up and spread underground out of sight. The Sumitomo Forestry Group implements soil contamination countermeasures for land owned or administered by the Group and conducts voluntary soil contamination studies prior to new land purchases in the subdivision business. We are in compliance on land applicable to the Soil Contamination Countermeasures Act.

Water Pollution

Water pollution creates the risks of human health being directly affected by contamination of drinking water and of contamination affecting the habitats of organisms living in rivers, lakes and seas. Inspections entrusted to external measurement agencies are conducted once every two months and daily water quality tests are done internally through automatic COD measurement devices for the waste water expelled from waste water processing facilities in the Sumitomo Forestry Crest Imari Plant, which is a specified office under the amended Water Pollution Control Act of Japan, and the inspection results are issued to the local municipalities every six months.

Water is also sampled and inspected by the prefecture once a year and by the city three times a year. Through this measure, all inspections found the level of water pollution to be within the statutory limit for wastewater.

In addition, the Tsukuba Research Institute is considered a specified office under the amended Water Pollution Control Act of Japan and therefore, delivers notification of updates to some testing equipment and new installations according to this law. The Institute also conducts water quality inspections once every month through an external measurement agency to monitor those results and issue reports to Tsukuba City once every six months.

► Pollution Prevention

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 NOx, SOx and soot and dust, and dioxins, respectively, and monitor that these figures are maintained below the statutory limits.

► Pollution Prevention

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 2020.

Global Warming (Addressing the Act on Rational Use and Proper Management of Fluorocarbons)

In April 2015, the Fluorocarbons Recovery and Destruction Law came into force for the purpose of promoting drastic measures over the entire lifecycle of chlorofluorocarbons that have a strong greenhouse effect, from manufacture to disposal.

Since April 2020, regulation based on the law have been further strengthened, and the Group has taken steps to disseminate the details and take appropriate measures.

In most cases, the Sumitomo Forestry Group leases its offices in buildings, and since the Group is primarily engaged in the construction and sale of housing and the manufacture and distribution of processed wood products, it does not own (or manage) that much commercial refrigeration and air conditioning equipment (air-conditioners, refrigerators, etc.). However, in response to the enactment of this law, we are conducting periodic simple inspections of the same equipment that is using fluorocarbons as a coolant as well as executing legal and periodic inspections for devices with compressors that have 7.5kW or higher rated output. Furthermore, Sumitomo Forestry promotes the transition to products that do not use fluorocarbons in accordance with the Law on Promoting Green Purchasing when replacing existing equipment or purchasing new equipment.

Responding to TCFD

Responding to TCFD

Established by the direction of the Financial Stability Board (FSB) in April 2015, the Task Force on Climate-related Financial Disclosures (TCFD) issued its final report in June 2017. The TCFD requires the disclosure of information on four aspects of climate change risks and opportunities: governance, strategy, risk management, and metrics and targets. In particular, strategic aspects recommend disclosure about strategic resilience according to investigations conducted according to future climate scenarios. Sumitomo Forestry Group has undertaken this as one of its agenda items, recognized the risks associated with climate change as serious risks, and announced its support to the TCFD in July 2018. Based on the TCFD recommendations, scenario analysis was begun the same year.

In the initial scenario analysis, the timber and building materials, and the housing and construction business— core businesses of Sumitomo Forestry—examined the circumstances in 2030 according to two scenarios anticipating the global average temperature rising by two degrees Celsius and four degrees Celsius compared to temperatures before the industrial revolution. These findings were reported to the Sustainability Committee and Board of Directors. In addition, the Sumitomo Forestry Group has set targets in the Mid-Term Sustainability Targets for further initiatives in the future based on the scenario analyses.

► [Material Issue 5: Corporate Ethics and Governance Structures](#)

Governance Related to the Issue of Climate Change

The Sumitomo Forestry Group will promote the response to issue of climate change centered on the Sustainability Committee, similarly as other ESG challenges. The Sustainability Committee, chaired by the President and composed of members made up of executive officers, directors and each divisional manager, formulates and promotes initiatives for medium to long-term ESG challenges related to the sustainability of the Sumitomo Forestry Group in addition to analyzing risks and opportunities, conducting progress management of the Mid-Term Sustainability Targets, which incorporate business strategies toward achieving the SDGs, including monitoring of implementation and effectiveness of the Our Values and Code of Conduct. The content of all committee proceedings is reported to the Board of Directors.

- [Sustainability Committee](#)
- [Risk Management Framework](#)

Identifying and Evaluating Risks and Opportunities

In business operations in which we position wood as our principal material and product, a major transitional business risk that we face is the increase in timber procurement costs associated with stricter regulations such as forest protection policies and logging regulations. Examples of physical risks include the increased costs associated with delayed construction processes and decreased efficiency of housing construction caused by increasingly intense natural disasters and the impact of abnormal weather involving temperature rises. At the same time, the advance of regulations against fossil fuels provide a boost (opportunities) for our biomass energy generation operations business and demand for fuels made from wood chips.

Our corporate headquarters has worked with each division in these scenario analyses to identify risks and opportunities and to evaluate the impact mainly from financial aspects. We discussed measures to prevent risks with respect to the items identified as material risks and opportunities, and reported them to the Sustainability Committee and the Board of Directors. In the future, we will increase the accuracy of our scenario analyses and discuss how to reflect them in our mid-term management plan and other business planning, while moving forward with the creation of business strategies for the resilience that will see us through into an uncertain future.

Risk Assessment in Timber and Building Materials Business

	Risk category	Impact on operations	Risk level
Transition Risks	Carbon emission targets, policies in each country	<ul style="list-style-type: none"> Increased timber procurement costs due to policies related to forest carbon sinks. 	High
	Forest conservation policies	<ul style="list-style-type: none"> Increased timber procurement costs due to logging taxes, logging fees and other. 	High
	Energy conservation and other subsidy policies	<ul style="list-style-type: none"> Increased revenues from the promotion of wood biomass operations. On the other hand, if subsidy policies are abolished, decreased revenues. 	High
	Changes in energy mix	<ul style="list-style-type: none"> Increased revenues if biomass is incorporated into each country's sustainability criteria. On the other hand, higher costs of biomass fuel (wood chips) with an increase in demand. 	High
	Economic stagnation with global warming regulations	<ul style="list-style-type: none"> A fall in demand for wood building materials and a decrease in revenues if construction is suppressed. 	High
	Increase / decrease in demand for important products and increase / decrease in product price		Low to moderate
	Advances in next-generation technologies		Low to moderate
	Popularization of renewable energy/energy conservation technologies		Low to moderate
	Changes in investor evaluation		Low to moderate
Physical Risks	Rise in average temperatures	<ul style="list-style-type: none"> Increased timber procurement costs with forest fires and tree diseases, insects and other. On the other hand, rising temperatures and increased precipitation will lengthen the growth period. This will increase productivity, which may reduce timber procurement costs. 	High
	Changes in rainfall and climate patterns	<ul style="list-style-type: none"> Increased timber procurement costs with changes in the regions where we can plant and procure trees. 	High
	Intensification of abnormal weather	<ul style="list-style-type: none"> A fall in revenues due to factory shutdowns. Increased timber procurement costs with a decline in forest resources. 	High

Risk Assessment in the Housing and Construction Business

	Risk category	Impact on operations	Risk level
Transition Risks	Carbon emission targets, policies in each country	<ul style="list-style-type: none"> Increased timber procurement costs due to policies related to forest carbon sinks. 	High
	Forest conservation policies	<ul style="list-style-type: none"> Increased timber procurement costs due to logging taxes, logging fees and other. 	High
	Policies related to buildings	<ul style="list-style-type: none"> Additional investments and renovation costs to comply with policies. A continuation of the subsidy program will create a monetary incentive. Depending on the policy, this may impact market competitiveness and revenues. 	High
	Changes in customer evaluation	<ul style="list-style-type: none"> If customer awareness of climate change increases, customer preference will move toward the use of certified timber, increasing procurement costs. 	High
	Energy conservation and other subsidy policies		Low to moderate
	Fossil fuel subsidy program		Low to moderate
	Changes in energy mix		Low to moderate
	Changes in investor evaluation		Low to moderate
Physical Risks	Intensification of abnormal weather	<ul style="list-style-type: none"> In the event of a major natural disaster, increased construction costs due to schedule delays, equipment repairs or replacement, and other factors. An increase in extremely hot days will lower outdoor work productivity. Increased costs due to construction delays and maintaining and enhancing worker health. 	High

► Climate Change and Biodiversity-related Risks and Strategies

Climate Change Related Opportunities and Strategies

Expanding Housing Sales in Concert with Government ZEH Promotion

Japan has launched policy targets that aim for more than half of all custom-built detached houses constructed by housing manufacturers and other companies to be ZEH compliant by 2020 as a countermeasure global warming approved by Cabinet decision in May 2016.

Working in concert with this policy, Sumitomo Forestry is promoting ZEH housing sales with a ZEH order ratio goal set in the Mid-Term Sustainability Targets while also leveraging the appeal of Double Power Generation that distinguishes our ZEH homes by using both solar panel cells and fuel cell batteries for residential use. This gives us a competitive edge that is boosting our ZEH ratio. Sumitomo Forestry has also adopted 360° TRIPLE Insulation as a standard that enhances the thermal insulation performance of custom-built detached homes (excluding fireproof specifications). In addition to offering high-performance thermal insulation materials, the standard provides all-around insulation for buildings as a whole from structural materials to windows with high thermal performance. 360° TRIPLE Insulation creates a living space that stays cool in the summer, warm in the winter and increases energy-saving performance.

In the 2030 scenario analyses, the ZEH ratio required by the government is even higher in the scenario with a 4-degree Celsius rise while a ZEH with even higher energy efficiency becomes the standard in the scenario with a 2-degree Celsius rise. In both scenarios, we anticipate an increase in market competitiveness for Sumitomo Forestry homes due to our technical development capabilities.

* Values based on orders include ZEH, Nearly ZEH and ZEH Oriented.

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

Target (%)
(FY2021)

80%

Percentage of orders for ZEH type
houses out of new custom-built
detached housings Results (%)

(FY2020)

52.1%*

► 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. We forecast greater profitability by expanding the supply of wood chips for fuel for biomass power generation.

The Sumitomo Forestry Group wood biomass power generation business expanded to four domestic locations by March 2019. The Kanda Biomass Power Generation Plant in Fukuoka Prefecture is set to start operations in June 2021 while the Morinomiya Biomass Power Generation Plant in Miyagi Prefecture should be up and running by November 2023. These two power generation plants will give the Group a total power generation capacity of roughly 251.6 MW, which will supply electricity to approximately 555,000 households.

Our scenario analyses forecast biomass power generation which currently makes up 1.7% of the power composition in Japan will rise to 3.7% with a 4-degree Celsius rise and 4.6% with a 2-degree Celsius rise by 2030 in light of the overall Agency for Natural Resources and Energy policies to realize the ideal energy mix toward 2030. The Sumitomo Forestry Group anticipates growing sales in the biofuel chip supply business due to these policies.

* Data collection period: January to December 2020

Amount of biofuel material used
(such as wood chips and pellets)

Target (t)
(FY2021)

1,363,930t

Amount of biofuel material used
(such as wood chips and pellets)

Results (t)
(FY2020)

1,465,901t*

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

Climate Change Countermeasure Metrics and Targets

At Sumitomo Forestry, our climate change countermeasures are driven by quantitative targets that are set each fiscal year by each department within each group company based on the Sustainability Targets, SBT and RE100 as metrics by which climate-related risks and opportunities are evaluated and managed.

- ▶ [Mid-Term Sustainability Targets of Our 2021 Mid-Term Management Plan and Material Issues](#)
- ▶ [Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities](#)
- ▶ [Mitigation of Climate Change](#)

Mitigation of Climate Change

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 submitted a commitment letter to SBTi* to establish an SBT for the entire Group in June 2017. The new set of long-term greenhouse gas reduction targets has been approved as SBT by SBTi in July 2018. Its progress and results are explained below.



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

Sumitomo Forestry Group will further strengthen its energy-saving activities, promote use of renewable energy, and other initiatives to reduce greenhouse gas emissions and mitigate climate change based on the SBT.

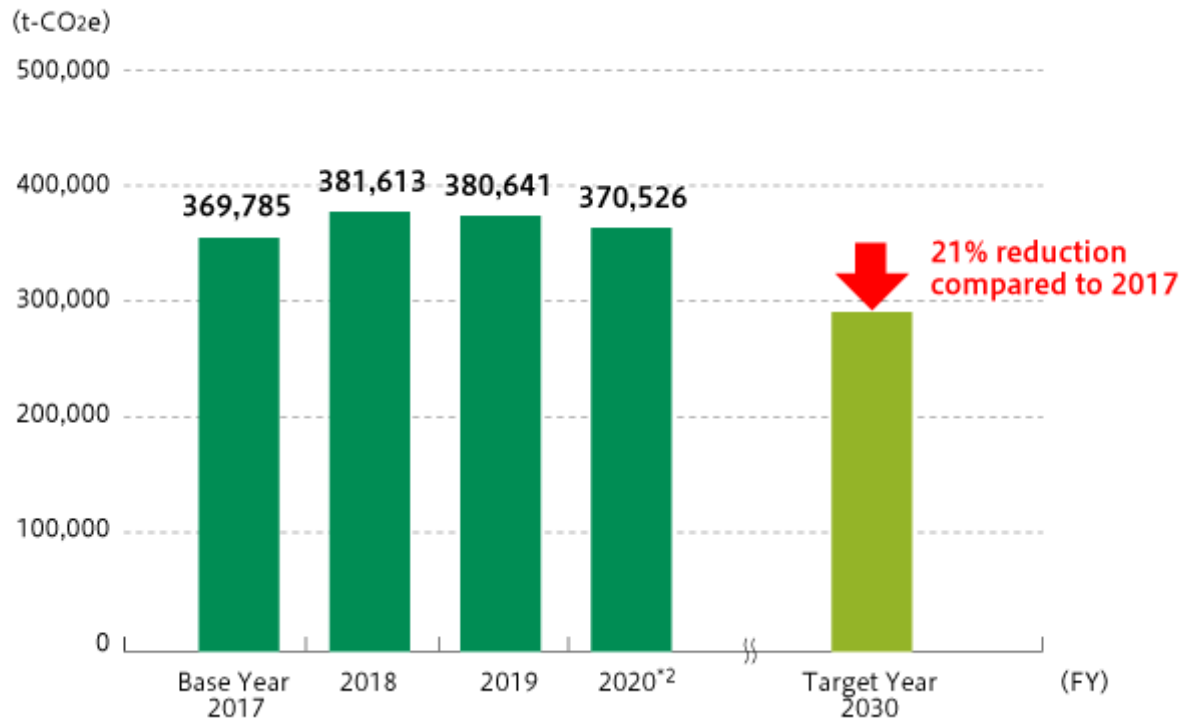
* The SBTi was established in 2015 as a collaboration of four organizations - CDP (formerly the Carbon Disclosure Project), the UN Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The SBTi defines and promotes best practice in science-based target setting,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

Progress on Reaching Our SBTs

In July 2018, the revised Sumitomo Forestry Group greenhouse gas emission reduction targets were officially approved by SBTi. In fiscal 2020, scope 1 and scope 2 emissions declined 3% compared to fiscal 2019 due to shorter operation of plants mainly due to the impact of the novel coronavirus pandemic and the adoption of solar power generation panels at plants in Japan. Scope 3 emissions rose 1.9% compared to fiscal 2019 resulting from an increase of delivered household sales in the overseas housing and real estate business as well as the addition of Scott Park as a Sumitomo Forestry Group company.

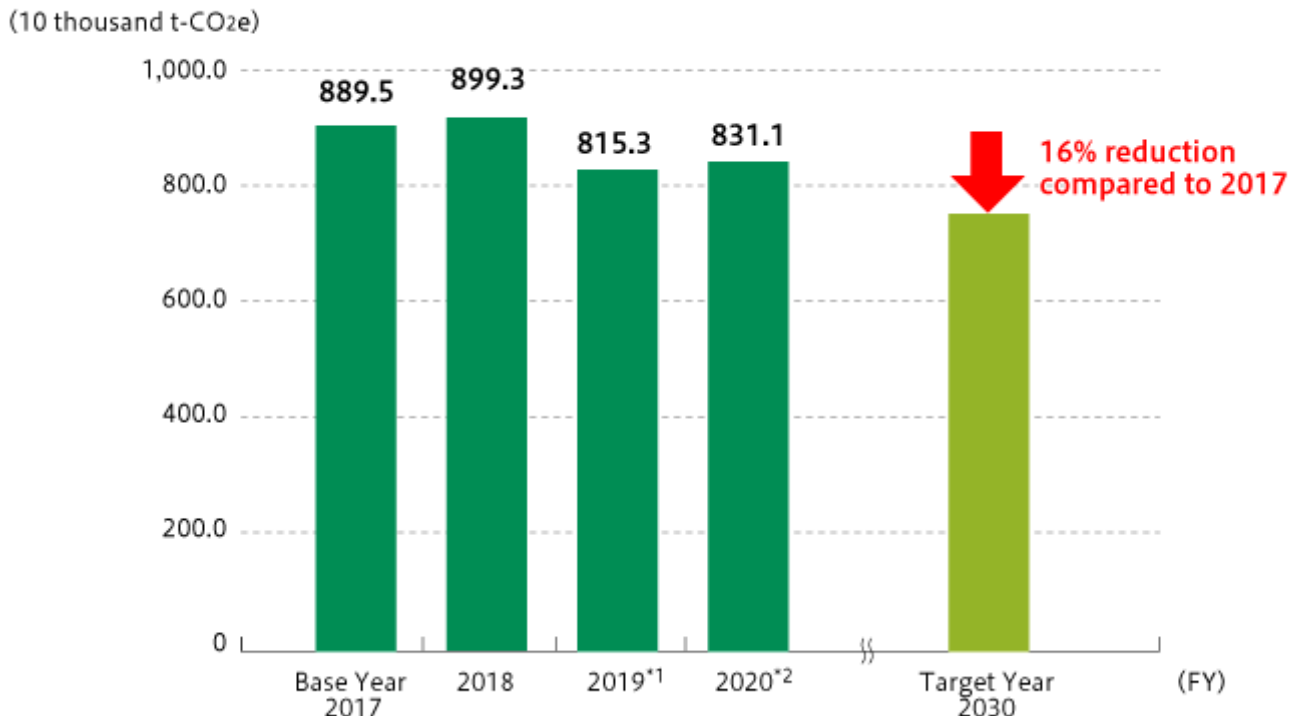
In October 2018, the Intergovernmental Panel on Climate Change (IPCC) also issued its Special Report on Global Warming of 1.5°C, which published the latest scientific findings regarding global warming. According to this report, limiting global warming to 1.5°C compared with 2°C above pre-industrial levels by the end of this century will have a significant difference in impact on the global environment. In light of the Special Report on Global Warming of 1.5°C, the SBT initiative revised its reduction targets for two types of greenhouse gas emissions for the SBT certification in April 2019 to well-below 2°C above pre-industrial levels to pursue efforts to limit warming to 1.5°C (in effect as of October 2019). The Sumitomo Forestry Group is driving forward internal adjustments to further reduce greenhouse gas emissions in the future from its business activities in accordance with the revised SBT targets.

Progress toward our science-based reduction target: Scope 1 and 2



Progress toward our science-based reduction target: Scope 3 (Category 1 and 11)

16% reduction of total greenhouse gas emissions from Category 1 and 11 compared to 2017 by 2030



^{*1} The calculation method for Category 1 emissions of Scope 3 was revised to apply Accounting Standards for Revenue Recognition (Corporate Accounting Standard No. 29) as of fiscal 2019.

^{*2} The period of data collected for total emissions in fiscal 2020 is from January to December 2020 while the period of data for emissions collected in the previous years was from April to March.

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

Aiming for 100% Renewable Energy and Joining the RE100

The Sumitomo Forestry Group positions reduction of environmental impact of our business activities as one material issue that needs to be addressed and strives to engage in energy-saving activities and use of renewable energy. As part of these initiatives, we joined the international RE100* initiative that aims for 100% of electricity used to be from renewable energy in March 2020 to accelerate our efforts to reduce greenhouse gases.



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

* RE100 is an international initiative run jointly by The Climate Group, a global environmental NGO, and the CDP. As of February 2021, 290 companies worldwide are members, of which 50 companies are Japanese.

Toward to the RE100 Goal

In fiscal 2020, the renewable energy adopted for Sumitomo Forestry Group business activities included solar power generation panels installed at our housing exhibition sites and power generated for our own use (including an adjacent wood fuel chip factory) from our biomass power generation sites. The amount of renewable energy accounted for about 17% of our total group electricity usage. The fuel derived from biomass power accounted for 88% of the quantity of fuel used for the power generation business (calorific value conversion).

To accelerate the implementation of renewable energy, we plan to have each business division set its own targets and tackle the issue as a company-wide initiative.

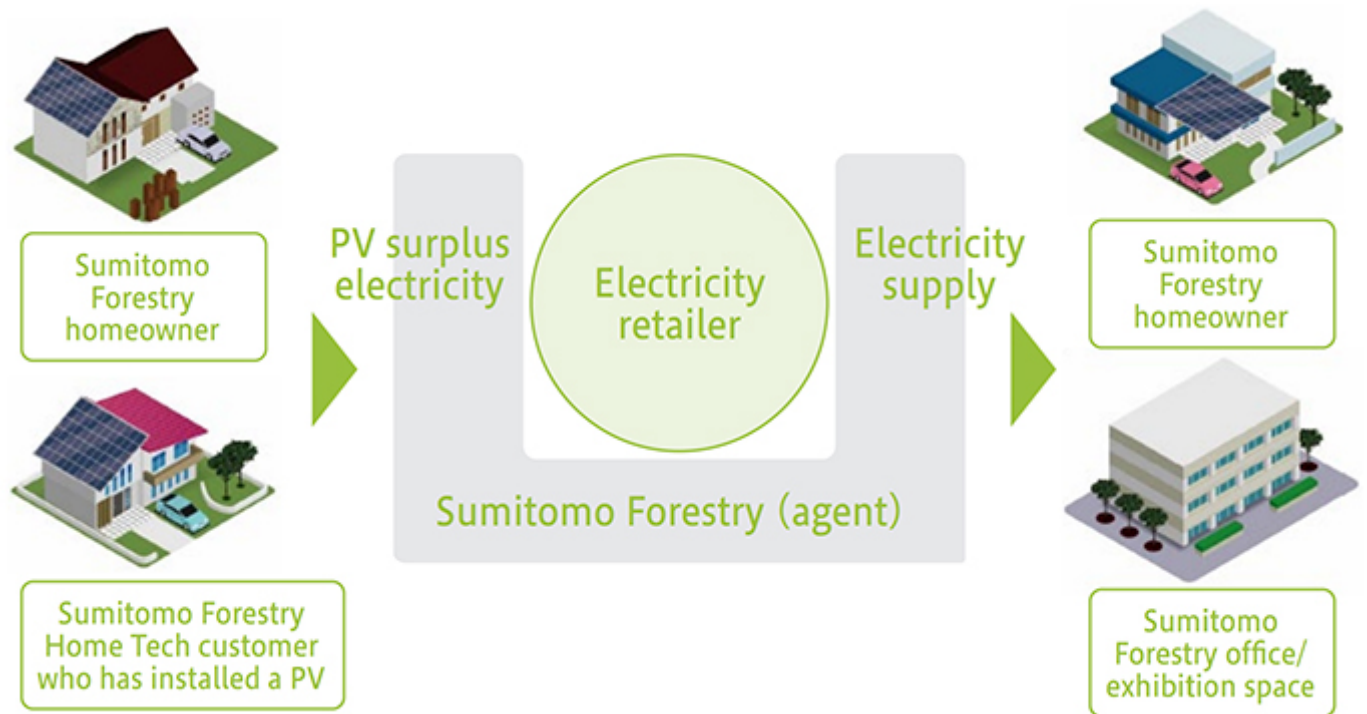
Approach to Use 100% Renewable Energy

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

Utilizing Sumirin Denki Solar Power Generation for Domestic Electricity Usage

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

We are working on ways to utilize this energy from Sumirin Denki for our business offices and appropriate it to our domestic electricity consumption. Because Sumirin Denki is based on solar power, we need to think of ways to supply electricity at night and are working on the installation of batteries as well as the procurement of other electricity sources, such as biomass power generation from our own Group operations. As of December 2020, we have 403 contracts with our customers. In the future, Sumitomo Forestry will expand the number of Sumirin Denki contracts to enhance market penetration of this initiative.



Expanding Solar Power in Our Factories

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

In May 2020, a new plant was opened in the Kashima Plant site of Sumitomo Forestry Crest, which manufactures interior materials. Under a PPA (Power Purchase Agreement) model* to hold down initial costs, we installed 1,540 solar power panels in this new factory building, which is forecasted to generate approximately 549 MWh of power annually, reducing greenhouse gas emissions by 260t-CO₂ per year. In addition, PT AST Indonesia (AST), which manufactures and sells furniture, wooden building materials and interior housing materials, is constructing a new plant to expand production. About 90% of AST greenhouse gas emissions comes from electricity consumption and with the operation of the new plant, electricity consumption is expected to increase. However, we are planning to install 3,384 solar power generation panels on the roof of the new plant, which will produce approximately 2,181 MWh of power annually, reducing greenhouse gas emissions by about 1,600t-CO₂ per year.

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

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



Exterior view of the Kashima Factory

Approaches to Realizing RE100 at Overseas Manufacturing Sites

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

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

Promotion of the Renewable Energy Business

The Sumitomo Forestry Group is advancing renewable energy generation businesses, including solar power generation as well as biomass power generation that chips and uses scrap construction wood in addition to unused forest resources and other such materials as fuel.

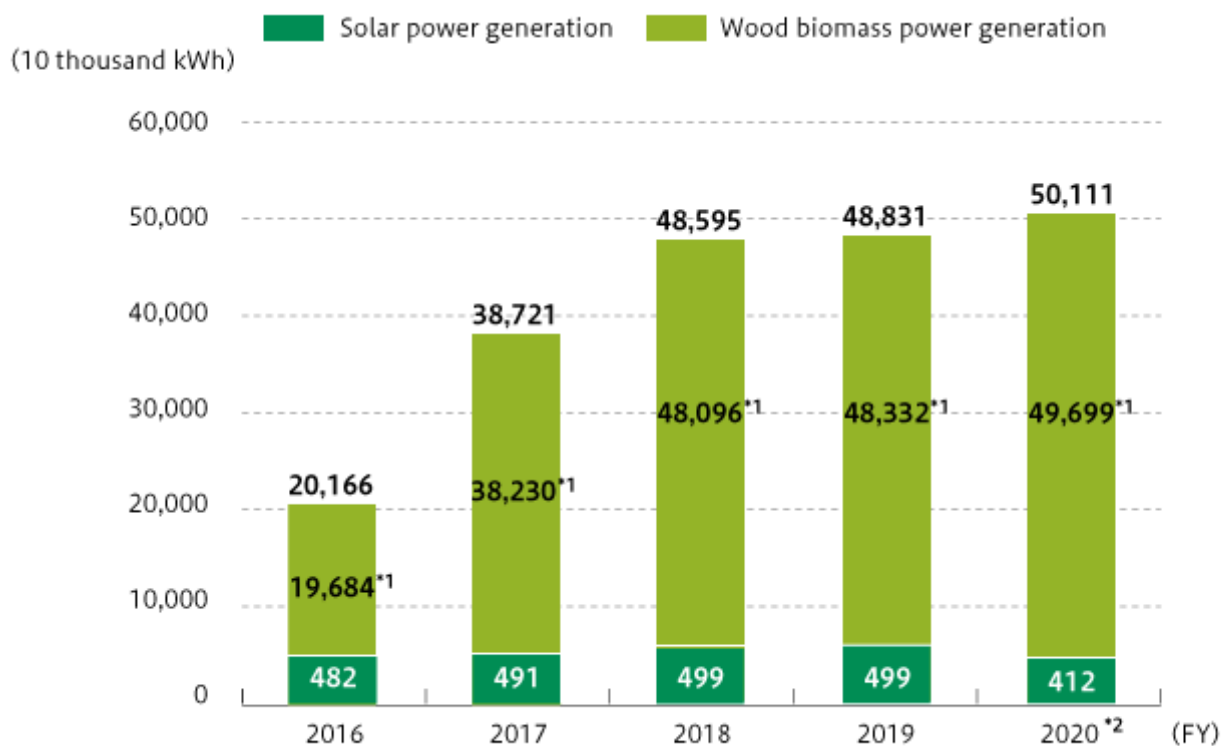
The Kanda Biomass Power Generation Plant is set to start operations in June 2021 while the Morinomiya Biomass Energy Plant should be up and running by November 2023. Sumitomo Forestry aims to maximize the use of wood resources and in turn bolster the local economy by promoting its wood biomass power generation business.

In 2020, the combined output of power generation that resulted from all of these efforts was 501.11 million kWh.

Effect of CO₂
emission reduction
through power
generation in
fiscal 2020*
107,946t-CO₂e

* CO₂ emission reductions compared to the electricity purchased from power companies. These emissions are calculated using the CO₂ emission coefficients of mainly Hokkaido Electric Power and Tohoku Electric Power.

Trends in the Amount of Renewable Energy Generation



*1 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

*2 The period of data collected for fiscal 2020 is from January to December 2020 while the period of data for emissions collected in the previous years was from April to March of the following year

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

Wood Biomass Power Generation Business

The Sumitomo Forestry Group operates wood biomass power generation facilities that are fueled by recycled chips primarily using leftover from construction as raw materials, wood not suitable as a building material, and thinning leftover in forests and other unused forest resource.

The 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, mitigation of CO₂ emission increase 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 75 MW Kanda Biomass Power Generation Plant begins full operation in June 2021 and the 75 MW Morinomiya Biomass Energy Plant in November 2023, the Group will have a total power generation capacity of roughly 251.6 MW, which will supply electricity to approximately 555,000 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.



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
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	75MW	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

Business	Location	Power generation capacity	Start of operations	Main features
Morinomiya Biomass Energy Generation Business Joint venture with RENOVA Inc., United Corporation, Mizuho Leasing Company, Limited and RenoDa Partners G.K.	Miyagi Prefecture Sendai City	75MW	November 2023	<ul style="list-style-type: none"> Fuel uses pellets produced mainly in North America and palm kernel shell from Indonesia and Malaysia

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.

In fiscal 2020, the combined output of power generation was 4,123,000 kWh.



Solar panels and environmentally friendly wooden frames

Promoting the Use of Unused Forest Resource

Unused forest resource is left-over wood biomass generated from logging or thinning of standing trees in forests. Wood biomass power generation plants are operating in each area and the demand for wood biomass is growing following the adoption of the FIT law (Feed-in Tariff for Renewable Energy). By using unused forest resource, we can expect an effective increase in the value of forests while also promoting renewable energy. In fiscal 2020, the Group used 333,000 tons of unused forest resource. We will continue to work on building up systems for the efficient, stable collection of unused forest resource.

Amount of unused forest resource
from domestic forest
(2020)

333kt



Unused forest resource

Adoption of High-Performance Silviculture Machines

Effectively Extracting Unused Forest Resource

Mombetsu Forestry Office introduced Scandinavian harvesters and forwarders able to turn in small circles in 2015 to begin efforts to deliver log harvest/thinnings (unused forest resource) as biomass power generation plant fuels.

Moreover, by selecting forestry equipment with high-level driving performance in narrow forest areas, operators are able to execute all harvesting and transport operations while on the machine. We consider this is an initiative that improves safety and will play a role even in eliminating occupational injuries.



Scandinavian harvester^{*1}



Scandinavian forwarder^{*2}

^{*1} Self-propelled high-performance forestry machine that brings together each operation to cut, de-limb, and vertically cross-cut^{*3} timber, which had traditionally been done with a chainsaw

^{*2} Self-propelled high-performance forestry machine that collects and feeds vertically cross-cut timber on a cargo bed

^{*3} To cut crude timber to a standard length

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. The Fifth Strategic Energy Plan approved by Cabinet decision in July 2018 sets a goal that “aims to achieve ZEH (net zero energy houses) for more than half of the ordered detached houses newly constructed by home-makers, etc. by 2020 and for all newly constructed houses on average by 2030.”

ZEH is a scheme for housing to provide less than zero annual net primary energy consumption by combining equipment to generate energy such as high thermal insulation efficiency, energy-saving equipment, and solar power generation.

This standard responds to many of the Sustainable Development Goals, including not only Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all and Goal 13: Take urgent action to combat climate change and its impacts but also Goal 3: Ensure healthy lives and promote well-being for all at all ages and Goal 12: Ensure sustainable consumption and production patterns. The standardization of ZEH will contribute to building a sustainable society.

ZEH Standardization Target
(FY2020)

80%^{*2}

ZEH Standardization Performance
(FY2020)

56%^{*2}

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}.

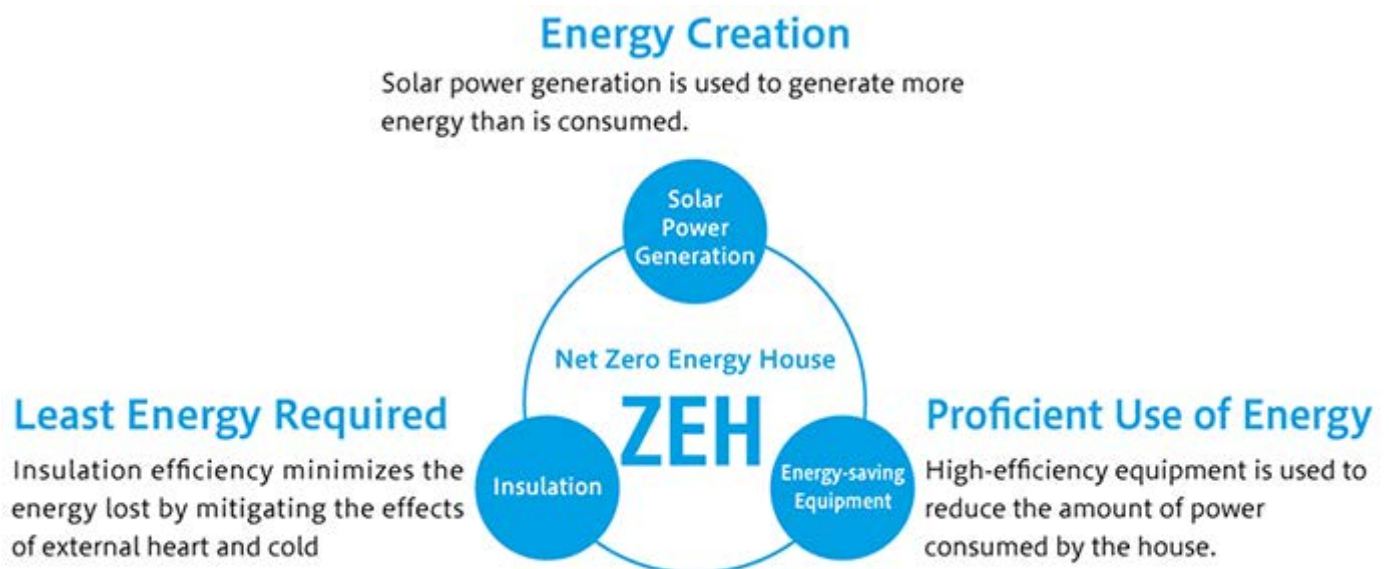
Given the ZEH targets established by Japan, Sumitomo Forestry has set a ZEH standardization target of 80%^{*2} for fiscal 2020, and reached 56% (all of Japan excluding Hokkaido)^{*2} as of fiscal 2020. We are making greater insulation efficiency in buildings and around openings as well as built-in solar 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} Data collection period: April 2020 to March 2021. Values include Nearly ZEH and ZEH Oriented while they exclude Hokkaido and Okinawa Pref. respectively. The fiscal 2020 targets and results for Hokkaido are, respectively, 51% and 62%. ZEH is defined as a primary energy reduction rate of 100% or more including renewable energy such as solar power generation systems while Nearly ZEH is defined as between 75% to 99%. ZEH Oriented is defined as a primary energy reduction rate of at least 20% (however, this is limited to housing built on narrow urban sites), excluding renewable energy.

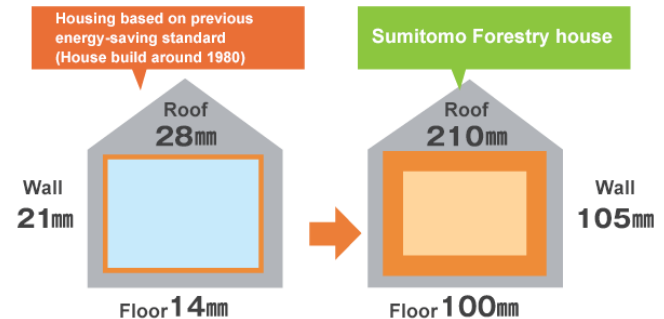
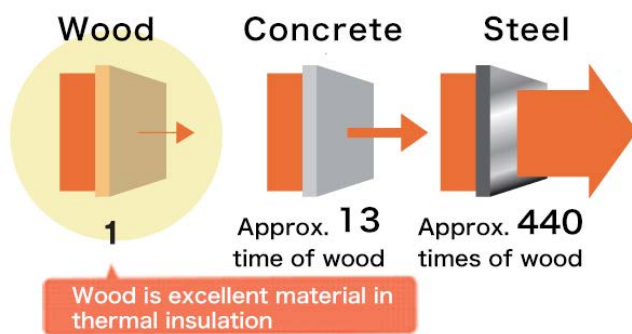
This is a different indicator from the percentage of orders for ZEH type houses out of new custom-built detached houses (52.1% in FY2020 [April to December] results/values based on orders for ZEH, Nearly ZEH and ZEH Oriented) in the Mid-Term Sustainability Targets

- ▶ [Ryouonbou Design Concept \(in Japanese\)](#)
- ▶ [Material Issue 2: The Development and Sale of Reliable and Safe Products and Services that Consider the Environment and Society](#)



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 24K glass wool thermal insulator (high-end product) based on its own unique standards.



Unique Standards of Thermal Insulators of Sumitomo Forestry

Comparison of Materials by Thermal Conductivity

Adoption of 360° TRIPLE Insulation Standards

Sumitomo Forestry has adopted 360° TRIPLE Insulation as a standard that enhances the insulation efficiency of custom-built detached homes (excluding fireproof specifications). In addition to offering high-performance thermal insulation materials, the standard provides all-around insulation for buildings as a whole from structural materials to windows with high thermal performance to realize affordable yet comfortable lifestyles.

360° TRIPLE Insulation creates a living space that stays cool in the summer, warm in the winter and increases energy-saving performance. This insulation option supports the highest 5 star standard of the Building-Housing Energy Efficiency Labeling System (BELS) certification* advocated by the Japanese government.

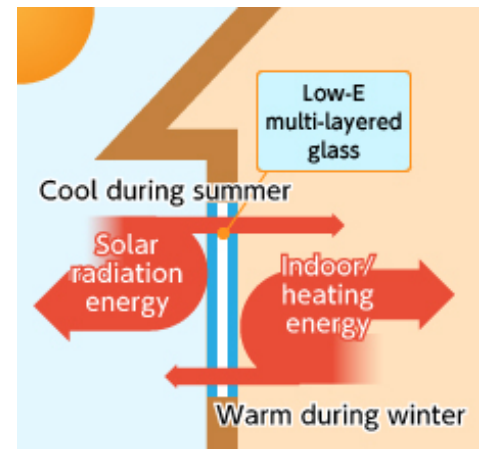
We have applied for BELS for all of our custom-build detached houses. BELS is a labeling system with which a third party evaluation organization evaluates and certifies the energy efficiency of new and existing structures using an index indicating the energy performance and asset value of each building. Our initiative strives to make Sumitomo Forestry the first major housing manufacturer to have every building BELS-certified. Sumitomo Forestry homes enhancing insulation efficiency deliver assured safety and comfort proven by the BELS certification.

* BELS is one third-party evaluation system based on the Building-Housing Energy-Efficiency Labeling Guidelines (evaluation standards on labeling of the energy consumption performance for buildings) defined by the Ministry of Land, Infrastructure, Transport and Tourism. This certification is run by the Association for Housing Performance Evaluation & Labeling. The system objectively evaluates energy efficiency to display a five-tier star rating. BELS stands for the Building-Housing Energy-efficiency Labeling System.

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

Double Power Generation

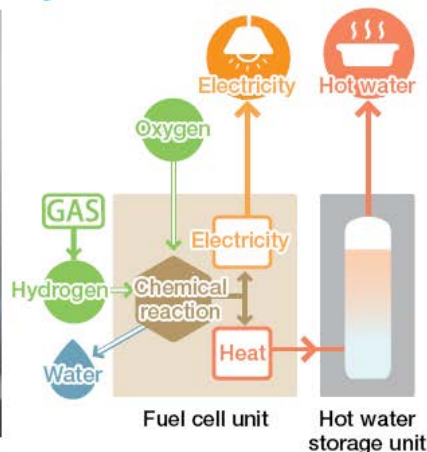
Sumitomo Forestry recommends the installation of solar power generation system, as well as residential fuel cell units. Double power generation can generate the necessary electricity for daily life in the home. Furthermore, Home Energy Management Systems (HEMS) realize zero energy homes (ZEH specifications)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

	FY2016	FY2017	FY2018	FY2019	FY2020
Solar power generation systems	48%	46%	51%	56%	57%
Ene-Farm units	34%	34%	35%	36%	27%
Eco One*	16%	18%	16%	17%	15%
Environmentally friendly equipment installation rate	68%	69%	72%	75%	70%

* Hybrid electric and gas hot water and central heating systems

New MyForest BF Release Brings a Lifestyle Offering the Rich Quality of PRIME WOOD

In April 2021, Sumitomo Forestry launched the new MyForest BF nationwide (excluding Okinawa). MyForest BF takes advantage of high-quality wood products carefully selected by Sumitomo Forestry to propose an original material as PRIME WOOD and achieve a truly luxuriously and warm indoor space. By leveraging the power of wood which enhances focus and relaxation, MyForest BF creates a living space that alleviates the stress of time spent at home doing telework and other things as well as a new way of life to spend treasured time with family.

The strength and ingenuity of the original Big Frame Construction Method (BF Construction Method) offers peace of mind and comfort to residents and uses wood and tile throughout the exterior to create an always-appealing look matching the cityscape. The BF construction method not only can create an amazingly spacious home with minimal pillars and walls but also offers a highly adaptable structure to renovate things, such as shifts to the room plan as children grow and throughout the life stage of families.

These houses of wood deepen the love families have for their home as they live there by letting them discover a new family lifestyle offering comfort.

► [MyForest BF \(in Japanese\)](#)



Renovating to Improve Function and Asset Value

Sumitomo Forestry Home Tech promotes renovations from energy-saving point of view. We propose the installation of energy-efficient equipment alongside better insulation efficiency as well as new life styles that decrease the energy consumed in daily life, realize reductions to the environmental impact, and decrease lifetime heating and lighting costs.

The insulation renovations can also mitigate health risks from heat shock.

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

Sumitomo Forestry Home Tech has set a goal to improve the order rate of environmentally-friendly renovations in the Mid-Term Sustainability Targets announced in May 2019.

In fiscal 2020, we achieved a 62.2% total order rate for seismic construction, structural reinforcement work, insulation renovations, and smart material installations on standard property (other than owners of Sumitomo Forestry homes), exceeding our 55% target.

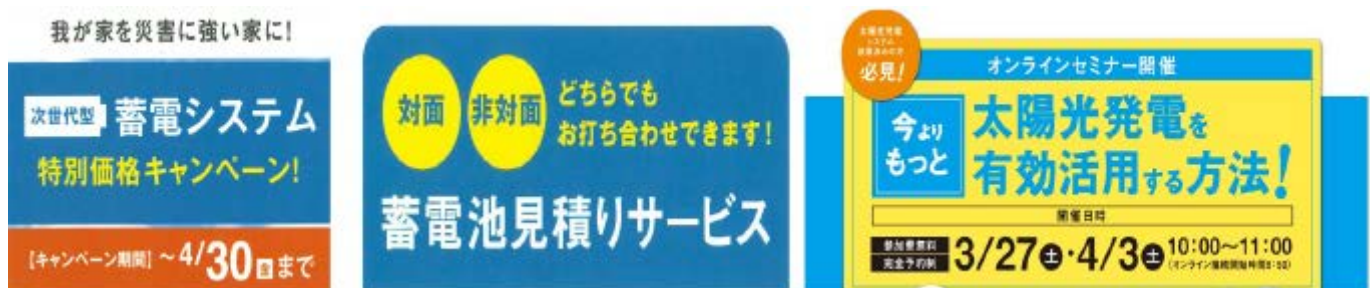
The impact of Coronavirus disease (COVID-19) increased the need to build comfortable, safe environments able to enhance the times spent at home, such as the preparation of telework environments. Active advancements in seismic and structural reinforcement work responding to intermittent earthquakes occurring these days allowed us to surpass our targets.

In terms of battery storage, we hold seminars and campaigns to share the benefits of resilience renovation using solar power plus battery storage (iedenchi-NX) with owners of Sumitomo Forestry Homes equipped with solar power generation systems. These campaigns facilitate non-face-to-face estimates while seminars are conducted in an online format as full measures to prevent the spread of the COVID-19.

Needs for Environmentally-friendly renovations will continue to grow in the future in order to ready properties for potential natural disasters.

► Seismic Resistant Housing

Example of notices about resilience reform seminars and campaigns



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

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^{*1} in timber that was used in construction of the houses in the MOCCA (timber solutions) business in fiscal 2020^{*2} reached 185,000 t-CO₂. The Sumitomo Forestry Group contributes to measure to counter global warming by increasing carbon stocks for forests and cities.

^{*1} 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.

^{*2} Data collection period: January to December 2020



Carbon stock of the timber used in the construction of houses and MOCCA (timber solutions) business in Japan in fiscal 2020

Sales of Environmentally-friendly Housing Overseas

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

In Victoria, Henley Properties also uses low carbon concrete by replacing approximately 20% of cement, the primary ingredient in concrete used in foundations of homes, with fly ash (waste produced when burning fossil fuels) and blast furnace slag (byproduct separated from iron ore in the iron manufacturing process in blast furnaces). The low carbon concrete successfully reduced CO₂ emissions by about three tons per home in the construction stage.

More than 80% of new homes built in Australia uses veneer glass because multi-layered glass has not become as popular for use in homes as in Japan due to cost. However, since 2018, Henley Properties was the first in Victoria to make multi-layered glass a standard specification in order to increase the insulation efficiency of homes^{*3}.

Henley Properties also leads the industry in efforts to improve airtightness. A survey conducted in 2019 showed homes built by Henley Properties have shown airtightness roughly three times higher than the average home in Australia^{*4}. This level of airtightness can reduce the power consumption necessary for heating and cooling the average home by approximately 25%.

Henley Properties is not only improving environmental performance but is also pioneering the development of residential properties that consider the health of the people living there. The Company is also developing a system to provide ventilation while mitigating construction, lighting, and heating costs to improve the air quality inside the home. Moreover, Henley Properties reviewed primary construction and finishing materials and adopted interior coatings with ultra-low VOC^{*5} in accordance with the advice from the National Health and Medical Research Council of Australia. These measures achieve housing that suppresses rising costs, maintains high quality, and protects the health of the people living there.

^{*1} An evaluation metric of the energy burden for heating and cooling the inside of a building in Australia. Insulation, windows, the type, size and orientation of the building, and the climatic zone are all items included in this metric. Currently, a six-star rating is the standard specification.

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

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

^{*4} The average value for Henley Properties is 5.9 ACH where the average housing in Australia is 15.4 ACH (ACH is an index that indicates the air leakage per hour at a 50 Pa indoor-outdoor air pressure difference. The lower the value the higher the airtightness).

^{*5} Volatile Organic Compounds (VOCs) are organic chemical substances volatile in the air at ordinary temperatures and pressures. Many construction coatings and adhesives contain these organic chemicals and have the potential to cause sick house syndrome or impact human health in other ways when dispersed in large quantities.



Ventilation System Development

VCoatings Containing Low VOC
Percentage

Research and Development Related to Life Cycle CO₂ (LCCO₂)

Sumitomo Forestry clarifies shared benefit offered by wood construction and promotes reductions of CO₂ emissions related to construction (Embodied Carbon), evaluations of CO₂ fixation as well as research and development related to the reduction of CO₂ emissions during operations (Operational Carbon) as a way of further contributing to the environment and society.

In addition to investigating reductions of CO₂ emissions related to construction, such as differences of emissions due to the type of structure and identifying major factors influencing emissions, we are also advancing research to further contribute to an environment by promoting initiatives across Sumitomo Forestry divisions from forest management to material procurement and improvements. In the future, we plan to begin development of a system that can evaluate CO₂ emissions during the construction planning stage.

Moreover, we are realizing even further reductions in operational CO₂ emissions through the adoption of various technologies with a low environmental impact to realize zero energy buildings, verification of the benefits of the new building at the Tsukuba Research Institute completed in 2019, dramatic reductions of CO₂ emissions through energy creation using solar panels on the roof and an air-conditioning system that uses wood pellets as a renewable energy fuel, and reductions of consumption energy during operations through the use of natural energy such as daylight and natural ventilation. Sumitomo Forestry intends to continue furthering these energy reduction efforts through innovations to operational methods founded in measurement data.

Adaption to Climate Change

Basic Policy

In recent years, there has been an increase in large-scale natural disasters, such as earthquakes, tsunamis and typhoons, causing significant economic damage and threatening our society and lifestyles.

By providing safe and reliable housing, Sumitomo Forestry wants to contribute to protecting people's lives and lifestyles.

Building Internal Systems to Adapt to Climate Change

Establishment of Disaster Prevention Department

Disaster Recovery Guidelines were put in place in the Housing and Construction Division and measures and action guidelines for operations were defined to quickly and accurately respond to damages from natural disasters to our customers' houses as they become more prevalent due to climate change. As one measure, we established a new Disaster Prevention Department in April 2020 to guide disaster prevention measures that prepare for emergencies during ordinary times while taking the lead of each division and affiliated company in an emergency in order to minimize damage as much as possible.

During the first fiscal year of these activities, this department surveyed the damage in Kumamoto Prefecture caused by torrential rain in July 2020 and supported an initial response for customers in areas afflicted by the disaster. Sumitomo Forestry also revised its existing disaster recovery stockpile to put in place more effective means for the growing necessity of an emergency response in disaster areas.

Developing Disaster Recovery Support Services Using IoT

Addressing the Issue of the Time It Takes to Assess Disaster

Japan has many earthquakes, but in recent years, climate change has made natural disasters more serious with concentrated downpours, typhoons and other natural disasters causing extensive and frequent damage. In monetary terms, the total cost of damage caused by natural disasters in Japan from 1991 to 2018 reached 446.63 billion dollars*.

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.

* Created by The Small and Medium Enterprise Agency using the Centre for Research on the Epidemiology of Disasters database (EM-DAT)

Quickly Gathering Data About Damaged Homes Using Sensing Technologies

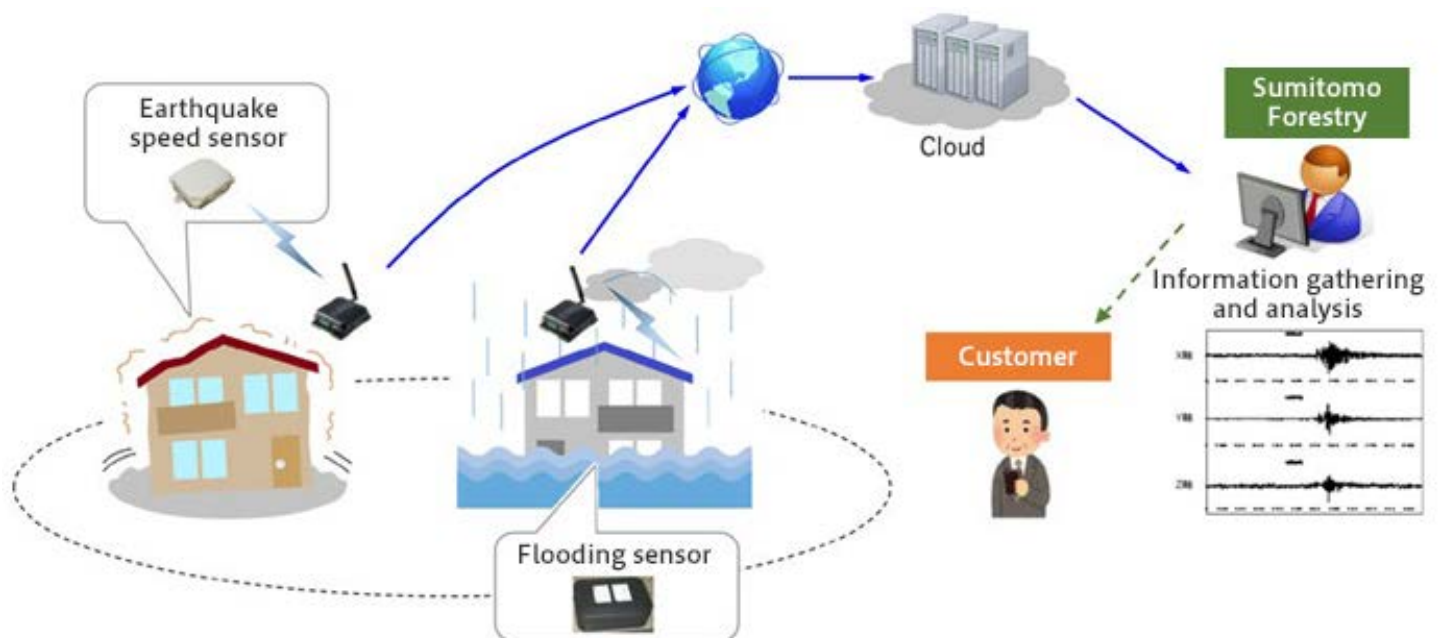
Sumitomo Forestry is responding to such issues by developing services that promote quick recovery after disasters. Since 2017, we have been conducting trials of IoT services that utilize our analysis technologies. Specifically, we are conducting trial experiments using sensors to measure, gather and 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 to facilitate high-precision analysis.

We have expanded the proof of concept that began in the Kanto region to nationwide 60 sites as of December 2020. We plan to broaden this even further during fiscal 2021. In addition to further heightening the decision accuracy for service provision, we aim to engage in initiatives to ready infrastructure to ensure comprehensive collection and processing of enormous amounts of data while working hard toward actual implementation to ensure customer peace of mind and safety in the event of a disaster.



A sensor installed inside a wall of a house

Overview of How Data Is Gathered



Supporting the Speedy Recovery of Customers and Regions Affected by Disasters

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

In addition, by utilizing this gathered data in different ways, we can develop new services that would give more people a sense of security. For example, we could collaborate with casualty insurance companies to provide quick damage assessments necessary for insurance benefits, which would help people rebuild their lives more quickly.

In addition, we could provide data to customers and local governments for emergency risk assessments that would help prevent secondary disasters. Furthermore, our data analysis results could promote development of technologies that enhance earthquake resistance and durability.



One example of how gathered data can be utilized

Housing Sales Adapted to Climate Change

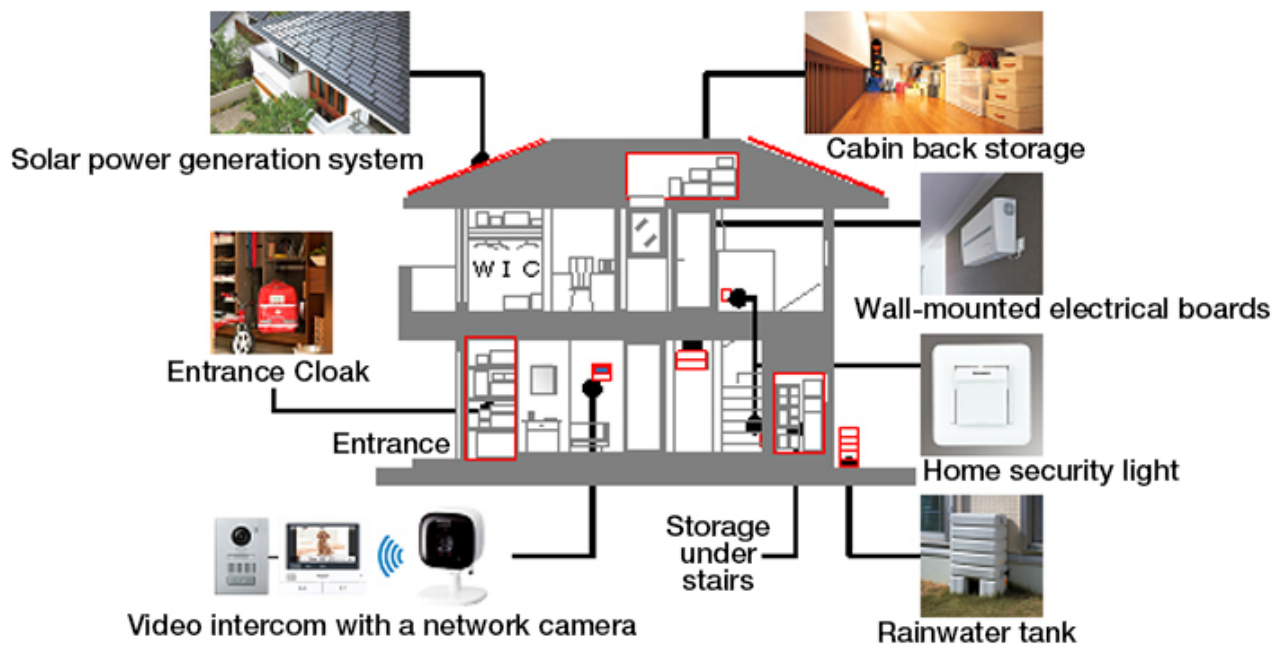
Sumitomo Forestry Homes – Resistant to Earthquakes, Fires and Typhoons

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

Housing Using the BF Construction Method

The BF construction 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 prevents toppling in an earthquake and can achieve a space in harmony with the interior.

Housing Using the BF Construction Method Stands Up to Disasters and Enhances Daily Comfort



The Thinking Behind Taking Evacuation life at Home

Many people who come through a large-scale disaster often find themselves falling ill due to the stress of living in an evacuation shelter even if they survive the disaster. And sometimes it takes days before utilities such as electricity and running water are restored.

What is important during times like these is the thinking behind “taking evacuation life at home.”

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

With high insulation properties and energy-saving housing equipment, these ZEH properties not only help in the event of a disaster but also offer occupants a comfortable lifestyle they can enjoy while reducing their energy consumption. In addition, Sumitomo Forestry ZEH houses, which use high-insulation wood, can protect the health of the people who live in them, such as preventing violent fluctuations in blood pressure due to sudden changes in room temperatures when bathing or getting out of bed in the winter.

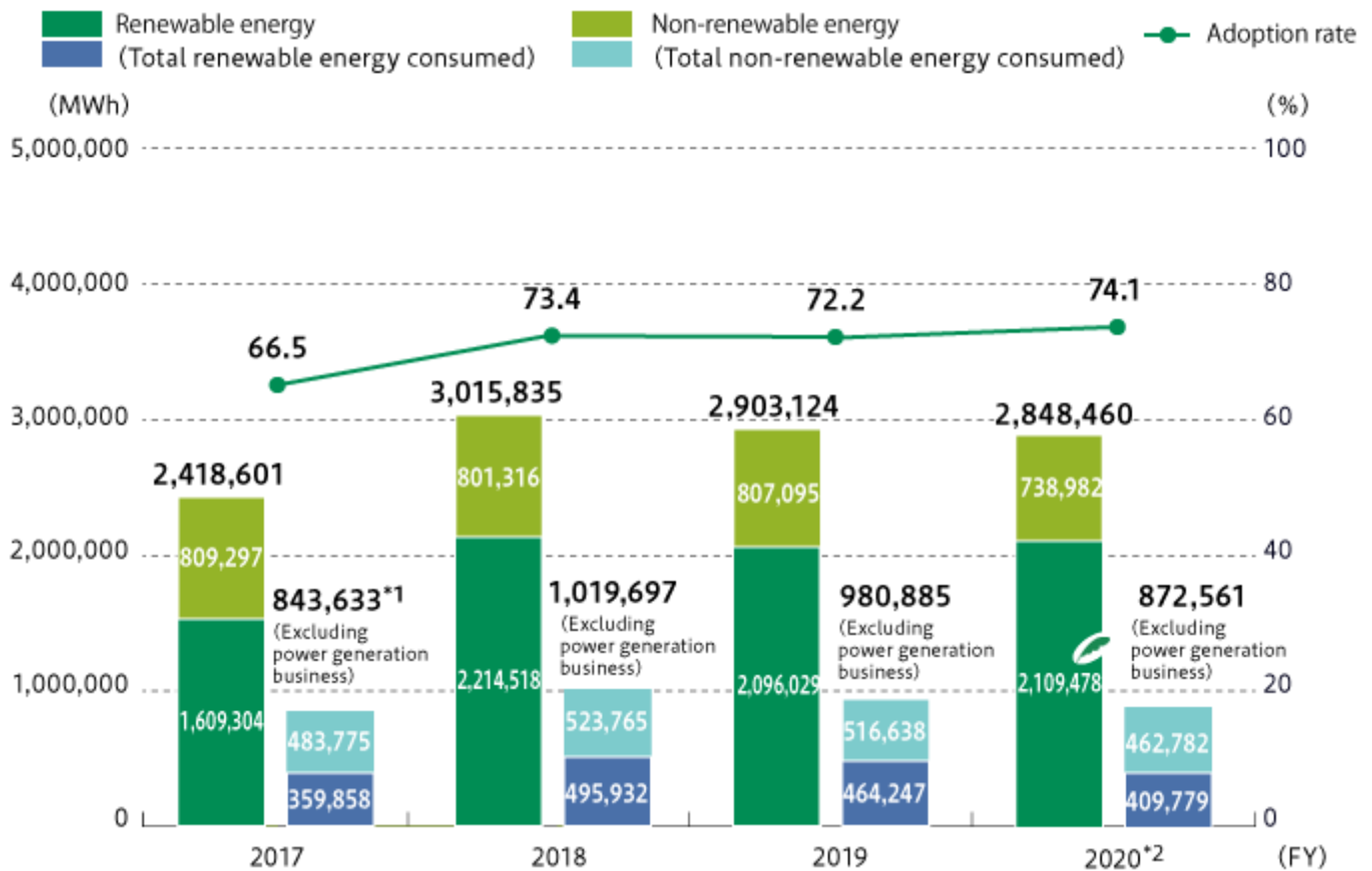
Energy Used in Business Activities and the Adoption of Renewable Energy

The Sumitomo Forestry Group consumed 2,848,460MWh* of energy in 2020. The energy consumption of the Group increased during fiscal 2016 to 2017 due to the start of trial and full-fledge operations of the Mombetsu Biomass Power Generation and Hachinohe Biomass Power Generation Businesses.

The start of full operations at the Hachinohe Biomass Power Generation Plant in April 2018 stopped a dramatic amount of the rise in energy consumption. The power consumption in fiscal 2020 was on par with that during the previous fiscal year. The energy consumption in business other than the power generation business has declined by various energy-saving activities. In 2020, total renewable energy accounted for about 74.1% of our group energy usage.


* The Balance of Input & Output is calculated according to the TJ unit based on the Environmental Reporting Guidelines issued by the Ministry of the Environment. Both are equivalently calculated for the amount of energy consumption.

Energy Consumption Trends Over Past Four Years



*1 Data for Alpine MDF Industries Ltd. has been excluded because the company was sold in March 2017

*2 The period of data collected for fiscal 2020 is from January to December 2020 while the period of data for emissions collected in the previous years was from April to March

- ▶ Aiming for 100% Renewable Energy and Joining the RE100
- ▶  About symbol for Independent assurance

Greenhouse Gas Emissions from 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* based on the GHG Protocol, a set of widely used international accounting tools for quantifying GHG emissions. In light of the increasing demand for renewable energy in recent years, the Sumitomo Forestry Group entered the biomass power generation business in 2011. As of fiscal 2020, our Group has invested in six different power generation plants, including several scheduled to begin operation soon, which have a total power generation capacity of roughly 251.6 MW and will supply electricity to approximately 555,000 households. As a consolidated subsidiary company, the Mombetsu Biomass Power Generation Plant has dramatically increased Scope 1 and Scope 2 emissions of the Group since starting operations in 2016 because coal is used as a secondary fuel to ensure smooth operation and maintenance. In fiscal 2020, Scope 1 and Scope 2 emissions declined 2.7% compared to fiscal 2019. Several major factors are a revision to the calculation method of emissions which reduced emissions (8,879t-CO₂) from overseas subsidiaries in the Overseas Housing and Real Estate Division as well as the impact of the novel coronavirus pandemic which reduced the production volume at overseas manufacturing plants. When looking by business, our plants in Japan and the power generation business make up 60.1% while our plants overseas compose 27.7%.

We also 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 the SBT in an effort to take greenhouse gas emissions reduction to another level.

* The GHG Protocol requires businesses to disclose their greenhouse gas emissions according to the following categories

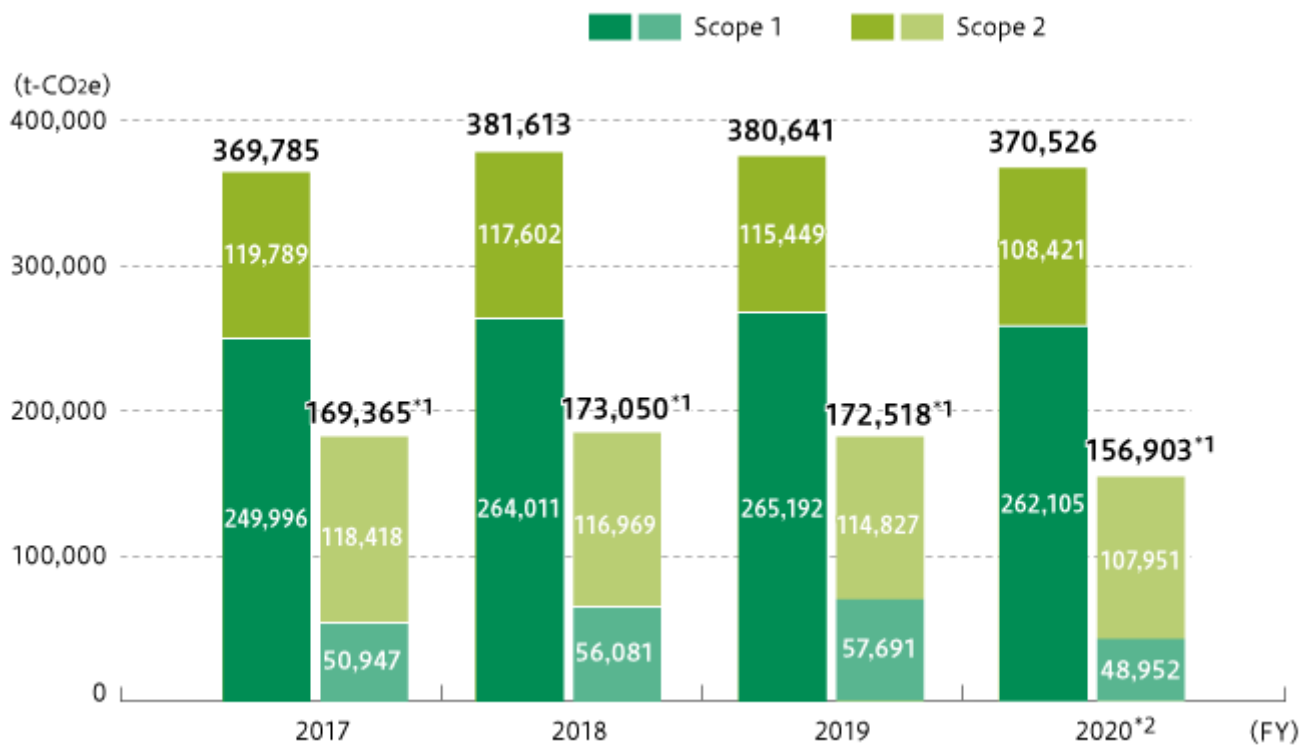
Scope 1: Direct GHG emissions of a company, including emissions from fuel consumption. e.g.: Emissions from the use of gasoline for company vehicles.

Scope 2: Indirect GHG emissions from the generation of purchased electricity and heating. e.g.: Emissions from the use of electricity by offices.

Scope 3: GHG emissions occurring in the supply chain. e.g.: Emissions generated during the use of products sold.

