

Happiness Grows from Trees



For Sustainable Development Goals

Sumitomo Forestry Group
Sustainability Report 2022



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Boundary of the Report and Publication Date

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 : September 2022

Reporting Period Japan & Overseas : January 2021 to December 2021

* Some activities in Japan and overseas started before the period and after December 2021, and future forecasts are also included.

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

Contact : Sustainability Department

Sumitomo Forestry Co., Ltd.

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



Top Commitment

Top Commitment



Our long-term vision of what type of company we want to be

In February this year, Sumitomo Forestry Group defined and announced its vision to support the realization of a decarbonized society by 2050. Our aim is to provide value to our planet, to people and society, and to the market economy to make our world safer and more secure for current and future generations of people and all living beings. Because it is of primary importance to act now to produce results, our long-term vision Mission TREEING 2030 has set 2030 as the target year, the same as the target year for the United Nations' SDGs.

While formulating our long-term vision over the past two years, the world changed radically with the COVID-19 pandemic. Restrictions on people's movement and opportunities to meet changed the way we work. At Sumitomo Forestry Group, demand for newly built single-unit houses in our primary markets of Japan, the United States and Australia rose significantly. On the other hand, supply chain disruptions and other issues shook the foundation of business operations in many different sectors. In Japan, the domestic market was challenged by wood shortages and soaring prices – in other words, a wood shock. In addition, Russia's military invasion of Ukraine has had a huge impact on energy and food security not just for neighboring countries but for many other countries and regions around the world. Companies with global operations have also been affected and the outlook is unclear.



During these uncertain times, we must act urgently to address climate change, biodiversity loss and growing inequalities. To provide shared benefits to society, we must make the right choices and move forward in the right direction. Mission TREEING 2030 is our lighthouse, guiding us to the type of company we want to be in the future.

Pursuing new challenges, building on the successes of our previous Medium-Term Management Plan

Last fiscal year was the final year of our previous Medium-Term Management Plan. We achieved most of our Mid-Term Sustainability Targets, which define our non-financial goals, and among our biggest achievements was our supply chain initiatives. For the first time, we set a time-bound goal to achieve 100% procurement of timber and wood products from sustainable forests. We reexamined our procurement standards primarily for directly imported materials. For tree species and regions with environmental, human rights or other sustainability concerns, we worked with our suppliers to switch to more reliable certified materials, in addition to ensuring legality. Otherwise, we ended our contracts in September and have currently achieved 100% of our goals. Further details about this and other efforts are available in the Sustainability Report 2022. With our new Medium-Term Management Plan, we plan to implement sustainability and lifecycle initiatives that capture and reduce GHG emissions of directly imported materials, procured raw materials used at manufacturing facilities and domestically distributed materials.



At COP26 held in November last year, an agreement was reached to limit global warming to 1.5°C compared to pre-industrial levels and to steadily phase down coal power. Ahead of this in September, Sumitomo Forestry Group signed Business Ambition for 1.5°C, a campaign led by the Science Based Targets (SBT) Initiative in partnership with the UN Global Compact and other organizations. To achieve net zero by 2050 and to align with the goal to limit warming to 1.5°C, we upwardly revised our 2030 SBT reduction target to 54.6 percent compared to fiscal 2017. By accelerating our move to RE100 through such measures as installing solar panels at all our manufacturing facilities, we plan to reduce CO₂ emissions by 18.5 percent in three years.

In terms of information disclosure, after conducting scenario analyses in 2018 of our Domestic Housing Business and our Timber and Building Materials Business as part of our TCFD efforts, we implemented scenario analyses of our Overseas Housing Business and our Environment and Resources Business, as well. As we did for the first two mentioned businesses, we examined the circumstances of two scenarios for 2030 – a 4°C increase and a 2°C (1.5°C) increase. These scenarios helped us determine how sustainable use of forest resources would accelerate decarbonization and how stakeholder sentiment would prompt the reinforcement of forest protection policies, both of which highlighted the importance of accurately communicating the function and effect of forests and wood resources to stakeholders. Working with such organizations as the Forest Solutions Group of the World Business Council for Sustainable Development (WBCSD), we are actively engaging with policymakers and a wide variety of other stakeholders around the world.



Climate, nature, equality – comprehensive initiatives are key

The COVID-19 pandemic and climate change have disproportionately impacted vulnerable groups in society, such as women and children. At COP26, there was much focus on the need to address biodiversity loss and widening disparities. Sumitomo Forestry Group, utilizing risk mapping based on human rights due diligence, scrutinizes the labor environment and other conditions for foreign technical trainees and is continuing to build a grievance mechanism this term. Our long-term vision was formulated around material issues that were newly defined in March 2021. With "maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy" as one of our business policies, we are setting both societal and economic goals that take into consideration not only decarbonization but also conservation of biodiversity and natural resources, such as water.

As is widely known, trees absorb carbon dioxide through photosynthesis as part of the growth process and sequester large amounts of carbon even after harvesting. Using wood for housing, furniture and other purposes leads to long-term carbon fixation. Despite a variety of measures to reduce CO₂ emissions, inevitably, there are unabated CO₂ emissions that must be offset. Forests play an important role in this regard.

Ever since its establishment in 1691, Sumitomo Forestry has operated a wide variety of businesses focused on wood both in Japan and overseas. Our wood-centric value chain is based on forest management that is sustainable and mindful of biodiversity and human rights. With the stable and ongoing operation of this wood cycle, we believe we can contribute to decarbonization and resource circularity for not just our own company, but for the whole of society as well.

Sumitomo Forestry's unique contribution: Decarbonization initiatives with our wood cycle

During the formulation process of Mission TREEING 2030, momentum to pursue SDGs and resolve societal issues grew within the company. We were able to visualize and share amongst ourselves how we can contribute to decarbonization while pursuing further growth in the areas of forests, timber and construction. In concrete terms, we will expand the area of sustainable forests we manage to 500,000 hectares and establish forestry funds to help other companies pursue decarbonization through carbon offsets. In addition, to reduce the risk of wood shortages that we experienced in Japan with the wood shock, we are working on such measures as raising the self-sufficiency ratio of domestic timber, establishing timber industrial complexes and using wood biomass as a heat source during manufacturing to secure a stable supply of high-environmental-value timber.

In the area of construction, we are working to visualize CO₂ emissions and standardize decarbonized design. We are also implementing environmental labeling of building materials and construction lifecycle assessments (LCA) utilizing a software called One Click LCA in Japan. The construction industry accounts for almost 40 percent of the world's CO₂ emissions, and two-thirds of that comes from cooling, heating and lighting during occupancy. This is called operational carbon, which can be reduced with the wider use of renewable energy. In contrast, the remaining one-third of carbon emissions, called embodied carbon, is attributable to building materials – from the procurement and processing of raw materials to make them, to their transport, construction, renovation/repair and disposal. The key to reducing embodied carbon is developing building materials and construction methods with a low environmental burden. As part of this effort, Sumitomo Forestry signed a contract to be the exclusive Japan sales agent of One Click LCA, a software that was developed in Finland and is currently used in over 130 countries around the world.



Creating a resilient organization that can work with a diverse range of stakeholders

Sumitomo Forestry Group is undertaking numerous initiatives to grow and transform into a more diverse, resilient organization. As part of management's commitment to sustainable growth, we revised our director compensation system to be based on financial performance, which correlates with ESG management indices and is linked to the achievement of SBT, long-term CO₂ emissions reduction targets. In addition, to ensure that employees from a diverse range of backgrounds can work with a sense of security and harness their individuality, we introduced a new performance evaluation system that better promotes goal achievement and employee growth. In October, we also announced our Sumitomo Forestry Group Declaration on Health Management to promote workstyle reform.



To work with a diverse group of stakeholders, we must actively pursue alliances, join organizations and pay close attention to emerging sentiment while sharing our own company's knowledge, technologies and future vision. To begin to fully protect biodiversity, water and other forms of nature, we became a member of the Taskforce on Nature-related Financial Disclosures (TNFD) Forum. Compared to a year ago, interest in embodied carbon reduction and decarbonization through forest utilization has grown. More than ever before, we are meeting with business partners as well as companies we have had no past contact with about opportunities for collaboration. We look forward to working with many stakeholders as we promote Mission TREEING 2030.



Providing value for our planet

Material Issue 1

To enhance the value of forests and wood through sustainable forest management

Nurturing forests to enhance and harness the value of wood and other forest resources



*The total of three companies – PT. Kutai Timber Indonesia (KTI), PT. Rimba Partikel Indonesia (RPI), Vina Eco Board Co., Ltd. (VECO)

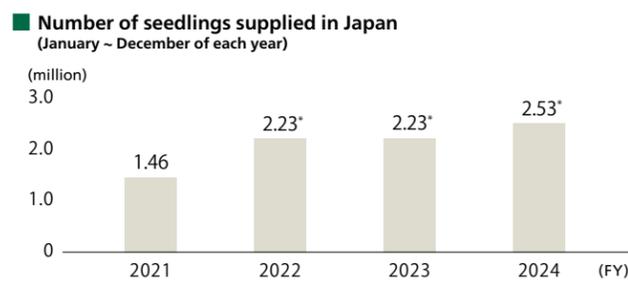
Container seedling production for regional revitalization

Many local governments are working to maintain unused forest resources and conduct reforestation activities as an element of their regional revitalization efforts. In addition, clearcutting is on the rise because many Japanese cedar, Japanese cypress and Japanese larch forests planted after the World War II have reached harvesting time. This is resulting in an increase in areas needing replanting, which is creating a demand for a stable supply of seedlings. A decline in workers is also highlighting the problem of insufficient seedling supply.



er production facilities in Mombetsu, Hokkaido Prefecture, Gero, Gifu Prefecture, Motoyama, Kochi Prefecture, Midori, Gunma Prefecture, and Minamiaizu, Fukushima Prefecture, to produce 1.9 million seedlings annually. By controlling the temperature, humidity and other factors, seedlings can be grown throughout the year and the per area production volume is significantly higher than conventional outdoor seedling cultivation.

In addition to production at our own facilities, we also consign production in Gifu Prefecture, and increased production by providing technology to a facility in Nichinan, Tottori Prefecture in fiscal 2021. By creating employment opportunities to workers involved in seedling production, and by developing and utilizing new technologies, we work with local governments to contribute to regional revitalization.



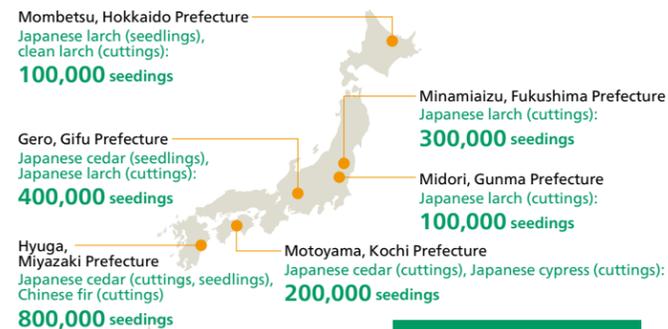
*Forecasted figures as of fiscal 2021



To combat this problem, Sumitomo Forestry Group quickly began to modernize container seedling production. Using our proprietary production technologies, we operate climate-controlled cultivation facilities that contribute to the sustainability of forest resources and resource production.

Following the 2012 opening of a climate-controlled seedling production facility in Hyuga, Miyazaki Prefecture, we opened oth-

Sumitomo Forestry's seedling production facilities nationwide



Total: 1.9 million production volume

"Social forestry" initiatives that impact the local economy

In 1999, PT. Kutai Timber Indonesia (KTI), one of our production sites in Indonesia, began planted forest operations using fast-growing trees, such as falcata, which grow quickly and have short harvesting cycles. Local residents were provided seedlings free of charge, given technical guidance and asked to plant and nurture the trees on their own land. By guaranteeing to purchase the timber of the mature trees at market prices, KTI sought to balance environmental, social and economic interests through this "social forestry" initiative. In 2015, this initiative was recognized for contributing to the stable income of local residents and positively impacting the local community and environmental conservation with Indonesia's Ministry of Environment and Forestry Award. In fiscal 2021, along with PT. Rimba Partikel Indonesia (RPI), Vina Eco Board Co., Ltd. (VECO) and other operations, we supplied a total of 1.14 million seedlings.

To increase the ratio of planted trees as a raw material, KTI works closely with local forestry cooperatives to manage a framework for sustainable forest management. In 2008, Koperasi Serba Usaha Alas Mandiri KTI (KAM KTI)*, a forestry cooperative that KTI supports, became the first to acquire FSC-FM certification for 152 ha of plantation forest. By 2015, the area of certified forest grew to 1,005 ha. In 2017, another forestry cooperative called Koperasi Bromo Mandiri (KBM KTI)* acquired the same certification for 206 ha of plantation forest, which expanded to 1,330 ha in fiscal 2021. Logs are supplied by KTI. The area of certified forest for both cooperatives totals 2,335 ha, and with the increase in the supply of certified timber, KTI will expand its production and sale of high environmental value products while contributing to the local community.

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

Total social forestry plantation forest area*1 (ha)

Company name	Fiscal 2021 actual figures
PT. Kutai Timber Indonesia (KTI)	5,816
Koperasi Serba Usaha Alas Mandiri (KAM KTI)	1,005 ²
Koperasi Bromo Mandiri (KBM KTI)	1,330 ³
PT. Rimba Partikel Indonesia (RPI)	443
Vina Eco Board Co., Ltd. (VECO)	254
Total	8,848

*1 Plantation forest area calculated using the actual number of seedlings distributed and per hectare number of plants (the per hectare number of plants is planned every year by tree species)

*2 [Forest certification system] FSC [Certification number] SA-FM/COC-002083 [Certifying organization] Soil Association

*3 [Forest certification system] FSC [Certification number] SA-FM/COC-005493 [Certifying organization] Soil Association



Images from a plantation forest

For more information about other related initiatives, please refer to this site.

<https://sfc.jp/english/sustainability/environment/forest/domestic.html>



For more information about other related initiatives or targets, please refer to these sites.

<https://sfc.jp/english/sustainability/social/supply-chain/manufacture.html>



<https://sfc.jp/english/sustainability/environment/forest/social-forestry.html>



<https://sfc.jp/english/sustainability/management/materiality1.html>





Providing value for our planet

Material Issue 2

To realize carbon neutrality by leveraging forests and wood resources

Contributing to the decarbonization of society by reducing our own GHG emissions, by offering timber and wood products that sequester carbon, and by providing low-carbon/carbon-free products and services.

Related targets

Establishing and improving methods to calculate forest absorption volume

Fiscal 2024 Start of full-fledged application

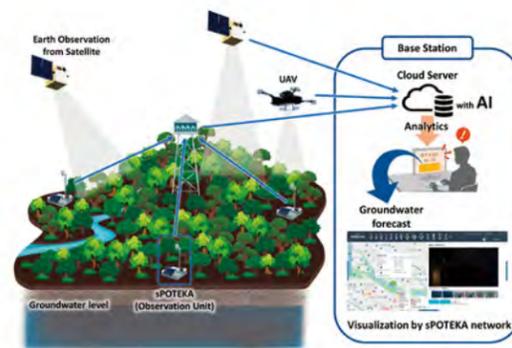
Collaboration with IHI to maintain and protect the world's forests from space

The area of tropical peatlands^{*1} in Indonesia, the Congo Basin and along the Amazon River is more than 82 million ha^{*2} worldwide (approximately twice the land area of Japan) and it is believed that they store at least 89.0 billion tons^{*3} of carbon (approximately 10 times the global total carbon emissions in 2017). However, if these tropical peatlands are not managed properly, the groundwater levels fall, making them dry, susceptible to fire and a source of CO₂ emissions. With governments, companies and investors around the world accelerating their efforts to realize a decarbonized society, forests are gaining attention as a carbon sink. There are hopes that tropical peatland forest management methods, that are low-cost, easy and environmentally sustainable, will become more widely adopted.

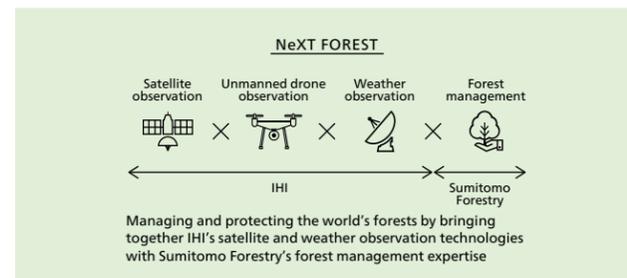
Sumitomo Forestry Group and IHI Group are working together to develop peatland management technologies that can be used worldwide. By bringing together Sumitomo Forestry's forest management expertise with IHI Group's satellite and drone remote sensor and weather observation technologies, the two companies

hope to begin forest management consulting operations in fiscal 2022. In addition, by accurately measuring the carbon stock of forests, we hope to create high-quality carbon credits that appropriately reflect the value of forests as form of natural capital^{*4} for their role in protecting biodiversity and contributing to local communities.

*1 Tropical peatlands are, soil made from dead plant matter that has not decomposed in the water
 *2 Xu et al., 2018
 *3 Dargie et al., 2017
 *4 Natural capital is, Nature that creates as stock (capital) valuable services, such as forests, which absorb carbon dioxide and filter water



Planted forest in Indonesia



Related targets

Renewable energy implementation rate*
[Initiatives to achieve RE100]

Fiscal 2024
35.1 %

Sumirin Denki participation rate
Fiscal 2024 post-FIT surplus power acquisition **45** %

* Excluding amount consumed at biomass power generation operations and at operations located in New Zealand where the entire country is striving for RE100 by 2035.

Utilizing "Sumirin Denki" renewable energy for domestic power usage

In October 2018, the IPCC (Intergovernmental Panel on Climate Change) disclosed the latest scientific findings about global warming in their "Special Report on Global Warming of 1.5°C." This report revealed that global warming of 2.0°C versus 1.5°C above pre-industrial levels would have a significantly different impact on the global environment. Given this, Sumitomo Forestry Group began working to further reduce greenhouse gas emissions from its operations and in March 2020, became a member of RE100*, a global initiative that aims to achieve 100% renewable electricity.

By 2040, Sumitomo Forestry Group aims to have all the electricity it uses for its business operations and all the fuel it uses for its power generation operations be 100% renewable energy.

In our Mid-Term Sustainability Targets as part of the 2024 Medium-Term Management Plan, to achieve RE100 by 2030 in areas where we can do so based on our own effort, we set a goal to have

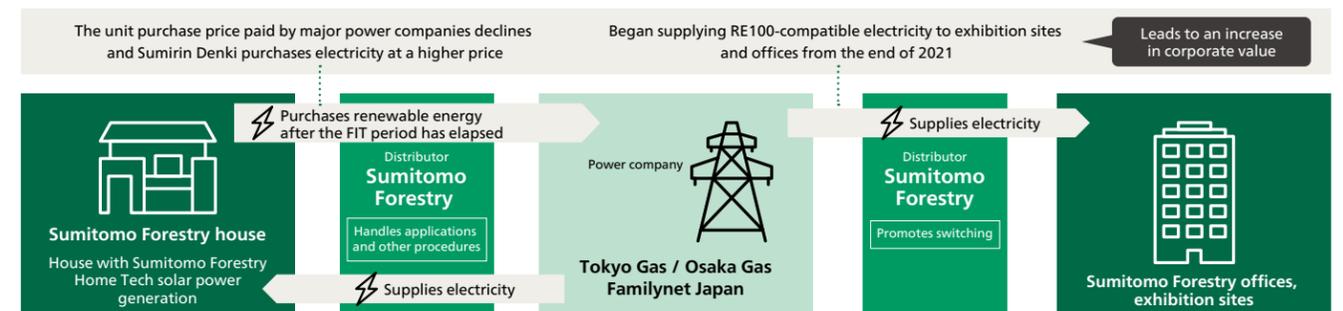
35.1% of the electricity we use for our Group business operations be from renewable energy by fiscal 2024. As one approach to achieve this, we decided to utilize "Sumirin Denki," which was introduced in November 2019 in Japan.

Sumirin Denki is a service that purchases surplus electricity from home owners of Sumitomo Forestry Homes after the renewable energy FIT (feed-in tariff) purchase period has elapsed. The service also covers customers who have installed Sumitomo Forestry Home Tech solar energy panels and offers electricity supply as an agent. By utilizing surplus electricity generated from homes for our offices, exhibition sites and other areas, Sumitomo Forestry Group is working to increase the ratio of renewable energy of our total domestic power consumption. As of May 2022, we had 2,329 contracts that supply renewable energy to 34 exhibition sites in the Kinki area.

In March 2022, we expanded the agent service to supply energy to new customers who build a home. To fulfill the targets outlined in RE100, we are working to achieve a post-FIT surplus power acquisition rate of 45% by fiscal 2024.

*A global initiative jointly led by the Climate Group, an international environmental NGO, in partnership with CDP.

How Sumirin Denki works



For more information about other related initiatives, please refer to these sites.

<https://sfc.jp/english/sustainability/environment/forest/consultant.html>



https://sfc.jp/english/news/pdf/20210618_01.pdf



For more information about other initiatives or targets, please refer to these sites.

<https://sfc.jp/english/sustainability/environment/climate-change/mitigation.html>



<https://sfc.jp/english/sustainability/management/materiality2.html>





Providing value for our planet

Material Issue 3

To realize a circular bioeconomy by leveraging forests and wood resources

Realizing a circular society by making the most of wood, a renewable and natural resource from the forest ecosystem.



The Housing and Construction Division's supply chain management initiatives

With growing awareness of human rights, environmental and other issues in the supply chain, companies are being tasked to take supply chain management initiatives that help realize a sustainable society.

Sumitomo Forestry Group formulated the Wood Procurement Basic Policy in 2005 and the Wood Procurement Principles and Policies in 2007. Based on our own Wood Procurement Due Diligence, the Timber and Building Materials Division began to conduct sustainability surveys of directly imported wood and wood products. In 2015, the Wood Procurement Principles and Policies was revised the Sumitomo Forestry Group Procurement Policy and expanded in scope beyond wood to include a wide range of other procured products, such as metals, ceramics, resin and other building materials. In 2017, we formulated the Sumitomo Forestry Group Code of Conduct, which is applicable to the entire supply chain, and have been working as a Group to enhance other initiatives involving the supply chain.

In 2002, the Housing and Construction Division began asking new suppliers to complete the Green Procurement Survey, which was developed in line with the Green Procurement Guidelines. In fiscal 2019, existing building materials and housing equipment suppliers were also asked to complete the yearly Sustainability Procurement Survey. The survey covers a total of 53 items to determine the status of our suppliers' social and environmental initiatives and confirm the sustainability of wood building materials. In the first year, 42 companies (commanding 86.0% of our annual purchase amount of the previous fiscal year) were asked to participate in the survey.

In fiscal 2021, 86 companies (commanding 98.5% of our annual purchase amount of the previous fiscal year) were asked to participate in the survey. Before conducting the survey, we held a voluntary basis orientation session. By sharing Sumitomo Forestry Group's thinking about responsible procurement, we were able to promote mutual understanding and achieve a 100% response rate.

The survey confirmed that many of our suppliers understood our thinking about responsible procurement. By providing survey respondents feedback on the results and through ongoing engagement, we strive to improve the average score. In fiscal 2022, we expand the survey to include domestic suppliers of the Timber and Building Materials Division as part of our effort to build a strong, sustainable supply chain.



Sustainability Survey presentation



* Environmental Product Declaration (EPD) / Environmental certification label for materials

Promoting carbon neutral construction with the establishment and standardization of carbon neutral design methods

In January 2022, Sumitomo Forestry became the exclusive Japanese distributor of One Click LCA, a software that visualizes CO₂ emissions during a building's construction. It is used in more than 130 countries around the world, primarily in Europe, and is compatible with ISO, LEED and more than 50 other global environmental certification programs. Through LCA^{*1}, which evaluates the environmental burden for the entire life cycle, we can calculate the CO₂ emissions during construction (embodied carbon^{*2}), from raw material procurement to processing, transport, construction, renovation and demolition, based on individual data of each material used at the construction site. Given that the construction sector is said to account for about 37% of the world's CO₂ emissions, Sumi-

tomo Forestry will collaborate with One Click LCA to help the Japanese construction industry visualize and reduce emissions.

Because EPD data is critical for the widespread popularization of One Click LCA, we are also supporting timber and building material manufacturers and other companies acquire EPD certification. EPD, which is already widely adopted in Europe, is an environmental certification labeling system based on a third-party evaluation of quantitative environmental data and serves as one criterion for consumers and users when selecting environmentally conscious products. As a leading company in the timber and building materials industry, Sumitomo Forestry is creating a system to support Japanese companies seeking EPD certification to promote the visualization of CO₂ emissions for the entire supply chain.

*1 An abbreviation of Life Cycle Assessment

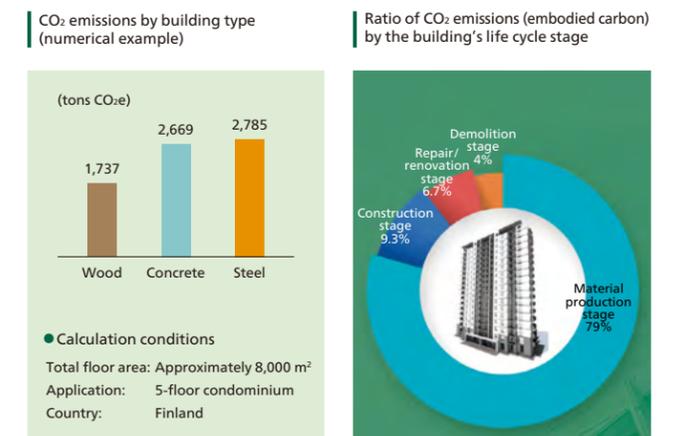
*2 The construction sector's CO₂ emissions during procurement, manufacture, construction, demolition and other processes

One Click LCA software conceptual image

The relationship between the CO₂ emissions volume of the materials and the building



Visualization of a building's CO₂ emissions (embodied carbon)



For more information about other initiatives or targets, please refer to these sites.

https://sfc.jp/english/news/pdf/20220127_02.pdf



<https://sfc.jp/english/sustainability/social/supply-chain/>



<https://sfc.jp/english/sustainability/management/materiality3.html>



Providing value for people and society



Material Issue 4

To provide comfortable and secure spaces for society at large

Providing safe, comfortable and secure spaces for society at large



*An index that measures customer loyalty (degree of "trust" and "sense of attachment" to a company or brand)

"Visualizing" customers' honest feedback for continuous improvement

To provide spaces of value to society, it is important to listen closely to what the people who live in them are saying. Sumitomo Forestry conducts surveys of its home owners for their opinions and perceptions three times – when moving in and then at the second and tenth year of occupancy.

This survey seeks to determine the level of satisfaction customers feel about not only various components of the house, but other detailed items, such as how well our representatives took care of them. The survey also has a section where customers can write their opinions or other comments.



Comfortable space of Sumitomo Forestry homes

We were among the first companies in the housing industry to adopt NPS (net promoter score). We added the question, "Would you recommend a Sumitomo Forestry house to your relatives, friends and acquaintances?" with 11 choices of graded answers. We utilize this NPS as one way to measure customer satisfaction. In fiscal 2021, our NPS score was 50pt and we have set a goal to raise this to 53pt by fiscal 2024.



Customer survey conducted after moving in (sample)

Within the Housing and Construction Division, we have established a horizontally integrated working group that meets once a month to discuss NPS and other survey results and determine ways to improve. We provide detailed survey results to our branch offices and related divisions and have created a follow-up reporting system for areas requiring immediate attention. Our activities go through the PDCA cycle for ongoing continuity. As a result of these Group-wide efforts, our NPS has gone up steadily since it was implemented in 2017.

To accelerate our improvement efforts, we are currently incorporating a management tool that helps us "visualize" the survey results in a timely manner. In addition, we are promoting the use of digital data by encouraging participation in web-based home owners surveys. We will continue to listen closely to customer feedback to provide society comfortable and inviting spaces.

Material Issue 5

To improve the livelihood of the local communities where we operate

Creating jobs through our businesses and contributing to the development of local communities



* Number of local employees at the end of fiscal 2021 was 298

Creating a circular community that coexists with forest resources

Sumitomo Forestry Group manages a large-scale plantation forest that exceeds 30,000 ha in East New Britain, Papua New Guinea. The company in charge is Open Bay Timber (OBT). When operations first began in 1971, the region had practically no social infrastructure, so OBT built roads and bridges for employees, their families and the local community as it developed its planted forest business. Now as it approaches 50 years since its establishment, the Open Bay area has grown to be one of the most vibrant communities in the region.

OBT operates medical clinics and community marketplaces for residents and employees, collaborates in the construction of schools and works in numerous other ways to further stimulate the local economy and community. In addition to having nurses regularly visit neighboring villages, OBT also transports residents to and from medical clinics and community facilities upon request.

OBT contributes to creating employment for the community. Approximately 300 people work at OBT and with the growth of operations, there are plans to increase this number. In addition, we are passing down planted forest technologies, hiring local top management and nurturing human resources on an ongoing basis.