- ▶ Establishment and Certification of Science Based Targets (SBT)
- ▶ Promotion of Net Zero Energy House (ZEH) Specifications

Scope 1 and Scope 2 CO₂ Emission Trends

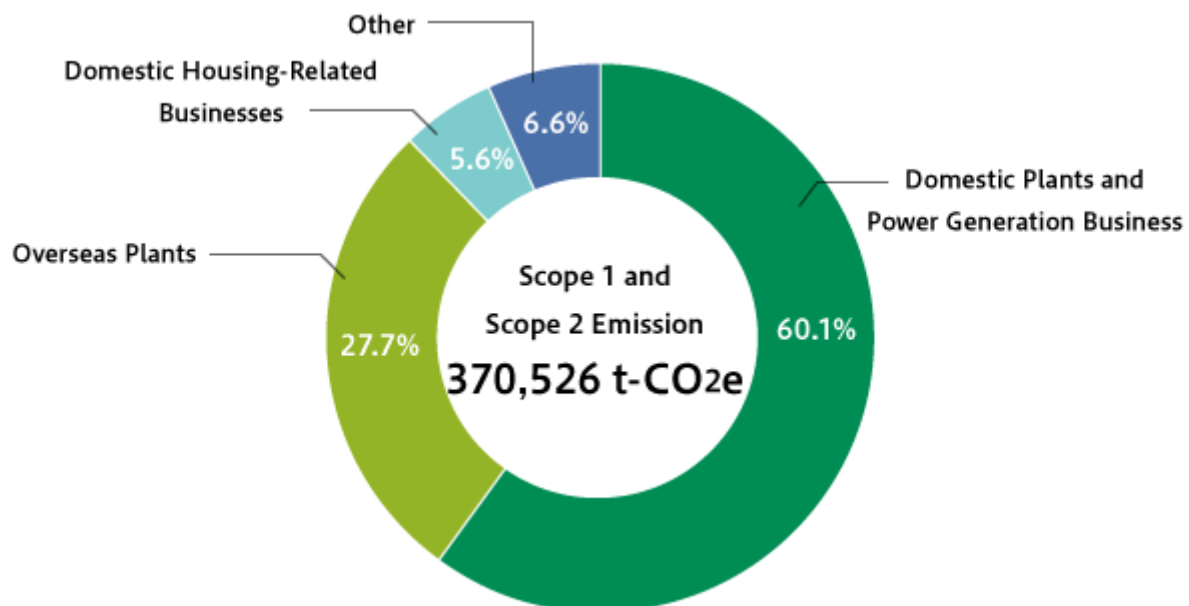


*1 Electric power generation (Mombetsu Biomass Power Generation, Hachinohe Biomass Power Generation) figures are excluded

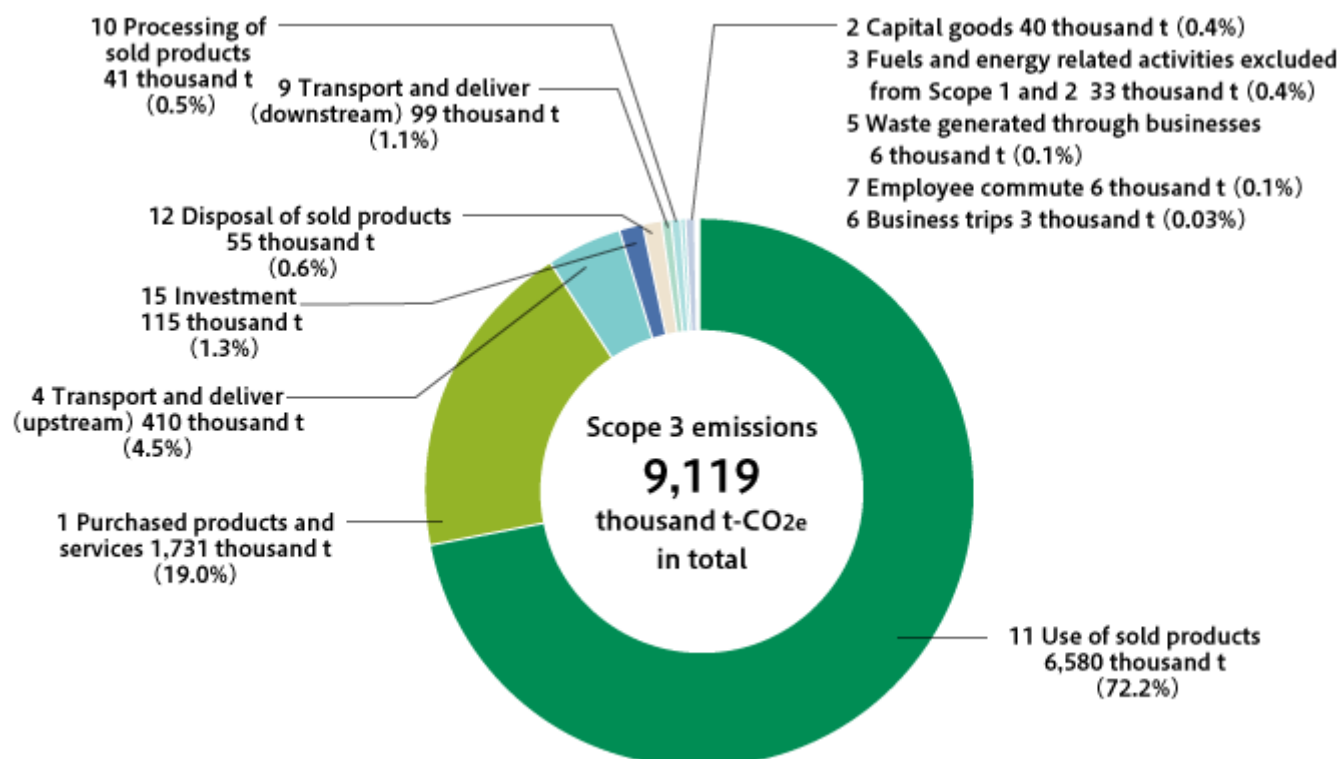
*2 The period of data collected for total emissions in fiscal 2020 is from January to December 2020 while the period of data for emissions collected in the previous years was from April to March

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Scope 1 and 2 Breakdown by Business (FY2020)



Scope 3 Emissions by Category



► About symbol for Independent assurance

Scope 3 Emissions by Category (three years)

(thousand t-CO₂e)

Category	Boundary of Emissions included in the Category	FY2018	FY2019	FY2020*2
1 Purchased products and services*1	Emission from upstream of products and services purchased by Sumitomo Forestry	2,625	1,716	1,731
2 Capital goods*3	Emissions from upstream of purchased equipment	27	35	40
3 Fuels and energy related activities excluded from Scope 1 and 2	Emissions from the upstream of purchased fuels, electricity, heat capacity, and water	20	29	33
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	433	445	410
5 Waste generated through businesses	Emissions from waste treatment and its transport	8	7	6

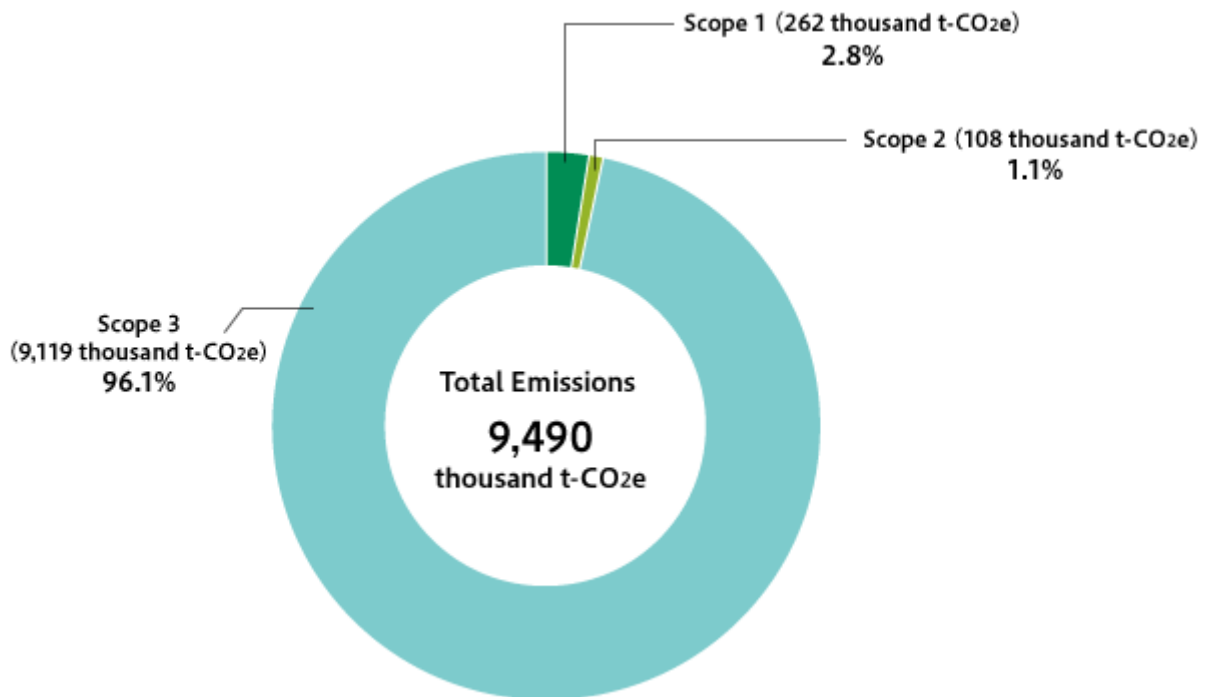
Category	Boundary of Emissions included in the Category	FY2018	FY2019	FY2020*2
6 Business trips	Emissions related to business trips of employees such as use of public transportation and accommodation	2	3	3
7 Employee commute	Emissions from employee commuting	5	5	6
8 Leased property (Upstream)	(Emissions from use of upstream leased property such as office building, heavy machinery, vehicles, and facilities are included in Scope 1 or 2)	-	-	-
9 Transport and deliver (downstream)	Emissions during transport of products sold	107	103	99
10 Processing of sold products	Emissions from processing of raw wood into plywood as well as of sold precut processing of sold lumber	54	43	41
11 Use of sold products	Emissions during use of detached houses sold	6,384	6,437	6,580
12 Disposal of sold products	Emissions from demolition and disposal of detached houses sold by the Company	48	50	55
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)	117	114	115

*1 The calculation method for Category 1 emissions of Scope 3 was revised to apply Accounting Standards for Revenue Recognition (Corporate Accounting Standard No. 29) as of fiscal 2019 (retroactively reflected in the values for fiscal 2019).


*2 The period of data collected for total emissions in fiscal 2020 is from January to December 2020 while the period of data for emissions collected in the previous years was from April to March.

*3 The monetary scope for procurement of capital goods was revised alongside emissions going back to 2018.

FY2020 Total Greenhouse Gas Emissions Accrued from Corporate Activities



* Data collection period for the total emissions during fiscal 2020 was from January to December 2020.

- ▶ [Boundaries and Methods of Greenhouse Gas Emissions Calculation](#)
- ▶  [About symbol for Independent assurance](#)

Reducing Greenhouse Gas Emissions

Promoting Adoption of Fuel-efficient Vehicles at Each Office

All business sites of Group companies in Japan disposed of standard settings for gasoline vehicles in fiscal 2019 and have been advancing the introduction of fuel-efficient vehicles. To date, 379 of the 428 company-owned vehicles introduced during 2020 were fuel-efficient vehicles (for an 88.5% 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 greenhouse gas emissions by such means as reducing prolonged working hours and raising awareness among employees.

Reducing greenhouse gas 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, Sumitomo Forestry Crest and Sumitomo Forestry Wood Products 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 and Sumitomo Forestry Wood Products also set targets to reduce per-unit energy consumption compared to the previous year.

In fiscal 2019, Sumitomo Forestry's per-unit energy consumption was 99.7% compared to the previous year and Sumitomo Forestry Crest's was 98.9%. Sumitomo Forestry Wood Products began collecting data as of fiscal 2019.

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 and Sumitomo Forestry Wood Products measure energy consumption per unit of volume handled. Sumitomo Forestry Crest measures energy consumption per unit of net sales.

Energy Consumption, Emissions, and Energy Consumption Per Unit from Transportation (FY2019 Performance)

	Energy Use (Crude Oil Equivalent)	CO ₂ Emissions	Energy Consumption Per Unit
Sumitomo Forestry	1,988kL	5,305t-CO ₂	0.00174kL/m ³ (Ratio to Previous FY: 99.7%)
Sumitomo Forestry Crest Co., Ltd.	1,896kL	5,035t-CO ₂	0.0000572kL/1,000 Yen (Ratio to Previous FY: 98.9%)
Sumitomo Forestry Wood Products Co., Ltd.	1,340kL	3,587t-CO ₂	0.000613kL/m ³ * Data collection began in fiscal 2019

Establishment of an Efficient Delivery

Sumitomo Forestry is reducing the CO₂ emissions in its transportation processes by bringing together materials for Sumitomo Forestry Home houses from multiple manufacturers momentarily at relay centers in approximately 30 locations throughout Japan with a system to consolidate and transport shipments.

Home Eco Logistics takes on logistics operations for the Sumitomo Forestry Group with the housing business at the core and also actively puts forward proposals for efficient logistics operations to material manufacturers, housing builders, housing construction companies and building material distributors. There are over 60 logistics contractors as of December 2020, excluding the Sumitomo Forestry Group. Furthermore, we are providing consulting for more efficient internal warehousing operations and inventory management rationalization. In fiscal 2020, no new construction materials companies contracted our consulting services during the coronavirus pandemic, but we continue consulting for the two construction material companies who contracted our services during the previous fiscal year.

In the future, we will actively strive in cooperative distribution through multiple companies because of insufficient shipment capacity forecast due to a decrease in the amount of new housing construction.

Boundaries and Methods of Greenhouse Gas Emissions Calculation

The Sumitomo Forestry Group changed its accounting period (the end of the fiscal business year) in fiscal 2020 from March 31 to December 31. Therefore, the period for the collection of environmental data in Japan for fiscal 2020 represents nine months from April to December as a general rule. However, to allow a comparison between previous fiscal years, the collection of data for greenhouse gas emissions is for twelve months from January to December in fiscal 2020 while the period for data collection of previous fiscal years is from April to March of the following year.

Boundary of Greenhouse Gas Emissions (Organizational Range)

The amount of greenhouse gas 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 and outside of Japan

* In fiscal 2017, the boundary for Scope 3 which previously included only emissions in Japan was expanded to include the entire Sumitomo Forestry Group.

► [List of Applicable Companies](#)

Types of Greenhouse Gases Subject to Data Collection

The types of greenhouse gases collected for this report are carbon dioxide, methane and dinitrogen oxide. Moreover, hydrofluorocarbons are not subject to data collection if in trace amounts (less than 1%).

Scope 1 Emissions

The greenhouse gas emissions both inside and outside of Japan are calculated by using heat conversion and carbon dioxide emission coefficients stipulated in the Act on Promotion of Global Warming Countermeasures, and the average value of the emission coefficient measured at the biomass power generation plant.

The waste used for energy at manufacturing plants (wood waste and waste plastics) and wood pellets are also converted to amount of heat, and the greenhouse gas emissions (CO₂e) are calculated using the CH₄ and N₂O emission coefficients stipulated in the Act on Promotion of Global Warming Countermeasures.

Scope 2 Emissions

The greenhouse gas emissions caused by use of purchased electricity in Japan are calculated by the carbon dioxide emission coefficient for each power provider stipulated in the Act on Promotion of Global Warming Countermeasures. Furthermore, the results from January to March 2020 are calculated using the emission coefficient for each power provider for submission in 2020. The results from April to December 2020 are calculated using the emission coefficient for each power provider for submission in 2021.

The greenhouse gas emissions due to the use of purchased heat are calculated by the emission coefficient stipulated in the Act on Promotion of Global Warming Countermeasures.

The greenhouse gas emissions caused by use of purchased electricity overseas in fiscal 2020 are calculated by the latest emission coefficient (2018) of each country according to the IEA Emission Factors 2020 issued by the International Energy Agency (IEA).

► [Ministry of the Environment Calculation and Reporting of Greenhouse Gases \(in Japanese\)](#)

Scope 3 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 emissions coefficient by energy source) \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 housing sales: 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 and Building Materials Business is calculated and multiplied to the sales of each affiliate company.

Furthermore, following the early adoption of Accounting Standards for Revenue Recognition, emission calculations have been excluded from fiscal 2019 for any sales of the Timber and Building Materials Division recognized as revenue made only from fees when arranging goods or services provided through another interested party.

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 source)

(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 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 emissions coefficient)

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 \times 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 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 × 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

(Emissions during habitability)

Σ (Annual energy use per household × Emissions coefficient by energy source) × Years of residence period × Number of houses completed by construction method and region for fiscal year

* Emissions related to renovations are omitted because there is a possibility to count a portion of Scope 1 and Scope 2 emissions twice for affiliate companies engaged in the renovations business (Sumitomo Forestry Home Tech Co., Ltd.)

* Energy use per household (electricity/city gas) :

In Japan : Calculated by using the Building Research Institute's energy consumption performance calculator program

Overseas: Average of dividing amount of fuel and electricity used per state released by the government by number of households

Category 12. End-of-life treatment of sold products

(Emissions during demolition)

Σ (Fuel use during demolition per household × Emissions coefficient by fuel type) × 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

(Emissions during disposal (including transport))

Σ (Amount of waste during demolition per household × Per unit emissions by volume reduction rate , disposal rate , recycling rate for each type of waste × Per unit emissions by type of waste or processing method) × Number of houses completed in the current fiscal year

* Amount of waste during demolition per household:

The amount of waste produced during demolition annually by Sumitomo Forestry Group for fiscal 2006 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 × 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

Sustainable Forest Management

Basic Policy

Forests provide a variety of functions for the public benefit, such as sequestering CO₂ and storing carbon which mitigate global warming, storing and purifying water, preventing floods and landslides, preserving biodiversity, production of timber, and recreation

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 these public benefit functions of forests. In upstream forest management, middlestream timber distribution and downstream construction of wooden houses, Sumitomo Forestry Group promotes the acquisition and use of the third-party forest certification, namely FSC®(FSC-C113957), PEFC and SGEN forest certification of Japan, which has cross-certification with PEFC.

The domestic forestry operation pursues profitability through production in company-owned forests while ensuring legality with due consideration for biodiversity and unique local cultures, acquiring and maintaining third-party forest certification.

As for the overseas forestry acquisition, below are the guiding principles for selection when obtaining new forests areas.

1. Forests areas that have good relationships with surrounding villages and local communities.
2. Forest areas where HCVA^{*1}, HCSA^{*2} and FPIC^{*3} can be implemented, no environmental problems were identified in the past, and environmental risks can be eliminated.
3. Forest areas where third-party forest certification can be obtained (FSC®-FM is preferable and FSC-CW and PEFC certification are acceptable as well).(FSC-C113957)

*1 High Conservation Value Assessment: inspection and assessment to establish conservation policies for areas specified as having high conservation value, such as rare flora and fauna habitat.

*2 High Carbon Shock Assessment: inspection and assessment to specify and restrict development in areas with high carbon absorption volumes so that the volume of carbon retained by forests does not decline when forest land is converted to other uses.

*3 Free Prior Informed Consent: Prior sharing of information and consensus formation with indigenous people and others in cases where there is likelihood that operations could impact the lands, territories or resources of indigenous people.

► Sumitomo Forestry Group Human Rights Policy

Forest Management and Timber Usage



Area of Forest Managed and Certified in Fiscal 2020

Total area: Approximately 279,000ha
 Certified forest area: Approximately 222,000ha

Certified forest Uncertified forest



= 3,000ha

*All logging zones have received forest certification.

Papua New Guinea:

Approximately 31,000ha

Certified forest:

Approximately 20,000ha



Japan:

Approximately 48,000ha

Certified forest:

Approximately 48,000ha



Indonesia:

Approximately 163,000ha

Certified forest:

Approximately 118,000ha



New Zealand:

Approximately 36,000ha

Certified forest:

Approximately 36,000ha



Niihama Forest



Plantation forest in New Zealand



Plantation forest in Papua New Guinea



Plantation forest in Indonesia

Area of Forest Managed and Owned by the Sumitomo Forestry Group

As of December 31, 2020

Country	Managed Area (ha)	Certified Area (ha)	Operations Area (ha)	Plantation Area for Social Forestry (ha)	FM Certification System *1	Certification Number	Certification Issuing Body
Japan	47,965	47,736	27,161	0	-	-	-
Sumitomo Forestry	47,965	47,736	27,161	0	SGEC	JAFTA-010	Japan Forest Technology Association (JAFTA)
Indonesia	163,324	117,628	36,925	8,190	-	-	-
PT. Mayangkara Tanaman Industri (MTI)	104,664	74,870	10,534	0	PHPL *2	015.4/EQC-PHPL/IX/2018	PT Equality Indonesia
PT. Wana Subur Lestari (WSL)	40,750	40,750	11,451	0	PHPL *2	10-PHPL-006	PT. Almasentra Sertifikasi
Kubu Mulia Forestry (KMF)	9,270	*3	6,300	0	*3	*3	*3
PT. Kutai Timber Indonesia (KTI)	6,632	0	6,632	0	-	-	-
Koperasi Serba Usaha Alas Mandiri KTI (KAM KTI)	1,005	1,005	1,005	1,005	FSC®	SA-FM/COC-002083	Woodmark
Koperasi Bromo Mandiri KTI (KBM KTI)	1,003	1,003	1,003	1,003	FSC®	SA-FM/COC-005493	Woodmark
Plantation by Social Forestry *4 (KTI, PRI)	-	-	-	6,182	-	-	-
Papua New Guinea	31,260	19,920	11,060	0	-	-	-
Open Bay Timber Ltd. (OBT)	31,260	12,854	11,060	0	FSC®	NC-FM/COC-005600	Preferred by Nature
		7,066			FSC®	NC-CW/FM-003093	Preferred by Nature
New Zealand	36,360	36,360	25,972	0	-	-	-
Tasman Pine Forests Ltd. (TPF)	36,360	36,360	25,972	0	FSC®	SGS-FM/COC-010806	SGS South Africa (Pty) Ltd
Total	278,909	221,644	101,118	8,190	-	-	-

*1 Forest Management (FM) certification authenticates sustainable forest management by having a third-party inspect based on objective indicators with focus on: (1) compliance with laws and system frameworks, (2) forest ecosystem and biodiversity maintenance and conservation, (3) respect for rights of indigenous people and local communities, and (4) maintenance and enhancement of forest productivity.

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

*3 The former owners of the forest assets (9,270 ha) purchased by KMF had acquired the FSC and PHPL certifications. However, due to the change in ownership, KMF is currently in the process of acquiring these certifications again.

*4 The land area is calculated by conversion from the number of seedlings distributed at KTI and RPI

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 production facility in Minamiaizu, Fukushima Prefecture in fiscal 2019, we have established a system capable of cultivating 1.9 million seedlings a year with six locations throughout Japan, which supply seedlings not only to company-owned forests but also national forests in Japan and privately-owned forests. We produce our own seedlings to plant in Indonesia and Papua New Guinea as well. Our sustainable forest management plants, cultivates, harvests, and replants trees in New Zealand and every other region where we do business.

Cultivation: Preserving the Public Benefits of Forests Through Appropriate Management

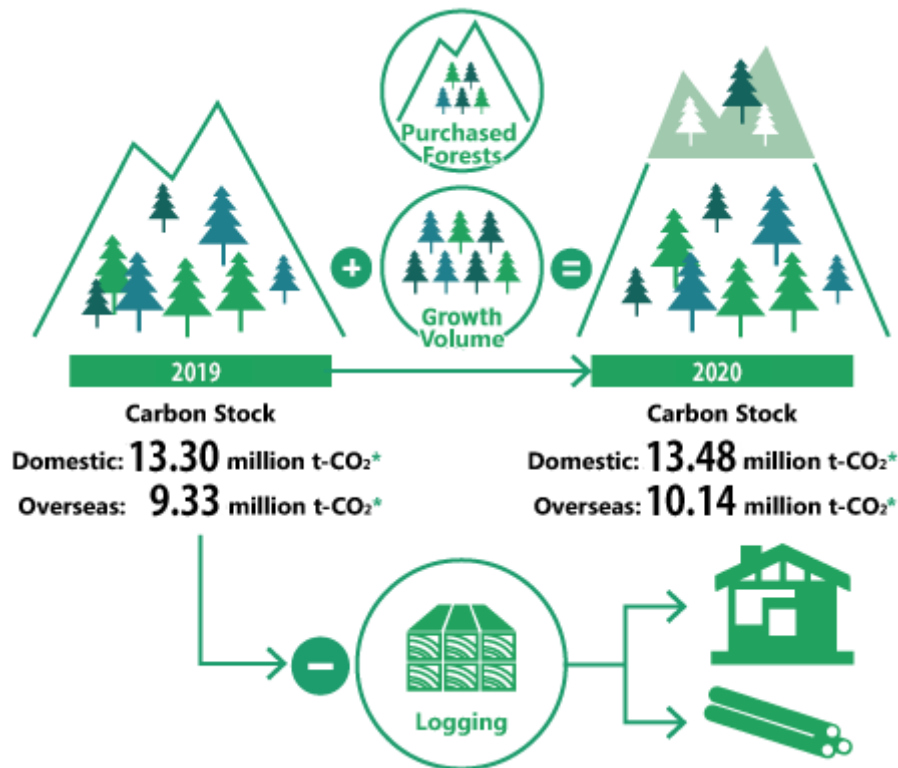
The Sumitomo Forestry Group manages a total of approximately 48,000 hectares of company-owned forests in Japan and a total of around 230,000 hectares of company-owned plantation forest area overseas. The Group works to maintain and enhance the public benefits of these forests by carrying out underbrush 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 2020 were 13.48 million t-CO₂ (+140,000t-CO₂ from the previous fiscal year). Carbon stocks at overseas plantation forests were 10.14 million t-CO₂ (+810,000t-CO₂).

* Formula to Calculate Carbon Stock

Accumulated amount × Volume density × Biomass expansion factor × (1 + the ratio of tree above-ground to under-ground) × Carbon content ratio (calculated by changing the expansion factor, ratio under-ground, volume density and carbon content ratio for each tree species); Moreover, this targets natural forests and plantations in Japan (approx. 48,000 ha) but only plantations overseas (approx. 67,000 ha).

Carbon Stock of Forests in Japan and Overseas



* Carbon stock as of the end of each fiscal year

Logging and Transport: Supplying Timber Products Through Systematic Logging

The Sumitomo Forestry Group logged approximately 40,000 m³ of trees in Japan and approximately 670,000 m³ of trees overseas in fiscal 2020 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 logging.

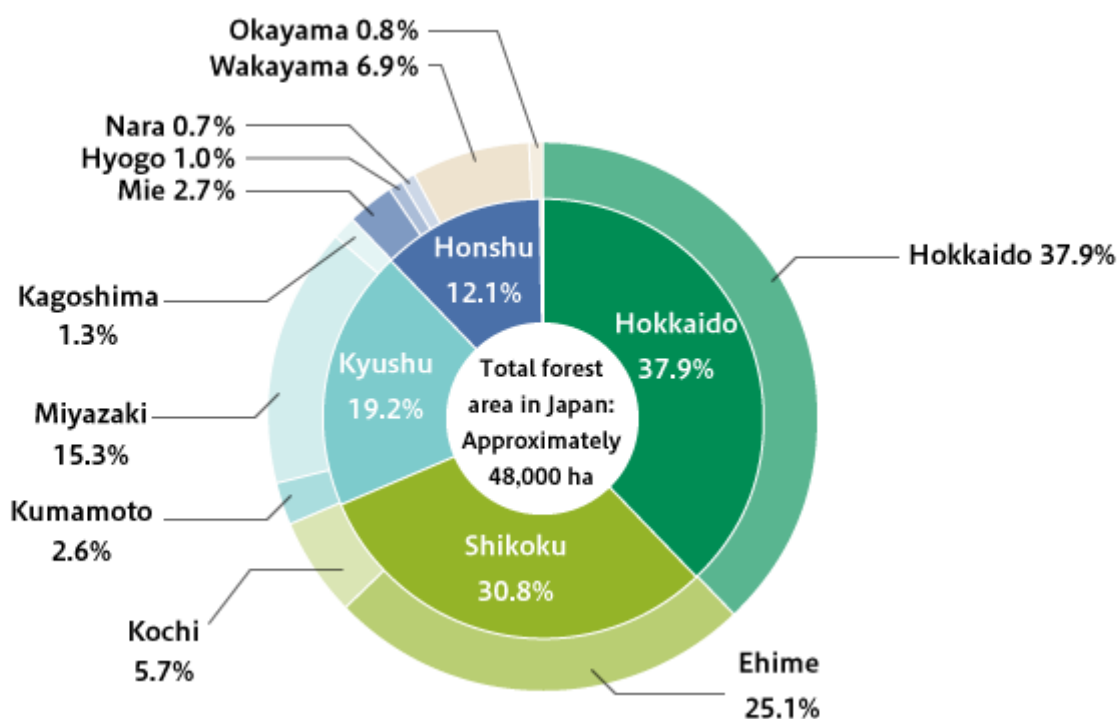
In fiscal 2020, we planted forests on 243 ha in Japan, and on 4,288 ha overseas. The newly planted trees will absorb CO₂ during their growth and retain it as carbon.

Protecting Domestic Forest Resources

Basic Policy

In recent years, the degradation across Japan of artificial forest plantations of cedar, Japanese cypress and other species has resulted in the alarming loss of the multifaceted functions of forests, such as water source recharge. The reasons for this devastation include the stagnation of timber value and worsening profitability as well as the inability for proper thinning or other management of the forests. In order to prevent further devastation of forests by revitalizing the forestry industry, the government of Japan has set a goal of raising Japan's timber self-sufficiency rate to roughly 50% by 2025. We will contribute to the targets laid out by the government of Japan while expanding our managed forest area, developing and introducing forestry machinery compatible with Japanese terrain and other such conditions, increasing the cultivation of fast-growing trees, spearheading planting and cultivation technologies, pioneering container seedling businesses, and promoting business solutions that leverage ICT.

Breakdown of Company-Owned Forests



Preserving and Increasing Forest Resources Through Management of Company-Owned Forests

The Sumitomo Forestry Group owns a total of approximately 48,000 hectares (about 1/800 of the national land area) of forest land area. Company-owned forests are categorized as either “commercial forests,” where the production of timber is the priority, or “environmental forests,” where conservation of the environment is the focus.

Sumitomo Forestry acquired a forestry certification from Japan's Sustainable Green Ecosystem Council (SGEC)^{*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%.

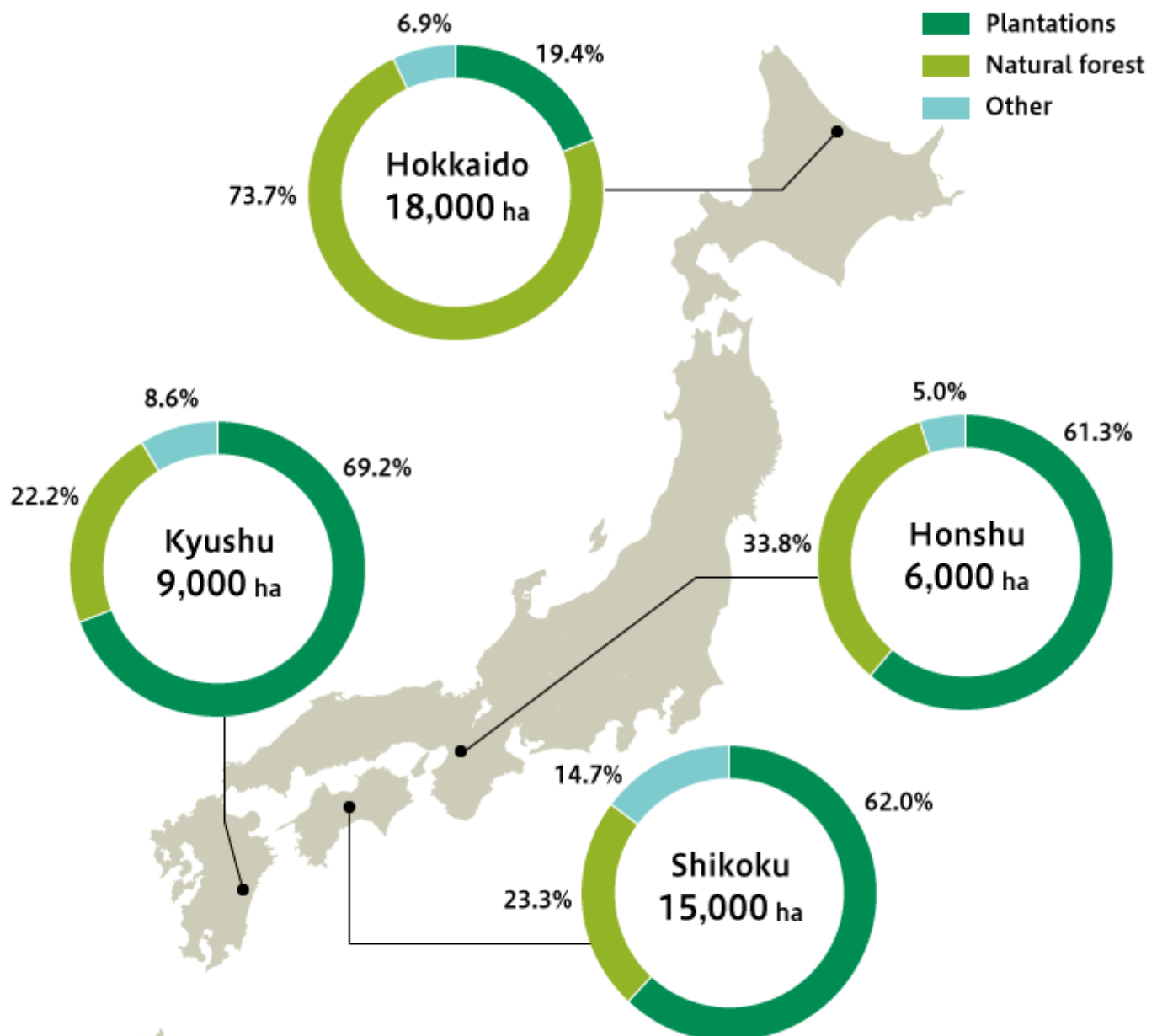
Forest operations include appropriate thinning, which helps to preserve and increase forest resources, while taking into consideration the surrounding environment including the ecosystem. Sumitomo Forestry also aims for highly productive management of its forests based on operational plans that follow 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, and the surrounding forest. Newly purchased forests are excluded because they underwent expanded inspections during the subsequent fiscal year.

*3 The programme for the Endorsement of Forest Certification Schemes is an international NGO that mutually authenticates certification standards created in each country and region as criteria to be shared internationally. Forest certification systems in 51 countries have joined PEFC of which 44 have been mutually recognized as forest certification systems.

Distribution and Area of Company-Owned Forests (as of December 31, 2020)



**Total area of Company-owned forests approximately 48,000 ha
(around 1/800 of Japan's land area)**

Forest Revitalization Initiatives

Seedling Production for Regional Revitalization

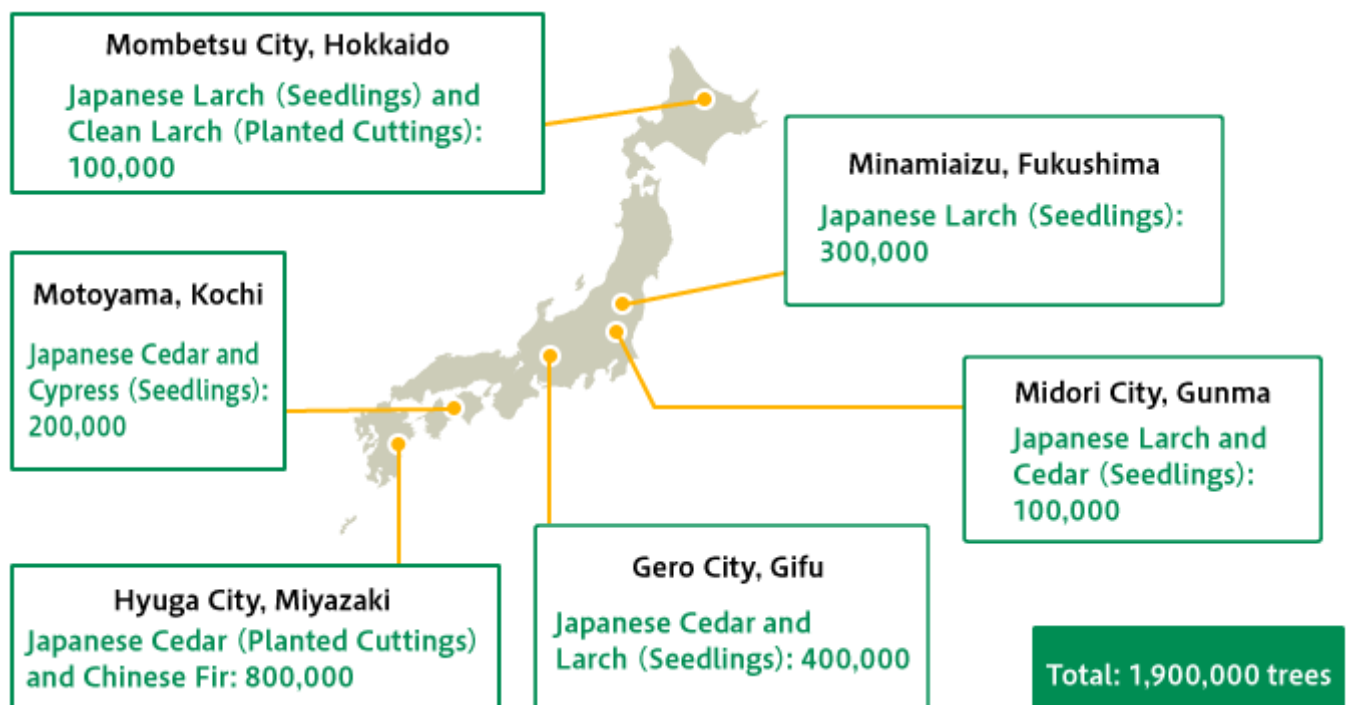
Increasing number of municipalities are working to foster forest resources that are not yet effectively utilized as one part of regional revitalization measures. Areas of clear cutting is expected to increase in the future as the harvesting period approaches for cedar and Japanese cypress planted after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

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

More specifically, starting from the development of an environmental control greenhouse facility in Hyuga City, Miyazaki in 2012, we established the know-how for production in Mombetsu City, Hokkaido as well. The production per unit of area significantly increased by controlling the temperature and humidity and allowing cultivation throughout the year compared to conventionally raising seedlings in the open. We opened greenhouse facilities in Gero City, Gifu Prefecture in fiscal 2016, in Motoyama City, Kochi Prefecture in May 2017, and in Midori City, Gunma Prefecture in fiscal 2018 as well as in Minamiaizu, Fukushima Prefecture in fiscal 2019 to establish a system capable of cultivating 1.9 million seedlings a year throughout Japan.

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

Cultivating Sumitomo Forestry Seedlings Throughout Japan



Efforts in Fast-Growing Trees

Sumitomo Forestry has begun efforts in fast-growing tree forests that are gaining more attention in recent years. Fast-growing trees are trees such as Chinese fir, chinaberry, willow and white birch that grow quickly and allow harvests in a short cutting cycle compared to Japanese cedar or Japanese cypress.

The Hyuga Forestry Office is conducting a test harvest of Chinese fir in the Hitoyoshi company-owned forest in Kumamoto prefecture. This test monitors aspects that include the reduction in weeding and a growth comparison with Japanese cedar through growth surveys and other research to examine the potential as a new tree species for garden vegetation.

In addition, Sumitomo forestry is also advancing the implementation of plans for test harvesting these fast-growing trees with the Forest and Landscape Research Center.



Chinese fir

Development of Forestry Drones to Transport Seedlings to Reduce the Labor of Planting Work

Workers are currently carrying seedlings weighing roughly 10 kg on their back when planting Japanese cedar, cypress and other tree species. Particularly in Japan, the terrain is quite hilly and places a huge physical burden on workers, which makes it difficult to secure a labor force.

That is why Sumitomo Forestry has been advancing the development of drones to transport these seedlings jointly with drone manufacturers and distribution companies that have proven themselves in the agricultural field. This project has conducted repetitive proof-of-concept tests in company-owned forests by flying drones safely over complex terrain and in harsh weather to deliver the seedlings safely. Based on these tests and various improvements, sales of the Morito Forestry Drone to transport seedlings began throughout Japan in fiscal 2020.

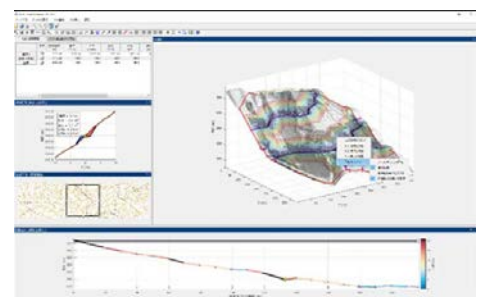


Morito Forestry Drone to Transport Seedlings

Launch of FRD Forestry Roadway Design Support System

Forests in Japan often have insufficient forest roads or strip roads in place which prevent smooth management of forests and transport of the timber that is harvested. Currently, when constructing forest roads or strip roads, lines are drawn by hand over a paper topographical map before visiting the site to see if that plan for the road network can be executed as is. This process of examination is usually done over and over again. The work to create these line drawn plans as well as check and verify the site rely heavily on individual intuition and experience as well as cost a vast amount of time and labor.

This software takes advantage of precise topographical data obtained from aerial laser and other measurements to design forestry road networks such as forest roads and strip roads. The main feature is a function for automatic design able to automatically create the line drawings by inputting the site of departure and destination in the operation screen. This feature creates line drawn plans based on parameters, including requirements such as longitudinal slope and the curvature radius, width, and operation costs specified in advance. In addition, we have devised a way for software to recognize dangerous terrain. This software packs more features than necessary for the job, such as allowing the design of safety lines that reflect areas which should be avoided due to potential collapse and other circumstances when creating a plan. The on-site exploration of the line drawn plans for roadways designed in the software offers efficient on-site verification.



Automatic Design Screen (Image)

Development of Power Assist Suits for the Forestry Industry to Reduce the Physical Burden of Planting Work

The Forestry Assist Suit Research and Development Consortium led by Sumitomo Forestry is comprised of four institutes each with specialized knowledge in the forestry and engineering fields (Sumitomo Forestry, Forest Research and Management Organization, ATOUN Inc. and the Nara Institute of Science and Technology). The Ministry of Agriculture, Forestry and Fisheries of Japan provides a budget to the Consortium for research and development of power assist suits in the forestry industry to reduce the physical labor of planting work. Proof-of-concept testing using a prototype produced in fiscal 2020 verified the benefits from a 20% reduction in the physical labor (energy metabolism) needed to transport seedlings to a 10% to 20% improvement in work efficiency. Development is moving forward with the aim of practical application by 2025.

In addition to assisting operators while they walk when traversing up and down slopes, this forestry power suit can also reduce the load on the shoulders and feet of workers when carrying heavy seedling packs and planting tools for several dozen kilometers. Practical applications of the power assist suit for the forestry industry would reduce the physical burden on workers and improve work efficiency by alleviating concerns about exhaustion on steep slopes while allow each person to carry a larger amount of seedlings and tools.



Prototype Testing

Forest Management Overseas

Basic Policy

The supply of natural wood is declining as national governments throughout Southeast Asia strengthen restrictions on harvesting and exports of natural timber for the purpose of conserving the logging industry in each country. 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.

FY2020 Overseas Managed Plantation Area (Unit: ha)

Country		Name of Plantation Business	Managed Area	Operations Area	Planted Area in FY2020	Logged Area in FY2020
Indonesia	Industrial tree plantation	PT. Mayangkara Tanaman Industri (MTI)	104,664	10,534	1,284	1,464
		PT. Wana Subur Lestari (WSL)	40,750	11,451	398	419
		PT. Kubu Mulia Forestri (KMF)	9,270	6,300	*	*
		Kutai Timber Indonesia (KTI)	6,632	6,632	926	167
	Social forestry	Koperasi Serba Usaha Alas Mandiri (KAM KTI)	1,005	1,005	188	81
		Koperasi Bromo Mandiri KTI (KBM KTI)	1,003	1,003	212	67
		Subtotal	163,324	36,925	3,008	2,198
Papua New Guinea	Industrial tree plantation	Open Bay Timber Ltd. (OBT)	31,260	11,060	367	178
New Zealand	Industrial tree plantation	Tasman Pine Forests Ltd. (TPF)	36,360	25,972	913	732
Total			230,944	73,957	4,288	3,108

* Acquired the industrial tree plantation assets and business rights of KMF in December 2020.

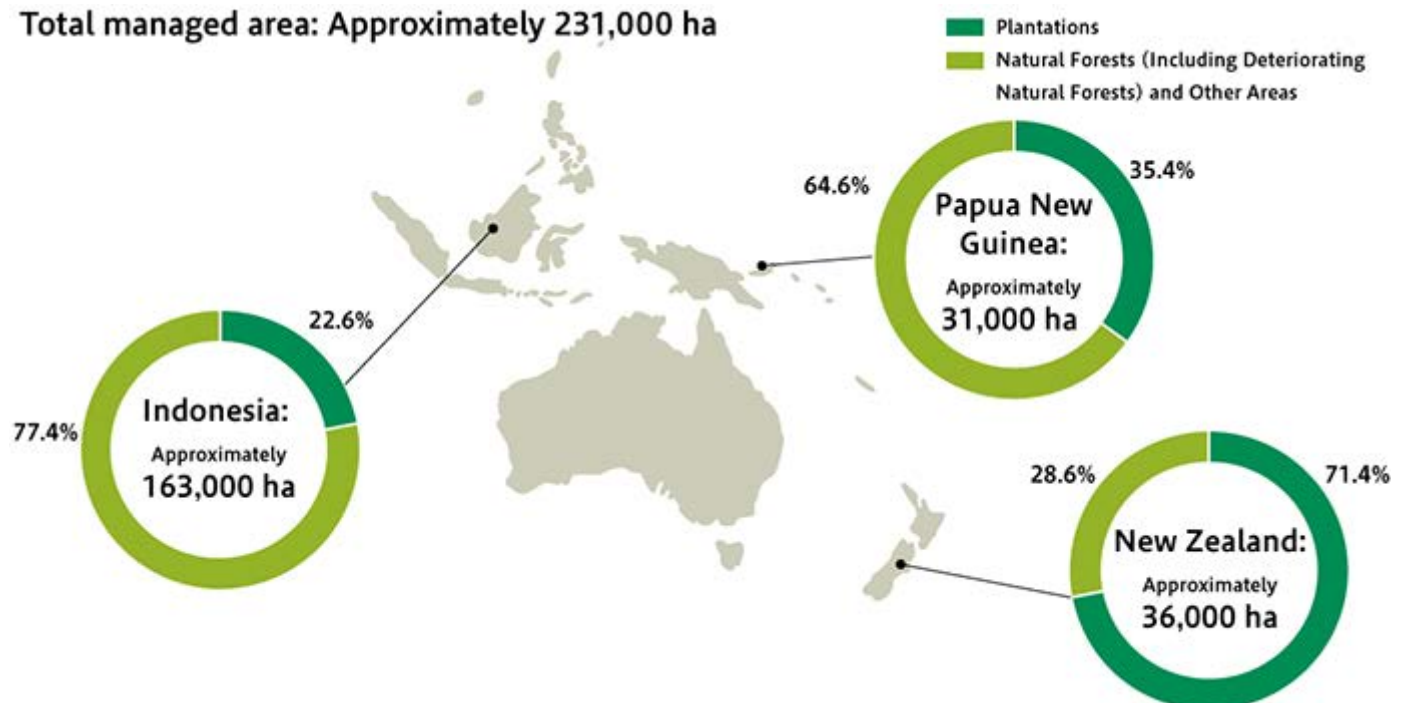
Forest Management Overseas

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.

Distribution and Area of Overseas Plantation Forests (as of December 31, 2020)

Total managed area: Approximately 231,000 ha



Sustainable Plantation Business by Leveraging Forestry Certification System

Of an approximately 30,000-hectare plantation owned and managed by Open Bay Timber (OBT), about two-thirds, or 20,000 hectares, has received FSC® forest certification*. Under the goal to plant on the 400-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 2020 was 367 hectares.

The entire area of approximately 36,000 hectares managed by Tasman Pine Forests Ltd. (TPF) has been FSC®-FM certified. In fiscal 2020, they planted approximately 913 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

Plantation Forest Operations in West Kalimantan, Indonesia (Industrial Tree Plantation)

Since 2010, under the license from Indonesian Ministry of Environment and Forestry permitting utilization of timber from commercial forests^{*1}, Sumitomo Forestry has been committed to a large-scale forest plantation business conducted in cooperation with the ALAS Kusuma Group (ALAS), a company involved in forestry management and plywood manufacturing in Indonesia, with whom we jointly established Mayangkara Tanaman Industri (MTI) and Wana Subur Lestari (WSL).

In fiscal 2020, Sumitomo Forestry and the ALAS Group changed the fifty-fifty investment split, and WSL and MTI became Sumitomo Forestry Group companies. We also acquired plantation forests neighboring WSL and MTI and established Kubu Mulia Forestry (KMF) as a wholly-owned subsidiary of Sumitomo Forestry to advance our business operations and environmental protection initiatives.

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, We not only engage in economic and sustainable plantation forest operations but also take responsibility to protect forests with high conservation value. We also believe this business is very significant in providing an economic infrastructure to local communities from the perspective of ESG.

The land used in these operations exists in tropical peatland which plays an extremely vital role in the carbon and water cycle on a global scale.

We launched these operations by conducting detailed topographical surveys and boring tests over five years to understand the peat distribution and depth. We also entered into an advisory agreement with the International Finance Corporation (IFC), the World Bank's group institute, in 2012. In accordance with the concept of High Conservation Values Forests (HCVF)^{*2}, Sumitomo Forestry conducted assessments on its operational properties with the 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. Our Group also held public hearings in 2013 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.

Our employees unified and consistent efforts since the start of business have succeeded in building a unique peatland management model that stabilizes the underground water level throughout the year. As a result, it has made great contributions to the measure against climate change on a global scale by mitigating greenhouse gas emissions and forest fires as well as sustaining the proper water cycle. Our management model has been highly praised as a successful example of peatland management worldwide.

These and surrounding areas also isolate ecosystems where rare plant and animal species live in an island-like shape. To prevent this type of isolation, our group works together with neighboring local business proprietors to preserve the entirety of the ecosystem.

We see tropical peatlands and the ecosystems living throughout the peatlands as one type of important natural capital. In the future, businesses achieving a balance between industrial tree plantations and environmental protection will enhance value as natural capital and help resolve global issues.

*1 Issued by the Indonesian government, this is a business license to engage in industrial tree plantation operations in Indonesia.

*2 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.

Before the reforestation project

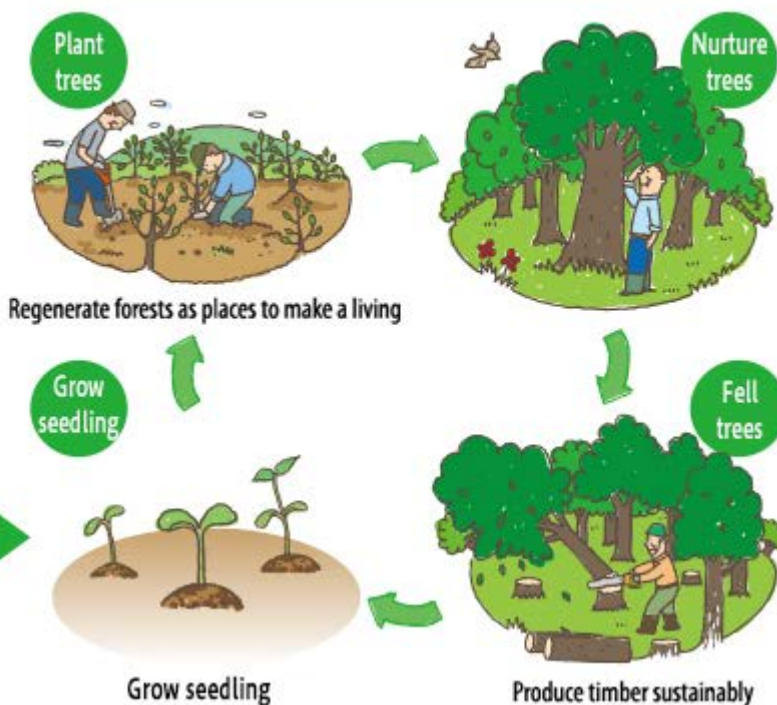


Forests as they used to be



Devastated land

Reforestation project



► Biodiversity Conservation in Plantation Forests Overseas

History of Enhancing the Value of Natural Capital

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.
2019	<ul style="list-style-type: none"> We announced initiatives related to WSL peatland management and plantation operations at The Seventh Tokyo International Conference on African Development (TICAD7) held in Yokohama in August. We introduced that tropical peatland forest not only acts as the lungs of the Earth but also a heart that circulates water around the globe. We also announced a peatland management system that prevents fires at a side event of the United Nations Climate Action Summit held in New York in September. At the United Nations Climate Change Conference (COP25) held in Madrid in December, we presented water management technologies and the preservation of rare species.
2020	<ul style="list-style-type: none"> The Global Landscape Forum held by the United Nations Environment Programme introduced the Sumitomo Forestry peatland management concept to not only address the issue of carbon emissions in peatland management but also consider forest, agricultural and food shortage issues as a main theme. We contributed essays about the expertise in peatland management which we have cultivated thus far and took charge of organizing the technical peatland management guidebook published by the International Peat Society (April 2021). Sumitomo Forestry also launched a counsel together with the IDH - The Sustainable Trade Initiative, an international organization, to improve assessment methods of natural capital and enhance added value.

Forest Fire Prevention Measures at Each Work Site

Wana Subur Lestari (WSL) and Mayangkara Tanaman Industri (MTI)

Conventionally, reforestation in peatlands* was done by managing the water level with drainage to push water out of the soil. This meant digging many drainage routes to rivers in order to dry the land 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. Fire in dried peat, once ignited, spreads even underground and is very difficult to extinguish, creating the risk of large-scale peat fires.

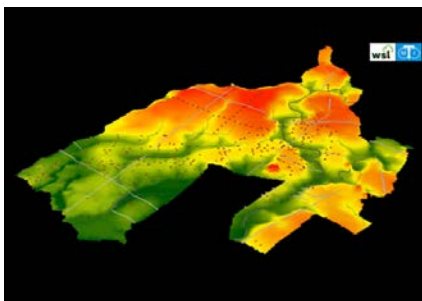
To address this issue, WSL and MTI manage the storage water level. These companies first take detailed measurements and peatland survey necessary for zoning and infrastructure construction plans. Using the measurement results, WSL and MTI then (1) zone out protected and riparian forest with rare and highly valuable water storage properties, (2) set buffer zones to prevent any impact of plantation zones on protected forest and (3) determine plantation forest zones.

The success of our work so far since starting real-time measurements of the peat thickness has clearly shown sustained long-term peat thickness even while repeatedly shrinking in the short term from days to weeks and months. In other words, this indicates the peatland management is able to mitigate greenhouse gas emissions from peat.

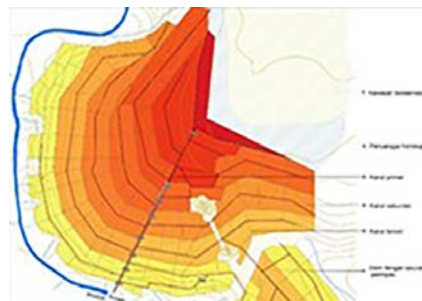
The Sumitomo Forestry Group has also continued to develop the infrastructure technology necessary to manage peatlands since launching the business. The concept is simple, low cost and easy maintainability, which aims to establish management technology that can be broadly expanded in rainforest peatlands throughout Indonesia and the rest of the world. As an alternative means to carry out massive amounts of surveys when launching Sumitomo Forestry businesses, we are striving to develop technology to collect and analyze data using drones and AI (Artificial Intelligence).

Regions where peatlands thrive, such as the Amazon, the Congo Basin, and Indonesia, have the most rainfall throughout the world. The soil of peatlands is made up of 80% to 90% water. Tropical forests and peatlands act as a pipeline dispersing water into the air from a large amount of rainwater accumulated in the ground during the monsoon season through evaporation. The tremendous evaporation from these tropical forests and peatlands has the potential to act as a necessary water cycle function not only locally but at a continental and global scale. The collapse of the world's water cycle will result in abnormal weather and adversely impact agriculture, which will cause even greater food shortage issues. Sumitomo Forestry recognized this fact in its peatland operations from an early stage and advocated the importance of proper tropical forest and peatland management because these regions act as the heart of the Earth circulating water throughout the planet at our presentation at The Seventh Tokyo International Conference on African Development (TICAD7) held in Yokohama in August 2019.

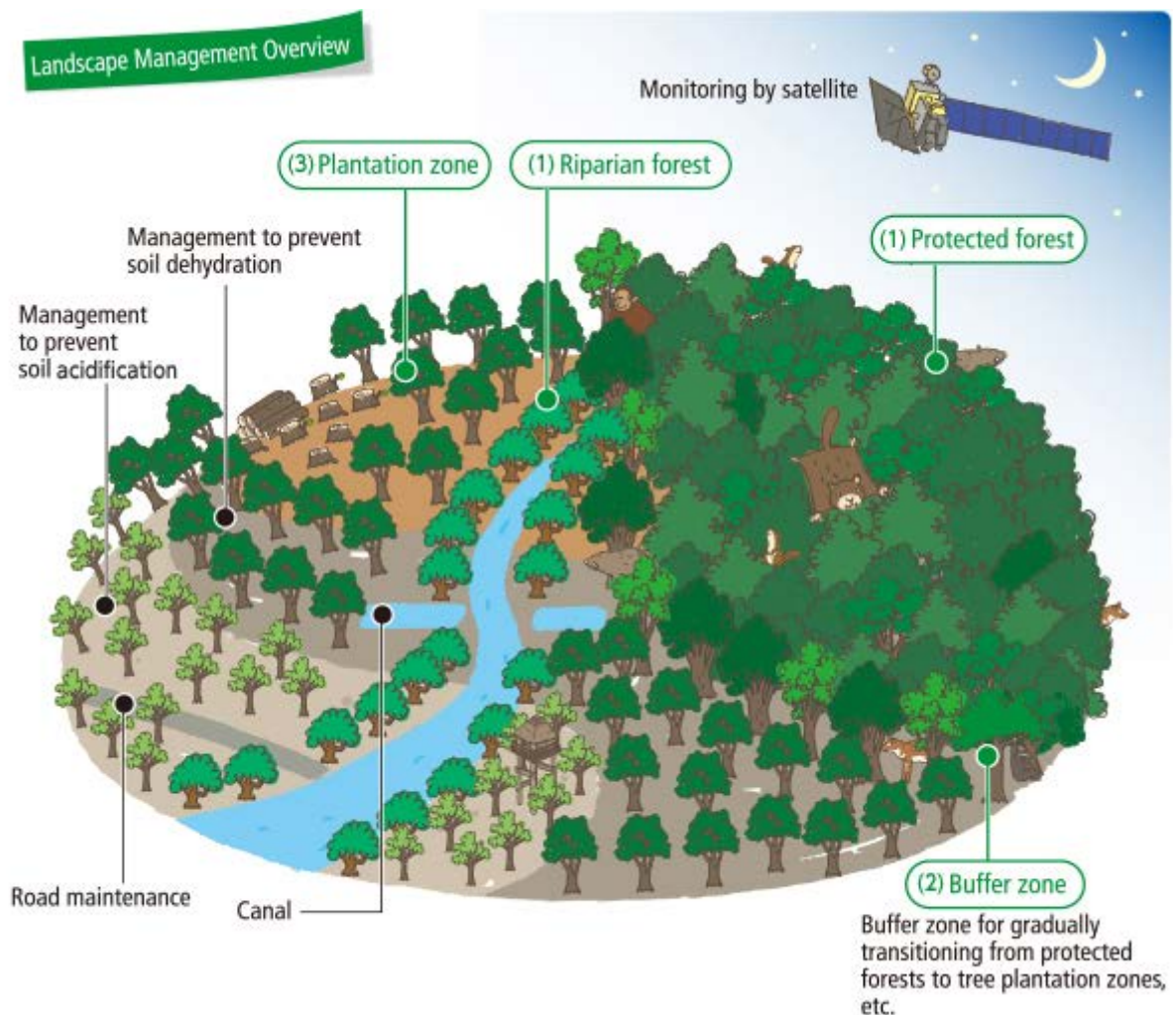
* Definition of peatlands: Characteristics of the peat soil found in the peat swamps is known to emit enormous amounts of greenhouse gases, typically carbon dioxide and methane gas, if the soil was inappropriately exploited. Owing to joint researches by Japanese and Indonesian academic institutes, our operations takes consideration to minimize greenhouse gas emissions that accrue as the peaty soil dissolves during exploitations.



Landscape management of plantation forest operation designed based on detailed data



Monitoring the water level in peatlands



Open Bay Timber Ltd. (OBT)

In addition to measures to prevent accidental fires in plantation forests by preparing fire belts and organizing left-over timber, we monitor the danger of fire occurrences through daily measurements of the air temperature and rainfall. In areas with a high risk of fire, patrols of work sites are increased from once to twice a day to meticulously check for signs of fire. We have had no cases of forest fires in 2020 thanks to these initiatives.

Tasman Pine Forests Ltd. (TPF)

TPF is working with Fire and Emergency New Zealand (FENZ), local municipalities, neighboring forestry associations and other relevant agencies to continuously conduct awareness-raising activities about fire in the local community in addition to taking other proactive fire prevention measures. Specific measures include setting up a Fire Index bulletin board that shows the fire risk level, distribution of leaflets to evoke caution in the local community, the creation of a system to always have fire-fighting helicopters on standby when the risk of fire is high, stockpiling of fire extinguishing agent, appropriate placement and management of water ponds, focused pruning of wood edges to prevent the spread of fires, fire-fighting equipment acquisition and training, conducting patrols, and preparation of forest roads. On days with a significantly high risk of fire, we also implement a wide range of regulations from time restrictions for harvesting work to rules on when people have recreational access to the mountains.

Utilization of Sustainable Forest Resources

Timber and Building Materials Business Initiatives

Promotion for Sales of Environmentally-friendly KIKORIN-PLYWOOD

Sumitomo Forestry has set a ratio of products that use certified timber and plantation trees from the procurement of import wood board products such as plywood as a 2020 target and it strives to expand this. Among these products, JAS Plywood that uses 50% or more FSC-certified or PEFC-certified timber and sustainable plantation timber is marketed as KIKORIN-PLYWOOD, and some of its revenue is invested in plantation businesses in Indonesia. This product made using 50% or more certified timber or plantation timber, was praised as being environmentally conscious. It received an encouragement prize in the 1st EcoPro Awards* on September 12, 2018. The results of fiscal 2020 (April to December) were 42,051 m³. As of fiscal 2021, the definition of KIKORIN-PLYWOOD has aligned with the Timber Procurement Standards as plywood using 100% of sustainable timber, and we will work to promote it even more.

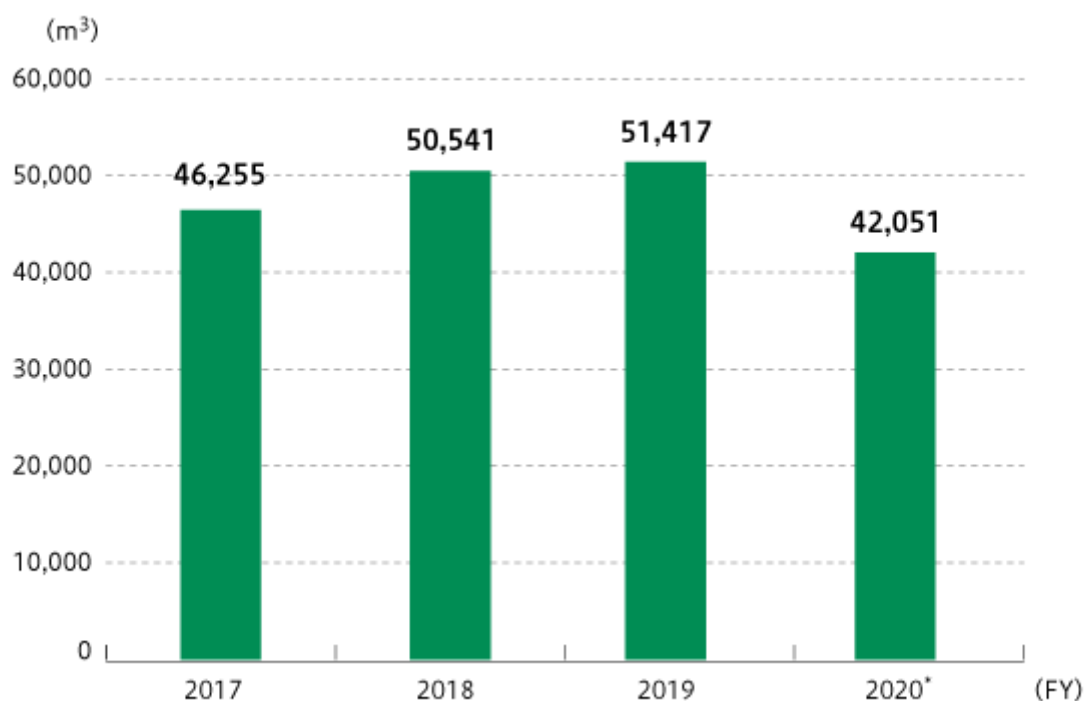


KIKORIN-PLYWOOD

* 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



* Data collection period during fiscal 2020 was from April to December 2020.

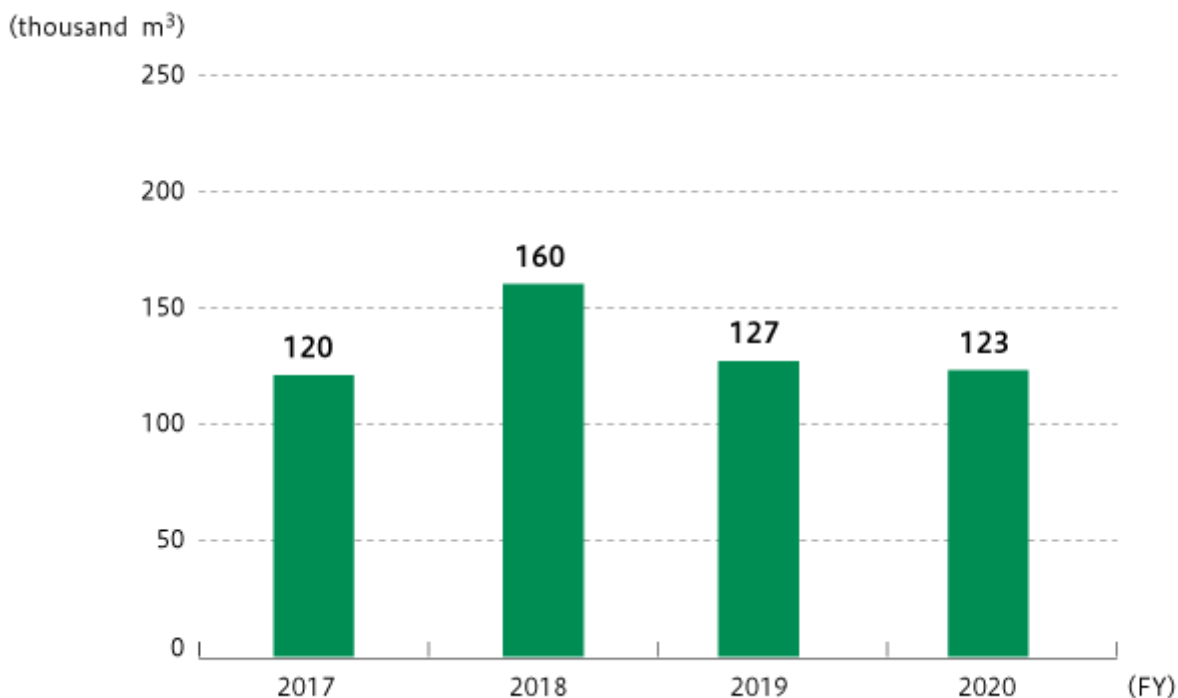
Exporting Domestic Timber

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 300,000 m³ has been set for Japanese timber export volume to be reached in fiscal 2025 as we explore overseas market opportunities for Japanese timber.

The novel coronavirus infection (COVID-19) has greatly impacted fiscal 2020, but our Japanese timber exports have risen 12.1% from the previous year to 123,000 m³ thanks to market recovery resulting from the early containment of the virus in Chinese market.

In fiscal 2021, we also expect exports to rise beyond fiscal 2020 levels in light of the containment of COVID-19 in China and market recovery.

Export Results of Domestic Timber



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.

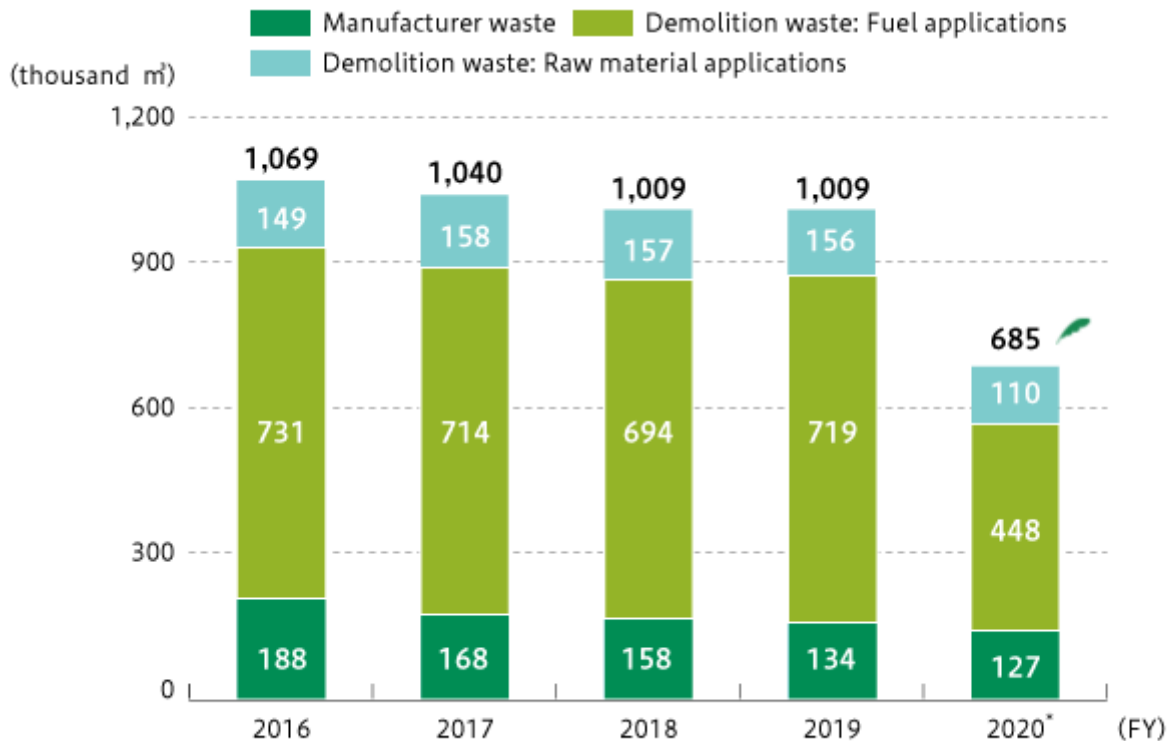
The Sumitomo Forestry Group is working to expand the amount of certified timber it handles with the goal of handling only sustainable timber and timber products by the end of 2021. The result for fiscal 2020 (April to December) was 163,005 m³, which is 109% of the monthly average compared to fiscal 2019.

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 the future, 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



* The period of data collection for fiscal 2020 is from January 1, 2020 to December 31, 2020.

▶ About symbol for Independent assurance

MOCCA (Timber Solutions) Business Initiatives

Sumitomo Forestry has been engaging in forest management for more than 330 years. In addition, we create living spaces which take advantage of wood through our expertise in the various properties of wood worldwide. The development of a truly broad scope of experience, knowledge and technology promotes the MOCCA (Timber Solutions) Business specialized in proposing wooden non-residential medium- to large-scale construction. In 2017, Sumitomo Forestry entered into a business and capital alliance with Kumagai Gumi Co., Ltd., which possesses a proven track record in numerous construction results worldwide in the civil engineering and construction fields. In 2020, we welcomed Cohnan Kensetsu Inc. with expertise in order and construction management of steel frame and steel concrete construction to the Sumitomo Forestry Group. These partnerships will expand medium- to large-scale non-residential wooden construction by building on the strengths of Sumitomo Forestry, such as wood construction and technologies to more broadly use wood for both interiors and exteriors. The MOCCA (timber solutions) business will also contribute even more to the realization of a sustainable society in harmony with the environment and economy by sharing a culture of wood and revitalizing forestry.

KURKKU FIELDS: The Future of a Recycling-oriented Society Inspired by Wood

KURKKU FIELDS is a sustainable farm and park embodying a recycling-oriented society on an expansive approximately 30 hectares in Kisarazu City, Chiba Prefecture. Musician Takeshi Kobayashi who launched the ap bank non-profit organization around the theme of a sustainable society supervised the overall operations under the cooperation of Kisarazu City. The concept is a concerto of people, agriculture, food, art and nature. Agriculture, food and art are broken down into seven different categories: FARM, EAT, ART, PLAY, STAY, NATURE and ENERGY. As a place to experience the shape of a sustainable future and the Touch of Life, KURKKU FIELDS proposes prosperity in the future for people and society as well as an ideal form of consumption and eating.

Sumitomo Forestry built four buildings of the facility in the EAT and STAY areas. Each of these buildings took advantage of wood in structures as well as in the interiors and exteriors. By using scrap wood from the barn for flooring for some of the materials, we also tried to show our consideration for the environment and our desire to not waste limited resources.

We proposed the active use of wood for the buildings inspired by a desire for everyone to touch and experience the trees vibrant with life at KURKKU FIELDS made for the Touch of Life experience. With a new construction plan, we are continuing to evolve toward the grand opening.



New Marukatsu Takada Shoten Miwa Company Building

Marukatsu Takada Shoten produces and sells somen noodles in Miwa District of Sakurai City, Nara Prefecture, the birthplace of hand-stretched somen.

Marukatsu Takada Shoten asked Sumitomo Forestry to design and build a new company building constructed of wood to act as a type of laboratory to share the new wonders of somen in the new era according to its philosophy to take on new challenges rather than protect tradition.

We proposed a design with a modern exterior which found natural unity with the local landscape. The first-floor somen shop area realized a space stimulating all five senses of diners from the qualities to the touch and smell of wood. The office area achieved a work space on a single floor where everyone could work together.

Using the local wood long adored by the local people, all who come can enjoy the evolving look and feel of the building as it ages.

President of Marukatsu Takada Shoten Katsuichi Takada said, "The transformation of our working environment has also transformed the mentality of all who work here." Marukatsu Takada Shoten is sure to surpass our expectations with somen noodles unlike anything to come before.



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 realize a Timberized Eco City symbolized by 350-meter-tall wooden high-rise building by 2041, which will mark the 350th year since the foundation of business in 1691. The plan is intended to develop future technologies that contribute to people's lives, society and the global environment, including building construction methods, environmental technologies, wood for building materials and resources.

The new three-story wooden research building completed in October 2019 at the Tsukuba Research Institute will help further this plan as a research and development base.

Toward Realizing the W350 Plan

Managed mainly by our research and development center, Tsukuba Research Institute, the W350 Research and Technological Development Plan is a roadmap for future technologies; to develop building construction methods, environmental technologies, wood for building materials and resources. This roadmap will expand the possibilities of wooden structures as well as natural resource of wood.

This plan of creating Timberized Eco Cities 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.



New Research Building of the Tsukuba Research Institute, Which will Serve as the Research Base for the W350 Plan

It has been 30 years since Tsukuba Research Institute was established. The deterioration of the main research building and increase in staff have become issues needing to be addressed. The new research building completed in October 2019 adopts new Post-tensioning^{*1} earthquake-resistance technology related to the wooden structures. 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 exposed beams, pillars, and wall structure has been designed using the semi-fireproofing technique. Full building evacuation safety verification [Route C (Minister's certification)]^{*2} makes it possible to reduce 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. With roofs, balconies and exterior walls used as areas to test greening, the research and development of green technologies for non-residential wooden architectural structures will be conducted while office space will be used for verifications such as green layouts that seek to improve intellectual productivity.

This facility will offer an office capacity of 140 people and a gallery presenting information about wood. This building received the Minister of Land, Infrastructure, Transport and Tourism Prize at the 23rd Wood Utilization Competition and the New Office Promotion Award from the 33rd Nikkei New Office Awards.

With the new research building positioned as the cornerstone of the W350 Plan, we also began a construction plan for a six-to eight-story wooden hybrid building (20m to 30m tall) as the next actual step forward. This plan has been named "W30" and is currently under way.



^{*1} Technology where high-strength steel poles and wire ropes running through load-bearing members are tensioned to increase the fixation of position between members.