In 2011, OBT acquired certification from the Forest Stewardship Council® (FSC), an international organization that promotes responsible forest management. The FSC certification program has been recognized to contribute to environmentally conscious and economically sustainable forest management as well as production, processing and transport of forest products. With this certification, we are conducting sustainable forest management and utilizing forest resources in a manner that is both environmentally conscious and beneficial to employees and the local community.



Aerial view of an OBT forest



Medical clinic for residents and employees



A health department vaccine seminar

For more information about other related initiatives or targets, please refer to these sites.

<https://sfc.jp/english/sustainability/social/customer/>



<https://sfc.jp/english/sustainability/management/materiality4.html>



For more information about other related initiatives or targets, please refer to these sites.

<https://sfc.jp/english/sustainability/social/contribution/overseas.html>



<https://sfc.jp/english/sustainability/management/materiality5.html>



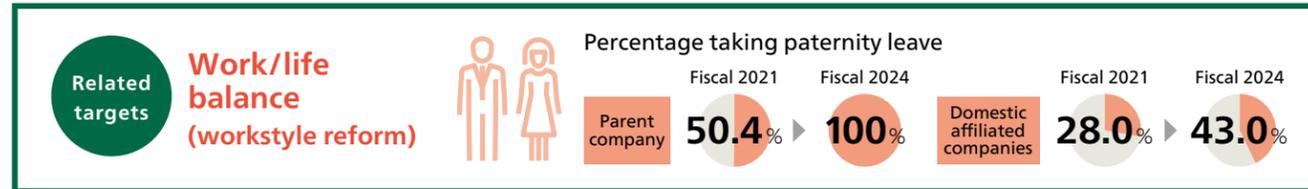


Providing value for people and society

Material Issue 6

To create a vibrant environment for all workers

Creating a work environment where everyone throughout the supply chain is safe, healthy and motivated



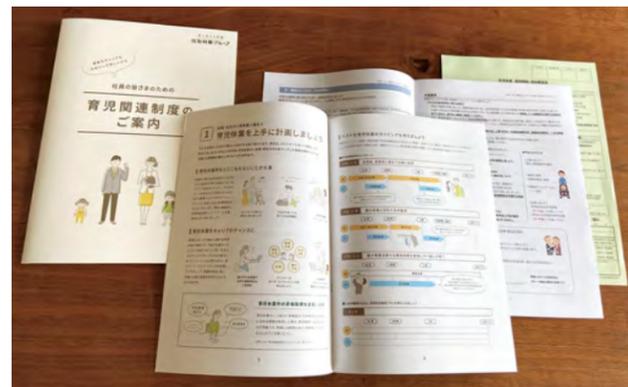
Creating a workplace that allows all employees to balance work with childcare

To build a career where employees, regardless of gender, can balance work with childcare requires the participation of male employees in raising their children. Sumitomo Forestry Group has declared in its Advancement of Measures to Support Raising Next-Generation Children Act (Next Generation Law) 8th Action Plan the goal to create a workplace that allows all employees, regardless of gender, to balance work with childcare and build a future career. To fulfill this goal, we declared that we will actively promote paternity leave to eligible male employees, their supervisor and their departments. In addition, in the Mid-Term Sustainability Targets as part of our 2024 Medium-Term Management Plan, we have set out a goal and are implementing initiatives to have 100% of all eligible male employees take paternity leave.

Ratio of male employees who took paternity leave (%)*

	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021
Parent company	24.1	31.3	46.8	50.4
Domestic subsidiaries	4.3	6.2	13.2	28.0

* Ratio of male employees who took paternity leave = Number who started paternity leave in a given fiscal year / Number who had a child born in a given fiscal year

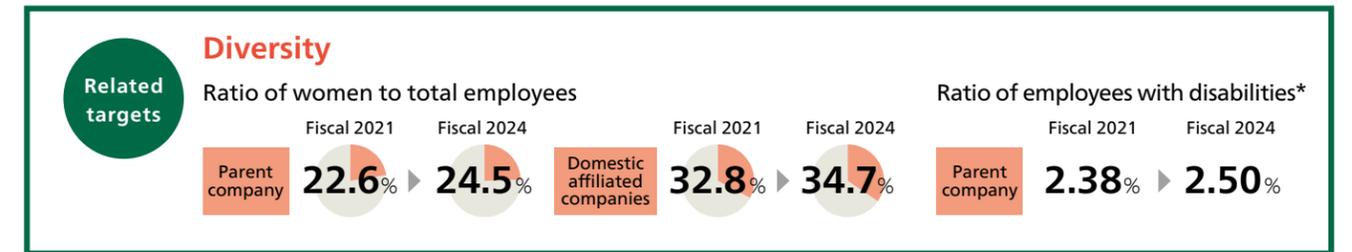


A handbook on ways to support work/childcare balance

A smooth transition into paternity leave requires the understanding of not only the eligible employee, but also his superior and colleagues. For this reason, when an employee reports a pregnancy or childbirth (of the employee or the spouse), we send the supervisor a file with a handbook and relevant documents that cover all basic information about childcare leave. When the supervisor passes on this information to the relevant employee, the two have a meeting about ways to balance work with childcare. Male employees are required to submit a notification regarding their desire to take paternity leave when they apply for the Company's Lump-Sum childcare Allowance upon the birth of a child. Under this system, the supervisor is required to add comments about the eligible employee's desire to take paternity leave and what types of guidance and consideration will be provided. This promotes greater understanding about male employee participation in child rearing. In fiscal 2021, 62 employees (50.4%) took paternity leave. In addition, we interviewed those who took paternity leave and published that content on our intranet, which garnered many comments. To nurture a workplace that embraces diverse workstyles and is not influenced by fixed notions about gender roles, we are implementing initiatives to promote greater understanding about unconscious biases.



A meeting between a supervisor and subordinate regarding work/childcare balance



*Total of Sumitomo Forestry, special subsidiary company Sumirin Wood Peace and group-applicable company Sumirin Business Service

Creating a workplace where everyone feels accepted and motivated

A fair workplace environment is based on the acceptance of people of all diversities in terms of race, religion, ethnic background, nationality, gender and other factors and the respect for human rights without discrimination.

As one aspect to promote diversity, Sumitomo Forestry Group is implementing a comprehensive range of LGBT (sexual minority) initiatives. LGBT initiatives are an important foundation of diversity and inclusion, which means understanding others and respecting individuals.



LGBT seminar

In Japan, the LGBT community is said to account for approximately 10%¹ of the population, making our actions important not just for employees, but customers and business partners as well. In fiscal 2021, we held an LGBT seminar for approximately 80 directors and management-related employees to convey basic information and deepen understanding about LGBT issues. The seminar featured talk sessions and other activities where LGBT members shared stories about their upbringing, difficulties and other experiences. One seminar participant remarked, "I thought I was accepting of LGBT, but I realized through this seminar that my understanding was shallow." Others commented, "This seminar confirmed the importance of creating a workplace environment where everyone, LGBT or not, feels accepted." The Company is also promoting e-learning programs and setting up external consultation services.

In January 2022, we newly created the Partnership System Regulations, which gives same-sex and common-law partners equal treatment as spouses (legally married people) in terms of company regulations and welfare benefits. By recognizing partners who are not yet legally defined and affording them eligibility under compa-

ny regulations, we are striving to create an environment where employees feel secure and are able to maintain a balance in their work and private lives with their partners at any stage of life, from childcare to nursing care.

In addition, the Company is promoting the hiring of people with disabilities with utmost priority on appropriately matching each employee's personality and capabilities with the workplace and description of responsibilities. In fiscal 2021, our disability hiring ratio was 2.38% and we are aiming for a ratio of 2.50% by fiscal 2024. To improve retention, we hold regular telephone meetings and give career advice and other information on an as-needed basis. Since fiscal 2018, we have been encouraging our employees to obtain Universal Manners Certification². Every year, we offer Universal Manners Level 3 lecture series for all employees excluding those who are on leave. In fiscal 2021, we achieved a 100% participation rate³ and plan to continue to promote this certification to new hires and others. By raising awareness among our employees and putting in place appropriate policies and systems, we are striving to create a workplace environment where everyone feels accepted and motivated.

¹ LGBT Research Institute's "LGBT Awareness Survey 2019" (pre-survey)

² A certification program that aims to give participants the mindset and ability to embrace people of all diversities, such as the elderly, the disabled, those who use baby strollers, foreigners, etc.

³ For 5,430 employees, excluding those on childcare leave, long-term leave, overseas assignment and other



Group work at a Universal Manner Certification seminar

For more information about other related initiatives or targets, please refer to these sites.

<https://sfc.jp/english/sustainability/social/employment/>



<https://sfc.jp/english/sustainability/social/work-life-balance/>



<https://sfc.jp/english/sustainability/management/materiality6.html>



Value for the market economy



Material Issue 7

To create new markets with forests and wood

Creating new markets that enrich the economy through the resourceful use of forests and wood

Related targets

Development of our overseas medium- and large-scale wooden building operations

Wooden office building in Australia Fiscal **2023** completion

Wooden office building in the UK Fiscal **2024** completion

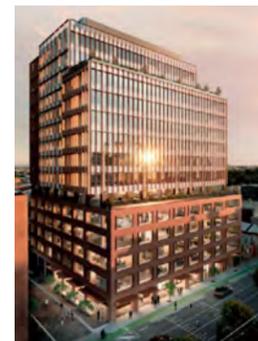
Wooden/environmentally conscious multi-unit residential Fiscal **2024** Start of construction **5,000** units annually

Creating “forests in cities” – developing our medium- and large-scale wooden building operations overseas

To realize net-zero carbon buildings^{*1}, Sumitomo Forestry is jointly developing a high-rise wooden office building in Australia. Located in the Melbourne suburbs, this RC and wood hybrid structure office building has 15 floors above ground and two basement floors (floor six and above are constructed of wood). Scheduled for completion in August 2023, it is expected to be Melbourne’s tallest^{*2} non-residential wooden building. In London, UK, we are also developing a similar wooden office building that is six floors. This is the first European project for Sumitomo Forestry’s Overseas Housing and Real Estate Division.

Compared to RC or other structures, wooden buildings produce lower CO₂ emissions during construction. In addition, the wood used in the building materials store atmospheric CO₂, which contributes to reduced CO₂. From a carbon fixation perspective, increasing the number of wooden buildings is like creating forests in cities.

However, there are challenges to using wood for medium- and large-scale buildings, such as earthquake and fire resistance. Sumitomo Forestry is working together with construction companies and developers both in Japan and overseas to focus on research and development in this area. In fiscal 2022, we will participate in a shaking table test of a 10-floor wooden building at the University of California, San Diego (UCSD). This will be



A large-scale office building being constructed in Melbourne (conceptual drawing)

the first shaking table test of a wooden building of this scale in the world. The building for the test will use post-tensioned seismic resistance technology^{*3} to validate the earthquake resistance and construction technologies of medium- and large-scale wooden structures.

In addition to new construction methods as mentioned above, Sumitomo Forestry Group companies, such as Crescent Communities in the United States, are developing wood-frame construction methods for medium- to large-scale wooden multi-unit residential and commercial buildings. We are working to expand the number of these types of wooden building projects in the United States, Australia and Europe to contribute to the creation of sustainable urban development through wooden buildings.

^{*1} Buildings with net-zero CO₂ emissions during occupancy (operational carbon)
^{*2} A survey by WoodSolutions, an Australian government affiliated organization (as of June 2021)
^{*3} A technology that reinforces load-bearing members by placing tensile force on high-strength steel rods or wire rope passed through the members



A six-floor wooden office building being planned for development in London (conceptual drawing)

Atherton project: Wooden (wood-frame construction method) seven-floor multi-unit residential building (North Carolina, USA; sold in 2021)

For more information about other related initiatives or targets, please refer to these sites.



https://sfc.jp/english/news/pdf/20211006_01.pdf



https://sfc.jp/english/news/pdf/20220214_03.pdf



<https://sfc.jp/english/sustainability/management/materiality7.html>

Material Issue 8

To transform markets through DX and innovation

Enhancing economic efficiency and added value through business transformation brought about by DX and innovation

Related targets

Number of nursing homes with sensor devices

Fiscal **2024** plan **19** facilities

Providing health support services utilizing ICT

In 2025 and beyond when baby boomers will reach the age of 75 or older, the number of seniors requiring nursing care is expected to increase rapidly. Given this, initiatives to maintain ADL (activities of daily living) ability and increase healthy life expectancy are gaining increased focus.

Since fiscal 2016, Sumirin Care Life, one of our Group companies, has been actively installing ICT and other advanced systems that utilize state-of-the-art technologies to maintain and enhance the health and quality of life of its residents and enable it to provide comprehensive nursing services.

With ICT, Sumirin Care has installed systems that monitor residents and give staff information in real time about their condition, which is then stored as data.

Because this data can be visually confirmed, it is useful in preventing falls and determining each resident’s current state. This helps staff to more effectively develop methods to maintain and im-

prove health that are tailored to the individual. In addition, by linking this data with the nursing records system and the nurse call logs, the entire healthcare team can share information about each resident and more quickly respond to any changes while reducing staff burden.

Sleep data

- In bed
- Out of bed
- Sleep-onset time
- Awakening time
- Sleep depth

Temperature and humidity data

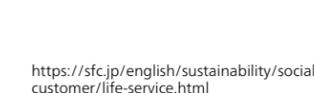
- Temperature
- Humidity

Activity data

- Wake after sleep onset
- Pulse rate
- Breathing rate
- Number of times and length of apnea
- Motion detection
- Activity time
- Door open/close



For more information about other related initiatives or targets, please refer to these sites.



<https://sfc.jp/english/sustainability/social/customer/life-service.html>



<https://sfc.jp/english/sustainability/management/materiality8.html>





Providing value for the market economy

Material Issue 9

To establish a robust business structure

Contributing to a stable economy by continuously providing value with a structure that is resilient to contingent circumstances

Related targets

Climate change

Implementation and disclosure of TCFD scenario analyses

Fiscal 2024

Reflect Sumitomo Forestry Group's measures in each business division's strategy under the next Medium-Term Management Plan

A strategic response to climate change

Sumitomo Forestry Group, in awareness of the risks and opportunities associated with climate change, declared in July 2018 its support of the TCFD* (Task Force on Climate-Related Financial Disclosures) Recommendations established by the Financial Stability Board. In the same year, the Timber and Building Materials Division and the Housing and Construction Division conducted its first scenario analysis based on these TCFD recommendations to evaluate the risks and opportunities that climate change has on society and the company as well as the company's strategic resilience. In the following fiscal 2019, we began disclosing information using the framework outlined in the TCFD recommendations. In fiscal 2021,

the Environment and Resources Division and the Overseas Housing and Real Estate Division also conducted a scenario analysis, thereby elevating the scenario analysis and information disclosure status of the entire Sumitomo Forestry Group.

*Abbreviation of the Task Force on Climate-Related Financial Disclosures, which was established in April 2015 by a directive from the Financial Stability Board. This initiative aims to encourage companies and organizations to disclose more information related to climate change in recognition of the increased risk to financial assets that climate change is causing in terms of natural disasters and stranded assets. As of May 31, 2022, 3,395 financial institutions, companies and organizations worldwide have declared their support, of which 878 companies and organizations are based in Japan.



Four areas of TCFD disclosure

Disclosure category	Sumitomo Forestry Group's initiatives
Governance The organization's governance around climate-related risks and opportunities	<ul style="list-style-type: none"> The Sustainability Committee analyzes risks and opportunities related to mid- to long-term ESG issues, including climate change, proposes and promotes initiatives, and monitors progress of the Mid-Term Sustainability Targets as part of the Medium-Term Management Plan. The Sustainability Committee, with the president and chief executive officer as the chairman, meets four times a year and all content of the meetings is reported to the Board of Directors to promote the integration of business operations with ESG initiatives. In February 2022, the Company revised a portion of its directors' remuneration system. In addition to increasing the correlation between remuneration with improved mid- to long-term financial performance and higher corporate value, we implemented a sustainability-indices-linked remuneration system. Specifically, remuneration is linked with the achievement of SBT greenhouse gas emissions reduction targets.
Strategy The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	<ul style="list-style-type: none"> Society holds high expectations in forests for their ability to absorb and store carbon, in wood products and buildings for their ability to store carbon and reduce CO₂ emissions, and in biomass power generation for its use of leftover timber for fuel, among others. In our long-term vision announced in February 2022, we set out "maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy" as one of our business policies and are pursuing opportunities in this area. The relevant headquarters divisions work with each of the business divisions to identify risks and opportunities. The Timber and Building Materials Division and the Housing and Construction Division conducted a scenario analysis in 2018, and the Environment and Resources Division and the Overseas Housing and Real Estate Division conducted a scenario analysis in 2021. Results of the scenario analyses were reported to the Sustainability Committee and the Board of Directors. In the Mid-Term Sustainability Targets as part of the Medium-Term Management Plan, goals and initiatives were formulated and progress is being monitored.
Risk Management How the organization identifies, assesses, and manages climate-related risks	<ul style="list-style-type: none"> For all matters discussed at the Board of Directors and the Executive Committee, which is the advisory body to the president, risk assessments are made related to greenhouse gas emissions, biodiversity, water and other climate-related categories. Progress related to the Mid-Term Sustainability Targets as part of the Medium-Term Management Plan is checked every quarter and reported and confirmed twice a year to the Sustainability Committee. Each division determines concrete measures and performance indicators for short-term risks arising from day-to-day operations and reports progress to the Risk Management Committee every quarter.
Metrics and Targets The metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	<ul style="list-style-type: none"> Every year, each Group company and division sets targets based on the Mid-Term Sustainability Targets as part of the Medium-Term Management Plan, including SBT and RE100.

Identifying and evaluating risks and opportunities

In the first scenario analysis conducted in fiscal 2018 for our Timber and Building Materials Division and our Housing and Construction Division, we analyzed the risks and opportunities that climate change would have on our operations based on two different scenarios – a 2°C versus a 4°C increase in average global temperature compared to pre-industrial levels. The findings and related information were disclosed in fiscal 2019.

In fiscal 2021, we conducted a scenario analysis for the Environment and Resources Division and the Overseas Housing and Real Estate Division. We explored what 2030 would be like in a 4°C scenario where climate change mitigation measures are not taken

and in a 1.5°C/ 2°C scenario where changes and stricter regulations are put into place to realize decarbonization.

The relevant headquarters divisions worked with each of the business divisions to identify risks and opportunities, evaluate the financial impact of climate change, and discuss mitigation measures for the risks, opportunities and recognized categories considered to have the greatest impact.

The divisions that conducted a scenario analysis in fiscal 2018 and fiscal 2021 command approximately 98% (as of fiscal 2021) of Sumitomo Forestry Group's total revenues. The results of the scenario analyses were reported to the Sustainability Committee and the Board of Directors and are incorporated into the initiatives and goals outlined in the Mid-Term Sustainability Targets as part of the Medium-Term Management Plan.

Risks and opportunities by division

	Transition risks	Physical risks	Opportunities
Timber and Building Materials Division	<ul style="list-style-type: none"> Higher timber procurement costs due to stricter forest protection measures, logging regulations and other restrictions Increased biomass fuel (wood chips) costs due to higher demand for biomass power generation with changes in energy mix 	<ul style="list-style-type: none"> Higher timber procurement costs due to forest fires, pest and other factors associated with a rise in average temperatures Lower revenues due to factory stoppages caused by an intensification of extreme weather 	<ul style="list-style-type: none"> Increased demand for biomass power generation and fuel chips due to stricter fossil fuel regulations Higher demand for timber, which requires less energy for manufacturing and processing and can suppress greenhouse gas emissions
Housing and Construction Division	<ul style="list-style-type: none"> Higher timber procurement costs due to stricter forest protection measures, logging regulations and other restrictions Increased costs to comply with various policies, such as the Building Energy Conservation Act 	<ul style="list-style-type: none"> Increased construction costs stemming from delays in construction time, recovery efforts of owned equipment and other in the event of a large-scale natural disaster Decreased outdoor work productivity due to an increase in extremely hot days. Increased costs from construction delays and enhancing and maintaining the health of workers 	<ul style="list-style-type: none"> Expanded demand for ZEH and other environmentally conscious housing with reinforced regulations for decarbonization and greater market need for decarbonized products
Overseas Housing and Real Estate Division	<ul style="list-style-type: none"> Increased costs with the implementation of a carbon tax Higher construction costs due to reinforced building code standards 	<ul style="list-style-type: none"> Increased costs associated with lot acquisition, construction, development and other due to an intensification of abnormal climate. Changes in demand with movement to areas with fewer disasters Higher construction costs due to construction delays 	<ul style="list-style-type: none"> Greater demand for environmentally conscious housing and medium- to high-rise wooden buildings with stricter decarbonization regulations and other
Environment and Resources Division	<ul style="list-style-type: none"> Higher operational costs due to carbon taxes, the implementation of environmental regulations and stricter logging restrictions Increased costs to enhance the efficiency of resource utilization and production, and to develop and implement low-carbon technologies 	<ul style="list-style-type: none"> Increased risk of lost sales opportunities due to damaged forests caused by an intensification of extreme weather that triggers insect and animal damage Higher risk of forest fires due to rising temperatures 	<ul style="list-style-type: none"> Higher demand for timber, which requires less energy for manufacturing and processing and can suppress greenhouse gas emissions Increased credit income with a greater demand for wood biomass power generation and an active forest credit trading system

*For further details, please refer to the Sustainability Report 2022 Web Version

For more information about other related initiatives or targets, please refer to these sites.

<https://sfc.jp/english/sustainability/environment/climate-change/>



<https://sfc.jp/english/sustainability/management/materiality9.html>



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Sumitomo Forestry Group's Sustainability Management

Corporate Philosophy and Sustainability Management

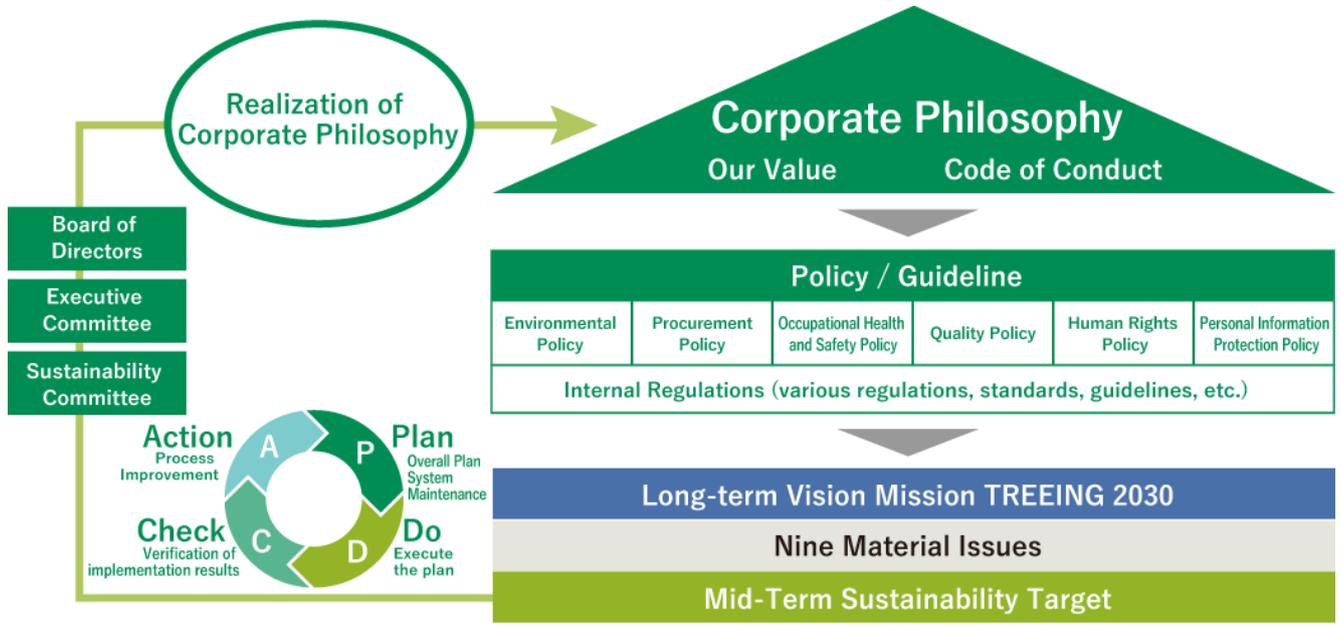
Sumitomo Forestry Group Corporate Philosophy and Sustainability Management

Sumitomo Forestry Group has been operating and engaging in sustainable management based on its Corporate Philosophy of "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. In addition, Sumitomo Forestry Group Code of Conduct has been established to emulate the Sumitomo business spirit that has been passed down since the company's establishment and to meet with global social needs such as international conventions and initiatives. Sumitomo Forestry Group is seeking to disseminate and implement the Code of Conduct throughout its supply chain as a global standard, in addition to the Group and its partners, including suppliers and subcontractors. To guarantee that Sumitomo Forestry Group Code of Conduct is widely known, Sumitomo Forestry Group Code of Conduct Guidebook is issued to each employee at Group companies in Japan, translated into English and other languages, and implemented at abroad affiliates as well as through e-learning. This information has also been disclosed on our website to our business partners and other stakeholders. In addition, we monitor the practice and effectiveness of these principles from our Corporate Philosophy to Our Values and Code of Conduct, etc. at the Sustainability Committee convened four times a year.

We have also established policies such as "Environmental Policy", "Procurement Policy", and "Occupational Health and Safety Policy", and various guidelines based on our Corporate Philosophy and Code of Conduct. We are dealing with ESG-related sustainability targets as a specific practice for the Mid-Term Management Plan. We formulated Mission TREEING 2030 in February 2022, a long-term vision that incorporates the ideal image of Sumitomo Forestry Group into a long-term business concept. The Group aspires to realize a sustainable society by addressing the Nine Material Issues identified and providing values to the global environment, people's lives and society, and markets and economic activities, etc.

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Sumitomo Forestry Group's Sustainability Management





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Nine Material Issues

Theme	Nine Material Issues		Relevant SDGs
Value for our planet	1	To enhance the value of forests and wood through sustainable forest management	 
	2	To realize carbon neutrality by leveraging forests and wood resources	 
	3	To realize a circular bioeconomy by leveraging forests and wood resources	  
Value for people and society	4	To provide comfortable and secure spaces for society at large	  
	5	To improve the livelihood of the local communities where we operate	  
	6	To create a vibrant environment for all workers	  
Value for the market economy	7	To create new markets with forests and wood	 
	8	To transform markets through DX and innovation	
	9	To establish a robust business structure	

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.



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Sumitomo Forestry Group Mid-term Sustainability Targets Achievements in 2021 - Stakeholder Engagement

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.



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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.



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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

[Click here for related information](#)

> [Sumitomo Forestry Group
Code
of Conduct Guidebook
\(English\)](#) 

> [Sumitomo Forestry Group
Code
of Conduct Guidebook
\(Indonesian\)](#) 

> [Sumitomo Forestry Group
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\(Vietnamese\)](#) 

> [Sumitomo Forestry Group
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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.



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World Business Council for Sustainable Development (WBCSD)

A group of CEOs over 200 companies committed to sustainable development, are working together to contribute to the transition to a sustainable society.



Sumitomo Forestry joined the Forest Solution Group (FSG), an internal initiative of the WBCSD, in January 2019 and became a member in January 2020.

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

Task Force on Climate-related Financial Disclosures (TCFD)

The Task Force on Climate-related Financial Disclosures, formed at the direction of the Financial Stability Board (FSB) in April 2015, provides a framework for companies to voluntarily disclose information on climate-related risks and opportunities.



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.

In addition, Sumitomo Forestry also participate in the TCFD Consortium, which discusses effective information disclosure by companies and initiatives to link disclosed information on climate change measures to financial institutions' appropriate investment decisions.

[Click here for related information](#)

> [Responding to TCFD](#)



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Science Based Targets (SBT)

The SBTi was established as a collaborative initiative of four organizations – the UN Global Compact, CDP, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF) in 2015, to promote science-based Greenhouse Gases Emission reduction targets to prevent temperature increases from pre-industrial times.



With respect to SBT Initiative, Sumitomo Forestry Group declared that it would formulate SBT, and established new Greenhouse Gases Emission reduction targets for the entire group in June 2017. The following 2°C target was certified as an SBT in July 2018.

In addition, in order to accelerate the efforts of the Group, we raised the Greenhouse Gases Emission reduction target of Scope 1&2 from 21% reductions to 54.6% reduction with 2030 as the target year and submitted an application for the target of 1.5°C to the SBT Secretariat in September 2021.

2°C target (SBT approved)

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

1.5°C target (SBT application pending)

- Scope 1&2: 54.6% reduction of greenhouse gas emissions compared to 2017 (base year) by 2030.
- Scope 3: 16% reduction of total greenhouse gas emissions from Category 1 and Category 11 compared to 2017 (base year) by 2030.

*1 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.

*2 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.

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RE100

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

Sumitomo Forestry joined the RE100 in March 2020, with the goal of utilizing 100% renewable energy in its operations. Our goal is to transition fuel to generate power to 100% renewable energy in Sumitomo Forestry Group power and power generation businesses by 2040.



[Click here for related information](#)

> [Aiming for 100% Renewable Energy and Joining the RE100](#)

Participation and Sponsorship of Other Initiatives

Major Participating Initiatives and Organizations

Organization
WWF Japan
CDP Japan Club
TCFD Consortium
Network for Promotion of Decarbonized Management (Ministry of the Environment)
COOL CHOICE Campaign (Ministry of the Environment)
Japan Climate Initiative (JCI)
Keidanren Committee on Nature Conservation
Japan Business Initiative for Biodiversity (JBIB)
TNFD Forum
30 by 30 Alliance (Ministry of the Environment)



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Major Signatures and Declarations

Name of Declaration	Date of endorsement/signature
Declaration of Biodiversity by Keidanren	December 2009 and December 2019
Nijumaru Declaration (Nijumaru Project)	May 2016
Japan Climate Action Summit Declaration (JCI)	October 2018
JCI Message Calling for Strengthened Climate Change Action (JCI)	February 2020
JCI Message Calling for a 2030 Target to Realize the Paris Agreement (JCI)	April 2021
Call to Action (Business for Nature)	September 2020
Open Letter from companies to G20 Leaders (We Mean Business Coalition)	September 2021
Race to Zero (Business Ambition for 1.5°C)	September 2021



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Sumitomo Forestry Group's Sustainability Management

Sustainability-related Policies and Philosophy

Sumitomo Forestry Group's 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

[Click here for related information](#)

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

Social Policies

[Click here for related information](#)

- > 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
- > Sumitomo Forestry Group Declaration on Health Management
- > Basic Policy on Social Contribution Activities/Donations



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Governance Policies

Click here for related information

- > Basic Policy on Corporate Governance 

Promotion of Fair Competition and

> Appropriate Transactions with Subcontractors

Responsible

> Advertising/Promotional Efforts
- > Sumitomo Forestry Group Code of Conduct

> Information Security Policy
- > Preventing Corruption

> Intellectual Property Management Policy



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Sumitomo Forestry Group's Sustainability Management

Mid-Term Sustainability Targets and Material Issues

Mission TREEING 2030

In February 2022, aiming toward creating a decarbonized society by 2050 and with the 2030 target date for achieving the SDGs in mind, the Sumitomo Forestry Group formulated Mission TREEING 2030 and Mission TREEING 2030 Phase 1. Mission TREEING 2030, our long-term vision, incorporates our ideal vision of the Sumitomo Forestry Group into our long-term business concept, while Mission TREEING 2030 Phase 1 is our Mid-Term Management Plan covering 2022 to 2024. Mission TREEING 2030 sets out the following four strategies as our business policy: 1. Maximizing the value of forests and the wood to create decarbonization and create a circular bioeconomy; 2. Advancing globalization; 3. Striving for transformation and the creation of new value; and 4. Transforming our business foundation for growth. To achieve this long-term vision, we aim to simultaneously supply value for our planet, value for people and society, and value for the market economy, without compromising on any of these values and by enhancing value in each of these areas.

Mission TREEING 2030

~ Making our planet safer and more secure for future generations ~

By providing value to our planet, to people and society, and to the market economy, we at Sumitomo Forestry Group will strive to make our planet safer and more secure for current and future generations of people and all living beings. With our long-held strengths in harnessing and expanding the value of forests and wood, we will create change for a new future.



Value for our
planet



Value for people
and society



Value for the
market economy



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Mid-Term Sustainability Targets

Sumitomo Forestry Group has announced "Mission TREEING 2030 Phase 1" (2022-2024), the first phase of its long-term vision "Mission TREEING 2030," a three-year Mid-Term Management Plan that provides the groundwork for future growth and contribution to decarbonization. One of the five basic policies is "Further Integration of Business and ESG," and the Group has established "Sustainability Targets as part of Mid-Term Management Plan in fiscal 2024," which incorporates the Group's sustainability strategy and material issues.

(1) Striving for decarbonization through utilization of wood resources

- Develop new businesses that pursue the value of forests as a carbon dioxide sink
- Promote initiatives that enhance the competitiveness of domestic wood
- Expand our medium- and large-scale wooden construction business

(2) Enhancing our revenue base

- Recovery of profitability of our Housing & Construction business and Timber and Building Materials business, and promotion of reforms in anticipation of future market shifts
- Improve resource efficiency

(3) Accelerating globalization

- Expand our Housing and Real Estate Business operations in the United States and Australia and create a revenue base in Asia

(4) Reinforcing our management foundation for sustainable growth

- Promote digitalization
- Secure and nurture human resources and improve engagement with employees
- Reinforce risk management

(5) Further integration of business and ESG

- Steadily implement initiatives to achieve RE100/SBT (Science Based Targets)

"Mid-Term Sustainability Targets in fiscal 2024" is a revision of the specific ESG-related goals in the Mid-Term Management Plan that has been in operation since fiscal 2019, with the goal of better aligning our business and ESG strategies in accordance with the new policies of the Mid-Term Management Plan. Under the long-term vision "Mission TREEING 2030", the value created by the Group was organized from the perspectives of providing "Value for our planet", "Value for people and society", and "Value for the market economy", and nine new material issues were identified. Specific numerical targets have been defined for each business unit in more detail until 2024 in order to realize these nine material issues.



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We believe that it will not only meet the expectations of society, including the SDGs, but also lead to an increase in corporate value that cannot be judged only from the economic perspective.

Nine Material Issues and Related SDGs

Theme	Nine Material Issues		Relevant SDGs
Value for our planet	1	To enhance the value of forests and wood through sustainable forest management	 
	2	To realize carbon neutrality by leveraging forests and wood resources	 
	3	To realize a circular bioeconomy by leveraging forests and wood resources	  
Value for people and society	4	To provide comfortable and secure spaces for society at large	  
	5	To improve the livelihood of the local communities where we operate	  
	6	To create a vibrant environment for all workers	  
Value for the market economy	7	To create new markets with forests and wood	 
	8	To transform markets through DX and innovation	
	9	To establish a robust business structure	

Identification of Material Issues

Following on from 2008, Sumitomo Forestry Group identified important CSR issues in March 2015. Since then, major changes have occurred around the world, including adoption of the SDGs (Sustainable Development Goals) and the conclusion and entry into force of the Paris Agreement, and in Japan, the GPIF (Government Pension Investment Fund) signing of the PRI (United Nations Principles for Responsible Investment) has accelerated the trend toward ESG investment. In response to these trends, Sumitomo Forestry Group developed its long-term vision "Mission TREEING 2030" in February 2022, which identified nine new material issues. In addition to analyzing geopolitical changes, technological innovations such as digitalization, and changes in the stakeholder preferences such as employees and customers' choices, we've also used Sumitomo Forestry Group's strengths, which have grown significantly through M&A and capital and business alliances, to identify areas where the Group can make a unique contribution, not just to sustainability, but also as material issues of the Group's overall business.



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In order to formulate our mission, we conducted a questionnaire survey of all stakeholders, including customers, business partners, shareholders and investors, outside experts, and employees, and received responses from approximately 6,000 people. Based on external changes (Megatrends), we identified matters that would impact on Sumitomo Forestry Group and set 35 issues while classifying into 5 categories of "Environmental Issues (Climate change)," "Environmental Issues (Resources and Biodiversity)," "Social Issues," "Governance," and "Economic Issues" and let respondents select what they think was important. Individual interviews with young employees and management-level personnel were also conducted.

We narrowed down the material issues for Sumitomo Forestry Group based on the results of these questionnaires and interviews. Furthermore, we incorporated management's opinions and performed materiality assessments in consideration of risks and opportunities through a series of discussion among management ranks. Finally, we selected nine material issues from three perspectives: "Value for our planet," "Value for people and society" and "Value for the market economy."

Management of Mid-Term Sustainability Targets

We have set numerical targets for Mid-Term Sustainability Target of the Mid-Term Management Plan based on our contribution to the SDGs and the nine material issues that are directly linked to our business.

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.

Sumitomo Forestry Group fully implements a PDCA cycle for 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 Issues 1: To enhance the value of forests and wood through sustainable forest management

> Material Issues 4: To provide comfortable and secure spaces for society at large

> Material Issues 7: To create new markets with forests and wood

> Material Issues 2: To realize carbon neutrality by leveraging forests and wood resources

> Material Issues 5: To improve the livelihood of the local communities where we operate

> Material Issues 8: To transform markets through DX and innovation

> Material Issues 3: To realize a circular bioeconomy by leveraging forests and wood resources

> Material Issues 6: To create a vibrant environment for all workers

> Material Issues 9: To establish a robust business structure

> Sustainability Targets as part of Mid-term Management Plan in 2022-2024 

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



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Sumitomo Forestry Group's Sustainability Management

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. Our initiatives to address social issues identified in the SDGs will result in the creation of new business opportunities and business growth. On the other side, if the initiatives are not fully implemented, there is a risk of delays in complying with laws and regulations, as well as a risk of reputational damage.

Sustainability Targets of Mid-Term Management Plan in fiscal 2024 and SDGs

In February 2022, in anticipation of 2030, Sumitomo Forestry Group newly formulated a long-Term vision "Mission TREEING 2030" and Medium-Term management plan "Mission TREEING 2030 Phase 1" (2022 - 2024), which incorporated the ideal form of Sumitomo Forestry Group into the business concept, with an aim of realizing a decarbonized society. One of the five basic policies is "Further Integration of Business and ESG," and the Group has established "Sustainability Targets as part of Mid-Term Management Plan in fiscal 2024," which incorporates the Group's sustainability strategy and material issues. As for "Sustainability Targets as part of Mid-Term Management Plan in fiscal 2024," specific numerical targets are set for each business division while incorporating SDGs perspectives to address the nine material issues identified by Sumitomo Forestry Group until fiscal 2024. We shall aim to contribute to realization of a sustainable and prosperous society.





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Material Issues and SDGs (Goals and Targets)

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 2024 set as target based on the Mid-Term Sustainability Targets.

Nine Material Issues	Details of Material Issues	Relevant SDGs (Goals and Targets)		
1) To enhance the value of forests and wood through sustainable forest management	Nurturing forests to enhance and harness the value of wood and other forest resources.	 13.1	 15.1 15.2 15.3 15.4	
2) To realize carbon neutrality by leveraging forests and wood resources	Contributing to the decarbonization of society by reducing our own GHG emissions, by offering timber and wood products that sequester carbon, and by providing low-carbon/carbon-free products and services.	 7.2	 13.1 13.2	
3) To realize a circular bioeconomy by leveraging forests and wood resources	Realizing a circular society by making the most of wood, a renewable and natural resource from the forest ecosystem.	 7.2 11.6	 12.2 12.5	 15.1 15.2 15.4
4) To provide comfortable and secure spaces for society at large	Providing safe, comfortable, and secure spaces to society at large.	 3.9	 9.4	 11.6
5) To improve the livelihood of the local communities where we operate	Creating jobs through our businesses and contributing to the development of local communities.	 3.9	 8.3	 11.3
6) To create a vibrant environment for all workers	Creating a work environment where everyone throughout the supply chain is safe, healthy and motivated.	 3.9	 5.5	 8.5 8.8



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Nine Material Issues	Details of Material Issues	Relevant SDGs (Goals and Targets)		
7) To create new markets with forests and wood	Creating new markets that enrich the economy through the resourceful use of forests and wood.	 9.4	 11.3	
8) To transform markets through DX and innovation	Enhancing economic efficiency and added value through business transformation brought about by DX and innovation.	 9.4		
9) To establish a robust business structure	Contributing to a stable economy by continuously providing value with a structure that is resilient to contingent circumstances.	 16.5 16.7		

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

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.

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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.

Sponsorship of the NIKKEI Decarbonization Project

Since fiscal 2021, Sumitomo Forestry has been a co-sponsor of Nikkei Inc.'s "NIKKEI Decarbonization Project," which was formed to discuss and improve the feasibility of the government plan declaring zero carbon by 2050.

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.

"ESD (Education for Sustainable Development) Assistant Supervisor Workshop in Niihama City" was held

In November 2021, a training session for 26 Assistant Supervisors from elementary and junior high schools in Niihama was held at Forrester House, our forest information dissemination facility, at the request of Niihama Board of Education.

Training session included classroom lectures about Sumitomo Forestry Group's businesses and the forest ecosystem, as well as field work such as walking around the neighborhood and visiting the experimental forest (fixed standard trees) to learn about Sumitomo Forestry's history, initiatives, and philosophy etc.

We will continue to assist Niihama City in achieving the SDGs in the future, such as by giving on-site classes at schools.





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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 has been 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. In addition, we internally announce our progress every quarter regarding ZEH penetration in the Kanagawa area with a goal of raising awareness of employees who belong to affiliate companies. The ZEH ratio at the time of order receipt grew from 46.6% in 2020 to 67.7% in 2021, as a result of these and other initiatives.



Kanagawa SDGs Partner Logo

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, we have set an 80% standardization rate for Net Zero Energy Houses (ZEH).

In addition, we offered the online interview session about SDG's to Hamamatsu Kita High School in Shizuoka Prefecture in February 2022 and explained our initiatives to first-year 10 students enrolled in the international course.

[Click here for related information](#)

- > [Promotion of Net Zero Energy House \(ZEH\) Specifications](#)

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.

[Click here for related information](#)

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

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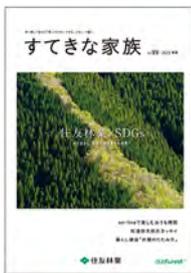
Governance

Related
Information

Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - **Contributions to the SDGs and Material Issues** - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Sumitomo Forestry Group Mid-term Sustainability Targets Achievements in 2021 - Stakeholder Engagement

Education on the SDGs among owners of Sumitomo Forestry Houses

Sumitomo Forestry's initiatives to realize a sustainable and prosperous society were highlighted in the opening feature of the magazine published in April 2021 for owners of "Sumitomo Forestry Homes" which article was titled "Sumitomo Forestry x SDGs." As a result, we received feedback from owners that they were able to learn about the definition of the SDGs and became interested in value and potential of Wood.



Lovely Family No. 99

In addition, we solicited "SDG initiatives that can be done at home and by families" inside the owner site clubforest and announced them on the site.

As a result, all owners were able to share their initiatives and bring SDGs closer to home in their daily lives.



Introduction of the SDGs on the owners' site clubforest



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Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan

Material Issue 1 To enhance the value of forests and wood through sustainable forest management

Material Issue 1

Material Issue 1 To enhance the value of forests and wood through sustainable forest management

Nurturing forests to enhance and harness the value of wood and other forest resources.

Related SDGs



Basic Policy

As global environmental problems such as climate change, resource depletion, and biodiversity loss become more serious, expectations for wood and forests that produce natural resources and biological resources to solve these problems are rising. Forests not only have functions of absorbing and fixing CO₂, conserving biodiversity, and producing wood building materials, fuel materials, or the like, but also have various public benefits such as water source recharge, soil conservation, and sediment disaster prevention.

Sumitomo Forestry Group has developed various businesses centered on wood, such as forestry business, timber and building material distribution and manufacturing business, housing and building business, and renewable energy business. "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." In order to realize our Corporate Philosophy, we intend to enhance value of forest resources by promoting further integration of business and ESG and by conducting sustainable forest management and use of wood.



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Impact on Society and the Environment

Material Issue 1	Impact (Influence)
<p>To enhance the value of forests and wood through sustainable forest management</p> <p>Nurturing forests to enhance and harness the value of wood and other forest resources.</p>	Contribution to measures against global warming through CO ₂ fixation
	Contributing to the protection of rare species and other conservation of biodiversity
	Contribution to revitalization of the forestry business by promoting forest sustainability
	Securing seedlings for reforestation and promoting circular use of forest resources from harvesting to replanting
	Contribution to greater biomass power generation (renewable energy supply) capacity in Japan
	Contribution to revitalization of the forestry business by utilizing domestic timber
	Enhancing standardization, awareness, and added value of sustainable and certified wood and wood products



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Management of Material Issue 1

In Mid-Term Sustainability Targets 2024, Material Issue 1 is divided into 9 evaluation indicators, and management is carried out by incorporating them into annual activity policies and measures of the management department. We also assess the impacts that the material issue has on society and the environment.

Management of Each Target

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Utilization of Sustainable Forest Resources	Domestic and overseas certified forest area (ha)	Environment and Resources Division	221,971	242,493	242,493	242,493
	Area of forest plantation with in-house produced seedlings Domestic forest (ha)		487	892	892	1,012
	Seedlings supplied Domestic forest (unit: 10 Thousand)		146	223	223	253
	Total use of fuel chips, pellets, etc.(t) ^{*1}	Environment and Resources Division Timber and Building Materials Division	1,863,870	1,832,890	2,073,948	2,482,964
	Percentage of sustainable timber used as primary building material (%)	Housing and Construction Division	100	100	100	100
	Maintaining of SGEC certified area (%) ^{*2}	Environment and Resources Division	-	100	100	100

*1 Targets Japan Bio Energy, Okhotsk Bio Energy, Michinoku Bio Energy, Forest Service, and Sumitomo Forestry Timber and Building Materials Business.

*2 Except for land leased to Kawanokita Development and surrounding forests



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Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Biodiversity Conservation	Sales of native species logs (unit: trees)	Housing and Construction Division	465,000	470,000	480,000	500,000
	Securing ratio of conservation forests in company-owned forests (%)	Environment and Resources Division	-	30 or more	30 or more	30 or more
	Establishment of evaluation method for biodiversity conservation		-	Information collection	Examination of evaluation criteria	Establishment of evaluation method



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Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan

Material Issue 2 To realize carbon neutrality by leveraging forests and wood resources

Material Issue 2

Material Issue 2 To realize carbon neutrality by leveraging forests and wood resources

Contributing to the decarbonization of society by reducing our own GHG emissions, by offering timber and wood products that sequester carbon, and by providing low-carbon/carbon-free products and services.

Related SDGs



Basic Policy

Since wood absorbs and fixes CO₂ in the process of growth and only a small amount of CO₂ during production, it is important to actively use wood for the transition to decarbonized society.

Since founding, Sumitomo Forestry Group has been developing its business centered on wood, and will continue to propose further utilization of wood in the fields of forest, wood, and construction. With respect to forest, we will promote zoning forest management to expand conservation forest that absorb carbon dioxide and accelerate logging and replanting of working forests that promote carbon fixation. Carbon offset contributes to decarbonization of other companies and society, and realizes sustainable business. Regarding timber, we will promote long-term carbon fixation value of timber, enhance competitiveness of domestic timber, and promote wooden construction and wood conversion of buildings. In construction, we will contribute to decarbonization of society as a whole by promoting decarbonized architecture by establishing and standardizing decarbonization design methods such as promoting LCCM housing and net-zero carbon buildings in Japan and overseas.

Sumitomo Forestry Group's internal and supply chains, which provide the value of wood, will steadily implement SBT-based greenhouse gas emissions reduction targets, including the achievement of the RE100.



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Impact on Society and the Environment

Material Issue 2	Impact (Influence)
<p>To realize carbon neutrality by leveraging forests and wood resources</p> <p>Contributing to the decarbonization of society by reducing our own GHG emissions, by offering timber and wood products that sequester carbon, and by providing low-carbon/carbon-free products and services.</p>	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)
	Contributing to the reduction of the environmental impact and solutions to climate change by achieving SBT and RE100
	Building a sustainable society by providing sustainable architecture
	Building a new forest value creation business

Management of Material Issue 2

In Mid-Term Sustainability Targets 2024, Material Issue 2 is divided into 19 evaluation indicators, and management is carried out by incorporating them into annual activity policies and measures of the management department. We also assess the impacts that the material issue has on society and the environment.

Management of Each Target

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Promotion of decarbonization	Fixed amount of CO ₂ in domestic company-owned forests (t-CO ₂)	Environment and Resources Division	13,476 thousand	13,547 thousand	13,617 thousand	13,758 thousand
	Carbon stock from production forests by overseas afforestation companies (t-CO ₂)		10,133 thousand	10,133 thousand	10,133 thousand	10,133 thousand



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Specific steps based on Issues and strategies	Indicators for Evaluation		Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Promotion of decarbonization (scope 1, 2)	Greenhouse gas emissions (t-CO ₂ e) Percentage change from fiscal 2017		All Sumitomo Forestry Group Companies	370,772 +0.3	354,368 ▲4.2	340,020 ▲8.0	301,290 ▲18.5
	Sumirin Denki subscription rate (%)	Electricity sale after FIT	Housing and Construction Division	-	40.0	45.0	45.0
		New owner's purchased power		-	-	37.0	50.0
	Renewable energy introduction rate [Efforts to achieve RE100] (%) [*]		All Sumitomo Forestry Group Companies	-	3.7	7.2	35.1

* Excludes self-consumption from biomass power generation business and establishments located in New Zealand where 100% renewable energy is expected after 2030 in the whole country.

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Promotion of decarbonization (scope 3)	ZEH order ratio (%)		Housing and Construction Division	67.4	75.0	75.0	80.0
	Environmentally friendly remodeling order rate for Customers (%)			-	70.0	72.0	75.0
	Environmentally friendly products ^{*1} Order rate (%)			58.9	60.0	61.0	62.0
	[New custom-built detached houses] BELS acquisition rate ^{*2} (%)			-	98.5	98.5	98.5



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Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Promotion of decarbonization (scope 3)	[House and land package] Environmental equipment (PV / FC) installation rate (green smart rate) (%)	Housing and Construction Division	-	15.0	20.0	30.0
	Environmentally friendly remodeling order rate for Owners (%)		-	65.0	67.0	70.0
	Environmentally friendly remodeling order rate for Customers + Owners (%)		-	67.3	69.3	72.2
	[MOCCA (Timber Solutions)] Number of proposals based on basic plan (cases)		-	24	26	28
	Amount of electricity supplied by renewable energy business*3 (MWh)	Environment and Resources Division	-	751,110	764,701	856,022
	New forest value creation business-based profit, loss and income ratio expansion		-	Examination of numerical targets	Development of numerical targets	Achievement of numerical targets
	Environmental certification Number of projects targeted for Edge (Asia) (cases)	Overseas Housing and Real Estate Division	-	1	1	1
	Energy Tax Credit*4 Number of target units (US) (houses)		-	9,061	13,703	15,574

*1 (1) local seedlings, (2) permeable paving material, (3) green wall construction, (4) rooftop greening, (5) biotope and (6) use of recycled materials

*2 At the start of construction of the main unit

*3 Investment ratio

*4 Tax deduction for housing that meet criteria (2,000 dollars per building) The amount of energy for air conditioning will be 50% or less of 2006.



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Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Utilization of Sustainable Forest Resources	Sales quantity of KIKORIN-PLYWOOD (Month) (m ³)	Timber and Building Materials Division	-	32,000	35,000	35,000



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Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan

Material Issue 3 To realize a circular bioeconomy by leveraging forests and wood resources

Material Issue 3

Material Issue 3 To realize a circular bioeconomy by leveraging forests and wood resources

Realizing a circular society by making the most of wood, a renewable and natural resource from the forest ecosystem.

Related SDGs



Basic Policy

Against the background of concerns about resource depletion, biodiversity loss, and environmental pollution caused by harmful substances and marine plastics, it is necessary to build a circular economy that thoroughly recycles and makes effective use of resources. Circular economy is an economic model that aims to design products and services that reduce environmental burdens such as disposal and pollution, and to continue to circulate the raw materials and products at a high level.

Sumitomo Forestry Group realizes a circular bioeconomy centered on wood by running a wood cycle that cascades wood, which is a renewable and sustainable natural resource, in the forest, wood, architecture, and the field of energy such as biomass power generation and increasing the value of wood resources. For resources other than wood, we will strive to control, reuse, and recycle waste. We will also continue to investigate sustainability of our supply chain for the sustainable use of resources.



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Impact on Society and the Environment

Material Issue 3	Impact (Influence)
To realize a circular bioeconomy by leveraging forests and wood resources Realizing a circular society by making the most of wood, a renewable and natural resource from the forest ecosystem.	Protecting resources and reducing the environmental impact by advocating for recycling and zero emissions
	Solutions to water issues
	Improvement of environmental awareness in supply chain

Management of Material Issue 3

In Mid-Term Sustainability Targets 2024, Material Issue 3 is divided into 18 evaluation indicators, and management is carried out by incorporating them into annual activity policies and measures of the management department. We also assess the impacts that the material issue has on society and the environment.



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Management of Each Target

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Resource recycling (industrial waste)	Industrial waste final disposal amount (t) Percentage change from fiscal 2021 ^{*1}	Sustainability Department	21,050	20,489 ▲2.7	20,181 ▲4.1	19,905 ▲5.4
	Recycling rate at new housing construction sites ^{*2} (%)	Housing and Construction Division	95.1	96.0	97.0	98.0
	Recycling rate at housing demolition sites ^{*3} (%)		94.6	100	100	100
	Recycling rate at the work sites of the renovation business unit ^{*4} (%)		79.7	84.5	85.0	85.5
	Recycling rate at the work sites of the power generation business unit (%)	Environment and Resources Division	99.3	98.0	98.0	98.0
	Recycling rate at overseas manufacturing plants (%)	Timber and Building Materials Division	98.5	99.0	99.0	99.0
	Recycling rate at domestic manufacturing plants (%)		99.1	99.0	99.0	99.0
	Other recycling rate (%)	Timber and Building Materials Division Lifestyle Service Division Tsukuba Research Institute	80.6	84.0	85.0	86.0
	Sustainable timber usage ratio (Overall manufacturing) (%)	Timber and Building Materials Division	99.0	100	100	100
	Total amount of industrial waste discharged from all branches (kg / building) ^{*5}	Housing and Construction Division	2,835	2,709	2,573	2,511
	Discharge amount of newly built industrial waste (kg / m ²)		-	20.8	20.1	19.8



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*1 Excludes Cohnan Kensetsu

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

*3 Includes all wastes in the results of fiscal 2021, specific construction materials (concrete, asphalt-concrete, and wood waste) under the Construction Material Recycling Law according to plans after fiscal 2022.

*4 Includes Sumitomo Forestry Home Tech renovation sites but excludes hard-to-recycle debris and asbestos.

*5 Excludes Construction Business Sub-Division

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Resource recycling (water)	Water use volume (m ³)	All Sumitomo Forestry Group Companies	2,858,316	2,739,067	2,757,494	2,777,269



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Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Resource recycling (supply chain management)	Sustainability Procurement Survey Implementation Rate in Supply Chain (%)	Housing and Construction Division	98.5	97.0	97.0	97.0
	Certification acquisition rate of incoming PKS(%)	Environment and Resources Division	-	-	100	100
	Average score rate of "suppliers (in-house)" in ESG survey	Housing and Construction Division	-	Improvement as compared to previous year	Improvement as compared to previous year	Improvement as compared to previous year
	Number of EPD acquisition proposals to suppliers (company) Ratio (%)	Timber and Building Materials Division	-	10 52	30 66	65 71
			Sustainability survey response rate to suppliers (sales ratio) (%)	-	80	85

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Utilization of Sustainable Forest Resources	Unused resources (biomass use) handling volume (m ³)	Environment and Resources Division	-	18,272	18,452	19,202



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Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan

Material Issue 4 To provide comfortable and secure spaces for society at large

Material Issue 4

Material Issue 4 To provide comfortable and secure spaces for society at large

Providing safe, comfortable, and secure spaces to society at large.

Related SDGs



Basic Policy

As various social issues such as human rights issues like discrimination and poverty, intensification of disasters, and the spread of infection with the coronavirus disease(COVID-19) become apparent, the tendency toward well-being has increased, and people's living spaces, especially homes, are required to be safe, secure, comfortable and warm.

Sumitomo Forestry Group strives to improve customer satisfaction by setting "We provide high-quality products and services that bring joy to our customers." in the Code of Conducts, and focusing on providing high-quality products that give a sense of security, safety, comfort and warmth to many customers, of both newly built detached houses and remodeling.

Impact on Society and the Environment

Material Issue 4	Impact (Influence)
To provide comfortable and secure spaces for society at large	Improvement of customer satisfaction by reducing complaints
Providing safe, comfortable, and secure spaces to society at large.	Ensuring social credibility by improving quality



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Management of Material Issue 4

In Mid-Term Sustainability Targets 2024, Material Issue 4 is divided into 5 evaluation indicators, and management is carried out by incorporating them into annual activity policies and measures of the management department. We also assess the impacts that the material issue has on society and the environment.