^{*2} A method for verifying safety performance where everyone within a building is able to evacuate safely to the ground level given a pre-determined fire scenario. If safety can be confirmed, some of the regulations of the Building Standards Act of the Japanese government are eased, enabling greater freedom of design, such as exposing wood structural members to view. Route C designation requires certification by the Minister of Land, Infrastructure, Transport and Tourism, but since evacuation safety performance is confirmed using sophisticated calculation methods not stipulated by the notice, it allows for the highest level of design freedom.

Overview of New Research Building at Tsukuba Research Institute

- Location : Midorigaoka, Tsukuba-shi, Ibaraki Prefecture, Japan
- Building area: 1,120.27m²
- Floor area: 2,532.67m²; 1F: 1,001.95m²; 2F: 894.44m²; 3F: 636.28m²
- Structure: Three-story wooden Original Post-tensioning Semi-fireproof Structure
- Application: Research Facility
- Project Management: MOCCA (Timber Solutions) Department*, Sumitomo Forestry Co., Ltd.
- Design: le style h/Atelier Asami Kazuhiro and MOCCA (Timber Solutions) Department, Sumitomo Forestry Co., Ltd.
- Construction company: Kawada Industries, Inc.
- Construction Period: March 26, 2018 to September 30, 2019

* Restructured as the Construction Market Development Department on April 1, 2020

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

W350 Plan Receives the Special Jury Award at the MIPIM AWARDS 2020

As the research and technological development roadmap aiming to realize a Timberized Eco City, the W350 Plan received the Special Jury Award at the MIPIM AWARDS 2020^{*1} which celebrates extraordinary real estate development worldwide. This is the first time an entry from Japan has been bestowed the honor of the Special Jury Award. Our entry to the MIPIM Awards was sparked by the completion of the new research building at the Tsukuba Research Institute in October 2019 as the foundation for the W350 Plan. This project not only received the Special Jury Award in 2020, but was also selected as a finalist in the BEST FUTURA PROJECT category^{*2} for the second consecutive year since 2019. Nikken Sekkei Ltd. handled the design of the tall wooden high-rise building symbolizing the W350 Plan while Sumitomo Forestry worked on the overall concept.



^{*1} The MIPIM AWARDS have been held since 1991 at the MIPIM^{*3}, the world's largest real estate market event, to commemorate outstanding projects driving innovation and celebrating achievements.

^{*2} The BEST FUTURA PROJECT category commemorates projects that have a revolutionary architectural, technical and environmental impact on the future.

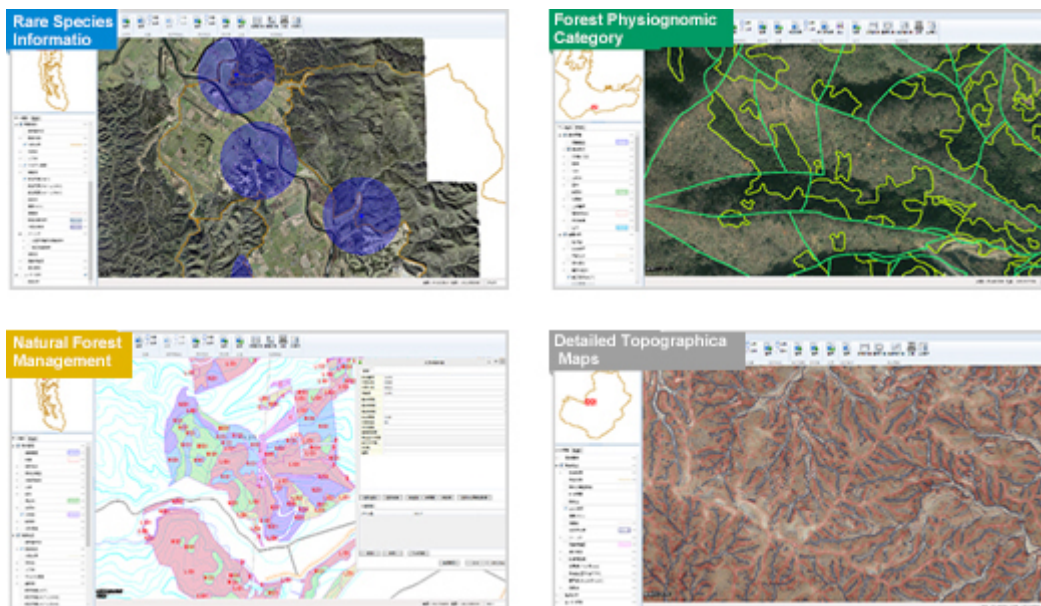
^{*3} MIPIM stands for Marché International des Professionnels de l'Immobilier. This international market event of real estate professionals is the largest in the world bringing together real estate developers and architects from around the globe.

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 15 municipalities with the platform as of the end of fiscal 2020.



Supporting the Creation of a Forest and Forestry Master Plan for Itoshima City, Fukuoka Prefecture

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

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

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

Sumitomo Forestry is currently assisting in the setup of an execution framework for this plan and will continue to support so that this master plan will contribute to regional reforestation.



Comprehensive Partnership Agreement to Turn Forestry to a Growth Industry with Nagato City, Yamaguchi Prefecture

Sumitomo Forestry entered into a comprehensive partnership agreement to turn forestry and timber industry to a growth industry with Nagato City, Yamaguchi Prefecture in September 2019 for the purpose of promoting development of the forest and timber industry in Nagato City in order to revitalize the local economy.

In April 2017, the Forestry Agency selected Nagato City was selected as a region to turn forestry and timber industry to a growth industry by the Forestry Agency and has worked toward that goal. The Nagato City launched a committee to promote turning forestry and timber industry to a growth industry with various subcommittees to conduct repeated assessments through local representatives and experts toward revitalization of forestry. As a result, Nagato City and other local relevant bodies took the lead in establishing Refore Nagato in July 2020 as a general incorporated association to handle local forest management.

The partnership agreement between Sumitomo Forestry and Nagato City aims to increase local production of raw wood, secure and train forestry workers, and expand timber demand. By treating the forests throughout Nagato City as a single entity, we will also execute efficient forest maintenance and promote sustainable forest management to further turn forestry to a growth industry.

(Partnership Agreement Overview)

- Promote harvest and replanting
- Stably produce and use container seedlings
- Develop and standardize container seedling production technology and train business operators
- Establish and manage organizations central to forest management
- Identify the quantity of forest resources and the intention of forest owners
- Adopt and effectively utilize ICT in forestry and wood material industries
- Adopt and effectively utilize forestry machinery in forest operations
- Take advantage of business approaches that heighten motivation of forest owners and forestry businesses
- Secure human resources and support their retention in forestry and timber industries
- Build a cooperative supply chain with local city sawmills and other forestry businesses
- Drive demand for timber produced locally both inside and outside of the city

Comprehensive Partnership Agreement with Nishiawakura Village and Sumitomo Mitsui Trust Bank

Sumitomo Forestry entered into a comprehensive partnership agreement with Nishiawakura Village and Sumitomo Mitsui Trust Bank in August 2020 to promote regional redevelopment measures with focus on the forest industry.

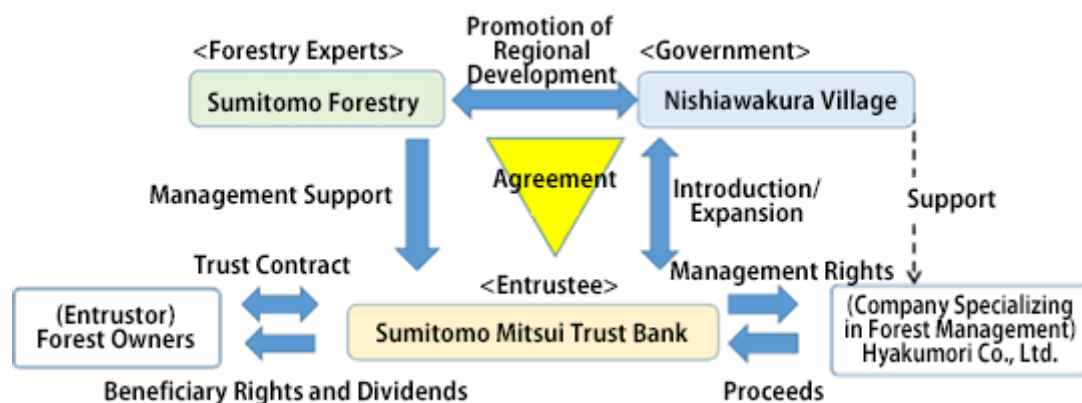
This partnership agreement assigns roles to each of the three parties. Sumitomo Mitsui Trust Bank is entrusted by forest owners through forest trust agreements while Sumitomo Forestry provides management support as a forestry expert from driving efficiency in forest management procedures and operations handled by firms specializing in forest management to marketing and promotion of wood materials. Nishiawakura Village offers support from a governmental stance and deliberates on building road network, forest information and other infrastructure.

Presently, the forest industry in Japan is enhancing forest resources while at the same time confronting a variety of challenges from a one-fourth drop in the price of timber from its peak to a decline in the motivation of forest owners and a lack of human resources for forest management and other forestry operations. To resolve these issues, a trend of outsourcing forest management to local municipalities and motivated forest management companies has begun. Forest trusts are one of these measures. We will expand the forest trust initiatives both inside and outside Nishiawakura Village with our two partners by leveraging each of our individual strengths. The Sumitomo Forestry Group will continue to work to promote regional revitalization founded in forestry.

(Specific Items of the Partnership Agreement)

1. Items on Forestry and Regional Development Emphasizing Forestry Underway in Nishiawakura Village
 - (1) Provide forest information to forest owners and enhance the efficiency of forest management through the use of forest information
 - (2) Promote circular forestry friendly to the environment and improve the supply capabilities and increase demand for timber produced in the village
 - (3) Create a new service industry using forests (including special-use forest products)
2. Items on Business and Management of Forestry Businesses in Nishiawakura Village
 - (1) Improve various services for forest owners in forestry businesses
 - (2) Lower costs of forest management and forestry and facilitate effective marketing of materials for forestry businesses
 - (3) Strengthen the management structure of forestry businesses
3. Items on the Introduction and Expansion of Forest Trusts
 - (1) Identify problems and investigate solutions to expanding forest trusts
 - (2) Standardize forest management and forest management procedures through the use of forest trusts
 - (3) Effectively use timber produced from forests related to forest trusts
 - (4) Promote the expansion of forest trusts to other regions

Partnership Agreement Scheme



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 business activities, and to otherwise fulfill their corporate social responsibilities.

Drawing on its knowledge of forest management in Japan and overseas, Sumitomo Forestry implements its consulting business for the restoration of degraded forests in tropical regions, the rehabilitation of biodiversity, and for the protection and cultivation of forests that takes into account local communities.

Mitsui Sumitomo Insurance Co., Ltd.'s Paliyan Wildlife Sanctuary Reforestation Project (Environmental Reforestation / Social Forestry)

Mitsui Sumitomo Insurance Co., Ltd. has been involved since 2005 in efforts to restore the devastated forests in the Paliyan Wildlife Sanctuary (Gunung Kidul Regency in the Special Region of Yogyakarta) in Indonesia. Sumitomo Forestry has provided associated consulting services.

During the first phase of activities to March 2011, around 300,000 trees were planted on 350 hectares of land. As a 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 organizing agricultural societies to improve the livelihoods of the local people, 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 a third phase of activities since April 2016, we have been supporting additional planting in areas with few trees in protected forests as well as social forestry through local communities around protected forests. We are also growing seedlings to distribute as social forestry. The cultivation of seedlings at the local special needs school that began in 2019 had to be suspended due to the impact of the novel coronavirus pandemic. However, Sumitomo Forestry did provide guidance and grow seedlings with local agricultural societies. Mitsui Sumitomo Insurance Co., Ltd. also received a letter of gratitude from the Indonesian Ministry of Environment and Forestry praising these activities at a National Nature Conservation Day event in Indonesia in September 2020.

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.



Local Agricultural Society Members
Cultivating Seedlings to Distribute as Social
Forestry

Reforestation Activities Contributing to the Society

Reforestation Activities Contributing to the Society

Distribution of Free Seedlings and Buy Back Guarantee of Logs

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

Number of Seedling Stocks Given to Indonesia

Company Name	FY2020 result
KTI	571,000 trees
VECO	504,000 trees



Local KTI Staff Celebrate the Minister's Prize

Promoting Certification of Forests Together With Local Communities

KTI organized Koperasi Serba Usaha Alas Mandiri KTI (KAM KTI)*, which is a community plantation cooperative association. In 2008, KTI obtained the first FSC®-FM certificate for the 152-hectare plantation and has expanded its certification to 1,005 hectares in 2015. Koperasi Bromo Mandiri-KTI (KBM KTI)*, which is a second reforestation cooperative with the same certification, acquired a certificate for 206 hectares in January 2017. In 2020, the area expanded to 1,003 hectares and it has been supplying raw wood to KTI. The area of certified forest has reached a total of 2,008 hectares. These certified forests will strengthen the manufacture and sale of products with high environmental value based on a growing supply of certified timber materials.

* KAM KTI: FSC-C023796, KBM KTI: FSC-C133562

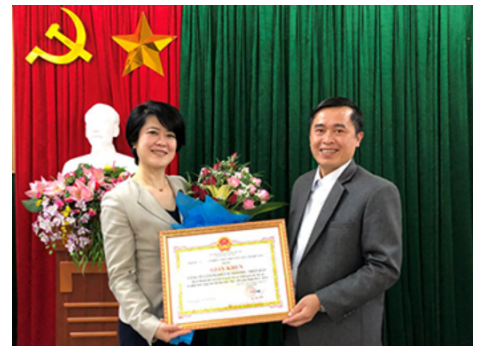


View of Plantation Forest

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. This project ended in fiscal 2020, and we supported it for approximately seven years. Our work, such as providing a total of roughly 45,000 seedlings to the local people, contributed to the revitalization and conservation of forests in the region, including about 29 ha of reforestation across six sites.

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

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 served as a guideline for advancing initiatives.

The Sumitomo Forestry Group's Long-term Biodiversity Targets and Overall Results

[The Sumitomo Forestry Group's Long-term Biodiversity Targets (summary)] Established March 2012 Revised April 2017	Overall Results
<p>Group-wide Targets</p> <ol style="list-style-type: none"> (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. <ul style="list-style-type: none"> 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. 	<p>In Japan, we maintain a 100% forest certification rate for company-owned forests, formulated forest management plans every five years that include the forest management entrusted from outside of company-owned forests, received certifications from The Ministry of Agriculture, Forestry and Fisheries of Japan and have been strategically implementing operations. In forest management overseas, we replanted all of the cut-over areas toward reforestation and have been executing planned sustainable harvesting.</p>

**[The Sumitomo Forestry Group's Long-term
Biodiversity Targets (summary)]**
Established March 2012 Revised April 2017

Overall Results

- We will increase the procurement and use of sustainable timber, such as forest certified timber, plantation forest timber and Japanese timber.

In May 2019, we formulated an action plan to redefine the meaning of “sustainable timber and timber products” in light of growing concerns about deforestation as a factor of climate change since 2015. We migrate any timber or timber products not satisfying this new definition to alternative woods and gradually stop handling those items with the goal of procuring 100% sustainable timber and timber products by the end of fiscal 2021.

- We will promote the efficient use as well as the recycling and reuse of timber.

Expanding the biomass power generation business which uses scrap wood and unused forest materials as main fuel, and in turn helps cascaded use of timber as well as circular and effective use of forest resources, we have planned and invested in six plants (power generation capacity of 252 MW) as of 2020 since our first venture in one plant in 2012 (power generation capacity of 33 MW).

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.

In April 2012, the Wood Promotion Office (currently the Construction Market Development Department) began to be fully engaged in wood construction initiatives for medium- to large-scale buildings. Sumitomo Forestry entered into a business and capital alliance with Kumagai Gumi in November 2017 and welcomed Cohnan Kensetsu as a Group company in November 2020. In this way, we have been expanding the wood construction business for medium- to large-scale structures. The carbon stock in fiscal 2012 was 11,000 thousand t-CO₂ for forests in Japan, 3,790 thousand t-CO₂ for forests overseas and 203 thousand t-CO₂ per year for housing in Japan. In fiscal 2020, it was 13,480 thousand t-CO₂ for forests in Japan, 10,140 thousand t-CO₂ for forests overseas and 185 thousand t-CO₂ for housing and medium- to large-scale wooden buildings in Japan.

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.

Our forest management in Japan and Indonesia clearly zones areas to protect the ecosystem and habitats of living creatures using names such as environmental forest or protected forest. Our forest management in Papua New Guinea and New Zealand manages areas not designated as plantation forest as natural forest while conducting substantial zoning.

- 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.

Environmental forests comprise 35.8% of our Company-owned forests in Japan excluding forest roads and other amenities, which is well above our target of 20%. Our overseas forest management has a 68.0% ratio of protected and other non-commercial forest area. (However, this includes forest roads, seedling farms and other areas for which the area is not strictly measured.)

**[The Sumitomo Forestry Group's Long-term
Biodiversity Targets (summary)]**
Established March 2012 Revised April 2017

Overall Results

- We will maintain that 100% Company-owned forests remain forest-certified.

Our Company-owned forests have sustained a 100% rate of certification thanks to efforts such as the acquisition of forest certifications the year following any purchases of new forests. In addition, we have acquired certifications overseas for 174,000 ha (75.3%) of 231,000 ha of forest area under our management.

- We will maintain and increase biodiversity at our operation sites based on results of our biodiversity monitoring of Company-owned forests in Japan.

We conducted monitoring surveys of Company-owned forests every year until fiscal 2016 to gain a consistent assessment of the impact on birds and mammals before and after forest work (clear cutting). The deer population grew dramatically in forests throughout Japan, disrupting the equilibrium of the ecosystem, harming biodiversity due to vegetation damage, and worsening soil runoff. Therefore, currently we strive to conserve biodiversity by identifying living conditions and moving patterns of the deer as well as trapping and ridding the deer in Company-owned forests.

- We will conduct operations at plantation forests overseas while considering how best to contribute to local communities, economies and education.

In plantation forests managed overseas, we view sustainable development of local communities as a vital managerial challenge, and thereby, undertake activities that meet the needs of local residents in the areas through education, medicine and hygiene, infrastructure development, agriculture, and livelihood enhancement. Sumitomo Forestry worked to set up water purification equipment in villages and provides 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.

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.

We have redefined the meaning of sustainable timber and timber products and have set a target for a 100% procurement rate of sustainable timber and timber products by the end of fiscal 2021. At the same time, Sumitomo Forestry is still considering how to provide the products and services associated with environmental evaluations which it could not by 2020.

5. (Design)

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

We always design residential properties taking into consideration the adjacent land and buildings. In the development of detached housing complexes, we have acquired the first Association for Business Innovation in harmony with Nature and Community (ABINC) certification under the detached housing complex and city area category.

6. (Construction)

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

Our recycling rate in building and construction was 86.8% for new housing construction in 2011. By fiscal 2020, we successfully increased it to 95.2%. (The definition for zero emissions is a recycling rate of at least 98%, which is our 2021 target.) The recycling rate in our remodeling and renovation business beyond our target during this term was 72.3% for fiscal 2020 with a 99.0% recycling rate during demolition work.

**[The Sumitomo Forestry Group's Long-term
Biodiversity Targets (summary)]**
Established March 2012 Revised April 2017

Overall Results

7. (Greening)

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

We have worked to expand the active promotion for the planting of native species in our work on housing exterior and greening for new detached houses to environmental greening business and greening material marketing fields. We have actively worked with the ABINC certification for biodiversity established in December 2013 and acquired the first certification under the detached housing complex and city area category in March 2018.

8. (Plants)

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

We have continually achieved zero waste emissions since 2009 at our manufacturing plants in Japan. Our overseas manufacturing plants also achieved zero emissions by reaching a total recycling rate of 98.4%. We properly manage pollutants, noise and other regulatory values and quickly notify the government of anything over the regulatory value while planning and taking corrective actions.

9. (Public relations)

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

Public information on biodiversity is not as abundant as it once was since the adoption of Aichi Biodiversity Targets at the Conference of Parties to the Convention on Biological Diversity (COP10) in 2010 due to factors such as a declining social interest in biodiversity as interest in natural assets as a whole and climate change crisis grow. We are looking into ways to better spread this information in the future in accordance to post-Aichi targets.

10. (Research)

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

We have developed and verified technologies related to biodiversity. More specifically, we developed greening recovery technologies for old mining sites, and mats resembling forest floor vegetation that consider the local environment and limit management costs, and conducted tests into the genetic diversity of plantation seedlings in our Company-owned plantations.

11. (Social contribution)

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

In addition to cutting, grafting and other conventional techniques, we also actively used tissue cultures and protected the DNA of cherry blossom and other precious trees throughout Japan. Since 2015, we have succeeded in propagating plum and pine trees (coniferous trees) through tissue cultures while expanding the scope of tree species to protect.

Company Structure for Biodiversity Conservation

In accordance with our environmental management structure, the Representative Director and President is the person in charge of Sumitomo Forestry Group's biodiversity conservation initiatives, and the Executive Officer in charge of the Sustainability and the General Manager of the Sustainability Department manage Sumitomo Forestry Group company activities.

Commitment to Protected Areas

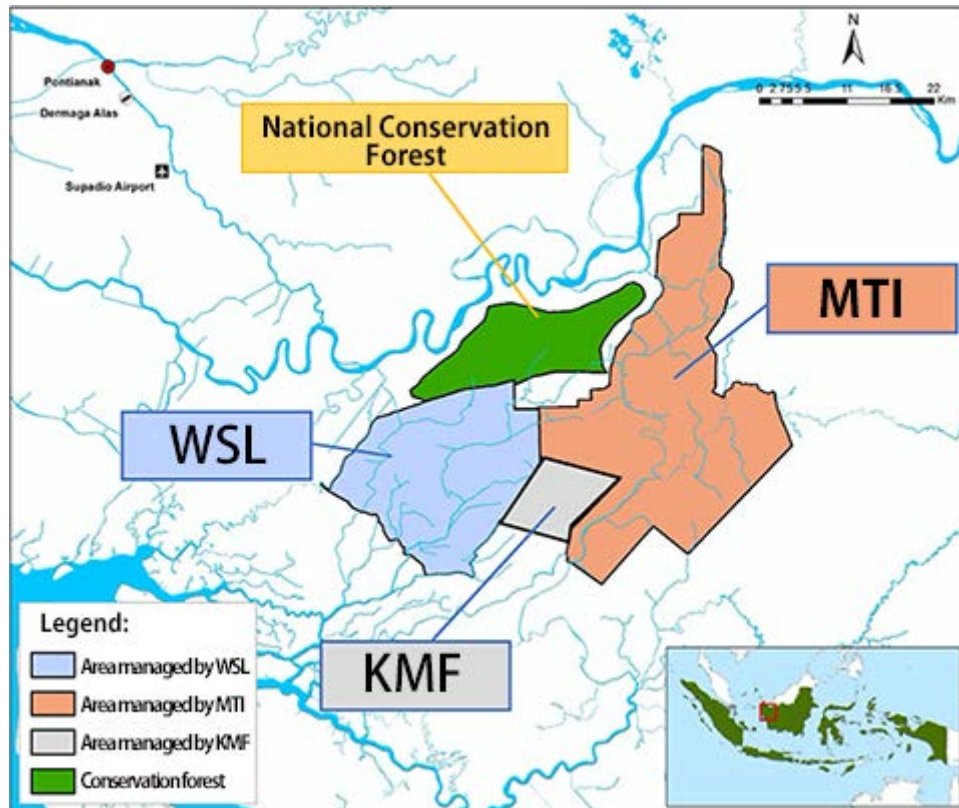
To manufacture and secure timber resources, Sumitomo Forestry owns or manages many forests both in Japan and overseas. None of these forests is located in areas designated as world heritage sites. Furthermore, we have not and will not operate in areas designated as world natural heritage sites. Regardless of land ownership, national parks in Japan, which has a small land area, operate under the Regional Natural Park System and many national parks include private property. A portion of Sumitomo Forestry's Company-owned forests are located inside national park areas, and as is the case for other areas designated as protected forests or other, we operate in strict compliance with all legal regulations.

Furthermore, in terms of risk assessment, in areas determined to be important from a biodiversity perspective, we not only strictly adhere to all legal regulations, also work to mitigate our impact through reevaluation, minimization, revitalization, offsetting and other efforts.

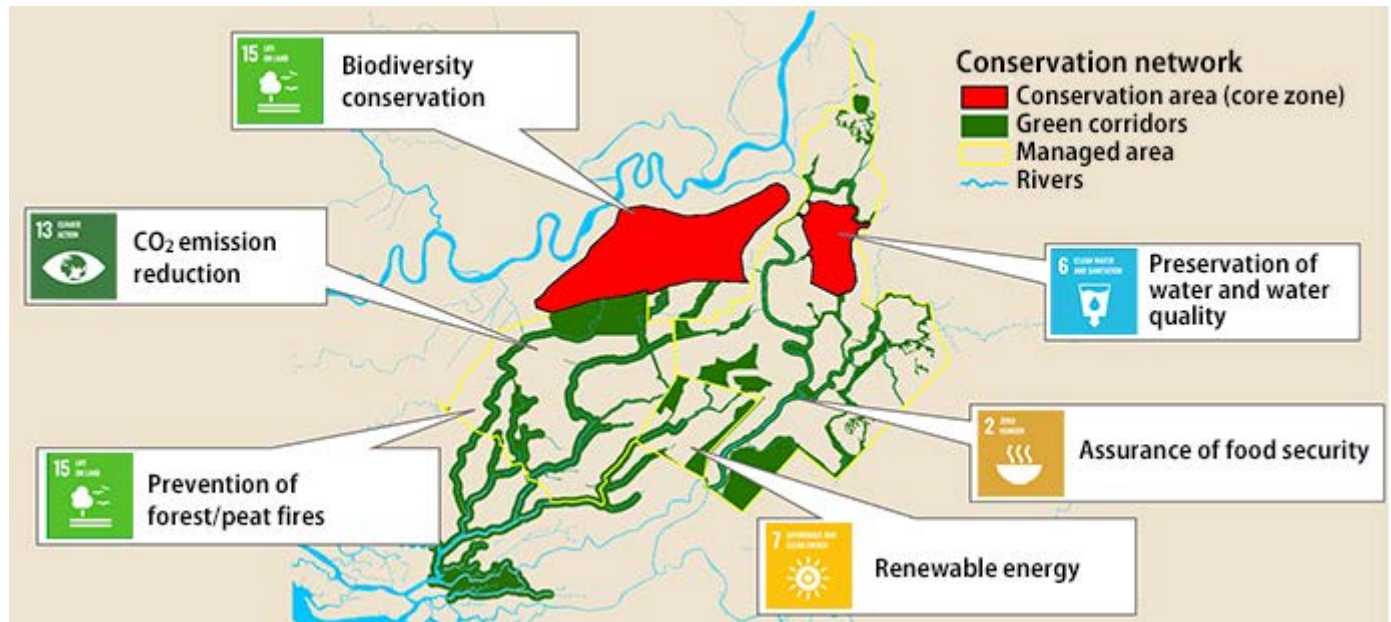
We manage approximately 48,000 hectares of Company-owned forests in Japan and approximately 230,000 hectares of forests overseas. These managed forests are categorized as environmental forests, commercial forests and other. Both in Japan and overseas, a nature conservation area is created according to its categorization as an environmental forest or protected forest and operations in such areas are not permitted in principle.

However, the borders of these lands set by the government do not always match the boundaries of the ecosystem. Affiliated companies PT. Wana Subur Lestari (WSL) and PT. Mayangkara Tanaman Industri (MTI) conducted thorough animal and plant surveys that included conservation forest neighboring areas under governmental management before defining preservation areas and business areas. WSL and MTI also worked with local organizations to build a conservation network that defines a net of green corridors to prevent closed off islands which would isolate the regions where orangutans, long-nose monkeys and other rare flora and fauna live. These protected areas account for over 20% of our operating land, higher than the 17% goal for protected regions set out in the Aichi Biodiversity Targets.

Managed Area of WSL/MTI/KMF



Conservation Network



Stakeholder's Evaluation of Initiatives

The concept and specific initiatives of the conservation network advocated by WSL and MTI have attracted attention both in Japan and overseas as unprecedented efforts worldwide. At the Indonesian Pavilion of the United Nations Framework Convention on Climate Change (COP25) held in Madrid, Spain in 2019, representatives from international organizations, researchers, and non-profit organizations highly praised our presentation of these initiatives as a representative of private organization.

In addition, in our urban greening business, we obtain third-party evaluations by actively encouraging our customers to register for “Ikimono Kyozone Jigyousho[®]” certification set by the Association for Business Innovation in Harmony with Nature and Community (ABINC) or the Social and Environmental Green Evaluation System (SEGES) green certification implemented by the Organization for Landscape and Urban Green Infrastructure.

Support of Related Initiatives and Cooperation with Organizations

Sumitomo Forestry participates in many organizations that are actively involved in biodiversity conservation. The chairman of Sumitomo Forestry serves as vice chairman of the Keidanren Committee on Nature Conservation, made up of Keidanren member companies. In addition, employees are temporarily assigned to serve as secretariat members* and committee members are dispatched to the planning task force, which is in charge of operations. In June 2020, Sumitomo Forestry committed to the Keidanren Declaration of Biodiversity and Action Policy (Revised Edition) proposed by the Keidanren Declaration on Biodiversity Initiative. We also participate in the Japan Business Initiative for Biodiversity (JBIB), made up of companies passionate about biodiversity, and conduct joint research on corporate biodiversity initiatives in subcommittee meetings.

In the Double 20 Project in Japan to achieve the targets for Aichi, we have registered three projects as of June 2016; The Sumitomo Forestry Group's Biodiversity Long-term Targets, Sumitomo Forestry-owned Forest Operations Friendly to Biodiversity, and the Environmental Education Program at Mt. Fuji Manabi no Mori Project. These three projects are highly praised for many reasons that include the creation of many independent links, content with a great impact that utilizes the features of the company in its efforts and for the ripple effects to related industries that can be expected thanks to the relationship outlined with Aichi targets. In March 2017, these projects were bundled and recognized as a business tie-up with the Japan Committee for United Nations Development Business (UNDB-J; 10th).

Sumitomo Forestry Landscaping Co., Ltd. is actively striving toward the registration of "Ikimono Kyozen Jigyousho®" certification for Sustainable Business Sites promoted by the Association for Business Innovation in harmony with Nature and Community (ABINC) and the SEGES Green Certification promoted by the Organization for Landscape and urban Green Infrastructure for properties undertaken with the environmental greening business. Moreover, the Chief Corporate Advisor of Sumitomo Forestry acts as the chairman of the Organization for Landscape and Urban Green Infrastructure.

* Initiatives implemented up to fiscal 2019.

- ▶ Sumitomo Forestry Group biodiversity conservations activities have been certified as an affiliated operation of the Japan Committee for United Nations Development Business (UNDB-J) (in Japanese)
- ▶ Japan Business Initiative for Biodiversity (JBIB)

Participation in Drafting the Guidelines for Private Sector Engagement in Biodiversity

The Ministry of the Environment drafted the Guidelines for Private Sector Engagement in Biodiversity (Ver. 1) in 2009 for business proprietors as a means to advance biodiversity conservation and sustainable use with recognition that corporate activities play a vital role in those efforts. Sumitomo Forestry was involved in drafting these guidelines as a member of the investigative committee.

The Guidelines for Private Sector Engagement in Biodiversity brings together basic information and approaches necessary to conserve biodiversity and reduce loss in a way that is easy for private sector organizations not yet addressing biodiversity issues to understand while also offering a means for business proprietors already engaged in efforts to play an even more effective role.

In December 2017, the second version was released in light of growing interests and expectations about conserving biodiversity driven by the SDGs and other international targets. These guidelines presented the sustainable timber procurement of Sumitomo Forestry as one excellent example initiative.

- ▶ Guidelines for Private Sector Engagement in Biodiversity (Second Edition)

Signing of Commitment to the Business for Nature's Call to Action

Business for Nature is a global business coalition founded in July 2019 for the purpose of bringing together the voices of business and conservation organizations and forward-thinking companies as one to amplify their call to governments. In May 2020, the Coalition devised a Call to Action to encourage the adoption of legislation to reverse nature loss in this decade when formulating the Post-2020 Global Biodiversity Framework. Sumitomo Forestry signed its commitment to the Call to Action in September 2020.

- ▶ <https://www.businessfornature.org/call-to-action#CTA-signatory-list>

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) (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.

* Consumers at the top of the food chain, the ecological pyramid structure in the area

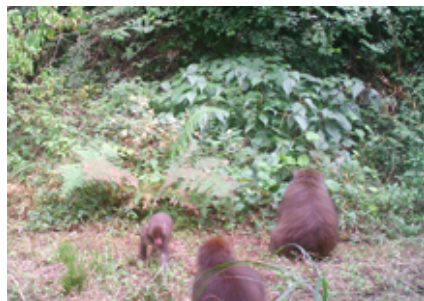
Species of Mammals and Birds Confirmed by Past Surveys

	Managed Area (ha)		Verified mammal and avian species								
			2008	2009	2010	2011	2012	2013	2014	2015	2016
Company-owned forests in Shikoku	14,782	Mammals	14				11				10
		Birds	31				34				24
Company-owned forests in Kyushu	9,182	Mammals		11				12			
		Birds		33				29			
Company-owned forests in Hokkaido	18,199	Mammals			10				9		
		Birds			38				40		
Company-owned forests in Honshu * 2013 acquisitions in Okayama, Hyogo, and Mie * 2015 additional acquisitions in Wakayama	5,804	Mammals				12				(Wakayama)10 (Hyogo)6	
		Birds				25				(Wakayama)29 (Hyogo)21	
Total	47,967										

* Conducted in two areas in 2015; Wakayama and Hyogo



Japanese deer confirmed in Niihama
(Shikoku) forests in fiscal 2016



Japanese monkeys confirmed in Niihama
(Shikoku) forests in fiscal 2016

Appropriate Control of the Deer Population

In recent years, the rising deer population throughout Japan is increasing concerns about damage caused to young plants, peeled bark, and other harm to forestry in addition to soil runoff and the loss of biodiversity caused by the animals eating herbaceous plant on the forest floor, which decreases the variety of vegetation.

The Sumitomo Forestry Group mitigates damage to seedlings to encourage forest growth by trapping and ridding the deer and setting up tree shelters in order to ensure proper forest management.

Properly controlling the deer population contributes to comprehensive forest management of next generation through promotion of forest growth, biodiversity conservation by sustaining diverse vegetation on the forest floor, and prevention of local disasters by preventing soil runoff.

Biodiversity Conservation in Plantation Forests Overseas

Wana Subur Lestari (WSL) and Mayangkara Tanaman Industri (MTI) Initiatives

More than half of living species throughout the world live in rainforests, which are said to be the treasure troves of life. However, rainforests are slowly disappearing today due to a variety of issues from disordered development and illegal logging to forest fires. Sumitomo Forestry Group affiliated companies PT. Wana Subur Lestari (WSL) and PT. Mayangkara Tanaman Industri (MTI) conduct operations balancing industrial reforestation and environmental protection in the West Kalimantan province of Indonesia.

Each operation begins with detailed measurements and surveys to determine protected areas, buffer zones and plantation areas. Protected forests are subject to regular animal surveys and in addition to population monitoring of orangutans and Proboscis monkeys, which are rare animals, studies are conducted on fruit-bearing trees, their source of food.

Observations in the dark for the numerous animals active in the early morning or late at night require veteran skills. Sumitomo Forestry succeeded in the direct observation of Proboscis monkeys and orangutans in the early morning and night by setting up automatic photography using camera traps or drones equipped with heat sensors.

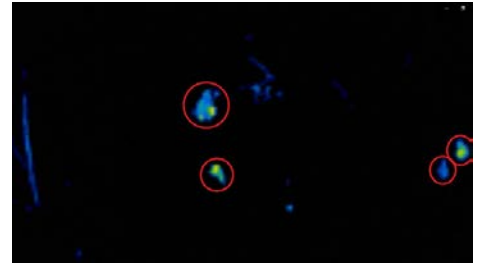
Camera traps set up in these protected areas captured a total of 766 animals from 38 different species (photographed between the beginning of August 2019 to the beginning of February 2021), 26 of which were mammals.

We captured an adult orangutan with its child for the first time in fiscal 2019 and confirmed a higher population density than in surrounding areas in fiscal 2020. These results verify the growing orangutan population.



List of Aquatic Creatures Discovered Through the Survey

Peatlands store a tremendous amount of water. Sumitomo forestry surveys not only ecosystems on land but also in aquatic habitats due to concerns about the impact of our operations on rivers. In the lower basin of an area managed by WSL, we have discovered a habitat of Irrawaddy dolphins, which are an endangered species. Examples of monitoring surveys of aquatic creatures in rainforest peatlands are few and far between. These Sumitomo Forestry surveys are pioneering the work worldwide.



Direct Observation of Animals Using Heat Sensors



Adult Orangutan with Its Child (October 2019)

Tasman Pine Forests Ltd. (TPF) Initiatives

Sumitomo Forestry donated to the Kea Conservation Trust, an organization that protects the kea (large parrot species) indigenous to New Zealand. Kea is the only parrot in the world to live in mountainous areas, and it is considered one of the smartest birds on the planet. This species of parrot is protected as an endangered species and adored by the people of New Zealand. These birds are seen from time to time in the TPF forests. We report any sightings to the relevant agencies and ensure their protection. This donation will be used to train kea protection officers.

► [New Zealand Nature Conversation Agency Homepage](#)



Kea (Large Parrot Species)

Contributions to Eco Cities Through Greening

Basic Policy

The use of as many plants as possible which are native to the region in property development is a growing trend as society shifts toward a goal to co-exist with nature.

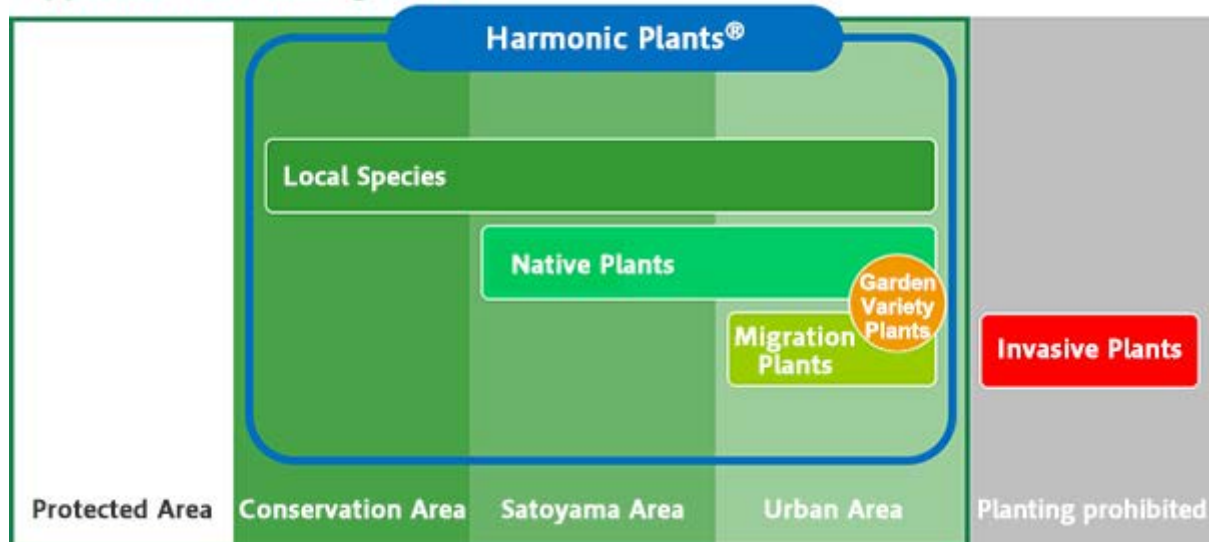
In the midst of these trends, Sumitomo Forestry Landscaping has defined Harmonic Plants[®] guidelines for selecting plants species based on greening areas with the concept that using indigenous and local species in greening plans is in the best interest of natural revitalization. The Company has been promoting this model up until now.

There are plants that have grown in Japan since long ago (native plants) and plants that have come to Japan from abroad (migration plants) for trees. Among these migration plants, there are species that will overrun areas where native plants live due to their characteristics, which endanger the biodiversity of the region (invasive plants^{*}).

Garden vegetation plans are separated into four areas that take into account the conservation level (protected areas, conservation areas, satoyama areas, urban areas) to select plant species based on these areas. For example, in urban areas when building gardens for residences, the colorfulness is represented by selecting a balance of greening plants from non-invasive migration plants around a main selection of native plants, including garden variety plants. In addition, the Group has in place a policy of not using invasive plants that clearly have an adverse impact on local ecosystems and a division responsible for coordinating technology at Sumitomo Forestry Landscaping Co., Ltd. checks that such species are not used.

^{*} Specified alien species and alien species requiring caution as stipulated by the Invasive Alien Species Act

Approach to Planting Areas



Contributions to Property Development

Project to cultivate leaders to form an ecological network for corporate green zones along the coastal area of the Chita Peninsula received a special jury prize at the Environmental Awards 2019

In the industrial zone along the northern coast of the Chita Peninsula in Aichi Prefecture, this conservation initiative brings together corporation green zones as regional ecological sites to unify students, companies, NPOs, and government agencies.

In June 2019, these Chita Peninsula ecological conservation efforts provided an excellent example of an initiative to conserve the ecosystem through a consortium honored with a special jury prize in the 46th Environmental Awards (held by the National Institute for Environmental Studies, Japan and Nikkan Kogyo Shimbun with the support of the Ministry of the Environment).

Sumitomo Forestry Landscaping joined this project as an advisor and consultant with MS&AD InterRisk Research & Consulting, Inc. and Regional Environmental Planning, Inc. We cooperated broadly by providing advice such as methods for greening renovations that increase biodiversity and methods to monitor life with the participation of students and employees.

As the recovery of biodiversity becomes of major interest today, Sumitomo Forestry will not only further deepen but also broaden its consulting capabilities related to biodiversity conservation.



Connecting Life Student Project

Assisting Nakashinden Green Area of Aichi Steel Corporation and the Central Negishi Refinery Garden of the ENEOS Corporation to Receive ABINC Certification

The Nakashinden Green Area of Aichi Steel Corporation (Aichi Prefecture) that Sumitomo Forestry assisted in obtaining the ABINC certification* is a roughly 2 ha corporate green zone adjacent to the plant in the head office district of the company. The area had originally been used for a plant, but this plan set out to open the zone as a local ecological site. The project was able to take advantage of the marshy and grassy environment to create a natural ecological garden. Employees, local citizens, student volunteers, and many others are helping build this green area to nurture even greater biodiversity.

In the same way, the central garden at the ENEOS Corporation refinery (Kanagawa Prefecture) that Sumitomo Forestry assisted in obtaining the ABINC certification* is a large-scale green space 100 meters wide and 800 meters long with three biotope ponds. In recent years, the initiative has been aiming to create green areas friendly to biodiversity by linking to nearby lush natural areas, such as the Sankeien Garden. Undeveloped woodlands on plant premises are expanding diverse environments, such as the water lands attracting kingfishers and grasslands filled with common bluebottle butterflies.

As shown by these two examples, efforts to try and transition production plant gardens into green areas where biodiversity flourishes are booming. In the future, Sumitomo Forestry will emphasize consulting related to the biodiversity conservation even more.

* This system certifies results of biodiversity preservation activities of companies to promote coexistence of nature and people



Planting Event in the Aichi Steel
Nakashinden Green Area



Environmental Awareness Building
Activities in the Aichi Steel Nakashinden
Green Area



Nature Observation Event at the ENEOS
Negishi Refinery



Goats Grazing to Weed the Garden at the
ENEOS Negishi Refinery

Exhibited at the 37th National Urban Greenery Fair in Hiroshima

The 37th National Urban Greenery Fair held for 250 days from March 19 to November 23, 2020 hosted the ♪Harmony of Flowers, Smiles and Peace from Hanaemi Hiroshima♪ (sponsored by Hiroshima Prefecture, 23 cities and villages including Hiroshima City and the Organization for Landscape and Urban Green Infrastructure; proposed by the Ministry of Land, Infrastructure, Transport and Tourism) event in Hiroshima City, Hiroshima Prefecture as the main venue.

The National Urban Greenery Fair is a festival of flowers and nature that has been held every year throughout each region in Japan since 1983 as a project to raise awareness of property development that pursuit of comfortable, welcoming living filled with greenery.

This fair also held a garden exhibition contest (exhibited by 50 companies and organizations) with a theme “Propose the future lifestyle of Hiroshima: Propose a lifestyle of flowers and greenery for every space people spend time whether for living, work, play, raising children or hobbies” as the “Future Hiroshima Garden.” Sumitomo Forestry Landscaping exhibited a garden entitled “Rooftop Garden for a Lifestyle with Greenery,” which won the Gold Chairman’s Award from the Japan Landscape Contractors Association. Blending chic and modern iron with the smooth texture of wood alongside an urban hideaway surrounded by lush green trees, Rooftop Garden for a Lifestyle with Greenery creates a luxurious garden space thriving on the rooftop of an inorganic city environment. The selection of garden vegetation focused on species living in the mountains and fields in Miyajima and Hiroshima such as Japanese sapphireberry, *Symplocos prunifolia* and *Trochodendron* while the wood fence uses Japanese cedar produced locally in Hiroshima prefecture. The wood deck floor materials use thinnings of Japanese cypress to ensure sustainability. A heat treatment inhibiting wood rot also achieved high durability. The water facilities take advantage of a circulation pump that uses solar power generation so visitors can enjoy the soothing sound of water.

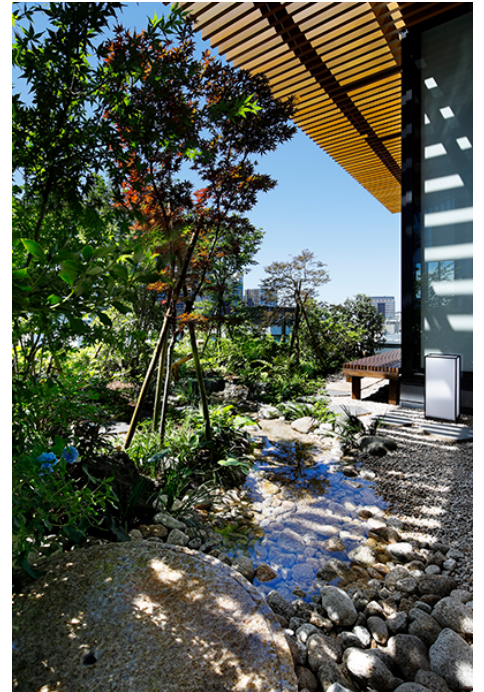


Rooftop Garden for a Lifestyle with Greenery

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

Hotel Yaenomidori Tokyo opened in the Yaesu Hatchobori area of Tokyo in July 2020. The hotel's concept is to present the multiple aspects of Japan's beauty. On the very top floor is a Japanese garden for guests to experience a spiritual, Japanese-style, sophisticated calm despite being in the middle of the Tokyo business district. By using shishiodoshi (water-filled bamboo tubes that clack against stones when emptied to frighten the wild) away, water basins and other waterscape devices, by planting trees that respond to the change in seasons, Sumitomo Forestry Landscaping carefully designed and constructed a space that conveyed the beauty of nature and Japanese culture through the five senses.

It harnessed its experience and technology to secure trees both below and above ground, to consider load limits of high-rise buildings, and to commit to planting native species.



A High-Rise Japanese Garden

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. Regeneration of thickets by inhabiting areas on large-scale artificial grounds



Cover of the Biodiversity Handbook Vol. 2: Local Vegetation

Publish of an Illustrated Guide to Home Trees Revised Edition

The Ministry of the Environment and The Ministry of Agriculture, Forestry and Fisheries of Japan newly released a list of alien species which harm biodiversity of Japan (list of potentially harmful alien species for biodiversity) for the purpose of deepening interest and understanding about alien species to incite the appropriate action by various independent entities.

This list not only stipulates the specified alien species up until now but also selects alien species which have the potential to become highly invasive to the ecosystem or kill or harm people as well as damage agriculture, forestry and fisheries.

Sumitomo Forestry Landscaping has reorganized criteria for alien species unique to its business in accordance with the regulations on the list of harmful alien species for biodiversity with considerations to further impact on the ecosystem. The Illustrated Guide to Home Trees published based upon this criteria has released a revised edition in March 2017 which replaces some of the tree species included therein.

We will continue to advocate Harmonic Plants[®] and the use of these standards for alien species to include in proposals for plants to customers as well as in raising the awareness of our employees.



Cover of "An Illustrated Guide to Home Trees Revised Edition"

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 Senses, 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. We proposed basic concepts even in the second stage of park planning conducted thereafter and completed the basic design founded upon this idea in November 2020.

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. Even in South East Asian regions where Sumitomo Forestry has been advancing housing and real estate businesses, initiatives to work in cooperation with local landscaping companies have started since 2019. 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
(First Stage of the Annadale Estate Project Park)



(Left) Concept Proposal for the Second Stage of the Annadale Estate Project Park



(Right) Completed Project

Taking Advantage of Nature in Residential Property Development

Basic Policy

Sumitomo Forestry strives in the residential property development business by providing roughly 300 high-quality single-family spec homes each year through technical expertise accumulated in custom-built housing and greening businesses. We develop long-lasting properties by taking advantage of nature with the goal of realizing a sustainable, prosperous society founded in the Sustainable Development Goals (SDGs). Employing lifestyle design concepts, we respect the history, environment, and culture of each region to bring out these characteristics to create townscapes in harmony with nature. Sumitomo Forestry is driving property development toward an ideal of high asset value by considering all aspects of living from the purchase of land to the design of townscapes and living spaces.

Developing Beautiful, Long-lasting Cities and Communities

Sumitomo Forestry formulates townscapes Development Guidelines for each project that incorporates the size, geography, environment and other distinct characteristics of each property to develop beautiful, long-lasting towns and communities. In addition to property design codes, we also create landscapes that unify homes with nature to bring a sense of oneness. Our goal is to realize comfortable living environments through land plans and building arrangements that consider the adjacent land and buildings and take advantage of natural airflows, sunlight, and vegetation. At the same time, we place particular emphasis on the design and structural layout of residential spaces to bring out the most comfortable living spaces that also provide privacy.

Residential Property Development Initiatives

Forest Garden Hadano Receives the First ABINC Certification As a Detached Housing Complex

Forest Garden Hadano, a detached housing complex in Hadano City, Kanagawa Prefecture, received the first ABINC (Association for Business Innovation in harmony with Nature and Community) certification under the detached housing complex and city area category in March 2018. The ABINC certification system certifies results of biodiversity preservation activities of companies to promote coexistence of nature and people. The certification began the certification of office buildings and commercial facilities from 2014 and has expanded its scope to include housing complexes and factories. Furthermore, detached housing complex and city area category and 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.



Property Design of Forest Garden Hadano

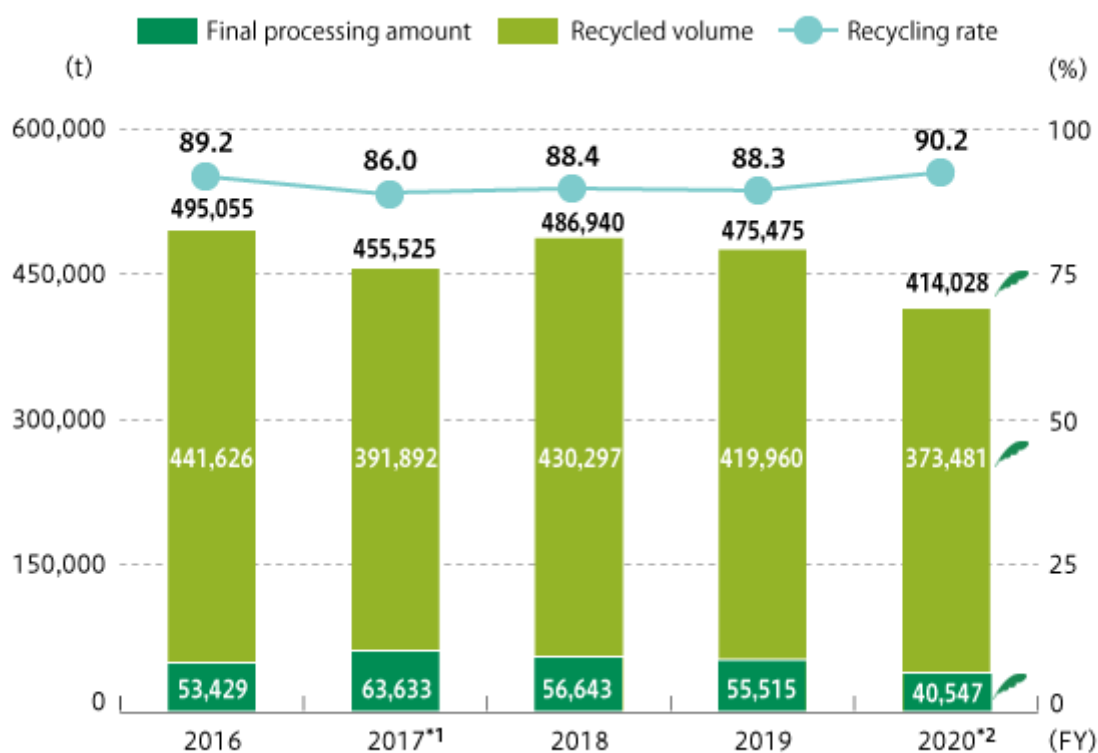
Waste Reduction and Recycling Management

Basic Policy

The Sumitomo Forestry Group makes efforts in attaining zero emissions and reducing industrial waste generated, at the same time as promoting reuse and recycling for each operational process in accordance with the Sumitomo Forestry Group Environmental Policies in order to build a sustainable and recycling-oriented society. In the Mid-Term Sustainability Targets announced in May 2019, the Sumitomo Forestry Group sets protecting resources, reducing the generation of waste and achieving zero emissions as critical targets to achieve by fiscal 2021. The Sumitomo Forestry Group aims to achieve its critical targets and defines priority measures in each business division. The performance toward achieving these targets is reviewed each fiscal year. In fiscal 2020, overall Sumitomo Forestry Group emissions volume was down 12.9% compared to the previous year. The amount of final disposal achieved our target of 56,632 ton with a result of 40,547 tons. This was a 27% reduction compared to the previous fiscal year. We will continue to strive to effectively use resources in the future.

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

Trends in Waste Generated and Recycling Rate Over the Last Five Years



*1 Data for Alpine MDF Industries Ltd. (Alpine) has been excluded because the company was sold in March 2017

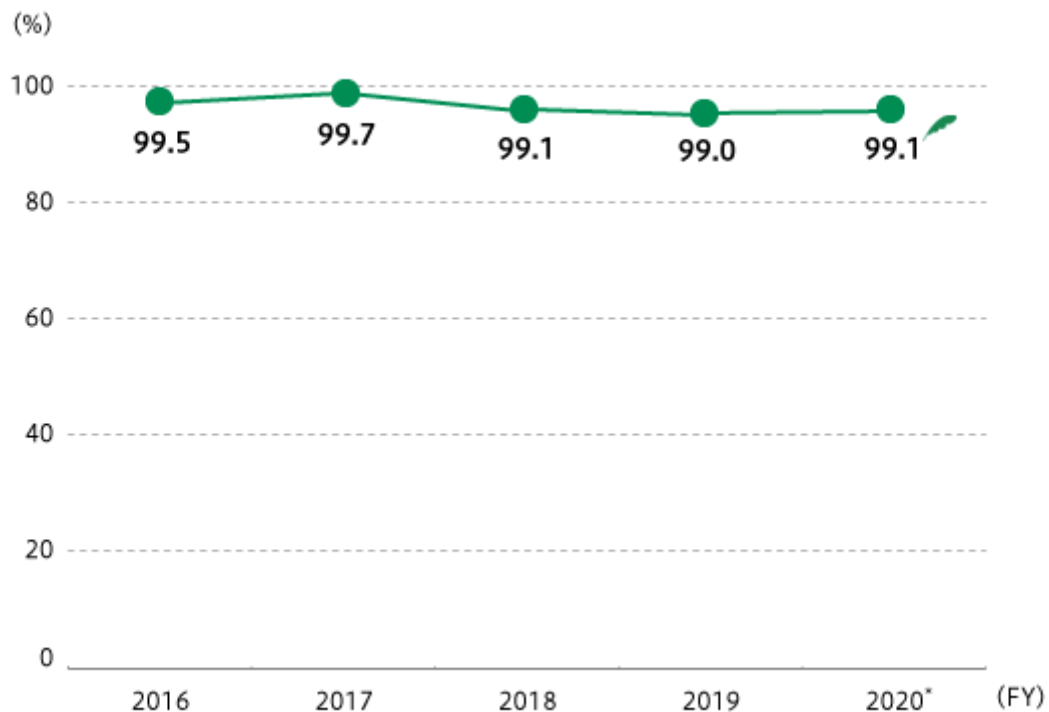
*2 The period of data collected for emissions in fiscal 2020 is from January to December 2020 while the period of data for emissions collected in the previous years was from April to March

► About symbol for Independent assurance

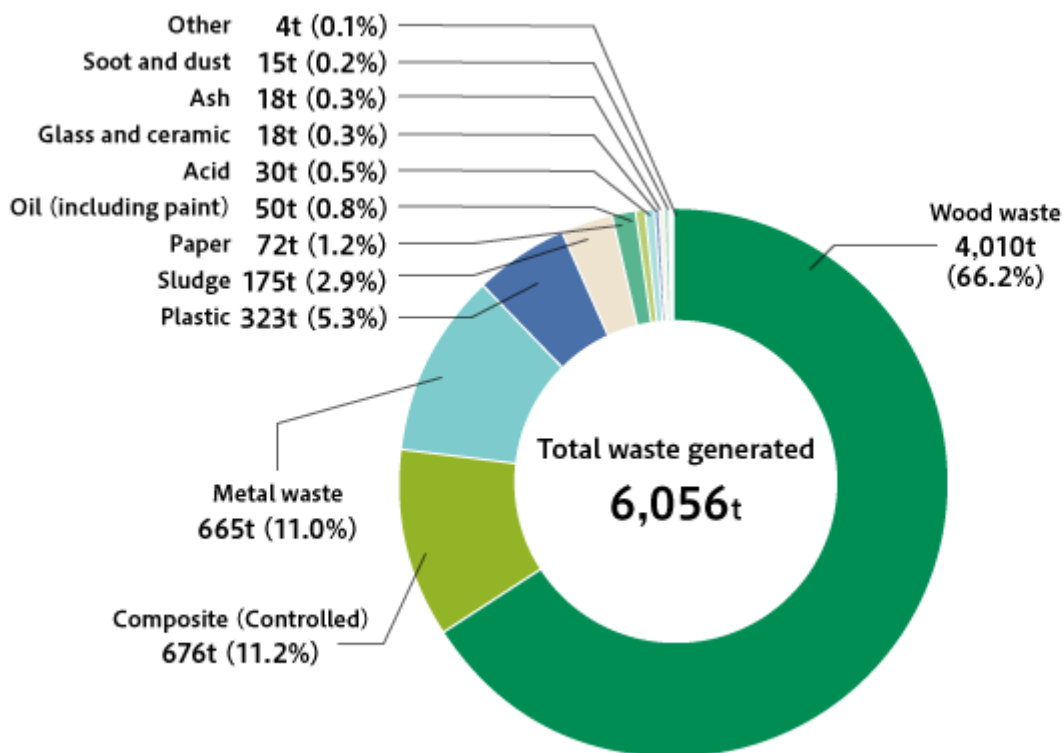
Initiatives at Domestic Manufacturing Facilities

Sumitomo Forestry Group managed to achieve a recycling rate of 99.1% against the target of 99.2% while zero emissions (recycling rate of 98% or more) were achieved at Sumitomo Forestry Crest and the Agro-Products division of Sumitomo Forestry Landscaping in fiscal 2020 as a result of ongoing efforts to reduce waste emissions, for example by tightening the sorting of industrial waste and selling it for a profit.

Recycling Rate at Domestic Manufacturing Plants (Sumitomo Forestry Crest, the Agro-Products division of Sumitomo Forestry Landscaping, Japan Bio Energy, Okhotsk Bio Energy, Michinoku Bio Energy)



Breakdown of Waste Generated at Domestic Manufacturing Plants (FY2020*)



* The period of data collection for the recycling rate during fiscal 2020 is from January 1, 2020 to December 31, 2020.

▶  About symbol for Independent assurance

Initiatives at Overseas Manufacturing Plants

We are working toward zero emissions with two new Group companies from fiscal 2019: Sinar Rimba Pasifik (SRP) in Indonesia and Canyon Creek Cabinet (CCC) in the United States in addition to five main manufacturing companies outside Japan*. Kutai Timber Indonesia collects wood waste generated during the particle board manufacturing process and reuses it as boiler fuel or in wood building materials.

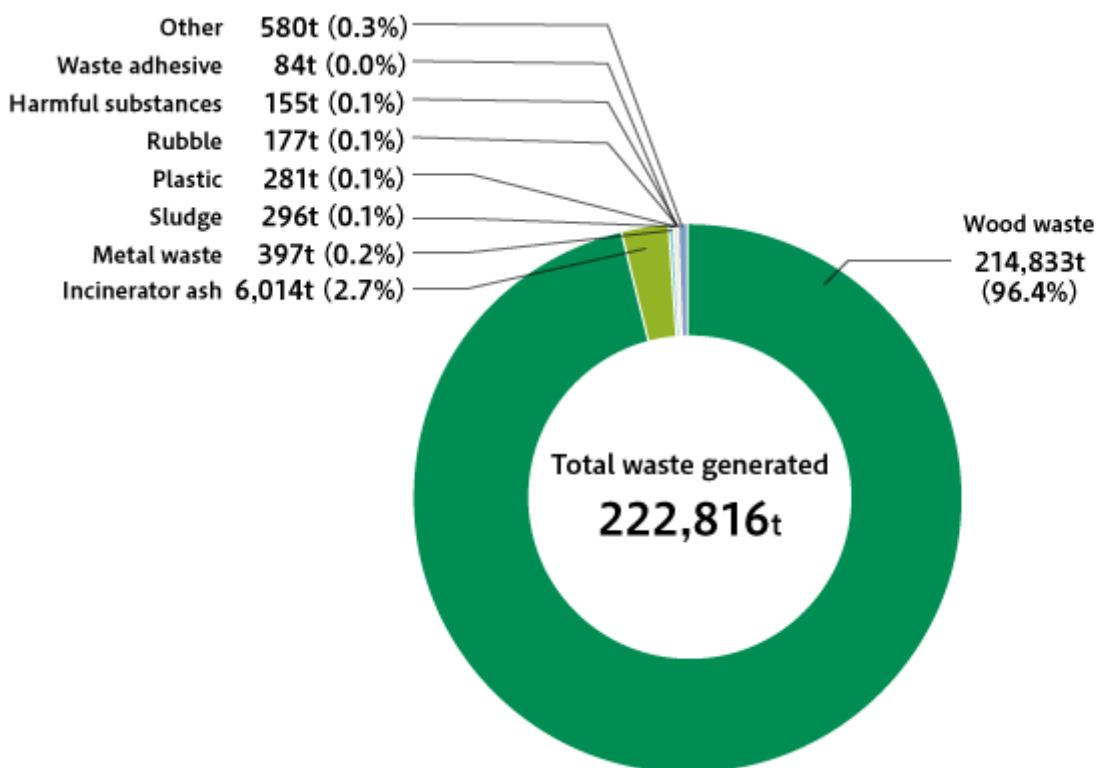
In fiscal 2020, the total volume of waste produced was 222,816t, with a final waste processing volume of 3,674t and a recycling rate of 98.4% against the 97.9% target set by the Mid-Term Sustainability Targets. The Mid-Term Sustainability Targets set the target of a 98% recycling rate to be achieved by fiscal 2021.

* Indonesia: 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 (FY2020)



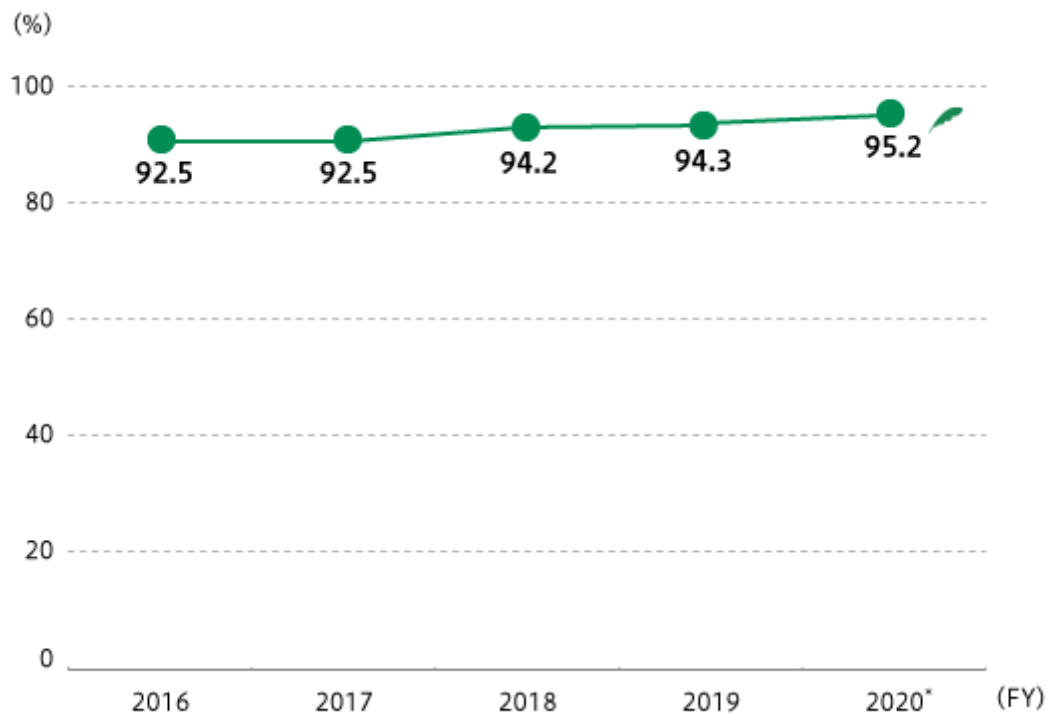
► Manufacturing Business Initiatives

Efforts at New Housing Construction Sites

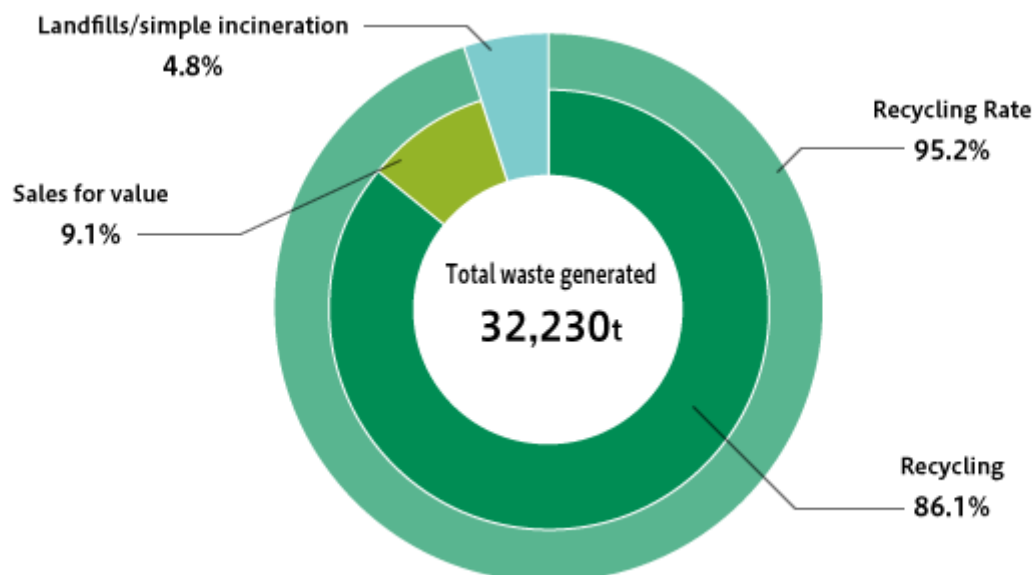
We work to reduce waste generated at Sumitomo Forestry's new housing construction sites. At monthly meetings of our Waste Reduction Working Group, leaders of sub-groups raise and share issues while managing progress toward meeting targets. Efforts to reduce waste have included the use of the bare minimum necessary packaging materials and reusable protective material for flooring. We engaged in initiatives that aimed to achieve the 98% recycling rate set by the Mid-Term Sustainability Targets, which was 95.2% against our target of 97.7% for fiscal 2020. In the future, we will strive to further reduce waste emissions and improve our recycling rate through precuts of roof slate and external wall siding.

In the Tokyo metropolitan area, the Company obtained inter-region recovery and recycling certification, whereupon we established the Metropolitan Area Recycling Center, and implemented streamlined sorting of waste. Since fiscal 2018, new housing construction site waste processing operations expanded areas covered by the inter-region recovery and recycling certification are promoting a higher recycling rate.

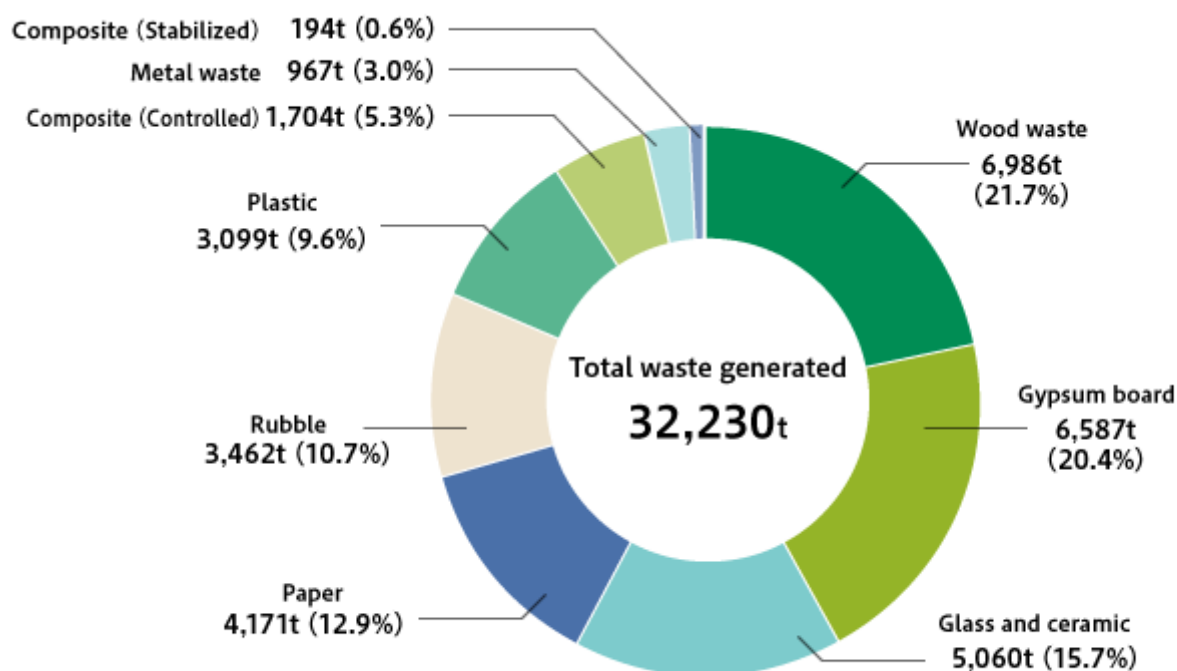
Recycling Rate at New Housing Construction Sites (Housing and Construction Division, Sumitomo Forestry Landscaping, Sumitomo Forestry Home Engineering)



Breakdown of Waste Generated by Disposal Process for New Housing Construction Sites (FY2020*)



Breakdown of Waste Generated at New Housing Construction Sites (FY2020*)



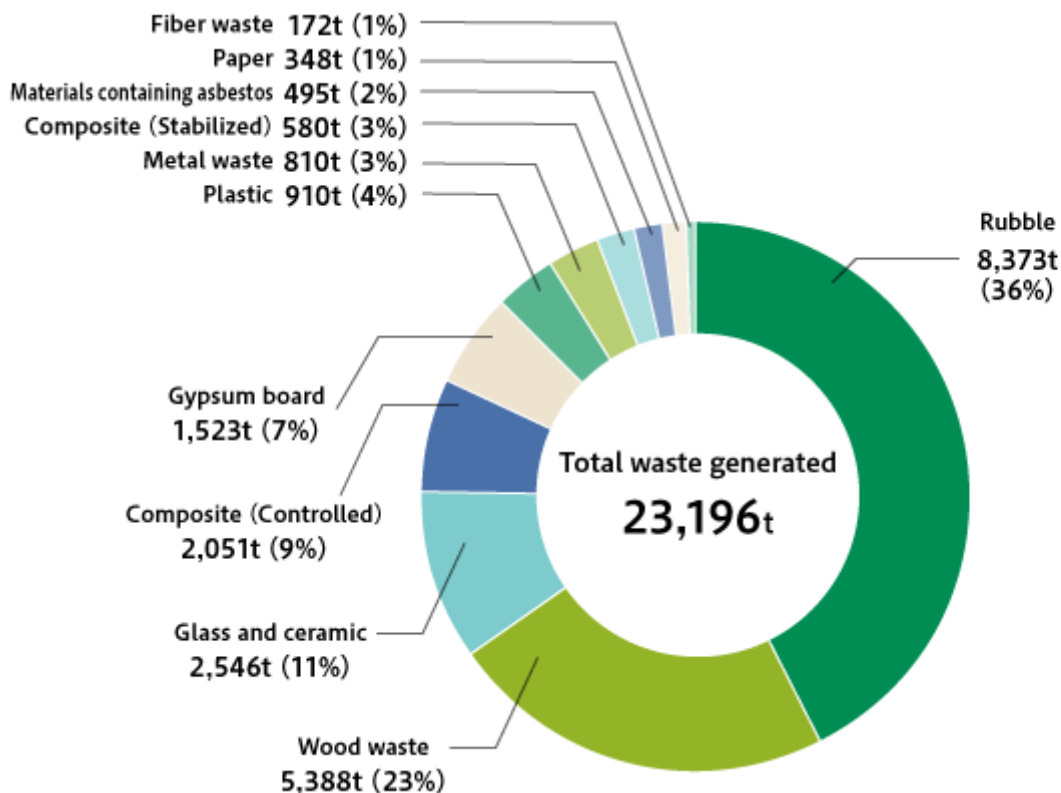
* The period of data collection for fiscal 2020 is from January 1, 2020 to December 31, 2020

▶  About symbol for Independent assurance

Renovation Business Initiatives

We are working to reduce waste generated by renovation sites by using protective materials as well as other measures to mitigate waste generation. In fiscal 2014, Sumitomo Forestry Home Tech began recycling wood waste materials generated at its renovation sites. Our efforts to use resources effectively include recycling wood waste as raw material for particle board. The recycling rate in fiscal 2020 was 65.2% against our target of 80.0%. In the future, we will more thoroughly sort waste on site with the aim of a recycling rate of 80%.