Management of Each Target

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Customer satisfaction	Ratio of Implementation of design performance evaluation (%)	Housing and Construction Division	-	99.0	99.0	99.0
	Ratio of Construction performance evaluations implemented (%)		-	99.0	99.0	99.0
	Ratio of Certified as Long-life Quality Housing ^{*1} (%)		-	95.0	95.0	95.0
	Questionnaire at the time of moving in (Non-consolidated NPS value ^{*2}) (%)		-	51.0	52.0	53.0
	Improvement of score of customer survey on person in charge of construction ^{*3} (point)		-	75	78	80

*1 Limited to private house and applicable floor area or more

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

*3 Evaluation index for Sumitomo Forestry Home Tech only



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Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan

Material Issue 5 To improve the livelihood of the local communities where we operate

Material Issue 5

Material Issue 5 To improve the livelihood of the local communities where we operate

Creating jobs through our businesses and contributing to the development of local communities.

Related SDGs



Basic Policy

Both in Japan and overseas, regions where forest businesses are operated are far away from major urban areas, and economic and cultural disparities are often seen even within each country. Especially in developing countries, infrastructure such as roads, hospitals, schools and markets may not even be in place. In Japan, even in urban areas, super-aging is progressing, and there are concerns that quality of life of the elderly will decline, along with inactivation of the entire city due to shrinking household size and increase in vacant lands and vacant houses.

Sumitomo Forestry Group is actively contributing to development of social infrastructure required in each region, in addition to increasing employment by hiring local human resources, particularly in the forest business in developing countries. In Japan, in urban areas, we will expand provision of high-quality elderly care facilities and nursing care facilities where the warmth of wood can be felt, who are also socially vulnerable. In rural areas, we will develop businesses that contribute to regional revitalization while emphasizing communication with local stakeholders.



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Impact on Society and the Environment

Material Issue 5	Impact (Influence)
To improve the livelihood of the local communities where we operate Creating jobs through our businesses and contributing to the development of local communities.	Correction of economic disparities through regional revitalization
	Development of a common awareness of the issues of local communities through communication with local residents
	Enhancement of welfare by providing elderly care facilities

Management of Material Issue 5

In Mid-Term Sustainability Targets 2024, Material Issue 5 is divided into 6 evaluation indicators, and management is carried out by incorporating them into annual activity policies and measures of the management department. We also assess the impacts that the material issue has on society and the environment.

Management of Each Target

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Response to declining birthrate and aging population	Number of rooms at private-pay elderly care facilities (rooms)	Lifestyle Service Division	1,764	1,764	1,842	1,842



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Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Communication with local communities	Communication with stakeholders related to maintaining SGECC certification (times)	Environment and Resources Division	-	1 or more	1 or more	1 or more
	Explanation and communication to local residents when planning a new power plant (times)		-	1 or more	1 or more	1 or more
	Year-on-year increase in number of people at OBT (persons) [Recruitment of local human resources to increase production*]		-	+12	+17	+28
	Pruning and weeding area at TPF (ha) [Reduce fire risk and improve landscape (pruning and weeding area)]		-	15	30	30

* Number of local employees at the end of fiscal 2021 was 298.

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Human Rights	Efforts related to grievance mechanism*	Sustainability Department	-	Structure Construction	Range enlargement	Continuous operation

* Grievance and/or complaint mechanisms related human rights issues for stakeholders.



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Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan

Material Issue 6 To create a vibrant environment for all workers

Material Issue 6

Material Issue 6 To create a vibrant environment for all workers

Creating a work environment where everyone throughout the supply chain is safe, healthy and motivated.

Related SDGs



Basic Policy

In order to achieve sustainable business growth, it is important to create an environment where people involved can thrive. Foundation of a fair work environment is that everyone in the supply chain accepts diversity, including race, religion, ethnicity, nationality, and gender, and respects human rights without discrimination. We must also respect work-life balance, which emphasizes lifestyle of each individual. In addition, there is a possibility that serious occupational accidents may occur in the forest business or Housing and Construction Business, and sufficient measures are necessary.

Sumitomo Forestry Group sets "We promote a free and open-minded corporate culture that respects diversity" as one of Code of Conduct, and also make Declaration on Health Management that it will strives to maintain and improve physical and mental health of all employees and their families so that they can work healthily and actively. In the future, with the utmost emphasis on continuous improvement of employee satisfaction, we will work on multi-faceted and concrete targets such as realization of diversity, prevention of harassment, elimination of occupational injuries, and improvement of retention rate and number of obtained qualifications.



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Impact on Society and the Environment

Material Issue 6	Impact (Influence)
<p>To create a vibrant environment for all workers</p> <p>Creating a work environment where everyone throughout the supply chain is safe, healthy and motivated.</p>	Eliminating gender discrimination
	Securing better human resources
	Enhancing corporate value by improving work productivity
	Realizing a diverse society
	Ensuring employee health by building a safe, secure workplace (higher satisfaction)
	Ensuring safety of employees and subcontractors by eliminating occupational accidents

Management of Material Issue 6

In Mid-Term Sustainability Targets 2024, Material Issue 6 is divided into 18 evaluation indicators, and management is carried out by incorporating them into annual activity policies and measures of the management department. We also assess the impacts that the material issue has on society and the environment.



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Management of Each Target

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Work-life balance (workstyle reform)	Employee satisfaction level (%)	Non-Consolidated	Personnel Department	78.2	80.0	81.0	82.0
		Consolidated in Japan		60.7	67.0	68.9	71.0
	Employee Paid Leave Usage Ratio (%)	Non-Consolidated		64.1	70.0	70.0	70.0
		Consolidated in Japan		59.6	61.6	62.6	63.8
	Overtime hours reduction rate (%) compared to fiscal 2017	Non-Consolidated (FY2017: 45.5H)		▲ 15.8	▲ 16.0	▲ 19.0	▲ 23.0
		Consolidated in Japan (FY2017: 31.1H)		▲ 8.0	▲ 10.0	▲ 13.0	▲ 15.0
	Retention rate of new graduates (3rd year after joining the company) (%)	Non-Consolidated		83.3	83.0	84.0	85.0
		Consolidated in Japan		74.8	75.8	78.8	84.5
	Culture that does not allow harassment* (%)	Non-Consolidated		-	76.0	78.0	80.0
		Consolidated in Japan		-	76.2	77.7	79.0
	Ensuring psychological safety* (%)	Non-Consolidated		-	71.0	73.0	75.0
		Consolidated in Japan		-	64.0	65.5	67.1
	Male childcare leave acquisition rate (%)	Non-Consolidated		-	80.0	90.0	100
		Consolidated in Japan		-	33.0	39.0	43.0

* Percentage of employees who answered either "absolutely" or "yes, if I have to choose" in employee satisfaction surveys



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Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Diversity	Employment continuation rate after age 60 (retirement extension, reemployment, etc.) (%)	Non-Consolidated	Personnel Department	93.3	95.0	95.0	95.0
		Consolidated in Japan		87.7	87.5	99.1	98.2
	Ratio of female employees to all employees (%)	Non-Consolidated		-	23.2	23.9	24.5
		Consolidated in Japan		-	34.3	34.5	34.7
	Female officer ratio (%)	Non-Consolidated		-	13.8	16.7	19.4
	Ratio of female senior managers (%)	Non-Consolidated		-	3.0	3.3	3.6
		Consolidated in Japan		-	6.5	7.3	7.9
	Ratio of females to new hires (%)	Non-Consolidated		-	32.6	35.0	35.0
		Consolidated in Japan		-	34.6	35.5	35.6
	Ratio of disabled employees (%)	Non-Consolidated		-	2.20	2.25	2.30
		Group certification		-	2.40	2.45	2.50
		Consolidated in Japan		-	2.30	2.40	2.40



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Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Human Resources Development	Training cost per employee (unit: 1,000 yen)	Non-Consolidated	Personnel Department	77	125	125	150
		Consolidated in Japan		29	57	57	56
	Training time per employee (hours)	Non-Consolidated		13	16.0	18.0	18.0
		Consolidated in Japan		-	12.5	12.8	13.1
	Eco certification acquisition rate (%)	Non-Consolidated	Sustainability Department	34.4*	50.0	60.0	70.0

* Numerical values as of April 1, 2022



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Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Occupational Health and Safety	(1) Number of serious occupational injuries (Four or more days of lost worktime) (numbers)	Domestic new construction site (Contract)	Housing and Construction Division	24	0	0	0
		Remodeling site (Contract)		4	0	0	0
		Overseas housing site (Contract)	Overseas Housing and Real Estate Division	9	0	0	0
		Domestic group companies: Manufacturing (employees)	Timber and Building Materials Division	0	0	0	0
		Overseas group companies: Manufacturing (employees / contractors)*		8	0	0	0
		Domestic forest site (Contract)	Environment and Resources Division	2	0	0	0
		Overseas afforestation site (Contract)		15	0	0	0
		Elderly care site	Lifestyle Service Division	9	0	0	0



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Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Occupational Health and Safety	(2) Number of occupational injuries (One or more days and less than 4 days of lost worktime) (numbers)	Domestic new construction site (Contract)	Housing and Construction Division	13	18	16	14
		Remodeling site (Contract)		3	0	0	0
		Overseas housing site (Contract)	Overseas Housing and Real Estate Division	4	0	0	0
		Domestic group companies: Manufacturing (employees)	Timber and Building Materials Division	0	0	0	0
		Overseas group companies: Manufacturing (employees / contractors)*		12	0	0	0
		Domestic forest site (Contract)	Environment and Resources Division	0	0	0	0
		Overseas afforestation site (Contract)		17	0	0	0
		Elderly care site	Lifestyle Service Division	1	0	0	0



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Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Occupational Health and Safety	(3)Total number of occupational injuries (One or more days of lost worktime:(1)+(2)) (numbers)	Domestic new construction site (Contract)	Housing and Construction Division	37	18	16	14
		Remodeling site (Contract)		7	0	0	0
		Overseas housing site (Contract)	Overseas Housing and Real Estate Division	13	0	0	0
		Domestic group companies: Manufacturing (employees)	Timber and Building Materials Division	0	0	0	0
		Overseas group companies: Manufacturing (employees / contractors)*		20	0	0	0
		Domestic forest site (Contract)	Environment and Resources Division	2	0	0	0
		Overseas afforestation site (Contract)		32	0	0	0
		Elderly care site	Lifestyle Service Division	10	0	0	0

* Total of 6 companies (consolidated companies) of Nelson Pine Industries (NPIL), PT. Kutai Timber Indonesia (KTI), PT. AST Indonesia (ASTI), PT. Sinar Rimba Pasifik (SRP), Canyon Creek Cabinet (CCC), and Vina Eco Board (VECO)



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Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan

Material Issue 7 To create new markets with forests and wood

Material Issue 7

Material Issue 7 To create new markets with forests and wood

Creating new markets that enrich the economy through the resourceful use of forests and wood.

Related SDGs



Basic Policy

Utilization of forests and wood is emphasized in order to enrich the economy while solving various environmental and social issues such as realization of a decarbonization society and a circular economy, conservation of biodiversity, and respect for human rights. In order to deepen and expand utilization of wood and activate functions of forests, creation of new markets that utilize them is also the key.

Sumitomo Forestry Group will expand its medium- and large-scale wooden construction business globally while challenging many issues such as technology, legal regulations, and cost relating to construction such as structure, fire resistance, production, and environment. In addition, in order to develop various new technologies, new products, and new markets that utilize "wood" and "forests," we will promote research and development that emphasizes collaboration with the outside world without being bound by our own technology.



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Impact on Society and the Environment

Material Issue 7	Impact (Influence)
<p>To create new markets with forests and wood</p> <p>Creating new markets that enrich the economy through the resourceful use of forests and wood.</p>	Realization of a prosperous society by creating new value

Management of Material Issue 7

In Mid-Term Sustainability Targets 2024, Material Issue 7 is divided into 2 evaluation indicators, and management is carried out by incorporating them into annual activity policies and measures of the management department. We also assess the impacts that the material issue has on society and the environment.

Management of Each Target

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
New market development	Development of medium-to large-scale wooden constructions Business (US / Australia / Europe)	Overseas Housing and Real Estate Division	-	Examination / Commercialization	Commercialization	Commercialization

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Research & Development	Number of contracts for joint research partners (cases) Ratio of all themes (%)	Tsukuba Research Institute	-	35 50	36 51	38 54



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Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan

Material Issue 8 To transform markets through DX and innovation

Material Issue 8

Material Issue 8 To transform markets through DX and innovation

Enhancing economic efficiency and added value through business transformation brought about by DX and innovation.

Related SDGs



Basic Policy

In the fields of forestry and wooden construction business, where tradition and experience have been emphasized, it is necessary to raise economic efficiency and increase added value through market reforms such as DX and innovation, in view of the situation such as decrease and aging of main players, technological advancement and globalization, and future demand expansion.

Sumitomo Forestry Group aims to ensure quality and quantity of wood resources and provide them with high added value by improving efficiency of sales activities and supply chains through DX and innovation. In the field of elderly care business, which faces similar challenges, we will introduce innovations to increase added value and improve operational efficiency, such as user safety and security.



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Impact on Society and the Environment

Material Issue 8	Impact (Influence)
To transform markets through DX and innovation Enhancing economic efficiency and added value through business transformation brought about by DX and innovation.	Improve workability by improving work efficiency
	Improve productivity through effective use of data

Management of Material Issue 8

In Mid-Term Sustainability Targets 2024, Material Issue 8 is divided into 3 evaluation indicators, and management is carried out by incorporating them into annual activity policies and measures of the management department. We also assess the impacts that the material issue has on society and the environment.

Management of Each Target

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
DX related	Data linkage with customer (company) Adoption rate (%)	Timber and Building Materials Division(IT Solutions Department)	-	720 60	770 64	820 68
	RPA and OCR adoption rate (%)		-	80	90	100
	Number of facilities that have introduced sensor equipment in Elderly Care Business	Lifestyle Service Division	-	18	19	19



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Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan

Material issue 9 To establish a robust business structure

Material Issue 9

Material Issue 9 To establish a robust business structure

Contributing to a stable economy by continuously providing value with a structure that is resilient to contingent circumstances.

Related SDGs



Basic Policy

Building a strong business system is important for a company to carry out sustainable business as the crisis that has a great impact on the economy such as intensification of natural disasters, spread of unknown infectious diseases such as the coronavirus diseases, and financial and geopolitical risks continues worldwide. Continuing business even in the face of unexpected events also contributes to stability of the industry and market as a whole.

Sumitomo Forestry Group will not only build a Business Continuity Management (BCM) system to provide stable value even in the event of unexpected events, but will also aim to strengthen supervisory function of the Board of Directors during normal times, and prompt strengthening of the governance and information security of expanding overseas affiliated companies. With respect to climate change and natural disasters, we will continue to analyze scenarios based on the TCFD recommendations to build a strong business.



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Impact on Society and the Environment

Material Issue 9	Impact (Influence)
To establish a robust business structure Contributing to a stable economy by continuously providing value with a structure that is resilient to contingent circumstances.	Building a business foundation by strengthening information security system
	Improving employee awareness by establishing an educational foundation
	Improving credibility from society by strengthening governance system

Management of Material Issue 9

In Mid-Term Sustainability Targets 2024, Material Issue 9 is divided into 4 evaluation indicators, and management is carried out by incorporating them into annual activity policies and measures of the management department. We also assess the impacts that the material issue has on society and the environment.

Management of Each Target

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Governance / Compliance	New introduction of business process control (internal control)	Overseas Housing and Real Estate Division	-	Full-scale introduction (2 companies)	continuation	continuation
	Strengthening information security level of overseas affiliated companies* (%)	IT Solutions Department	-	20	50	100
	Implementation of external evaluation on effectiveness of the Board of Directors	General Administration Department	-	Examination	Examination	Completion

* Sumitomo Forestry Group's unique security base level achievement rate



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Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021 result	FY2022 target	FY2023 target	FY2024 target
Climate change	Conduct scenario analysis and disclosure consistent with guidance from the Task Force on Climate-related Financial Disclosures (TCFD)	Sustainability Department	Proven in two divisions including domestic housing business and timber and building materials business	New implementation in two divisions including environment and resources business and overseas housing business	Examining impact of the entire group through re-implementation in two divisions including timber and building materials business and domestic housing business	Examining reflection of measures taken by the group in the strategy for each business division of the next Mid-Term Management Plan



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Sumitomo Forestry Group's Sustainability Management

Sumitomo Forestry Group Mid-term Sustainability Targets Achievements in 2021

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

Related SDGs



Sumitomo Forestry conducts periodic reviews to confirm sustainability at all procurement suppliers for timber and wood products directly imported from overseas. We reviewed our suppliers in fiscal 2021, and by the end of December, we had completed the transition to sustainable timber and wood products. However, "Percentage of sustainable timber and wood products handled" for the entire year includes volume handled prior to the transition, resulting in 97.8%, compared to the planned 100%.

In addition, 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 98% out of the amount of material purchases from suppliers. In order to build a sustainable supply chain, we will continue to provide feedback to our suppliers and improve them through communication.



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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 Forests While Mitigating Climate Change and Protecting Biodiversity

Ratings in the table below

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

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021	FY2021	FY2021	FY2022
			target	result	value	target
Maintain and expand the area of certified forests	Domestic and overseas certified forest area (ha)	Environment and Resources Division	221,467	221,971	○	242,493

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> Sustainable Forest Management



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Expanding the Utilization of Sustainable Forest Resources

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021	FY2021	FY2021	FY2022
			target	result	value	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	7,920	5,850	△	-
	Seedlings supplied (unit: 10 Thousand)	Environment and Resources Division Timber and Building Materials Division	726	390	△	-

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> Protecting Domestic Forest Resources

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021	FY2021	FY2021	FY2022
			target	result	value	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	1,363,930	1,863,870	○	1,461,890

*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

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> Expanding Renewable Energy Demand

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Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021	FY2021	FY2021	FY2022
			target	result	value	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	100	97.8	△	-
	Percentage of sustainable timber used as primary building material (%)	Housing and Construction Division	100	100	○	100

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Building Sustainable Supply Chains

Ratings in the table below

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

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021	FY2021	FY2021	FY2022
			target	result	value	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	80	98	○	97
	Sustainability procurement survey implementation rate* ² of suppliers of imported timber (%)	Timber and Building Materials Division	100	100	○	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

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

Related SDGs



In fiscal 2021, the percentage of ZEH orders for new custom-built detached houses increased to 67.4% compared to 38% in fiscal 2018 but fell short of the planned 80.0%. Despite the fact that the target was not reached in fiscal 2021, the indicator was incorporated into employee performance evaluations, and information was shared at meetings to raise employee awareness, resulting in a 15.3% increase over the previous fiscal year. We will continue our initiatives to promote ZEH penetration rate, with a goal of 80.0% for December 31, 2024, the final fiscal year of the Mid-term Sustainability Targets.

Due to stable operation of the Mombetsu Biomass Power Plant and the Kanda Biomass Power Plant starting operation in June 2021, "Amount of Electricity Supplied by the Renewable Energy Business*" was 335,310 households (1,046,167 MWh), despite falling short of the plan (373,826 households in December of fiscal 2021). In the Mid-term Management Plan (2022-2024), we will change the unit of measurement from household equivalents to electricity supply (MWh), with the goal of supplying electricity of 856,022 MWh in fiscal 2024.

* The calculation method for equity-method affiliated companies will be revised to supply volume in accordance with the equity ratio from fiscal 2022

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.



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Increasing Environmentally Conscious Products and Services

Ratings in the table below

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

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021	FY2021	FY2021	FY2022
			target	result	value	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	67.4	△	75
	Rate of environmentally-friendly renovation order rate (%)	Housing and Construction Division	60	58.9	×	70
	Sales of sash, glass wool and solar power generation systems (unit: million yen)	Timber and Building Materials Division	24,040	22,987	△	-

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> Promotion of Net Zero Energy House (ZEH) Specifications

> Renovating to Improve Function and Asset Value

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Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021	FY2021	FY2021	FY2022
			target	result	value	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	199,509	192,194	△	-

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> Carbon Stock in the Housing and Construction Business



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Sumitomo Forestry Group Mid-term Sustainability Targets Achievements in 2021 - Stakeholder Engagement

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021	FY2021	FY2021	FY2022
			target	result	value	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	63.0	58.9	△	60

*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

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> [Contributions to Eco Cities Through Greening](#)

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Creating an Environment that Considers Biodiversity

Ratings in the table below

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

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021	FY2021	FY2021	FY2022
			target	result	value	target
Expanding sales of native species	Sales of native species logs (unit: trees)	Housing and Construction Division	500,000	465,000	△	450,000

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> [Contributions to Eco Cities Through Greening](#)



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Expanding Businesses that Contribute to Resolving Social Issues

Ratings in the table below

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

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021	FY2021	FY2021	FY2022
			target	result	value	target
Number of rooms added through new facilities construction	Number of rooms at private-pay elderly care facilities (rooms)	Lifestyle Service Division	2,014	1,764	×	1,764

Click here for related information

Communication with Our
> Customers in the Lifestyle Services Business

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021	FY2021	FY2021	FY2022*3
			target	result	value	target
Expand renewable energy business	Amount of electricity supplied by renewable energy business (converted to number of households supplied)*1*2	Environment and Resources Division	373,826	335,310	△	240,740

*1 Power plants included in the count for renewable energy projects are Mombetsu Biomass Power Plant, Hachinohe Biomass Power Plant, Kawasaki Biomass Power Plant, Tomakomai Biomass Power Plant, Kanda Biomass Energy, and Kashima Solar Power Plant.

*2 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.

*3 Figures in fiscal 2022 plan are based on number of households in terms of the amount of electricity supplied according to investment ratio

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> Aiming for 100% Renewable Energy and Joining the RE100

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Promoting Sustainable and Innovative Technological Development

Ratings in the table below

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

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021	FY2021	FY2021	FY2022
			target	result	value	target
Solve technical issues toward achieving W350 Project	The current state of progress in W350 Project development	Tsukuba Research Institute	Materials development and basic design formulation toward achievement of W70	Completion of examining additional study items in the basic plan	△	-

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

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



With respect to Greenhouse Gases Emissions, we were able to reduce emissions to 370,772t-CO₂e in fiscal 2021, compared to the planned 402,768t-CO₂e. This was mostly owing to the coal co-firing ratio being reduced at Mombetsu Biomass Power Plant, as well as the suspension of operations at several overseas industrial plants due to impact of novel coronavirus (COVID-19). In the Mid-term Business Plan (2022-2024), we aim to achieve 301,290t-CO₂e in the final fiscal year ending December 31, 2024 (Down 18.5% from March 2018) by further reducing ratio of coal co-firing at the Mombetsu Biomass Power Plant and promoting renewable energy for electricity consumption in order to achieve RE100.

At new construction sites, the recycling rate of industrial waste was 95.1%, falling short of the planned 98.0%. We were unable to meet our target value despite our initiatives to reduce industrial waste emissions and increase recycling rates by converting to pre-cutting of Lattice Panels and slates. In the Mid-term Management Plan (2022-2024), we aim to achieve 98.0% in the final fiscal year ending December 31, 2024, by reducing ratio of mixed waste in conjunction with thorough separation of waste at each site.



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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 consumer

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

Ratings in the table below

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

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021	FY2021	FY2021	FY2022
			target	result	value	target
Reduce greenhouse gas emissions	Greenhouse gas emissions (t-CO ₂ e)*	Each department	402,768	370,772	○	354,368
	Percentage change from fiscal 2017		+8.9%	+0.3%	○	▲4.2%
	Carbon efficiency (t-CO ₂ e/million yen)	Sustainability Department	0.318	0.268	○	-

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> [Greenhouse Gas Emissions from Business Activities](#)

> [Boundaries and Methods of Greenhouse Gas Emissions Calculation](#)

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

Ratings in the table below

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

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021	FY2021	FY2021	FY2022
			target	result	value	target
Promotion of industrial waste separation	Recycling rate at new housing construction sites (%) ^{*1}	Housing and Construction Division	98.0	95.1	×	96.0
	Recycling rate at housing demolition sites (%) ^{*2} (as of start of demolition work on main structure)		98.0	94.6	-	100.0
	Recycling rate at the work sites of the renovation business unit ^{*3} (%)		84.0	79.7	△	84.5
	Recycling rate at the work sites of the power generation business unit	Environment and Resources Division	56.5	99.3	○	98.0
	Recycling rate at overseas manufacturing plants (%)	Timber and Building Materials Division	98.0	98.5	○	99.0
	Recycling rate at domestic manufacturing plants (%)	Timber and Building Materials Division	99.5	99.1	×	99.0
		Housing and Construction Division				
	Environment and Resources Division					



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Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021	FY2021	FY2021	FY2022
			target	result	value	target
	Recycling rate of Lifestyle Service Business, etc.*4 (%)	Lifestyle Services Division, etc.	98.0	80.6	×	84.0

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

*2 In the FY2021 plan, specified construction materials (concrete, asphalt-concrete, and wood waste) were covered by the Construction Recycling Law, however, the FY2021 results were calculated for all wastes.

*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.

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> [Resource Conservation and Waste Reductions](#)

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Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021	FY2021	FY2021	FY2022
			target	result	value	target
Waste reduction Promote zero-emissions	Industrial waste final disposal amount (t) (Compared to 2017 Percentage Change)*	Sustainability Department	54,087 (▲15.0%)	21,050 (▲66.9%)	○	36,493 (▲42.6%)
	Total industrial waste generated (waste generated per detached house) (kg/structure)	Housing and Construction Division	2,730	2,835	△	2,709

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> [Initiatives to Achieve Zero Emissions](#)



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Conserving and Effectively Utilizing Water Resources

Ratings in the table below

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

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021	FY2021	FY2021	FY2022
			target	result	value	target
Proper management of water resources	Water use volume (unit: 1,000m ³)*	Sustainability Department	3,011 or less	2,858	○	2,739 or less

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> [Efficient Use of Water Resources](#)

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

Related SDGs



Due to requests from national and local governments to refrain from going out amid the reaction to the novel coronavirus infection, Sumitomo Forestry employees took an average of 12.3 days of paid leave in fiscal 2021, up slightly from 11.6 days in the previous fiscal year. Similar results were obtained at affiliated companies.

Sumitomo Forestry was able to cut overtime work down 33.3% compared to the planned 32.0% in fiscal 2013. Similar reductions were achieved at affiliated companies. We will continue to improve the number of paid holidays taken and reduce overtime work by introducing telework and promoting flexible and efficient ways of working through the flextime system.

Despite our goal of zero occupational accidents, they occurred in each of our business areas in fiscal 2021. In particular, heat stroke and accidents involving crashes and falls have surged at new construction sites in Japan, resulting in 24 occurrences of serious occupational accidents lasting four days or longer. In addition, there were 9 accidents involving forklifts and other equipment at overseas manufacturing companies.

A total of 37 employees attended the ISO 45001 internal auditor training course, 51 employees attended the ISO 9001 internal auditor training course, both held by the Quality Control and Worker Safety Management Department which was newly founded in April 2020, and all participants were certified as internal auditors. Sumitomo Forestry Group will continue to improve its initiatives to attain zero occupational accidents by managing Group-wide occupational accident cases, strengthening safety education in each division and affiliated company, and offering horizontal support, etc.



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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)



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

Ratings in the table below

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

Specific steps based on issues and strategies	Indicators for Evaluation			FY2021	FY2021	FY2021	FY2022
				target	result	value	target
Promotion of women's participation and advancement in the workplace	Percentage of female employees in management positions (%)	Sumitomo Forestry	Personnel Department	5.5	5.6 ^{*1}	○	-
		Consolidated in Japan	Personnel Department	7.3	8.4	○	-
Improve employee satisfaction	Employee satisfaction level (%)	Sumitomo Forestry	Personnel Department	85.0	78.2	×	80.0
	Change in employee satisfaction level compared to base year (%) ^{*2}	Consolidated in Japan	Personnel Department	Compared to Fiscal 2019 110	Compared to Fiscal 2019 104	×	67.0

*1 Calculated based on enrolment as of December 31

*2 Employee satisfaction rate for the plan in FY2022 (%)

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> Diversity and Inclusion

> Communication with Employees



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Securing Human Resources by Training Younger Workers and Utilizing Older Ones

Ratings in the table below

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

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2021	FY2021	FY2021	FY2022
				target	result	value	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	15.0	16.7	△	17.0
		Consolidated in Japan	Personnel Department	12.9	25.2	×	24.2

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> Human Resources Development

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2021	FY2021	FY2021	FY2022
				target	result	value	target
Enhance training programs	Training cost per employee (unit: 1,000 yen)	Sumitomo Forestry	Personnel Department	132	77	×	125
		Consolidated in Japan	Personnel Department	66	29	△	57
	Total number of training participants (persons)	Sumitomo Forestry	Personnel Department	13,000	12,694	△	14,600
		Consolidated in Japan	Personnel Department	16,176	28,596	○	26,890
Training time per employee (hours)	Sumitomo Forestry	Personnel Department	15.5	13	×	16.0	

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> Human Resources Development



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Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2021	FY2021	FY2021	FY2022
				target	result	value	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	87.0	93.3	○	95.0
		Consolidated in Japan	Personnel Department	78.0	87.7	○	87.5

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> Diversity and Inclusion

Reducing Long Work Hours through Work Style Reforms

Ratings in the table below

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

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2021	FY2021	FY2021	FY2022
				target	result	value	target
Guidance for improvement to departments with low rates of paid-leave use	Average paid leaves taken by employees (days)*	Sumitomo Forestry	Personnel Department	14.0	12.3	△	70.0%
		Consolidated in Japan	Personnel Department	11.3	11.2	△	61.6%

* The utilization rate of employee paid leave in FY 2022 (%)

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> Work-life Balance



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Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2021	FY2021	FY2021	FY2022
				target	result	value	target
Expand departments using flexitime and internal mock inspections	Average overtime working hour reduction rate compared to fiscal 2013 (%)*	Sumitomo Forestry	Personnel Department	▲ 32.0	▲ 33.3	○	▲ 16.0
	Average overtime working hour reduction rate compared to fiscal 2017 (%)	Consolidated in Japan	Personnel Department	▲ 11.3	▲ 18.8	○	▲ 10.0

* Overtime working hour reduction rate compared to FY2017 for the plan in FY2022 (%)

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> [Work-life Balance](#)



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Eliminating Occupational Injuries

Ratings in the table below

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

Specific steps based on issues and strategies	Indicators for Evaluation		Managing department	FY2021	FY2021	FY2021	FY2022
				target	result	value	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)	Manufacturing sites occurring inside and outside of Japan (contractors and subcontractors)*1	Timber and Building Materials Division	0	8	△	0
		Plantation sites occurring inside and outside of Japan (contractors)	Environment and Resources Division	0	17	×	0
		New housing construction sites in Japan (contractors)*2	Housing and Construction Division	0	24	×	0
		New housing construction sites outside Japan (contractors)	Overseas Housing and Real Estate Division	0	9	×	0
	Number of occupational injuries (incidents) (requiring one to three days of lost worktime)	New housing construction sites in Japan (contractors)	Housing and Construction Division	0	13	△	18

*1 Overseas manufacturing sites consist of six consolidated group companies: Nelson Pine Industries (NPIL), PT. Kutai Timber Indonesia (KTI), PT. AST Indonesia, PT. Sinar Rimba Pasifik (SRP), Canyon Creek Cabinet (CCC), and Vina Eco Board (VECO).

*2 Includes sole proprietorships



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> 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

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Material Issue 5: Corporate Ethics and Governance Structures

Related SDGs



Sumitomo Forestry obtained resilience certification on its own in July 2021.

TCFD scenario analysis has been conducted in the businesses of the Housing and Construction and Timber and Building Materials, and in fiscal 2021, also conducted in the businesses of Overseas Housing and Real Estate, and Environment and Resources.

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



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Reinforcing Risk Crisis and Compliance Structures

Ratings in the table below

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

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021	FY2021	FY2021	FY2022
			target	result	value	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

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021	FY2021	FY2021	FY2022
			target	result	value	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	Not applicable as the initiative is implemented every other year	-	-	Sumitomo Forestry and some domestic group companies

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> Risk Management



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Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021	FY2021	FY2021	FY2022
			target	result	value	target
Obtain external certification for Business Continuity Management (BCM)	Obtaining resilience certification	General Administration Department	Major group companies in Japan	Sumitomo Forestry Non-Consolidated	△	-

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> Compliance

Specific steps based on issues and strategies	Indicators for Evaluation	Managing department	FY2021	FY2021	FY2021	FY2022
			target	result	value	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	Completion of re-examination of analysis results for all business departments, and incorporation into the subsequent mid-term plan.	Proven in two divisions, Housing and Construction Business and Timber and Building Materials Business. Already incorporated into the subsequent mid-term plan	○	Proven in two divisions, Overseas Housing and Real Estate Business and Environment and Resources Business

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> Responding to TCFD



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Sumitomo Forestry Group's Sustainability Management

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





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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



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Product and Service Safety as well
as the Quality Management
System

Housing and Construction
Business Initiatives



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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.

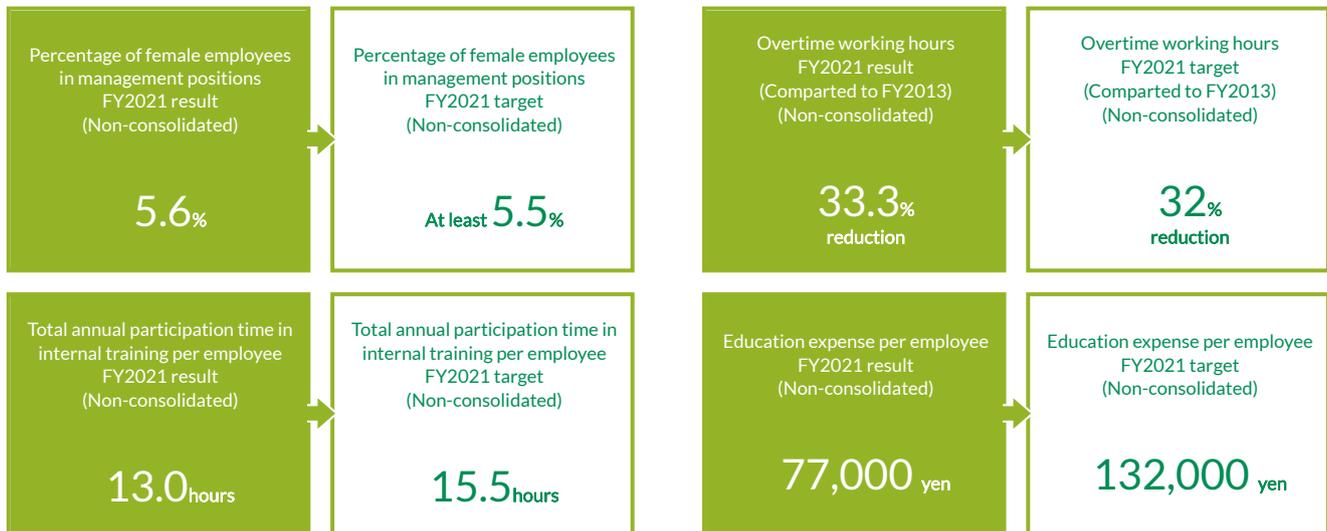
We believe working to resolve these challenges is the driving force to improving corporate value and business promotion that have a positive effect that include gaining human resources and improving the motivation of employees while eliminating risks on employees.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> • Creating a fair work environment with respect for human rights and no discrimination • Providing and developing a workplace that promotes the emotional and physical well-being of employees and their families, as well as allowing individuals of various backgrounds and circumstances to maximize their potential. • 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



Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - Mid-Term Sustainability Targets and Material Issues - Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan - Sumitomo Forestry Group Mid-term Sustainability Targets Achievements in 2021 - **Stakeholder Engagement**

Relevant Performance



[Click here for related information](#)

- [> 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.



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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, 2021) 20.2%	Individual meeting for institutional investors (in and outside Japan) FY2021 results 117	Issued shares as of December 31, 2021 201,200,936 shares	Full-year dividend per share FY2021 80 yen
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[Click here for related information](#)

> [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



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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

[Click here for related information](#)

> [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.

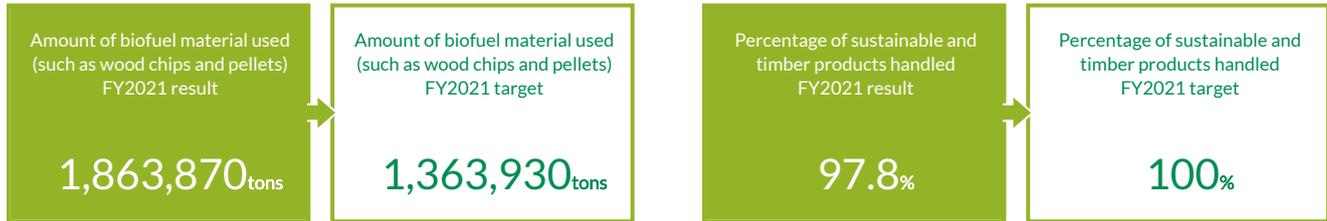
These efforts strengthen our foundation of business by promoting the preservation, development, and planting of forests as well as effectively using limited global resources such as the active use of timber cut from forests that have received Forest Stewardship Council certification together with our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



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Relevant Performance



[Click here for related information](#)

> [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"> • Internships • Conducting online-based information sessions and events to interact with employees • Distributing information through our recruiting website

[Click here for related information](#)

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



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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

[Click here for related information](#)

[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. Furthermore, we are expanding the numerical targets of these plans and continuously enhancing the level of our environmentally conscious activities by implementing the PDCA cycle in each organization, for the Sustainability Targets as part of Sumitomo Forestry Group Mid-term Management Plan in fiscal 2024.

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



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Relevant Performance



[Click here for related information](#)

- > [Mitigation of Climate Change](#)
- > [Sustainable Forest Management](#)
- > [Policies and Targets for Biodiversity Conservation](#)
- > [Waste Reduction and Recycling Management](#)

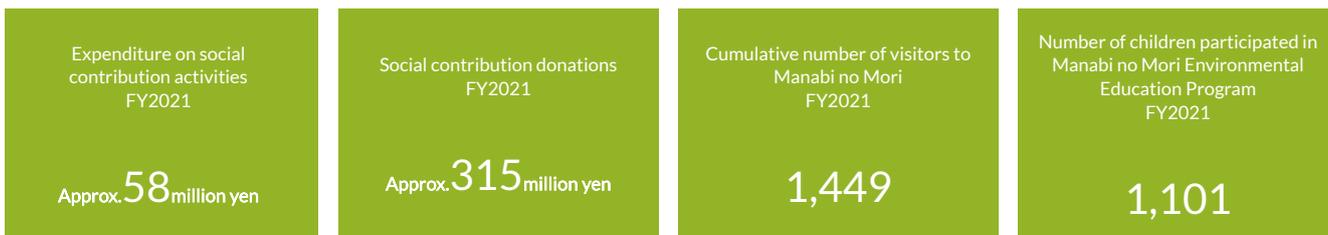
Global Society and Local Communities

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



[Click here for related information](#)

- > [Promotion of Social Contribution Activities](#)



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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.

[Click here for related information](#)

> [Compliance Hotline](#)

> [Respect for Human Rights at Overseas Plantations](#)

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Initiatives for Sumitomo Forestry Group's business and ESG

Overall Picture of Our Business

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 Sumitomo Forestry 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 sound natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society.

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 	Distribution 	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.)

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Initiatives for Sumitomo Forestry Group's Business and ESG

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 (FY2021 Result)

Amount of sustainable timber and timber products handled

1,283thousand m³

Sustainability procurement survey implementation rate of suppliers of imported timber

100%

Recycling rate at manufacturing plants

Japan: **99.1%**

Overseas: **98.5%**

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

1,107.9thousand m³

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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 Wood 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 log 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.

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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.

Sumitomo Forestry 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.



Shipping

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.

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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 Material Business



Click here for related information

- > Utilization of Sustainable Forest Resources

> Product Safety and Quality Management in the Manufacturing Business

> Initiatives to Achieve Zero Emissions
- > Waste Reduction and Recycling Management

> Supply Chain Management > Distribution Business Initiatives
- > Occupational Health and Safety in the Manufacturing Business

> Supply Chain Management > Manufacturing Business Initiatives

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Initiatives for Sumitomo Forestry Group's Business and ESG

Housing and Construction Business

Overall Picture of Our Business

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 (FY2021 Result)

Number of buildings sold and delivered in Japan

Custom-built detached house, rental housing, built-for-sale detached housing Total **9,711**houses

Percentage of orders for ZEH type houses out of new custom-built detached housings (%) **67.4%**

Fixed carbon content **192,809**t-co₂

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Value Chain of the Housing and Construction Business



Sales/
Product Development

Sumitomo Forestry Group's custom-built detached housings design provides our customers with optimal living.

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 wood and concrete to kitchens and toilets. Promoting fair and responsible initiatives for these procurement activities are the social responsibility of the Group.



Construction

The Sumitomo Forestry Group works carefully and efficiently to ensure our daily work's safety and deliver completed buildings to our clients on time.

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.

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Take an Integrated Approach to 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 wood 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



[Click here for related information](#)

- | | | |
|--|---|--|
| > Mitigation of Climate Change | > Adaption to Climate Change | > Utilization of Sustainable Forest Resources |
| > Contributions to Eco Cities Through Greening | Product Safety and Quality
> Management in the Housing and Construction Business | > Initiatives to Achieve Zero Emissions |
| > Occupational Health and Safety on Construction Sites | Product Safety and Quality
> Management in MOCCA (Timber Solutions) Business | > Communication with Our Customers > Housing and Construction Business Initiatives |
| Supply Chain Management >
> Housing and Construction Business Initiatives | > Business initiatives that contribute to regional revitalization | |

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Initiatives for Sumitomo Forestry Group's Business and ESG

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.



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

Main Business Figures (FY2021 Result)

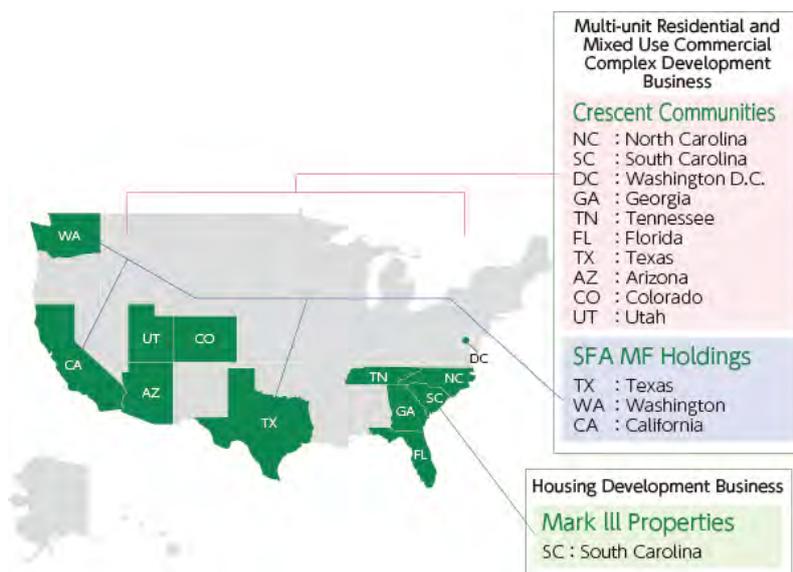
Housing sold and delivered in the United States and Australia **14,339**houses

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



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Australian Housing Construction Business Areas



Asian Business Areas



[Top Commitment](#)[Sustainability Management](#)[Initiatives for Sumitomo Forestry Group's business and ESG](#)[Environment](#)[Social](#)[Governance](#)[Related Information](#)

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Take an Integrated Approach to 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



[Click here for related information](#)

> [Sales of Environmentally-conscious Housing Overseas](#)

> [Human Rights Initiatives](#)

> [Risk Management > Risks in Operations](#)

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Initiatives for Sumitomo Forestry Group's Business and ESG

Environment and Resources Business

Business Overview

The Environment and Resources Business is acquiring SGEC 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 (,in which new trees are planted to replace harvested timber) ”.

In Indonesia, Papua New Guinea and New Zealand, we own and manage approximately 229,000 ha of planted 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.



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Main Business Figures (FY2021 Result)

Managed and owned forest area

Japan: Approx. **48,000ha**Overseas: Approx. **229,000ha**

Domestics and overseas certified area

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

Power generation capacity (base on fixed cases)

Approx. **252MW**

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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 planted forest, 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 planted forest area overseas.

The Group works to maintain and enhance the public benefits 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 wood that is harvested is transported to business partners and plants.



Site Preparation

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

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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 planted forests.

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 wood 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, planted forests 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.

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In our overseas planted 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 planted forest operations and the use of logs 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



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> [Mitigation of Climate Change](#)

> [Sustainable Forest Management](#)

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Initiatives for Sumitomo Forestry Group's Business and ESG

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 and accommodations 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.





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Main Business Figures (FY2021 Result)

Sumirin Fill Care

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

Number of day service sites **3**

Sumirin Enterprises

Insurance business revenue **1,298**million yen

Number of insurance business site **13**

Number of insurance companies managed **13**

Sumirin Care Life

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

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

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. We are promoting the use of the state-of-the-art technology at nursing care sites in an enthusiastic manner, such as upgrading the quality and efficiency of services by introducing advanced systems that utilize ICT.

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.

Take an Integrated Approach to 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 2020, the aging rate reached 28.8%*, 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 2024 set a goal of increasing the number of rooms of private-pay elderly care facilities to 1,842 rooms.

* Source: Annual Report on the Aging Society, 2021 ed.

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ESG Initiatives in the Lifestyle Services Business

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> [Lifestyle Services Business Initiatives](#)

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Initiatives for Sumitomo Forestry Group's Business and ESG

Research & Development

Overview

Wood has great potential for both the sustainability of the global environment and the development of our society and economy. 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 (FY2021 Result)

Research and development expenses **2,488**million yen

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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's Research and Development System and Fields



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> [Tsukuba Research Institute Website](#)

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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.

[Click here for related information](#)

> [Research and development on visualization of CO₂](#)

> [Toward the Future - Aiming for the Timberized Eco City with W350 Plan](#)

> [Proof testing for adaptation to climate change](#)

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Environmental Management

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 Environmental Policy among Group employees, they are reflected in employee handbooks, on the website and posters, etc. as well as read at new employee training sessions, 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.

Sumitomo Forestry Group Code of Conduct applies to not just the Group enterprises but also to 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.

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In May 2019, we have announced the Sumitomo Forestry Group 2021 Mid-Term Management Plan (fiscal 2019 to 2021). As one of four basic policies, the Mid-Term CSR Management Plan (fiscal 2015 to 2020) was revised to promote the integration of business and ESG efforts in addition to the formulation of non-financial targets as Mid-Term Sustainability Targets.

In addition, in 2022, Sumitomo Forestry established Mission TREEING 2030, a long-term vision that integrates a long-term business framework to realize a decarbonized society and Sumitomo Forestry Group's ideal state, towards the goal year for of 2030 for the SDGs. We have also unveiled "Mission TREEING 2030 Phase 1" (2022-2024), a three-year Mid-Term Management Plan that will build the groundwork for future growth and decarbonization. As "Further integration of business operations and ESG" is one of the five basic policies, we set Medium-Term Management Plan Sustainability 2024 which includes the sustainability strategy as well as nine newly identified material issues. We will improve our environmental management based on this target.

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> [Corporate Philosophy and
Sustainability Management](#)

> [Material issue 3 To realize a
circular bioeconomy by leveraging
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> [New Business Plan Risk
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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

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Environmental Management

Environmental Management Structure

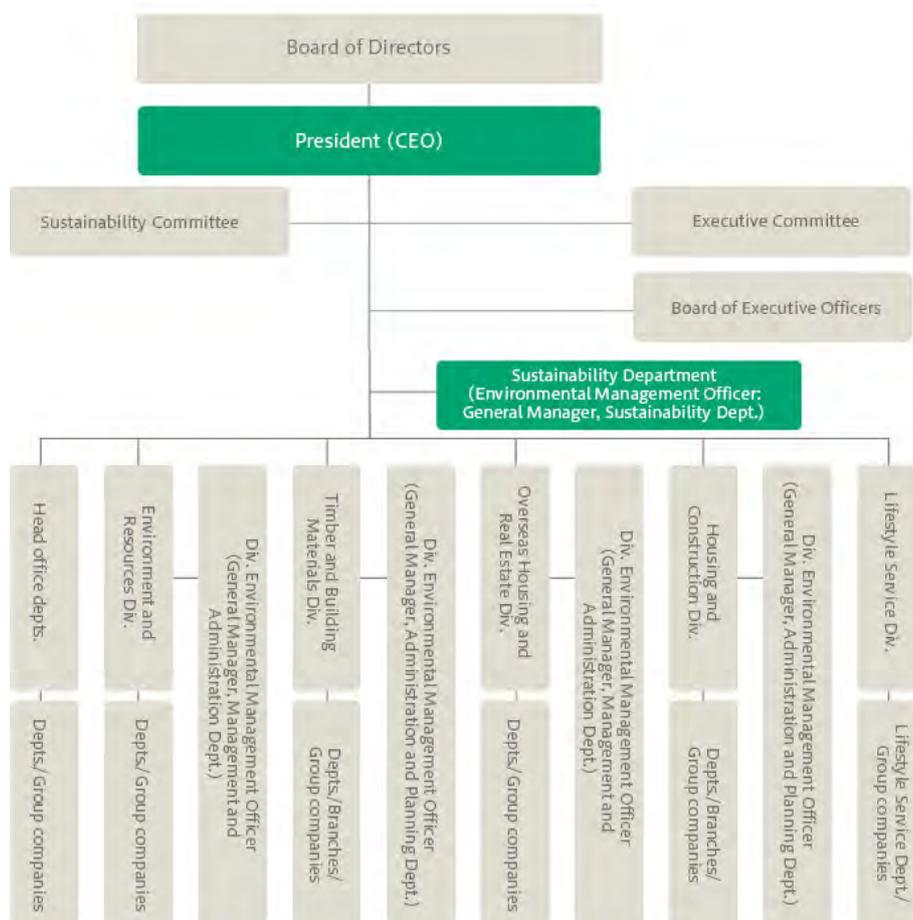
Environmental Management Structure

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 and Representative Director 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.

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Environmental Management Structure



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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. Subsequently, other divisions of Sumitomo Forestry also promoted the acquisition of certification, and in fiscal 2002, all divisions of Sumitomo Forestry in Japan had acquired this certification.

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. In fiscal 2021, the certification rate of consolidated organizations was 94.7% (based on sales).

ISO14001
Certification Rate
(Based on Sales)

94.7%



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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)		August 2001	February 2020
Nelson Pine Industries Ltd. (NPIL)		July 2003	October 2019
PT. Rimba Partikel Indonesia (RPI)		October 2005	December 2020
PT. AST Indonesia (ASTI)	The first factory	January 2007	January 2022
	The second factory	January 2022	January 2022
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



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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 2021, 39 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 46 points of advice for improvement were identified as matters to be observed. On August 5, 2021, 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 preparing Environmental Impact Assessment Sheet, it was stressed that special attention shall be paid to whether environmental aspects were extracted for each business process and whether impact assessments were conducted (i.e., whether the lifecycle was taken into account), and whether the causes of improvement cases, including those that failed to meet targets, were investigated and corrective measures (measures to prevent recurrence) were taken. The audits are performed with these considerations in mind.

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 1,490 (as of the end of fiscal 2021).

Internal Environmental Audits were conducted in 108 departments, focusing on departments that were often highlighted in Internal Environmental Audits in fiscal 2020. With respect to observed nonconformities and improvement proposals, the audited department shall take corrective actions and submit a corrective report to the audit department and the Sustainability Department compiled the audit results and reviewed them with the management rank.

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.

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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

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Environmental Management

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.

[Click here for related information](#)

➤ [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 Sumitomo Forestry 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.

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➤ [Adaption to Climate Change](#)

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Responding to Changes in the Wood Cultivation and Procurement Regulations

Because Sumitomo Forestry Group 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 Group 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.

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> [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.

[Click here for related information](#)

> [Mid-Term Sustainability Targets
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.

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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 Sumitomo Forestry Group.

[Click here for related information](#)

> [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 2021, 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 Sumitomo Forestry 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 2021, managers from the Housing and Construction Division conducted approximately 482 on-site checks at roughly 537 waste treatment plants run by 363 waste treatment contractors. Divisions other than the Housing and Construction Division as well as offices of Group companies are being instructed to continue using waste treatment plants which the Housing Division has already inspected.

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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 2021, 100% 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 2021, around 100 persons participated in online training at Group companies in Japan, including newly appointed personnel in charge of industrial waste treatment operations and those responsible for industrial waste management. 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.

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> [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.

In addition, water is also sampled and inspected by the prefecture once a year and by the city three times a year. Through these measures, 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.

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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.

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> [Pollution Prevention](#)

Noise and Vibrations

Sumitomo Forestry Group 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 2021.

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 as tenants in buildings, therefore, 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.

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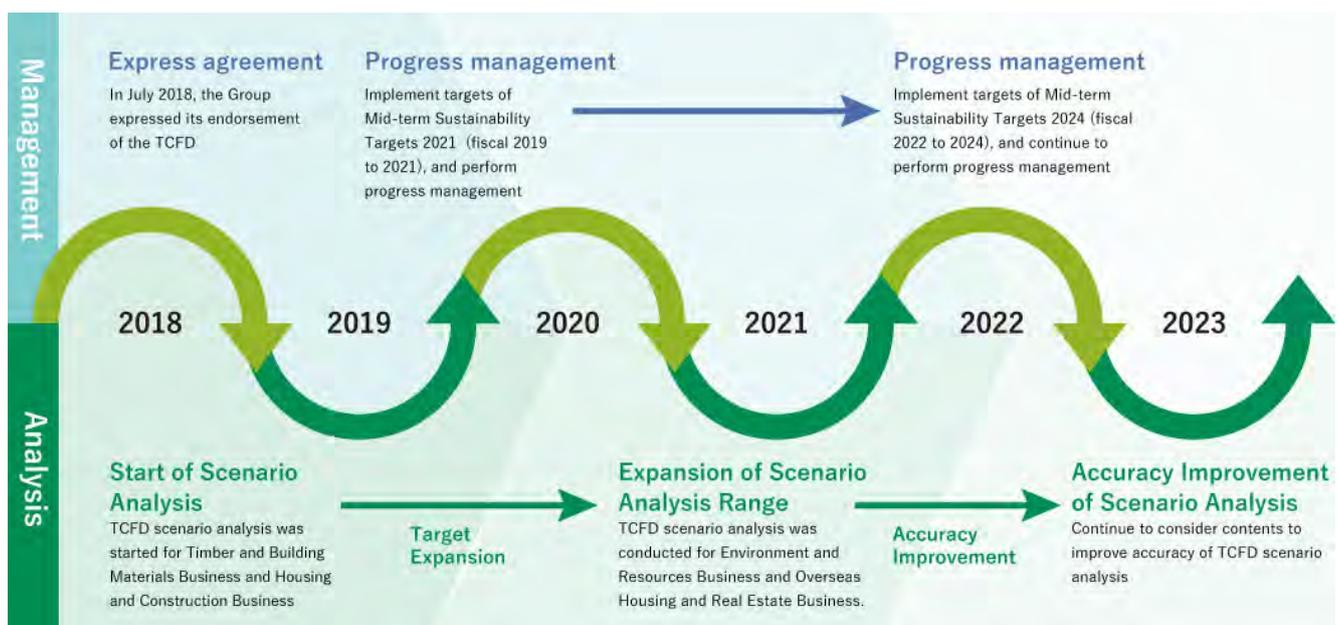
Responding to Climate Change

Responding to TCFD

Express its support of the TCFD recommendations

In July 2018, Sumitomo Forestry Group recognized the risks and opportunities associated with climate change and expressed its support for the recommendations from TCFD (Task Force on Climate-related Financial Disclosures) established by the Financial Stability Board. In the same year, we conducted an initial scenario analysis for the Timber and Building Materials Business and the Housing and Construction Business based on the TCFD recommendations, assessing the risks and opportunities that climate change issues pose to society and businesses, as well as the resilience of their strategies, and in the following year 2019, we began disclosing information with reference to the framework recommended by the TCFD. In addition, we conducted scenario analysis for the Environment and Resources Business and the Overseas Housing and Real Estate Business in 2021 to improve the degree of transparency of Sumitomo Forestry Group's scenario analysis.

Sumitomo Forestry Group Disclosure of TCFD Scenario Analysis



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> Material issue 9 To establish a robust business structure

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Governance

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. It also reports all proceedings at committee meetings to the Board of Directors.

In February 2022, we revised some contents of the Executive Remuneration System in order to further integrate business with ESG. We have included remuneration linked to rate of achievement of sustainability indicators during Executive Remuneration. In the event that Sumitomo Forestry fails to meet its long-term greenhouse gases emissions reduction target based on Science Based Targets (SBT), amount of remuneration paid will be reduced from the regular stock remuneration amount in accordance with the degree of target performance.

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> [Sustainability Committee](#)

> [Executive Remuneration](#)

Strategy

The Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) states unequivocally that human activity causes climate change, that it causes extreme weather and increases the frequency of occurrence, and that greenhouse gases emissions are strongly related to changes in ice sheets and sea levels. In light of this, society's expectations of the CO₂ absorption and carbon storage functions of forests, the carbon stock and CO₂ emissions reduction from wood products and wooden construction, and the unused forest resource for biomass power generation. Sumitomo Forestry Group contributes to the realization of a decarbonized society, by effectively utilizing forest resources, which are renewable natural capital, and providing "shared benefit" through forest management, manufacturing and distribution of timber and building materials, and wooden construction and renewable energy businesses.

In February 2022, we unveiled Mission TREEING 2030, our long-term vision for decarbonization. As one of our business policies in Mission TREEING 2030, we set "promoting decarbonization and circular bioeconomy to maximize the value of forests and trees" and contribute to the decarbonization of society through our business by promoting the benefits of forests and wood resources in all areas in Japan and abroad, such as CO₂ absorption, storage, and reduction. As for the first phase of our long-term vision Mission TREEING 2030, we have announced a three-year Mission TREEING 2030 Phase 1 (2022-2024) of Mid-Term Management Plan, which provides the groundwork for our future growth and contribution to decarbonization. One of our five basic policies is "Further integration of business operations and ESG".