Breakdown of Waste Generated at Renovation Business Operations (FY2020*) (Sumitomo Forestry Home Tech)



* The period of data collection for fiscal 2020 is from January 1, 2020 to December 31, 2020

► Housing and Construction Business Initiatives

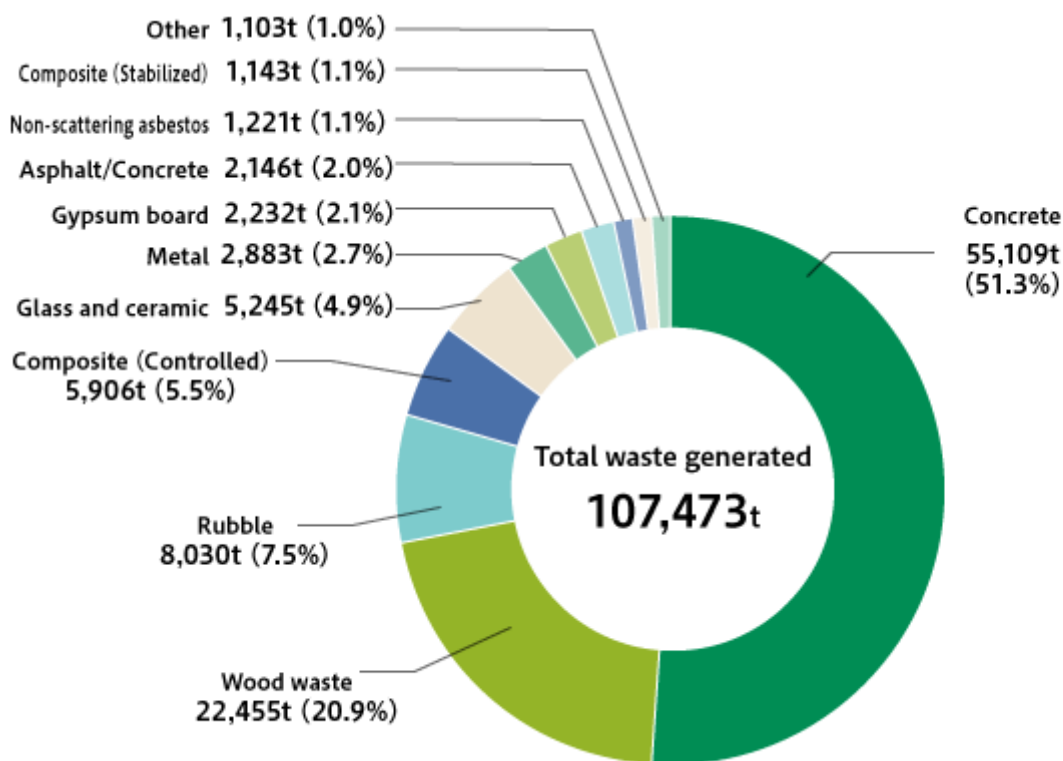
Efforts at Demolition Housing Sites

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 2020, as it was the previous year. A 100% recycling rate was achieved for wood waste through measures including the thorough removal of extraneous matter. The Mid-Term Sustainability Targets set the target of 98% recycling rate for construction areas that the Construction Material Recycling Law does not apply to (total floor area of 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 (FY2020*)



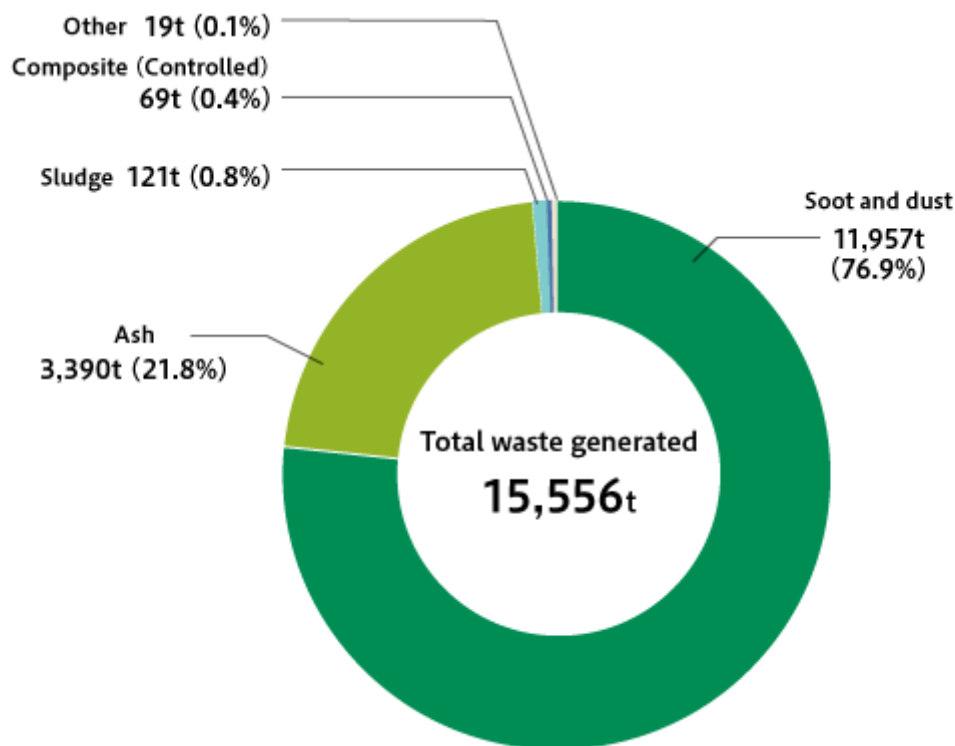
* The period of data collection for fiscal 2020 is from January 1, 2020 to December 31, 2020

► Housing and Construction Business Initiatives

Power Generation Business Initiatives

In power generation business operations, incineration ash emitted by biomass boilers is blended with quicklime for reuse primarily as a forest roadbed material. In fiscal 2018, it was manufactured under the product name Rovander, and received approval as a Hokkaido Government-certified Recycled Product. The recycling rate set as a target for fiscal 2020 was 79.3%, but effective use of incinerator ash allowed us to surpass our target and achieve a rate of 91.0%.

Breakdown of Waste Generated at Power Generation Business Operations (FY2020*) (Mombetsu Biomass Power Generation, Hachinohe Biomass Power Generation)



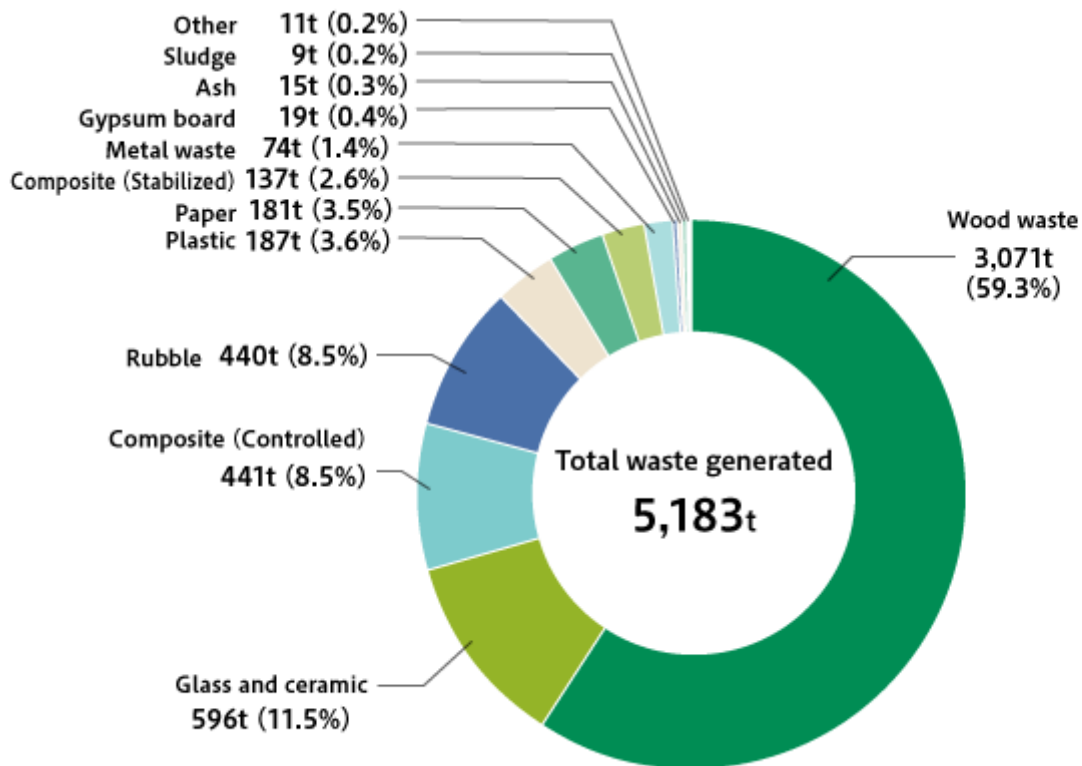
* The period of data collection for fiscal 2020 is from January 1, 2020 to December 31, 2020

► [Biomass Power Generation Business Initiatives](#)

Initiatives at Lifestyle Service Business, Housing-Related Materials Sales*¹, 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.

Breakdown of Waste Generated by Lifestyle Service Business, Housing-related Materials Sales, etc. (FY2020*²)



*1 Housing materials sales comprise distribution and renovation operations, Tsukuba Research Institute, etc.

*2 The period of data collection for fiscal 2020 is from January 1, 2020 to December 31, 2020.

Formulating Standards to Handle Plastics

Plastics spread throughout society quickly and brought convenience and other benefits to our lives. However, the reuse and material recycling rate of plastics is still low in the world, compared to other materials. Pollution problems caused by plastics waste flowing into our oceans have become a global issue. The Sumitomo Forestry Group set measures to respond to the issue of plastics in August 2019, and it has been raising awareness in all relevant departments. We are looking into any and all alternatives to plastic goods for novelty item, stationary supplies and even packaging. We have put in place various initiatives from using cans instead of plastic bottles for vending machines and drinks stored at the company unless for a special reason, such as disaster prevention, to not passing out drinks in plastic bottles during meetings. We have also reflected and revised measures for handling plastics in the "Sumitomo Forestry Group Green Purchasing Guidelines".

Initiatives to Achieve Zero Emissions

The Basic Concept of Zero Emissions

The Sumitomo Forestry Group defines achievement of zero emissions as a recycling rate of 98% or more using no simple incineration or landfill for all industrial waste produced by each business site*. Based on this definition, domestic manufacturing facilities achieved zero emissions in fiscal 2009 while new housing construction sites achieved zero emissions in metropolitan areas in fiscal 2012. Our overseas manufacturing plants achieved zero emissions in fiscal 2020.

The new Mid-term Sustainability Targets from fiscal 2019 to fiscal 2021 set a target of 15% reduction in the amount of final disposal throughout the entire Sumitomo Forestry Group compared to fiscal 2017 to achieve zero emissions and further reduce the environmental impact of our business activities. Furthermore, within the Mid-Term Sustainability Targets, we take factors such as the state of progress of business activities and the resulting waste generation into account, establishing the following seven categories for a more finely differentiated effort to achieve zero emissions than in the Mid-Term CSR Management Plan. These categories are: New Housing Construction Sites, Domestic Production Plants, Power Generation Business, Renovation Business, Lifestyle Service Business, Overseas Manufacturing Plants, and Demolition Work sites.

* Includes new housing construction sites, domestic manufacturing plants, power generation plants, lifestyle service businesses, overseas manufacturing plants and demolition work sites

Manufacturing Business Initiatives

Initiatives at Domestic Manufacturing Facilities

Sumitomo Forestry Group managed to achieve a recycling rate of 99.1% against the target of 99.3% while zero emissions (recycling rate of 98% or more) were achieved at Sumitomo Forestry Crest and the Agro-Products division of Sumitomo Forestry Landscaping in fiscal 2020* as a result of ongoing efforts to reduce waste emissions, for example by tightening the sorting of industrial waste at each manufacturing plant, effective use as resources (thermal use) without simple incineration, and selling it for a profit.

* Data collection period: January to December 2020

Initiatives at Overseas Manufacturing Plants

We are working toward zero emissions with two new Group companies from fiscal 2019: Sinar Rimba Pasifik (SRP) in Indonesia and Canyon Creek Cabinet (CCC) in the United States in addition to five main manufacturing companies outside Japan*. For example, Kutai Timber Indonesia is advancing zero emissions activities from the collection of wood waste generated during the particle board manufacturing process to reuse as boiler fuel or in wood building materials as well as the use of offcuts produced in manufacturing products as novelty goods.

The recycling rate in fiscal 2020 achieved zero emissions at 98.4% against our target of 98.2%.

* Indonesia: Kutai Timber Indonesia, PT. Rimba Partikel Indonesia, and PT. AST Indonesia
New Zealand: Nelson Pine Industries Ltd.
Vietnam: Vina Eco Board Co., Ltd.



Recycling by sorting waste



Reuse of offcuts produced during manufacturing as raw materials for novelty goods

Housing and Construction Business Initiatives

Efforts at New Housing Construction Sites

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

Reduction Rate of Industrial Waste Generated at New Housing Construction Sites

The Sumitomo Forestry Group has also set an 18% reduction in the volume of industrial waste generated per household at new construction sites by fiscal 2021 compared to fiscal 2017 levels in the Mid-Term Sustainability Targets. In fiscal 2020, the reduction rate for the amount of industrial waste per new household had stagnated at 10% compared to fiscal 2017. However, we have steadily furthered the precuts of Kizure Panels and roof slate that began in fiscal 2020 and plan to see reductions in the amount of industrial waste emissions in fiscal 2021 as Sumitomo Forestry gradually approaches completion of buildings using the precut structural materials.

Reduction Rate of Industrial Waste Generated at New Housing Construction Sites (Per Household)

	Total Emissions (kg)	Reduction Rate
FY2017 (Baseline)	3,325	-
FY2018 result	3,274	-2%

	Total Emissions (kg)	Reduction Rate
FY2019 result	3,002	-10%
FY2020* result	2,977	-10%
FY2021 target	2,730	-18%

* Data collection period: January to December 2020

FY2020 Initiatives to Reduce Industrial Waste

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

We discovered two-thirds of all our waste is made up of wood waste, gypsum board and cardboard from detailed data about the waste that is produced aggregated from the industrial waste management system used under this inter-region certification, which has been in operation since 2012. We are working to reduce waste by concentrating on these three primary forms of waste.

In fiscal 2020, we have also furthered the staggered introduction of precut roof slate, siding, and Kizure panel materials that have been measured and processed on sites. In fiscal 2021, we will expand the area of these initiatives to branches throughout Japan. The reductions in the weight of industrial waste through precuts is tremendous. Sumitomo Forestry expects emission reductions of 170 kg for roof slate per building, 550 kg per building for siding and 80 kg for Kizure Panels per building.

Due to differences in the amount of industrial waste emissions originating from factors such as the location, region and specifications of each construction site in fiscal 2021, we calculated the appropriate amount of industrial waste emissions and created the targets of appropriate amount of industrial waste emission for each branch. By setting proper industrial waste emission targets, Sumitomo Forestry will work to reduce waste emissions by renewing the thinking on construction sites, engaging in awareness-raising initiatives and analyzing the amount of industrial waste emissions while also planning and executing improvement plans.

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

Sumitomo Forestry meticulously sorts waste produced on new housing construction sites. We will raise awareness through mediums such as posters including specific waste information to make sorting of the 11 categories of waste easier. We have also engaged in efforts to reuse rather than dispose of wood base and packing materials used when transporting precut structural and other materials.

The Sumitomo Forestry Group set a goal of achieving 98.0% waste recycling rate for new construction sites by fiscal 2021 as part of the Mid-Term Sustainability Targets. Recycling rate was 95.2% in fiscal 2020 since recycling on some intermediate processing sites in some regions did not work well, but we will work to consider the adoption of new processing sites that can execute the recycling to improve our recycling rate in fiscal 2021.



Posters About Sorting
Industrial Waste

Waste Recycling Rate at New Housing Construction Sites

	Recycling Rate
FY2017 (Baseline)	92.5%
FY2018 result	94.2%
FY2019 result	94.3%
FY2020* result	95.2%
FY2021 target	98.0%

* Data collection period: January to December 2020

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

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

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

Operations at the Metropolitan Area Recycling Center

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

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

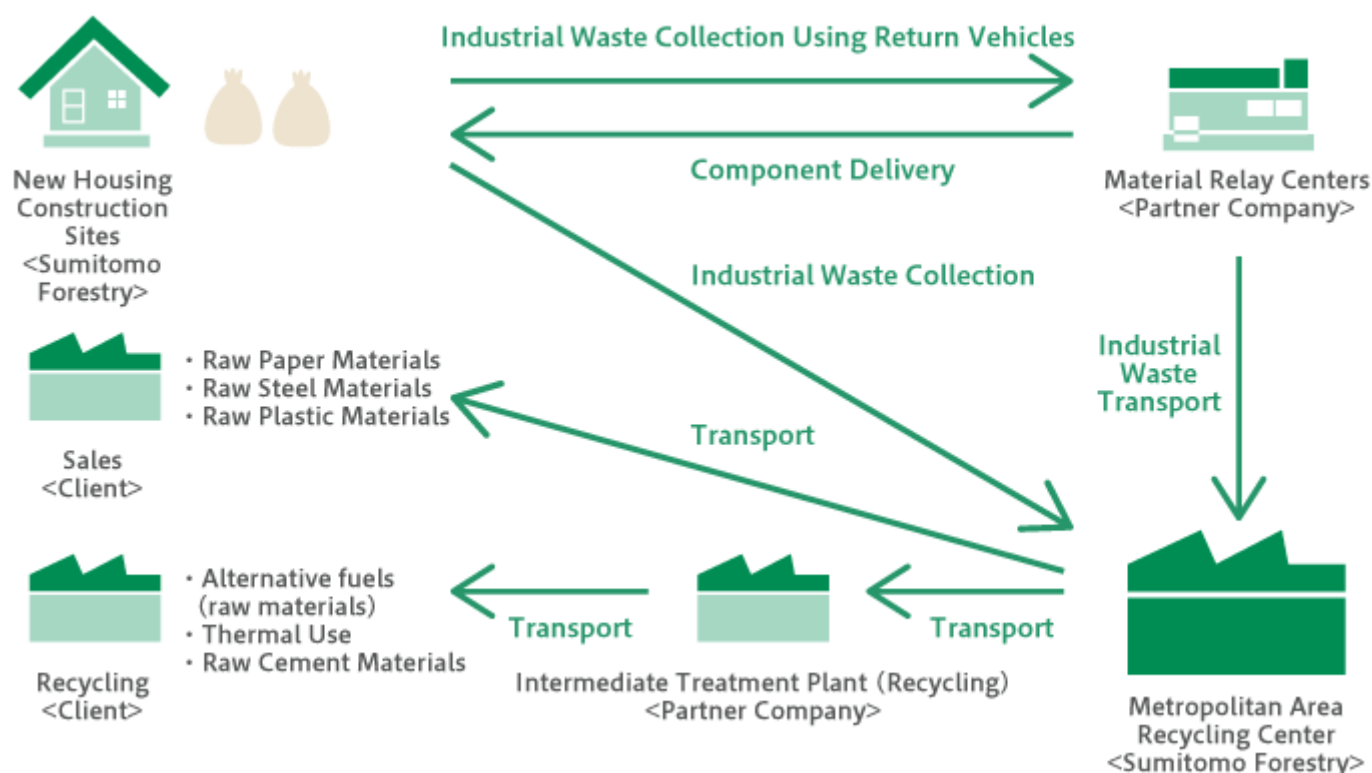
Setting up the Metropolitan Area Recycling Center brings data feedback to product development, material procurement and production management divisions by facilitating the collection of specifications, construction branches as well as the detailed status and trends of waste generation in each region.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

This initiative works to expand operation under the certification even in regions outside the metropolitan area. Currently, 62 of 63 offices and branches throughout Japan have begun operations. In the same way data is collected by the Metropolitan Area Recycling Center, we can also gather data on the level of waste produced throughout Japan. The analysis of this data helps us reduce waste because we can discover trends in the amount and type of waste according to building specifications and construction conditions in each region.



Metropolitan Area Recycling Center

Flow of Industrial Waste Collection Using the Inter-Region Recovery and Recycling Certification



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. In recent years, demolition work of housing built using construction materials containing asbestos has increased, and reform bills related to asbestos were also enacted in 2020. Sumitomo Forestry especially strives for uncompromising compliance to removal method, processing guidance and management of construction materials containing asbestos.

Waste Management for Demolition Work

We are strengthening management by building a system able to confirm the type, quantity and packaging of waste to transport from demolition work sites using mobile phones and smartphones which is adopted by our demolition partners.

Launch of Industrial Waste Management Centers

Sumitomo Forestry opened three industrial waste management centers throughout Japan in fiscal 2021. Managers specializing in industrial waste management make every effort to eliminate industrial risks throughout Japan by consolidating highly accurate management processes.

These management processes include precise process confirmations and deadline management from electronic manifest registration of industrial waste produced throughout Japan through the final disposal obligations of the entity producing the emissions. These management practices strictly adhere to laws and regulations, such as checking information registered in the electronic manifest against the outsourcing contract and updates to outsourcing contracts.

Remodeling and Renovation Business Initiatives

We are working to reduce waste generated on remodeling and renovation sites by using reusable protective materials.

Our Group also strives to effectively use resources, such as the initiative to operate a material recycling route to reclaim wood waste from metropolitan areas as raw materials for particle board that started in fiscal 2014.

In the three major metropolitan areas with the most emissions, we have established construction departments to supervise the entire area and provide guidance and education on overall industrial waste management and ways to improve their recycling rate. The recycling rate from January to December 2020 was 72.3%. In addition to thorough sorting on site in the future, we plan to bring in even more waste treatment contractors with high-level glass and ceramic recycling capabilities.

Work with Construction Contractors

Sumitomo Forestry publishes monthly safety, environment and quality inspection information that includes information and topics about safety and the environment to help avoid industrial waste-related risks by repeatedly raising awareness at branches and construction contractors.

Education for New Construction and Demolition Contractors

Sumitomo Forestry provides education to new construction contractors and conducts comprehension tests about industrial waste. Demolition contractors report about industrial waste to each office and branch from the start of demolition work to its completion as a construction management record according to a manual. Each office and branch verifies these construction management records and provides guidance for corrective actions if any inconsistencies are found.

Biomass Power Generation Business Initiatives

Rovander Foundation Filler Made with Incineration Ash, Has Been Certified As a Hokkaido Government-Certified Recycled Product

At Mombetsu Biomass Electric Power Co., Ltd., incinerator ash emitted by the biomass boiler is used to manufacture foundation fill material (product name "Rovander") for forest roads. This environmentally-friendly product is aimed at building a cyclical operation in which the amount of waste is controlled, reducing environmental impact by helping maintain forests using a by-product of power generated with timber resources.

In addition, Rovander has been recognized as meeting environmental safety standards, and is a Hokkaido Government-certified Recycled Product.



Road Laid with Rovander Wood from Log Storage



The Hokkaido Government-certified Recycled Product mark

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.

Pollution Prevention

Management of Chemical Substances



Management of Chemical Substances at Plants in Japan

The Sumitomo Forestry Group manages hazardous chemical substances at each of three relevant Sumitomo Forestry Crest Co., Ltd. plants (Kashima Plant, Niihama Plant, Imari Plant) in accordance with the Pollutant Release and Transfer Register Law in Japan.

Management Table of Chemical Substances at Plants in Japan (FY2020)

* Results for January to December 2020

Applicable Company	Applicable Department	Substance No.	Name of Chemical Substance	Total Use (kg/year)	Total Released (kg/year)				Total Transferred (kg/year)		Conversion into Products (kg)
					Air	Water	Soil	Landfill Disposal	Sewerage	Outside Plant Premises	
Sumitomo Forestry Crest Co., Ltd.	Kashima Plant	186	Methylene chloride (dichloromethane)	8,515	5,879	0	0	0	0	2,635	1
		448	Methylenebis (4,1- phenylene) diisocyanate	1,246	0	0	0	0	0	43	0
		Subtotal		9,761	5,879	0	0	0	0	2,678	1
	Niihama Plant	186	Methylene chloride (dichloromethane)	4,160	2,973	0	0	0	0	1,186	0
		Subtotal		4,160	2,973	0	0	0	0	1,186	1
	Imari Plant	4	Acrylic acid and water-soluble salts	14,299	0	0	0	0	0	0	14,299
		7	n-Butyl acrylate	8,397	0	0	0	0	0	23	8,374
		84	Glyoxal	2,330	0	0	0	0	0	4	2,326
		134	Vinyl acetate	2,154,375	2,259	95	0	0	0	94	2,151,927
		349	Phenol	34,200	0	0	0	0	0	16	34,184
		395	The water-soluble salts of peroxy disulfuric acid	3,649	0	0	0	0	0	9	3,640
		407	Poly (Oxyethylene) = Alkylether (alkyl group: C12~C15)	3,393	0	28	0	0	0	10	3,355
		411	Formaldehyde	137,599	42	0	0	0	0	235	137,322
		415	Methacrylic acid	868	0	0	0	0	0	0	868
		448	Methylenebis (4,1- phenylene) diisocyanate	6,240	0	0	0	0	0	33	6,207

Applicable Company	Applicable Department	Substance No.	Name of Chemical Substance	Total Use (kg/year)	Total Released  (kg/year)				Total Transferred  (kg/year)		Conversion into Products (kg)
					Air	Water	Soil	Landfill Disposal	Sewerage	Outside Plant Premises	
	Subtotal			2,365,350	2,301	123	0	0	0	424	2,362,502
Total				2,379,271	11,153	123	0	0	0	4,288	2,362,504

▶  About symbol for Independent assurance

Management of Chemical Substances at Plants Overseas

Chemical substances, including adhesives and coatings, in the table below are managed at overseas plants in accordance with the management regulations for chemical substances in each country.

Management Table of Chemical Substances at Plants Overseas (FY2020)

Applicable Company	Country	Name of Chemical Substance	Total Use (t/year)	Total Released (t/year)		Total Transferred (t/year)
				Air	Waters, etc.	Waste Processing
KTI	Indonesia	Adhesives at MA, UA, etc.	31,384	-	-	75
ASTI	Indonesia	Styrene, xylene, solvents	30	-	-	9
RPI	Indonesia	Isocyanate/Formaldehyde	444	-	-	0
NPIL	New Zealand	Formaldehyde	298	-	-	0
VECO	Vietnam	Isocyanate/Formaldehyde, etc.	397	-	-	8
CCC	United States of America	MEK, alcohols, etc.	340	328	-	12
Total			32,893	-	-	104

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 (Kashima Plant, Shizuoka Plant, and Niihama Plant), the Shinshiro Plant at Sumitomo Forestry Landscaping, and at the Mombetsu Biomass Electric Power in accordance with the Air Pollution Control Act as well as local regulations. In fiscal 2020, emissions concentration testing results were all within the relevant standard values.

Management Table of Air Pollutants at Plants in Japan (FY2020)

* Results for January to December 2020

Applicable Company	Applicable Department	Measured Substances	Unit	(Baseline)	Measured Concentration	Emissions to the Air (mg-TEQ)
Sumitomo Forestry Crest Co., Ltd.	Kashima Plant	Dioxin	ng-TEQ/m ³	5	0.025	1
	Shizuoka Plant	Dioxin	ng-TEQ/m ³	5	1.1	3.5

Applicable Company	Applicable Department	Measured Substances	Total Released (kg/year)	Unit	(Baseline)	Measured Concentration	Dry gas flow rate (Nm³/h)
Sumitomo Forestry Crest Co., Ltd.	Niihama Plant (Wood Waste Boiler)	Sulfur oxides (SOx)	197 	ppm	0.42	0.04	5,950
		Nitrogen oxides (NOx)	1,443 	ppm	350	36	5,950
		Soot and dust	19	g/Nm³	0.3	0.001	5,950
	Niihama Plant (Heavy Oil Boiler)	Sulfur oxides (SOx)	1 	ppm	0.1	0.026	440
		Nitrogen oxides (NOx)	1 	ppm	180	57	440
		Soot and dust	3	g/Nm³	0.3	0.004	440
	Imari Plant	Sulfur oxides (SOx)	1,024 	ppm	-	-	-
						* There are no standards on the measurement frequency because this is a small-size once-through boiler.	
	The Agro-Products division of Sumitomo Forestry Landscaping	Shinshiro Plant	Sulfur oxides (SOx)	32 	ppm	0.49	Less than 1.2
Nitrogen oxides (NOx)			717 	ppm	200	38	10,100
Soot and dust			677	g/Nm³	0.2	0.061	10,100
Mombetsu Biomass Power Plant		Sulfur oxides (SOx)	77,905 	ppm	373	4.0	189,000
		Nitrogen oxides (NOx)	279,343 	ppm	250	89	189,000
		Soot and dust	3,516	g/Nm³	0.1	0.004	189,000

Applicable Company	Applicable Department	Measured Substances	Total Released (kg/year)	Unit	(Baseline)	Measured Concentration	Dry gas flow rate (Nm ³ /h)
Hachinohe Biomass Power Generation Plant		Sulfur oxides (SOx)	827 	ppm	32.3	0.05	58,000
		Nitrogen oxides (NOx)	69,007 	ppm	250	63.6	58,000
		Soot and dust	0.0	g/Nm ³	0.3	0.0	58,000

▶  About symbol for Independent assurance

Management of Air Pollutants at Plants Overseas

At overseas plants, the Sumitomo Forestry Group measures the concentration of NOx, SOx and smoke dust in Indonesia and Vietnam as well as VOC emission in the United States of America in accordance with the regulations of each country and region. In fiscal 2020, emissions concentration testing results were all within the relevant standard values.

Management Table of Air Pollutants at Plants Overseas (FY2020)

Applicable Company	Country	Measured Substances	Unit	(Baseline)	Measured Concentration
KTI	Indonesia	CO (Carbon monoxide)	μg/Nm ³	22,600	4,720
		Sulfur oxides (SOx)	μg/Nm ³	262	35
		Nitrogen oxides (NOx)	μg/Nm ³	150	42
		H ₂ S (Hydrogen sulfide)	μg/Nm ³	0.03	0.003
		NH ₃ (Ammonia)	ppm	2	0.02
		O ₃ (Ozone)	ppm	0.1	0.02
		Soot and dust	mg/Nm ³	0.26	0.02
RPI	Indonesia	Sulfur oxides (SOx)	mg/Nm ³	800	531
		Nitrogen oxides (NOx)	mg/Nm ³	1,000	114
		Soot and dust	mg/Nm ³	350	*
ASTI	Indonesia	CO (Carbon monoxide)	μg/Nm ³	15,000	1,144
		Sulfur oxides (SOx)	μg/Nm ³	632	Below Detection Boundary
		Nitrogen oxides (NOx)	μg/Nm ³	316	13
		H ₂ S (Hydrogen sulfide)	μg/Nm ³	0.02	0.001
		NH ₃ (Ammonia)	ppm	2.0	0.073
		TSP (Debu Total) Total Suspended Particulate Matter	μg/Nm ³	230	133
VECO	Vietnam	Sulfur oxides (SOx)	mg/Nm ³	500	2
		Nitrogen oxides (NOx)	mg/Nm ³	850	151
		Soot and dust	mg/Nm ³	200	84
CCC	United States of America	Volatile organic compounds (VOCs)	lbs	200,000	127,271

* Confirmation of the dryer status and its adjustment are in process. The measurement will be made in April 2021 after adjustment.

Management of Water Pollutants

Management of Water Pollutants in Japan

The Sumitomo Forestry Group conducts periodic water quality concentration tests of waste water at the Tsukuba Research Institute, Sumitomo Forestry Crest Co., Ltd. (Kashima Plant, Shizuoka Plant, Niihama Plant, Imari Plant), Mombetsu Biomass Power Plant and Hachinohe Biomass Power Generation Plant in accordance with the Water Pollution Control Act of Japan. In fiscal 2020, the concentration measured at the Kashima Plant exceeded the statutory limit due to the effect of the soil on its grounds, but all other Sumitomo Forestry plants were within the statutory limit.

Management Table of Water Quality at Plants in Japan (FY2020)

Applicable Company	Applicable Department	Test Items	Unit	(Baseline)	Measured Concentration
Sumitomo Forestry	Tsukuba Research Institute	pH	-	5~9	7.5
		BOD (Biochemical Oxygen Demand)	mg/L	< 600	6
		COD (Chemical Oxygen Demand)	mg/L	-	-
		SS (Suspended Solids)	mg/L	< 600	6
		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	<5
		Phenol content	mg/L	≤ 5	< 0.02
		Cyanogen compound	mg/L	≤ 1	< 0.1
		Copper content	mg/L	≤ 3	< 0.02
		Zinc content	mg/L	≤ 2	0.05
		Soluble iron content	mg/L	≤ 10	0.06
		Soluble manganese content	mg/L	≤ 10	< 0.02
		Benzene	mg/L	≤ 0.1	< 0.001
		Boron and other compounds	mg/L	≤ 10	0.08
		Fluorine and other compounds	mg/L	≤ 8	< 0.17
Sumitomo Forestry Crest Co., Ltd.	Kashima Plant	pH	-	5.8~8.6	12.6
		BOD (Biochemical Oxygen Demand)	mg/L	-	1.8
		COD (Chemical Oxygen Demand)	mg/L	10.0	4.8
		SS (Suspended Solids)	mg/L	10.0	<1
	Shizuoka Plant	pH	-	5.8~8.6	7.8
		BOD (Biochemical Oxygen Demand)	mg/L	≤ 160	5
		COD (Chemical Oxygen Demand)	mg/L	-	-
		SS (Suspended Solids)	mg/L	≤ 200	1
	Niihama Plant	pH	-	5.8~8.6	6.7

Applicable Company	Applicable Department	Test Items	Unit	(Baseline)	Measured Concentration
		BOD (Biochemical Oxygen Demand)	mg/L	-	-
		COD (Chemical Oxygen Demand)	mg/L	160	1
		SS (Suspended Solids)	mg/L	200.0	20
	Imari Plant	pH	-	5.8~8.6	7.8
		BOD (Biochemical Oxygen Demand)	mg/L	-	-
		COD (Chemical Oxygen Demand)	mg/L	70	15
		SS (Suspended Solids)	mg/L	70	5
Mombetsu Biomass Power Generation Plant		pH	-	5~9	7.7
		BOD (Biochemical Oxygen Demand)	mg/L	1,000 mg/L or less over five days	9
		SS (Suspended Solids)	mg/L	1,000	0
Hachinohe Biomass Power Generation Plant		pH	-	5.8~8.6	7.5
		BOD (Biochemical Oxygen Demand)	mg/L	30 mg/L or less (Daily average of 20 mg/L or less)	0.8
		SS (Suspended Solids)	mg/L	40 mg/L or less (Daily average of 30mg/L or less)	13

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 2020, emissions concentration testing results were all within the relevant standard values.

Management Table of Water Quality at Plants Overseas (FY2020)

Applicable Company	Country	Test Items	Unit	(Baseline)	Measured Concentration
KTI	Indonesia	pH	-	6~9	7.6
		BOD (Biochemical Oxygen Demand)	mg/L	75	8.1
		COD (Chemical Oxygen Demand)	mg/L	125	25
		TSS (Suspended Solids)	mg/L	50	5.3
		NH ₃ -N (Ammonia concentration)	mg/L	4	0.8
		Fenol (Fenol concentration)	mg/L	0.25	0.02
RPI	Indonesia	pH	-	6~9	7.8

Applicable Company	Country	Test Items	Unit	(Baseline)	Measured Concentration
		BOD (Biochemical Oxygen Demand)	mg/L	75	9
		COD (Chemical Oxygen Demand)	mg/L	125	28
		TSS (Suspended Solids)	mg/L	50	8
		NH ₃ -N (Ammonia concentration)	mg/L	4	0.471
		Fenol (Fenol concentration)	mg/L	0.25	< 0.001
ASTI	Indonesia	pH	-	6~9	7
		BOD (Biochemical Oxygen Demand)	mg/L	500	55
		COD (Chemical Oxygen Demand)	mg/L	1,600	171
		Soluble iron content	mg/L	5	0.32
		Soluble manganese content	mg/L	2	0.05
		Copper content	mg/L	2	< 0.02
		Zinc content	mg/L	5	0.12
		Chromium hexavalent compound	mg/L	0.1	< 0.005
		Chromium compound	mg/L	0.5	< 0.1
		Cadmium compound	mg/L	0.05	0.001
		Lead compound	mg/L	0.1	0.042
		Hydrogen sulfide compound	mg/L	0.05	< 0.015
		Nitrate compound	mg/L	20	0.57
		Nitrite compound	mg/L	1	< 0.002
VECO	Vietnam	pH	-	5~9	8.0
		BOD (Biochemical Oxygen Demand)	mg/L	200	28
		COD (Chemical Oxygen Demand)	mg/L	300	49
		SS (Suspended Solids)	mg/L	200	9
		Nitrogen compound	mg/L	60	Below Detection Boundary
		Phosphate compound	mg/L	10	0.12
NPIL	New Zealand	pH	-	6~9	7.0
		BOD (Biochemical Oxygen Demand)	mg/L	2,350	1,561
		COD (Chemical Oxygen Demand)	mg/L	6,400	4,430
		SS (Suspended Solids)	mg/L	650	345

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.

Storage and Proper Disposal Polychlorinated Biphenyl Waste

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 FY2018 (kg) ^{*1}	Total Disposal in FY2019 (kg) ^{*1}	Total Disposal in FY2020 (kg) ^{*1}
Sumitomo Forestry Crest Co., Ltd.	(Former) Nagoya Plant ^{*2}	0	0	0
ASTI	ASTI Plants	0	0	0
Subtotal		0	0	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 was closed in end of June 2015.

Management Status of Polychlorinated Biphenyl(PCB)^{*1}

Applicable Company	Applicable Facility	FY2020 Onward Estimated Processing (Units)	Management Status
Sumitomo Forestry Crest Co., Ltd.	(Former) Nagoya Plant ^{*2}	513 Units	Stabilizers in storage
ASTI	ASTI Plants	17kg	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 in accordance with the Act on Rational Use and Proper Management of Fluorocarbons enacted April 2015. There were no leaks of fluorocarbons in fiscal 2019.

Project for Soil Purification Technology and Environmental Remediation Aided by Plants

An issue in re-using the site of an old factory is the environmental impact associated with soil contamination and the cost burden of any remedial measures. For example, under the revised Fire Service Act of Japan, gasoline stations are now obliged to repair any underground tanks that have lain under the ground for more than 40 years, and as a consequence of this, it is expected that between 1,000 and 2,000 stations will close down each year.

In order to meet the demand for environmental remediation and measures dealing with soil contamination, the Sumitomo Forestry Group has been working on cleansing contaminated soil by using the functions of plants (phytoremediation). As part of this, during fiscal 2012, in collaboration with ENEOS (JX Nippon Oil & Energy Corporation at the time), the Group developed a method for purifying soil contaminated with oil using Burning Field, a variety of Japanese lawn-grass independently registered by the Group.

One of the functions possessed by the variety of Japanese lawn-grass used in this method is that the nutrients transpiring from its roots activate microorganisms in the soil, and the upshot of this is that it has the potential to inexpensively reduce the oil content in polluted soil. This method has been adopted at nine sites by FY2020 to purify areas where gasoline stands or oil depots once stood, with purification at five sites now complete.

In fiscal 2013 and 2014, the Ministry of the Environment conducted a study on low-cost, low-impact technologies for surveying and for counteracting contaminated soil in addition to presenting the Environmental Measures Exemplary Efforts Awards (Minister of the Environment Award) in 2013. The study found that oil-degrading microorganisms tend to become more active, and were recognized as having potential to be applied at sites heavily contaminated with oil. Received the Good Design Award in October 2018 from the Japan Institute of Design Promotion. In March 2020, the Burning Field®, an enhanced variety of Japanese lawn-grass was registered with the Ministry of Land, Infrastructure, Transport and Tourism's New Technology Information System (NETIS). NETIS is a new technology information system designed by the Ministry of Land, Infrastructure, Transport and Tourism to share and provide information for use of new technologies. The use of NETIS-registered technology scores additional points for general evaluation at the bidding stage or construction performance evaluation during the usage stage, which is expected to raise awareness and standardize these new technologies at contractors involved in public works projects.

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

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 and Construction Business, which operate on a business model that does not use a 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. We discovered 91.8% of water use is at eight group companies which make up 7.2% of the consolidated net sales by analyzing the water use of all Group companies in fiscal 2016. Therefore, we have positioned these eight companies as important water management companies and conducted risk assessments for water use at five companies in Japan as well as brought together specific measures to address any cases of insufficient water. The Sumitomo Forestry Group has also begun to grasp the actual state of water use even at three overseas companies.

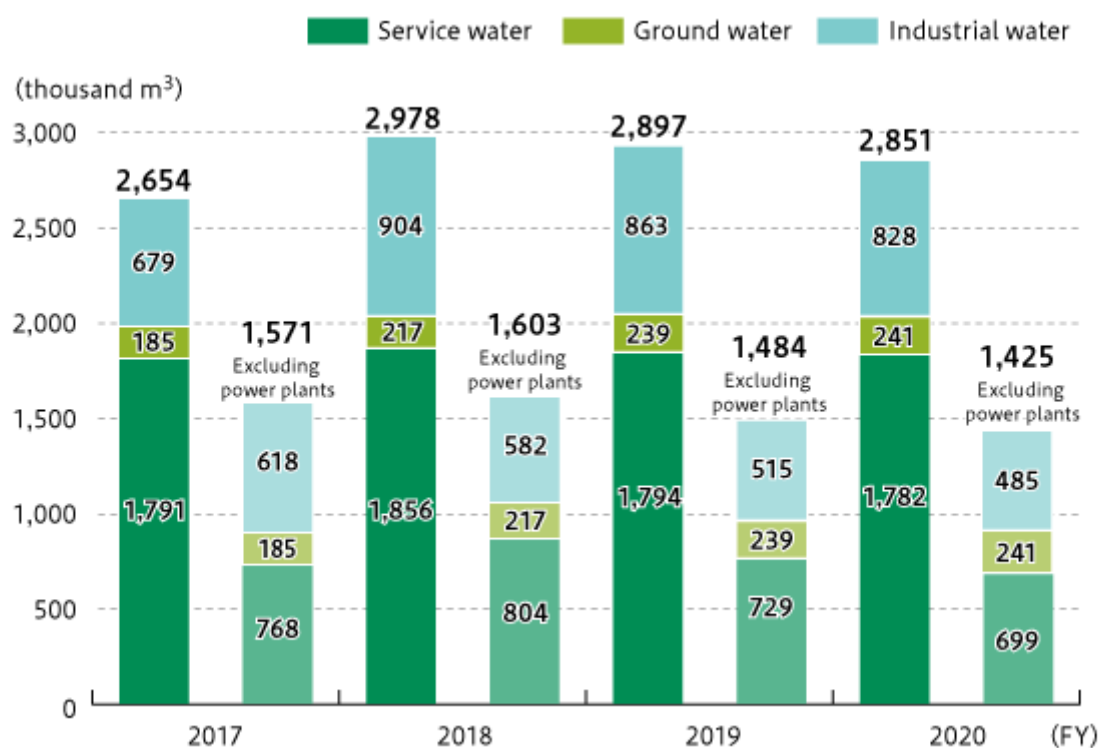
From fiscal 2016 to fiscal 2018, our water consumption increased due to the operation of the Mombetsu Biomass Power Plant and Hachinohe Biomass Power Plant. Biomass power generation leads to increased water usage because power is generated by burning wood and other biomass fuel to boil water and create steam for powering turbines.

The Sumitomo Forestry Group has set conservation and effective utilization of water resources as a target in the Mid-Term Sustainability Targets announced in May 2019 with specific water consumption targets for entire Group for conducting progress management. In fiscal 2020, the entire group used 2,851 thousand m³ of water, which achieved our target of 2,824 thousand m³ or less. Water saving measures for circular use of industrial water at the Sumitomo Forestry Crest Imari Plant was a major factor in reaching this target. At our overseas manufacturing plants, Vina Eco Board (VECO) in Vietnam reduced their water use in fiscal 2020 by 33.7% compared to fiscal 2019 through circular use of cooling water.

Sumitomo Forestry conducts sample surveys of water used by partner companies at on-site construction of houses in fiscal 2015 to grasp the water consumption in the supply chain, which found the volume of water used per 1 m² of floor area is approximately 0.0887 m³.

► [Material Issue 3: The Reduction of the Environmental Impact of Our Business Activities > Management of Each Target](#)

Water Usage over the Past Four Years*



▶ About symbol for Independent assurance

Water Usage per Department*

	Office Departments in Japan, etc. (Unit: 1,000m ³)			Plants and Power Generation Business Departments in Japan (Unit: 1,000m ³)			Overseas Plants (Unit: 1,000m ³)			Total (Unit: 1,000m ³)
	FY2018	FY2019	FY2020	FY2018	FY2019	FY2020	FY2018	FY2019	FY2020	FY2020
Service water	79	78	81	1,302	1,324	1,359	475	392	342	1,782
Ground water	29	37	42	14	12	10	174	190	189	241
Industrial water	235	114	120	470	432	419	310	318	288	828
Total	232	230	243	1,786	1,768	1,788	959	900	820	2,851

* Covers sites where actual water usage is measurable, such as at buildings owned by the Sumitomo Forestry Group.

* The period of data collected for water use in fiscal 2020 is from January to December 2020 while the period of data for emissions collected in the previous years was from April to March.

Efforts in Sumitomo Forestry Crest

The Imari Plant of Sumitomo Forestry Crest, which manufactures such products as synthetic resin adhesives, uses industrial water to cool its manufacturing equipment. Afterwards, this water is reused to dilute factory wastewater and for other purposes as a water-conservation measure. In addition, from fiscal 2018, wastewater (coagulation sedimentation treated water) is further treated biologically to control the amount of water necessary for dilution for factory wastewater water quality management. This and other new water-saving measures led to an industrial water usage of 76,150m³ in fiscal 2020, a 31% decline compared to fiscal 2018.



Biological processing facility (aeration blower)



Biological processing facility (aeration tank)



Measuring the COD of effluent

Measures Used at the Sumitomo Forestry Crest's Imari Plant for Saving Water

1. Subjecting waste water (after processing for coagulating sedimentation) to further^{*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

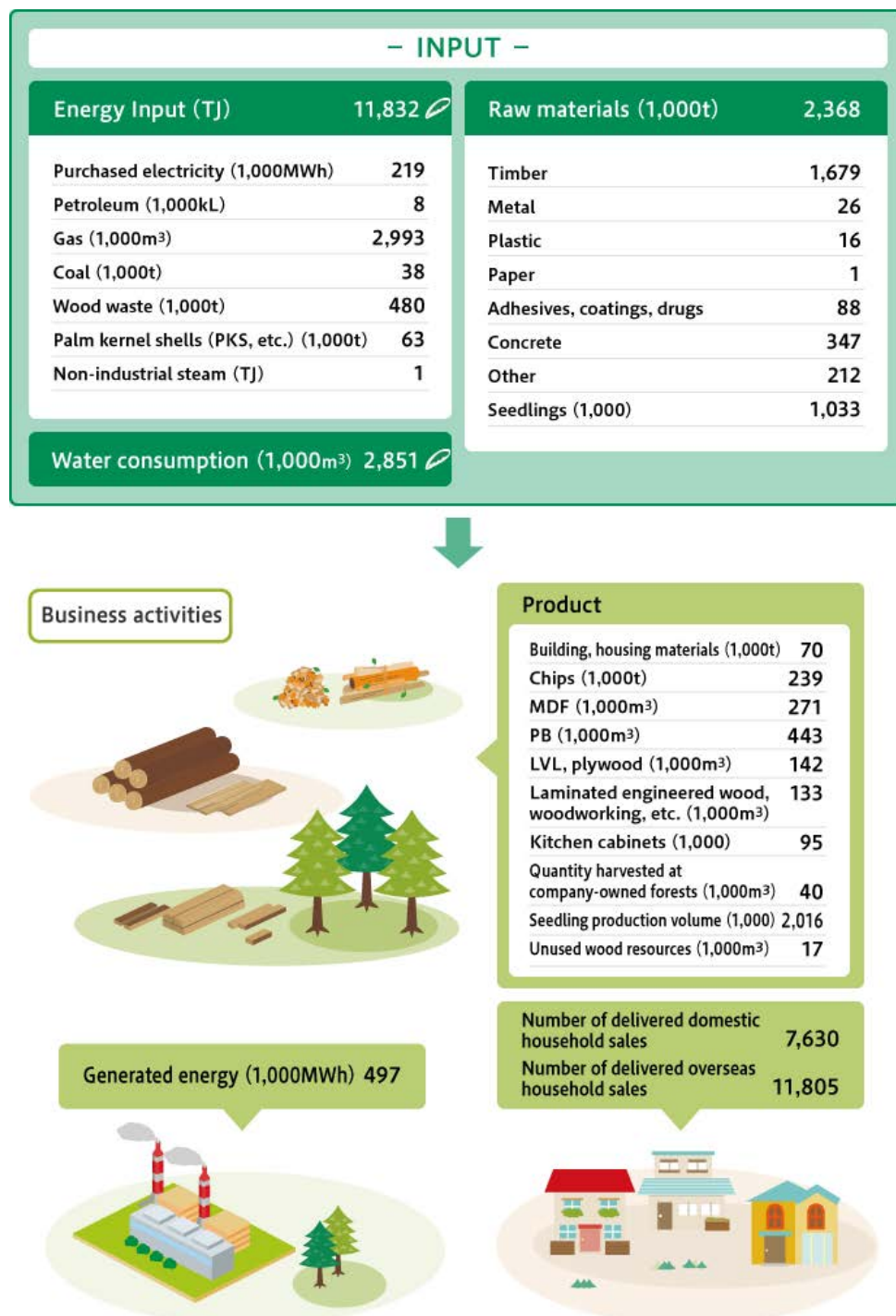
The Sumitomo Forestry Group provides answers to the CDP Water questions and discloses more detailed information about efforts on risks related to water since fiscal 2017.

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 2020 Sumitomo Forestry Group Balance of Input & Output*





– OUTPUT –

Waste (1,000t)

Total generated	414	
Final processing amount	41	

Greenhouse Gas (1,000t-CO₂e)
(Scope 1, 2) 371

Chemical substance waste released (t) 18

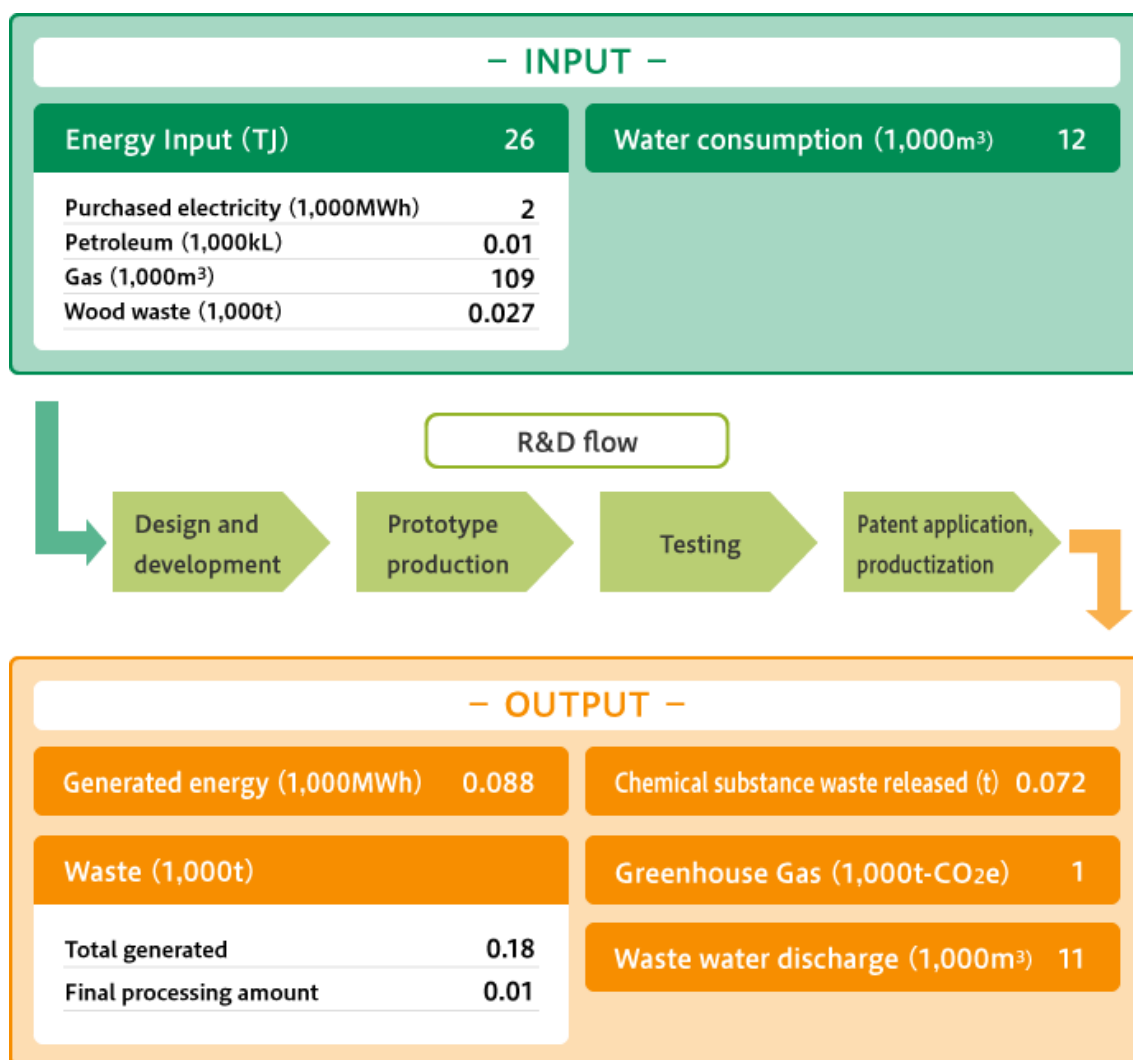
Waste water discharge (1,000m³) 935

Greenhouse Gas (1,000t-CO₂e)
(Scope 3) 9,119

* The period of data collection for fiscal 2020 is from January 1 to December 31, 2020

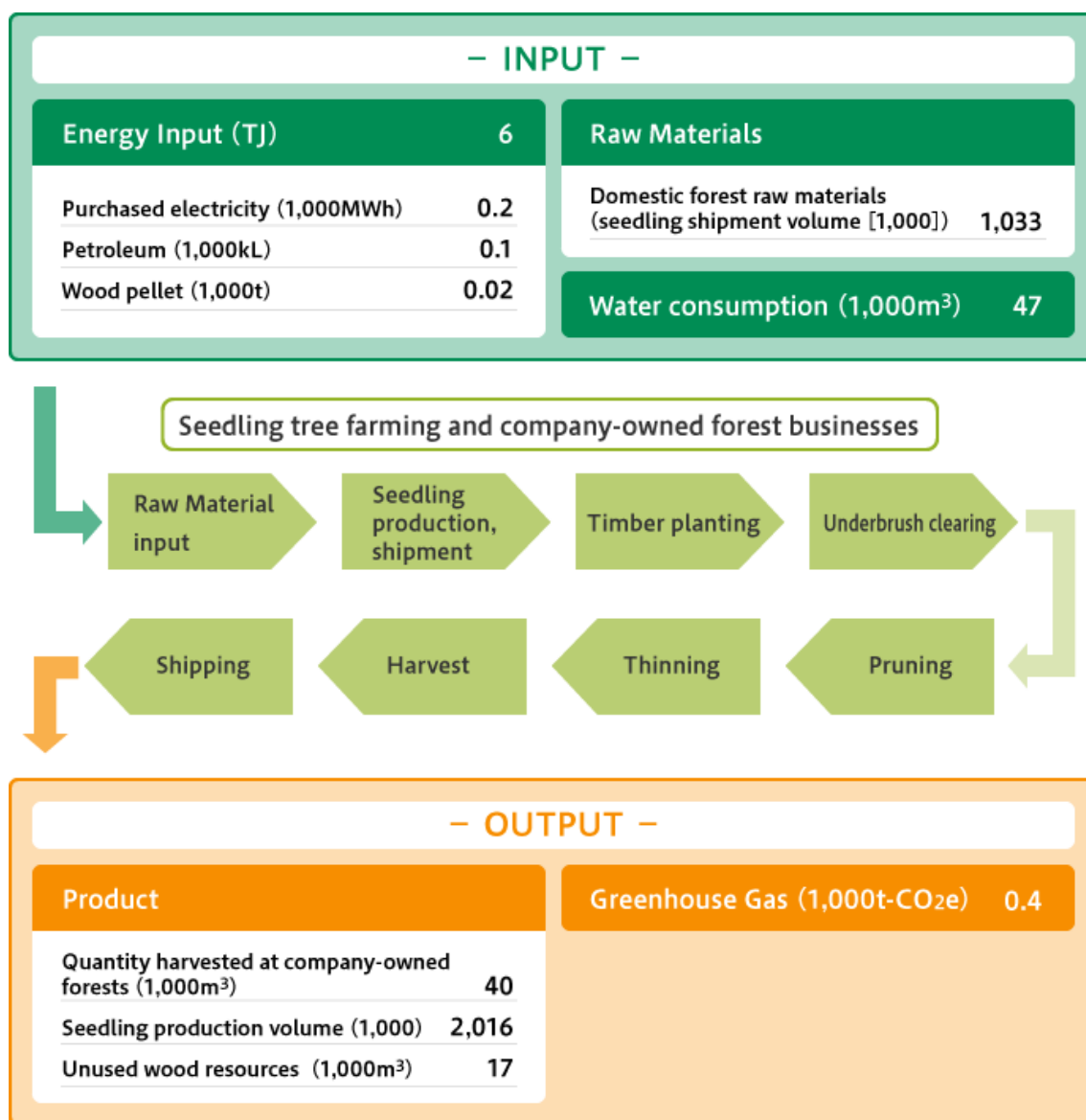
▶ About symbol for Independent assurance

Research & Development*



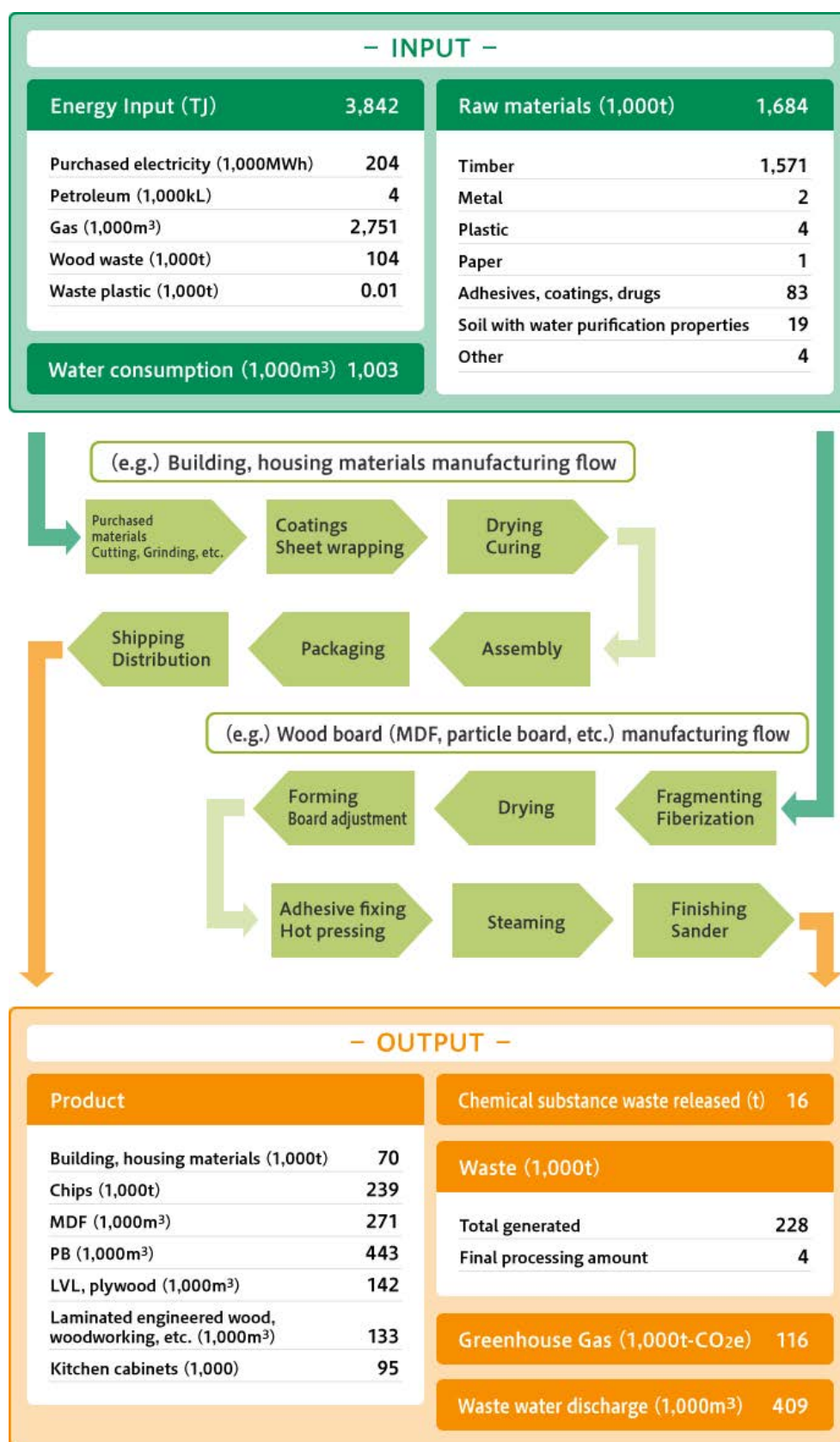
* Subject: Tsukuba Research Institute

Forest Management*



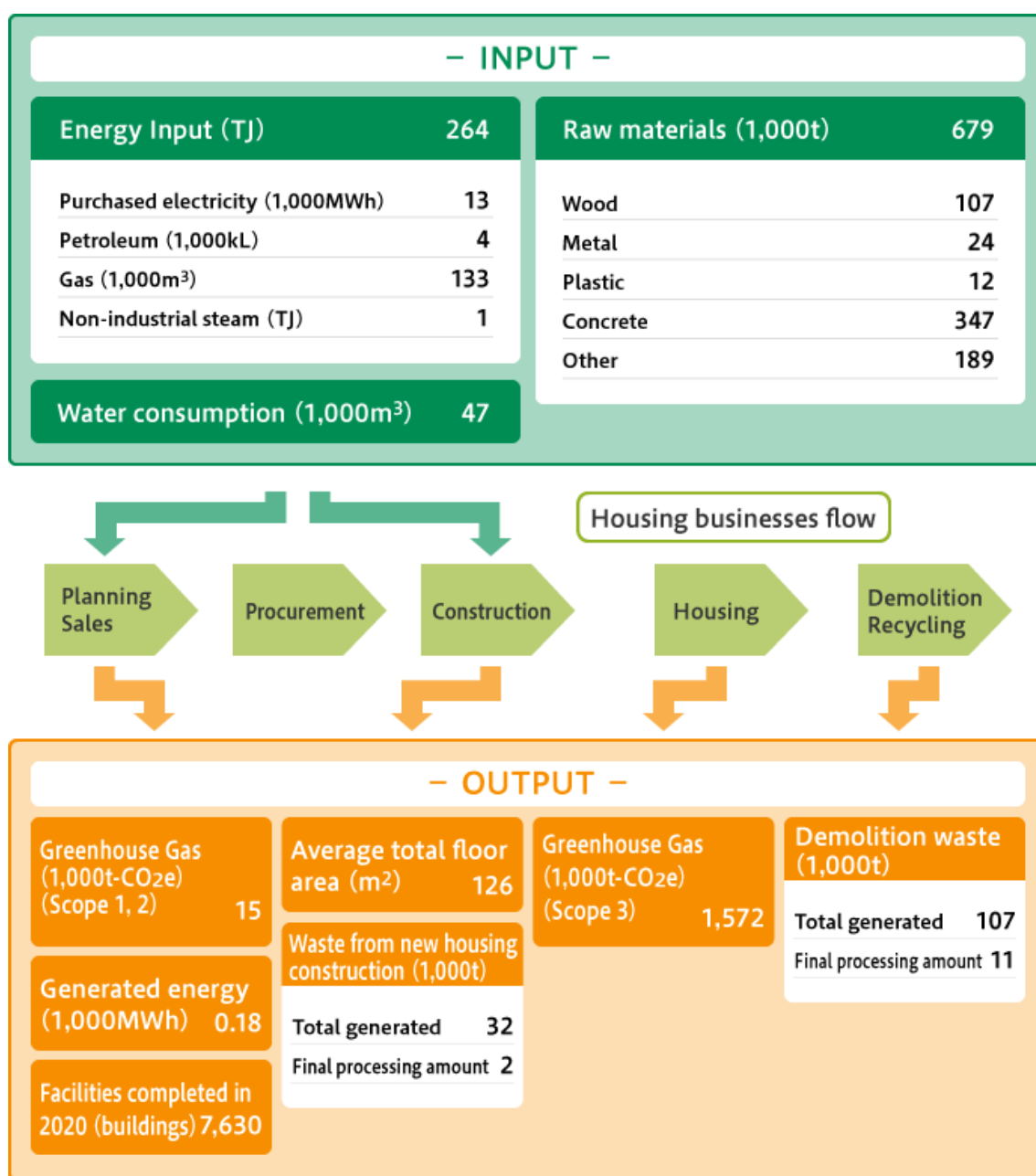
* Subjects: Forestry offices (Hyuga, Niihama, Osaka, and Mombetsu); seedling tree farming centers (Togo, Motoyama, Gifu, Watarase, and Mombetsu)

Manufacturing Business*



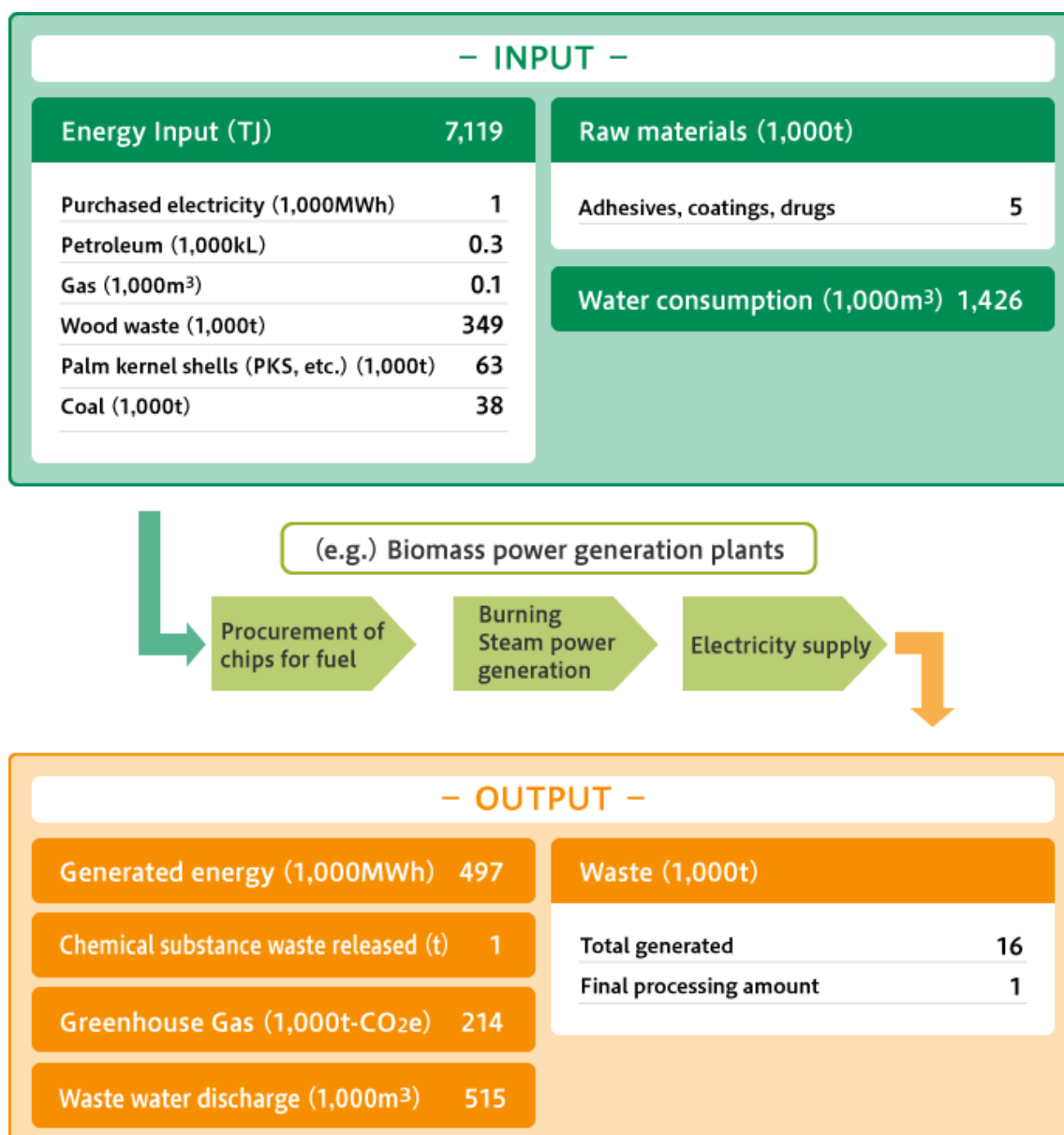
* Subjects: Sumitomo Forestry Crest Co., Ltd. (Kashima Plant, Shizuoka Plant, Niihama Plant and Imari Plant), Sumitomo Forestry Landscaping (Shinshiro Plant and Tobishima Plant of Agro-Products Division), Kutai Timber Indonesia (KTI, Indonesia), Rimba Partikel Indonesia (RPI, Indonesia), Sinar Rimba 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)*



* Subjects: Sumitomo Forestry Housing and Construction Division and Sumitomo Forestry Home Engineering

Renewable Energy Business*



* Subjects: Mombetsu Biomass Power Generation, Hachinohe Biomass Power Generation

► Boundaries and Method of Data Aggregation (Balance of Input & Output)

Boundaries and Method of Data Aggregation (Balance of Input & Output)

* The period of data collection on the balance of input and output in fiscal 2020 is from January 1 to December 31, 2020.