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Risk Management

Sumitomo Forestry Group has established the Risk Management Committee, which is chaired by the President and CEO and consists of all other executive officers. The Sustainability Committee, which is chaired by the President and CEO, composed of executive officers concurrently serving as directors, and the divisional managers of each business unit. Each of these committees meets four times a year, and each department decides on specific countermeasures and evaluation indicators for risks that may arise in the short term in daily operations, and reports progress to the Risk Management Committee on a quarterly basis. The Sustainability Committee discusses social, environmental, and governance medium and long-term risks, including climate change comprehensively for the entire value chain.

[Click here for related information](#)

> [Risk Management Framework](#)

Metrics and Targets

Sumitomo Forestry Group has formulated long-term targets related to climate change and is promoting initiatives while incorporating them into its annual planning. In 2017, the Group declared its intention to formulate SBTs and formulated new Group-wide greenhouse gases emissions reduction target, which were approved as SBTs in July 2018. In September 2021, we submitted an application to the SBT Initiative secretariat to enhance our Scope 1 and 2 greenhouse gases emissions reduction target for 2030 from the previous 21% to 54.6% reduction, which is in line with a 1.5°C reduction in order to expedite our initiatives. Furthermore, we joined RE100, an international initiative aiming for 100% renewable energy for electricity consumption, in March 2020. We are accelerating our initiatives to cut greenhouse gases emissions toward achieving the goal of using 100% renewable energy for electricity used in the Group's business activities and fuel for power generation in our power generation business by 2040. According to the Mid-Term Sustainability Targets (2022-2024) announced in February 2022, each division will set its own target for the ratio of renewable energy procurement and take necessary budgetary measures, including capital investment, to steadily promote initiatives toward achieving RE100.

[Click here for related information](#)

> [Progress Towards the SBT](#)

> [Progress Towards the RE100 Goal](#)

> [Mid-Term Sustainability Targets and Material Issues](#)

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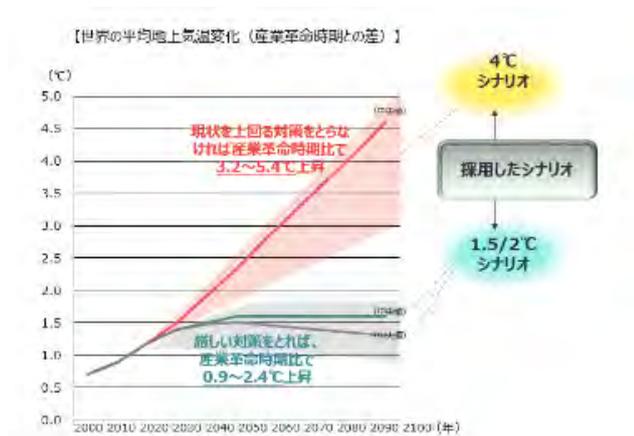
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TCFD Scenario Analysis

Identifying and Evaluating Risks and Opportunities

In the first scenario analysis conducted in 2018, we analyzed the business risks and opportunities posed by climate change for the Timber and Building Materials Business and the Housing and Construction Business, using two scenarios in which average global temperature increases are below 2°C and 4°C, respectively, compared to that of pre-industrial times, and disclosed relevant information. For 2021, we conducted scenario analysis for the Environment and Resources Business, as well as the Overseas Housing and Real Estate Business. In order to enhance transparency, we considered the situation in 2030 using two scenarios: the 4°C scenario, in which no progress is made in tackling climate change, and the 1.5/2°C scenario, in which progress is made in transitioning the company toward decarbonization. The relevant departments and each division of our company collaborated to identify risks and opportunities, conducted financial impact assessments, and discussed countermeasures for items that were identified as significant risks and opportunities. In 2018 and 2021, the subject businesses for which scenario analysis was conducted accounted for approximately 98% (as of FY2021) of the net sales of Sumitomo Forestry Group. Results of the scenario analysis are presented to the Sustainability Committee and the Board of Directors, and additional initiatives are outlined in the Mid-Term Sustainability Targets.

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.



Source: IPCC, SR1.5, etc.



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Timber and Building Materials Business

In the Timber and Building Materials Business, where timber is the main material and commercial product, major transition risks is the increase in timber procurement costs because of tightening regulations such as forest protection policies and felling regulations in various countries. As for physical risks, rising average temperatures would raise the cost of wood procurement because of forest fires, tree diseases, and pest damage, etc. If fossil fuels are further regulated, however, this will provide a tailwind (opportunity) for the biomass power generation business that Sumitomo Forestry is pursuing, as well as for demand for wood chips as fuel.

Risk Assessment in Timber and Building Materials Business

	Risk category	Impact on operations	Risk level	Measures Initiated
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. 	Large	○
	Forest conservation policies	<ul style="list-style-type: none"> Increased timber procurement costs due to logging taxes, logging fees and other. 	Large	○
	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. 	Large	○
	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. 	Large	○
	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. 	Large	○



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Risk category		Impact on operations	Risk level	Measures Initiated
	Increase / decrease in demand for important products and increase / decrease in product price		Small to medium	
	Advances in next-generation technologies		Small to medium	
	Popularization of renewable energy/energy conservation technologies		Small to medium	
	Changes in investor evaluation		Small to medium	
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. 	Large	○
	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. 	Large	○
	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. 	Large	○

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Housing and Construction Business

In the Housing and Construction Business, transition risks include increased lumber procurement costs because of tighter regulations, including forest protection policies and felling regulations in various countries. With respect to physical risks, greater costs in home building are expected; these are incurred by decreased efficiency with rising temperatures, more severe natural disasters and extreme weather events, and the construction schedule delays. On the other hand, demand for environmentally conscious housing such as ZEH housing is expected to increase because of tougher laws and regulations for decarbonization and growing market demand for decarbonized products.

Risk Assessment in the Housing and Construction Business

	Risk category	Impact on operations	Risk level	Measures Initiated
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. 	Large	○
	Forest conservation policies	<ul style="list-style-type: none"> Increased timber procurement costs due to logging taxes, logging fees and other. 	Large	○
	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. 	Large	○
	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. 	Large	○
	Energy conservation and other subsidy policies		Small to medium	
	Fossil fuel subsidy program		Small to medium	
	Changes in energy mix		Small to medium	

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Risk category		Impact on operations	Risk level	Measures Initiated
	Changes in investor evaluation		Small to medium	
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. 	Large	○



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Overseas Housing and Real Estate Business

In the Overseas Housing and Real Estate Business, transition risks include the imposition of a carbon tax and higher expenses of complying with tougher environmental regulations. Physical risks include the possibility of higher expenditures for land acquisition, construction and development as a result of more severe natural disasters, as well as a shift in demand to less disaster-prone locations. Wooden construction, on the other hand, is expected to grow as decarbonization and other rules tighten.

Risk Assessment in the Overseas Housing and Real Estate Business

Risk category		Impact on operations	Risk level	Measures Initiated
Transition Risks	Carbon emission targets, policies in each country	• Increase in operating costs because of imposition of carbon tax	Large	○
		• Increase in construction costs because of tougher building standards	Large	○
	Changes in the market	• Increased insurance and repair cost estimates for damage to buildings under construction	Large	
Physical Risks	Intensification of abnormal weather	• Increase in warranty rates because of more severe storms and floods	Large	
		• Increase in financing costs because of extended construction periods / Increase in Materials Procurement cost because of higher purchase prices	Large	○
		• Soaring land prices because of natural disasters	Large	○
	Rise in average temperatures	• Decrease in sales in existing business areas	Large	○

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Environment and Resources Business

In the Environment and Resources Business, transition risks include increased operational costs because of the imposition of carbon taxes, environmental regulations and tougher felling regulations, as well as a decrease in timber harvest volume. As physical risks, the risk of forests being damaged by frequent typhoons, floods, forest fires, etc. will increase. Disease, insect, and animal damage may become more common, leading to fewer sales prospects and greater replanting expenses. Wood, on the other hand, uses less energy to make and process than steel, concrete, and other materials, contributing to lower greenhouse gases emissions, which can be expected to increase sales prices because of rising demand for wood. Wood biomass power generation will also see a rise in demand. In addition, credit income is expected to increase as a result of active trading of forest carbon credits.



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Risk Assessment in Environment and Resources Business

Risk category		Impact on operations	Risk level	Measures Initiated
Transition Risks	Policy and Regulations	<ul style="list-style-type: none"> Increased burdens and costs because of regulations and taxation of CO₂ and greenhouse gases 	Large	○
	Forest conservation policies	<ul style="list-style-type: none"> Lost opportunities because of increased resource conservation regulations 	Large	○
	Changes in energy mix	<ul style="list-style-type: none"> Increased operating costs because of higher fuel prices 	Large	○
	Economic stagnation with global warming regulations	<ul style="list-style-type: none"> Deterioration of Labor Environment 	Large	○
	Popularization of renewable energy/energy conservation technologies	<ul style="list-style-type: none"> Increased costs related to more efficient resource use and production, development and implementation of low-carbon technologies 	Medium	○
Physical Risks	Intensification of abnormal weather	<ul style="list-style-type: none"> Damage to forests because of frequent storms and rainstorms 	Large	○
		<ul style="list-style-type: none"> Increased risk of business shutdowns because of frequent windstorms and rainstorms 	Large	○
	Changes in rainfall and climate patterns	<ul style="list-style-type: none"> Damage to forests because of reduced precipitation 	Large	○
	Rise in average temperatures	<ul style="list-style-type: none"> Damage to forests because of higher average temperatures 	Large	○
		<ul style="list-style-type: none"> Changes in growing conditions because of temperature increase and changes in rainfall 	Large	○
	Intensification of abnormal weather	<ul style="list-style-type: none"> Damage to forests because of increased insect and animal damage 	Medium	○
<ul style="list-style-type: none"> Disruption of supply chain because of increased precipitation 		Medium	○	

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Climate Change Related Opportunities and Strategies

Expanding Housing Sales in Concert with Government ZEH Promotion

In the Global Warming Prevention Plan and The Sixth Basic Energy Plan

approved by the Cabinet in October 2021, the Japanese government declared that "the government will raise energy conservation standards in stages and raise inducement standards and top-runner standards for Housing and Construction to ensure the level of energy conservation performance of ZEH and ZEB standards for new Housing and Construction to be built in fiscal 2030 and after", and "the government will ensure the level of energy conservation of ZEH and ZEB standards for the stock average of housing and buildings by 2050".

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.



* Include Nearly ZEH, Small ZEH Oriented and ZEH Oriented in Snow Area

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> Promotion of Net Zero Energy House (ZEH) Specifications

> Material issue 2 To realize carbon neutrality by leveraging forests and wood resources

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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 Energy in Fukuoka Prefecture is set to start operations in June 2021 while the Morinomiya Biomass Energy 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 274,366 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.

Amount of biofuel material used (such as wood chips and pellets)
Target (t)
(FY2024)

1,640,964t

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> **Material issue 1 To enhance the value of forests and wood through sustainable forest management**

> **Material issue 2 To realize carbon neutrality by leveraging forests and wood resources**

> **Material issue 3 To realize a circular bioeconomy by leveraging forests and wood resources**

Promoting the medium -to large-scale wooden constructions overseas

Sumitomo Forestry is developing medium-to large-scale wooden constructions overseas in order to achieve net zero carbon emissions and realize a decarbonized society. In Mid-Term Sustainability Targets (FY2022~2024), Sumitomo Forestry set goals for the development of medium-to large-scale wooden constructions business (in the U.S., Australia, and Europe), and confirmed its involvement in a 15-story wooden office construction project in Melbourne Australia, in October 2021, and a 6-story wooden eco-friendly office development project in London in February 2022. In the future, we will improve our understanding of advanced environmental response and medium-scale wooden constructions in Australia and Europe and expand "Net Zero Carbon Architecture" globally.

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> **Material issue 7 To create new markets with forests and wood**

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Expanding Interest in Forest Carbon Credits

In accordance with the Paris Agreement, governments, companies, and investors are accelerating their efforts to achieve carbon neutrality by 2050, including the Japanese government's declaration to do so in order to realize a decarbonized society. In addition, the Japanese government has announced that it will increase its greenhouse gases emissions reduction target by 2030 from 26% to 46% below 2013 levels. Forests, unlike other carbon-reduction methods, can absorb and repair their own CO₂. Forests play an even more important role in achieving carbon neutrality. Scenario analysis reveals that forest carbon credits might become a new source of revenue for forest enterprises as the carbon credit market advances toward decarbonization, as carbon credit expands.

Sumitomo Forestry's long-term vision Mission TREEING 2030 includes establishing a forestry fund to safeguard forest assets including CO₂ credits and other new value, and expanding business through forest management and asset management, with the target of all contributing to societal carbon offsetting. As one of its initiatives, Sumitomo Forestry will perform advanced forest management to avoid peat fires through highly accurate water level management, merging the forest management technology it has developed in Japan and overseas with IHI's satellite-based observation technology. Utilizing this knowledge, we plan to start a consulting business for government agencies in countries and regions that combat deforestation and peatlands destruction, as well as corporations contemplating forest ownership for carbon offsets. Furthermore, we have set such target items as "establishing a method for calculating forest absorption and improving its accuracy" and "increasing the ratio of profit/loss and revenue from new forest value creation business" in Mission TREEING 2030 Phase 1 (2022-2024) of our Mid-Term Management Plan and will promote these initiatives.

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Responding to 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 set 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. In October 2018, the IPCC (Intergovernmental Panel on Climate Change) published the "1.5 °C Special Report," which illustrates the latest scientific findings on global warming. It became clear that there are big differences in the impact on the global environment between suppressing the rise in average temperature of the earth from before the Industrial Revolution to 2°C and 1.5°C in the latter half of this century. In April 2019, the SBT Initiative changed its certification standard to two types of greenhouse gas emissions reduction targets; to the level of global average temperature rise by 1.5°C and well below 2°C compared to pre-industrial revolution in response to the trend of the "1.5°C Special Report" (applicable from October 2019). In September 2021, we submitted an application to the SBT Secretariat to enhance our Scope 1 and 2 greenhouse gases emissions reduction targets from the previous 21% reduction to a 54.6% reduction, with 2030 as the target year, in order to expedite our initiatives. Its progress and results are explained below.



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2°C target (SBT approved)

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

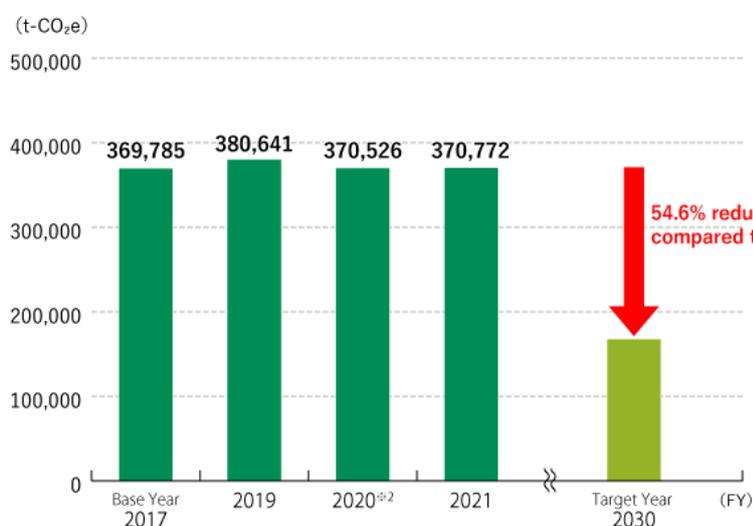
1.5°C target (SBT application pending)

- Scope 1&2: 54.6% reduction of greenhouse gas emissions compared to 2017 (base year) by 2030.
- 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 is striving to reduce greenhouse gas emissions and take measures to mitigate climate change based on SBT such as thorough energy saving activities and promotion of renewable energy use.

Progress Towards the SBT

In fiscal 2021, scope 1 and 2 emissions increased by 0.1% from fiscal 2020 due to the fact that the manufacturing sites resumed the operation in fiscal 2021 after the suspension over the spread of COVID-19 and also the average emission factor in Vietnam increased significantly. Scope 3 emissions increased by 3% from fiscal 2020 due to an increase in the number of units sold and delivered in the Overseas Housing and Real Estate Business, and Cohnan Kensetsu, a general constructor in Osaka, joined Sumitomo Forestry Group.

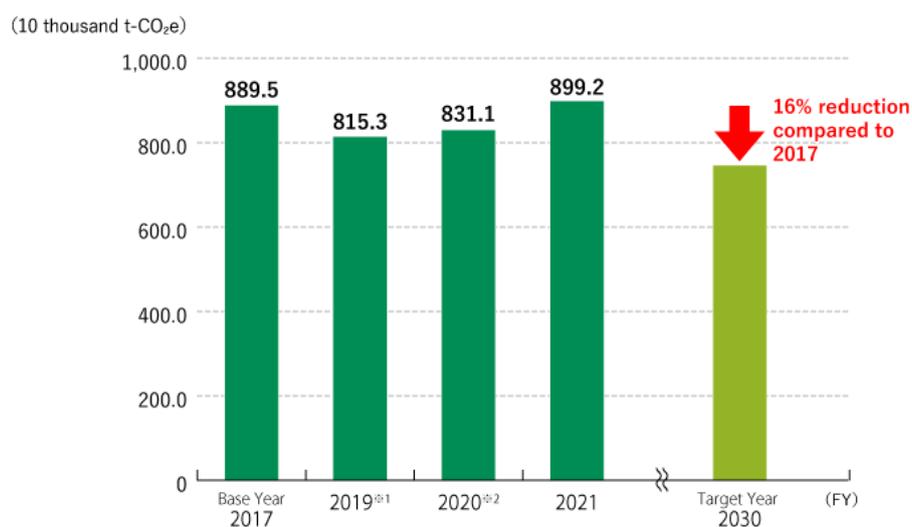
Progress toward our science-based reduction target: Scope 1 and 2

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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 Data collection period for total emissions from fiscal 2020 is January to December of each year, while data collection period for emissions before fiscal 2019 is April of each year to March of the following year.

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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 2022, 290 companies worldwide are members, of which 50 companies are Japanese.

Progress Towards the RE100 Goal

In fiscal 2021, amount of renewable energy introduced in the electricity used in Sumitomo Forestry Group's business activities resulted in 17.2 % which is the total amount of electricity used by the entire Group such as solar panels installed in model homes and for private use of power generated by biomass power plants (including adjacent wood chip manufacturing plants for fuel), etc. In addition, ratio of biomass-derived fuel to the fuel consumption of the power generation business is 88.5% (calorific value conversion).

Renewable energy consumption rate within the power consumption of the entire group (FY 2021)

17.2%

In the Mid-Term Sustainability Targets 2024 announced in February 2022, we have set a goal of reaching a renewable energy introduction rate of 35.1%* in power consumption of the Group's business activities in fiscal 2024. While the officially declared RE100 goal is by 2040, we aim to complete all of our own efforts by 2030.

* Excludes self-consumption from biomass power generation projects and establishments located in New Zealand aiming for RE100 nationwide in 2035 (Achievement in fiscal 2021 is 2.6%).

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Approach to Use 100% Renewable Energy

In order to achieve 100% renewable energy for the electricity for Sumitomo Forestry Group's operations, we are utilizing Sumirin Denki, which we started in 2019. We are also planning to install 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 Use

Sumitomo Forestry started the "Sumirin Denki" service in November 2019 for owners of Sumitomo Forestry and Sumitomo Forestry Home Tech's homes. The service offers surplus electricity purchase and power supply agency sales for owners whose solar power generation purchase period expires under the feed-in tariff (FIT) for renewable energy.

We are working to allocate this "Sumirin Denki" to the total amount of electricity used by Sumitomo Forestry Group in Japan. We promote the RE100 initiative by utilizing the surplus solar power purchased from the owners with "Sumirin Denki" at our offices and model homes. As of December 2021, the number of contracts was 1,539, and we started supplying electricity purchased from the owners to 34 model homes in the Kinki area. In the future, we will accelerate the promotion of the "Sumirin Denki" services to the owners and aim to allocate the renewable energy in all areas in 2022.



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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 September 2020, Sumitomo Forestry Crest Kashima Plant, which manufactures interior materials for houses, introduced solar power generation under the PPA (Power Purchase Agreement) model*. In addition, since April 2021, Kashima Plant procured the renewable energy menu electricity and replaced all the electricity with renewable energy and achieved RE100. Following this, the Shizuoka Plant of the same Sumitomo Forestry Crest is also expected to procure renewable energy menu electricity from April 2021 and achieve RE50. In the Mid-Term Sustainability Targets 2024 up to 2024, we plan to expand the procurement of renewable energy menu electricity at the Shizuoka and Imari plants to achieve RE100. Sumitomo Forestry Group's overseas factories will also promote introduction of the solar power generation, and by 2024, we plan to procure about 20% of renewable energy from both domestic and overseas factories and aim to reduce greenhouse gas emissions by 26,000 tCO₂ compared to fiscal 2017.

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

Nelson Pine Industries (NPIL), which manufactures and sells MDF (medium density fiberboard), single plate, and LVL (laminated veneer lumber) in New Zealand uses the most electricity in the Sumitomo Forestry 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.

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Promotion of the Renewable Energy Business

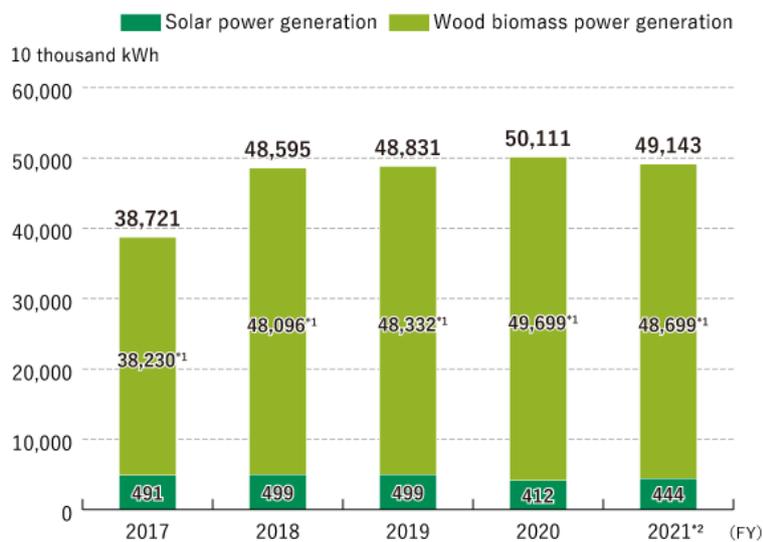
The Sumitomo Forestry Group is advancing renewable energy generation businesses, including solar power generation as well as biomass power generation that chips and uses scrap construction wood in addition to unused forest resources and other such materials as fuel. Total power generation in 2021 is 491,432 MWh.

Effect of CO₂ emission reduction through power generation in fiscal 2021

52,784_{t-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 Amount of electricity generated from wood biomass power generation covers only consolidated subsidiaries of Sumitomo Forestry and includes the amount of power generated by coal, which is used as an auxiliary fuel for smooth operation and maintenance.

*2 An aggregation period after fiscal 2020 is from January to December of each year, and the aggregation period of the discharge amount before fiscal 2019 is from April of each year to March of the following year.

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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 trees 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 and furthermore, 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 Electric Power (generation capacity: 33 MW), which primarily uses scrap construction wood as fuel. The Mombetsu Biomass Electric Power Co., Ltd. with a power generation scale of 50 MW utilizing unused wood from domestic forests as its main fuels commenced operation in December 2016, the 6.2 MW Tomakomai Biomass Power Co., Ltd. in April 2017, and 12.4 MW Hachinohe Biomass Electric Power Co., Ltd. in April 2018, and the 75MW Kanda Biomass Energy K.K. in June 2021, respectively.

When the 75 MW Morinomiya Biomass Energy K.K. commences operation in November 2023, the total power generation scale of the Sumitomo Forestry Group related facilities will be approximately 251.6 MW, which is equivalent to electricity supply for 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 Electric Power



Hachinohe Biomass Electric Power



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Sumitomo Forestry 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 Electric Power Business* (Joint investment with Sumitomo Joint Electric Power Co., Ltd.)	Hokkaido Mombetsu City	50MW	December 2016	<ul style="list-style-type: none"> • Unused wood 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

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Business	Location	Power generation capacity	Start of operations	Main features
Kanda Biomass Power Generation Business A joint capital venture between RENOVA Inc., 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
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

* A consolidated subsidiary of Sumitomo Forestry

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Solar Power Generation Business

Sumitomo Forestry owns a solar power generation facility that can generate 3.4 MW in Kashima City, Ibaraki Prefecture.

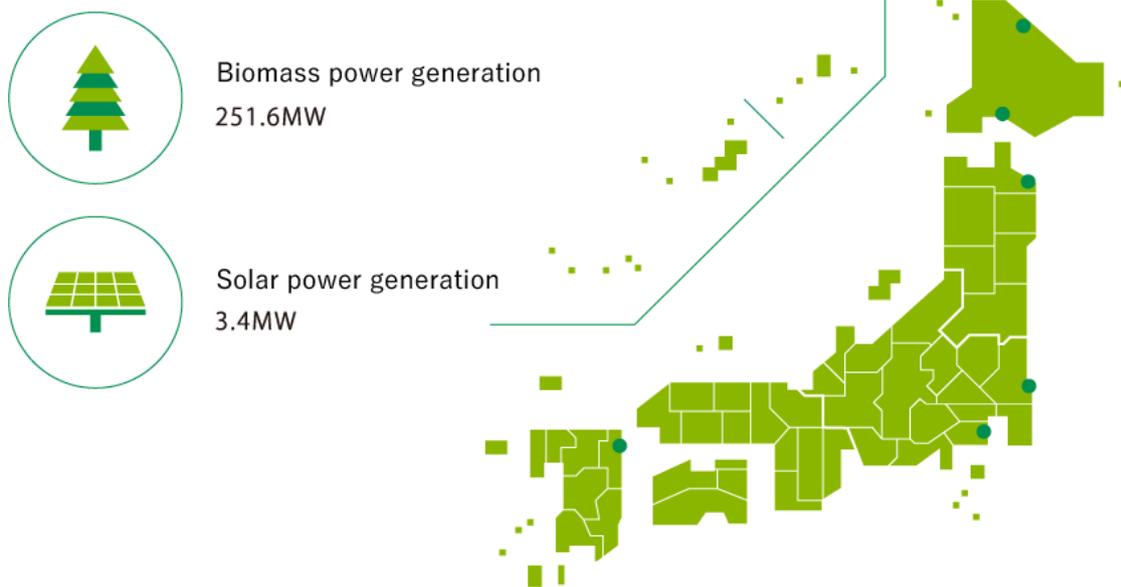
For some solar panel mounts, we have adopted original wooden mounts mainly made of domestically produced cedar wood to reduce the environmental load of power generation facilities and expand the use of wood.



Solar panels and environmentally conscious wooden frames

In fiscal 2021, the combined output of power generation was 4,440MWh.

Power plant location for renewable energy business



Kyushu region			Kanto·Chuetsu·Chubu region			Hokkaido·Tohoku region		
Kanda	75.0MW		Kashima	3.4MW		Mombetsu	50.0MW	
			Kawasaki	33.0MW		Tomakomai	6.2MW	
						Hachinohe	12.4MW	

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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 2021, the Group used 371,000 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
(2021)

371,000 tons



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/thinning (unused forest resource) as Mombetsu Biomass Electric Power 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.

*1 Self-propelled high-performance forestry machine that brings together each operation to cut, delimit, 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 wood to a standard length



Scandinavian harvester ^{*1}



Scandinavian forwarder ^{*2}

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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. In the Plan for Global Warming Countermeasures and the Sixth Strategic Energy Plan approved by the Cabinet in October 2021, the Japanese government declared that "the government will raise energy conservation standards in stages and raise inducement standards and top-runner standards for Housing and Construction to ensure the level of energy conservation performance of ZEH and ZEB standards*¹ for new Housing and Construction to be built in fiscal 2030 and after", and "the government will ensure the level of energy conservation of ZEH and ZEB standards for the stock average of housing and buildings by 2050".

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 energy creation.

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.

Sumitomo Forestry has long used "wood," which are renewable natural resources and absorb and fix CO₂ in the process of growth, as the principal structural members, and adopted a unique design method, "Ryoonbo," that utilizes the blessings of nature such as the wind and the sun and provided housing where people can live comfortably throughout the year. 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*².

The Mid-Term Sustainability Targets has set a target for the ZEH order ratio for newly built custom-built homes, which was 67.4% in fiscal 2021.

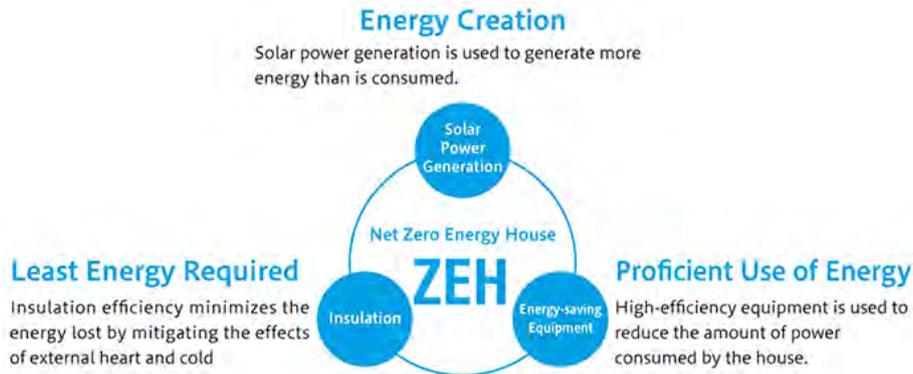
With respect to new custom-built detached houses, we will promote the spread of ZEH with the basic specifications of further strengthening heat insulation performance of buildings and its openings and installing a solar power generation system.

For new custom-built detached houses
Actual ZEH order ratio*³
(FY 2021)

67.4%

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- *1 Compliant with reinforced hull standards and 20% reduction from the current energy conservation standards excluding renewable energy.
- *2 Home Energy Management System. A system whereby residents can visualize the amounts of energy they generate and use
- *3 Including Nearly ZEH, Small ZEH Oriented, Heavy Snow ZEH Oriented



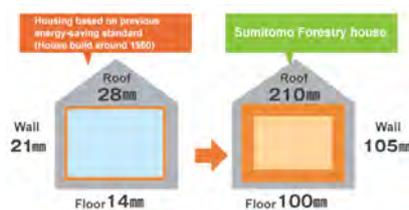
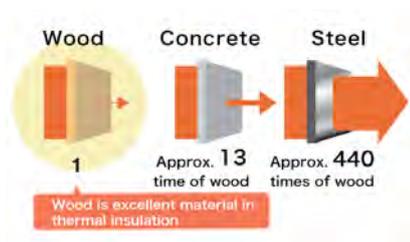
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> [Ryouonbou Design Concept \(in Japanese\)](#)

> [Sumitomo Forestry Group Mid-Term Sustainability Targets Achievements in 2021](#)

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.



Comparison of Materials by Thermal Conductivity

Unique Standards of Thermal Insulators of Sumitomo Forestry

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Adoption of "360° TRIPLE Insulation Standards"

Sumitomo Forestry has adopted 360° TRIPLE Insulation as a standard that enhances the insulation efficiency of new custom-built detached houses (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 members to windows with high thermal performance to realize affordable yet comfortable lifestyles.

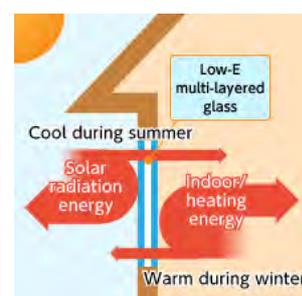
360° TRIPLE Insulation creates a living space that stays cool in the summer, warm in the winter and increases energy-saving performance. This insulation option, as a standard, corresponds to 5 stars, which is the highest rank of the Building-Housing Energy-efficiency Labeling System (BELS)* promoted by the government, as a standard.

Sumitomo Forestry applies for BELS for all of new custom-built 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. In fiscal 2021, the BELS certification rate (at the start of construction of the main unit) was 99.5%. 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 using low-E multi-layered glass

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> [Insulation of Sumitomo Forestry Home houses \(in Japanese\)](#)

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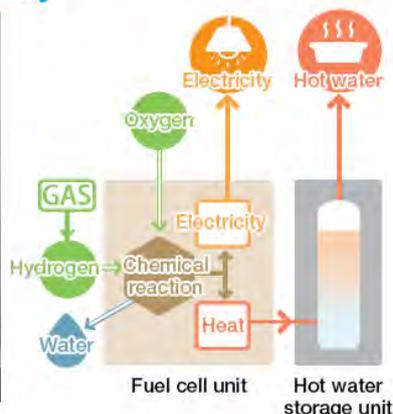
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Double Power Generation

Sumitomo Forestry recommends the installation of storage battery for family use, in addition to solar power generation system. Double power generation can generate the necessary electricity for daily life in the home. Furthermore, Home Energy Management Systems (HEMS) realize zero energy house (ZEH specifications) by proficiently managing energy consumption throughout the home.

Ene-Farm

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.



Solar power generation system



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-conscious Equipment (based on number of houses)^{*1*2}

	FY2018	FY2019	FY2020	FY2021
Solar power generation systems	51%	56%	57%	68.9%
Ene-Farm units	35%	36%	27%	25.5%
Eco One ^{*3}	16%	17%	15%	19.4%
Environmentally conscious equipment installation rate	72%	75%	70%	78.2%

*1 The aggregation period of fiscal 2020 is from April 2020 to December 2020

*2 The aggregation period before fiscal 2019 is from April of each year to March of the following year

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

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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 also continue to focus on "seismic resistant retrofitting" proposals. In particular, the need to create comfortable and safe homes to enhance relaxing and fulfilling time spent at home including the improvement of the telework environment is increasing due to effects of the COVID-19. Recently, we are actively promoting seismic resistance and structural reinforcement work in consideration of the response to intermittent earthquakes.

We 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 the goal of "improving the rate of orders for environmentally conscious renovations" in Mid-Term Sustainability Targets 2021 with fiscal 2021 as target year.

In fiscal 2021, we aimed for a total order ratio of 60 % for the four works of seismic construction, structural reinforcement work, heat insulation renovations, and smart material installation on, standard property (other than owners of Sumitomo Forestry homes), and the actual result was 58.9%.

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

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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 2021 reached 193,000 t-CO₂. Sumitomo Forestry Group is contributing to a decarbonized society by increasing carbon stock in forests and cities.



Carbon stock of the timber used in the construction of houses and MOCCA (timber solutions) business in Japan in fiscal 2021

^{*1} CO₂ fixation is calculated by categorizing the actual amounts of timber used per tree species for new custom-build detached houses, rental properties, and MOCCA business, and calculating carbon content from the specific gravity of each tree species.

Sales of Environmentally-conscious Housing Overseas

Henry Properties of Australia has been a driving force in efforts to improve energy-saving performance in the Australian housing industry, such as setting the 5 stars of the energy-saving performance standard Energy Rating^{*1} as its own standard specifications ahead of other companies. Efforts toward the environment accelerated further after the involvement of the Sumitomo Forestry Group. 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.

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}.

Furthermore, Henry Properties has led 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



Ventilation System Development



VCoatings Containing Low VOC Percentage

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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-conscious 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.

Research and development on visualization of CO₂

Sumitomo Forestry clarifies "shared benefit" of wooden buildings and wood-based materials and promotes research on CO₂ emissions (embodied carbon) from raw material procurement to processing, transportation, construction, demolition, and disposal, CO₂ emissions during building operation (operational carbon), and a visualization and calculation method of life cycle CO₂ (LCCO₂) that combines both in order to increase value of wood and contribute to realization of a decarbonized 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.

In addition, "Tsukuba Research Institute New Research Building" was completed in 2019. By using an air conditioning system that uses wood pellets, which are renewable energy fuel and energy creation using solar panels on the roof and natural energy such as daylight and natural ventilation, we have achieved a reduction in CO₂ emissions during operation and aim to further reduction by continuing to verify the effectiveness. In the future, we aim to further reduce CO₂ emissions through various efforts within the laboratory.

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Responding to Climate Change

Adaption to Climate Change

Basic Policy

In recent years, large-scale natural disasters triggered by earthquakes, tsunamis and typhoons have increased and are causing significant economic damages, ultimately threatening our society and living.

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

Initiatives of the 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 of measures, the Disaster Prevention Department has instructed each branch and group companies to implement disaster prevention measures on a regular basis. In the event of an emergency, we will direct relevant departments and affiliated companies and work to minimize the damage caused by disasters.

In 2021, we cooperated with the disaster-stricken branch office in the Fukushima prefecture offshore earthquake with a maximum seismic intensity of upper 6 in February and contacted the home owners about their safety while inspecting the damaged houses to support the prompt recovery. In addition, during the heavy rains in August that occurred in western Japan, the Disaster Prevention Department gave instructions to the branches in the disaster stricken area and provided disaster response stockpiles to support emergency responses.

Developing Disaster Recovery Support Services Using IoT

Issue of the Time It Takes to Assess Disaster

While Japan have experienced many earthquakes, in recent years, climate change has made natural disasters more severe with intense rainstorms, 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*.

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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 assessment of buildings aimed to prevent secondary disasters. Disaster victims expressed their anxieties as "it takes too much time to get the information we need", which highlights 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

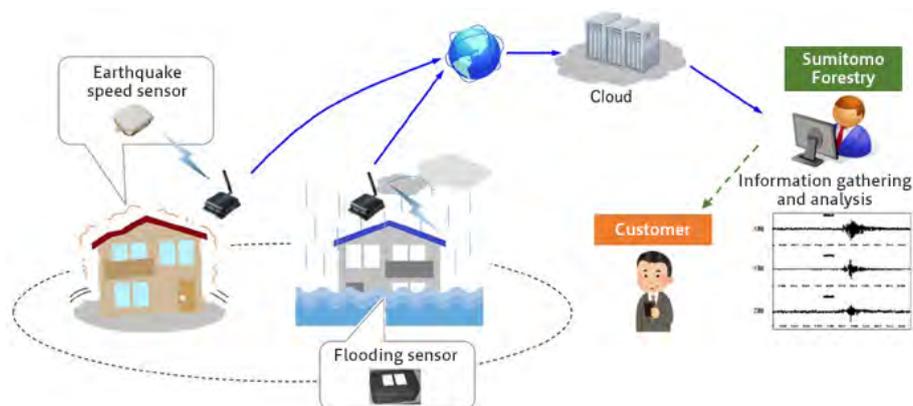
Sumitomo Forestry is responding to such issues by developing services that promote quick recovery after disasters. Since 2017, we have been working on proving test of an IoT service that utilizes the analysis technology using sensor to measures, collects, and analyzes the condition of buildings. We place 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 seismic resistance data of wooden houses to facilitate high-precision analysis.



A sensor installed inside a wall of a house

We have expanded the proof of concept that began in the Kanto region to nationwide 93 sites as of December 2021. In fiscal 2022, we will further improve the decision accuracy for service provision and aim to engage in initiatives to ready infrastructure to ensure comprehensive collection and processing of enormous amounts of data while striving toward actual implementation to ensure customer peace of mind and safety in the event of a disaster.

Overview of How Data Is Collected



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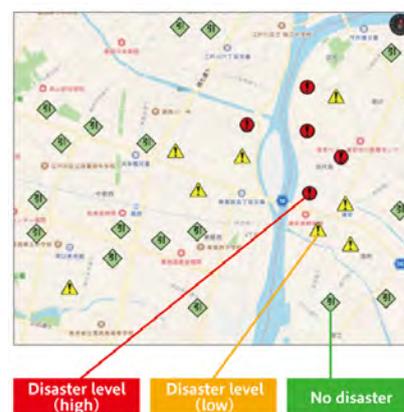
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Supporting the Speedy Recovery of Home Owners and Regions Affected by Disasters

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 on site, 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 municipalities 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 houses are characterized by their unique BF construction method. The construction method uses the principal structural members, which are about five times thicker than a regular pillar and fixed with strong metal, and has high seismic and wind resistance. In the seismic resistance experiment with a full-scale model of a three-story house, we have confirmed that it withstands the same level of the Great East Japan Earthquake and aftershocks that repeatedly strike. 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. Furthermore, in terms of fire resistance, the standard specifications are compatible with "houses with a semi-fireproof structure under the ministerial ordinance".

We ensure the safety of residents with our proprietary BF construction method that boasts outstanding strength, and with attached facilities such as a solar power generation system and rainwater tank, etc., and satisfying stockpile space which enable to live for a certain period of time until restoration even when the lifeline is interrupted. By selecting a video door phone with a network camera, residents are able to check the situation of their houses remotely in the event of a disaster. In addition, securing of stockpile space is useful for organizing belongings in the daily life, and the original built-in furniture ensures safety by preventing falls in the event of an earthquake, and can also make the room a harmonious and organized space.

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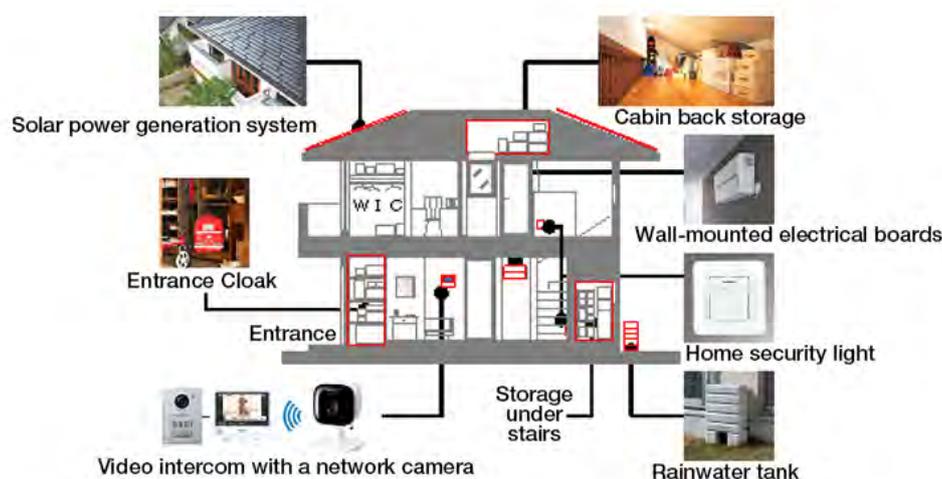
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Housing Using the BF Construction Method Stands Up to Disasters and Enhances Daily Comfort



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 provides various preparations based on the ZEH performance for houses with a highly seismic resistant BF construction method so that residents can live at home even after the disaster. The high heat insulation performance of the ZEH specifications enables an energy-saving life that suppresses the effects of the outside temperature, while securing electricity of solar power generation systems, household fuel cells, storage battery systems, etc. In addition, it supports "evacuation life at home" with various resilience-compatible specifications such as a slate roof that can handle strong winds, a short circuit fire alarm that prevents fires from a short circuit, a home security light that can also be used as a flashlight in the event of a power outage, a rainwater storage tank that can be used as domestic water when water is cut off.

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

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Strengthening of Resilience

Sumitomo Forestry Homes have continued to demonstrate further resilience against unprecedented natural disasters with technologies leveraging the properties of wood and performance backed by a wide range of testing. Our recommended settings are with resilient materials to allow residents easier living at home after disaster strikes.

The Three Keys of Strengthening Resilience

- Seismic Resistant BF Construction Method
- Ministerial ordinance on semi-fireproof houses for fire resistance (prevents catching fire from outside or spreading fires inside rooms with wall and ceiling materials that have high fire resistance as well as a fire-stop structure)
- Roof construction with specifications to stand up to strong winds and sleeves with basal tunnels for disasters are set to ensure readiness against unprecedented disasters for its "strong rain and wind resistance".

In 2020, we included the specifications below as part of our recommendations to improve resilience performance.

- Rainwater Tank
- Slate roofs with specifications for strong winds
- Drain sleeves with basal tunnels for disaster (allows for initial recovery by putting in place a sleeve to drain water pooling in the foundation in case of below floor and above floor level flood)
- Home security lights (night lights to use as security lights during power outages, or can be removed and used as portable lights in an emergency)
- Short circuit fire alarms (sounds an alarm to alert residents of an abnormality in the event of a short circuit)

We will continue to provide safer Sumitomo Forestry Homes for home owners to feel peace of mind.

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Proof testing for adaptation to climate change

Start "proof of concept on advanced green infrastructure"

Due to the climate change, heat island phenomenon in urban areas and flood damage caused by torrential rain have become social issues. The development of the green infrastructure that utilizes the functions of nature is expected to be one of the solutions, but in the coastal areas, chloride damage to plants and fallen trees due to strong winds swirling up seawater are occurring frequently. To address these issues, in October 2021, we started the proof test for "selection of salt tolerant plants and wind resistant plants" and "plant growth method for efficiently using surplus water from rainwater and irrigation" by using the planting tray with a water tank used in the development of the rooftop greening field. These proof tests were adopted in the "proof test at Yumeshima, the venue for the Osaka-Kansai Expo in 2025", which was publicly solicited by Japan Association for the 2025 World Exposition and the Osaka Chamber of Commerce and Industry.



Utilizing the results of this verification, we plan to work to solve social issues through advanced green infrastructure technology, while enabling coexistence with nature in urban areas and coastal areas. We will contribute to the realization of a decarbonized society by realizing a Timberized Eco City with wooden structure and abundant greenery.

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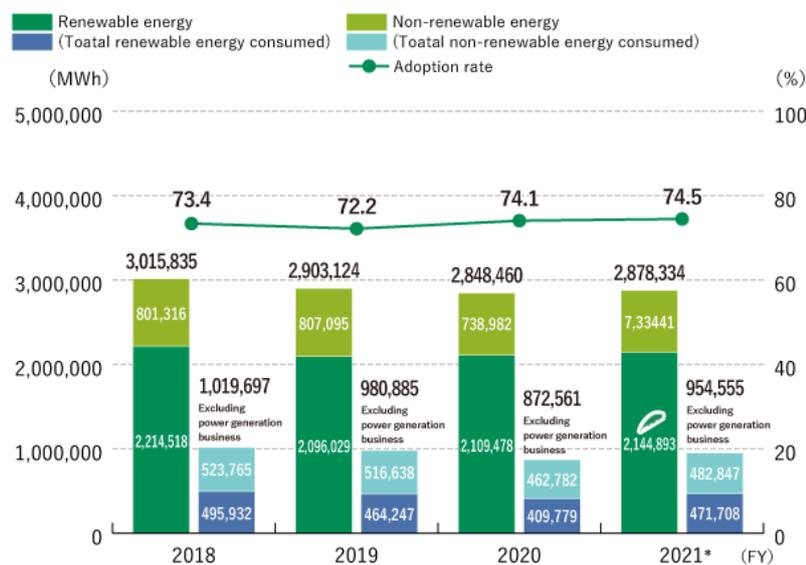
Energy Used in Business Activities and the Adoption of Renewable Energy

Energy Used in Business Activities and the Adoption of Renewable Energy

Energy consumption in fiscal 2021 for Sumitomo Forestry Group was 2,878,334 MWh*, the same level as the previous year. The energy consumption in business other than the power generation business has declined by various energy-saving activities. In 2021, total renewable energy accounted for about 74.5% 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 and the adoption trend of renewable energy in the past 4 years



* An aggregation period after 2020 is from January to December of each year, and the aggregation period before 2019 is from April to March of the following year.

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Responding to Climate Change

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 a consolidated subsidiary company, the Mombetsu Biomass Electric Power 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. Scope 1 and 2 emissions in fiscal 2021 are on a par with fiscal 2020. When looking by business, our plants in Japan and the power generation business make up 56.7% while our plants overseas compose 30.8%.

We also started to calculate Scope 3 in fiscal 2013 and the targets for this calculation largely expanded in fiscal 2015 and fiscal 2017. We are aware that the impact of category 11 "Emissions during occupancy of sold detached houses" is particularly significant, and we are working to reduce CO₂ emissions during occupancy by promoting ZEH (Net Zero Energy House) in our housing and building business.

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.

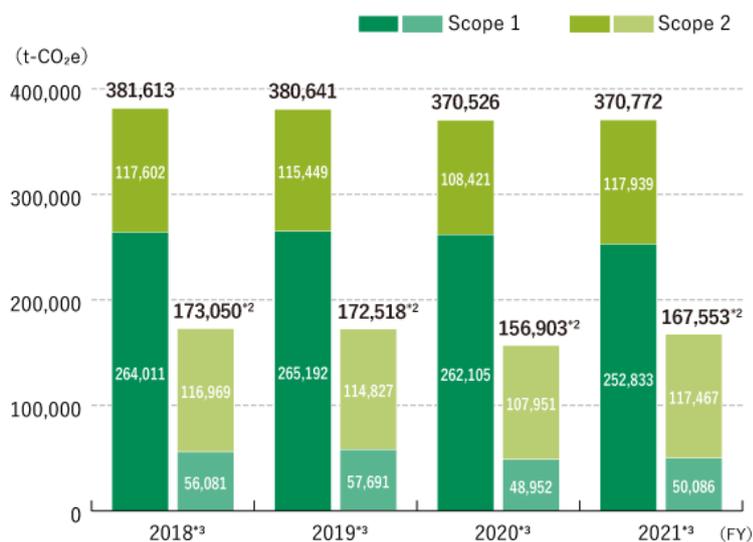
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> [Establishment and Certification of
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> [Promotion of Net Zero Energy
House \(ZEH\) Specifications](#)

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Scope 1 and Scope 2 CO₂ Emission Trends^{*1}



*1 Assured Scope 1 and Scope 2 emissions including power generation projects.

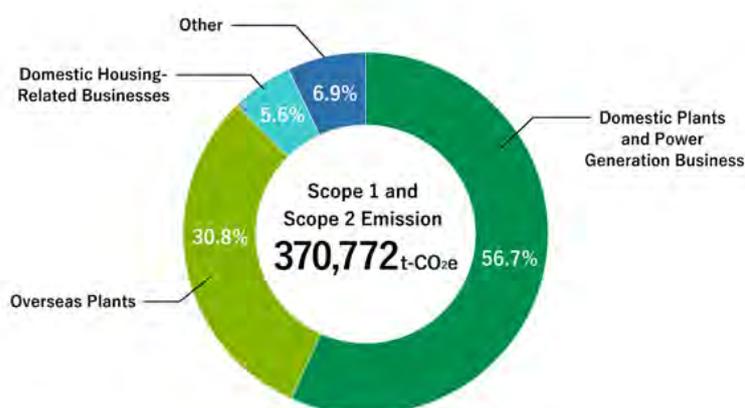
*2 Electric power generation (Mombetsu Biomass Electric Power, Hachinohe Biomass Electric Power) figures are excluded.

*3 Data collection period for total emissions from fiscal 2020 is January to December of each year, while data collection period for emissions before fiscal 2019 is April of each year to March of the following year.

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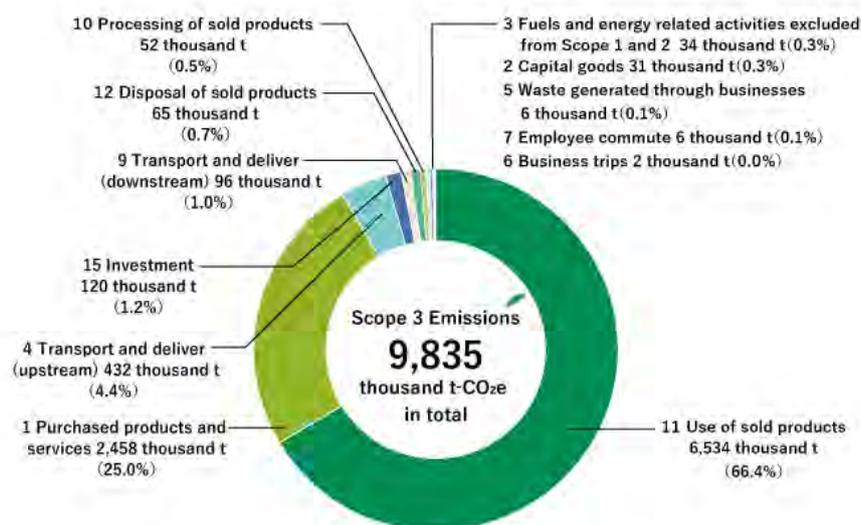
Scope 1 and 2 Breakdown by Business (FY2021)





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Scope 3 Emissions by Category



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Scope 3 Emissions by Category (three years)

(thousand t-CO₂e)

Category	Boundary of Emissions included in the Category	FY2019*2	FY2020*2	FY2021*2
1 Purchased products and services*1	Emission from upstream of products and services purchased by Sumitomo Forestry	2,130	2,160	2,458
2 Capital goods*3	Emissions from upstream of purchased equipment	35	40	31
3 Fuels and energy related activities excluded from Scope 1 and 2	Emissions from the upstream of purchased fuels, electricity, heat capacity, and water	29	33	34

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Category	Boundary of Emissions included in the Category	FY2019*2	FY2020*2	FY2021*2
4 Transport and deliver (upstream)	Emissions from Sumitomo Forestry distribution from suppliers of purchased products and services in (1) and emissions due to logistics services other than (1) for costs incurred by Sumitomo Forestry	445	410	432
5 Waste generated through businesses	Emissions from waste treatment and its transport	7	6	6
6 Business trips	Emissions related to business trips of employees such as use of public transportation and accommodation	3	3	2*3
7 Employee commute	Emissions from employee commuting	5	6	6*4
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	103	99	96
10 Processing of sold products	Emissions from processing of logs into plywood as well as of sold pre-cut processing of sold lumber	43	41	52
11 Use of sold products	Emissions during use of detached houses sold	6,437	6,580	6,534
12 Disposal of sold products	Emissions from demolition and disposal of detached houses sold by the Company	50	55	65
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)	114	115	120

*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). In fiscal 2021, the scope of application of the Accounting Standard for Revenue Recognition was reviewed and the method of calculating Scope 3 Category 1 was revised again (values for fiscal 2019 and 2020 were retrospectively adjusted).

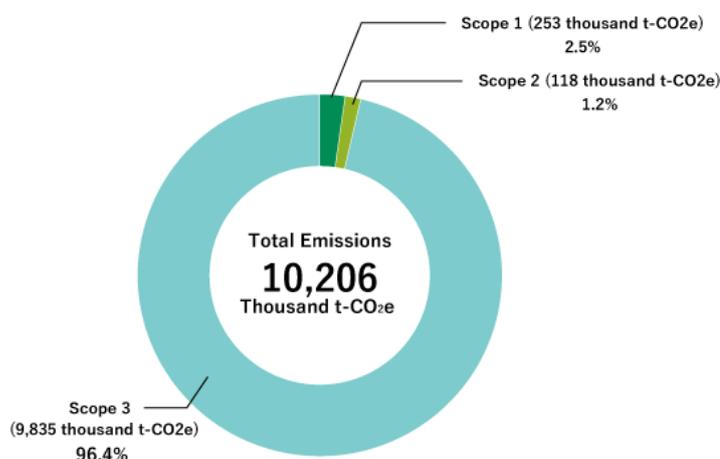
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*2 Data collection period for total emissions from fiscal 2020 is January to December of each year, while data collection period for emissions before fiscal 2019 is April of each year to March of the following year.

*3 In fiscal 2021, a percentage decrease in travel costs was applied to reflect the impact of coronavirus disease (COVID-19) in the calculation.

*4 In fiscal 2021, a percentage decrease in attendance was applied to reflect the impact of the COVID-19 in the calculation.

FY2021 Total Greenhouse Gas Emissions Accrued from Corporate Activities



* Data collection period for the total emissions during fiscal 2021 is from January to December 2021.

[Click here for related information](#)

[Boundaries and Methods of Greenhouse Gas Emissions Calculation](#)

[About symbol for Independent assurance](#)

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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, 362 of the 383 company-owned vehicles introduced during 2021 were fuel-efficient vehicles (for an 94.5% 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 2020, Sumitomo Forestry's per-unit energy consumption was 110.4% compared to the previous year and Sumitomo Forestry Crest's was 110.1%. Sumitomo Forestry Wood Products was 109.5%.

In the future, we will work with transporters to further reduce CO₂ emissions by improving loading efficiency, modal shift from trucks to rail and ship transport, and waste transport using return trips for building material deliveries.

*1 Consigners 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.

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Energy Consumption, Emissions, and Energy Consumption Per Unit from Transportation (FY2020 Performance)

	Energy Use (Crude Oil Equivalent)	CO ₂ Emissions	Energy Consumption Per Unit
Sumitomo Forestry	1,581kL	4,208t-CO ₂	0.00192kL/m ³ (Ratio to Previous FY: 110.4%)
Sumitomo Forestry Crest Co., Ltd.	1,854kL	4,926t-CO ₂	0.000063kL/1,000 Yen (Ratio to Previous FY: 110.1%)
Sumitomo Forestry Wood Products Co., Ltd.	1,751kL	4,697t-CO ₂	0.00067kL/m ³ (Ratio to Previous FY: 109.5%)

Establishment of an Efficient Delivery

Sumitomo Forestry is reducing the CO₂ emissions in its transportation processes by bringing together materials for Sumitomo Forestry Homes 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 70 logistics contractors as of December 2021, excluding the Sumitomo Forestry Group. Furthermore, we are providing consulting for more efficient internal warehousing operations and inventory management rationalization. In fiscal 2021, no new construction materials companies contracted our consulting services during the COVID-19 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.



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Responding to Climate Change

Boundaries and Methods of Greenhouse Gas Emissions Calculation

The data collection period for fiscal 2021 is from January to December 2021.