Boundaries (Organizational Range)

Classification	Boundary
All Business Activities	All Sumitomo Forestry Group Companies
Research & Development	Tsukuba Research Institute
Environment and Resources Business (Forest Management)	Forestry offices (Hyuga, Niihama, Osaka, and Mombetsu); seedling tree farming centers (Hyuga, Motoyama, Gero, Midori, Mombetsu, and Minamiaizu) Japan Bio Energy Co., Ltd., Okhotsk Bio Energy Co. Ltd., and Michinoku Bio Energy Co., Ltd.
Timber & Building Materials Business (Manufacturing Business)	Sumitomo Forestry Crest (Kashima Plant, Shizuoka Plant, Niihama Plant and Imari Plant), Rimba Partikel Indonesia, AST Indonesia, Kutai Timber Indonesia, Nelson Pine Industries, Vina Eco Board, Sinar Rimba Pasifik and Canyon Creek Cabinet Company
Environment and Resources Business (Renewable Energy Business)	Mombetsu Biomass Electric Power Co., Hachinohe Biomass Electric Power Co.
Housing and Construction Business (Domestic)	Sumitomo Forestry (Housing and Construction Division), Sumitomo Forestry Home Tech, Sumitomo Forestry Home Engineering, Sumitomo Forestry Landscaping, Sumitomo Forestry Archi Techno, and Sumitomo Forestry Landscaping (Shinshiro Plant and Tobishima Plant)
Offices and other sites	Sumitomo Forestry and Group companies other than the above

► [All Sumitomo Forestry Group Companies](#)

Prerequisites

Classification	Prerequisites	
Research & Development	Energy and Greenhouse Gases	Energy use and greenhouse gas 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
Environment and Resources Business (Forest Management)	Energy and Greenhouse Gases	Energy use and greenhouse gas emissions from harvesting and seedling production at Company-owned forests
	Raw Materials	Raw material used during harvesting and seedling production at Company-owned forests
	Water	Water used during harvesting and seedling production at Company-owned forests

Classification	Prerequisites	
	Waste	Waste produced during harvesting and seedling production at Company-owned forests
Timber & Building Materials Business (Manufacturing Business)	Energy and Greenhouse Gases	Energy use and greenhouse gas emissions at each plant
	Raw Materials	Raw material used during production of wood products and construction materials
	Water	Water used during production of wood products and construction materials
	Waste	Waste produced during production of wood products and construction materials
Environment and Resources Business (Renewable Energy Business)	Energy and Greenhouse Gases	Energy use and greenhouse gas emissions at power generation plants
	Raw Materials	Raw materials used during power generation
	Water	Water used during power generation
	Waste	Waste produced during power generation
Housing and Construction Business (Domestic)	Energy and Greenhouse Gases	Energy use and greenhouse gas emissions for business sites (including model homes) related to the housing business
	Raw Materials	Materials invested in housing construction
	Water	Water used at business sites related to the housing business
	Waste	Waste emitted from housing construction (including renovations) and demolition
Offices and other sites	Energy and Greenhouse Gases	Energy use and greenhouse gas 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 used 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

Greenhouse gases: Refer to the pages below

► Boundaries and Methods of Greenhouse Gas Emissions Calculation

Waste: Calculating Emissions with Data Collected from Manifests

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.

* Data collection period: January to December 2020

Sumitomo Forestry Crest Co., Ltd.

Item (unit)	Kashima Plant	Shizuoka Plant	Niihama Plant	Imari Plant	Subtotal
Energy Input (GJ)	33,389	29,842	29,259	17,011	109,501
Raw Material Input (t)	8,184	30,583	3,786	7,830	50,383
Water Resource Use (m ³)					
Service water	4,695	6,197	4,974	109	15,975
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	-	-	-	76,150	76,150
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)	1,016	1,496	1,660	878	5,051
Methane (CH ₄)*	19.1	4.1	12.9	-	36.0
Dinitrogen oxide (N ₂ O)*	3.2	0.5	1.2	-	4.9
Waste generations (t)	1,583	1,995	900	358	4,836



Item (unit)	Kashima Plant	Shizuoka Plant	Niihama Plant	Imari Plant	Subtotal
Water discharge (m ³)					
Sewerage	3,361	0	4,974	0	8,335
Ocean	0	0	0	67,803	67,803
Rivers	0	6,197	0	0	6,197
Lakes	0	0	0	0	0
Emissions to the air (kg)					
Sulfur oxides (SO _x)	-	-	198 	1,024 	1,222
Nitrogen oxides (NO _x)	-	-	1,443 	-	1,443
Soot and dust	-	-	19	-	19

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

▶  About symbol for Independent assurance

The Agro-Products division of Sumitomo Forestry Landscaping

Item (unit)	Tobishima Plant	Shinshiro Plant	Subtotal
Energy Input (GJ)	2,317	6,300	8,617
Raw Material Input (t)	13,013	6,359	19,372
Water Resource Use (m ³)			
Service water	937	560	1,497
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)	129	389	518
Methane (CH ₄)*	-	-	-
Dinitrogen oxide (N ₂ O)*	-	-	-
Waste generations (t)	30	38	68





Item (unit)	Tobishima Plant	Shinshiro Plant	Subtotal
Water discharge (m ³)			
Sewerage	0	0	0
Ocean	0	0	0
Rivers	937	560	1,497
Lakes	0	0	0
Emissions to the air (kg)			
Sulfur oxides (SOx)	-	32 	32
Nitrogen oxides (NOx)	-	717 	717
Soot and dust	-	677	677

* 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)	5,535,570	1,583,504	18,149	10,599	8,563	7,156,384
Raw Material Input (t)	4,348	744	78,046	55,172	101,604	239,914
Water Resource Use (m ³)						
Service water	1,073,652	9,255	459	5,484	261	1,089,111
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	-	342,992	-	-	-	342,992
Main Water Source	-	Mabechi River	-	-	-	-
Greenhouse gas emissions (t-CO ₂)						
Carbon dioxide (CO ₂)	89,623	454	1,139	233	580	92,030
Methane (CH ₄) [*]	6,732	2,575	-	-	-	9,307
Dinitrogen oxide (N ₂ O) [*]	88,882	25,357	-	-	-	114,239

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
Waste generations (t)	13,390	2,162	1	578	-	16,131
Water discharge (m³)						
Sewerage	420,117	-	459	-	261	420,837
Ocean	-	95,003	-	-	-	95,003
Rivers	-	-	-	-	-	-
Lakes	-	-	-	-	-	-
Emissions to the air (kg)						
Sulfur oxides (SOx)	77,905 	760 	-	-	-	78,665
Nitrogen oxides (NOx)	279,343 	44,635 	-	-	-	323,978
Soot and dust	3,516	0	-	-	-	3,516

* 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)	7,274,502
Raw Material Input (t)	309,669
Water Resource Use (m³)	
Service water	1,106,583
Main Water Source	As indicated above
Industrial water	419,142
Main Water Source	As indicated above
Greenhouse gas emissions (t-CO ₂)	
Carbon dioxide (CO ₂)	97,599
Methane (CH ₄)*	9,343
Dinitrogen oxide (N ₂ O)*	114,244
Waste generations (t)	21,035
Water discharge (m³)	
Sewerage	429,172
Ocean	162,806
Rivers	7,694
Lakes	0

Item (unit)	Total
Emissions to the air (kg)	
Sulfur oxides (SOx)	79,919
Nitrogen oxides (NOx)	326,138
Soot and dust	4,212

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

Environmental Data of Group Companies Overseas

The Sumitomo Forestry Group reports information about its environmental impact for each plant for overseas manufacturers that have a large influence on the environment.

Overseas Manufacturers 1/2

Item (unit)	PT. Rimba Partikel Indonesia (RPI)	PT. AST Indonesia (ASTI)	PT. Kutai Timber Indonesia (KTI)	PT. Sinar Rimba Pasifik (SRP)
Energy Input (GJ)	467,458	70,673	1,208,278	25,475
Raw Material Input (t)	97,957	18,710	427,719	5,729
Water Resource Use (m ³)				
Service water	-	708	-	-
Industrial water	-	30,874	257,461	-
Ground water	65,112	-	121,493	-
Greenhouse gas emissions (t-CO ₂)				
Carbon dioxide (CO ₂)	19,118	5,370	45,101	1,936
Methane (CH ₄)*	380	-	1,085	-
Dinitrogen oxide (N ₂ O)*	36	-	101	-
Waste generations (t)	20,806	3,247	75,289	1,259
Water discharge (m ³)				
Sewerage	0	11,725	0	-
Ocean	0	0	16,522	-
Rivers	63,968	0	0	-

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

Overseas Manufacturers 2/2

Item (unit)	Nelson Pine Industries Ltd. (NPIL)	Vina Eco Board Co., Ltd. (VECO)	Canyon Creek (CCC)	Total
Energy Input (GJ)	1,482,915	387,602	48,920	3,691,322
Raw Material Input (t)	625,863	196,542	6,677	1,379,197
Water Resource Use (m ³)				
Service water	266,044	71,969	3,304	342,025
Industrial water	-	-	-	288,335
Ground water	-	-	2,838	189,443
Greenhouse gas emissions (t-CO ₂)				
Carbon dioxide (CO ₂)	10,910	14,913	2,286	99,633
Methane (CH ₄)*	1,093	124	-	2,682
Dinitrogen oxide (N ₂ O)*	198	12	-	346
Waste generations (t)	95,731	24,562	1,922	222,816
Water discharge (m ³)				
Sewerage	203,646	25,191	3,324	243,886
Ocean	0	0	0	16,522
Rivers	0	0	0	63,968

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

Environmental Accounting Results for Fiscal 2020

Sumitomo Forestry publicizes aggregated data of environmental protection costs and effects and also economic impact of its activities for the purpose of promoting environmentally sound management.

* The basis of calculation includes Sumitomo Forestry on a non-consolidated basis and certain Group companies

* Data collection period: April to December 2020

Environmental Protection Costs

Cost Category		Main Activities	Total Cost (Million yen)
Costs within operational area	Global environmental protection costs *1	Sustainable forestry cultivation	462
		Environment-related business (Overseas consulting, REDD+ business, etc.)	43
	Resource recycling costs *2	Promotion of appropriate treatment, reduction, and recycling of industrial waste	5,119
		Waste wood chip distribution operations	75
		Volume sold of potting mix using recycled sediment from water purification	212
Upstream / Downstream costs *3		Green purchasing	17
Management activity costs *4		Operation and promotion of environmental management activities (ISO14001 certification, environmental education, LCA surveys, etc.)	138
		Monitoring of environmental impact	1
		Disclosure and administration of environmental information (Sustainability Report, environment-related advertising, environment-related exhibitions, etc.)	18
R&D costs *5		R&D activities related to environmental protection	875
Social contribution costs *6		Management and operation of Mt. Fuji Manabi no Mori	13
		Management and operation of Forester House	7
		Other social contribution activities	2
		Donations to the Keidanren Nature Conservation Fund	2
Total			5,879

*¹ Global environmental protection costs: Expenditures for preservation and management of Company-owned forests to foster sustainable forestry, and expenditures in Japan and overseas relating to the environmental business.

*² Resource recycling costs: Expenditures on waste wood distribution operations and sorting, recycling, appropriate treatment, transportation and management of construction waste, as well as costs incurred in the recycling of potting mix.

*³ Upstream/Downstream costs: Expenditures for green purchasing.

*⁴ Management activity costs: Office expenses and auditing costs relating to maintenance of ISO 14001 certification; expenditures relating to disclosure of environmental information through advertising, environment-related exhibitions and sustainability reports; expenditures relating to lectures on environmental education; and costs for LCA inspections and environmental impact oversight.

*⁵ R&D costs: Expenditures for environment-related research conducted at the Tsukuba Research Institute

*6 Social contribution costs: Expenditures related to operating the Mt. Fuji Manabi no Mori natural forest restoration project, and maintaining and operating Forester House; expenditures related to other social contribution activities; donations to the Keidanren Nature Conservation Fund; and provision of financial assistance to the Keidanren Nature Conservation Fund commissioned by the Keidanren Committee on Nature Conservation.

► [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)	1,685,000 m ³
	Volume sold of potting mix using recycled sediment from water purification	10,000 t
Benefits from Upstream/Downstream costs	Green procurement ratio	68.8%
Benefits from management activity costs	Employees designated as internal environmental auditors	62
Benefits from R&D costs	The adoption of 360° TRIPLE Insulation as a standard fully insulating with thermal insulators, structural materials and windows satisfies the highest five star BELS rating	-
	The new building at the Tsukuba Research Institute to study wood and greenery received the 33rd Nikkei New Office Award for the first time	-
	Propagation of Ume Bonbai (Japanese apricot bonsai) trees estimated to be 400 years old using a tissue culture, which was announced at the Bonsai Exhibition of Ume Trees with Blossoms	-
	Prototype testing and completion of a CLT combo (tentative) mobile wooden structure operated as a lodging facility in Saka, Ibaraki	-
Supported more efficient development of better roadways to contribute to the revitalization of the forest industry	Volunteers who participated in Mt. Fuji Manabi no Mori project	152
	Children participating in the Environmental Education Program at Mt. Fuji Manabi no Mori project	959
	Visitors to Forester House	1,754
	Sumitomo Forestry Group Sustainability Report 2020 Received the highest honor of the Minister's Prize for Environmental Reporting at the 24th Environmental Communication Awards	-

Social Report

Human Rights

Diversity and Inclusion

Work-Life Balance

Occupational Health and Safety

Safety and Quality of Products and Services

Communication with Our Customers

Supply Chain Management

Social Contribution

Social Data

Human Rights Initiatives

Basic Policy

The Sumitomo Forestry Group formulated the Sumitomo Forestry Group Human Rights Policy in July 2019, participates internationally such as in the UN Global Compact and the World Business Council for Sustainable Development (WBCSD), complies with international human rights bills (Universal Declaration of Human Rights and International Covenants on Human Rights), the International Labour Organization (ILO) Core Labour Standards, the Ten Principles of the UN Global Compact and the United Nations Guiding Principles on Business and Human Rights. Based on these international standards, the Sumitomo Forestry Group has put forth a commitment to human rights respect and a healthy workplace in its Sumitomo Forestry Group Code of Conduct. In addition, the Code calls for the respect of the human rights of all individuals, including women, children, indigenous people, minorities and other socially vulnerable people and stipulates that there will be no discrimination whatsoever on the basis of race, ethnicity, nationality, gender, religion, ideology, disability, sexual orientation, gender identity or other. The Code also does not permit forced labor or child labor in any form.

Furthermore, the Sumitomo Forestry Group is permeating these policies and conducts proper assessments to ensure this same level of respect by business partners as well. We are also conducting human rights due diligence and respond to human rights risks in an effort to fully grasp and mitigate any risk to human rights.

- ▶ [Corporate Philosophy](#)
- ▶ [Our Value](#)
- ▶ [Sumitomo Forestry Group Code of Conduct](#)
- ▶ [Sumitomo Forestry Group Human Rights Policy](#)
- ▶ [Participation and Sponsorship of Initiatives](#)

Implementation of Due Diligence and Managing Important Risks

Through human rights due diligence, Sumitomo Forestry Group identifies factors that may have a negative impact on human rights and works to prevent or reduce them.

Internal Sustainability Survey of the Sumitomo Forestry Group

Since fiscal 2012, an Internal Sustainability Survey is conducted every year at each of the Group companies to review their sustainability initiatives including the human rights. The Sustainability Committee reports the survey results to the Board of Directors and improves the human rights due diligence process of each site. In fiscal 2020, the Sumitomo Forestry Group conducted a survey about implementation of human rights training and the setup of rescue help desks for 59 primary Group companies in Japan and overseas (28 companies in Japan and 31 companies overseas). As a result, we verified 45 of these companies are conducting human rights training and 49 have setup rescue help desks while 53 are engaging in measures to mitigate risk to human rights. For each supplier, we strive to prevent human right infringements through conducting surveys and face-to-face interviews.

Based on this survey, in fiscal 2020, we did not find any human rights violations as defined in the Sumitomo Code of Conduct.

Respect for Human Rights Through Sustainability Procurement

Sumitomo Forestry Group is conducting fair and responsible procurement under the Sumitomo Forestry Group Procurement Policy which obligates suppliers to protect human rights and basic rights of labor as well as preventing corruption. For procurement of high-risk imported materials, specifically, the Group conducts sustainability surveys of all, more than two hundreds, suppliers in two years. The surveys aim to ensure whether rights of workers and local communities in the areas where raw materials of the supplies are procured from, have not been violated; if the risk identified, then whether adequate consideration for these rights during logging is inspected. The Group also engages in on-site inspection and interviews with any suppliers which measures to mitigate risks was deemed necessary based on the risk categories.

- ▶ [Sumitomo Forestry Group Procurement Policy](#)
- ▶ [Distribution Business Initiatives](#)

Identifying and Managing Human Rights Risks

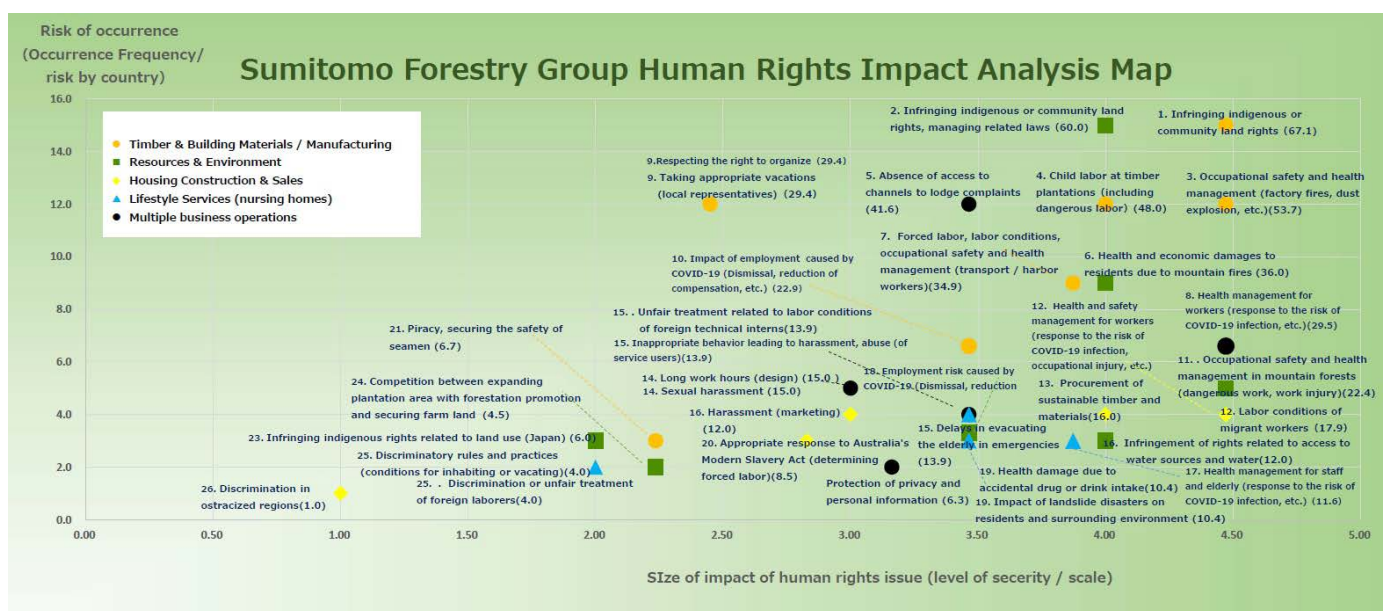
In conjunction with the formulation of its Human Rights Policy, Sumitomo Forestry Group has created a risk map to clearly identify important human rights risks affecting stakeholders in the value chain of each of its business divisions in 2019. Also we re-reviewed the risk map considering the coronavirus disease (COVID-19) in 2020. We do a systematic periodic review of the risk mapping of potential issues.

We identified important risks as follows: The Environment and Resources Division - "Infringing indigenous or community land rights and managing related laws" as well as "Occupational safety and health management in mountain forests (dangerous work, etc.)." The Timber & Building Materials Division - "Infringing indigenous land rights," "Occupational safety and health management at factories (fires, dust explosions, etc.)," and "Child labor at timber plantations (including dangerous operations)." The Housing and Construction Division and the Overseas Housing and Real Estate Division - "Labor conditions of migrant workers (forced labor, etc.)."

In addition to the risk measures already put in place, we have identified more risks in fiscal 2020, of which we have verified the condition of respect for human rights of foreign technical trainees which is the particular importance and of major social interest in Japan. Third-party agencies gathered feedback from partner building contractors and organizations supervising technical trainees, verified materials, and interviewed technical trainees from overseas learning skills in Japan. As a result, we confirmed there were no major human rights violations.

In addition to risk measures identified by each business division, the Company is working on countermeasures and implementation plans for each stakeholder to further prevent, avoid, lessen or rectify these identified important risks in the future.

Sumitomo Forestry Group Human Rights Impact Analysis Map



Respect for Human Rights at Overseas Plantations

For timber plantations in Indonesia's West Kalimantan, the Company signed an advisory agreement with International Finance Corporation (IFC), the World Bank's group institute in 2012. Sumitomo Forestry conducted inspections of its operational properties with the IFC to examine whether plans for use of commercial land were being implemented properly considering the rights of indigenous people and protection of cultural heritage as well as livelihood of local residents, which are indicators in the High Conservation Values Forests (HCVF) that has drawn great attention in recent years.

Sumitomo Forestry Group held hearings and invited stakeholders (local residents, neighbor corporations, academics, NGOs, and government workers) to conduct forest operations with considerations toward human rights. Hearing was held in 2013 to share the content and result of a survey and hearing held in 2015 to deepen stakeholders understanding about content of the business and environmental considerations prior to harvesting the plantation forest.

In 2018, the Group built a grievance mechanism with the help of the IFC in PT. Wana Subur Lestari (WSL) and PT. Mayangkara Tanaman Industri (MTI). This mechanism provides two routes for grievances. The first allows local residents to share their opinion in writing with WSL or MTI while the second provides WSL and MTI the opportunity to conduct visits with local residents to gather feedback. WSL and MTI respond to any grievances from local residents from both routes within seven business days based on the approval from the management. In addition, the Group has begun social surveys and issued a report in 2020 as part of the three-year plan with the University of Indonesia around its business zones and neighboring area.

Open Bay Timber Ltd. (OBT) in Papua New Guinea has also put in place a complaint box in which anyone from the area regardless of whether from within or outside of the company can post a complaint or comment. OBT received several complaints for example about wages in 2020, and it properly responded to any of these complaints requiring action after careful investigation. Because this complaint box does not only receive feedback from employees but also local residents and other third parties, trust in OBT has grown thanks to a means to share one's own thoughts with the company.

Moreover, Tasman Pine Forests Ltd. (TPF) in New Zealand registers any important exchanges with local residents, partner companies and other stakeholders in a stakeholder registry. Communication with a recognition of the past background helps to build smooth relationships.

► 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). This training course also includes curriculum to encourage understanding about people with disabilities, foreign nationals, LGBT and other minorities. In fiscal 2020, 10,873 employees of whom 4,276 and 6,597 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.

Initiatives in the United States

In the United States, federal and state laws prohibit any employment discrimination for reasons such as race, gender, religion, birthplace, or health condition. Sumitomo Forestry Group companies in the United States strive to share the same philosophy in prohibiting discrimination and providing fair opportunities, by including these topics in the employee handbook.

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, employee handbooks 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 is made to ensure that neither the complainant nor those cooperating are treated detrimentally.

- ▶ [Sumitomo Forestry Group Code of Conduct](#)
- ▶ [Mental Health Care](#)

Initiatives in the United States

Each of our Group companies in the United States also engages in various other measures, such as consultation hotlines to report harassment and discrimination in the workplace. Crescent Communities has put in place initiatives to provide comfortable environments for employees to work beyond strict legal compliance, such as the adoption of a system whereby a corporate insurance policy covers 60% of the salary of an employee who cannot work for seven days or more due to reasons such as injury, illness, or mental disease.

Diversity and Inclusion

Basic Policy

The Sumitomo Forestry Group advocates the promotion of a free and open-minded corporate culture that respects diversity as one of the principles in Our Values. 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.

We have also defined “a vibrant work environment where a diverse workforce can unharness their skills and individuality” as one material issue for sustainability. As part of the specific strategies and goals set in the Mid-Term Sustainability Targets, we aim to create a work environment that generates diverse ideas, job satisfaction and vibrancy as well as secure human resources by training younger workers and utilizing older ones, which we incorporate into our management practices through inclusion in annual activity policy and measures for each department.

In recruitment activities, the Company emphasizes the ambition and volition of the applicant, and does not differentiate the selection processes according to academic background or gender. At Group companies outside Japan, the employment of local staff is actively promoted, and talented personnel are employed and promoted to management positions, irrespective of race or gender.

As for the disciplinary punishment and dismissal of employees, if there has been a compliance violation, the employee will be dealt with appropriately in accordance with Employment Regulations. We have also put in place a system to prevent unfair dismissals.

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

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

Promotion System

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

In fiscal 2018, the Sustainability Committee made up of executive officers also appointed as directors and divisional managers with the representative director president and executive officer acting as the Committee chairperson was launched to manage the progress of mid-term sustainability targets and engage in other sustainability activities.

An individual independent outside director is in charge of promoting diversity and the active involvement of female employees and leads dialogue with female employees at internal discussion sessions, meetings attended by Board of Directors members, and other initiatives to promote active involvement of female employees as well as diversity at Sumitomo Forestry.

Promoting the Active Involvement of Female Employees

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

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

In December 2014, numerical targets for the appointment of women to managerial posts have been set in order to foster further empowerment of female employees at Sumitomo Forestry. We have publicly announced our goal of raising the ratio of female managers to at least 5% by 2020, and have worked to achieve this goal. In fiscal 2016, in accordance with The Act on Promotion of Women's Participation and Advancement in the Workplace of the Japanese Government, the Company's first phase action plan (April 1, 2016 -March 31, 2019) was implemented. In fiscal 2019, the second phase action plan (April 1, 2019 to March 31, 2022) was formulated, advocates and is advancing efforts toward the goal of raising the ratio of female managers to at least 5.5% as a new numerical target to achieve by fiscal 2021 (4.8% as of December 31, 2020).


Sumitomo Forestry has been conducting a mentoring system for the purpose of encouraging growth for the active participation of female employees as management since fiscal 2016. The mentoring system is a program where assigned mentors periodically interview mentees to support the growth of the mentee. Thus far, a total of 27 female manager and manager candidate mentees were mentored by managers in positions of general manager level with the aim to further success and self-reformation. In fiscal 2020, we dispatched two employees to take part in external mentor programs.

Percentage of Female employees in
management positions
FY2021 target
(Non-consolidated)

At least 5.5%

Percentage of Female employees in
management positions
As of December 31, 2020
(Non-consolidated)

4.8%

- ▶ [Sumitomo Forestry Group Declaration on Empowering Women](#)
- ▶ [Supporting the Workstyles of Employees Currently Raising Children](#)
- ▶ [Sumitomo Forestry Second Phase Action Plan for The Act on Promotion of Women's Participation and Advancement in the Workplace \(In Japanese\)](#) 

Employment and Promotion of Women (Non-Consolidated)

	FY2017	FY2018	FY2019	FY2020
Female employees including contract employees ^{*1} (%)	20.4	21.0	21.6	22.0
Female employees in management positions ^{*1} (%)	3.2	3.7	4.2	4.8
Female new graduates ^{*2} (%)	18.0	24.8	26.9	30.2
Female employees in management positions in revenue-generating functions ^{*1*3} (%)	-	-	-	3.2
Female employees in STEM-related positions ^{*1*4} (%)	-	-	-	21.1

^{*1} The rate of female employees and the rate of female employees in management roles is based on the number of employees as of March 31 each year from fiscal 2016 to fiscal 2019. In fiscal 2020, this calculation uses the number of employees as of December 31 due to the change in the accounting period.

The number of employees includes people dispatched to affiliate companies but excludes executive officers, employees hosted from other companies and exchange employees.

^{*2} The rate of new female graduates is calculated based on the number of employees joining the Company as of April 1 each year.

^{*3} The rate is excluding support functions such as HR, IT, Legal, etc.

^{*4} STEM: Science, technology, engineering and mathematics

Employment and Promotion of Women (Subsidiary Companies in Japan)

	FY2017	FY2018	FY2019	FY2020
Female employees including contract employees ^{*1} (%)	31.6	32.0	32.7	32.4
Female employees in management positions ^{*1} (%)	4.6	6.0	6.1	7.1
Female new graduates ^{*2} (%)	40.2	43.5	45.7	43.4

^{*1} The rate of female employees and the rate of female employees in management roles is based on the number of employees as of March 31 each year. In fiscal 2020, the calculation for the number of employees is as of December 31.

^{*2} The rate of new female graduates is calculated based on the number of employees joining the Company as of April 1 each year.

Development and Sales from a Woman's Perspective

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

In addition, the brush-up customer service training from a woman's perspective is intermittently held for female home advisors working at model homes. This training provides insight into household concerns and inconveniences as well as discusses the dream home from a woman's perspective. The curriculum also teaches specific ways to build trust as a key stage of the sales process by especially empathizing with wives and other female customers. This training program is held once every two to three years according to the enrollment of employees yet to take the course. Up until now, 462 female employees took this training program.

Main Initiatives Aimed at Increasing the Motivation of Female Employees

Sumitomo Forestry provides various training for female employees.

In fiscal 2019, training for women salespersons was conducted for the purpose of finding their source of motivation to encourage female staff to continue to work in sales. Two female staff members—one fourth-year employee and a twelfth-year supervisor working on the sales team—presented the secret to finding the significance of working as sales team member without focusing on gender. Because many female sales staff resign due to life events, building a working environment that allows diverse work-style innovation is vital. At the same time, raising individual awareness is also important. Therefore, we are working to ensure self-management that not only improves sales skills but also heightens motivation.

The Sumitomo Forestry Group on-site training for female engineers provided an informational exchange with other companies in the same industry as well as construction site tours for female on-site managers with the goal of teaching successful examples of construction engineers who are women outside Sumitomo Forestry as well as improving skills and motivation.

In January 2020, we held an event called the Women's Conference 2020, aimed primarily at young women employees in their 20s and 30s. Talks from female executives and female managers as role models as well as discussions between participants help female employees think about their long-term career and aim to support them in discovering how to carve their path forward.

Sumitomo Forestry also held management training seminars for female staff to reform thinking in not only female employees but also management. This educational opportunity allowed all of our employees regardless of gender to dispel both conscious and unconscious biases about gender roles and brought greater understanding about diversity promotion.

From November 2020 to February 2021, we deployed two of the participants from the Women's Conference 2020 to an external mentoring program for the purpose of raising even greater awareness about further career advancement in the future.



Participants of Women's Conference 2020 displaying their individual goals

Main Initiatives Aimed at Increasing the Motivation of Female Employees

Eligible Persons	Description	Date	Number of Participants
Sales Staff	Regular Female Sales Staff Training	April to December 2020	94
	Networking Event for Female Housing Sales Staff: Joint Program by Housing Builders	Program pending in fiscal 2020 due to the impact of the coronavirus disease (COVID-19)	
Production Staff	Regular On-site Training for Female Engineers	April to December 2020	337
Managers and Manager Candidates	Mentoring Program	Program pending in fiscal 2020 due to the impact of the COVID-19	
Administrative planning staff	Career Advancement Training	April to December 2020	115

Eligible Persons	Description	Date	Number of Participants
Administrative planning staff Engineers	External Mentoring Program	November 2020 to February 2021	2

Various Career Development Programs

Sumitomo Forestry has put in place Free Agent (FA) programs, opportunity bulletins, and a job transfer system so that employees can think about and advance their own careers. By providing a means for employees who satisfy a certain set of conditions to transition into a desired role, we provide a chance for them to fully leverage their skills, improve motivation and vitalize the organization.

In addition, Sumitomo Forestry supports employees' career formation by conducting career development training, such as Career 30 training (voluntary) for employees in their 30s and Career 40 training (all employees) for employees in their 40s tailored to each major millstone throughout life.

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 of December, 2020 was 2.25%. Furthermore, to improve the retention rates for current employees, the Company provides regular face-to-face meetings as well as phone interviews and career advice as required.

Furthermore, we have been promoting employees to take the Universal Manners Test^{*1} since fiscal 2018. Sumitomo Forestry has been executing a plan for all employees to acquire the level three certification by 2022, aiming to encourage and entrench further employment of people with disabilities in addition to improving service for customers and partners who have disabilities. As of fiscal 2020, roughly 2,200 employees have acquired the certification.

^{*1} Test to build the mind and actions necessary to provide better services to a diverse range of people from the elderly and people with disabilities to parents with strollers and foreign nationals.

^{*2} The calculation is the sum of Sumitomo Forestry, subsidiary Sumirin Wood Peace Co., Ltd. as well as the affiliated Group company Sumirin Business Services Co., Ltd.



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

Ratio of Disabled Employees
As of December 31, 2020
(Non-consolidated^{*2})

2.25%

Employment of Persons with Disabilities (Non-Consolidated)^{*1}

	FY2016	FY2017	FY2018	FY2019	FY2020
Ratio of Disabled Employees (%)	2.12	2.26 ^{*2}	2.32 ^{*3}	2.40 ^{*3}	2.25 ^{*3}

^{*1} The figures for fiscal 2016 to fiscal 2019 are based on data as of March 31 each year while the figures for fiscal 2020 are based on data as of December 31 due to the change in the accounting period.

^{*2} The calculation includes the subsidiary Sumirin Wood Peace for fiscal 2017.

^{*3} The calculation includes the subsidiary Sumirin Wood Peace as well as the affiliated Group company Sumirin Business Services from 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. In March 2017, a new office building was completed and in April the Sumirin Wood Peace obtained the certification of a special subsidiary company in accordance with the Act for Promotion of Employment of Persons with Disabilities. The Company has been promoting recruitment of people with disabilities as business has grown since its start with five people at the time of its founding. As of December 2020, Sumirin Wood Peace employs 11 people with disabilities. In the future, the Company will further this recruitment and ensure business continuity.



Exterior of new Sumirin Wood Peace Office Building

Adopting Systems to Re-employ Retirees and Provide Selective Retirement

Adopting a Selective Retirement System

Sumitomo Forestry adopted a Selective Retirement System in April 2020 to extend retirement until the end of the fiscal year the employee reaches the age of 65 (March 31 of the personnel fiscal year). We have also introduced a system to move up retirement to the day before the employee's 60th birthday when requested.

An employee can continue to work through the valid term of their contract (re-employment) when selecting retirement before the age of 65 and requesting a flexible work style, such as reducing the number of work days.

The re-employment rate before adopting the selective retirement system was an average of around 80%, even with some fluctuations each fiscal year. During the first year after adopting the selective retirement system in fiscal 2020, 91.9% of employees who turned 60 years old chose to postpone their retirement. The adoption of the selective retirement system has supported the stable re-employment of people who are 60 and older.

Re-employment of Retirees

Sumitomo Forestry adopted a system for the re-employment of retirees in fiscal 2006 whereby it re-employs personnel, who retired at 60, until the end of the fiscal year that they reach the age of 65, on the condition that they have had at least 10 years of continuous service, they have specific qualifications and experience, and they wish to be re-employed. Before April 2020 when the retirement age was set uniformly at 60 years of age, about 80% of our employees who turned 60 requested re-employment each year, and 100% of those employees who requested re-employment were re-employed in the first fiscal year.

Senior Human Resources Bank Center

The Senior Human Resource Asset Bank Center established in April 2018 extends re-employment contracts even after the end of the fiscal year when employees turn 65—which is the upper age limit for re-employment of retirees—who are necessary to the company and would like to keep working until they are 70. As of April 2020 when the selective retirement system was adopted, Sumitomo Forestry has abolished the upper age limit to allow re-employment contracts even after the age of 70.

Thus far, 47 employees have registered as senior human resource assets, of whom 38 are still working as of January 1, 2021.

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 December 2020, the Company received 266 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 17 workers to permanent employee status in fiscal 2021.

Number of Partner Employees Promoted to a Permanent Employee

FY2017	FY2018	FY2019	FY2020	FY2021
19	12	14	12	17

* As of April 1 of each fiscal year

Furthermore, we have also implemented a system for partner employees with disabilities (challenged employees) to transition to permanent employment.

Number of Challenged Employees Promoted to a Permanent Employee

FY2017	FY2018	FY2019	FY2020	FY2021
1	0	2	1	0

* 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 supporting the growth of 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 Personnel Department of Sumitomo Forestry Business Institute strives to 1. teach the corporate philosophy based on Sumitomo's Business Spirit, 2. teach universal business skills and secure competency linked to personnel systems, 3. nurture global human resources, and 4. train management, to every Sumitomo Forestry Group employee from new employees to middle and executive management.

The Institute is also working to 5. foster a sense of unity between all Group employees in order to promote Group management.

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

Education to teach the necessary skills in each field and training to develop professionalism in each business domain are conducted at each Group company and in each department.

Human Resources Development System

Under a theme of “Supporting Motivated People,” the Sumitomo Forestry Business Institute launched in fiscal 2011 has increased training programs to not only include “training for each level,” which had previously been advocated across-the-board, but also more “self-development” and “selective” training, to develop employees' ability while valuing the autonomy of each individual for the purpose of nurturing employees who take the initiative to learn, think and act independently.

1. Teach the corporate philosophy based on Sumitomo's Business Spirit

We hold Shikoku forestry training in which all of our new graduates and mid-career hires who join the Company as well as new managers visit the ruins of the old Besshi copper mine and Company-owned forests to learn about the Sumitomo Group history and business spirit. (221 employees participated in fiscal 2019, but the training program was canceled in fiscal 2020 due to the coronavirus disease (COVID-19).)

In addition, the Sumitomo Forestry Business Institute e-learning hosts a program on the history and corporate philosophy of Sumitomo Forestry taken by all our employees every year.

2. Teach universal business skills and secure competency linked to personnel systems

Self-development training in fiscal 2020 provided 102 online courses easy to take during the COVID-19 pandemic from e-learning to distance education to a total of 165 employees.

Sumitomo Forestry also provided a subsidiary of 50,000 yen to 52 employees who found external training courses for self-development.

Training by specific levels in fiscal 2020 offered training linked to personnel programs.

As a way to first improve productivity through the expansion of operations such as rationalization proposals and implementation in April 2020, Sumitomo Forestry held a total of 345 hours of online workshops to raise awareness in 115 voluntary participants (average of 3.0 hours per person) after a job category change from a general administrative position to an administrative planning position.

Next, we conducted evaluator training in fiscal 2019 to fully leverage the evaluation systems adopted in April 2019. In fiscal 2019, this group training was taken by 726 people for a total of 5,808 hours (average of 8.0 hours per person). In fiscal 2020, 293 people who were mainly newly appointed evaluators took part in a total of 2,344 hours (average of 8.0 hours per person) of online training. In response to a question on the employee satisfaction survey asking whether feedback interviews considering career and skill development are conducted, satisfaction had improved an average from 3.34 (fiscal 2018) to 3.41 (fiscal 2019) and 3.46 (fiscal 2020) in the five-tiered evaluation. (Average of 3.37 for other companies surveyed by the research firm)

In addition, all of our 62 branch managers from the Housing and Construction Division took a total of 900 hours of training (average of 14.5 hours per person) at the housing branch manager workshop held jointly with the Human Resources Development Department. Branch managers improved their management skills by engaging in discussions about setting visions and formulating strategies at each branch and their readiness as a person responsible for a branch with other branch managers and the corporate management team.

3. Nurture global human resources

Sumitomo Forestry strives to nurture human resources to entrust with business operations as business expands overseas. Therefore, we conduct an overseas human resource development program where employees who were in charge of overseas-related businesses for many years including those posted overseas provide 1-on-1 guidance to employees who would like to work abroad with extraordinary business performance. While this guidance mainly focuses on English language acquisition, the curriculum is an original program adapted to the level and work content of each employee taking the course. In addition to following up on their progress, we also encourage these trainees to study bookkeeping and accounting. Anyone who has acquired the minimum knowledge (languages including English, and accounting-related knowledge) required to handle overseas-related businesses in anticipation of a future overseas assignment or has achieved that level through self-development graduate from the program. Since fiscal 2018, a total of 56 employees have graduated, with 44 of those trainees participating in fiscal 2020. (100 employees are working abroad as of December 1, 2020, including those preparing to leave for their post)

4. Train management

Sumitomo Forestry conducts selective training for employees who are at least 35 years old. In fiscal 2019, 51 employees were dispatched to 16 programs. In fiscal 2020, 31 employees were dispatched to 8 programs in spite of the group training programs being canceled due to the impact of the COVID-19.


5. Foster a sense of unity between all Group employees

Sumitomo Forestry conducts new employee training in a group format jointly with its Group Companies to quickly establish personal relationships between colleagues. (485 employees participated in fiscal 2019, but the program was not held in fiscal 2020 due to the impact of the COVID-19.)

Group companies also participate in other training sharing common goals with 147 employees participating in fiscal 2020. We have also expanded the Sumitomo Forestry Business Institute e-learning system as a common tool for Group employees. Today, this system teaches Group employees in Japan through 96 shared courses.

Sumitomo Forestry Business Institute Training System, Personnel Department (FY2020)

			Training for specific levels (across-the-board attendance)	Selective training (nominated/open invitation)	Self-development training (voluntary)	Sumitomo Forestry Business Institute/e-learning	
Management track	Officers		New executive officer training	<div>Next generation leader development</div> <div>Strategy-building skill training</div> <div>Engineer management training</div> <div>Financial leadership training</div> <div>Leadership training</div> <div>Liberal arts training</div> <div>Dispatch to Japan Management Association, Japan Productivity Center, Keio MCC and Globis</div> <div>(Joint Group training)</div> <div>Program to strengthen logical thinking</div> <div>Group exchange training</div> <div>Cross-industry exchange training</div>	<div>Sumitomo Forestry Business Institute courses</div> <div>Conducted in-house (group training delivered by invited instructors)</div>	<div>External extension courses</div> <div>Designated courses</div> <div>Undesignated</div> <div>Annual subsidy up to 50,000 yen for external training and language courses found independently by employees</div> <div>Management school (Globis)</div> <div>Distance learning (JMAM, etc.)</div> <div>e-Learning (JMAM, Recruit, Globis, etc.)</div> <div>Group training (external training company)</div> <div>Skill development training for strategy planning</div> <div>Career development training for administrative planning staff</div>	<div>Knowledge by division (timber and building materials, manufacturing business, housing and construction business, elderly care business, etc.)</div> <div>Knowledge (legal, financial, accounting, labor, harassment, mental health, etc.)</div> <div>Management skills (team management, coaching, etc.)</div> <div>Business skills (writing, logical thinking, marketing, etc.)</div> <div>Common (history and corporate philosophy of Sumitomo Forestry, legal compliance, the environment and information security)</div>
	M5		Branch manager training				
	M4	E4	Training for new managers				
	M3	E3	Evaluator training				
			Multiple evaluation feedback training				
	M3S	E2	E2 grade aptitude training				
	M2						
	M2S						
	E1						
	Staff track	S4					
S3			Training for 5th year general management (All job categories) Training for 5th year graduates				
			Training for 3rd year general management (All job categories) Shikoku forestry training for 3rd year graduates				
			School of Professional Building training for 3rd year general management				
			Follow-up training for 1st year general management				
			(All job categories) New employee training				
S2			Shikoku forestry training for mid-career employees/those who have changed job categories				
			Training for mid-career hires who join the company				
			Training for those who have changed job categories				
Proposed recruits			Follow-up training for proposed graduate recruits				* <div></div> Training available to Group company employees

*  Training available to Group company employees

Number of Employees Attending Main Training Programs (FY2020)*

Training program	Number of people attending (Non-consolidated) (Persons)	Number of people attending (Group companies) (Persons)	Total
Training by specific levels (21 courses)	1,300	251	1,551
Selective training (21 courses)	91	0	91
Self-development training (103 courses)	217	1	218
e-learning (6 mandatory courses)	4,218	6,554	10,772

* April 1 to December 31, 2020

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

	FY2016	FY2017	FY2018	FY2019	FY2020*1
Hours of training received per employee	9.4	13.1*2	13.6	18.0	10.5 (13.0) *3
Expenditure on training per employee (yen)	100,000	100,000	97,000	102,000	59,000 (77,000) *3

*1 The period of data collection for fiscal 2020 is from April to December 2020 (nine months due to the change in the accounting period)

*2 Calculation method was changed from fiscal 2017

*3 Figures in the parenthesis are reference data collected from January to December 2020

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. 31 employees satisfied the criteria in fiscal 2020.

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.

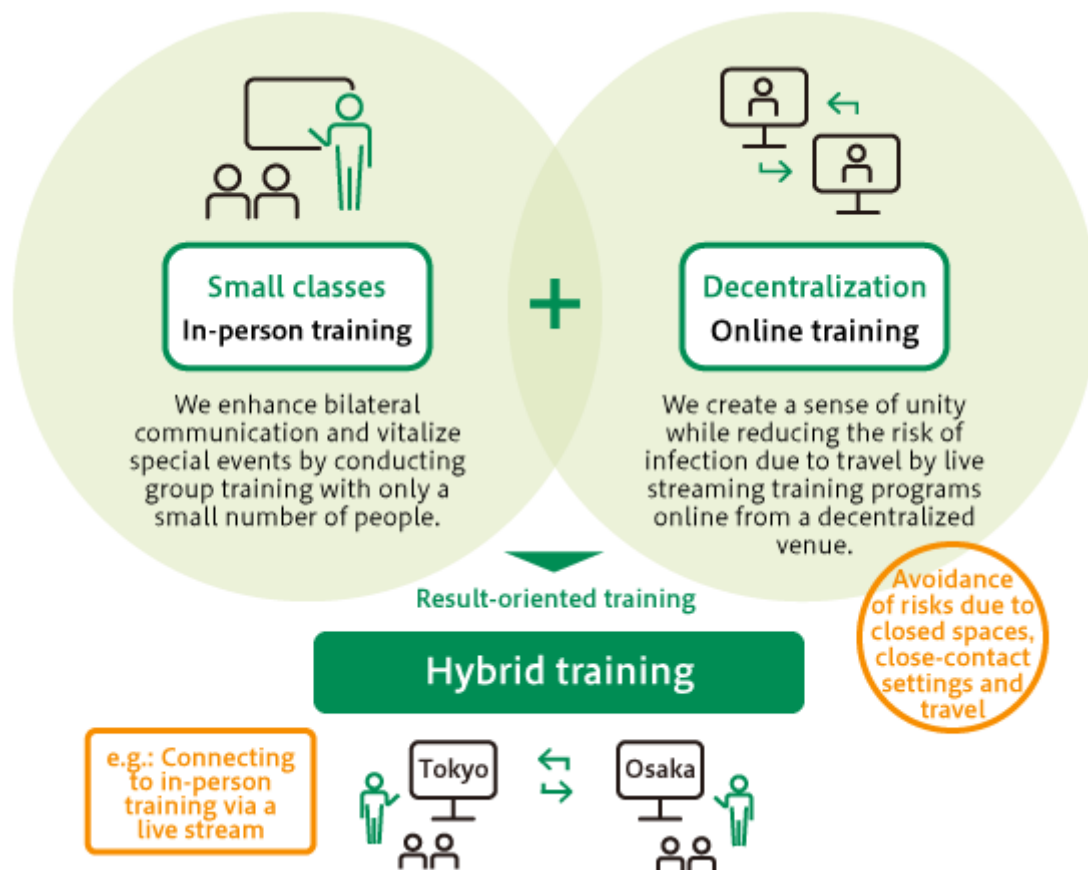
Our ongoing initiative to provide training using VR video has proven extremely effective as an alternative to conventional on-site training. In addition to on-site training, trainees quickly learn the knowledge necessary for construction by experiencing various virtual environments without exterior influences, and deepen their understanding of operational processes through hands-on experiences as though they are training on an actual site. Going forward, we will get the most out of insourcing and actively use equipment at Group companies and divisions with the goal of providing highly productive as well as cost effective training.



Visual and Auditory Sensory Training via Video Projected to a Head-mounted Display Worn by Trainees (Image)

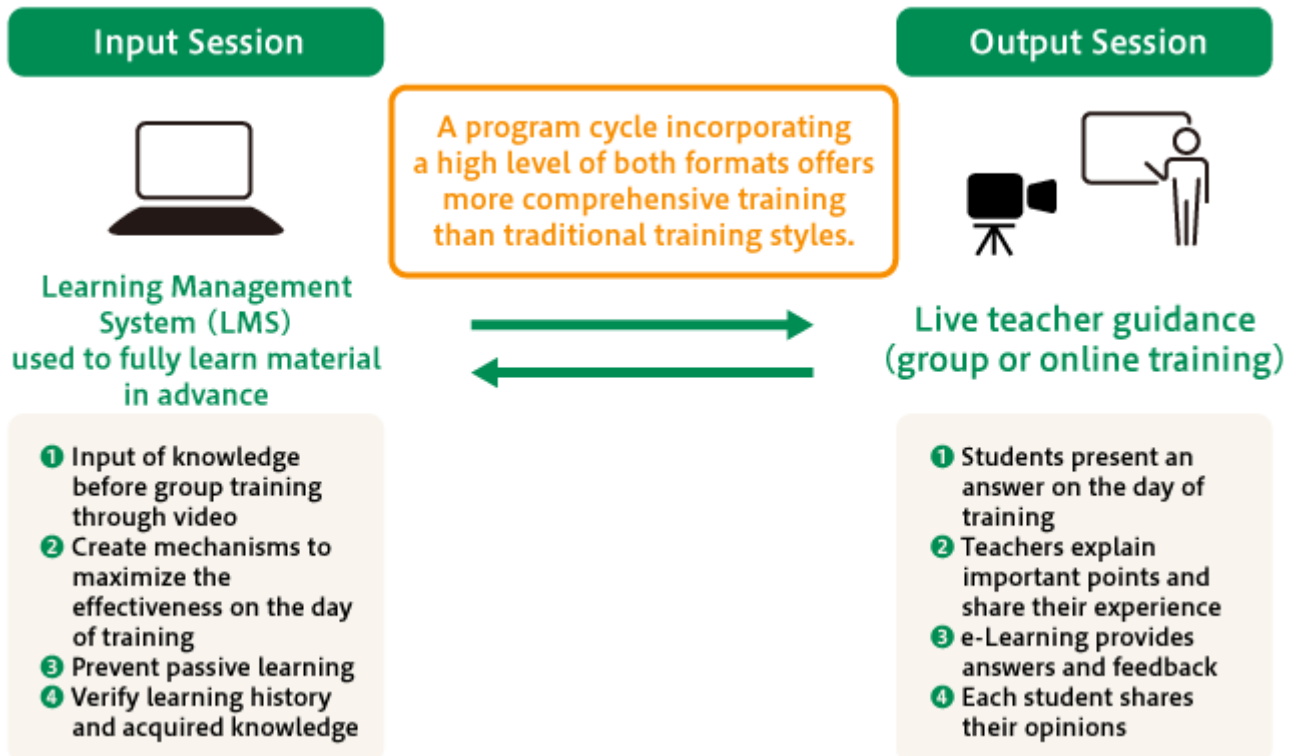
Sumitomo Forestry has adopted a paperless system as a training material for employees in their first year who have a particularly high number of training opportunities during the education period and have begun providing tablets during the training (conventionally given to employees in their second year after joining the company). By using this system, employees can revise and save things, such as notes on important matters in the text during the training session. Trainees can even review and use learning materials anywhere by using these tablets even after the training ends.

In fiscal 2020, we conducted training mostly online due to the impact of the COVID-19. Training online eliminates the need for trainees to travel to achieve highly productive courses. Differing from conventional training, this format should provide a great chance to build training curriculum in the future by increasing the selection of training operation methods, such as creating short training programs over multiple days. However, some online training curriculum is not as effective as in-person training. Therefore, in addition to the use of online training, we will also build training programs for greater productivity that improve values in the future by setting up a hybrid-type of training which integrates small-scale, in-person training with online training.

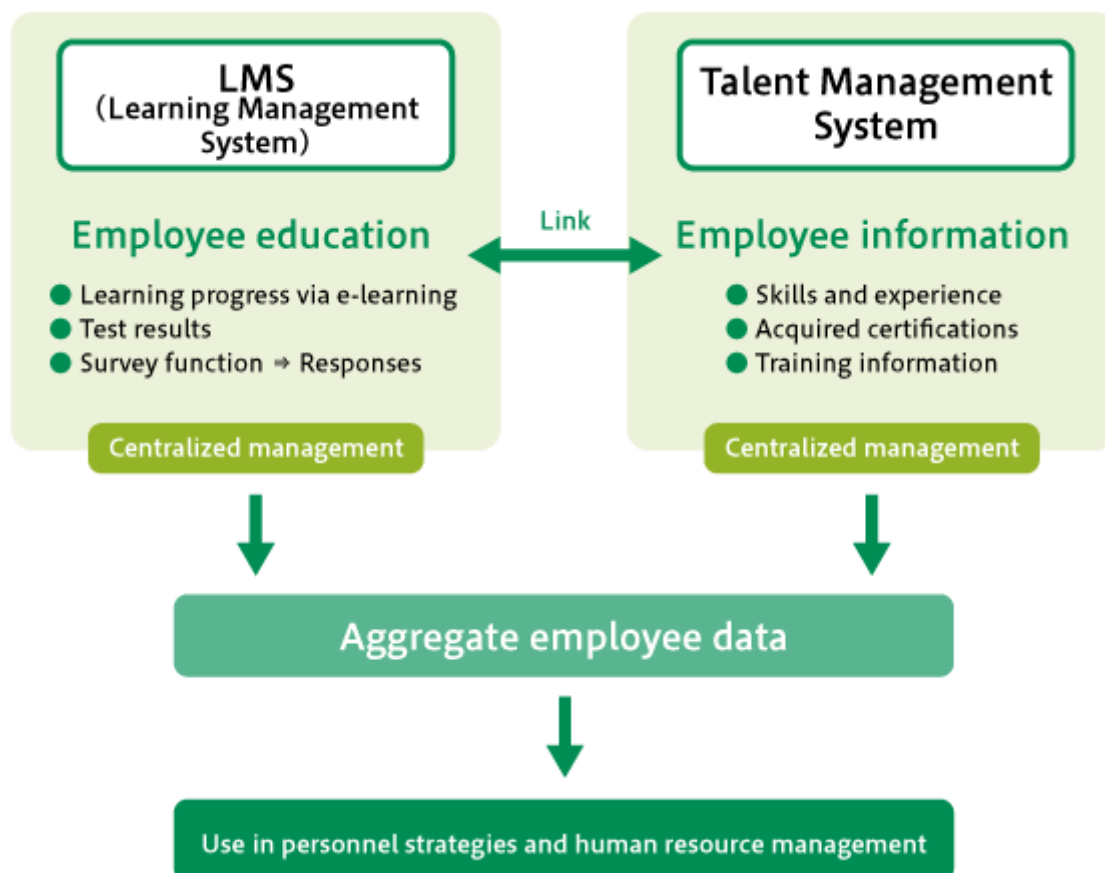


We have begun insourcing video materials to broadcast before training for the purpose of an effective flipped classroom before regular training. These audio-visual materials use 360-degree video to heighten student engagement and the retention rate by adding interactive elements, such as information hot spots, quizzes, and knowledge comprehension modules. In addition, Sumitomo Forestry is furthering links to a Learning Management System (LMS) to manage the learning progress of each employee while also driving future human resources strategies, human resource management and other initiatives in anticipation of the medium to long term by advancing the understanding of skills and accumulating employee data.

Flipped Classroom Using Videos



Example of LMS in Use



Handing Down the Techniques Used in Building Wooden Houses

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

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

In fiscal 2019, the school welcomed 57 new enrollments, including carpenters employed at partner firms outside the Company and saw 55 graduating. In fiscal 2020, the school had another 61 new enrollments.



Practical training in construction of a house



New Students and Performance at The Sumitomo Forestry School of Professional Building Techniques

	FY2016 (29th graduating students)	FY2017 (30th graduating students)	FY2018 (31st graduating students)	FY2019 (32nd graduating students)	FY2020 (33rd graduating students)
Number of new students	63	67	69	57	61
Number of graduates	61	66	68	55	-
Students who acquired the 2nd class carpenter license	57	49	62	55	-

Communication with Employees

Basic Policy

Sumitomo Forestry strives to create an environment that facilitates free and vigorous expression as well as an exchange of opinions by employees so that they can perform their responsibilities with vigor, integrity and consideration for others. The Company wants each and every employee to grow within a corporate culture of respect for individual employees, and fair evaluation of accomplishments and efforts.

Communication in Employee Evaluation and Job Execution

Sumitomo Forestry has a policy of providing all employees feedback on their evaluation results, with the main objective of nurturing and developing human resources through employee evaluations. Meetings between individual employees and supervisors must be held once every six months, providing an opportunity to set targets and receive an explanation of evaluation results.

In fiscal 2019, we also adopted value evaluations to assess the management skills of employees in general management roles, cultivate the ability for staff to think independently and take action, and to realize corporate development and employee growth not only in the short-term but also long-term performance. A value evaluation defines “value” as something that contributes to future corporate growth by ensuring the full understanding of the corporate philosophy, Our Values and management challenges as well as adherence to the Code of Conduct. These assessments are a framework to evaluate the employees who lead “value” as specific actions and initiatives.

In fiscal 2020, the multi-faceted evaluation system (360 Degree Evaluation) was conducted for management employees in charge of organizational management, employees new to management or who intend to become management. From these results, a feedback workshop is conducted to help these employees precisely recognize the current situation (awareness), gain hints into specific management actions as well as help them formulate and execute independent action plans. In addition, these evaluation results also provide feedback to supervisors of the organization where these employees belong as reference for their own evaluations and guidance to each employee.

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 a dialogue by recruiting participants from Group companies in fiscal 2020. Junior employees in each business division discussed the things they value at work and in their personal life under the theme “what we value” in this dialogue. Although the casual discussion was only held once in fiscal 2020 due to the impact of the coronavirus disease (COVID-19), it acted as an opportunity for a face-to-face dialogue between management and employees. We plan to continue organizing this discussion in fiscal 2021.



Casual Discussion

Employee Satisfaction Survey

Sumitomo Forestry conducted the tenth employee satisfaction survey between July and August 2020.

The survey asked 91 different questions in ten categories: work, work load, workplace, supervisor, evaluation/treatment/skill development, career, management and vision, customer first, compliance, and satisfaction.

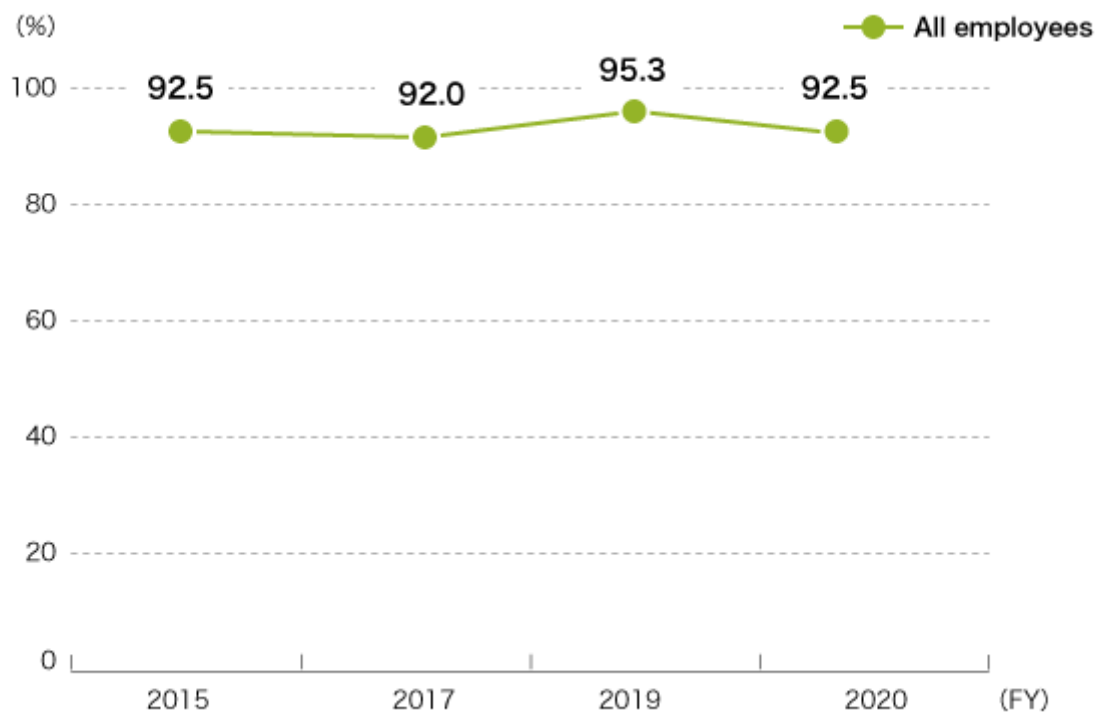
The questionnaire targeted 4,981 full-time and fixed-term employees with a response rate of 92.5%.

As a result of the survey, 80.1% of employees answered either “absolutely” or “yes, if I have to choose” when asked whether they were satisfied working for Sumitomo Forestry. The success of initiatives to reform personnel systems advanced during fiscal 2019 was demonstrated by the items that have improved over the years such as receiving an explanation of evaluation results, understanding about their own evaluation, feedback interviews conducted that recognizing career and skill development. We also broke down the results of the survey based on the categories of management level and gender.

Furthermore, this survey was also jointly conducted at 25 consolidated Group companies in Japan and Sumitomo Forestry. The questionnaire targeted 12,334 full-time and fixed-term employees (including some part-time employees) with a response rate of 90.4%.

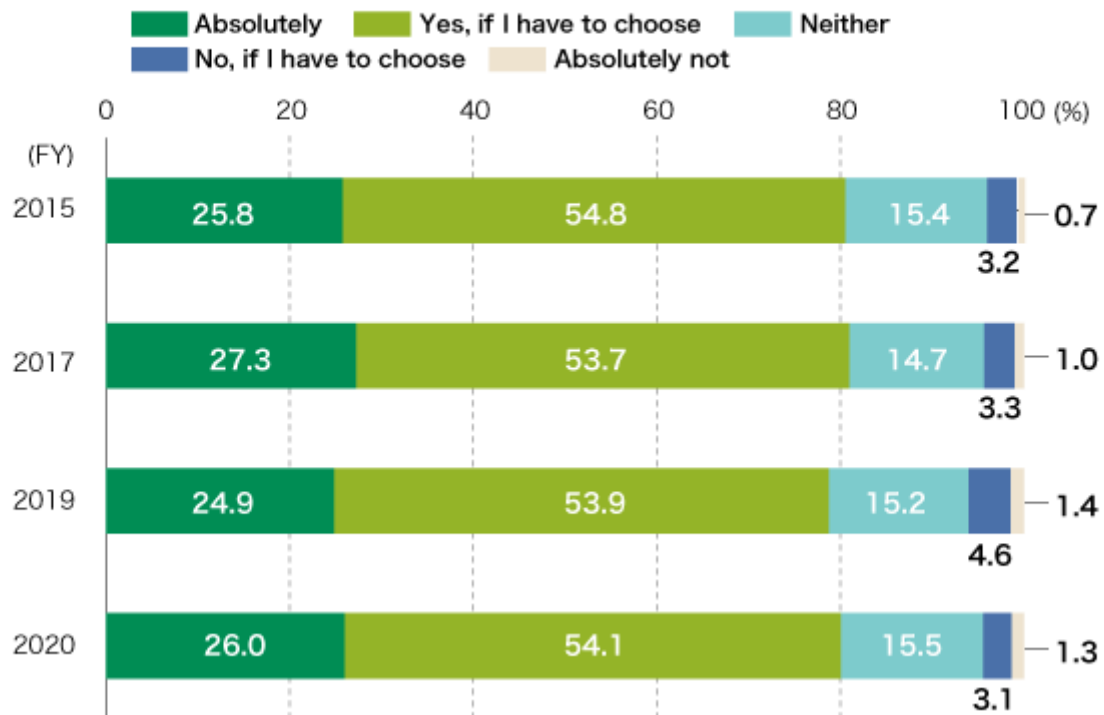
Sumitomo Forestry plans to introduce the employee satisfaction survey as an annual survey throughout all consolidated Group companies in Japan to understand yearly changes.

Employee Satisfaction Survey Response Rate (Sumitomo Forestry)



Employee Satisfaction Survey Trends (Sumitomo Forestry)

Q. Are you satisfied working at Sumitomo Forestry?



Relationship with Labor Unions

All of the eligible employees at Sumitomo Forestry (3,746 people) have joined the labor union as of January 1, 2021. 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 2020, joint labor-management discussions were held on 17 occasions, and following on from fiscal 2019, consideration was given to measures for reducing long working hours and innovating work styles.

Membership rate in labor unions
(Non-consolidated)

100%

Work-Life Balance

Basic Policy

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

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

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

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

Addressing Long Working Hours

Sumitomo Forestry sees long working hours left unaddressed as a factor causing occupational injuries and damage to the image of plants and it recognizes the lack of a workforce in the future as a grave management risk.

Since fiscal 2019, the Sumitomo Forestry Group set critical fiscal 2021 targets "reducing long work hours through work style reforms" in the Mid-Term Sustainability Targets to promote this initiative. Each division and consolidated Group company in Japan confirms the performance toward achieving these targets every fiscal year.

In addition to the goals set in the Mid-Term Sustainability Targets, Sumitomo forestry is also using a dedicated system to input and manage work-style reform targets unique to each site, action plans, and six-month reviews. We aim to further initiatives suitable to the circumstances on each site from the type of business and regular holidays to the regional characteristics and staff composition.

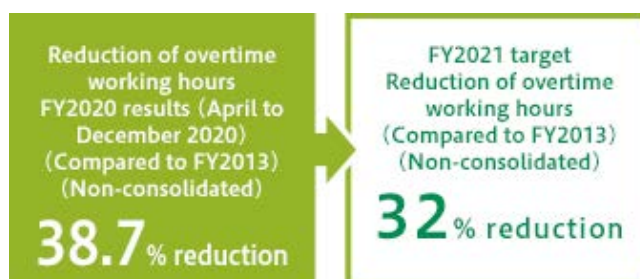
Average overtime hours and individual overtime hours including management are also reported to the head of each department to increase awareness about mitigating long working hours.

In particular, close communication with customers is indispensable in the sales and construction of custom-built detached housing, and long working hours occur as a result of this need in the Housing and Construction Division.

Therefore, a Workstyle Improvement Committee has been set up at branches to implement no overtime days and other initiatives to address long working hours.

As to the working system and operational flow reform that are difficult to tackle at a branch level, the Housing and Construction Division continuously leads the long working hours mitigation campaign by making proposals for the systems improvement.

► Creating a work environment that generates diverse ideas, job satisfaction and vibrancy



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 aim 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 work 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.

Encouraging Employees to Take Paid Annual Leave

Sumitomo Forestry encourages employees to take at least 14 days of planned annual paid leave each year, inclusive of refresh leave and the summer holiday period. The list of results for the paid annual leave usage by employees at each site is published on the intranet to encourage employees to take their paid annual leave.

As for 2017, Sumitomo Forestry has consolidated the attendance management systems in a way that not only employees but also their supervisors can see their leave plans, and thereby, enabled employees to plan their paid leaves better. In addition, the Housing and Construction Division established planned annual holidays for all departments as of fiscal 2017 (general rule of four days).

Sumitomo Forestry has also adopted half-day paid annual leave and hourly paid annual leave to provide an environment where taking time off is easy.

The percentage of paid annual leave taken in fiscal 2020 was 60.7%.

The Company has again listed “take at least 14.0 days of paid annual leave” in its Sustainability Budget, and will continue to further promote this initiative during fiscal 2021.

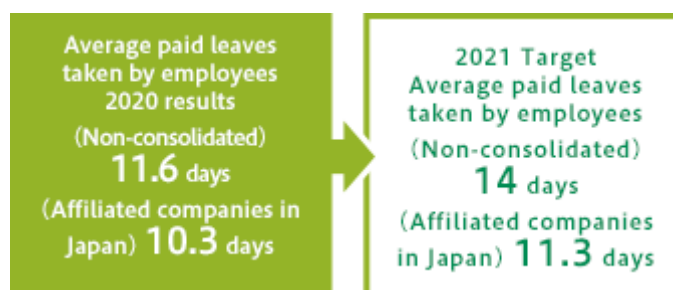
Paid Leave Usage Ratio
(2020)
(Non-consolidated)

60.7%

Results of Paid Annual Leave Usage Ratio

	2016	2017	2018	2019	2020
Paid Annual Leave Usage Ratio (%)	35.9	47.4	53.2	60.2	60.7

*Calculated by dividing the number of days of paid annual leave taken each fiscal year by the number of days issued.



Refresh Leave and Family Friendly Day Leave

So that employees can engage energetically in their jobs with healthy body and mind, Sumitomo Forestry is developing workplace environments that allow employees to take leave as they wish. As part of those efforts, employees are encouraged to take consecutive days of “refresh leave” at a time that suits them in addition to the summer and New Year holiday periods. The number of days available for the refresh leave program changed from “three days” to “five days” in 2019 to encourage employees to take consecutive days of annual paid leave and put in place an environment where employees can take leave more easily.

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

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

	2016	2017	2018	2019	2020
Percentage of Refresh Leave Program takers (%)	42.3	38.9	32.1	43.7	31.3
Percentage of Family Friendly Day Leave takers (%)	27.0	28.3	28.7	36.8	30.5

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.

Employees who take childcare leave are treated equally to everyone else whether for promotions and direct employment.

7th Action Plan for the Act on Advancement of Measures to Support Raising Next-Generation Children

Sumitomo Forestry drafted its first action plan in 2005 when the Act on Advancement of Measures to Support Raising Next-Generation Children was enacted. Since then, we have continued to further initiatives even today through our seventh action plan.

The 7th Action Plan (fiscal 2020 to fiscal 2021) raises and strives toward the three targets below to enhance the work-life balance of all employees in an initiative that began with female employees raising children.

1. Encourage telework system and a work environment to enable work-style options regardless of place.
2. Put in place consultation systems to support employee career development.
3. Build environments in which every employee working in a company involved in housing and lifestyles can actively participate in the valuable experiences of raising children and household chores regardless of gender.

Business Reform Committee Initiatives

Sumitomo Forestry launched the Business Reform Committee in April 2019 with managers from the head office and divisions acting as members and chaired by the executive vice president. This committee takes in feedback from employees through surveys and suggestion boxes in an effort to reform business operations and work styles under relevant company-wide themes. These initiatives reform employee tasks and drive efficiency, such as the promotion of telework, a transition to a paperless environment and revisions to in-person signature approval processes.

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.

The event has been held at 18 different sites every summer thus far with the participation of 149 families consisting of 433 employees and family members (canceled in fiscal 2020 due to impact of COVID-19). Each site added their own touches in addition to the popular programs, such as participation in morning assemblies, a children's exchange of business cards made from wood plates with their names, and work interviews of work colleagues when hosting the Family Open Day.

Promoting Paternal Support for Male Employees

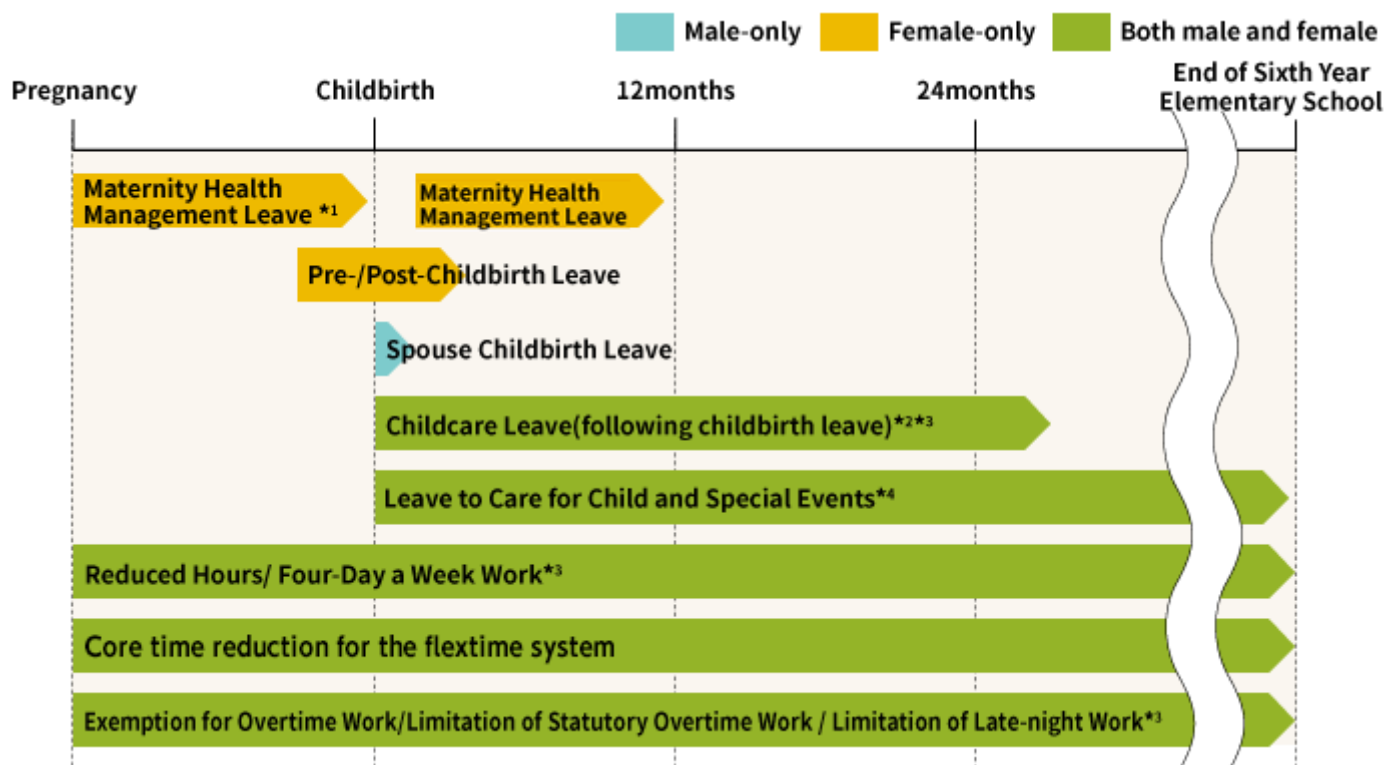
In the process of receiving the lump-sum childcare allowance offered to male employees with newly born children, the employees are required to submit "the questionnaire for a parental support request," which is followed by an interview with a direct supervisor about the answers to the questionnaire as well as details of the request. The supervisor then adds resulting comments on the questionnaire including instructions for the subordinate and consideration to use the program, 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. 51 employees took childcare leave in fiscal 2020.

Main Childcare Support Programs (FY2020)

Program	Description
Childcare leave	Childcare leave may be taken by employees until March 31 immediately following the child's second birthday. Male employees may take childcare leave up to two times regardless of the reason. The full salary is paid for the first five days of childcare leave.

Program	Description
Spouse Childbirth Leave	Spouse childbirth leave may be taken for five days within two weeks from childbirth of a spouse. Full salary paid.
Shorter working hours	Until the child completes the sixth grade of elementary school, employees may work shorter hours, work a four-day week and be exempt from overtime work, limit statutory overtime work, and limit late-night work.
Core time reduction for the flextime system*	Until the child completes the sixth grade of elementary school, employees may reduce the end of core time by up to one hour in 30-minute increments.
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).

* The flextime system was rolled out to the entire company in January 2021 (excluding managers, employees on the discretionary work system, and partner employees)



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

*2 Until March 31 immediately following the child's second birthday. This can be extended for up to 14 days for childcare reasons

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

*4 Employees who have worked for six months or more

Implementation of Childcare Leave Round Tables and Fitness for Mothers

Sumitomo Forestry held a round table and mother fitness event online in March 2021 for employees planning to return to work from childcare leave. The fitness for mothers program provided exercises for mothers to do with their children to stay fit after childbirth under the guidance of an instructor. This program helps to alleviate concerns about returning to work, improve health and build a network between other people raising children.

Implementation of Joint Seminars for People Returning to Work from Childcare Leave and Their Supervisors

Sumitomo Forestry held a joint seminar in November 2020 for people returning to work from childcare leave, their supervisor and even their spouse. This seminar held classes to teach the social landscape surrounding childbirth and child raising, a balance between work and childcare as well as future career development, panel discussions with senior employees who have experience raising children and working, and group discussions with other participants. The opportunity offered a chance for everyone to think about the actions supervisors and the individual raising a child can each take to find a balance between work, raising children and developing a career.

Supporting Workstyles for Employees Caring for Family Members

Sumitomo Forestry provides support to employees who are working while also nursing family members. Family care leave was revised so that eligible employees may take up to 365 days of leave per applicable family member, and employees may also take advantage of the flextime system, work shorter hours or work a four-day week. When the flextime system was rolled out to the entire company in January 2021 (except employees on the discretionary work system), we further revised the flextime system to let employees reduce the core time according to their reasons for taking family care leave. 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 Childcare Support Programs (FY2020)

Program	Description	Usage results
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 4 (Flextime System: 3; Four-Day Work Week: 1) No. of employees who took family care leave: 2
Shorter working hours	Employees may work shorter hours, work a four-day week, be exempt from overtime work, limit statutory overtime work, and limit late-night overtime work. Employees eligible for the flextime system may reduce the end of core time up to one hour in 30-minute increments. (* The flextime system was made available to all employees except those on the discretionary work system in January 2021.)	
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	

* The flextime system was rolled out to the entire company in January 2021 (excluding managers, employees on the discretionary work system, and partner employees)

Family Care Support Program Performance (Non-consolidated)

	FY2016	FY2017	FY2018	FY2019	FY2020
Family care leave (Persons)	2	2	1	1	2
Number of family support program users (Persons) (Flextime System, Shorter Working Hours, Four-Day Work Week, etc.)	3	7	3	4	4

Telework Initiatives

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.

Since fiscal 2018, Sumitomo Forestry has 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. Roughly 300 employees have used telework during this time. Sumitomo Forestry has promoted understanding and created a foundation for a telework system through opportunities for many employees to experience the benefits of telecommuting and working remotely first hand.

Using our response to the coronavirus disease (COVID-19) pandemic as an opportunity in fiscal 2020, we prepared an environment in which every employee could telecommute and began the use of satellite offices.

Our revisions and roll out of the flextime system to all employees (except managers, the discretionary work system and partner employees) in January 2021 have furthered work styles so that everyone can work anywhere anytime.

Application System to Request the Place of Work

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. A new system was also 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 child or family care.

As at the end of December 2020, a total 46 employees have made use of these programs to transfer to a different location.

In addition, an employee who desires a work style without transfers requiring relocation of residence from their current workplace due to unavoidable circumstances such as child raising, family care or illness may use a work style able to accommodate their unique situation using an application and approval process.

Promotion of Health and Productivity Management

Basic Policy

The Sumitomo Forestry Group designates the respect for humanity as one of Our Values, promotes diversity and emphasize the respect of family: the importance of respecting one's family and building a prosperous future. We also strive to maintain and improve the health of each and every employee and promote a vibrant workplace. Employee health is of the utmost importance. A healthy, vibrant lifestyle increases work motivation and helps improve productivity and work efficiency.

Sumitomo Forestry has assigned one clinical psychologist and two public health nurses to the healthcare promotion team in the Workstyle Diversification Department run by the Personnel Department to spearhead a variety of policies and measures.

Initiatives to Maintain and Improve Employee Health

Sumitomo Forestry engages in initiatives to maintain and improve employee health from health management and self-care education in the new employee training program to event information and columns about health on the internal website of the Workstyle Diversification Department.

We use a reservation system for regular health check-ups which are vital to preventing illness and maintain a 100% medical examination rate. In addition, the system that we use can offer regular health check-ups, stress check aftercare, and consultations with industrial physicians and public health nurses during overwork and other stressful situations. These measures are even available to employees working at sites with a small number of staff through the appointment of industrial physicians even at locations with less than 50 employees.

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.

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, 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.

Since April 2013, employees who are certified as clinical physiologists have striven to assist mentally ill individuals with follow-up support and help them in returning to work in close cooperation with an external provider of the employee assistance program (EAP)*.

In fiscal 2019, Sumitomo Forestry revised the external Employee Assistance Program (EAP) agency alliance and established a new management consultation desk to further a system to better support line care. This help desk is not only available to employees but also their families and can support in English and Chinese, which offers better care for a wider range of employees.

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



Preventative Measures for Mental Health Care

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

* A workplace mental health care service for employees Mental Health Education for Management

Use of stress checks

Sumitomo Forestry has offered stress checks since fiscal 2013, ahead of becoming mandatory after amendments to the Industrial Safety and Health Law in December 2015. All of our employees (excluding employees who are on long-term leave due to pregnancy, medical treatment for illness or other such reasons) use the information provided on websites and in other mediums to help prevent mental disorders.

In fiscal 2020, items to measure presenteeism and absenteeism are incorporated in the stress checks and analyzed to encourage even more active health management. As part of care following stress checks, we also distributed charts of the analysis results for the organization to each site and provided stress check feedback training to managers in order to raise awareness about building an even more vibrant workplace. In addition, Sumitomo Forestry also conducted online departmental line care and self-care training tailored to the challenges faced in the department. The training curriculum implemented in the aftercare measures are also shared throughout the entire Group through our e-learning system.

► Human Rights Initiatives

Practical Mental Health Care Results

	FY2016	FY2017	FY2018	FY2019	FY2020
Stress Check Response Rate (%)	88.2	92.1	91.6	93.3	96.4

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

The Sumitomo Forestry Group Quality Control and Worker Safety Management Department established on April 1, 2020 as an office directly under the president strives to consistently improve product and service quality and eradicate occupational accidents. This department also rolls out and strengthens quality as well as occupational health and safety management systems by providing guidance and advice to the entire Group. At the same time, the Sustainability Committee deliberates and receives reports on important Group-wide occupational health and safety matters.

Personnel department manages non-consolidated OHS of the Sumitomo Forestry, and heads of the personnel department provide OHS instructions and support branches in establishing OHS systems. In addition, OHS committees chaired by the general manager of each business division (General Manager of Personnel Department at the head office) and composed of members such as health and safety managers, industrial physicians, and labor union members were established in each business division, and matters discussed each month are posted on the intranet for the purpose of information sharing and enlightenment.

The Sumitomo Forestry Group also conducts occupational health and safety training unique to each business and work site because a broad range of businesses related to wood are expanding globally.

Targets and Performance Concerning Occupational Injuries

In the Mid-Term Sustainability Targets as part of the Sumitomo Forestry Group 2021 Mid-Term Management Plan, Sumitomo Forestry Group sets critical targets by fiscal 2021 as “zero occupational injury and lost work time.” The Sumitomo Forestry Group aims to achieve its critical targets and defines priority sustainability measures in each division. The performance toward achieving these targets is reviewed each fiscal year.

In fiscal 2020, the Sustainability Committee received a report on the results from an examination of the state of worker safety management systems at 63 Group companies. In the future, we will continue to conduct this survey to further strengthen worker safety systems.

In fiscal 2021, Sumitomo Forestry will conduct a questionnaire on the safety awareness and actions of organizations and employees to grasp the trends of occupational health and safety throughout the entire Group in order to help employees engage in even higher quality work. This survey will be beneficial in grasping the challenges which need to be addressed to better occupational health and safety in the future.

Occupational Injuries (Non-Consolidated)*¹

	FY2016	FY2017	FY2018	FY2019	FY2020* ⁴
Number of occupational injuries (incidents)* ²	3	0	2	1	0
Lost-time injury frequency rate* ³	0.30	0.10	0.20	0.20	0.19
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

*4 The period for FY2020 results is from January 1 to December 31, 2020.

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

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 the acquisition of certifications such as the ISO 45001 occupational health and safety management system as well as the OHSAS* Certification.

The Quality Control and Worker Safety Management Department assists departments that have acquired the ISO 45001 health and safety management system through internal audits, and assists Group companies that are considering to introduce the ISO 45001 with training seminars. It also provides internal audit training to employees, including those from Group companies, in an effort to develop human resources.

The occupational health and safety certification rate of manufacturing businesses throughout the Sumitomo Forestry Group is 39.4% (based on sales).

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

- Occupational Health and Safety in the Forestry Business
- Occupational Health and Safety in the Manufacturing Business
- Occupational Health and Safety on Construction Sites

Acquisition Status of Occupational Health and Safety Certifications at Each Group Company

Company	Country	Type of certification	Date acquired	Date renewed
Sumitomo Forestry Crest Co., Ltd.	Japan	ISO45001:2018	February 2013	January 2020
PT. Rimba Partikel Indonesia (RPI)	Indonesia	OHSAS18001	March 2013	March 2019
Kutai Timber Indonesia (KTI)	Indonesia	ISO45001:2018	January 2020	-
Nelson Pine Industries Ltd. (NPIL)	New Zealand	ISO45001:2018	October 2019	-
Henley Arch ^{*1}	Australia	ISO45001:2018	April 2019	-
Wisdom Properties	Australia	AS-NZS4801:2001 ^{*2}	November 2018	-

*1 Affiliated two companies of the Henley Group have also acquired the same certification.

*2 AS-NZ is a standard operated jointly by Standards Australia and Standards New Zealand. 4081 is the occupational health and safety management standard which is part of the AS-NZ.

► Overseas Occupational Health and Safety at Overseas Housing Construction Sites

Occupational Health and Safety in the Forestry Business

Domestic Initiatives in Forestry Business

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. The Workplace Safety Conference was held only once at the Hyuga Forestry Office in fiscal 2020 due to restrictions on group assemblies during the coronavirus pandemic.

In fiscal 2020, there was 1 instance of occupational injury requiring payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act in Sumitomo Forestry-owned forests. As a result, with the contractors involved, response measures to prevent recurrence were discussed and agreed. Additionally, warnings were issued to other contractors through the Workplace Safety Conferences.



Safety Education for Cutting Operations
(Hyuga Forestry Office)

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

FY2016	FY2017	FY2018	FY2019	FY2020*
3	1	4	1	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.

* Data collection period: January to December 2020

Lectures Given by External Experts

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

At the Workplace Safety Conferences held at various forestry offices in fiscal 2019, a total of 30 business partners (approx. 120 persons) participated in lectures by experts from the Forestry and Timber Manufacturing Safety & Health Association on accident prevention measures based on analysis of causes of recent forestry occupational injuries, and on-site emergency training.

At the Hyuga Forestry Office Workplace Safety Conference in fiscal 2020, a total of 9 business partners (27 persons) participated in practical training on safe cutting procedures for trees damaged by wind, and training about revised forestry guidelines by the Forestry and Timber Manufacturing Safety & Health Association.



Safety Conference (Hyuga Forestry Office)

Overseas Initiatives in Forestry Business

The Sumitomo Forestry Group manages a total of approximately 230,000 hectares of company-owned plantation forests overseas. To prevent occupational accidents, every overseas plantation company (Open Bay Timber Ltd. [OBT], Mayangkara Tanaman Industri [MTI], Wana Subur Lestari [WSL] and Tasman Pine Forests Ltd. [TPF]) makes sure all operators throughout the company use safety equipment while also raising awareness about occupational health and safety through efforts such as regular safety lectures and morning assemblies.

Some examples from efforts at TPF include (1) thorough equipment inspections before work, (2) regular meetings with logging contractors to evoke caution about safety management and real-time reports in the event of an accident, (3) health and safety assessments of the company itself and logging contractors through third-party occupational health and safety experts, and (4) on-site visits by employees in charge to keep everyone alert.

Some examples from OBT include (1) thorough equipment inspections before work every day, (2) on-site visits by employees in charge to keep everyone alert, and (3) setup of a storage facility to comprehensively manage equipment.

WSL and MTI quickly formulated their own unique guidelines to combat the spread of the novel coronavirus infection, which proved effective.

The head office in Pontianak, West Kalimantan succeeded in shift system limiting people on-site as much as possible as well as total telework at the office in Jakarta via a response surpassing that required by the government. Strict access management at plantation forest operation sites prevented the spread of the virus to employees and contractors.

In addition, we produced and distributed homemade masks to our employees to address the mask shortage. As a result, we were able to prevent clusters throughout WSL and MTI. To maintain the mental and physical health of our employees as the coronavirus continues to spread, we introduced radio calisthenics every morning at business sites and worked to encourage exercise using an app.

Working without the ability to move freely or travel back to one's hometown puts an extreme burden on many employees. However, better communication and encouragement between employees brought everyone together in an effort to prevent the spread of the novel coronavirus infection.



Setup of a Safety Gear Box to
Comprehensively Manage Equipment (OBT)



Radio Calisthenics at Plantation Forest
Operation Site

Number of Occupational Injuries Involving Contractors at Forestry Work Sites

Open Bay Timber Ltd.	PT. Mayangkara Tanaman Industri PT. Wana Subur Lestari FPT. Kubu Mulia Forestry	Tasman Pine Forests Ltd.
0	0	3

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

Occupational Health and Safety in the Manufacturing Business

Occupational Health and Safety Initiatives

Basic policy of Sumitomo Forestry Crest Co., Ltd. is to move “from zero work-related accident to zero work-related danger.” Its goal is to achieve zero occupational injuries by nipping danger in the bud. To achieve this, Sumitomo Forestry Crest began operating an Occupational Health and Safety Management System (OHSMS) in July 2012, and acquired OHSAS 18001 certification in February 2013. In addition, with OHSAS18001 set to migrate to ISO 45001 in March 2021, we transitioned to the ISO 45001 certification in January 2020 after undergoing a migration evaluation. By repeating the PDCA management cycle with near miss incident reports submitted voluntarily by employees (441 reports by 515 employees in fiscal 2020) to the OHS Committee at each plant, and sharing opinions through small-circle activities at each workplace (weekly TPM activity), efforts are being made to reduce risks while promoting efficiency in production activities. There was one occupational accident in fiscal 2020.

Number of Occupational Injuries in the Manufacture of Wood Building Materials in Japan

FY2016	FY2017	FY2018	FY2019	FY2020*
1	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.

* Data collection period: January to December 2020

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, safety education, etc.)
2. Reduce the likelihood of accidents (covers, auto-shut off, pedestrian-vehicle separation, etc.)
3. Reduce the severity of injuries (protective gear, lower speeds, etc.)



A safety patrol

Overseas Initiatives

We are proactively moving forward with risk assessments (aiming for safety assessments of equipment once a month by 100 people) and danger prediction training (aiming to train employees once a month to avoid unsafe actions and increase sensitivity to unsafe conditions) at overseas manufacturers*, particularly in Indonesia. We also implemented safety promotion procedures of group companies that have more developed initiatives in our efforts to ensure workplace safety.

* Six consolidated group companies: Nelson Pine Industries (NPIL), Kutai Timber Indonesia (KTI), AST Indonesia (ASTI), Sinar Rimba Pasifik (SRP), Canyon Creek Cabinet (CCC), and Vina Eco Board (VECO).



Risk prediction training for local employees at Indonesian manufacturers

Number of Occupational Injuries in the Manufacture of Wood Building Materials in Overseas

FY2016	FY2017	FY2018	FY2019	FY2020
16	23	11	10	12

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

Occupational Health and Safety on Construction Sites

Occupational Health and Safety at Domestic Construction Sites

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

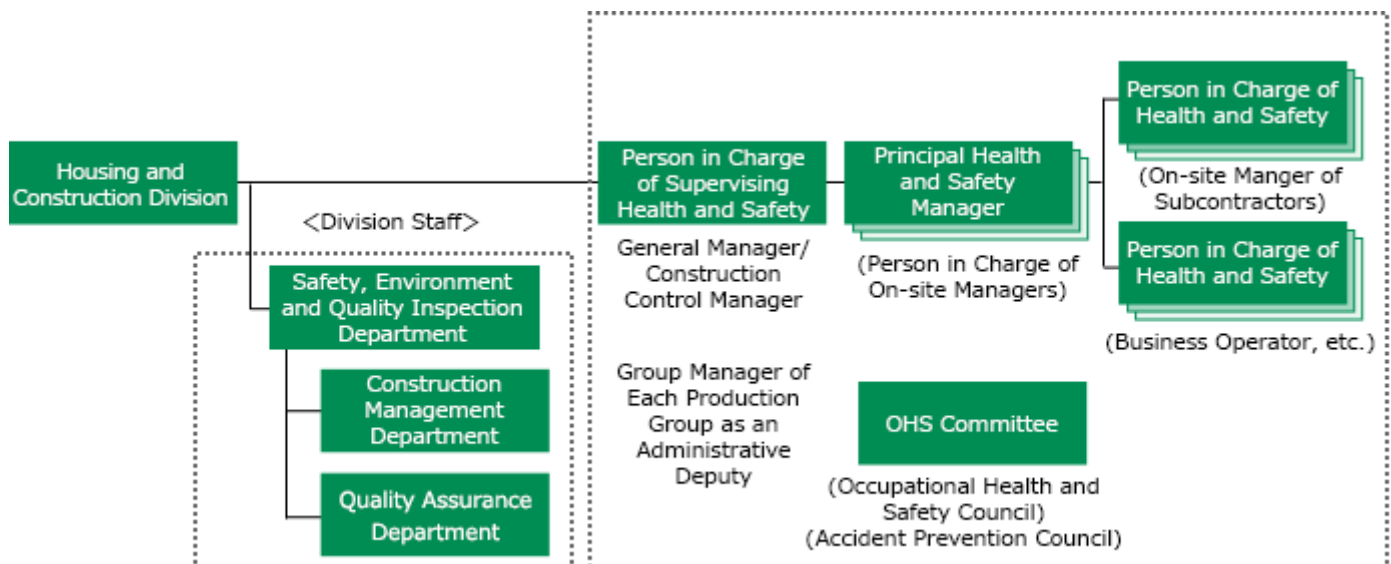
At the beginning of every fiscal year, the Divisional Manager of the Housing and Construction Division formulates an Occupation Health and Safety Policy to provide notification based on circumstances such as the accidents that occurred in the previous period, the state of occupational health and safety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



Occupational Injuries of Contractors on Housing Construction Sites

	FY2016	FY2017	FY2018	FY2019	FY2020* ¹
Number of occupational injuries* ² 	12	9	7	11	8
Lost-time injury frequency rate* ³ 	3.35	2.31	2.79	4.13* ⁴	5.12
Work-related illness frequency rate	0	0	0	0	0

*1 The period for FY2020 results is from January 1 to December 31, 2020

*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

*4 Due to an error in the number of occupational accidents in the internal survey, the figures for fiscal 2019 have been revised retroactively

▶ [Occupational Injuries](#)

▶  [About symbol for Independent assurance](#)

Training Designed to Improve Awareness for Occupational Health and Safety

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

In addition, special education is provided for securing safety of work using the fall prevention equipment (full harness safety belts) which will be made mandatory in January 2022 as well as during use of circular saws, grinders* and other electric tools 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



Special Circular Saw Education

Preventive Measures for Coronavirus Disease (COVID-19)

Sumitomo Forestry formulated on-site guidelines to combat the COVID-19 as one measure to prevent the spread of the COVID-19 in an effort to maintain an environment where employees can continue to work on-site. In addition, we created posters indicating points to check before entering sites such as sanitizing hands and poster indicating specific measures to prevent spread of infections such as always wearing masks during work and always keeping windows open for ventilation when indoors, and posted them on site to always raise the awareness of everyone involved about these guidelines.

Preventive Measures for COVID-19

1. Provisions of soap, hand sanitizer, masks and other necessities on site
2. Strict guidelines such as hand washing, gargling, and wearing masks for coughing
3. Ventilation and masks when working with multiple people in a department or on a site open to customers

Close attention to ventilation to bring in fresh air, especially during internal operations

Adjustments to internal work processes when unable to open a window for ventilation, such as external spray work.

The posters for call for attention

『現場入場前確認』

～現場入場する私は、下記を遵守し、行動します～

- **手洗い、手指消毒**してから建物に入場します。
- **平熱である事**を毎日確認してから入場します。
- 現場では**3つの密【密閉、密集、密接】**を避けます。
- **体調に異常**(発熱、倦怠感、味覚、嗅覚)**がない事**を確認してから、入場します。

住友林業㈱ 住宅・建築事業本部

『感染防止対策の徹底事項』

1. 感染防止策の実施：手洗い・うがい・健康管理の徹底
 - ・石鹸手洗い、「**手指消毒してから建物に入場**」
 - ・現場入場前の「**検温徹底**」＜※現場入退場システムに登録＞
 - ・現場に出入りの際は必ず「**マスクを着用**」
2. 日曜日・祝日の作業は休工
3. 作業時間は「8:00～18:00」
4. 現場の常時作業者の人数制限：「**各部屋1名**」
5. 3つの密【密閉、密集、密接】を避ける
 - ・休憩時、昼食時も対面を避けて、距離は「**1m以上の距離を確保**」
 - ・自動車移動中も同乗者は**マスク着用**、窓換気を徹底する事。
 - ・近隣配慮し、作業時、休憩時も大きな声で話さない事。
 - ・室内作業時は常に窓を開ける：「**換気の徹底**」
6. お客様が現場に来られた時の対応
 - ・必ず「**マスクを着用し、1m以上の距離を確保**」する。
 - ・原則、**対面**での対応はご遠慮いただく（生産担当に報告）
7. 支店への報告が必要な場合
 - ・作業中、従業員本人が感染もしくは濃厚接触者に指定。
 - ・作業中、従業員の同居家族が感染もしくは濃厚接触者に指定。
8. 感染リスク発生の場合

躊躇せず、すみやかに生産担当者に報告する。

～1人1人が感染源、濃厚接触者とならないように努めてください。今日からできる事～

濃厚接触かどうかを判断する上で重要な要素は「距離の近さ」と「時間の長さ」です。必要な感染予防策を必ず守っていただくこと。または対面で互いに手を伸ばしたら届く距離（1m程度以内）で15分以上接触があった場合に濃厚接触者と考えられます。尚、15分間、感染者と近接距離にいたとしても、マスクの着用、会話など発声を伴う行動や対面での接触の有無など、「3密」の状況などにより、感染の可能性は大きく異なります。濃厚接触者にあたるかどうかは、このような具体的な状況をお問い合わせして判断します。

（厚生労働省のホームページを参照）

住友林業㈱ 住宅・建築事業本部 2021/1/8 版

Together with Construction Contractors

Sumitomo Forestry publishes monthly Safety, Environment and Quality Inspection Department Information that includes information and topics about occupational health and safety as well as 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. Thus far, we have held 826 special education courses (Article 59.3 of the Industrial Safety and Health Act) with a total of 29,638 trainees. Directly instructing the people working on-site advances our initiatives toward on-site safety and the environment by building understanding 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 occupational 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.

Occupational Health and Safety at Overseas Housing Construction Sites

Overseas Occupational Health and Safety Management System

Henley Properties is developing businesses across four states of Australia—Victoria, Queensland, New South Wales, and South Australia—while placing particular emphasis on worker safety management. Under the company-wide safety management policies, Henley Properties builds the highest level of safety management system that includes drafting annual safety management policies and targets, conducting risks assessments of each site (evaluating danger and planning measures to mitigate those risks), providing on-site managers and employees with safety management training, understanding the safety management capabilities of partner companies, and ensuring thorough reports on any accidents that do occur. In addition, the Company also acquired the ISO 45001 certification, an international occupational health and safety standard, in April 2019.

Additionally, Wisdom Properties Group, a business operator in New South Wales, has established an occupational health and safety management system. The Company has also acquired the AS4801 certification, an Australian occupational health and safety standard. The Company has built a safe work environment for its employees through preventative measures to protect the health and safety of workers.

Product and Service Safety as well as the Quality Management System

Basic Policy

The Sumitomo Forestry Group 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. With this as a fundamental base for our Group as it expands a broad range of businesses focusing on wood, we also set basic individual policies to guide our operations according to the characteristics of each business in our main business domains.

- ▶ [Product Safety and Quality Management in the Manufacturing Business](#)
- ▶ [Product Safety and Quality Management in the Housing and Construction Business](#)
- ▶ [Product Safety and Quality Management in MOCCA \(Timber Solutions\) Business](#)

Quality Management System

Sumitomo Forestry and its Group companies in Japan and overseas have acquired the ISO 9001 quality management system certification and constantly enhance the quality of products and services provided to customers.

The Quality Control and Worker Safety Management Department established in April 2020 as an office directly under the president strives to consistently improve product and service quality and eradicate occupational accidents. In fiscal 2020, the Sustainability Committee received a report on the results from an examination of the state of quality management systems at 63 Group companies. The department also conducted internal audits of departments which have acquired the ISO 9001 management system certification and assisted in ISO standard training.

In the future, the department will not only roll out and strengthen quality as well as occupational health and safety management systems by providing guidance and advice to the entire Group but also conduct training for Group and internal auditing employees in addition to furthering other human resource initiatives related to quality.

The quality certification acquisition rate of manufacturing businesses throughout the Sumitomo Forestry Group is 75.6% (based on sales).

Acquisition Status of Quality Management System Certifications (ISO 9001) at Each Group Company

Group companies	Country	Type of certification	Date acquired	Date renewed
Construction Market Development Department, Housing and Construction Division, Sumitomo Forestry Co., Ltd.	Japan	ISO9001:2015	September 2015	August 2018
Sumitomo Forestry Crest Co., Ltd.	Japan	ISO9001:2015	March 1999	November 2019
Environmental Greenification Division, Sumitomo Forestry Landscaping Co., Ltd.	Japan	ISO9001:2015	September 2002	September 2020
The Agro-Products Division, Sumitomo Forestry Landscaping Co., Ltd.	Japan	ISO9001:2015	March 2020	—
Sumitomo Forestry Home Engineering Co., Ltd.	Japan	ISO9001:2015	March 2006	March 2020
Sumitomo Forestry Home Tech Co., Ltd.	Japan	ISO9001:2015	March 2017	March 2020

Group companies	Country	Type of certification	Date acquired	Date renewed
Cohnan Kensetsu Inc.* ¹	Japan	ISO9001:2015	September 2011	March 2020
Nelson Pine Industries Ltd. (NPIL)	New Zealand	ISO9001:2015	July 1993	October 2019
PT. Kutai Timber Indonesia (KTI)	Indonesia	ISO9001:2015	September 1997	September 2019
PT. Rimba Partikel Indonesia (RPI)	Indonesia	ISO9001:2015	June 2003	March 2019
PT. AST Indonesia (ASTI)	Indonesia	ISO9001:2015	October 2002	October 2020
Vina Eco Board Co., Ltd. (VECO)	Vietnam	ISO9001:2015	March 2014	March 2020
Canyon Creek (CCC)	United States	ISO9001:2015	August 2003	March 2019

Acquisition Status of Product Certifications at Each Group Company

Company	Country	Type of certification	Date of certification renewal
Nelson Pine Industries Ltd. (NPIL)	New Zealand	JAS (LVL)	May 2008
		JIS certification: 2014 (MDF)	October 2015
		CARB certification (MDF)* ² EPA certification (MDF)* ²	August 2020 August 2020
PT. Kutai Timber Indonesia (KTI)	Indonesia	JAS (Plywood, LVL, laminated engineered wood)	August 2019
		Q-Mark (Door blanks)	May 2019
		CARB certification (PB) EPA certification (PB)	May 2020 May 2020
		CARB certification (Plywood) EPA certification (Plywood)	October 2020 October 2020
		CE Marking (Plywood)	December 2020
PT. Rimba Partikel Indonesia (RPI)	Indonesia	JIS certification: 2014 (PB)	January 2019
		CARB certification (PB) EPA certification (PB)	February 2018 November 2018

Company	Country	Type of certification	Date of certification renewal
PT. Sinar Rimba Pasifik (SRP)	Indonesia	JAS (Flooring/laminated engineered wood)	June 2020
Vina Eco Board Co., Ltd. (VECO)	Vietnam	CARB certification (PB) EPA certification (PB)	July 2019 July 2019
		JIS certification: 2014 (PB)	December 2018

*1 Joined the Sumitomo Forestry Group in January 2021

*2 Formaldehyde emission standards for specific wood products stipulated by the California Air Resources Board (CARB) and the United States Environmental Protection Agency (EPA)

Product Safety and Quality Management in the Manufacturing Business

Basic Policy

In response to legal requirements and customer requests, we use PDCA cycles as we work to ensure and improve product safety and quality at each stage of our business activities, from planning and product development to production and sales. Moving forward with continual improvement is a policy we pursue in our manufacturing operations in order to elevate the quality of the products and services we provide.

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

Basic Policy for Product Safety and Quality Control

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

Operating in keeping with the 2015 version of the ISO 9001 quality management system, we strive to elevate quality and service by reinforcing its integration with our actual business operations.

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

1. Comply with all relevant laws, regulations and requirements in the provision of safe, reliable products.
2. Strive to understand customer needs and provide appealing products to improve customer satisfaction.
3. Constantly work to improve the quality management system in the pursuit of QCD.

Product Safety and Quality Management System

Since October 2010, Sumitomo Forestry Crest Co., Ltd. has been operating with integrated ISO 9001 at its plants nationwide. To employ a PDCA cycle under a quality management system in accordance with the quality policy, Sumitomo Forestry Crest conducts internal audits of all of its plants twice each year, external audits once each year, and reviews results from those audits repeatedly to build a strict process management system and manufacture products with a high standard of quality.

A mechanism has also been put in place that uses a quality information management system to reflect feedback and requests from customers at production sites alongside a system that delivers reports from managers to the President within two hours after receiving information on any serious defects impacting the safety and quality of products through an emergency contact network. These efforts are taken to leverage information in the manufacturing process.

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.

Since fiscal 2018, it has strived to enhance and maintain quality control systems at manufacturing locations as well as at business partners' plants. Measures to help prevent human error through standardization of procedures, revision of logs, work operation standardization and QC process chart compliance have reduced complaints related to manufacturing mistakes by 48% in fiscal 2019 and 50% in fiscal 2020 compared to fiscal 2018.

In fiscal 2021, we will set new quality targets toward further improvements.



Quality Check in Plant

Light, Low-Cost and Attractively-Designed Wooden Fire-Prevention Door Using Balsa

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



Own branded wooden fire-prevention doors made from balsa

Safety and Quality Control in Overseas Manufacturing Business

Basic Policy and Framework for Product Safety and Quality Control

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

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

► Product and Service Safety as well as the Quality Management System

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.

We had to temporarily suspend regular Group plant gatherings, divisional audits and other such activities in 2020 due to the COVID-19 pandemic. However, the Sumitomo Forestry Group will establish remote activities this term to promote activities that share a wide variety of information via online conferencing and other no-contact forums even after the COVID-19 pandemic has come to an end.

Product Safety and Quality Management in the Housing and Construction Business

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 2020, under the Japanese Housing Performance Indication System, implementation rate^{*2} of Design Performance Evaluation reached 99.4%, Implementation of Construction Performance Evaluation reached 99.3%, and the acquisition of Excellent Long-Term Housing certification reached 94.7%.

*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 01, 2020 - December 31, 2020) in the Housing and Construction Division

Japanese Housing Performance Indication System Implementation Rate

	FY2016	FY2017	FY2018	FY2019	FY2020
Design Performance Evaluation	98.8%	98.9%	99.0%	99.1%	99.4%
Construction Performance Evaluation	97.8%	97.9%	98.4%	98.8%	99.3%

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

	FY2016	FY2017	FY2018	FY2019	FY2020
Ratio of Houses Certified As Excellent Long-Term Housing for New Custom-Built Housing	93.3%	93.3%	93.8%	94.4%	94.7%

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

Product Development



- 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.

Design



- 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

Materials Procurement



- 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.

Construction



- 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

After-Sales Support



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



Regular inspection

Renovation

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

Seismic Resistant Housing

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

In response to customer need for seismic-resistant houses, Sumitomo Forestry Home Tech has developed original construction methods that enable heightened seismic resistance without diminishing high levels of the home's structural strength, workability or insulation efficiency, such as installation into existing floors and ceilings without any removal and disposal.

Development of K-shaped Corner Braces and Hyper 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).

Hyper Panels reduce removal work by only having to remove the gypsum board between existing flooring and ceilings. Hyper Hard T (Yoshino Gypsum Co., Ltd.) improves workability by dividing a high-strength board into three pieces for installation so that each board can be put in place as is. Three pieces of the board for installation enhances the bending strength without the board breaking. The method also got a technological evaluation by the Japan Building Disaster Prevention Association (6.9 KN/m² bearing wall for the standard type).

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



Corner Brace Panels



Hyper Panels

BF Construction Method

Sumitomo Forestry started selling the Big-Frame Construction Method (BF Construction 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 construction 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 construction 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 construction 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.

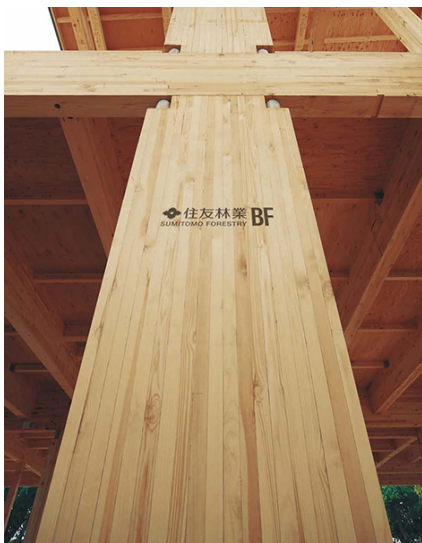
This brings about horizontal vibration resistance equal to a 22.4 (times/meter) shear resistance of walls. We ensure seismic resistance while being able to provide both large spaces and wide openings.

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.

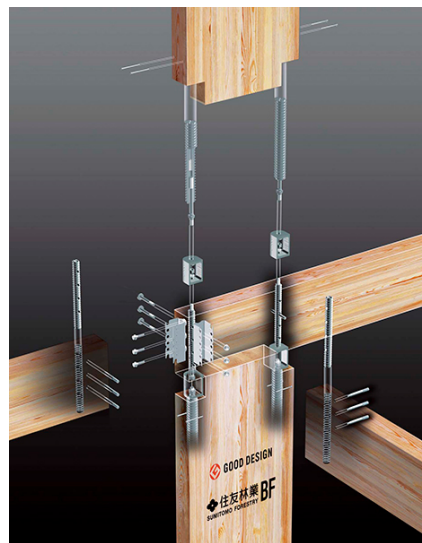
Sumitomo Forestry conducts vibration tests on verification models of structural framework, using the BF construction method as well as full-scale structures to examine seismic resistance in anticipation of a large-scale earthquake.

The full-size verification model for a three-story building constructed with the BF construction 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 construction 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

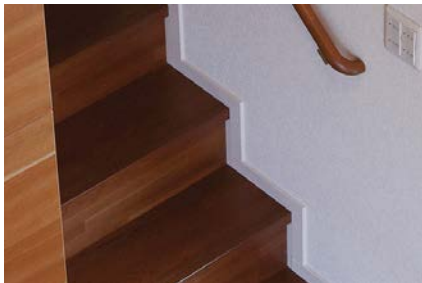
Using More Domestic Timber in Home Products

Sumitomo Forestry Home houses primarily take advantage of the Big-Frame Construction Method (BF Construction Method) and the Multi-Balance Construction Method (MB Construction Method). In fiscal 2020, the ratio of domestic wood for structural members and non-structural materials used in these two construction methods for each home was 50% for the BF construction method and 71% for the MB construction method (calculated based on model plans).

Promotion of Universal Design

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

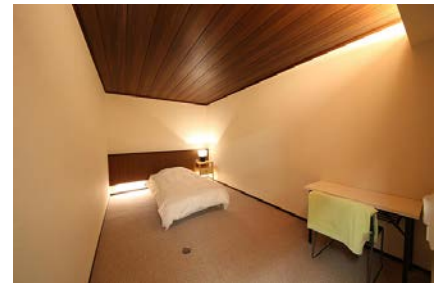
Furthermore, Sumitomo Forestry is placing its strength in the design of living spaces to satisfy the needs of customers such as development of stairs with enhanced visibility, heat shocks, and the Air-Dream Hybrid total air conditioning system that reduces house dust and realizes a comfortable space without any temperature fluctuations. Sumitomo Forestry also provides comfortable bedroom environments with original wooden interiors that have indirect lighting to offer better sleep quality and reduce fatigue in indoor environments perfect for sleeping.



Stairs provide enhanced step visibility.
Received KIDS DESIGN AWARD in
FY2010



These stairs provide safety-type resin-joint steps with greater visibility than standard stairs.
Received KIDS DESIGN AWARD in
FY2012



Indirect lighting of wood offers better sleep quality and reduces fatigue.
Received KIDS DESIGN AWARD in
FY2016 (Survey and Research Category)

Strengthening of Resilience

Sumitomo Forestry Home houses have continued to further resilience to unpredictable natural disasters through technologies leveraging the properties of wood and performance backed by a wide range of testing. Recommended resilience materials have even been set to allow people to more easily take evacuation life at home after disaster strikes.

The Three Keys to Stronger Resilience

- Big-Frame (BF) Construction Method for earthquake resistance
- Ministerial Ordinance on Semi-Fireproof Houses for fire resistance (prevents the spread of catch fire from outside or fires from inside rooms through wall and ceiling materials with high fire resistance as well as a structure to stop fires)
- Roof construction with specifications to stand up to strong winds and sleeves with basal tunnels for flooding to ensure readiness against strong rains and winds during a disaster

In 2020, we included the specifications below as part of our recommendations to improve resilience performance.

- Rainwater Tanks
- Roof slate with specifications for strong winds
- Sleeves with basal tunnels for flooding (allows for initial recovery in floods by putting in place a sleeve to drain water below floor and above floor level as well as water pooling in the foundation)
- Home security lights (ordinary night lights to use as security lights during power outages, which can be removed and used as portable lights in an emergency)
- Short circuit fire alarms (sounds an alarm to alert users of a problem in the event of a short circuit)

We will continue to provide safer Sumitomo Forestry Home houses for customers to feel peace of mind.

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

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

Sumitomo Forestry broadly promotes the MOCCA (Timber Solutions) Business that proposes wooden construction also in non-residential fields such as commercial complexes and public facilities. The MOCCA (timber solutions) business of the Construction Market Development Department provides high-quality buildings with consideration for user health, safety, and comfort via wooden architecture, and it obtained the ISO 9001 in September 2015 in response to customer expectations. Complying with this international standard, policies were established as shown in the following. Each plant sets tangible quality targets and a business expansion plan adhering to the policy to attain maintained safety and enhanced product quality.

Quality Policy

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

1. Continually better quality and improve customer satisfaction

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

2. Complying with the law

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

3. Establishing policies

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

4. Conducting education and training

We will conduct education and training for the staff involved with the MOCCA (Timber Solutions) Business that we employ to raise awareness so that all of our employees working in the Construction Market Development Department and the Company will understand this quality policy.

5. Publishing this policy

We will publish this quality policy externally on the Housing and Construction Division's Construction Market Development Department website.

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

The MOCCA (timber solutions) Business of the Construction Market Development Department consolidates the quality management system under the aforementioned policy and is building a strict process management system.

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

We have been highly praised by third parties for providing higher quality construction with recognition that includes the Wood Design Award and Good Design Award.

Housing and Construction Business Initiatives

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 and Net Zero Energy Houses (ZEH) 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. We have been offering videos introducing sites during constructions and after completion through the MYHOME PARK website since fiscal 2020 to enable customers to experience how Sumitomo Forestry homes are built.

Sales of Home in-line with Various Needs and Lifestyles

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

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 custom-built housing for double-income families 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 launched to propose 1,000 carefully selected plans from approximately 300,000 proven custom-built homes has achieved residential spaces tailored to the needs and lifestyles of customers through its rich selection of choices.

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

We are also proposing five new plans that ensure a workspace in newly built homes as telework becomes more common due to lifestyle changes driven by the spread of coronavirus disease (COVID-19). As a housing manufacturer that builds custom units in single-family spec homes, we use our expertise and design capabilities with which we have responded to the demand of more than 300,000 customers and provide homes integrating living and working spaces.



Wooden House WORKING STYLE



Integrated Work-Life Single-family Spec Homes

Model Homes/Showrooms

Sumitomo Forestry has expanded its model homes to roughly 300 sites and its showrooms to about 80 different locations. Technology housing display centers in Tokyo, Osaka and Nagoya also specialize in appealing to the technological and performance features of Sumitomo Forestry Home houses. Each model home and showroom has taken measures to provide an environment where customers feel safe as the world faces the COVID-19 through comprehensive measure to prevent the spread of the infection. Some of these measures include reservations before visiting a model home and online consultations.

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

Sumitomo Forestry model homes offer a variety of houses on display, including two- and three-story homes with innovative exterior designs.

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. For example, 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. These families can also get a feel for high quality wood spaces accommodating work at home thanks to workspaces that take advantage of wood properties that help enhance concentration.

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 exhibition builds in an Ene-Farm solar power generation system and fuel cell units for homes as well as central air-conditioning systems in addition to the latest environmental devices.

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

1. Large Exhibition of a Variety of the Latest Equipment

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

2. Total Coordination of Interiors and Exteriors

A wealth of floor materials, doors and windows, furniture and more are on display together with curtains and wallpaper with a wide variety of colors and patterns. These displays can provide a base to specifically consider an indoor feel suitable to the interior decor of each customer's image. We also have brought together a broad line-up of exterior materials for entrance doors and external walls to help visitors solidify their exterior images, which can offer coordination for the entire home.

Everyone can get a distinct individual feel with wood that varies in color and look for each tree species. The showrooms make available floor materials in addition to a broad range of other interior and exterior materials. Each person can experience the look and actual feel of these materials from the touch to texture which cannot be felt in catalogs or on websites.

3. Exhibition of the Housing Structure and Latest Environmental Devices

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



First Senri Model Home (Osaka-Kita Branch/Osaka) Opened in April 2019

Technology Exhibition Houses

At the model homes which act as a place to communicate with our customers about home building, technology exhibition houses specialize in appealing to the technological and performance features of Sumitomo Forestry Home houses. These exhibition houses creatively explain excellent competencies of wooden houses and structural features of the Big Frame Construction Method—Sumitomo Forestry's own building method that is Japan's first wooden beam Rahmen structure—so that visitors are able to understand the basic structures of the homes through direct exposure.

Even while confronted by the COVID-19 crisis in fiscal 2020*, almost the same number of people (total of 2,670 groups) as in the past years visited the technology exhibition houses in Tokyo, Osaka and Nagoya.

* Data collection period: January to December 2020



Outside of Technology Exhibition House



Inside of Technology Exhibition House

Respect for and Application of Customer Feedback

Operation of Sumitomo Forestry Customer Service Department

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

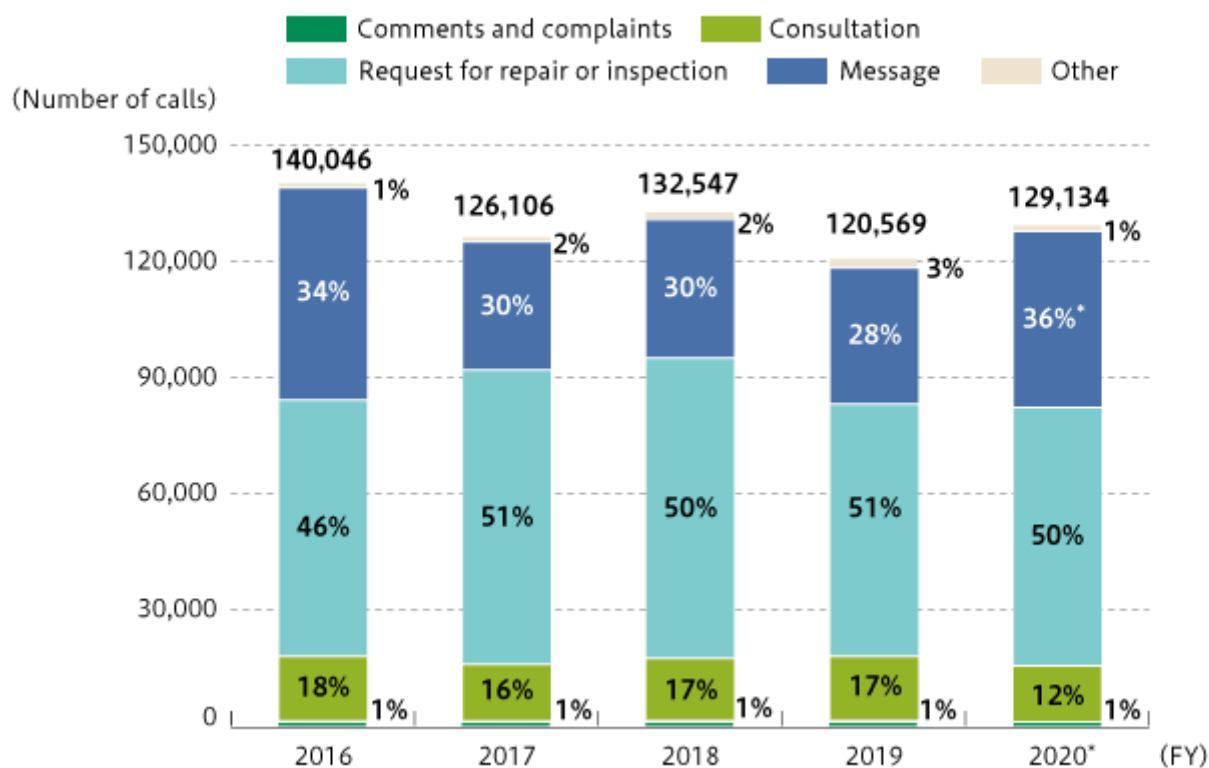
Additionally, Sumitomo Forestry regularly introduces example creative solutions that can be easily adapted in the daily work routine, improves customer satisfaction as well as publishes heart-warming stories on the intranet. Direct feedback and opinions of customers sent to the Customer Service Department, details of the consultations and their analysis results, and examples of superior response are consistently communicated to prevent recurrence of factors causing problems. The support for internal training and one-on-one meetings with Group companies are also provided.

Operation of Sumitomo Forestry Call Centers

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

Presently the centers are located in Tokyo and Okinawa, and are linked together, shortening wait times for customers who call via the unified national free-dial number. Moreover, in response to the COVID-19, we moved and expanded office space to better the workplace environment for operators. In fiscal 2020, the Call Centers handled a large volume of calls about postponing visits and repair requests due to the COVID-19. We will continue to strive to improve customer satisfaction by promptly responding to customer requests and consultations.

Sumitomo Forestry Call Center Inquiry Breakdown (Trends)



* An increase in calls related to postponing visits and repair requests due to the COVID-19

* Data collection period: January to December 2020

Customer Surveys

At Sumitomo Forestry, in order to provide our customers with even greater satisfaction and service, we conduct questionnaires three times during when residents move into their home and the second and tenth years of moving in, and receive the opinions and impressions of the owners.

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

We strive to improve customer satisfaction through direct customer contact gained from the comments received in these surveys, which are then shared with all of our relevant departments.

Each branch collects and ranks items determined by the people in charge of sales, design, interiors, production, and housing exteriors to judge the level of customer satisfaction. Our headquarters forwards the results of these rankings to each branch every three months. Each branch then aims to improve overall customer satisfaction while doing everything in their power to revise measures accordingly based on the results.

In fiscal 2020, the satisfaction ratio in these surveys was 96.5% in the survey of new owners, and 96.3% in the survey of second-year owners.

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

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

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

Communicating Information to Customers

Website Operation and Magazine Publication

Sumitomo Forestry operates its clubforest special website for owners of Sumitomo Forestry Home houses. As of December 2020, about 130,000 owners had registered as members.

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

Lovely Family is a home and lifestyle magazine published twice a year. It also features details about Group company activities such as renovation and utilization of lands. About 310,000 prints were issued for each issue in fiscal 2020.



Progress check page in clubforest



The cover of "Lovely Family", fall and winter 2020 issue

Lifestyle Services Business Initiatives

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 2019, the aging rate reached 28.4%*, and is estimated to exceed 30% by 2025. The rapidly advancing trend toward a super-aged society is one of the most critical social issues Japan faces.

In order to address this issue, we are making use of the experience and knowledge in creating comfortable living spaces that we have cultivated in the housing and construction 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, 2020 ed.

Expanding Services for Customer Need

Sumitomo Forestry provides long-term care for the elderly through Sumirin Fill Care Co., Ltd. (Shinjuku-ku, Tokyo) and Sumirin Care Life Co. (Chuo-ku, Kobe).

Sumirin Fill Care provides comprehensive services to each resident through staff arrangement that exceeds the number required under nursing care insurance standards. Between fiscal 2016 and fiscal 2018, it added five private-pay elderly care facilities with nursing care within the 23 wards of metropolitan Tokyo and one facility in Kobe to offer a total of 766 rooms currently. The company is operating a total of three day-care facilities for the elderly.

Sumirin Care Life Co. has operated three large-scale private-pay elderly care facilities in Kobe that combine independent living and nursing care services up until now. Sumirin Care Life has at least double the number of staff on duty as required under nursing care insurance standards. The company provides a high level of overall services with staff on site 24 hours a day and partnerships with participating general hospitals at all of its facilities. The quality of service has earned high praise from external institutions. Elegano Nishinomiya, a private-pay elderly care facility (elder residential facility) with 309 rooms and peripheral services, opened in Nishinomiya City, Hyogo Prefecture in May 2020. Elegano Nishinomiya brings the number of living spaces available in combination with the existing four facilities to a total of 998 rooms. The company also operates a total of seven Service Stations offering in-home nursing such as visiting nurse services, and day-care services.

In this way, we have been further expanding the number of rooms provided in recent years to bring our high-quality Group services to an even larger number of customers. The Mid-Term Sustainability Targets have set a goal to expand the number of living quarters provided to 2,014 rooms. As of fiscal 2020, these two Group companies provide 1,764 rooms.

The coronavirus disease (COVID-19) has been spreading throughout the world since fiscal 2020. The two Group companies above have made preventing the spread of the virus their top priority while striving to appropriately care for residents and provide high-quality services.

The total number of living spaces
FY2021 Target

2,014rooms

The total number of living spaces
FY2020 result

1,764rooms



Gran Forest Gakugei Daigaku

Efforts to Help Extend Healthy Lifespans from the Customer's Perspective

—Providing Forest Life Health Management Services Employing ICT—

The segment of the population requiring nursing care is expected to increase drastically from 2025, when all members of the Baby Boomer generation will have reached old age. As such, 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 has been adopting the ICT-equipped Life Rhythm Navi^{*1} Plus Doctor resident monitoring system 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. This data makes it possible to effectively maintain and improve the medical condition of each patient. Implementing the system in conjunction with nursing care tracking systems and nurse-call functions also enables sharing of information from residents and collaboration among staff to rapidly respond to any changes in a resident's condition, which is expected to help reduce staff workloads.

Since fiscal 2018, Sumirin Fill Care has made further progress with this system utilizing ICT, developing and providing Forest Life daily health support services to realize a vibrant life for residents. 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 rehabilitation specialists based on data that has been rendered “visible”.

Currently, Sumirin Fill Care private-pay elderly care facilities with nursing care services that have opened since fiscal 2016 have adopted this service. In the future, Forest Life will evolve to unify nursing-care staff, rehabilitation specialists and care managers while expanding health support services including lifestyle rehabilitation. Through these innovations, we plan to provide Forest Life to an even broader range of customers.

These types of initiatives help enhance service quality. In fiscal 2019, the average occupancy rate at 16 facilities rose 30%, and by the end of fiscal 2020, the average occupancy rate reached 98%.

*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.

Elderly Living Spaces Combining Sumitomo Forestry Group Living Environments and Nursing-care Expertise

—Opening of Elegano Nishinomiya—

Elegano Nishinomiya is a mixed-use facility combining our own nursing-care insurance business. The facility also offers a lifestyle program that brings the peace of mind necessary for nursing-care to a wide range of residents from those living independently to those needing assisted living or nursing care. A variety of innovations are intended to help all residents live more energetic lives.

These facilities employ the living environment expertise cultivated at the Sumitomo Forestry Group. The vaulted dining room where daily meals are served has a private Japanese-style dining space where residents may share meals with their family surrounded by the warmth of wood. Elegano Nishinomiya also incorporated housing exteriors and a promenade (playground) emanating the feel of the changing seasons through a design created with the help of Sumitomo Forestry Landscaping. On the care floor terrace for residents requiring long-term care, there is a garden with flowers to enjoy while sitting in a wheelchair. These ingenuities bring the joy of green spaces to everyone. The nursing-term care living spaces are equipped with bedside tables that encourage more pleasant sleep through the power of wood and indirect lighting (founded in research and development results from the Tsukuba Research Institute).

More enhanced medical support is available to all residents from neural examinations through an MRI for the early detection of dementia and tumor maker tests that help with the early diagnosis of cancer. To maintain the health of residents, the exercise room provides water beds that offer massages through the power of water and various other prevention training machines right for seniors in addition to lessons from sports instructors.

Liberal arts programs offer everything from games like go and mahjong to pottery, watercolor painting, calligraphy and flower arrangement classes. Skilled artisans teach the programs that residents can choose from various times throughout the day according to their skill level and health whether beginner or a person who requires long-term care. College and graduate students majoring in music from Kobe College also perform regular concerts.

All units are all equipped with Wi-Fi environments as a new service to distribute information through a channel dedicated to Elegano Nishinomiya. Beds for residents requiring nursing-care are also fitted with sleep sensors from Paramount Bed to collect sleep data, which helps support the daily health of residents.

Sumirin Care Life enhances living environments so that each resident can live life in their own way. We are also advancing even more high quality services by unifying nursing-term and nursing staff, external medical institutions, expert teachers, nutritionists, care managers and many other professionals.



Exterior view of Elegano Nishinomiya



Vaulted Dining Room



Outdoor Terrace to Easily Enjoy the Garden Even in a Wheelchair

Supply Chain Management

Basic Policy

The Sumitomo Forestry Group recognizes its duty to ensuring human rights and addressing environmental issues in the supply chain of its businesses. We are contributing to the realization of a sustainable society throughout the entire supply chain by promoting the standardization of certified timber in the market.

For procurement, our Timber Procurement Philosophy and Policy was revised and renamed to the Sumitomo Forestry Group Procurement Policy in 2015. In 2017, also we drew up the Sumitomo Forestry Group Code of Conduct, which was expanded to include the supply chain. Through this and other measures, we have reinforced our Group-wide efforts.

Sumitomo Forestry Group Procurement Policy

The Sumitomo Forestry Group has been committed to responsible timber procurement activities by establishing Timber Procurement Standard and Timber Procurement Philosophy and Policy in 2005 and 2007 respectively. 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

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

1. Procurement based on legal and highly reliable supply chains

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

2. Procurement based on fair opportunity and competition

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

3. Procurement of sustainable timber and wood products

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

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

4. Communication

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

President and Representative Director Toshiro Mitsuyoshi

Targets and Results of Supply Chain Management

The Mid-Term Sustainability Targets advocate the building of sustainable supply chains as one goal and set targets and promote initiatives related to sustainable procurement surveys with particular focus on our supply chains.

Our specific plan for fiscal 2021 sets a 100% implementation rate of sustainability procurement surveys for suppliers of imported timber products and an 80% implementation rate in the supply chain of the domestic housing department.

Our results for fiscal 2020 succeeded in a 100% implementation rate of sustainability procurement surveys for suppliers of imported timber products and a 97.3% implementation rate in the domestic housing department, which achieved our targets.

Distribution Business 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.

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Promotion System of Timber Procurement Management

Sumitomo Forestry Group established the Timber Procurement Committee, chaired by the officer in charge of sustainability promotion at Sumitomo Forestry (director and managing executive officer) and comprising managers from departments in charge of timber procurement. The committee discusses issues related to group-wide timber procurement, including procurement standards and risk assessments for illegal logging.

In fiscal 2020, the Timber Procurement Committee met three times and confirmed legality and conducted the Sustainability Procurement Survey for all 117 direct import suppliers who are covered in the study and 19 companies that our overseas group companies engaged in 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.

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President and Representative Director Toshiro Mitsuyoshi

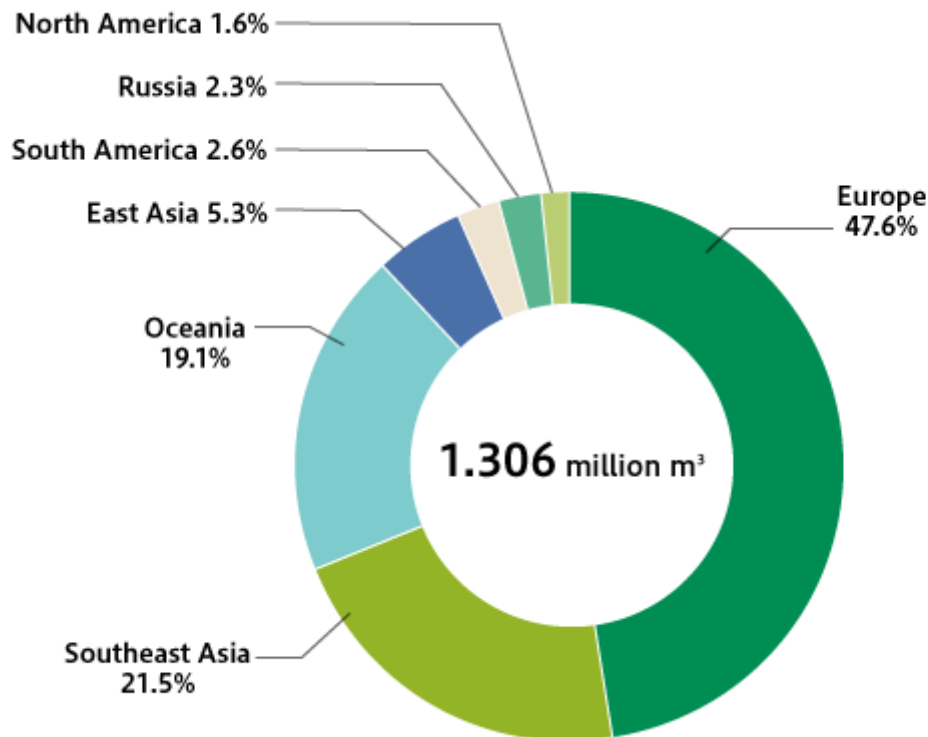
Compliance

Timber & Building Materials Business, Housing & Construction Business and each of timber procurement division at each Group company confirm that the timber provided by suppliers has been legally harvested, or that the wood products they provide have been made only from legally harvested timber as a raw material. Each person in charge of procurement is required to follow the Timber Procurement Due Diligence Manual, gather the following information, cross-check relevant documents for each location and tree species, and confirm traceability of the entire supply chain all the way to the logging site.

No.	Category name
1	Supplier name
2	Supplier address
3	Timber type
4	Tree species of timber type
5	Country or region of logging
6	Annual procurement volume (weight, area, volume or quantity)
7	If sold to a legal entity, the name and address of that legal entity
8	Results of supplier surveys and other, inspection records and other
9	Documents certifying that harvesting was conducted in accordance with laws and regulations of the logging country

With these information sorted by country, region, tree species, and timber type, risk assessment on the illegal logging or human rights violation is carried out based on procurement standards stipulated by the Committee. Risk categories are A (low risk), B (medium risk) and C (high risk). Timber and wood products in the B (medium risk) and C (high risk) categories should not be solely evaluated with documentation to prove that they are legally harvested according to that country's laws and regulations. In addition, when necessary, company staff are sent for on-site inspections to ensure traceability back to the logging site. In fiscal 2020, we audited 13 companies in Category A, 18 companies in Category B, and 107 companies in Category C.

Status of imported timber and timber products by region in fiscal 2020 (results for April to December 2020)



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

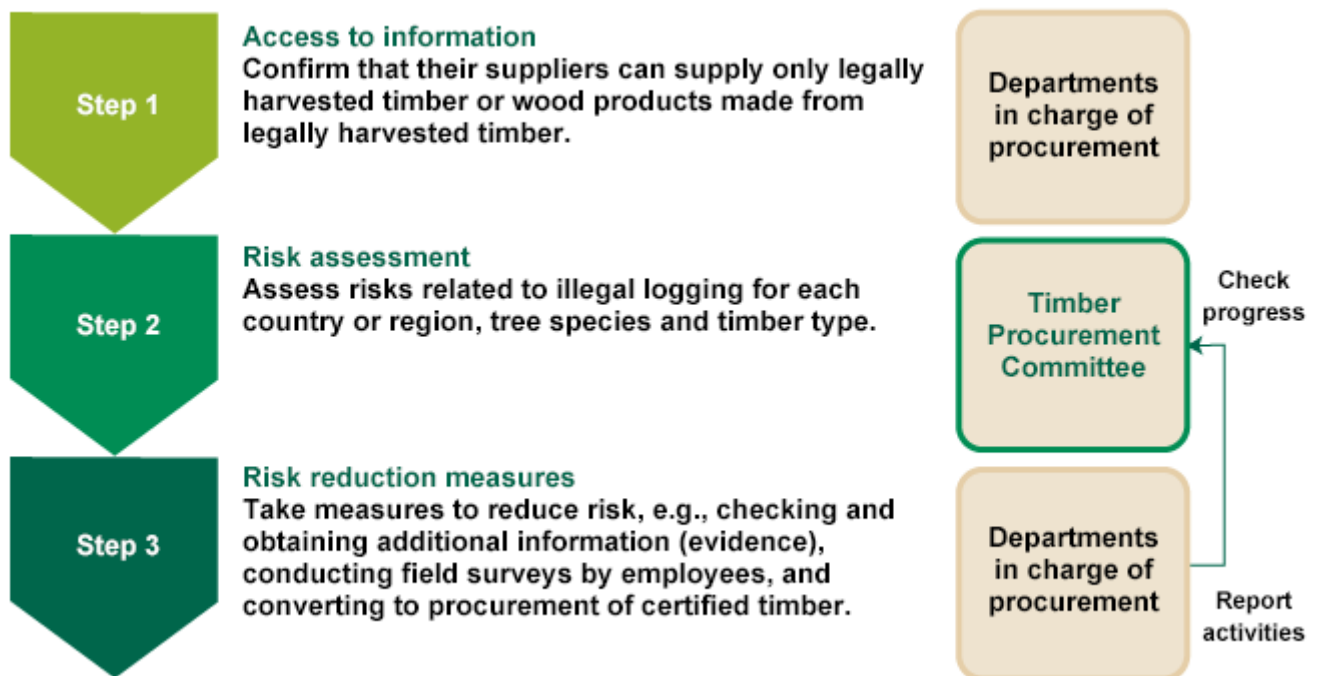
Following items are checked, through Sustainability Procurement Surveys to suppliers and local interviews for the products that are being procured:

- 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 2020, we used a sustainability procurement survey that was revised by adding more detailed items on social and environmental aspects in the previous year. Based on the responses from our suppliers, we scored the initiatives in order to strengthen the management system in more visualized form.

Timber Procurement Management System



Reinforcing Measures for the Sustainability of Timber Products

There is increasing concern about deforestation as one cause of 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 that does not contribute to deforestation in order to further reinforce evaluation standards for sustainability.

Policy on "Sustainable Timber and Wood Products"

To confirm the legality as precondition, we define timber and wood products as sustainable if they fulfill one of the following:

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

In the "Mid-Term Sustainability Targets as part of the 2021 Mid-Term Management Plan" announced in May 2019, we will promote the gradual increased use of alternative wood (natural timber from forest thinning or plantation timber) to stop the handling of items that do not fall under our definition of sustainable timber or wood products, even in situations where legality can be confirmed. By our target fiscal year of 2021, we strive to achieve our goal of 100% handling of sustainable timber and timber products to contribute to halting deforestation.

Percentage of sustainable timber and
timber products handled
FY2020 result

94.6% 

Percentage of sustainable timber and
timber products handled
FY2021 target

100%

Reinforcing Timber Procurement Due Diligence Through Our Action Plan

The Company engages in responsible timber procurement as a Group in accordance with the Sumitomo Forestry Group Procurement Policy. To respond to recent concerns, in May 2019, we created an Action Plan to reinforce on a regular basis our timber procurement due diligence. Major areas of reinforcement to further promote responsible procurement include the appointment of the director in charge of sustainability promotion as the chairman of the Timber Procurement Committee, the holding of study sessions for persons in charge of procurement, and for suppliers with low scores, a two-year probation period to implement requested improvement measures and the cessation of transactions in the event that no improvement is seen.

Education for Personnel in Charge of Procurement

Timber Production and Sustainable Forest Management in Indonesia and Malaysia

As concern about deforestation increases worldwide, interest is focusing on efforts by companies with regard to procurement of tropical timber. In this connection, we held a seminar on October 31, 2018 titled "Timber Production in Indonesia and Malaysia and Efforts Toward Sustainable Forest Management." It was attended by a total of 32 managers and other responsible personnel at international distribution departments handling tropical timber and other imported timber. At the seminar, participants learned the latest information about timber legality certification systems in both countries, the current state of certified timber, and sustainable forest management.

Each year, we keep up with changing circumstances by providing seminars and training sessions on the latest societal and environmental issues. These are separate from the ordinary training provided to all employees by the Personnel Department.



Institute for Global Environmental Strategies (IGES)
A lecture by Research Manager Hiromitsu Samejima

Forest Certification Systems

The Sumitomo Forestry Group operates under a system related to certified timber as one of sustainable timber and wood products defined as the handling of sustainable timber and wood products expands. To share the latest information, we held a Forest Certification Seminar on February 18, 2020 with the participation of 16 people in charge of timber procurement, including Timber Procurement Committee members. This seminar covered the history of the FSC, PEFC, SGEC certification systems and the latest information about the FM and CoC certifications.

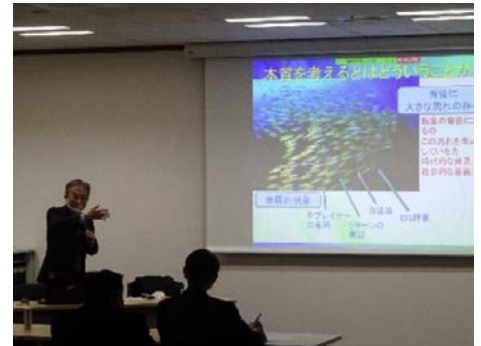


Japan Gas Appliances Inspection Association
Forest/EPA Group
FSC-CoC Examiners
Lecture by Kentaro Katase

ESG Investment Trends

In recent years, investors are becoming more focused on ESG investments, which results in high attention on due diligence of the suppliers that we procure timber and timber products. Therefore, we invited an ESG expert, Dr. Takeshi Mizuguchi, Professor of Takasaki City University of Economics, to conduct a seminar on the recent trends of ESG investments on November, 2020. The seminar taught the audience about the backdrop of the ESG investments, the principles that act as the reason for ESG investments.

We plan to continue to provide more seminars and training on not only timber and timber products but also the global ESG trends and challenges therein.



Takasaki City University of Economics
Professor
Lecture by Takeshi Mizuguchi

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 the first stakeholder dialogue with environmental NGOs, ESG specialists and researchers in July 2019.

After about one year and half since beginning our action plan to achieve 100% procurement of sustainable timber and timber products, we organized the second stakeholder dialogue with environmental NGOs, ESG specialists and researchers in December 2020.

Experts from the World Wildlife Fund (WWF) Japan, FoE Japan, Global Environment Forum, Institute for Global Environmental Strategies, the Rainforest Action Network and Takasaki City University of Economics participated on the day of the dialogue. After reflecting on the discussion in the previous dialogue, we debated the implementation level of sustainability procurement surveys and the challenges faced in the progress rate for handling of timber and timber products from forestry management as sustainable with these experts.

Through the introduction of the sustainability procurement surveys, we have gained a wide range of feedback. This included requests for even greater penetration of required items, such as active approaches for suppliers with a score near the lowest-level standards, even for results of suppliers who did not require any corrective action. In terms of the progress in the handling of timber and timber products from sustainable forests, feedback showed a desire to not only disclose the current percentage from sustainable forests but also the process to reach that level of procurement in order to better share the actual state of things with stakeholders. As the UK and other countries consider legislation such as regulations on the timber from conversion forests to eliminate deforestation due to agricultural production, the survey indicated the importance of external awareness-raising measures to promote initiatives throughout the entire industry even as Sumitomo Forestry pioneers and receives high praise for clarifying the elimination of timber from conversion forests within its procurement standards.

We will continue to expand our efforts toward achieving a 100% procurement rate of sustainable timber and timber products according to the feedback received through the sustainability survey.



The scene at the Dialogue Conference

Assessing Timber Procurement by local interviews

Timber Procurement in Romania

Several environmental groups have expressed concerns about forest management and timber production in Romania in terms of whether or not logging has been appropriately conducted. In April 2017, members of the Timber Procurement Committee conducted on-site inspections, first gathering information through meetings with such organizations as the Ministry of Environment and Forests of the Romanian Government, the Embassy of Japan in Romania, ASFOR (Romanian Forest Association), among others. The members also went to a supplier manufacturing facility and inspected representative logging sites of logs that were transported to the facility. At the manufacturing facility, they confirmed that the supplier properly checks transport permits and the logs bundled on the trailer when receiving raw material logs at the lumber manufacturing plants. For example, the visiting team was able to confirm that the supplier was thorough in segregated management to ensure that logs exceeding the amount permitted were not used and that they engaged in such measures as reporting to forestry authorities. The team received an explanation about forest management from a forest ranger at the logging site and checked the actual hammer stamp mark and process when loading the trailer in the field. In addition, they were able to confirm the dedication to preserving the rare forest ecosystem by observing forest conservation areas under the Romanian government's jurisdiction.

The Company regularly meets with environmental groups that we receive concerns from. In addition, Sumitomo Forestry regularly talks with its suppliers centered upon the Amsterdam office while continuing to conduct surveys through plant visits.



Inspection of harvest land still covered in snow



Check when loading the trailer



Properly checking the delivery at the plant using tablet terminals



Segregated management of round wood beyond the amount on the permit

Concrete Form Plywood from Indonesia

In recent years, several environmental groups have expressed their concerns about the legality of the logs used as raw material for plywood manufactured in Indonesia. In Indonesia, the SVLK timber legality verification system is in place, requiring timber product manufacturers and exporters to register by obtaining SVLK business certification issued by an independent evaluation and certification organization recognized by the National Accreditation Committee. Upon doing so, the business obtains documentation (V-Legal documents) from the independent verification and certification body certifying the timber as legal, and expressly confirming the legality of the entire supply chain, from logging to timber processing at manufacturing plants to export. In July 2018, we conducted an on-site inspection of the concrete formwork paneling plywood manufacturing plant that serves as our supplier. At a timber yard near the harvesting site, we were able to use QR-code labeling on tags attached to logs to confirm the harvesting information at the Indonesian Ministry of the Environment and Forestry website, as well as with V-Legal documentation. After the same logs were transported to the plant, we were once again able to use QR codes at a plant timber yard to access the ministry website and V-Legal documents, successfully tracing them back through the transport process to their harvest location.

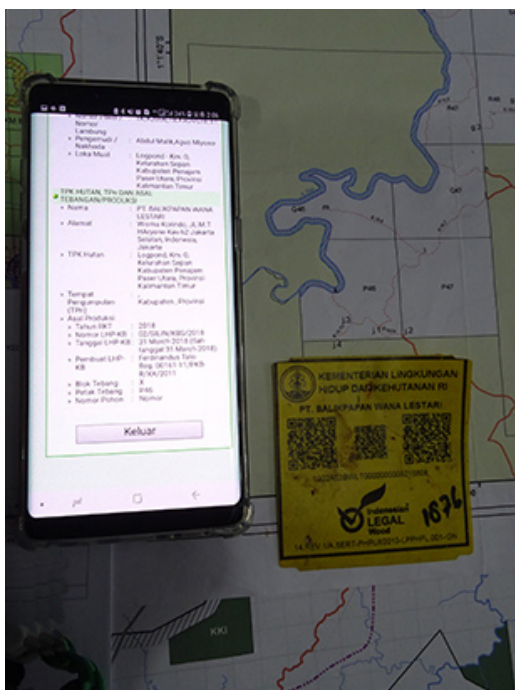
In terms of the procurement of raw material logs used to process plywood, the Company continues to work with suppliers on various initiatives as we strive to fulfill our “Mid-Term Sustainability Targets as part of the Mid-Term Management Plan” to achieve the target of 100% handling of sustainable timber and timber products.



Confirming tags attached to the logs at the plant timber yard



Confirming tags at an intermediate timber yard



Confirming the harvest site from tag information at the logging company (1)



Confirming the harvest site from tag information at the logging company (2)

In terms of concrete formwork plywood for the construction of sports facilities, in November 2018, environmental NGOs reported to the Organizing Committee their concerns that the Company's supplier may be using raw material logs that were not appropriately managed or harvested. With this, we responded by submitting relevant documents and explaining to the Olympic Organizing Committee that these types of raw material logs were not part of the Company's supply chain. As a result, the Olympic Organizing Committee concluded that the concerns were unfounded and not eligible for reporting, which was disclosed in February 2019 on their website.

Plywood from Sarawak, Malaysia

In recent years, as is the case with Indonesia, several environmental groups have expressed their concerns about the legality of the logs used as raw material for plywood manufactured in Sarawak, Malaysia. Sarawak Forest Corporation was established in 2003 for the purpose of eliminating illegal logging in Sarawak, Indonesia. Thereafter, the Sarawak Timber Legality Verification System (STLVS) was created in 2015 to further strengthen efforts to eliminate illegal logging, reflecting the trend of elimination of illegally logged timber in countries such as the United States, the EU, and Australia. Sumitomo Forestry conducted an on-site audit of a plywood production plant of one of its suppliers in September 2019 to primarily confirm whether the STLVS was properly in operation from the logging sites to the plant landing.

We were able to confirm that tracking is possible from logs arriving at the plant to the harvesting district via identification processes such as orange tags proving royalty payments (for processing domestically), white tags (for log production) as well as markings and relevant transfer permits from regional forest offices through the detailed logging plans and tree logging lists required by STLVS. In addition, a signature from a representative in charge of the regional forest office on the back of the export application (K2) necessary to export plywood products confirms the products satisfy all of the STLVS standards.



Logs for Plywood Stacked at a Log Pond



Log Production Tag (White) and Royalty Tag (Orange) at the Log Pond



Logs Stacked at the Landing of the Plywood Production Plant



Confirming the Royalty Number Written on the Log Delivery Ledger

Promoting Certified Timber

Sumitomo Forestry Group works with its procurement partners to build a reliable supply chain and to procure sustainable timber. As one index to confirm whether timber was obtained from forests with sustainable forest management, we support and utilize the Forest Certification System, a third-party certification system.

Furthermore, the Company itself receives the Forest Certification and we believe we can contribute to the system's wider use by providing the market and consumers certified timber.

Sumitomo Forestry Group has obtained FM certification (forestry certification system) for 222,000 hectares and CoC certification for 9 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®	November 1, 2019	JIA-COC-190013 / JIA-CW-190013	Japan Gas Appliances Inspection Association (JIA)
	PEFC	December 14, 2017	CEF1201	Japan Gas Appliances Inspection Association (JIA)
Sumitomo Forestry Co., Ltd. Timber and Building Materials Division, Hokkaido Branch Materials Development Department, Housing and Construction Division	SGEC	January 24, 2017	JIA – W045	Japan Gas Appliances Inspection Association (JIA)
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®	March 3, 2020	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	SAI Global Assurance
PT. Kutai Timber Indonesia (KTI) (Indonesia)	FSC®	January 10, 2020	TT-COC-002009	BM TRADA
Sumitomo Forestry Indonesia	FSC®	April 26, 2016	TT-COC-005903	BM TRADA

Organization	Certification System	Date Certified	Certification Number	Certification Issuing Body
Sumitomo Forestry (Singapore) Ltd.	FSC®	December 5, 2018	NC-COC-005542 / NC-CW-005542	Prefferd by Nature

*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 70 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.

Sumitomo Forestry supplied raw wood cut from the Mombetsu company-owned forest to use as raw materials of timber products for new competition facilities for sporting events. After delivering these raw materials, some media outlets published a story about the company-owned forest being certified but that no Free, Prior and Informed Consent (FPIC) had been obtained from the indigenous people for the logging. Our company addressed these concerns with everyone involved through by explaining the following:

- Since starting our own company-owned forest business in 1926, Sumitomo Forestry has not confirmed any concerns from or demands made by indigenous people about its business areas or management methods.
- Sumitomo Forestry requires materials from certified forests for all relevant facilities, and our certified timber complies with all timber procurement standards for sporting events.
- When Sumitomo Forestry supplied logged materials for relevant facilities from the Mombetsu company-owned forest in 2017, for this forest certification, the standards, regulations, guidelines and evaluation criteria related to FPIC have been gradually put in place since 2015. The Mombetsu company-owned forest was up to date with all of the required measures at that time.

The Sumitomo Forestry Group will listen carefully to all of its stakeholders in the future in an effort to ensure even more sustainable forest management.

Smooth Response to the Clean Wood Act

The Act on Promotion of Use and Distribution of Legally-Harvested Wood and Wood Products (the Clean Wood Act) was enacted in May 2017 to encourage use of timber from trees harvested in compliance with the laws and regulations of Japan and other countries and to create a market where illegally logged timber, which damages the environment, is not made available. Sumitomo Forestry was the first in the country to register the Timber and Building Materials Business, which imports and sells timber, as a Type 1 Wood-Related Entity on November 22, 2017. This same division was registered as a Type 2 Wood-Related Entity on August 1, 2018. Subsequently, Sumitomo Forestry Wood Products was registered as a Type 1 and Type 2 Wood-Related Entity on February 20, 2018. We have also registered the Housing and Construction Division (March 16, 2018) and Sumitomo Forestry Crest (May 9, 2018) as Type 2 Wood Related Entities as part of our efforts to procure legal timber throughout the entire Group.

Registered Wood Related Entity	Type	Registration Date	Registration Number	Agency Issuing Registration
Timber and Building Materials Division	Type 1, Type 2 Wood Related Entity	November 22, 2017	No. JIA-CLW- I II 17001	Japan Gas Appliances Inspection Association
Building Materials Procurement and Logistics Department, Housing and Construction Division	Type 2 Wood Related Entity	March 16, 2018	No. HOWTEC-CLW-II 0001	Japan Housing and Wood Technology Center
Sumitomo Forestry Wood Products	Type 1/Type 2 Wood Related Entity	February 20, 2018	No. JIA-CLW- I II -3	Japan Forest Technology Association
Sumitomo Forestry Crest Co., Ltd.	Type 2 Wood Related Entity	May 9, 2018	No. JIA-CLW- II 18002	Japan Gas Appliances Inspection Association

Participation in JBIB (Japan Business Initiative for Biodiversity)

Sumitomo Forestry participated in the Japan Business Initiative for Biodiversity (JBIB) as a member company. JBIB is made up of companies that engage in activities aimed to conserve biodiversity. In fiscal 2020, the supply chain working group expanded its knowledge through informational exchanges with the Ministry of Agriculture, Forestry and Fisheries, the Ministry of the Environment and other government agencies as well as the EU.

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: 872 companies (as of December 2020)	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 our distinct perspective.

Dennagon (Digital Delivery Slip and Invoice Transmission Service)

The Timber and Building Materials Division launched the Dennagon service in October 2016 as a website to access and receive digital versions of delivery slips and invoices traditionally exchanged on paper.

Using the Dennagon service provides the benefits below.

1. Purchasers can now receive the delivery slips and invoices the morning after they are issued by the Company instead of waiting for them to be delivered at an unknown time several times a week. The service also streamlines the tasks to process delivery slips based on the purchasers.
2. The work to check the content of delivery slips is made more efficient as well through a sorting function of the delivery data in Excel, with which the purchasers can easily find desired data.
3. The Dennagon service stores delivery slips for ten years and eliminates filing tasks by allowing various searches to help increase efficiency while reducing costs of operations at purchasers.

Another benefit of the service during the coronavirus pandemic was the ability for purchasers to verify our delivery data without being in the office. As of fiscal 2020, roughly 580 of our business partners are using this service.

Manufacturing Business Initiatives

Basic Policy

The Sumitomo Forestry Group promotes responsible procurement activities while working with procurement suppliers through the manufacturing business in efforts such as sustainability procurement surveys and on-site field surveys for not only domestic timber in Japan but also hardwood from North America, and plantation timber from New Zealand and Indonesia.

We encourage the use of certified timber and plantation materials for new raw materials during raw material procurement and promote suppliers to understand and practice the Sumitomo Forestry Group Procurement Policy for raw materials currently in use. These efforts promote procurement of legal and sustainable raw materials.

Promoting Sustainable Timber Procurement

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 falcata*) 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

Use of Sustainable Timber

Sinar Rimba Pasifik uses sustainable timber that takes into consideration the environment and at the same time, manufactures high-quality wood interior materials (floors, stairs, counters, etc.) of a consistent design and supplies products primarily for Sumitomo Forestry Home houses. The timber used as the main raw material procured for these products is solely sustainable timber and we encourage the use of plantation timber.

In fiscal 2020, approximately 70% of our overall timber used was imported from North America, and all of the imported timber from North America is certified timber from member companies of the American Hardwood Export Council (AHEC), which promote sustainable forest management, or Quebec Wood Export Bureau (QWEB). The remaining timber procured is plantation timber from Indonesia (Perum Perhutani), all of which are materials that have received SVLK (Sistem Verifikasi Legalitas Kayu) certification.

We will continue to pursue sustainable timber and manufacture and sell high-value-added products that use verified as legal and sustainable timber.



Timber Storage Warehouse

Housing and Construction Business Initiatives

Basic Policy

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

In the Housing and Construction Business, one of the main pillars of our Group's operations, sustainable materials procurement is positioned as one of our material issues for management. The structural materials and small cross-sectional wood slabs called hagarazai* are procured through our trading arm, the Timber and Building Materials Division, which confirms legality and sustainability of timber and wood products. In addition, we have been responding to the Clean Wood Act, which seeks to promote the distribution and utilization of legally harvested wood and related products from May 2017. The Housing and Building Materials Division registered as a Type 2 Registered Timber-Related Operator under the Clean Wood Act in March 2018. For housing equipment, insulation, resin parts and other building materials, procurement is conducted in accordance with the Sumitomo Forestry Group Green Procurement Guidelines.

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

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

► [Sumitomo Forestry Group Procurement Policy](#)

Green Procurement and Sustainable Procurement

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

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

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

Environmental Consideration and Legal Compliance in Responsible Material Procurement

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

When adopting new products or reforming existing products, we create green procurement ledgers as well as waste disposal confirmation forms (product/package) 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/package) 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.

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
<p>Evaluation and feedback based on the Supplier Evaluation Standards Implementation rate: 100% (FY2020)</p>	<p>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 2020, we provided feedback to 244 suppliers, a 100% implementation rate.</p> <p>As one aspect of these assessments, we have been conducting regular on-site audits of suppliers. In fiscal 2020, we had to refrain from these types of on-site visits to supplier plants due to the spread of the novel coronavirus (COVID-19) infection that began in February 2020 and state-of-emergency declarations. As of April 2021, Sumitomo Forestry began considering inspections over the web by communicating with supplier plant and quality control staff. 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.</p>

Responsible Material Procurement

Starting in fiscal 2019, the Housing and Construction Division began subjecting new suppliers to an annual Sustainability Procurement Survey in addition to the Green Procurement Survey that was required in the past. This Sustainability Procurement Survey was originally aimed for existing building materials and housing equipment manufacturers as well as other suppliers. In fiscal 2019, 42 companies participated in the sustainability procurement survey (approximately 86% of annual purchasing ratio of suppliers for the previous fiscal year). In fiscal 2020, this expanded to a total of 86 companies that included 63 direct suppliers (97.3%) and 23 indirect suppliers. Each of these suppliers participates in the survey with all 53 items related to the progress of their initiatives on social and environmental aspects as well as the sustainability of their timber procurement.

We held a sustainability survey briefing in October 2020 for all new suppliers who were asked to respond to our survey for the first time in fiscal 2020 (suppliers who took the survey in the previous fiscal year were also welcome to participate). Approximately 80 people attended, and we shared with them the Sumitomo Forestry Group Code of Conduct, the Sumitomo Forestry Group Procurement Policy and our thinking regarding responsible procurement to promote mutual understanding.

The survey conducted had a 100% response rate for the second consecutive year. Suppliers were evaluated on a four-scale ranking of S, A, B or C based on their responses.

Through the surveys, we were able to confirm that many suppliers share our own understanding of what responsible procurement means. On the other hand, some suppliers fell short of our expectations and after discussions at our supplier evaluation meetings, we provided feedback, which we will continue to follow up on to ensure ongoing improvement.



A sustainability procurement survey explanatory meeting

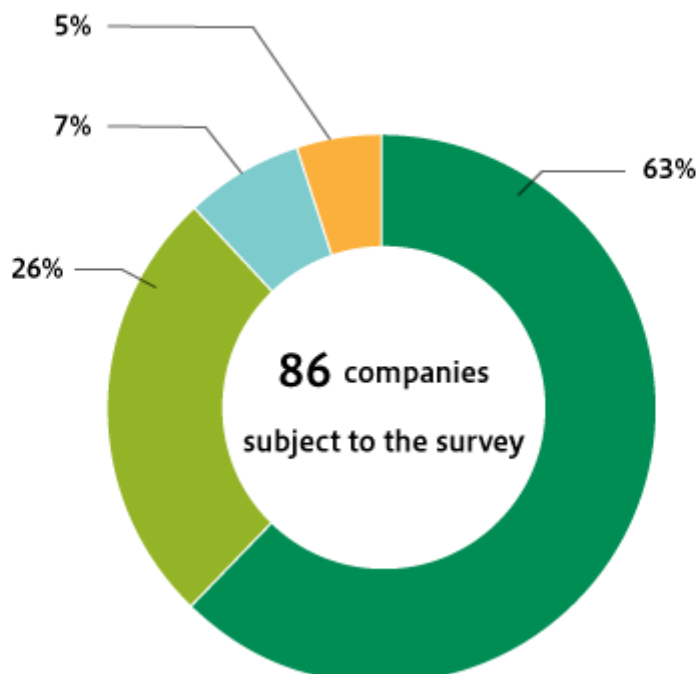
Sustainability procurement survey implementation rate in the supply chain of the domestic housing department (%)

97.3%

▶  About symbol for Independent assurance

Fiscal 2020 Sustainability Procurement Survey Results (100points indicates a perfect score)

■ S: 90-100points ■ A: 80-89points ■ B: 70-79points ■ C: below 70points

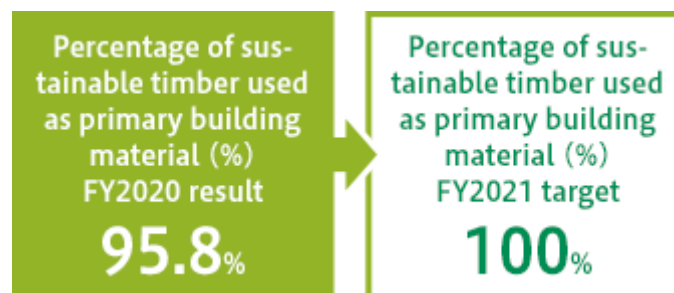


Housing and Construction Business Initiatives for Sustainability in Timber and Wood Products

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

In fiscal 2020, we were able to increase the percentage of sustainable timber used as primary building material of Sumitomo Forestry detached homes to 95.8%. In the future, these initiatives will strive to go even further with the goal of reaching 100% sustainable timber used.

► Policy on Sustainable Timber and Wood Products



Promotion of Social Contribution Activities

Basic Policy

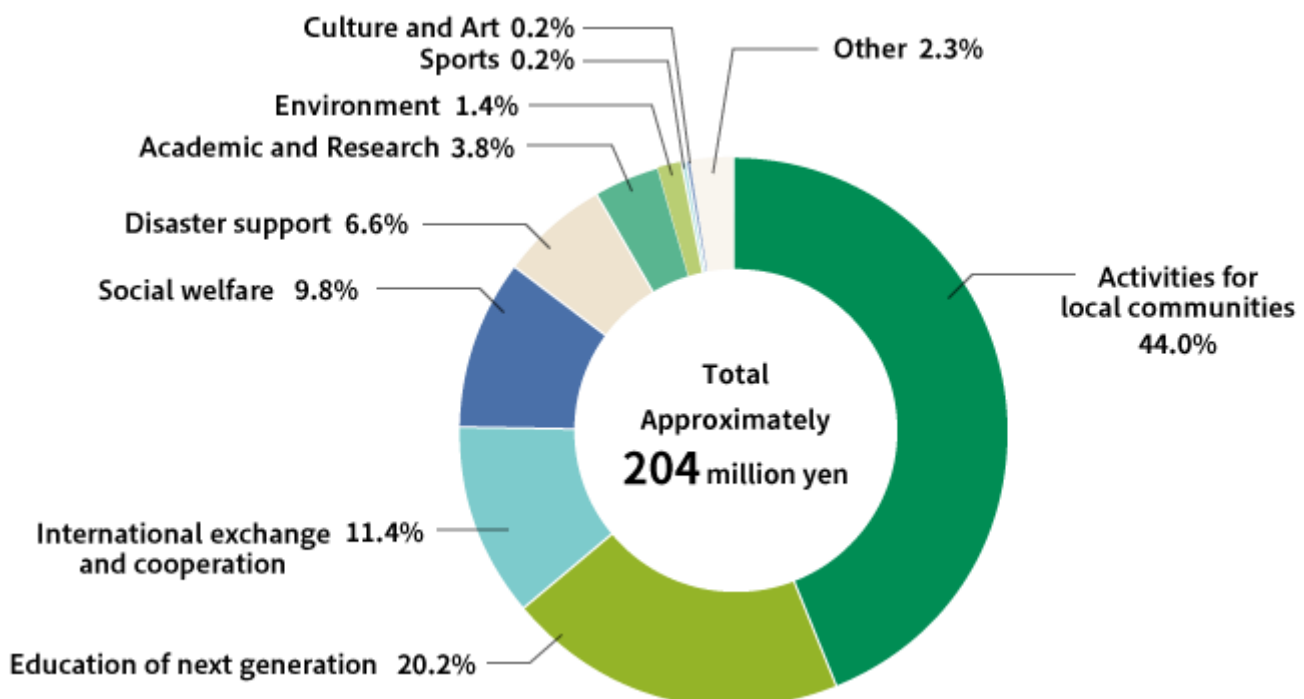
The Sumitomo Forestry Group advocates “the development and sale of reliable and safe products and services that consider the environment and society” as one of five material issues. Even in business processes, the Group makes considerations that include community development and local social welfare. 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

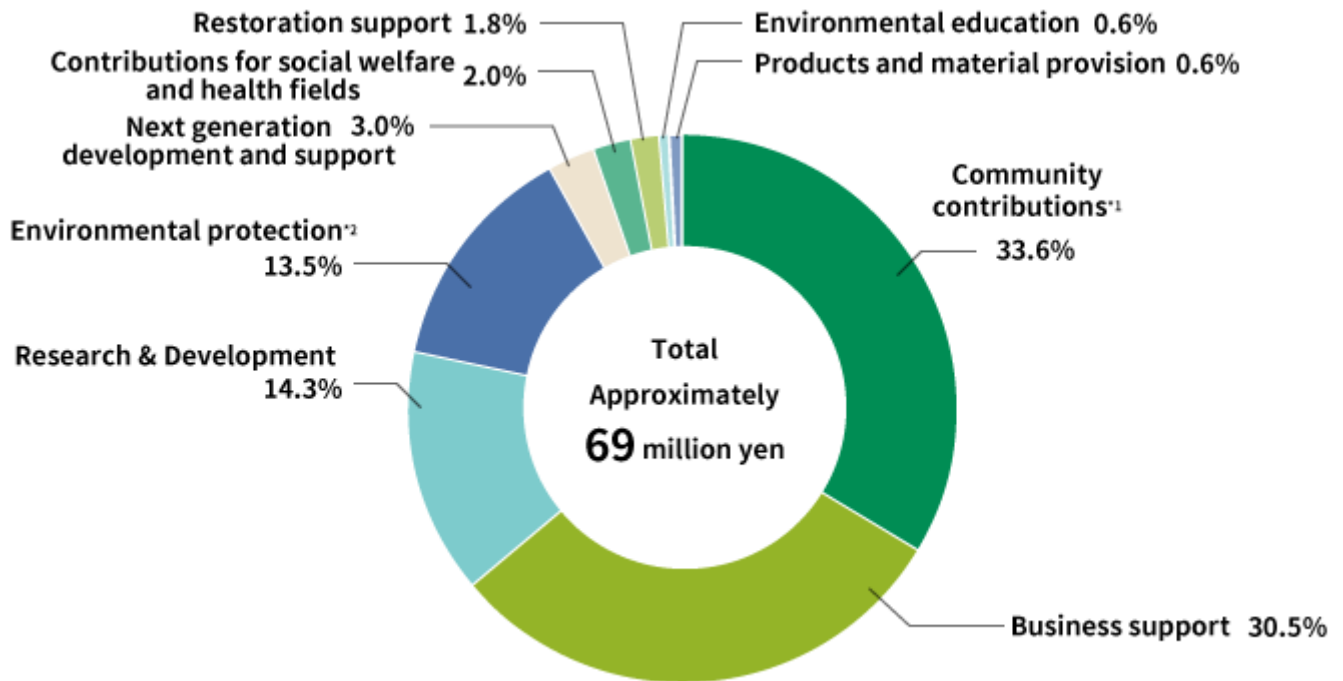
Breakdown of Donations by Category (FY2020)*



* Data collection period: April to December 2020

Expenditure on Social Contribution Activities

Breakdown of Expenditure on Social Contribution Activities (FY2020)*



*1 Mt. Fuji Manabi no Mori operation costs, etc.

*2 Costs of community cleaning activities and the Forester House operation, etc.

* Data collection period: April to December 2020

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. Three employees* took volunteer leave in fiscal 2020.

In addition to the five days that can be taken in the current volunteer leave program, employees can now take an additional ten days of leave (unpaid) if participating as a Tokyo 2020 Games (Olympics/Paralympics) volunteer recruited by the Tokyo Organising Committee of the Olympic and Paralympic Games. 20 employees are expected to take advantage of this additional leave. In the future, we will flexibly adapt to the changing situation around these games in ongoing support of employee volunteer activities.

* Data collection period: January to December 2020

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.

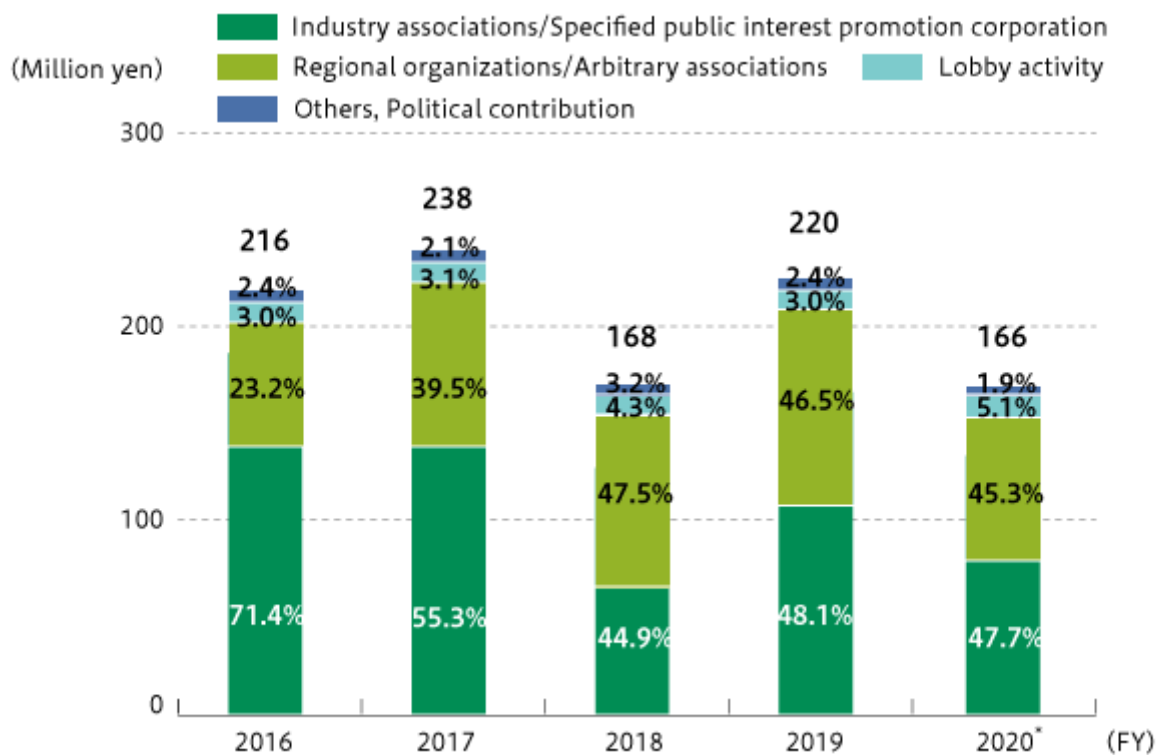
Public Service (As of January 1, 2021)

Organization	Position	Position in the Company	Name
Council for the Promotion of Decentralization Reform, Cabinet Office	Assembly Member	Representative Director Chairperson	Akira Ichikawa
National Exchange Examination Board, National Personnel Authority	Board Member	Representative Director Chairperson	Akira Ichikawa
Japan Association of Corporate Executives	Vice Chairperson	Representative Director Chairperson	Akira Ichikawa
Wooden Home Builders Association of Japan	Chairperson (Representative Supervisory Officer)	Representative Director Chairperson	Akira Ichikawa
Japan Federation of Housing Organizations	Chairperson (Representative Supervisory Officer)	Representative Director Chairperson	Akira Ichikawa
The Machinami Foundation	Director	Representative Director Chairperson	Akira Ichikawa
Japan-China Association for Building and Housing Industry	Supervisory Officer & Vice Chairperson	Representative Director Chairperson	Akira Ichikawa
The Building & Housing Center of Japan	Outside Director	Representative Director Chairperson	Akira Ichikawa
The Provision of Quality Housing Stock Association	Vice-chairperson	Representative Director Chairperson	Akira Ichikawa
Keidanren (Japan Business Federation)	Standing Secretary	Representative Director Chairperson	Akira Ichikawa
Keidanren Committee on Nature Conservation	Vice-chairperson	Representative Director Chairperson	Akira Ichikawa

Organization	Position	Position in the Company	Name
The Tokyo Chamber of Commerce and Industry	Standing Advisor	Representative Director Chairperson	Akira Ichikawa
The Tokyo Chamber of Commerce and Industry - Japan Committee for the Japan-New Zealand Business Council	Committee chairperson	Representative Director Chairperson	Akira Ichikawa
Japan Indonesia Association, Inc.	Director	Representative Director Chairperson	Akira Ichikawa
Gifu Academy of Forest Science and Culture	Special guest professor	Representative Director Chairperson	Akira Ichikawa
Japan Association of Corporate Executives Sustainable Development Goals (SDGs) Workshop	Vice-chairperson	Representative Director President and Executive Officer	Tatsuru Satoh
Institute for Innovative Healthcare	Director	Representative Director President and Executive Officer	Tatsuru Satoh
Japan 2x4 Home Builders Association	Director	Managing Executive Officer	Ikuro Takahashi
The Building & Housing Center of Japan	Executive Delegate	Managing Executive Officer	Ikuro Takahashi
Japan International Association for the Industry of Building and Housing	Representative Supervisory Officer & Chairperson	Chief Corporate Advisor	Ryu Yano
Organization for Landscape and Urban Green Infrastructure	Representative Supervisory Officer & Chairperson	Chief Corporate Advisor	Ryu Yano
National Conference for Promoting Forestry Revival and Regional Revitalization	Vice-chairperson	Chief Corporate Advisor	Ryu Yano
Japan Global Exchange Forum for Housing, Building and Urban Development	Supervisory Officer & Vice Chairperson	Chief Corporate Advisor	Ryu Yano
The Tokyo Chamber of Commerce and Industry	Special adviser	Chief Corporate Advisor	Ryu Yano
Yamaguchi Industrial Strategy Committee	Industrial Strategy Advisor	Chief Corporate Advisor	Ryu Yano

Organization	Position	Position in the Company	Name
Kansai Philharmonic Orchestra	Trustee	Chief Corporate Advisor	Ryu Yano
Japan Federation of Housing Organizations - Environment Committee	Committee chairperson	Advisor	Hideki Nose
Japan Federation of Housing Organizations - International Foreign Relations Committee	Committee chairperson	Advisor	Hideki Nose
Institute for Building Environment and Energy Conservation	Director	Advisor	Hideki Nose
Japan International Association for the Industry of Building and Housing	Operational Committee Chairperson	Advisor	Hideki Nose
Wooden Home Builders Association of Japan	Operational Committee Chairperson	General Manager, External Relations Department	Takanori Umeki
Japan Greenery Research and Development Center	Trustee	General Manager, Forest and Landscape Research Center	Kentaro Nakamura
National Land Afforestation Promotion Organization	Director	General Manager, Forest Department	Kenji Terazawa
The Forest Culture Association	Director	General Manager, External Relations Department	Hiroyuki Wakabayashi
Japan-Papua New Guinea Association	Director	Divisional Manager, Environment and Resources Division	Masanobu Nishikawa

Costs Such as to Various Associations



* Data collection period: April to December 2020

Examples of Social Contribution Activities in Japan

Mt. Fuji Manabi no Mori Project

We are continuing the Mt. Fuji Manabi no Mori Project which began in 1998 to commemorate the 50th anniversary of the Company's establishment, setting out to restore the vitality of the rich national forest cloaking the foothills of Mt. Fuji that was extensively damaged by a typhoon. Today, this project visualizes the progress of tree growth in survey areas of planted regions and oversee natural forest recovery of Mt. Fuji Manabi no Mori.

In fiscal 2020, the Mt. Fuji Manabi no Mori was used for volunteer activities and environmental education programs. A total of 553 people visited Mt. Fuji Manabi no Mori from inside and outside of the Company with a total of 30,371 people visiting the project between fiscal 1998 and 2020.

▶ [20-year History of Mt. Fuji Manabi no Mori Booklet \(in Japanese\)](#) 

Volunteer Activities in Forestry Development

Since the start of the project in 1998, up until now, a cumulative total of 28,000 volunteers have helped to plant approximately 30,000 region-specific saplings and conduct other forestry efforts.

To date, reforestation efforts of national forest damaged by typhoons were completed as the first phase by removing the hexatubes. In fiscal 2019, a tree survey began as a monitoring survey necessary to comprehensive forest management activities. As the second year of this tree survey, 152 volunteers took part in creating a database from records of 599 trees planted on approximately 1,800 m² over five days under the guidance and cooperation of arborists and other tree experts.

The Manabi no Mori project will shift to a more suitable forest for learning by visualizing the growth of the trees that have been cultivated by the volunteers.



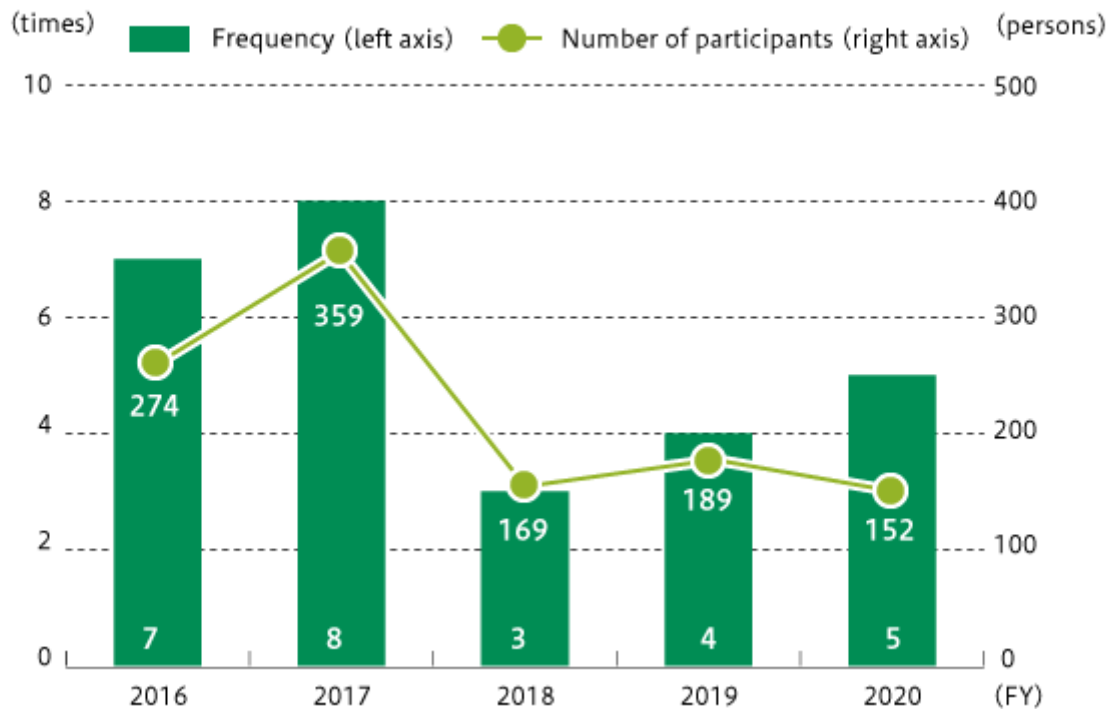
Employees Participating as Volunteers



Students of the Sumitomo Forestry
School of Professional Building
Techniques Participating as Volunteers



Forest Recovery Volunteer Activities Trend



* Data collection period during fiscal 2020 was from April to December 2020.

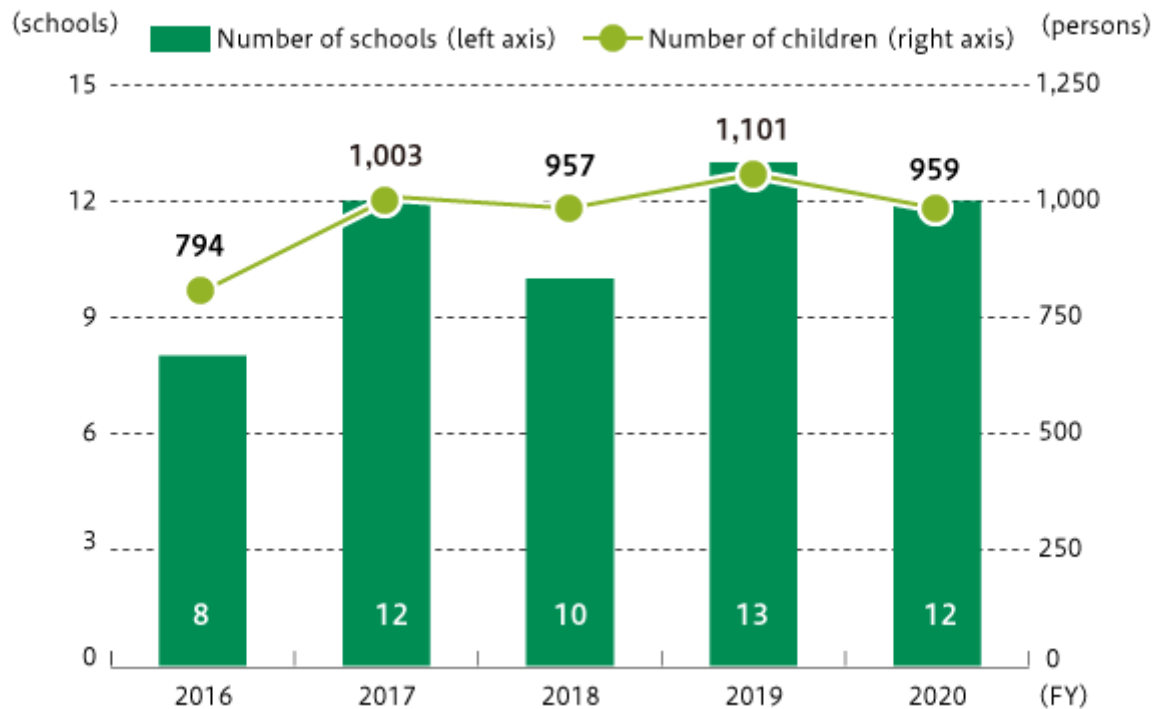
Environmental Education Program

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, looking for tracks and traces of wild animals, 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 2020, a total of 959 students and children from 12 schools were invited to the program. A cumulative total of more than 11,000 students and children have been invited as of fiscal 2020.



Environmental Education Program

Environmental Education Program Trend



* Data collection period during fiscal 2020 was from April to December 2020.

Vegetation Monitoring and Wildlife Habitat Survey

We have been conducting vegetation surveys since fiscal 2000 to monitor the recovery of the natural forest under the guidance of Vegetation Management Science Laboratory, Tokyo University of Agriculture and Technology. From the same year, we have been conducting wildlife habitat surveys with the cooperation of the Minami Fuji Branch of the Wild Bird Society of Japan.

The vegetation monitoring has been able to confirm the gradual growth of beech, Japanese zelkova, and other trees that were planted as well as dogwood and amur cork trees that grew naturally after the damage caused by the typhoon. Over the last 20 years, the survey revealed that the planted trees had not only gotten larger but entire species in the forest also recovered.

The environment where the ground was bare after the removal of fallen trees gradually transformed from grasslands to forests. With this, on the wildlife habitat survey, the population of pheasants and shrikes is declining, and in their place, the population of such birds of the forest as narcissus flycatchers and varied tit is increasing with opportunities to view them becoming more frequent, indicating that the forest is steadily recovering.

The three-year entomological survey launched in fiscal 2019 with the cooperation of Tokoha University professors reached its second year in 2020. This monitoring survey will identify and list over 80% of the insect species living in Manabi no Mori with a large behavioral range.

Cultivating a forest is a never-ending job and Mt. Fuji Manabi no Mori, too, is a 100-year project. To ensure that the project is still running 100 years from now, forest management and environmental activities will be continued as a way to communicate the importance of nature to as many people as possible.

Vegetation Shift in the Wind-affected Area



(2001)



(2008)



(2016)

► [Mt. Fuji Manabi no Mori \(in Japanese\)](#)

Cooperation with Local Communities

The Sumitomo Forestry Group conducts biodiversity conservation in surrounding areas where it engages business in and conducting and activities tied to local communities with local residents.

Forest Maintenance Activities at Gunma Manabi no Mori

In July 2012, Sumitomo Forestry and Gunma Prefecture signed a prefectural forest maintenance partnership agreement, and are working with the prefectural authorities to promote the maintenance of forest at the foot of Mt. Akagi.

Located within the jurisdiction of Maebashi City, Akagi Forest is owned by Gunma Prefecture, which promotes maintenance and conservation of its forests in cooperation with companies and organizations. The Sumitomo Forestry Gunma Branch holds the annual Gunma Manabi no Mori event as a forest maintenance activity. With the cooperation of local forest associations, 73 employees of Sumitomo Forestry and partner building contractors as well as their families participated in the activities which included planting of Japanese cypress seedlings and thinning in May 2019. 94 owners and their families took part in the same program in July 2019.



Gunma Manabi no Mori

Advocating the Kanagawa Zero Plastic Waste Declaration

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. 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^{*}. As part of this support, the Yokohama and Shonan Branches are conducting annual beach cleaning activities together with its building contractors. The trash included not only plastic waste but also syringes and old tires. This activity was a great chance to reflect once again on the environment around us.

^{*} 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 on the Tsujido Shore
(Shonan Branch)



Kanagawa Zero Plastic Waste Declaration logo



かながわプラごみ
ゼロ宣言



私たち一人ひとりの行動が、
未来につながる。
SDGs 未来都市 神奈川県

Development of Technology to Pass Down Heritage and Precious Trees to the Next Generation

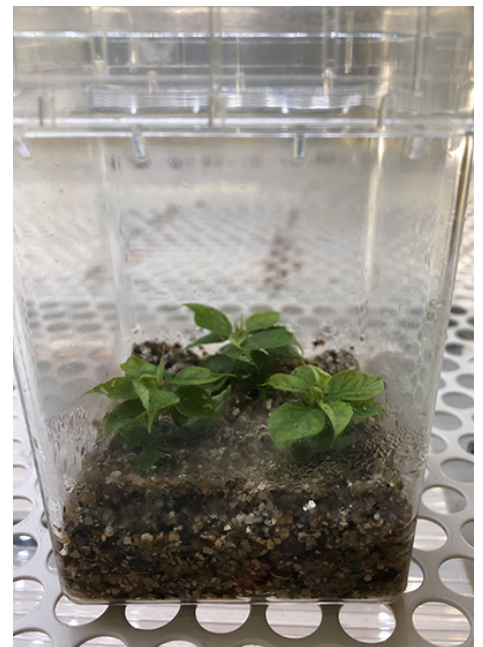
Sumitomo Forestry uses the most cutting-edge biotechnology in addition to conventional grafting and cutting based on the request of owners to pass down heritage and precious trees to the next generation. We are also putting our strength into breeding seedlings that provide the properties in the flowers 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.

Exhibition of the Culture Samples and Seedlings of Japanese Apricot Bonbai Successfully Propagated Through Tissue Culture

Sumitomo Forestry exhibited the culture samples and seedlings of Ume Bonbai* successfully propagated through tissue culture at the Bonsai Exhibition of Ume Trees with Blossoms. The Ume Bonbai trees on display were culture samples and seedlings of *Furo* and *Fuyoho*, two of the three precious Ume Bonbai between 350 to 400 years old. This exhibit celebrated the 70th anniversary of the Bonsai Exhibition of Ume Trees with Blossoms.

The culture samples and seedlings cannot generally be viewed by the public because they are grown in a sterile chamber that controls temperature. At this exhibition, we created a system to very carefully control the temperature to achieve this special presentation of the Ume Bonbai. The exhibition treated many visitors to the Ume Bonbai trees passed down for generations as well as leading-edge biotechnologies.

* Dwarfed Japanese apricot tree



Culture Sample of the Ume Bonbai

■ Bonsai Exhibition of Ume Trees with Blossoms

Bonsai Exhibition of Ume Trees with Blossoms began in 1952 at the Keiunkan in Nagahama City, Shiga Prefecture and is the most historic and largest Ume Bonbai exhibition in Japan. At this event, about 300 pots are replaced according to the flowering time, and about 90 pots of Bonbai are exhibited in the best condition. The exhibition this year was held from January 9 to March 10, 2021.



Ume Bonbai Seedling

Oku Matsushima Natural Recovery Volunteer Planting Activity

Sumitomo Forestry entered into a partnership agreement on restoration property development coordination and cooperation with Higashi Matsushima City, Miyagi Prefecture in July 2012 after the Great East Japan Earthquake to make every effort toward restoration. Higashi Matsushima City aims to revitalize tourism by bringing back the wetlands in the Susaki district near the Nobiru coast devastated by the tsunami. As part of this effort, Sumitomo Forestry began trial tree planting activities in fiscal 2017. A soil investigation discovered a high concentration of acidity, which needed considerations about the tree species and techniques for planting. We then formulated a tree-planting plan taking into account third-party insight from the Tohoku Research Center of the Forestry and Forest Products Research Institute.

We could check and make sure the seedlings had been growing with support by local community, so that the Higashi Matsushima Nature Recover Volunteer Planting Activity started near Oku Matsushima “Kizuna” Solar Park along the Nobiru coast of Higashi Matsushima City In fiscal 2019.

On October 28, 2020, a total of 192 people from the local community, students from Miyanomori Elementary School in Higashi Matsushima and Sumitomo Group employees took part. These participants not only planted 640 local indigenous plants from five species—evergreen shrubs, resistant red pine, resistant black pine, Japanese hill cherry and Japanese cheesewood—but also cleared the underbrush around the seedlings in the area planted up to last year to allow further growth. This is a medium- to long-term plan executed together with the local community.



Students from Miyanomori Elementary School in Higashi Matsushima and employee volunteers from the Sumitomo Forestry Group



Tree Planting

Training and Education for the Next Generation

—Communicating the Importance of Circular Use of Forest Resources to the Children Entrusted with the Next Generation—

Support of the Project to Create Japanese Versions of the SDGs 169 Target Icons

Sumitomo Forestry has supported a project to create Japanese versions of the SDGs 169 target icons. This project has a participatory format for anyone who takes part to help create original Japanese icons for the 169 SDG targets written in English.

The 17 goals of the SDGs do have a Japanese translation but the 169 targets still only have a rough translation released by the Ministry of Foreign Affairs of Japan. This project was launched to make the achievement of the SDGs more personal for society at large, which should connect daily actions, by having the children entrusted with the next generation create original Japanese copy for the SDG targets. As part of this support, we visited schools to teach junior high school students about the forest management and circular use of wood addressing Goal 15 Life on Land. Sumitomo Forestry worked together with the children to inspire free thinking while creating the Japanese copy. The Asahi Shimbun newspaper for junior high and high school students and the Asahi Shimbun DIALOG even covered the curriculum and the classroom atmosphere from the school visit to broadly publicize the project.

The final version of the Japanese copy was released at the end of March 2021 based on the ideas solicited from the children and youths.



Project Logo

► Japanese Versions of the 169 SDG Target Icons (in Japanese)



School Visit



Asahi Shimbun Newspaper for Junior High and High School Students

Conducting Corporate Research Seminars for Ministry of Education, Culture, Sports, Science and Technology-Designated Ehime Prefectural Matsuyama Higashi High School

Students of Matsuyama Higashi High School visit Niihama, Ehime, where the Sumitomo Forestry Group was founded, to take part in a seminar every year, as part of reforms of education curriculum as well as research and development projects (human resource development of future leaders through the development, practice, and systemization of high-quality curriculum) that help nurture leaders in high schools launched by the Ministry of Education, Culture, Sports, Science and technology since 2014.

FY2014 to FY2018	Super Global High School Program
Since FY2019	Program to Promote Education Innovation at High Schools in Cooperation with Local Communities

The seminar 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 330-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. We had also planned to hold a seminar in fiscal 2020, but the event had to be canceled unfortunately due to Coronavirus disease(COVID-19).

Sumitomo Forestry sponsors and cooperates with the Ministry of Education, Culture, Sports, Science and Technology in reforms of education curriculum as well as research and development programs that help nurture leaders in high school through this series of activities.



Forester House



Other

Donation of 8,000 Dust Masks to the Ministry of Health, Labour and Welfare to Support Medical Sites

Sumitomo Forestry responded to the lack of medical masks that can prevent the spread of infection through droplets, including viruses, on medical sites with the spread of the COVID-19 infection by donating 8,000 dust masks with the same performance as medical masks stockpiled for an emergency to the Ministry of Health, Labour and Welfare after a request from the Keidanren.

In the future, we will continue to use all of our strength as a corporate group to cease the spread of this infection and recover both social and economic activities.

Examples of Overseas Community Development and Regional Contribution Activities

Contributing to Communities Where Sumitomo Forestry Operates

The Sumitomo Forestry Group aims to contribute to sustainable local development through its operations. When starting new businesses or expanding its overseas business sites, the Group's policy is to consider the environment, revitalize local economies and promote employment and thereby operate in harmony with local communities.

Activities in Indonesia

Support for Children Through the KTI Educational Foundation

Kutai Timber Indonesia (KTI) founded the KTI Educational Foundation in 2000 to commemorate its 30th anniversary with the purpose of improving the livelihood of people in Indonesia through education as well as engaging in social activities. This foundation primarily provides educational support to impoverished children as well as school supplies to public schools in Probolinggo in the East Java province where a Sumitomo Forestry Group plant is located. In fiscal 2020, we gave school supplies to the orphaned children, made donations to facilities unable to provide a sufficient number of masks or hand sanitizer, and contributed IDR 92,473,350 (approx. 670,000 yen).



Providing uniforms to children at the orphanage

Community Development Through Project EARTH Initiatives

Sumitomo Forestry has also been involved in Project Earth since 2009 to offset CO₂ (approximately 60,000 tons) emitted from the harvesting of wood used for primary building materials of Sumitomo Forestry Home houses, and emitted from transport, fabrication, and construction by planting in Indonesia. This project combines "environmental reforestation" for the purpose of recovering the ecosystem of degraded forests in national parks and community-oriented "industrial tree plantations" that unify sustainable comprehensive forest management and community contributions.

Environmental Reforestation to Combat the Harsh Natural Environment and Forest Fires

In Bromo Tengger Semeru National Park located in East Java, Indonesia, Sumitomo Forestry planted about 1.1 million trees, including supplementary planting, over roughly 700 hectares of plantation forest between fiscal 2009 to fiscal 2016. Mount Bromo erupted in 2010 at this national park damaging the plantation forest due to volcanic ash and gas. At the end of a severe dry season in November 2014, a large fire broke out and burned almost all of the roughly 400 hectares of forest planted up to 2013. We replanted the forest, constructed a fire belt that was six meters in width and 20 km in total length, prepared water and equipment for fire-fighting, and introduced around the clock dry season patrols. However, in October 2019, a large number of forest fires broke out in the national park and once again damaged approximately 470 hectares of plantation forest.

Sumitomo Forestry continued to manage the plantation forest even after 2017 upon completion of the reforestation until transferring the environmental reforestation responsibilities to the national park in March 2020 after completing the agreed upon project with them. In the future, the national park plans to restore the ecosystem by maintaining and managing the plantation forest.

Community-oriented Industrial Tree Plantation Side-by-Side the Local People Who Wish to Plant Trees

Starting in the Lumajang Regency located at the foot of Mount Semeru in East Java, Indonesia, Sumitomo Forestry worked with the local people to cultivate about 3,800 hectares of community oriented industrial tree plantation between fiscal 2010 and 2017. The harvest and sell of the grown trees that were planted will stimulate the local economy. Pt. Kutai Timber Indonesia (KTI), a Sumitomo Forestry Group company, took charge of the local activities promising to purchase future logs to give the local people confidence in their planting efforts. Sumitomo Forestry not only engaged in planting activity, but also provided local lifestyle infrastructure, building routes necessary for reforestation, and made donations such as academic supplies to kindergartens and elementary schools in addition to setting up public restrooms in villages.

After completing the planting efforts in fiscal 2017, the cultivation and reforestation efforts transferred to KTI and participating citizens. Thereafter, the local people involved have been planting trees they themselves cultivated and harvested in addition to seedlings provided for free from KTI. KTI provided the local people with 920,000 seedlings in fiscal 2018, 680,000 seedlings in fiscal 2019, and 600,000 seedlings in 2020.

66,891 houses were delivered during this project period with a roughly 400,000-ton CO₂ fixation target. As of ten years since these planting efforts, the cumulative total estimated CO₂ fixation was 430,000 tons*. This is expected to reach our carbon dioxide fixation target of 6 tons per household.

Sumitomo Forestry strives to support the local people who want to plant more trees together with KTI in Indonesia.

* Excludes CO₂ fixation for environmental reforestation deemed to have a high risk of fires and other disasters

Community-oriented Industrial Tree Plantation Area and Estimated CO₂ Fixation

FY	Number of Relevant Households	Target CO ₂ Fixation	Plantation Area (ha)	Estimated CO ₂ Fixation
2009	3,014	18,084	0	0
2010	8,435	50,610	740	68,734
2011	9,253	55,518	588	63,115
2012	9,407	56,442	702	58,419
2013	9,781	58,686	505	62,854
2014	9,350	56,100	482	61,645
2015	8,759	52,554	408	62,161
2016	8,892	53,352	406	55,273
Total	66,891	401,346	3,831	432,202

* The estimated CO₂ fixation value is calculated by a prescribed method from the estimated timber volume of plantation forest ten years after planting.

► [Reforestation Activities Contributing to the Society](#)

► [News Release: KTI Reforestation Cooperative Newly Acquires the FSC Forest Certification \(in Japanese\)](#)



Water Maintenance and Management to Prevent Fires



Fire Prevention Response Team



Harvesting and Transport of Timber

Community Contributions Through Social Forestry

As a manufacturer and seller of plywood and processed wood products, PT. Kutai Timber Indonesia (KTI) contributes to the local economy and community greening through “social forestry” by distributing seedlings to local residents for free to plant on the lands they own and promising to purchase timber when the trees are mature at its market value.

► Promoting Sustainable Timber Procurement



Donated Seedlings



Distribution of Free Seedlings and Buy Back Guarantee of Logs

Respect for Local Tradition and Culture at Overseas Plantations

At plantation forest operations in Indonesia, Sumitomo Forestry also deepens its understanding about the local culture and traditions by engaging in efforts to respect the traditions and cultures of local communities, such as capital support for traditional events held by local residents.

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

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.

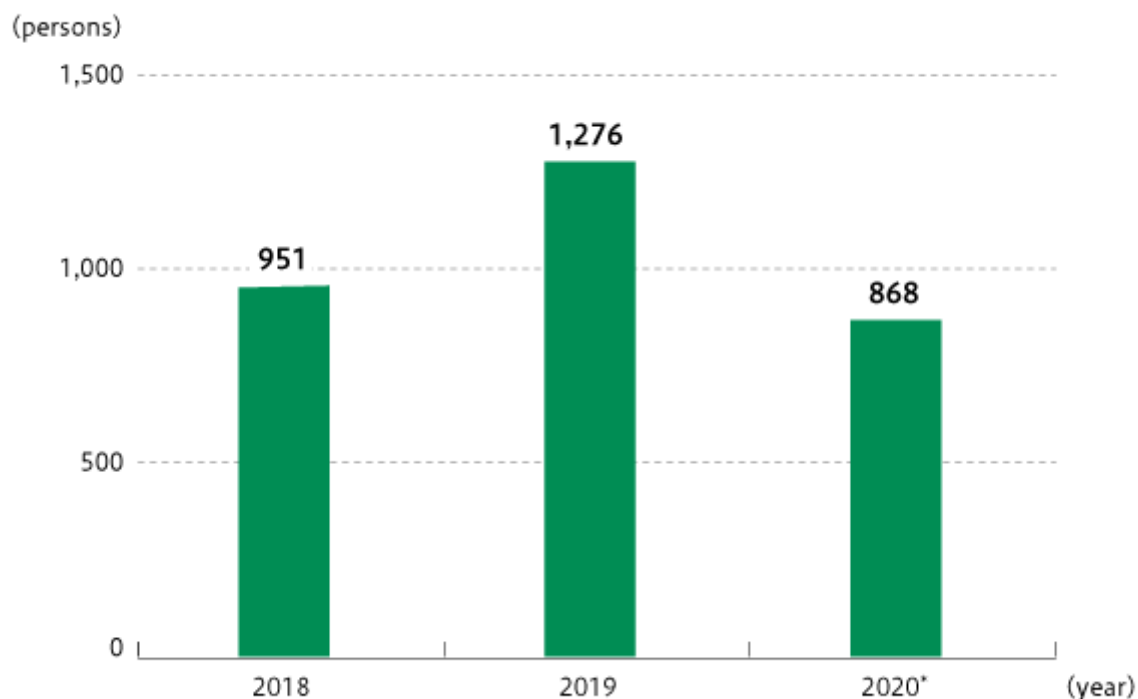
This plantation forest operation acts as an invaluable employment opportunity for a local community with little industry. In particular, seedling production creates local employment opportunities for women who have few options.

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 as well as medical support by operating clinics and providing 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.

Due to the impact of coronavirus disease (COVID-19) in fiscal 2020, Sumitomo Forestry set up a mask production and distribution team from the end of March and the employees produced washable cloth masks by themselves to protect the health and safety of employees and overcome the ongoing shortages of masks throughout Indonesia. The masks produced by this team were not only given to employees but also donated to local hospitals and residents.

Total number of local residents using the MTI clinic annually



* Data collection period: January to December 2020

Activities in Papua New Guinea

Building Social Infrastructure

Open Bay Timber Ltd. (OBT) in Papua New Guinea has been operating a plantation forest since 1984 and it contributes greatly to the economic development of the region. In April 2007, OBT became a Group company of Sumitomo Forestry to further healthy expansion and effective use of reforestation timber resources.

OBT also operates its own clinics and super markets for their employees and local residents to use because the preparation of social infrastructure is insufficient in Papua New Guinea. In neighboring villages, OBT nurses periodically visit neighboring villages to perform infant health checkups and provide advice to the sick as well as conduct educational activities. Furthermore, a dedicated clinic vehicle was arranged to transport patients to larger hospitals.

OBT employs full-time health workers day and night at the Open Bay Clinic to provide general medical care, support childbirth and pharmaceutical needs, accept patients into the hospital, and transfer patients with serious medical concerns to major hospitals by land and sea.

The patients receiving care are not only employees and their families but also many people who travel from far away for treatment.

OBT also took a variety of measures in respond to the spread of the COVID-19, such as the setup of hand-washing stations and training opportunities on public health for the local people. In Papua New Guinea, hand-washing and gargling have not been common until now, but became habits along with wearing masks indoors through these training.

OBT is also helping distribute textbooks and other educational materials to elementary schools in addition to its support transporting medical and sanitary supplies provided by the government slowed by the lock downs due to the COVID-19 to the Open Bay Clinic and neighboring medical facilities.



Full View of Open Bay Clinic



Four-wheel drive vehicle to transport patients available at the clinic



Training Model to Prevent the Spread of the COVID-19 to the Local People



Red Cross Training Model to Prevent the Spread of the COVID-19



Hand Washing Station Setup in Front of the Office

Activities in the United States

Social Contribution Activities Through the Housing Business

MainVue Homes set up MainVue Day in 2015 as a day each year for employees to participate in volunteer activities at least once. This program both works as an ongoing philanthropic activity and also an opportunity to reflect on a corporate philosophy that focuses on giving back to society.

MainVue Homes employees took advantage of MainVue Day in 2019 to participate in a volunteer effort held by the Low Income Housing Institute (LIHI)—a non-profit offering housing assistance to low-income and homeless people in Washington—to build a group of small homes. There are approximately 40,000 homeless people living in Washington, of which 7,000 are estimated to live with children. LIHI builds small homes equipped with electricity and heat for families living under such conditions. With the hope of providing at least a little more comfort in the lives of these impoverished people, MainVue Home employees pitched in wherever they could from painting both the inside and outside of homes and building front porches to cleaning the housing exteriors.



MainVue Homes Employees Taking Part in the Construction Work



Homes Built by the Low Income Housing Institute

Crescent Communities worked with the project held by Habitat for Humanity—an international non-profit organization providing housing assistance in over 70 countries worldwide—to build and provide homes at an accessible price to help families who cannot afford a home. The Company worked with 14 other multifamily developers active in Charlotte, North Carolina to fund and build a home in the northern area of the city in 2019. Employees from Crescent Communities took part in the construction and completed the home in July. The house was delivered without fail to a family who jumped in to help with the construction with passion for their own home.

Rather than simple economic assistance for families struggling to buy a home, this project is an effort for families who still want a scheduled mortgage to get involved for a designated amount of time in the construction. The project includes courses on asset formation and home maintenance and management as an initiative that goes beyond providing a home to support the independence of home buyers.

Sumitomo Forestry Group companies DRB, Edge Homes, and Mark III Properties also donated to Habitat for Humanity and took part in housing support activities.



Employees from Crescent Communities taking part in the construction work



Participation in Environmental Conservation Efforts

Crescent Communities took part in the Trees4Trash clean up and planting event held as an environmental conservation effort by the North Carolina Wildlife Federation. The Federation plants one tree for every 11 kg of trash. In fiscal 2020, Crescent Communities planted 30 trees through this conservation effort. In the cleanup activities held by the Catawba Riverkeeper Foundation, Crescent Communities helped pick up trash around the Catawba River which flows from western North Carolina to South Carolina. About 1,400 local people and others who participated collected 27,000 kg of trash at 40 different locations including the area where Crescent Communities is expanding its businesses. Crescent Communities plans to actively participate in these environmental conservation efforts next season as well.



Tree Planting



River Clean Up

Donations of Wooden Toys by Provisions of Offcuts Produced During Manufacturing

The Canyon Creek, which manufactures and sells wooden cabinets in the United States, contributes to the region by 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. Although it was suspended in fiscal 2020 due to the impact of the COVID-19, Canyon Creek will continue to engage in this initiative.



Trains and Other Donated Wooden Toys



Local Charity Organization Members
Making Toys

Activities in Australia

Henley Properties, which builds and sells detached homes, raised and donated money from the sale of a spec home built with cooperation of a housing lot developer, materials supplier and other business partners in 2020. Although this is an annual charity auction selling a home directly, Henley Properties used an agent in 2020 due to the impact of the COVID-19. Many business partners took part in these activities from the provision of land to design, estimation, material manufacturing, procurement, and labor management in order to build this two-story home in Wollert located in north Melbourne. Henley Properties donated all the earnings from the charity auction this year to a children's hospital. Since these efforts began in 1993, more than 16.25 million Australian dollars (1,153.8 million yen) in total donations have been provided through the auction to be used for the medical costs of children suffering from diseases.



Interior of the House Sold at the Charity Auction

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.

Contributions to Local Disaster Prevention and Rescue Efforts

TPF donated a fire engine and fire-fighting equipment to Fire and Emergency New Zealand (FENZ), the fire-fighting organization of New Zealand. The Rural Fire Network, an organization under FENZ, handles the management operations of fire-fighting equipment and engages in local forest fire prevention and fire-fighting activities. Cooperating with FENZ, local municipalities, and forestry companies nearby, TPF is contributing to uniform fire prevention and fire-fighting efforts in the region from raising awareness in the local community to strengthening patrols.

Since fiscal 2017, TPF has been donating activity capital as a sponsor to the Nelson Marlborough Rescue Helicopter Trust every year. This trust is deploying rescue helicopters roughly 500 times a year for natural disasters that occur in the region and for leisure accidents. The TPF logo is posted on the Marlborough Rescue helicopter.



Fire engine donated by TPF



Pilot and paramedics with the Nelson Marlborough Rescue Helicopter Trust Helicopter

Mortar and Pestle Donation to a Local Japanese Society

TPF donated a mortar and pestle made from the wood of Totara (native tree species) damaged by fire in the Pigeon Valley area to the Nelson Japanese Society of New Zealand. The Sumitomo Forestry representative at the time had also donated the previous mortar and pestle more than 30 years ago. The Nelson Japanese Society uses the mortar and pestle once a year when it holds a Mochitsuki (Rice Cake Pounding) ceremony, which provides an opportunity for immigrants from Japan to enjoy a fond flavor of Japan. This gives not only the children of Japanese families born in New Zealand a chance to experience Japanese culture but also offers a chance for New Zealanders to learn about Japan.



Mortar and Pestle Donated to the Nelson Japanese Society Made from the Wood of Totara (native tree species) Damaged by Fire in the Pigeon Valley Area

Activities in Myanmar

Support for Building Monastic Schools

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 aim to build one monastic-style school every year through donations of companies and individuals who see the benefit. Six schools have been completed to date. 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.

Even though construction was postponed in fiscal 2020 due to the COVID-19, we plan to continue our support in the future as the Myanmar Monastic School Support Team.

► [Myanmar Monastic School Support Team Video \(in Japanese\)](#)



School before rebuilding



Monastic School After Rebuilding and Attendees at the Ceremony

Construction of Monastic Schools by Myanmar Monastic School Support Team, in Number

Monastic School	Completion	Construction Region	Number of Students	Sponsors
Wutt Kyway Taw Pyay Monastery School	October 2014	Mingaladon Township, Yangon City	Approx. 260	18 companies, 4 individuals
Pyin Nyar Theingi Nun School	November 2015	Mingaladon Township, Yangon City	Approx. 130	18 companies, 4 individuals
Myittar Young Chi Nun School	November 2016	South Dagon Township, Yangon City	Approx. 140	19 companies, 5 individuals
Shuepi Paremiin Monastery Elementary and Middle School	March 2018	Aung Myay Tharzan Township, Mandalay	Approx. 520	20 companies, 6 individuals
Aung Mingalar Monastery Elementary and Middle School	January 2019	Pyigyidagun Township, Mandalay	305	19 companies, 6 individuals
Aung Myae Yadanar Monastery Elementary and Middle School	January 2020	Pyigyidagun Township, Mandalay	338	15 companies

Social Data

Basic Employee Data

Number of Employees

(Unit: Persons)	FY2016	FY2017	FY2018	FY2019	FY2020
Non-Consolidated	4,485	4,693	4,824	4,914	5,073
Consolidated	17,802	18,195	19,159	19,332	20,562

Breakdown of Number of Employee (Non-Consolidated)

(Unit: Persons)	FY2016	FY2017	FY2018	FY2019	FY2020
Management level	2,030	2,117	2,164	2,193	2,323
Non-management level	2,303	2,398	2,458	2,480	2,511
Fixed-term employees	92	97	119	152	151
Hosted from other companies	60	81	83	89	88
Total	4,485	4,693	4,824	4,914	5,073

Breakdown of Number of Employee (Subsidiary Companies in Japan)

(Unit: Persons)	FY2016	FY2017	FY2018	FY2019	FY2020
Management level	1,803	1,546	1,460	1,725	1,675
Non-management level	3,361	4,043	4,440	4,400	5,660
Fixed-term employees	799	825	818	788	1,041
Hosted from other companies	263	231	218	196	191
Total	6,226	6,645	6,936	7,109	8,567

Breakdown of Number of Employee by Age (Non-Consolidated)

(Unit: Persons)	FY2016	FY2017	FY2018	FY2019	FY2020
under 30	690	769	860	887	985
30-50	2,817	2,799	2,875	2,599	2,534
Older than 50	978	1,125	1,089	1,428	1,554

Number of Newly Hired Graduates* (Non-Consolidated)

(Unit: Persons)		FY2016	FY2017	FY2018	FY2019	FY2020
Housing sales	Male	80	100	90	59	86
	Female	21	13	17	15	20
Housing engineering	Male	27	37	40	28	29
	Female	7	9	12	9	12
General management	Male	22	22	28	35	28
	Female	6	6	11	7	14
Clerical	Male	0	0	0	0	0
	Female	4	7	12	14	16
Total	Male	129	159	158	122	143
	Female	38	35	52	45	62
Total		167	194	210	167	205

* Calculated based on the number of new graduate recruits as of April 1 of each fiscal year.

Employment

Average Annual Pay (Non-Consolidated)

FY2016	FY2017	FY2018	FY2019	FY2020*
8,518,404 yen	8,635,865 yen	8,593,312 yen	8,587,314 yen	8,699,028 yen

* Data collection period in fiscal 2020 was from January to December 2020.

Average Length of Service* (Non-Consolidated)

	FY2016	FY2017	FY2018	FY2019	FY2020
Male	15 years and 8 months	15 years and 9 months	15 years and 11 months	16 years and 3 months	16 years and 4 months
Female	11 years and 1 month	11 years and 2 months	11 years and 4 months	11 years and 6 months	11 years and 4 months

* Calculated at the end of the fiscal year (March 31 for fiscal 2016 to fiscal 2019; December 31 in fiscal 2020 due to the change in the accounting period).

Separation rate^{*1} (Non-Consolidated)

	FY2016	FY2017	FY2018	FY2019	FY2020 ^{*3}
Voluntary separation rate (%)	2.6	2.1	2.3	2.3	1.6
Separation rate ^{*2} (%)	3.1	3.0	2.7	2.5	1.8

*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 calculation includes voluntary separations and excludes hiatuses and the end of terms.

*3 The period for FY2020 results is from April 1 to December 31, 2020 (nine months due to the change in the accounting period).

▶  About symbol for Independent assurance

Separation rate^{*1} (Subsidiary Companies in Japan)

	FY2016	FY2017	FY2018	FY2019	FY2020 ^{*3}
Voluntary separation rate (%)	-	-	-	-	3.0
Separation rate ^{*2} (%)	-	-	-	-	4.3

*1 Calculated by dividing the number of people who left during the year by number of employees at the beginning of the year.

*2 The calculation includes voluntary separation.

*3 The period for FY2020 results is form April 1 to December 31,2020.

Separation rate^{*1} (Subsidiary Companies Overseas)

	FY2016	FY2017	FY2018	FY2019	FY2020 ^{*3}
Voluntary separation rate (%)	-	-	-	-	9.1
Separation rate ^{*2} (%)	-	-	-	-	13.2

*1 Calculated by dividing the number of people who left during the year by number of employees at the beginning of the year.

*2 The calculation includes voluntary separation.

*3 The period for FY2020 results is form January 1 to December 31,2020.

Diversity

Employment and Promotion of Women (Non-Consolidated)

	FY2016	FY2017	FY2018	FY2019	FY2020
Female employees including contract employees *1 (%)	20.0	20.4	21.0	21.6	22.0
Female employees in management positions *1 (%)	2.8	3.2	3.7	4.2	4.8
Female new graduates*2 (%)	22.8	18.0	24.8	26.9	30.2

*1 The rate is calculated based on the number of employees as of March 31 each year from fiscal 2016 to fiscal 2019. The rate is calculated based on the number of employees as of December 31 in fiscal 2020 due to the change in the accounting period.

*2 The rate of new female graduates is calculated based on the number of employees joining the company as of April 1 each year.

▶ About symbol for Independent assurance

	FY2016	FY2017	FY2018	FY2019	FY2020
Female employees in staff leader positions *1 (%)	21.3	21.4	23.5	24.8	27.5
Female employees in management positions in revenue-generating functions *1*2 (%)	-	-	-	-	3.2
Female employees in STEM-related positions *1*3 (%)	-	-	-	-	21.1

*1 The rate of female employees and the rate of employees in management roles are based on the number of employees as of March 31 each year from fiscal 2016 to fiscal 2019. In fiscal 2020, this calculation uses the number of employees as of December 31 due to the change in the accounting period.

The number of employees includes people dispatched to affiliate companies but excludes executive officers, employees hosted from other companies and exchange employees.

*2 The rate is excluding support functions such as HR, IT, Legal, etc.

*3 STEM: Science, technology, engineering and mathematics

Employment and Promotion of Women (Subsidiary Companies in Japan)

	FY2016	FY2017	FY2018	FY2019	FY2020
Female employees including contract employees*1 (%)	30.7	31.6	32.0	32.7	32.4
Female employees in management positions*1 (%)	4.2	4.6	6.0	6.1	6.7
Female new graduates*2 (%)	40.3	40.2	43.5	45.7	43.4

*1 The rate of female employees and the rate of female employees in management roles is based on the number of employees as of March 31 each year.

*2 The rate of new female graduates is calculated based on the number of employees joining the company as of April 1 each year.

Employment of Women (Subsidiary Companies Overseas)

	FY2016	FY2017	FY2018	FY2019	FY2020
Percentage of Female employees including contract employees* (%)	30.6	30.6	32.0	30.2	30.8
Percentage of Female employees in management positions* (%)	16.1	14.5	16.0	17.1	19.5

* The rate of female employees and the rate of female employees in management roles are based on the number of employees as of December 31 each year.

Employment of Persons with Disabilities (Non-Consolidated)

	FY2016	FY2017	FY2018	FY2019	FY2020
Ratio of Disabled Employees (%)	2.12	2.26*2	2.32*3	2.40*3	2.25*3

*1 The figures for fiscal 2016 to fiscal 2019 are based on data as of March 31 each year while the figures for fiscal 2020 are based on data as of December 31 due to the change in the accounting period.

*2 The calculation includes the subsidiary Sumirin Wood Peace Co., Ltd. for fiscal 2017.

*3 The calculation includes the subsidiary Sumirin Wood Peace Co., Ltd. as well as the affiliated Group company Sumirin Business Services Co., Ltd. since fiscal 2018.

Employment of Persons with Disabilities* (Subsidiary Companies in Japan)

	FY2016	FY2017	FY2018	FY2019	FY2020
Ratio of Disabled Employees (%)	1.45	1.75	1.76	1.77	1.85

* As of June each fiscal year

Rate of Local Employment in Group Companies Outside Japan*

	FY2016	FY2017	FY2018	FY2019	FY2020
Rate of Local Employment in Group Companies Outside Japan (%)	99.6	99.8	99.1	99.1	99.3

* 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)

	FY2016	FY2017	FY2018	FY2019	FY2020 ^{*1}
Hours of training received per employee	9.4	13.1 ^{*2}	13.6	18.0	10.5 (13.0) ^{*3}
Expenditure on training per employee (yen)	100,000	100,000	97,000	102,000	59,000 (77,000) ^{*3}

*1 The period of data collection for fiscal 2020 is from April to December 2020 (nine months due to the change in the accounting period)

*2 Calculation method was changed from fiscal 2017

*3 Figures in the parenthesis are reference data collected from January to December 2020

Work-Life Balance

Work-Life Balance Program Usage (Non-Consolidated)

		FY2016	FY2017	FY2018	FY2019	FY2020
Number of childcare leave users (Persons)	Male	13	19	38	43	51 (58)* ⁶
	Female	43	41	43	42	27 (40)* ⁶
Percentage of childcare leave users* ¹ (%)	Male	8.5	11.6	24.1	31.3	46.8 (40.3)* ⁶
	Female	95.7	120.6	97.7	100.0	84.4 (95.0)* ⁶
Percentage of returnees after childcare leave* ² (%)		96.2	93.6	96.2	98.7	96.1 (95.9)* ⁶
Number of reduced hours program users* ³ (persons)		40	53	61	58	74
Number of telework program users* ⁴ (persons)		19	25	49	63	_* ⁵

*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

*5 The number of telework program users is not applicable because a Company-wide telework environment was introduced due to the coronavirus crisis.


*6 Figures in the parenthesis are reference data collected from January to December 2020.

Work-Life Balance Program Usage (Subsidiary Companies in Japan)

		FY2016	FY2017	FY2018	FY2019	FY2020
Number of childcare leave users (Persons)	Male	3	3	6	8	16
	Female	110	92	73	83	72
Percentage of childcare leave users* (%)	Male	5.0	3.0	4.3	6.2	13.2
	Female	102.8	85.2	104.3	115.3	122.0

* 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)

	FY2016	FY2017	FY2018	FY2019	FY2020
Average paid leaves taken (day)	6.9	9.0	10.1	11.5	11.6
Paid Leave Usage Ratio* (%) 	35.9	47.4	53.2	60.2	60.7

* 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)

	FY2016	FY2017	FY2018	FY2019	FY2020
Average paid leaves taken (day)	7.3	7.6	8.7	10.6	10.3
Paid Leave Usage Ratio* (%)	40.0	43.9	50.5	63.0	58.1

* 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

	FY2016	FY2017	FY2018	FY2019	FY2020* ⁴
Number of occupational injuries (incidents)* ²	3	0	2	1	0
Lost-time injury frequency rate* ³	0.30	0.10	0.20	0.20	0.19
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

*4 The period for FY2020 results is from January 1 to December 31, 2020

▶  About symbol for Independent assurance

Relationship with Labor Unions

Labor Union Membership (Non-Consolidated)*

	FY2016	FY2017	FY2018	FY2019	FY2020
Labor union membership rate (%)	100	100	100	100	100

* As of January 1, 2021, the number of eligible employees is 3,746. The scope of eligibility for labor union membership is stipulated in the labor agreement

Governance

Corporate Governance

Risk Management

Compliance

Tax Strategies

Business Continuity Management

Information Security

Intellectual Property Management

Responsible Advertising/Promotional Efforts

Return to Shareholders and IR Activities

Corporate Governance

Basic Policy

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. Therefore, we strive to ensure management transparency, sound and legal business practices as well as rapid decision-making and business execution.

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

► [Integrated Report](#)

Corporate Governance and Internal Control

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

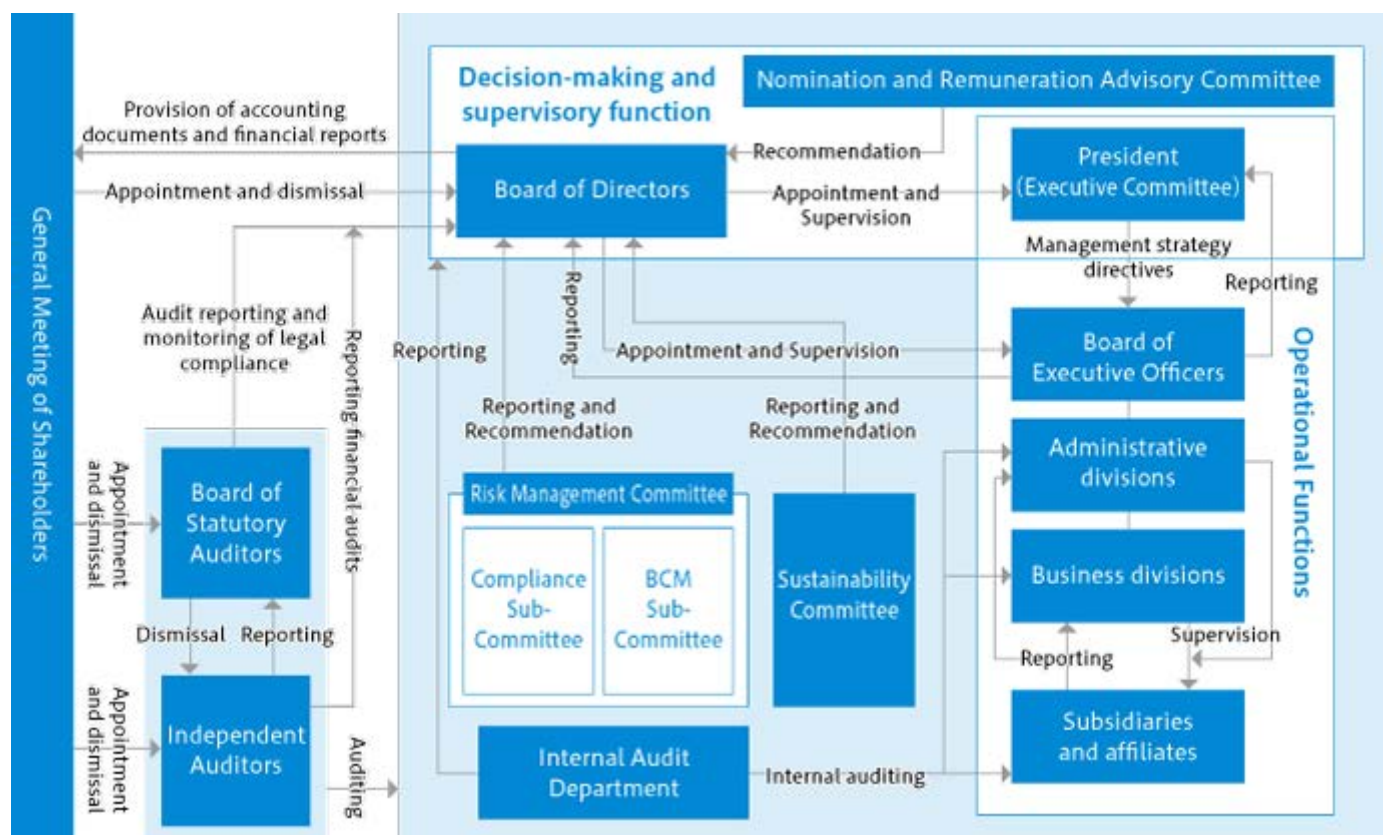
Sumitomo Forestry has a board of company statutory auditors. In addition to attending important meetings within the Company, the statutory auditors provide oversight for the directors' execution of duties, through sharing information and opinions with auditors at Group companies and the staff in the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

As of March 30, 2021, nine directors (including three outside directors), five auditors (including three outside auditors) and 19 executive officers were appointed to the Company. The Company notified Tokyo Stock Exchange, Inc. of the designation of the three outside directors and three outside statutory auditors as independent officers as required by its regulations.

To strengthen the supervisory functions of the Board of Directors, the 81st General Meeting of Shareholders held on March 30, 2021 added one additional outside director so that at least one third of the Board of Directors is comprised of outside directors.

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

Corporate Governance System



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 10 times while Executive Committee meetings were held 17 times in the fiscal year ended December 31, 2020 (9 months from April 2020 to December 2020 due to the change in the accounting period).

List of Directors

Position ^{*1}	Name	Responsibility and Significant Concurrent Positions ^{*1}	Board of Directors ^{*2}	
			Attended Meetings (meetings)	Attendance Rate (%)
Chairman of the Board and Representative Director	Akira Ichikawa	—	10	100

Position*1	Name	Responsibility and Significant Concurrent Positions*1	Board of Directors*2	
			Attended Meetings (meetings)	Attendance Rate (%)
President and Representative Director President and Executive Officer	Toshiro Mitsuyoshi	—	10	100
Representative Director Executive Vice President and Executive Officer	Shigeru Sasabe	Administering Timber and Building Materials Division and Environment and Resources Division	10	100
Representative Director Executive Vice President and Executive Officer	Tatsuru Satoh	Administering Lifestyle Service Division In charge of General Administration, Secretary, External Relations, Personnel, IT Solutions, Intellectual Property, Internal Audit, and Tsukuba Research Institute Statutory Auditor of Kumagai Gumi Co., Ltd.	10	100
Director Managing Executive Officer	Tatsumi Kawata	Administering Housing and Construction Division In charge of Corporate Planning, Finance, Corporate Communications, and Sustainability	10	100
Director Managing Executive Officer	Atsushi Kawamura	Divisional Manager of Overseas Housing and Real Estate Division	9*3	100*3
Outside Director	Junko Hirakawa	Attorney at Law Outside Director of Tokyo Financial Exchange Inc. Outside Director of Hitachi Construction Machinery Co., Ltd.	10	100
Outside Director	Izumi Yamashita	Outside Director of AEON Bank, Ltd.	10	100
Outside Director	Mitsue Kurihara	Chairman and Representative Director of Value Management Institute, Inc. Outside Director of Chubu Electric Power Co., Inc.	-	-

*1 Position, responsibility and significant concurrent positions as of March 30, 2021

*2 Attended meetings and the attendance rate to Board of Directors meetings are for the fiscal year ended December 31, 2020

*3 Attended meetings and attendance rate of Board of Directors meetings are after appointment as a director on June 23, 2020

Structure of the Board of Directors

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

Nomination Procedure for Directors

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

► Directors and Executive Officers

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

1. Assessment Method

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

2. Assessment Results

- The results of the questionnaires, progress check, and exchange of opinions with outside officers found that the functions of the Board of Directors were effective overall.
- As efforts to address issues discovered as a challenge in the assessment last fiscal year, we verified the progress of work such as that to develop and employ human resources for management pointed out by the Nomination and Remuneration Advisory Committee, in addition to confirmation through debate at the informal meeting of executive officers on future business strategies according to the next mid-term management plan and in light of the coronavirus disease (COVID-19) to enhance deliberations by Board of Directors.
- As future challenges, feedback requested such measures as those to further strengthen cooperation between outside officers and the internal auditing departments as well as to improve Board of Directors materials and formulate rules for reappointment of outside Directors.

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 10 times during fiscal 2020.

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. Meetings of Statutory Auditors of Sumitomo Forestry and its subsidiary companies are held with members composed of full-time statutory auditors of Sumitomo Forestry as well as auditors of our main subsidiaries. Board of Statutory Auditors meetings were held 4 times in the fiscal year ended December 31, 2020 (9 months from April 2020 to December 2020 due to the change in the accounting period).

List of Auditors

Position*1	Name	Responsibility and Significant Concurrent Positions*1	Board of Directors*2		Board of Statutory Auditors*2	
			Attended Meetings (meetings)	Attendance Rate (%)	Attended Meetings (meetings)	Attendance Rate (%)
Senior Statutory Auditor	Akihisa Fukuda	—	9*3	100*3	8*3	100*3
Statutory Auditor	Noriaki Toi	—	10	100	10	100
Statutory Auditor (Outside)	Yoshitsugu Minagawa	Chief Counselor of Norinchukin Research Institute Co., Ltd. Supervisory Committee Member of The Norinchukin Bank	9	90	9	90
Statutory Auditor (Outside)	Yoshimasa Tetsu	Certified Public Accountant External Auditor, Daiwa Motor Transportation Co., Ltd.	10	100	9	90
Statutory Auditor (Outside)	Makoto Matsuo	Attorney at Law Outside Director of CAPCOM Co., Ltd. (Member of the Audit and Supervisory Committee) Outside Statutory Auditor of Solasia Pharma K.K. Outside Statutory Auditor of Taisho Pharmaceutical Holdings Co., Ltd.	9	90	10	100

*1 Position, responsibility and significant concurrent positions as of March 30, 2021

*2 Attended meetings and the attendance rate to Board of Directors meetings and Board of Statutory Auditors meetings are for the fiscal year ended December 31, 2020

*3 Attended meetings and the attendance rate to Board of Directors meetings and Board of Statutory Auditors meetings after appointment as senior statutory auditor on June 23, 2020

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 whose purchase exceeds 2% of the consolidated net sales of the Company (operations executive if a holder is a company).
- (2) Supplier (of which the Company is a major client): person of a supplier of which the Company's purchase exceeds 2% of the consolidated net sales of the supplier (operations executive if a holder is a company).

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 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 (operations executive in case of a company).

8. Family

Spouse or relatives within the second degree of kinship of the person whose independency is rejected by this list of criteria (except non-essential individuals*).

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

*A non-essential individual shall refer to the persons below based on the independence criteria prescribed by Tokyo Financial Exchange Inc.:

- Any person other than executive directors, executive officers, managers and employees of a general manager level at each company.
- Any person other than the employees, partners and associates of law, auditing or any other advisory firm.

Three 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 (three 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.

List of Nomination and Remuneration Advisory Committee Members

Position ^{*1}	Name	Nomination and Remuneration Advisory Committee ^{*2}	
		Attended Meetings (meetings)	Attendance Rate (%)
Chairman of the Board and Representative Director	Akira Ichikawa	2	100
President and Representative Director	Toshiro Mitsuyoshi	2	100
Outside Director	Junko Hirakawa	2	100
Outside Director	Izumi Yamashita	2	100

Position ^{*1}	Name	Nomination and Remuneration Advisory Committee ^{*2}	
		Attended Meetings (meetings)	Attendance Rate (%)
Outside Director	Mitsue Kurihara	-	-
Statutory Auditor (Outside)	Yoshitsugu Minagawa	2	100
Statutory Auditor (Outside)	Yoshimasa Tetsu	2	100
Statutory Auditor (Outside)	Makoto Matsuo	2	100

*1 The position as of March 30, 2021.

*2 Attended meetings and the attendance rate to Nomination and Remuneration Advisory Committee meetings are for the fiscal year ended December 31, 2020.

Risk Management Committee

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

In fiscal 2020 (nine months from April to December 2020 due to the change in the accounting period), the Risk Management Committee, Compliance Subcommittee, and BCM Subcommittee met three times, one time, and two times, respectively, while the Board of Directors received three sessions of reporting.

► [Risk Management Framework](#)

Sustainability Committee

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

The Sustainability Committee is made up of executive officers also appointed as director, and divisional managers with representative director president and executive officer 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 in the Group every 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). As a general rule, we verify and assess documents and other evaluation items in-person on site. As a measure to prevent the spread of COVID-19 in fiscal 2020, we also incorporated paper and data audits focusing on overseas affiliates.

In the internal audits, the department checks on how a business 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 business 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 business site, such as by examining documents and conducting quarterly follow-up reviews, and reports on these to the President, executive officer in charge of internal audits and statutory auditors.

► [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 (Fiscal Year ended December 31, 2020; Nine Months Due to the Change in the Accounting Period).

Category	Number of Personnel	Total Amount (Million yen)
Director	11	360
Auditors	6	59
Total	17	419

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

*2 The above includes three directors and one statutory auditor who retired at the conclusion of the 80th General Meeting of Shareholders held on June 23, 2020.

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

*4 The total amount of director remuneration includes the total bonus of 106 million yen as approved at the 81st General Meeting of Shareholders held on March 30, 2021.

*5 The total amount of director remuneration includes 24 million yen for allocating shares with restriction of transfer to nine directors (excluding outside directors).

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

Total Remuneration Paid to Outside Executives

(Fiscal Year ended December 31, 2020; Nine Months Due to the Change in the Accounting Period)

Number of Personnel	Total Amount (Million yen)
5	42

Executive Remuneration

a. Determination policy and determination methods for the amount of executive remuneration and the calculation methods

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

With the exception of outside directors, remuneration for directors comprises basic remuneration and bonuses tied to business performance. Basic remuneration comprises monthly remuneration and remuneration provided by allocating shares with restriction of transfer (hereinafter "share with restriction of transfer").

We determine the amount of basic remuneration for each directorship position according to roles and responsibilities. While the monthly remuneration which is part of the basic remuneration is paid as a fixed cash amount, 10% of the amount of basic remuneration is paid in shares with restriction of transfer. The cash payment amount is no more than 40 million yen per month (no more than 5 million yen per month for outside directors) according to a resolution by 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 comprehensively based on a fixed formula (calculation formula in which the amount of bonuses fluctuates proportionality to profits) and 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.

Remuneration for outside directors comprises only basic monthly remuneration determined according to their roles and responsibilities.

Remuneration for statutory auditors comprises only basic monthly remuneration.

We use the results of a survey conducted by a third party of directorship remuneration at domestic corporations in order to set director's remuneration at levels that are appropriate from the perspective of ensuring objectivity and appropriateness, including the director remuneration for outside officers

b. Determination policy regarding the payout ratio for bonuses tied to business performance and remuneration not tied to business performance

We do not determine a payout ratio for bonuses tied to business performance and the basic remuneration of directors excluding outside directors in advance. The method described in c. below decides the amount for bonuses tied to business performance, which accordingly determines the payout ratio for bonuses tied to business performance and the basic remuneration. The payout ratio for bonuses tied to business performance in the fiscal year ended December 31, 2020 was an average of 32.8% for all directors, excluding outside directors.

c. Factors related to bonuses tied to business performance, reasons for selecting these factors, and the method to determine the bonuses tied to business performance

We comprehensively determine the standard level for the amount of bonuses tied to business performance paid to each director based on a fixed formula (calculation formula in which the amount of bonuses fluctuates proportionality to profits), with consideration given to consolidated recurring income excluding differences in actuarial calculations used in retirement benefits accounting for the eligible accounting period, and current net income levels for parent company shareholders. Because differences in actuarial calculations used in retirement benefits accounting each fiscal year is all amortized, the determination method has a characteristically large impact on business performance if the differences in the actuarial calculations fluctuate significantly due to stock price fluctuations, interest rate conditions and other such factors at the end of fiscal year. Therefore, the consolidated recurring income excluding differences in actuarial calculations used in retirement benefits accounting is used when determining the standard level of director bonuses.

d. Date and contents of resolutions on remuneration for directors at the general meeting of shareholders

The 81st General Meeting of Shareholders held on March 30, 2021 set bonuses tied to business performance for the fiscal year ended December 31, 2020 to a total of 106 million yen for six directors, excluding outside directors.

The resolution on the amount to limit remuneration for directors and statutory auditors approved by the General Meeting of Shareholders is as follows:

- 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.

The amount of remunerations for new stock acquisition rights as stock options for share-based remuneration was abolished at the conclusion of the 78th General Meeting of Shareholders held on June 22, 2018. Excluding shares already issued, no new stock acquisition rights have been allocated as stock options for share-based remuneration as of March 31, 2019.

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.

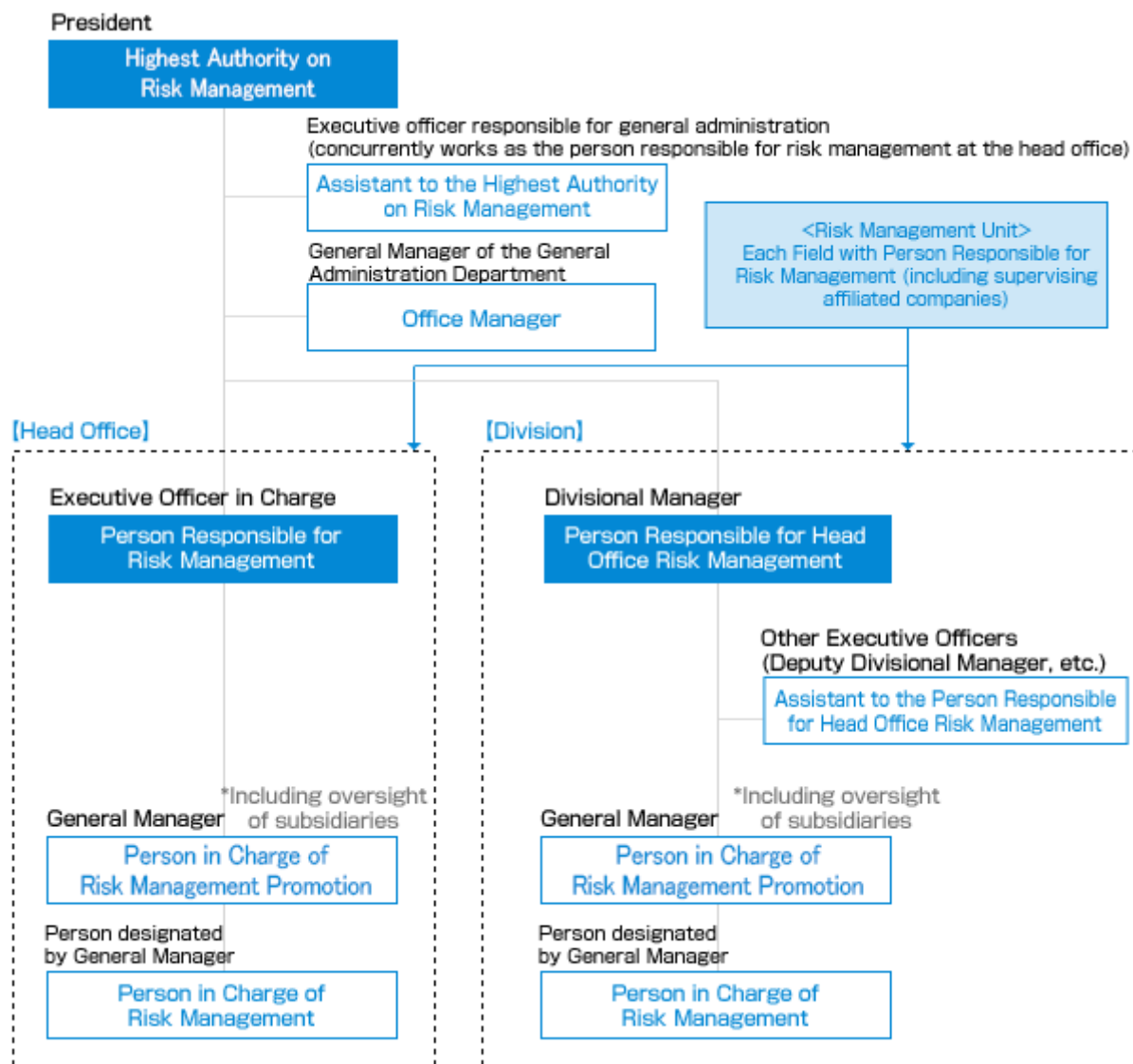
In addition, the Risk Management Committee comprised of executive officers as members is held once every three months in accordance with the Regulation to identify and analyze management risks as well as share and discuss plans to respond to those risks that have been formulated. A Compliance Subcommittee and a Business Continuity Management (BCM) Subcommittee have also been established under the command of the Risk Management Committee to carry out specific activities for increasing effectiveness of responses to compliance and business interruption risks regarded as cross-sectional risks affecting the Group. The Board of Directors receives reports on these activities while management has put in place a system to reflect this in business execution, such as the implementation of management reviews. In fiscal 2020 (nine months from April to December 2020 due to the change in the accounting period), the Risk Management Committee, Compliance Subcommittee, and BCM Subcommittee met three times, one time, and two times, respectively, while the Board of Directors received three sessions of reporting.

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, international trends is considered together with the business condition of each department in order to evaluate risks and opportunities that are thought to have a severe financial impact at the corporate and departmental levels. Since fiscal 2019, each business department joined together in conducting TCFD-based scenario analyses.

The Sustainability Committee discusses items determined through this process to be priority risks in the medium to long term, reports to the Board of Directors about its activities in the same way as the Risk Management Committee, and reflects this into business execution.

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

Risk Management Structure of the Sumitomo Forestry Group



Risks in Operations

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

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

Risks associated with quality assurance

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

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

1. Outline of the results of investigation by Home Tech

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

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

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

2. Causes of the Incidents

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

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

3. Recurrence prevention measures based on the Incidents

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

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

► [Securities Reports/Internal Control Reports \(in Japanese\)](#)

► [Compliance](#)

► [Business Continuity Management](#)

Risks Associated with Illegal Logging and Conversion Timber

Illegal logging is recognized as a crucial issue globally, and progress is being made to strengthen related laws and regulations in a number of countries and regions. Japan has announced the Act on Promotion of Use and Distribution of Legally-Harvested Wood and Wood Products (The Clean Wood Act) on May 20, 2016, which was enacted on May 20, 2017. Addressing stronger control of illegally harvested timber not only responds to the requirements of the world but it is also extremely important for the Sumitomo Forestry Group to continue businesses sustainably. Fiscal 2020 results of departments and affiliated companies registered by the Sumitomo Forestry Group have been reported to each registration agency certified by the Japanese government. 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. We have also been engaged in responsible timber procurement activities since 2018, formulating the Timber Procurement Management Regulations and Timber Procurement Due Diligence Manual among other measures. Sumitomo Forestry has drafted and is executing an action plan to accomplish by the end of fiscal 2021 founded in the fiscal 2019 actions for strengthening due diligence through the Timber Procurement Committee and diffusing the use of sustainable forests and timber to promote the procurement of timber from more sustainable forests.

► [Distribution Business 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
8. Impact on Local Communities (Including Concern for Local Residents and Administrations, Industry Organizations, NPOs, Municipal Citizens' Groups and Indigenous People)

■ Legal and Regulatory Compliance

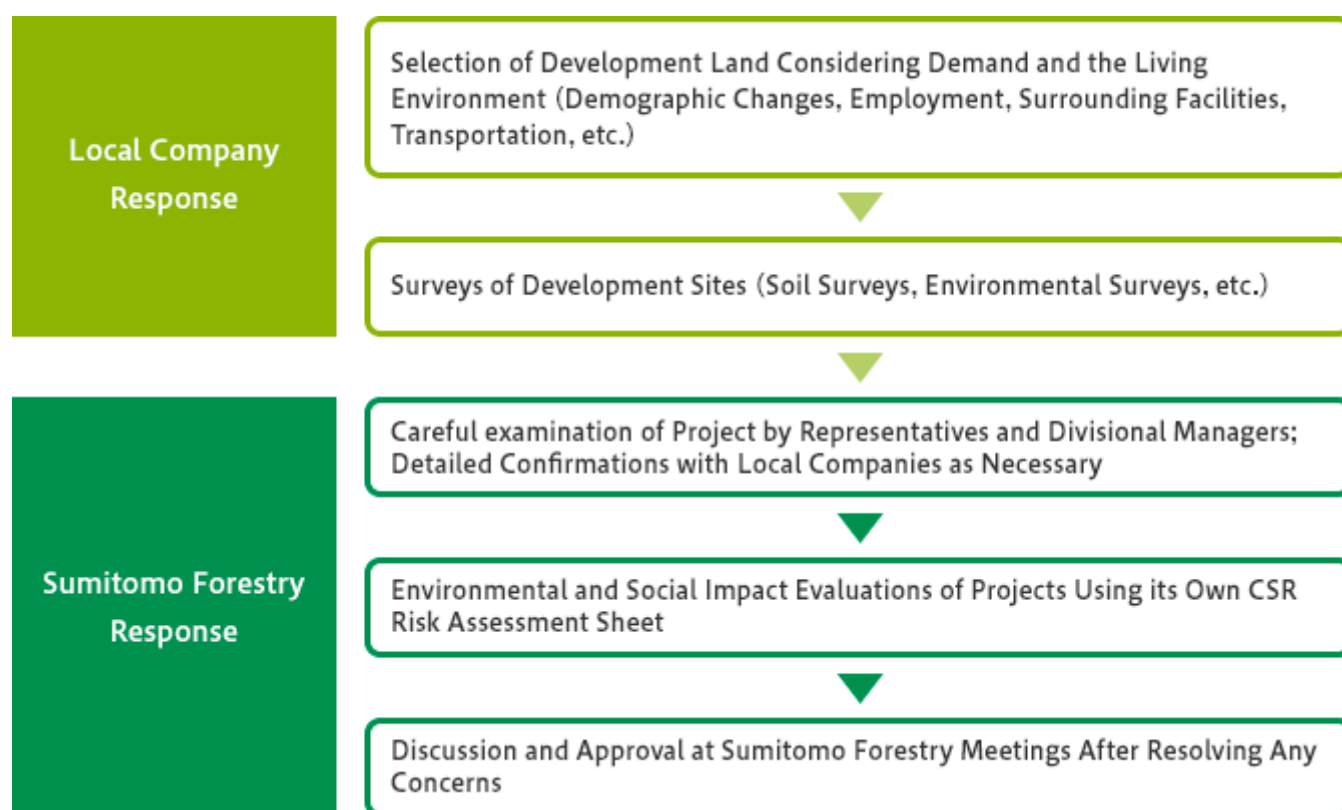
■ Overall

Recognition of Indications from External Organization About Business Models, Products, Services and the Related Business Entities

Understanding and Assessing Housing and Real Estate Development Risks

Properly understanding the geological and geographical risks unique to each property is vital in the development of housing and real estate. The Sumitomo Forestry Group has put in place the necessary systems to verify whether there are any issues through careful surveys at the assessment stage of development in addition to other multistage checks done before determining how to implement a project.

In overseas development, for example, we first select the land to develop and then outsource soil and environmental surveys to external research firms to fully understand the risks from an objective standpoint. We not only ask local affiliated companies to give their input on risks but the Sumitomo Forestry head office also conducts property inspections and environmental and social impact studies using its own CSR risk assessment sheet for projects larger than a certain scale. Management also provides feedback through meetings at the Sumitomo Forestry head office to analyze risks from diverse multistage perspectives. We only engage in projects determined to be acceptable through this process.



Construction also comes with the risk of occupational accidents during the construction phase. Sumitomo Forestry complies with occupational health and safety laws and works to prevent occupational accidents at local affiliated companies and also puts in place systems to immediately report any accident that occurs to the headquarters so it can quickly understand what happened as well as plan and execute measures to prevent recurrence.

Risk Education

We not only provide risk management and compliance training when executives and employees join the company but also conduct e-learning for all Group executives and employees every year to enhance the risk sensitivity of Sumitomo Forestry Group executives and solidify it in our corporate culture.

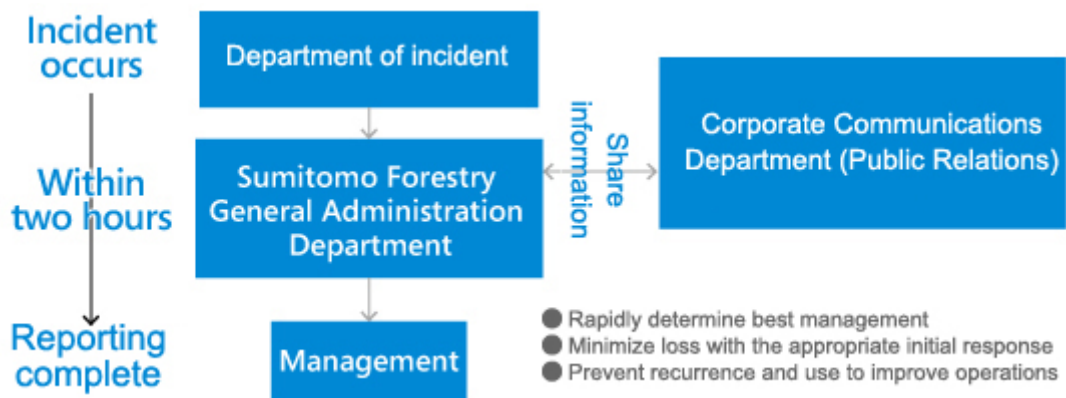
Moreover, the Compliance Subcommittee introduces and shares examples of common risks across the divisions which have manifested in the past and that should be noted the people in charge of risk management at Sumitomo forestry and each Group company.

Rapidly Comprehending and Dealing with Risks

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

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

Two-Hour Rule and Use of Risk Information



Compliance

Basic Policy

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

Compliance Promotion

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

The Compliance Subcommittee met once in fiscal 2020 (nine months from April 2020 to December 2020 due to the change in the accounting period) to investigate legal and regulatory requirements essential to business continuity while continually improving the compliance system in other ways.

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

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

Based on the Sumitomo Group Procurement Policy, Sumitomo Forestry Group responds to compliance risks in supply chains by working with suppliers to ensure that timber procurement is performed legally and in a sustainable manner with consideration of legal compliance, human rights, labor practices, biodiversity conservation, and local communities. The Timber Procurement Committee convened four times in fiscal 2020 led by the director and managing executive officer in charge of sustainability promotion as chairperson and procurement managers from the Timber and Building Materials Division, Housing and Construction Division, and each department procuring timber and wood products as members. This committee receives reports on results from local interviews and the Sustainability Procurement Survey, including the level of supplier compliance awareness, and requires corrective actions to rectify any supplier issues found.

Compliance Training

In order to heighten awareness among each and every employee about compliance, Sumitomo Forestry Group conducts compliance training for new employees to promote their understanding about general compliance issues, such as traffic safety, and information security. In fiscal 2020, training was administered to a total of 205 new graduate recruits, and to 54 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

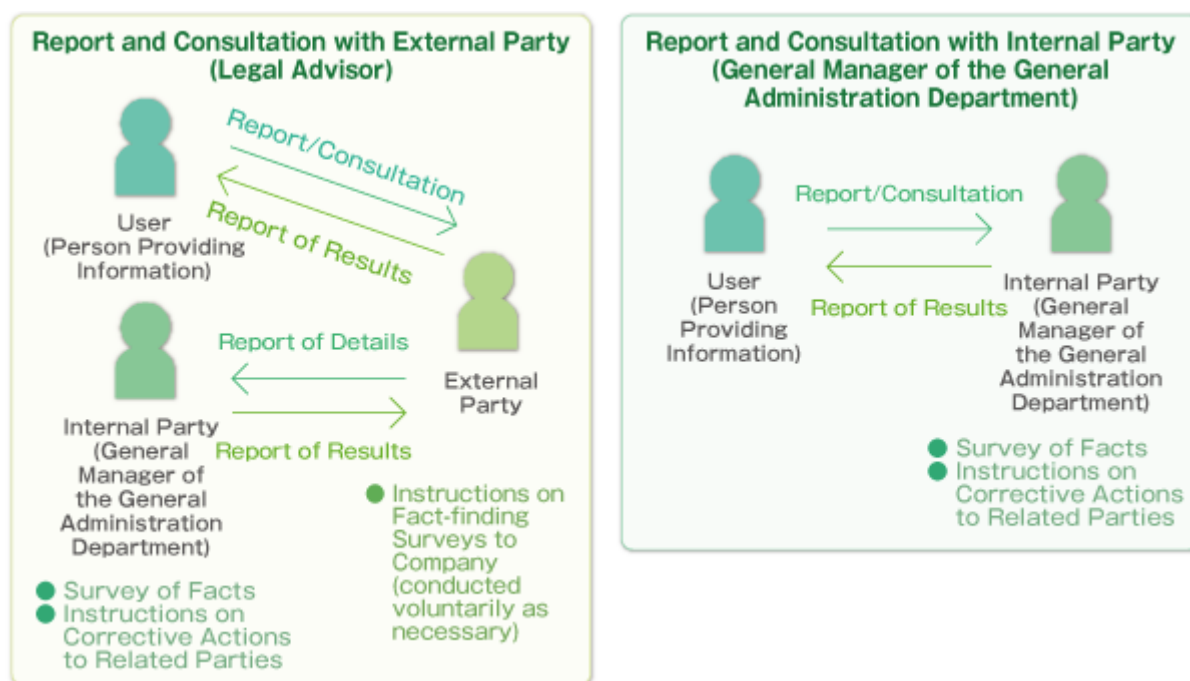
The Sumitomo Forestry Group is committed to creating a workplace environment equipped with a self-corrective function for catching any misconduct concealed in day-to-day operations at an early stage. To this end, the Group established the Compliance Hotline (advice desks) in 2002 in order to prevent 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. Sumitomo Forestry clarified the protection of rights for persons seeking advice or making reports in relevant regulations and in the user manual while publicizing this information on its intranet. We also are striving to create an environment where everyone can easily use this hotline through measures such as the distribution of cards including the contact information—internal and external—for the compliance hotline to anyone providing ongoing labor to Sumitomo Forestry from every employee at Group companies to employees at partner building contractors.

In fiscal 2020 (nine months from April 2020 to December 2020 due to the change in the accounting period), the Compliance Hotlines were contacted 8 times about such topics as the workplace environments and management of working hours. In cases where the facts were confirmed, in addition to implementing the necessary corrective measures, initiatives were promoted aimed at preventing recurrence including using these examples in training for managers. The company instructs managers and all persons to protect whistleblower rigorously if anyone reported.

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

Compliance Hotline Framework



► Grievance Desk

Compliance Auditing

The Sumitomo Forestry Group audits matters related to compliance at each business site through internal audits as well as guides and provides follow-up support for corrective actions and improvements for any problems that are found.

► Internal Audits

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 set in fiscal 2014 was to establish separate regulations at consolidated subsidiaries in Japan, which has already been achieved. Consolidated subsidiaries overseas prepared regulations based on an aspect of the risk-based approach, implement staff training and promoted general awareness. Since fiscal 2015, we have been formulating rules for consolidated subsidiaries in Indonesia, Vietnam, India, and Thailand. In fiscal 2019, Sumitomo Forestry headquarters conducted anti-corruption training and interviews about progress of initiatives at 10 affiliated companies in Asia, including these consolidated subsidiaries, in an effort to provide Group employee education and understand the risk of corruption in the Group. In fiscal 2020, on-site visits to overseas Group companies became difficult due to the impact of the coronavirus disease (COVID-19) pandemic. However, we continued to work on grasping corruption risk in China as well as provide remote training to Group employees.

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 2020, 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 2020.

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

Political Contributions Policy

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

Restriction of Insider Trading

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

There were no breaches or issues related to insider trading in fiscal 2020.

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 Group companies enter into with third parties include a clause to exclude anti-social forces.

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

Prevention of Traffic Accidents and Violations

Given that the Sumitomo Forestry Group has a fleet of about 5,000 vehicles used for work 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 shares the results of analyses on monthly traffic accidents with the safe driving administrators at the head office and each business division, which helps in formulating measures to prevent accidents and in educational activities.

Furthermore, we conduct driving aptitude assessments to help new junior employees who are at a greater risk of accident due to insufficient driving skills and experience understand their personality and driving behavior and provide training to raise awareness about safe driving, such as hands-on vehicle training from daily inspections to basic driving and slalom driving.

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

Tax Strategies

Basic Policy

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

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

Tax Governance System

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

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

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

Initiatives Against Tax Risks

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

Relationships with Tax Authorities

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

Business Continuity Management

Business Continuity Management System

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

In fiscal 2020, the BCM Subcommittee met twice creating an opportunity to reorganize the basic policy on BCM to encourage the promotion of independent and active support in each Division and at each Group company. It also shared information such as reforms to the in-house fire brigade structure spearheaded by Sumitomo Forestry while overcoming the coronavirus disease (COVID-19) pandemic.

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 and rules for reporting to the person in charge of the organization in the event of a disaster. An emergency contact network and a safety confirmation system that activates depending on weather conditions have also been introduced to domestic Group companies. These measures allow the safety of employees to be checked quickly through multiple channels before communication line become congested or restrictions are put in place. Safety confirmation drills are conducted at domestic Group companies every year, and in fiscal 2020, a sum of 14,860 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 experience a simulated “crisis” in an earthquake 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. 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 (group training was postponed in fiscal 2020 due to the novel coronavirus pandemic).

Strengthening Supply Chain Business Continuity Plan

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

In light of this situation, we are examining reporting methods for suppliers to report the status of disaster and systemization of history management in cases the suppliers are affected by natural disasters such as earthquakes or calamities such as fires. In addition, Sumitomo Forestry works to build a purchasing system which has at least two companies that can supply the same materials as a general rule to ensure readiness for these types of unforeseen situations (including at least two production sites for the same materials).

We plan to take measures to prevent delays in procurement materials caused by the COVID-19 through discussions with suppliers. We are reducing risks by increasing inventory at each material supplier where delays occurred as a short-term measure and decentralization of production facilities as a medium- to long-term measure, such as setting up production sites from single to multiple countries.

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

Continuity of Customer Service

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

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

Information Security

Information Security Policy

In order to ensure the confidentiality, integrity and availability of its information systems, the Sumitomo Forestry Group is raising the security level of its systems through the enhancement of both the operational rules and technology aspects of information security. Recognizing that the protection of customer information is of particular and utmost importance, the Group continues to conduct employee training to ensure dissemination of the rules and verifies their level of awareness.

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

In fiscal 2021, new security guidelines will be formulated which can respond to the latest threats, and we are in the process of planning drastic revisions to relevant Group company regulations worldwide.

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

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

We responded to the dramatic increase in security risks brought on by the promotion of telework system during the coronavirus disease (COVID-19) pandemic. Sumitomo Forestry enhanced a DaaS^{*1} environment in addition to building a VPN^{*2} environment employing strong security measure, which were expanded to all of its Group companies.

Sumitomo Forestry had no information leaks, cyberattacks or other such issues in fiscal 2020.

^{*1} Desktop-as-a-Service (DaaS) is a virtual desktop environment provided by companies for users to connect to and use remotely.

^{*2} A Virtual Private Network (VPN) is technology to expand a private network by configuring a virtual tunnel between users who connect over the Internet, etc.

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

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

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

► Personal Information Protection Policy

Systems for Managing Information Security

The executive officer and general manager of the IT Solutions Department, who has specialized knowledge and experience and under the supervision of the executive vice president and executive officer in charge of IT solutions, is responsible for promoting information security measures for the Sumitomo Forestry Group, such as the formulation and management of rules and regulations, the proposal and implementation of technical measures, the education and training of employees, and the investigation of accidents and implementation of countermeasures. The IT Strategy Committee comprised of directors and divisional managers who meet regularly on the progress of information security measures receives reports and gives instructions on measures.

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

Furthermore, the Group also holds regular meetings of the Affiliated Companies IT Managers Council, which is attended by the persons responsible for departments in charge of information systems at Group companies in Japan. The council raises awareness and ensures thorough compliance to the guidelines as well as promotes the introduction of security systems.

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

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

Initiatives to Strengthen Information Security

With a growing number of incidents involving leaks of personal information, targeted email attacks and other threats to information security, the Sumitomo Forestry Group will continue to make investments in information security in fiscal 2021. We have been executing security diagnostics through simulated attack methods at least once a year on any system infrastructure with Internet access. In addition, a training program about targeted email attacks is implemented for all employees in Japan.

Through the Information Security Office at Sumitomo Forestry Information Systems, we are also enhancing our ability to respond to employee inquiries regarding cyberattacks and reinforcing training to raise employee awareness about security (external lectures and on-site education programs).

Intellectual Property Management

Intellectual Property Management Policy

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

Systems for Managing Intellectual Property

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

Intellectual Property Education

Sumitomo Forestry Group conducts intellectual property classroom training for employees under a systematic program that compiles content appropriate to each department. The purpose is to systematically teach the correct knowledge and fundamental actions for handling intellectual property from the perspectives of compliance and the risk management of intellectual property. In fiscal 2020, we held intellectual property training three times emphasizing the prevention of intellectual property rights infringement by third parties as well as other aspects of compliance by limiting the departments subject to Group training as a measure to prevent the spread of the Coronavirus disease (COVID-19).

We have also established an environment in which all Sumitomo Forestry Group employees can access intellectual property-related classes that place 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.

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 laws or regulations related to marketing or advertising in fiscal 2020. Furthermore, Sumitomo Forestry holds monthly meetings of the Brand Communication Committee, comprised of advertising personnel from relevant departments and Group companies in Japan, holding study sessions that include prevention of non-compliance in an effort to raise awareness. Through these efforts, Sumitomo Forestry made certain of prior checks, and endeavored to ensure customers were not misled by unreliable information.

Initiatives to Improve Company-Internal Literacy

In fiscal 2020, the Brand Communication Committee held study sessions on the Copyright Act, Act Against Unjustifiable Premiums and Misleading Representations, and Unfair Competition Prevention Act. These training sessions bring understanding about laws related to advertising, labeling, and violations that can easily occur as well as evoke caution in managers and other staff in charge of marketing materials.

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



The Brand Communication Committee

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

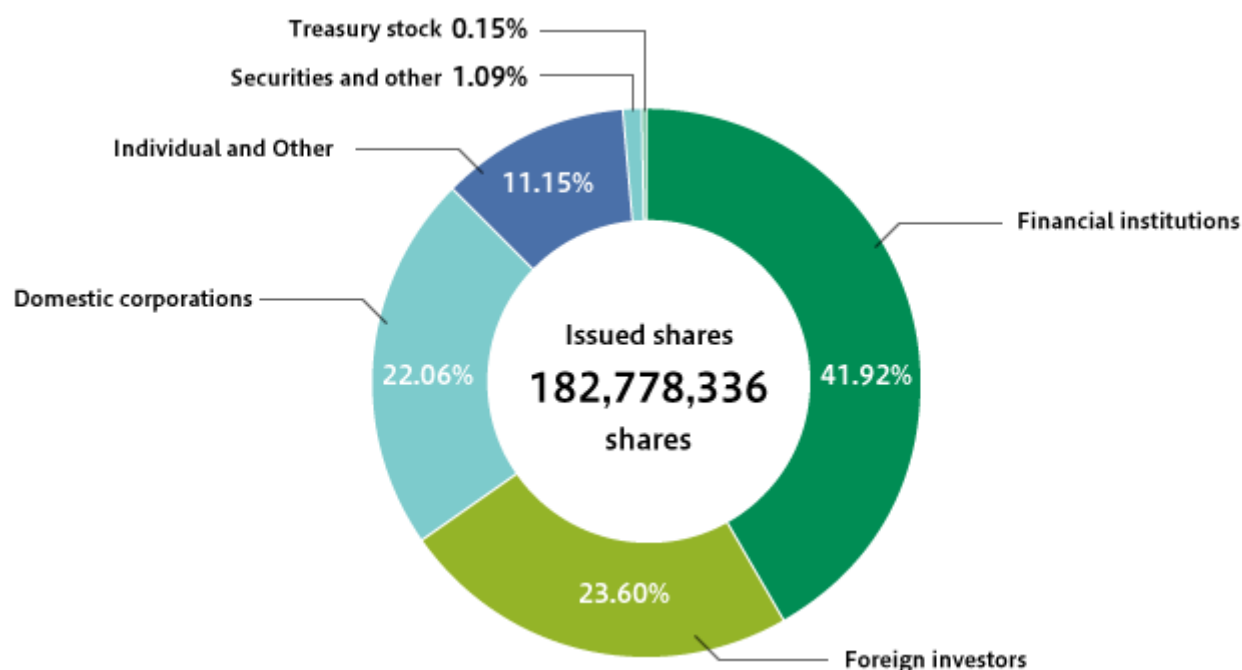
Acknowledging that providing returns to shareholders is one of its most important tasks, Sumitomo Forestry has adopted a basic policy of paying stable and continuous returns.

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 the Fiscal Year Ended December 31, 2020

In the fiscal year ended December 31, 2020 (nine months from April to December 2020 due to the change in the accounting period), a year-end dividend of 25 yen per share and an interim dividend of 10 yen per share were issued. This corresponds to a full-year dividend of 35 yen per share.

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



* Digits below unit values displayed are cutoff on the chart

Information Disclosure and Communication

Basic Policy on Information Disclosure and Communication

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

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

News releases share the latest information about our Group with stakeholders. Sumitomo Forestry published 51 news releases in fiscal 2020 (nine months from April to December 2020 due to the change in the accounting period).

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 2021



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

Two-Way Communication with Shareholders and Investors

▶ Basic IR Policy and Exemptions

General Meeting of Shareholders

Sumitomo Forestry held a General Meeting of Shareholders in March 2021 because the accounting period for fiscal 2020 changed to December 31. Through various initiatives, we endeavor 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 and accommodating shareholders who wish to cast their votes electronically (online, etc.).

* An amendment to the Articles of Incorporation at the 80th General Meeting of Shareholders held on June 23, 2020 changes the General Meeting of Shareholders to March every year starting in 2021

Individual Meetings

Sumitomo Forestry holds individual meetings with security analysts and institutional investors following the announcement of its quarterly results. In fiscal 2020 (nine months from April to December 2020 due to the change in the accounting period), we conducted a total of 117 consultations in Japan and overseas. In addition, we will also regularly hold forums such as small meetings and on-site briefings.

IR Informative Meetings for Individual Investors

Sumitomo Forestry holds regular IR informative meetings for individual investors. During fiscal 2019, Sumitomo Forestry held meetings in Osaka and Nagoya with many of individual investors in attendance. The meetings presented the growth strategy of the Sumitomo Forestry Group in addition to its business operations while its exhibition booth provided briefings to individual investors who have requested one with information on customized housing, rental housing, renovation, and private-pay elderly care facilities, and overseas real estate. This meeting was not convened in fiscal 2020 due to the impact of the coronavirus disease (COVID-19) and the change in the accounting period.



IR Activities for Overseas Institutional Investors and Shareholders

Sumitomo Forestry management team held online conferences with institutional investors and shareholders in Europe in fiscal 2020, in addition to engaging in efforts such as the distribution of English versions of financial information to all of our institutional investors and shareholders overseas. These efforts offer us the chance to exchange ideas in addition to explain aspects of our business such as our business performance and business strategies.

We also participate in conferences held by stock brokerage firms to have even more opportunities for dialogues.

Issuance of Green Bonds

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

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

Conclusion of Positive Impact Financing Agreements

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

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

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

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

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

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

▶ [Third-party Opinion on Positive Impact Financing of Sumitomo Mitsui Trust Bank to Sumitomo Forestry Co., Ltd.](#) 

External Recognition/Guideline

Selection of ESG Indicators

In recent years, interest is growing in ESG investment which considers not only financial but also Environmental, Social and Governance (ESG) elements as investment criteria. Sumitomo Forestry Group has been included in the following ESG Indices as of March 2021.

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 over 3,400 companies included in the Dow Jones Global Index around the world on their economic, environmental, and societal aspects. The Dow Jones Sustainability Asia Pacific Index selected Sumitomo Forestry for inclusion as a brand in January 2021. This is the 13th time Sumitomo Forestry has been selected as a member for the Dow Jones Sustainability Indices series.

Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA

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.



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.



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.

2021 CONSTITUENT MSCIジャパン
ESGセレクト・リーダーズ指数

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.

2021 CONSTITUENT MSCI日本株
女性活躍指数 (WIN)

* The inclusion of Sumitomo Forestry in any MSCI Index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Sumitomo Forestry by MSCI or any of its affiliates. The MSCI Indexes are the exclusive property of MSCI. MSCI and the MSCI Index names and logos are trademarks or service marks of MSCI or its affiliates.

S&P/JPX Carbon Efficient Index

Discloses the S&P/JPX Carbon Efficient Index, jointly developed as an environmental index by the Japan Exchange Group, the Tokyo Stock Exchange, and the S&P Dow Jones Index.

The Government Pension Investment Fund, Japan (GPIF) selected the S&P/JPX Carbon Efficient Index as a benchmark for ESG investment strategy from fiscal 2018.



Bloomberg Gender-Equality Index

Bloomberg selected Sumitomo Forestry as part of the 2021 Bloomberg Gender-Equality Index (GEI) for the first time in January 2021. GEI is an index that evaluates the transparency of corporate informational disclosure on gender as well as company's gender equality initiatives and performance. The GEI assessed our gender equality initiatives and selected Sumitomo Forestry as one of 380 companies with head offices in 44 countries and regions (14 of which are Japanese companies).








SOMPO Sustainability Index




The SOMPO Sustainability Index is an ESG evaluation by Sompo Asset Management Co., Ltd. Evaluated based on an environmental survey by Sompo Risk Management and a social and governance survey by IntegreX Inc., Sumitomo Forestry has been consecutively included in the SOMPO Sustainability Index since fiscal 2013.






Awards and Recognition by Third Parties in Fiscal 2020

Date	Award/Organiser	Recognition	Scope of Recognition
April 2020	Japan Lumber Youth Association	New Research Building at the Tsukuba Research Institute Received the Highest Minister of Land, Infrastructure, Transport and Tourism Prize ► News Release (in Japanese)	Sumitomo Forestry
June 2020	Housing Industry Association of Australia	Honored as Australia's No. 1 Home Builder in the Professional Major Building Category of the HIA-CSR Australian Housing Award  ► News Release	Henley Properties Group
August 2020	Texas Association of Builders	Received the Volume Builder Grand Award in the Large-scale Builder Category of the 2020 Star Awards  ► News Release	Gehan Homes, Ltd.

Date	Award/Organiser	Recognition	Scope of Recognition
August 2020	Kids Design Association	<p>Open Handrail Set for Steel Staircases Received the 14th Kids Design Award</p>  <p>► News Release (in Japanese)</p>	Sumitomo Forestry Sumitomo Forestry Crest
September 2020	oricon ME Inc.	<p>Selected as the Top Real Estate Agency for Both Sold and Purchased Condominiums in the 2020 Oricon Japan Customer Satisfaction Ranking</p>  <p>► News Release (in Japanese)</p>	Sumitomo Forestry Home Service
September 2020	Nikkei New Office Promotion Association	<p>New Tsukuba Research Institute Building Received the New Office Promotion Award from the 33rd Nikkei New Office Promotion Association</p> <p>► News Release (in Japanese)</p>	Sumitomo Forestry
September 2020	Reed Midem	<p>W350 Plan for Timberized Eco Cities Received the Special Jury Award at the MIPIM AWARDS 2020.</p>  <p>► News Release</p>	Sumitomo Forestry

Date	Award/Organiser	Recognition	Scope of Recognition
October 2020	Japan Institute of Design Promotion	<p>Received the Good Design Award for the 11th Consecutive Year ANTIGRAN Exterior Wall Tile Wooden Office and Tenobetakadaya Shop and Restaurant</p>  <p>► News Release (in Japanese)</p>	Sumitomo Forestry
October 2020	Wood Design Award Operational Secretariat	<p>Received the Wood Design Award for the 6th consecutive year in 2020</p>  <p>► News Release (in Japanese)</p>	Sumitomo Forestry
November 2020	Japan Vocational Ability Development Association	<p>Participants receive Silver Medal and Fighting Spirit Award in the 58th National Skills Competition Carpentry Category</p> <p>► News Release (in Japanese)</p>	Sumitomo Forestry School of Professional Building Techniques Sumitomo Forestry Home Engineering
December 2020	CDP	<p>Sumitomo Forestry Makes Climate Change A List for Fifth Consecutive Year -Achieves Highest Rating in CDP 2020-</p>  <p>CDP Forest: B CDP Water: C</p> <p>► News Release</p>	Sumitomo Forestry

Date	Award/Organiser	Recognition	Scope of Recognition
February 2021	Sustainability Award2021	<p>Recognition with the Highest Gold Class Rating by S&P Global as a Company Excelling in Sustainability for the Third Consecutive Year</p> <p>* Run by RobecoSAM up until 2019</p> <p>Sustainability Award Gold Class 2021</p> <p>S&P Global</p> <p>► News Release</p>	Sumitomo Forestry
February 2021	Global Environmental Forum	<p>Sustainability Report 2020 Received the Highest Honor of the Minister's Prize for Environmental Reporting at the 24th Environmental Communication Awards</p>  <p>► News Release (in Japanese)</p>	Sumitomo Forestry
March 2021	Ministry of Economy, Trade and Industry	<p>Nippon Kenko Kaigi Certified Health and Productivity Management Organization 2021 (Large Enterprise Category)</p>  <p>► News Release (in Japanese)</p>	Sumitomo Forestry
March 2021	Ministry of Economy, Trade and Industry	<p>Tokyo Stock Exchange Inc. Selected as a FY2020 Nadeshiko Brand</p>  <p>► News Release (in Japanese)</p>	Sumitomo Forestry

GRI Content Index (GRI Standards)

GRI Content Index (GRI Standards)

Sumitomo Forestry's Sustainability Report refers to GRI Standards.

Below Content Index includes related information available on Sustainability Report.

Disclosures		ISO26000 Disclosure	Location
Organizational profile (2016)			
102-1	a. Name of the organization		► 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 ► Overseas Housing and Real Estate Business
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

Disclosures		ISO26000 Disclosure	Location
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 Picture of Our Business
102-10	a. Significant changes to the organization's size, structure, ownership, or supply chain		▶ Corporate Profile ▶ Performance Highlights
102-11	a. Whether and how the organization applies the Precautionary Principle or approach	6.2	▶ Risk Management ▶ Supply Chain Management ▶ Human Rights Initiatives ▶ Occupational Health and Safety Management ▶ Environmental Risk Management ▶ Pollution Prevention
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	▶ Corporate Philosophy and Sustainability Management ▶ Mid-Term Sustainability Targets as part of 2021 Mid-Term Management Plan and Material Issues ▶ Contributions to the SDGs 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	▶ Promotion of Social Contribution Activities
Strategy			
102-14	a. A statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability	6.2	▶ Top Commitment
102-15	a. A description of key impacts, risks, and opportunities	6.2	▶ 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	▶ Corporate Philosophy and Sustainability Management
102-17	a. A description of internal and external mechanisms for: i. Seeking advice about ethical and lawful behavior, and organizational integrity ii. Reporting concerns about unethical or unlawful behavior, and organizational integrity		▶ 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 ▶ Compliance ▶ 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 ▶ Compliance ▶ 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 ▶ Compliance ▶ 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	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		▶ Corporate Governance
102-29	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	▶ Corporate Governance ▶ Risk Management
102-30	a. Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics		▶ Corporate Governance ▶ Risk Management
102-31	a. Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities	6.2	▶ Corporate Governance ▶ Risk Management
102-32	a. The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material topics are covered		▶ Corporate Governance
102-33	a. Process for communicating critical concerns to the highest governance body	6.2	▶ Corporate Governance ▶ Risk Management ▶ Compliance ▶ Return to Shareholders and IR Activities
102-34	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		▶ Compliance
102-35	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	▶ Corporate Governance
102-36	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		▶ Corporate Governance

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	▶ 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 as part of 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 as part of 2021 Mid-Term Management Plan and Material Issues

Disclosures		ISO26000 Disclosure	Location
102-48	a. The effect of any restatements of information given in previous reports, and the reasons for such restatements		N/A
102-49	a. Significant changes from previous reporting periods in the list of material topics and topic Boundaries		▶ Editorial Policy ▶ Mid-Term Sustainability Targets as part of 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 (2016)			
103-1	a. An explanation of why the topic is material b. The Boundary for the material topic c. Any specific limitation regarding the topic Boundary		▶ Mid-Term Sustainability Targets as part of 2021 Mid-Term Management Plan and Material Issues ▶ Material Issue 1 ▶ Material Issue 2 ▶ Material Issue 3 ▶ Material Issue 4 ▶ Material Issue 5
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: 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		▶ Top Commitment ▶ Sustainability-related Policies ▶ Mid-Term Sustainability Targets as part of 2021 Mid-Term Management Plan and Material Issues ▶ Material Issue 1 ▶ Material Issue 2 ▶ Material Issue 3 ▶ Material Issue 4 ▶ Material Issue 5

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 as part of 2021 Mid-Term Management Plan and Material Issues ▶ Material Issue 1 ▶ Material Issue 2 ▶ Material Issue 3 ▶ Material Issue 4 ▶ Material Issue 5

Disclosures		ISO26000 Disclosure	Location
Economic Performance (2016)			
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 ▶ Mitigation of Climate Change ▶ Adaption to Climate Change ▶ Energy Used in Business Activities and the Adoption of Renewable Energy ▶ Greenhouse Gas Emissions from Business Activities
201-3	Defined benefit plan obligations and other retirement plans	6.8.7	▶ IR Library
201-4	Financial assistance received from government		
Market Presence (2016)			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	6.3.7 6.3.10 6.4.3 6.4.4 6.8.1 6.8.2	
202-2	Proportion of senior management hired from the local community	6.4.3 6.8.1 6.8.2 6.8.5 6.8.7	▶ Social Data

Disclosures		ISO26000 Disclosure	Location
Indirect Economic Impacts (2016)			
203-1	Infrastructure investments and services supported	6.3.9 6.8.1 6.8.2 6.8.7 6.8.9	<ul style="list-style-type: none"> Promote Further Integration of Business Operations and ESG Initiatives in the Overseas Housing and Real Estate Business Sustainable Forest Management Promotion of Social Contribution Activities Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas
203-2	Significant indirect economic impacts	6.3.9 6.6.6 6.6.7 6.7.8 6.8.1 6.8.2 6.8.5 6.8.6 6.8.7 6.8.9	<ul style="list-style-type: none"> Risk Management Overseas Housing and Real Estate Business Environmental Risk Management Responding to TCFD
Procurement Practices (2016)			
204-1	Proportion of spending on local suppliers	6.4.3 6.6.6 6.8.1 6.8.2 6.8.7	
Anti-corruption (2016)			
205-1	Operations assessed for risks related to corruption	6.6.1 6.6.2 6.6.3	► Compliance
205-2	Communication and training about anti-corruption policies and procedures	6.6.1 6.6.2 6.6.3 6.6.6	► Compliance
205-3	Confirmed incidents of corruption and actions taken	6.6.1 6.6.2 6.6.3	► Compliance
Anti-competitive Behavior (2016)			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	6.6.1 6.6.2 6.6.5 6.6.7	► Compliance
Tax (2019)			
207-1	Approach to tax	6.2	► Tax Strategies

Disclosures		ISO26000 Disclosure	Location
207-2	Tax governance, control, and risk management	6.2	► Tax Strategies
207-3	Stakeholder engagement and management of concerns related to tax		► Tax Strategies
207-4	Country-by-country reporting		
Materials (2016)			
301-1	Materials used by weight or volume	6.5.1 6.5.2 6.5.4	► Environmental Impact of Business Activities
301-2	Recycled input materials used	6.5.1 6.5.2 6.5.4	► Waste Reduction and Recycling Management ► Initiatives to Achieve Zero Emissions
301-3	Reclaimed products and their packaging materials	6.5.1 6.5.2 6.5.4	► Waste Reduction and Recycling Management ► Initiatives to Achieve Zero Emissions
Energy (2016)			
302-1	Energy consumption within the organization	6.5.1 6.5.2 6.5.4	► Environmental Impact of Business Activities ► Energy Used in Business Activities and the Adoption of Renewable Energy
302-2	Energy consumption outside of the organization	6.5.1 6.5.2 6.5.4	► Environmental Impact of Business Activities ► Energy Used in Business Activities and the Adoption of Renewable Energy
302-3	Energy intensity	6.5.1 6.5.2 6.5.4	► Energy Used in Business Activities and the Adoption of Renewable Energy
302-4	Reduction of energy consumption	6.5.1 6.5.2 6.5.4 6.5.5	► Energy Used in Business Activities and the Adoption of Renewable Energy
302-5	Reductions in energy requirements of products and services	6.5.1 6.5.2 6.5.4 6.5.5	► Mitigation of Climate Change
Water (2016)			
303-1	Water withdrawal by source	6.5.1 6.5.2 6.5.4	► Environmental Impact of Business Activities ► Efficient Use of Water Resources ► Environmental Related Data

Disclosures		ISO26000 Disclosure	Location
303-2	Water sources significantly affected by withdrawal of water	6.5.1 6.5.2 6.5.4	▶ Environmental Related Data
303-3	Water recycled and reused	6.5.1 6.5.2 6.5.4	
Biodiversity (2016)			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	6.5.1 6.5.2 6.5.6	▶ 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	▶ 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	▶ 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
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	6.5.1 6.5.2 6.5.6	▶ Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas
Emissions (2016)			
305-1	Direct (Scope 1) GHG emissions	6.5.1 6.5.2 6.5.5	▶ Environmental Impact of Business Activities ▶ 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 ▶ 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 ▶ Greenhouse Gas Emissions from Business Activities

Disclosures		ISO26000 Disclosure	Location
305-4	GHG emissions intensity	6.5.1 6.5.2 6.5.5	▶ Greenhouse Gas Emissions from Business Activities
305-5	Reduction of GHG emissions	6.5.1 6.5.2 6.5.5	▶ Mitigation of Climate Change ▶ 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	▶ Pollution Prevention ▶ Environmental Related Data
Effluents and Waste (2016)			
306-1	Water discharge by quality and destination	6.5.1 6.5.2 6.5.3	▶ Environmental Impact of Business Activities ▶ Environmental Related Data
306-2	Waste by type and disposal method	6.5 6.5.3	▶ Environmental Impact of Business Activities ▶ Waste Reduction and Recycling Management
306-3	Significant spills	6.5.1 6.5.2 6.5.3	▶ Environmental Risk Management
306-4	Transport of hazardous waste	6.5.1 6.5.2 6.5.3	
306-5	Water bodies affected by water discharges and/or runoff	6.5.1 6.5.2 6.5.3 6.5.4 6.5.6	
Environmental Compliance (2016)			
307-1	Non-compliance with environmental laws and regulations	6.5.1 6.5.2 4.6	▶ Environmental Risk Management
Supplier Environmental Assessment (2016)			
308-1	New suppliers that were screened using environmental criteria	6.3.5 6.5.1 6.5.2 6.6.6 7.3.1	

Disclosures		ISO26000 Disclosure	Location
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	▶ Supply Chain Management> Distribution Business Initiatives ▶ Supply Chain Management> Manufacturing Business Initiatives ▶ Supply Chain Management> Housing and Construction Business Initiatives
Employment (2016)			
401-1	New employee hires and employee turnover	6.4.1 6.4.2 6.4.3	▶ Social Data
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.4.1 6.4.2 6.4.4 6.8.7	
401-3	Parental leave	6.4.1 6.4.2 6.4.4	▶ Social Data
Labor/Management Relations (2016)			
402-1	Minimum notice periods regarding operational changes	6.4.1 6.4.2 6.4.3 6.4.5	
Occupational Health and Safety (2016)			
403-1	Workers representation in formal joint management-worker health and safety committees	6.4.1 6.4.2 6.4.6	▶ 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
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

Disclosures		ISO26000 Disclosure	Location
Training and Education (2016)			
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	▶ Diversity and Inclusion ▶ 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 (2016)			
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 (2016)			
406-1	Incidents of discrimination and corrective actions taken	4.8 6.3.1 6.3.2 6.3.6 6.3.7 6.3.10 6.4.3	
Freedom of Association and Collective Bargaining (2016)			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.3.8 6.3.10 6.4.5 6.6.6	

Disclosures		ISO26000 Disclosure	Location
Child Labor (2016)			
408-1	Operations and suppliers at significant risk for incidents of child labor	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.3.7 6.3.10 6.6.6 6.8.4	<ul style="list-style-type: none"> ▶ Supply Chain Management> Distribution Business Initiatives ▶ Supply Chain Management> Manufacturing Business Initiatives ▶ Supply Chain Management> Housing and Construction Business Initiatives
Forced or Compulsory Labor (2016)			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.3.10 6.6.6	<ul style="list-style-type: none"> ▶ Supply Chain Management> Distribution Business Initiatives ▶ Supply Chain Management> Manufacturing Business Initiatives ▶ Supply Chain Management> Housing and Construction Business Initiatives ▶ Human Rights Initiatives
Security Practices (2016)			
410-1	Security personnel trained in human rights policies or procedures	4.8 6.3.1 6.3.2 6.3.4 6.3.5 6.6.6	
Rights of Indigenous Peoples (2016)			
411-1	Incidents of violations involving rights of indigenous peoples	4.8 6.3.1 6.3.2 6.3.4 6.3.6 6.3.7 6.3.8 6.6.7 6.8.3	
Human Rights Assessment (2016)			
412-1	Operations that have been subject to human rights reviews or impact assessments	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5	<ul style="list-style-type: none"> ▶ Human Rights Initiatives

Disclosures		ISO26000 Disclosure	Location
412-2	Employee training on human rights policies or procedures	4.8 6.3.1 6.3.2 6.3.5	▶ Human Rights Initiatives
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	4.8 6.3.1 6.3.2 6.3.3 6.3.5 6.6.6	▶ Supply Chain Management> Distribution Business Initiatives ▶ Human Rights Initiatives
Local Communities (2016)			
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	▶ Protecting 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 (2016)			
414-1	New suppliers that were screened using social criteria	6.3.5 6.6.1 6.6.2 6.6.6 6.8.1 6.8.2 7.3.1	
414-2	Negative social impacts in the supply chain and actions taken	6.3.5 6.6.1 6.6.2 6.6.6 6.8.1 6.8.2 7.3.1	▶ Supply Chain Management> Distribution Business Initiatives ▶ Supply Chain Management> Manufacturing Business Initiatives ▶ Supply Chain Management> Housing and Construction Business Initiatives ▶ Human Rights Initiatives
Public Policy (2016)			
415-1	Political contributions	6.6.1 6.6.2 6.6.4	

Disclosures		ISO26000 Disclosure	Location
Customer Health and Safety (2016)			
416-1	Assessment of the health and safety impacts of product and service categories	6.7.1 6.7.2 6.7.4 6.7.5 6.8.8	<ul style="list-style-type: none"> ▶ Product Safety and Quality Management in the Manufacturing Business ▶ Product Safety and Quality Management in the Housing and Construction Business
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	4.6 6.7.1 6.7.2 6.7.4 6.7.5 6.8.8	
Marketing and Labeling (2016)			
417-1	Requirements for product and service information and labeling	6.7.1 6.7.2 6.7.3 6.7.4 6.7.5 6.7.9	<ul style="list-style-type: none"> ▶ Communication with Our Customers> Housing and Construction Business Initiatives
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	<ul style="list-style-type: none"> ▶ Responsible Advertising/Promotional Efforts
Customer Privacy (2016)			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	6.7.1 6.7.2 6.7.7	<ul style="list-style-type: none"> ▶ Communication with Our Customers> Housing and Construction Business Initiatives
Socioeconomic Compliance (2016)			
419-1	Non-compliance with laws and regulations in the social and economic area	4.6 6.7.1 6.7.2 6.7.6	

Editorial Policy

Editorial Policy

The Sumitomo Forestry Group regards the Sustainability Report as an important tool for communicating with our stakeholders.

As interest in sustainability activities and information related to ESG information grew in fiscal 2020, we have striven to organize this publication in a way that provides better access to the desired topics from the wealth of available information.

The Sumitomo Forestry Group sees sustainable management as fundamental. We work to enhance E (environmental) S (social) G (governance) disclosure. In outline of our business part, we strengthened guidance to each report page to clarify the type of sustainable management practiced in our business activities.

In addition to the website, we also publish a pamphlet in Japanese highlighting our unique sustainability initiatives, arranged to be used in line with the interests of all our related stakeholders.

We appreciate your feedback on our wide range of sustainable activities.

► [Sustainability Report Questionnaire Page](#)

Change in the Accounting Period:

The Sumitomo Forestry Group changed its accounting period (the end of the fiscal business year) in fiscal 2020 from March 31 to December 31. Unless otherwise noted, the data collected for Japan is for nine months from April to December 2020 due to this change in the accounting period.

Boundary of the Reporting:

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

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

► [List of Sumitomo Forestry Group Companies](#)

► [Boundaries and Method of Environmental Data Aggregation \(Balance of Input and Output\)](#)

Published:

August 2021

Reporting Period:

Japan: April 2020 to December 2020


Overseas: January 2020 to December 2020

* Some activities in Japan and overseas started before the period and after December 2020, and future forecasts are also included. A note is also included if the period of data collection differs from the above.

Reference Guidelines:

Environmental Reporting Guidelines (2018 Edition), Japanese Ministry of the Environment
ISO26000:2010 procedures related to social responsibility (Japanese Standards Association)
GRI Standards, Global Reporting Initiative (GRI)

Reliability of Report Content


The environmental and social performance indicators have obtained third-party assurance by KPMG AZSA Sustainability Co., Ltd., and indicate the third-party assurance 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.



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 January 1, 2020 to December 31, 2020 (or from April 1, 2020 to December 31, 2020) included in its Sustainability Report 2021 (PDF version) (the “Report”) for the fiscal year ended December 31, 2020.

The Company’s Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’ and the ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’ issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company’s responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and recalculating the Indicators.
- Making inquiries and reviewing materials including documented evidence of Sumitomo Forestry Crest Co., Ltd.’s Niihama Plant selected on the basis of a risk analysis, as alternative procedures to a site visit.
- 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

August 27, 2021