Boundary of Greenhouse Gas Emissions (Organizational Range)

Unless otherwise noted, the greenhouse gas emissions presented in this report are for domestic and foreign consolidated subsidiaries and affiliates with substantial influence on management decision-making. Furthermore, the boundaries of calculating the greenhouse gas emissions by scope are as shown below.

- Scope 1, 2 and 3
- Domestic and foreign consolidated subsidiaries and affiliates with substantial influence on management decision-making.

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

[Click here for related information](#)

> [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 factor and carbon dioxide emission coefficients stipulated in the Act on Promotion of Global Warming Countermeasures, and the heat conversion factor 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.

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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. In addition, the performance of January to December 2021 is calculated using the emission coefficient for each power provider for submission in 2022.

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 2021 are calculated by the latest emission coefficient (2019) of each country according to the IEA Emission Factors 2021 issued by the International Energy Agency (IEA). However, Canyon Creek in the United States uses market-based emission coefficient.

[Click here for related information](#)

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)

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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 \times 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 \times 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

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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 log and timber × 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

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Sustainable Forest Management

Sustainable Forest Management

Basic Policy

In addition to supply function of producing wood, forests have diverse public benefits such as water source recharge, prevention of landslides, CO₂ absorption and fixation as a countermeasure to global warming, preservation of biodiversity, and recreation.

The Sumitomo Forestry Group advances sustainable forest management both in Japan and overseas to ensure that wood resources will be available in perpetuity while preserving these public benefits of forests. Sumitomo Forestry Group's Business is also promoting the acquisition of SGEN forest management certification, which is mutually certifiable with FSC forest management certification and PEFC forest management certification in Japan and overseas, in its upstream forest management, midstream wood distribution and manufacturing, and downstream wooden construction.

In our domestic forestry business, we will pursue profitability through wood production in Company-owned forests, while at the same time practicing sustainable forest management that ensures legality and takes biodiversity and local culture into consideration, and obtain and maintain 100%^{*} forest certification in forests subject to certification.

^{*}Except for land leased to Kawanokita Development and surrounding forests.

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.

[Click here for related information](#)

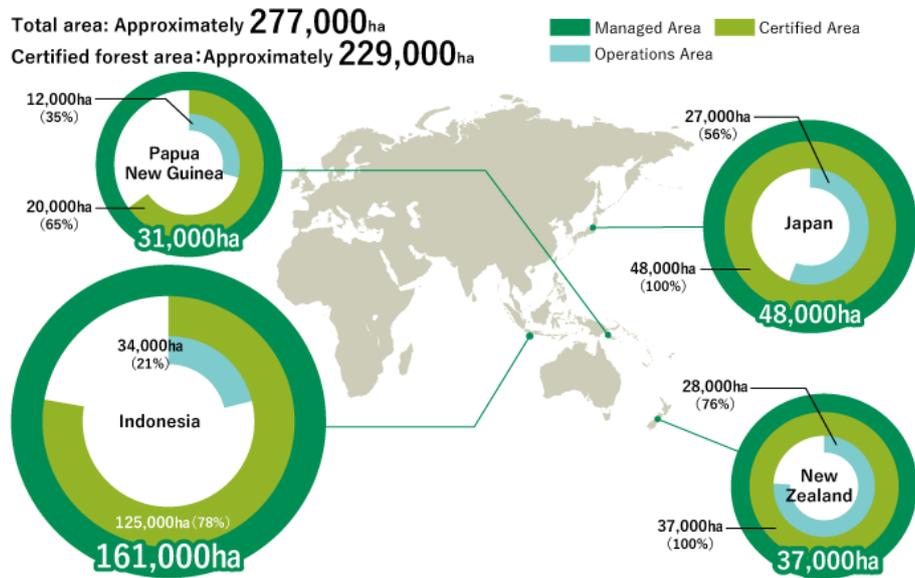
> [Sumitomo Forestry Group Human Rights Policy](#)

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Forest Management and Wood Usage



Forest management, certification, and operations area in FY2021



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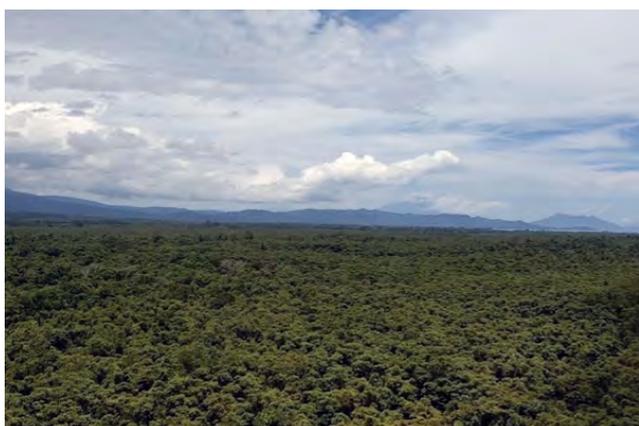
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Company owned forests in Shikoku



Planted forest in New Zealand



Planted forest in Papua New Guinea



Planted forest in Indonesia

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Area of Forest Managed and Owned by the Sumitomo Forestry Group

As of December 31, 2021

Country	Managed Area (ha)	Certified Area (ha)	Operations Area (ha)	Forest certification system ^{*1}	Certification Number	Certification Issuing Body	Afforestation Area for Social Forestry ^{*3} (ha)
Japan	47,965	47,736	27,161	-	-	-	0
Sumitomo Forestry	47,965	47,736	27,161	JAFTA-010	SGEC	Japan Forest Technology Association (JAFTA)	0
Indonesia	161,068	124,890	34,057	-	-	-	8,594
PT. Mayangkara Tanaman Industri (MTI)	104,664	74,870	10,534	PHPL ^{*2}	015.4/EQC-PHPL/IX/2018	PT. Equality Indonesia	0
PT. Wana Subur Lestari (WSL)	40,750	40,750	11,451	PHPL ^{*2}	10-PHPL-006	PT. Almasentra Sertifikasi	0
PT. Kubu Muli Forestry (KMF)	9,270	9,270	5,688	PHPL ^{*2}	IMS-SPHPL-009	PT. Inti Multi Ma Sertifikasi	0
PT. Kutai Timber Indonesia (KTI)	6,384	0	6,384	-	-	-	5,816
Koperasi Serba Usaha Alas Mandiri KTI (KAM KTI)	0	0	0	-	-	-	1,005 ^{*4}

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Country	Managed Area (ha)	Certified Area (ha)	Operations Area (ha)	Forest certification system* ¹	Certification Number	Certification Issuing Body	Afforestation Area for Social Forestry* ³ (ha)
Koperasi Bromo Mandiri KTI (KBM KTI)	0	0	0	-	-	-	1,330* ⁵
PT. Rimba Partikel Indonesia (RPI)	0	0	0	-	-	-	443
Vietnam	0	0	0	-	-	-	254
Vina Eco Board Co., Ltd.	0	0	0	-	-	-	254
Papua New Guinea	31,260	19,920	11,618	-	-	-	0
Open Bay Timber Ltd. (OBT)	31,260	12,854	11,618	FSC®	NC-FM/CO-C-005600	Preferred by Nature	0
		7,066		FSC®	NC-CW/FM-003093	Preferred by Nature	
New Zealand	36,599	36,599	27,922	-	-	-	0
Tasman Pine Forests Ltd. (TPF)	36,599	36,599	27,922	FSC®	SGS-FM/CO-010806	SGS South Africa (Pty) Ltd	0
Total	276,892	229,145	100,758	-	-	-	8,848

*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, (4) maintenance and enhancement of forest productivity.

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

*3 Area of planted forest was calculated using the actual number of seedlings distributed and the number of seedlings planted per hectare. (The number of trees planted per hectare is planned annually for each tree species)

*4 [Forest certification system] FSC® [Certification number] SA-FM/COC-002083 [Certification body] Soil Association

*5 [Forest certification system] FSC® [Certification number] SA-FM/COC-005493 [Certification body] Soil Association

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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. In Japan, in fiscal 2019, we opened our sixth production facility in Minamiaizu Town, Fukushima Prefecture, which is capable of producing 1.9 million seedlings per year and supplying them to our own company-owned forests as well as to national forests and privately-owned forests throughout Japan. Overseas, in Indonesia and Papua New Guinea, we produce our own seedlings for planting. Our sustainable forest management garden vegetation, cultivates, harvests, and reforestation 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 229,000 hectares of company-owned planted forest area overseas. We strive to maintain and improve the forest's public benefits by implementing appropriate management for forest growth in these forests, such as afforestation, clear underbush, pruning, and thinning.

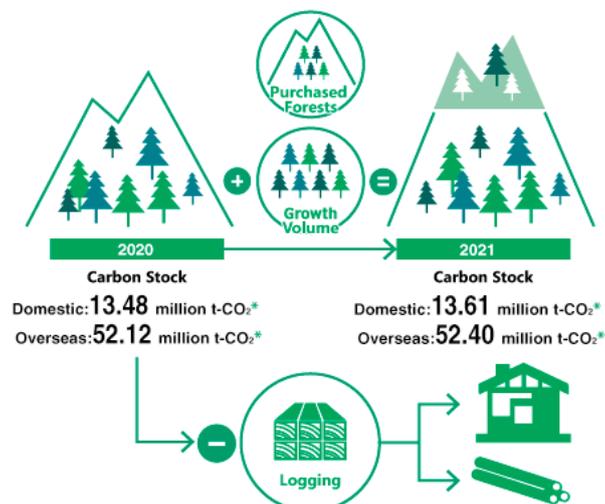
Carbon stocks* of company-owned forests in Japan at the end of fiscal 2021 were 13.61 million t-CO₂ (+130,000t-CO₂ from the previous fiscal year). Carbon stocks at overseas planted forests were 52.40 million t-CO₂ (+280,000t-CO₂).

* Formula to Calculate Carbon Stock

Stem volume per hectare of forest × biomass expansion factor × (1 + ratio of underground area to aboveground area) × volume density × carbon content × CO₂ conversion factor

Parameters such as Stem volume and expansion factor are based on own plot data for domestic forests, WSL, and MTI, while OBT and TPF refer to standard values of each country, etc. For protected forests in overseas forests, carbon fixation is assumed to be zero for non-forested and low accumulation areas such as rivers, lakes, roads, etc., and degraded forests in WSLs and MTI.

Carbon Stock of Forests in Japan and Overseas



* Carbon stock as of the end of each fiscal year

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Logging and Transport: Supplying Raw Materials for Wood Products Through Systematic Logging

The Sumitomo Forestry Group logged approximately 60,000 m³ of trees in Japan and approximately 900,000 m³ of trees overseas in fiscal 2021 in forests it owns or manages based on long-term logging plans. Harvested wood are milled and processed before finally reaching the market as products such as housing and furniture. In the case of wood 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 and wood 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 wood 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.

[Click here for related information](#)

> [Carbon Stock in the Housing and
Construction Business](#)

Site Preparation and Planting: Garden Vegetation for the Next Cycle

Harvesting and using wood alone will lead to a diminishing of forest resources that will be used to produce wood products. The Sumitomo Forestry Group therefore promotes sustainable forest management by always planting new trees after logging.

In fiscal 2021, we planted forests on 160 hectares in Japan, and on 6,979 hectares overseas. The newly planted trees will absorb CO₂ during their growth and retain it as carbon.

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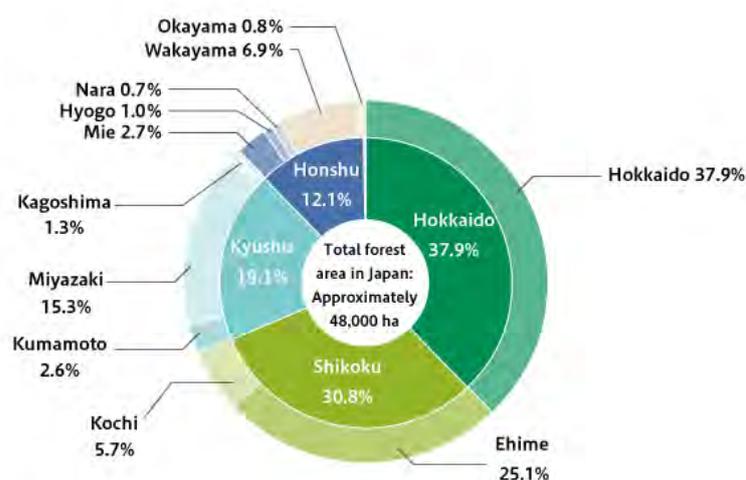
Sustainable Forest Management

Protecting Domestic Forest Resources

Basic Policy

In recent years, there has been concern in Japan that the deterioration of planted forests such as Japanese cedar and Japanese cypress throughout the country is impairing shared benefit of forests, such as water source recharge. It is said that the profitability of the forestry industry has deteriorated due to low lumber prices, which has made it impossible to properly care for the forests, such as by thinning. In order to prevent further devastation of forests by revitalizing the forestry industry, the government of Japan has set a goal of raising wood self-sufficiency rate to roughly 50% by 2025. Sumitomo Forestry will contribute to the Japanese government's goal by expanding the area of managed forests, introducing smart forestry, propagating fast-growing trees, developing afforestation and silviculture technologies, expanding its container nursery business, and promoting solution businesses that utilize ICT.

Breakdown of Company-Owned Forests



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

The Sumitomo Forestry Group owns a total of approximately 48,000 ha (about 1/800 of the national land area) of forest land area. Company-owned forests are categorized as either "working forests", where the production of timber is the priority, or "conservation 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.

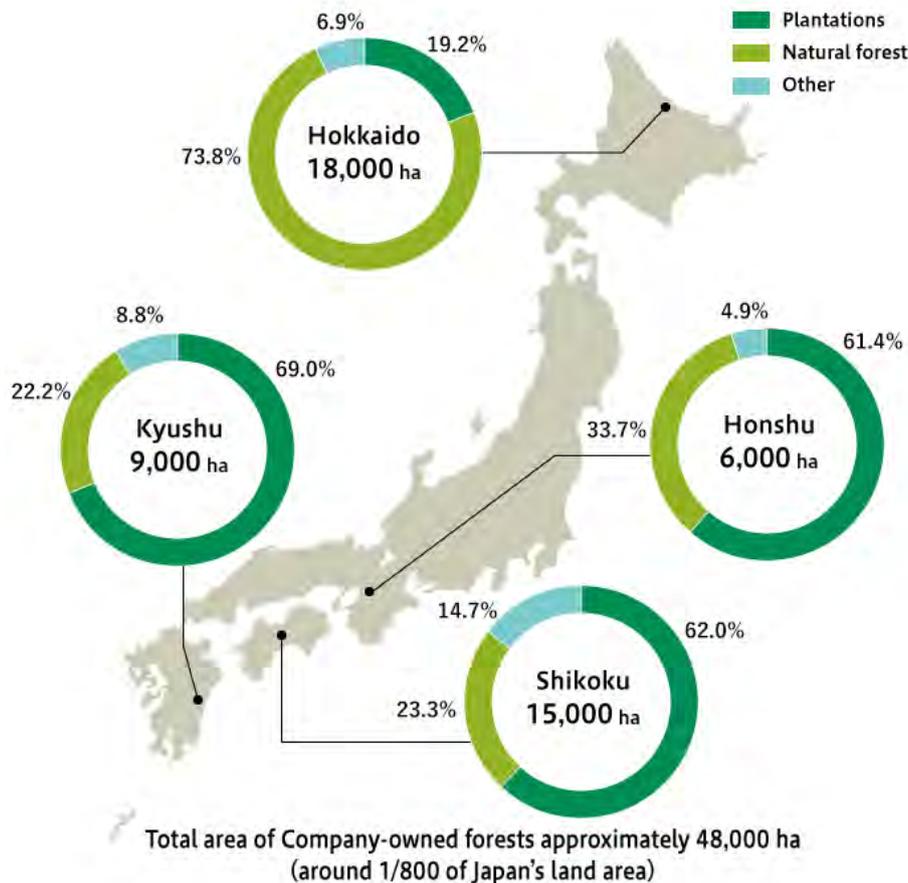
*2 The forests owned by Sumitomo Forestry exclude the lands leased to Kawanokita Development Co., Ltd., which is a Group company responsible for operating a golf course, and the surrounding forest. Newly purchased forests are excluded because they underwent expanded inspections during the subsequent 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. 55 forest certification schemes are members of PEFC, of which 47 are mutually certified (as of September 30, 2021).



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Distribution and Area of Company-Owned Forests (as of December 31, 2021)



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. In addition, Japanese cedar, Japanese cypress, and Japanese larch planted after World War II have entered the harvest season, and the area of clear-cut forests has been increasing in recent years. As the area of reforestation increases after clear cutting, it is desirable to establish a stable supply system for seedlings, but it is expected that the supply will become insufficient in the future due to a decrease in the number of growers.

Sumitomo Forestry was one of the first companies to begin modernizing its containerized seedling production. Utilizing its independently researched and developed production technologies, Sumitomo Forestry will contribute to the sustainability of forest resources and active resource production through the operation of facility-based production facilities with appropriate environmental management.

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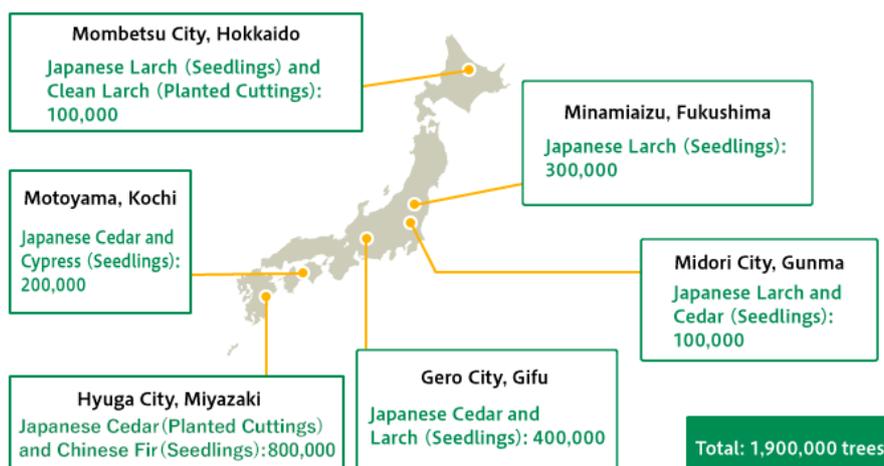
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Specifically, we opened an environmentally controlled nursery tree production facility in Hyuga City, Miyazaki Prefecture in 2012, followed by another facility in Mombetsu City, Hokkaido. By controlling temperature and humidity in the facilities, we are able to produce seedlings year-round, dramatically increasing production per unit area compared to conventional open-air seedling production. We opened production facilities in Gero City, Gifu Prefecture in fiscal 2016, Motoyama Town, Kochi Prefecture in fiscal 2017, Midori City, Gunma Prefecture in fiscal 2018, and Minamiaizu Town, Fukushima Prefecture in fiscal 2019. We have established a system capable of producing 1.9 million seedlings per year nationwide.

In addition to production at our own facilities, in fiscal 2020 we began outsourcing production in Gifu Prefecture, and in fiscal 2021 Sumitomo Forestry will provide technical assistance in Nichinan Town, Tottori Prefecture. 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



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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 that grow faster than Japanese cedar and Japanese cypress and can be harvested in a shorter felling season, and include China fir, bead tree, and willow trees.

The Hyuga Forestry Office is conducting test plantings of China fir in company-owned forests in Kumamoto and Miyazaki prefectures. 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, the Forestry Department and the Tsukuba Research Institute are cooperating to test the planting of fast-growing broadleaf trees suitable for fuel wood.



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, Japanese 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.

In the course of our sales activities, we have learned that there is a growing need in the field to transport not only saplings, but also heavy materials such as those used to prevent damage by animals, which has been on the rise in recent years. We are therefore working to improve the working environment in the forestry industry in general by promoting improvements with an eye toward the transportation of forestry materials.



Forestry transport drone "morito"

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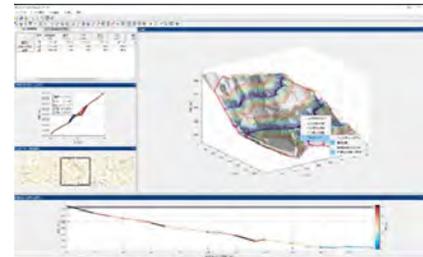
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Launch of FRD Forestry Roadway Design Support System

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)

Spreading the Use of the "Tether" Winch-Assist Type Forestry Work Equipment

Sumitomo Forestry plans to use a grant from the Forestry Agency in fiscal 2022 to improve the Tether winch-assist work equipment developed jointly with Nippon Caterpillar LLC and Sun-earth Inc. and to conduct demonstrations of the equipment at forestry enterprises throughout Japan.



Work using a tether

We will continue to use the machine to improve the safety of forestry operations on sloping terrain and to realize environmentally friendly forestry.

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Improvement and diffusion of remote undergrowth cutters for remote undergrowth cutters or forestry

In collaboration with the Japan Federation of Forestry Cooperative Associations and the Norinchukin Bank, we are conducting demonstration tests of remote clear underbush cutters for the forestry industry.

The remote type clear underbush cutters reduces the workload of clearing the ground and cutting the undergrowth at the time of planting, and improves work safety by replacing the conventional hand-held type clear underbush cutters. The aim of the project is to promote reforestation and to secure the support of forestry leaders. The company will conduct repeated experiments, including improvement of clear underbush cutters made overseas and devising new work methods, with the aim of commercializing and spreading the technology by fiscal 2022.



Work view of remote clear underbush cutters



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Sustainable Forest Management

Forest Management Overseas

Basic Policy

With growing interest in the SDGs and other sustainable initiatives, Sumitomo Forestry Group is expanding its forestry business in consideration of local communities and the environment. The Group contributes to a stable supply of wood and regional economic development while maintaining the wider environment through management of "Economic Forests" which are planted forests for wood production, the preservation of "Protected Forests", which are responsible for ecosystem conservation and CO₂ absorption and fixation, and coexistence with surrounding "Local Communities".

FY2021 Overseas Managed afforestation Area(Unit: ha)

Country	Name of Forestry Business	Managed Area	Operations Area	afforestation Area in FY2021	Logged Area in FY2021
Indonesia	PT. Mayangkara Tanaman Industri (MTI)	104,664	10,534	2,238	2,815
	PT. Wana Subur Lestari (WSL)	40,750	11,451	1,820	2,311
	PT. Kubu Mulia Forestri (KMF)	9,270	5,688	0*	0*
	PT. Kutai Timber Indonesia (KTI)	6,384	6,384	1,295	235
	Subtotal	161,068	34,057	5,353	5,361
Papua New Guinea	Open Bay Timber Ltd. (OBT)	31,260	11,618	370	250
New Zealand	Tasman Pine Forests Ltd. (TPF)	36,599	27,922	840	753
Total		228,927	73,597	6,563	6,364

* Harvesting and afforestation to begin in the first half of 2022

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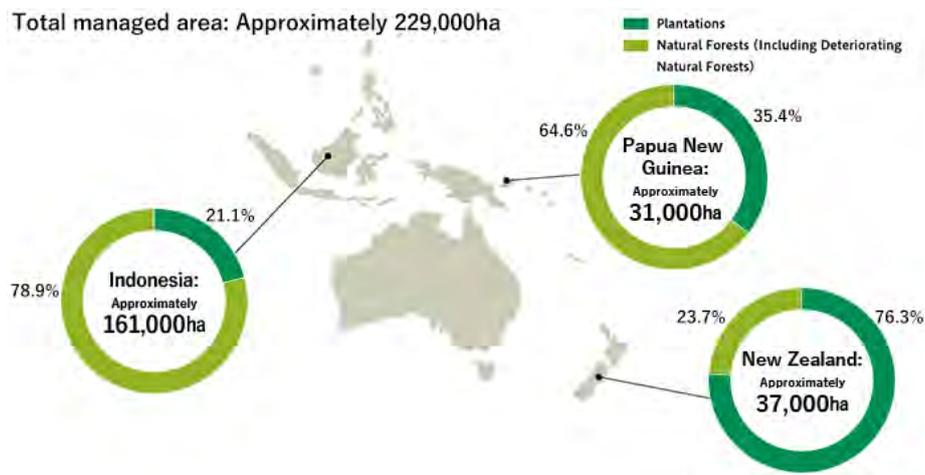
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Forest Management Overseas

The Sumitomo Forestry Group is expanding three approaches to conducting forestry business; industrial tree plantation, environmental reforestation, and social forestry. The purpose of industrial tree plantation is to produce wood and increase the supply of afforestation 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 forestry business.

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 afforestation with local communities while enlisting the cooperation of local residents.

Distribution and Area of Overseas Planted Forests (as of December 31, 2021)



Sustainable Forestry Business by Leveraging Forestry Certification System

Of an approximately 30,000-hectare planted forest 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 2021 was 370 hectares.

The entire area of approximately 37,000 hectares managed by Tasman Pine Forests Ltd. (TPF) has been FSC®-FM certified. In fiscal 2021, they planted approximately 840 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

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Forestry Business in West Kalimantan, Indonesia (Industrial Tree Plantation)

Sumitomo Forestry has been undertaking large-scale forestry business operations at Mayankara Tanaman Industri (MTI) and Wana Subul Lestari (WSL) since 2010, after receiving "Permission to Utilize Industrial Plantation Forest Products^{*1}" from Indonesia's Ministry of Environment and Forestry.

Background

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 forestry business 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.

Sustainable Forest Management

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, Sumitomo Forestry works together with neighboring local business proprietors to preserve the entirety of the ecosystem.

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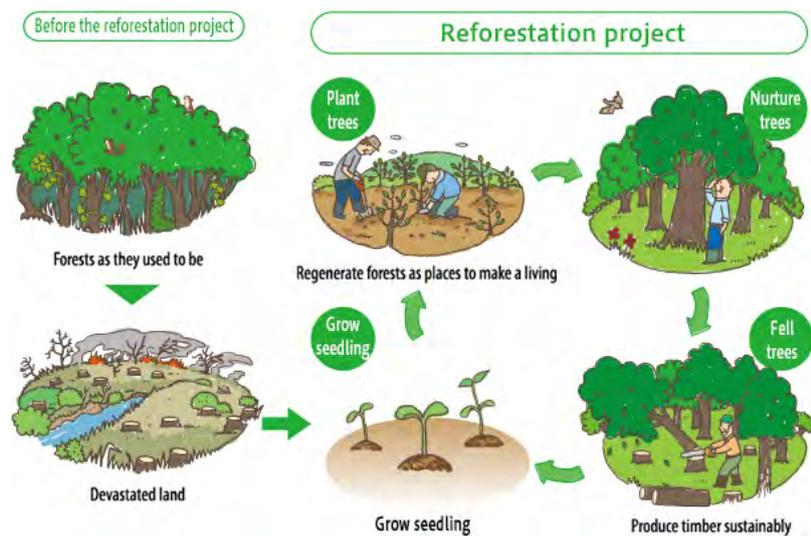
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To promote integrated business operations and environmental conservation initiatives with WSL and MTI, Sumitomo Forestry acquired planted forests adjacent to WSL and MTI and established Kubu Mulia Forestry (KMF), a wholly owned subsidiary of Sumitomo Forestry, in fiscal 2020.

Sumitomo Forestry Group captures 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.



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> Biodiversity Conservation in
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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 forestry business 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.
2021	<ul style="list-style-type: none"> We gave presentations at the Japan Pavilion, Indonesia Pavilion, and Peat Pavilion at the 26th Conference of the Parties (COP26) of the United Nations Framework Convention on Climate Change (UNFCCC) in Glasgow in November, introducing tropical peatland management technologies, as well as the natural capital value of tropical peatlands and their evaluation and monitoring technologies.

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Forest Fire Prevention Measures at Each Work Site

Indonesia

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 afforestation zones on protected forest and (3) determine afforestation zones.

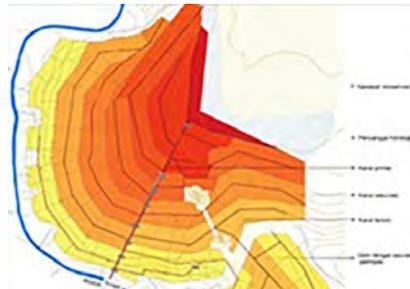
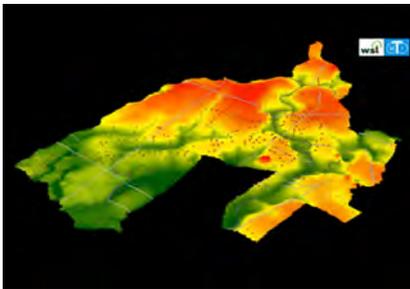
The success of our work so far since starting real-time measurements of the peat thickness has clearly shown sustained long-term peat thickness even while repeatedly shrinking in the short term from days to weeks and months. In other words, it reduces peat-related greenhouse gas emissions while also helping to avoid fires.

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.

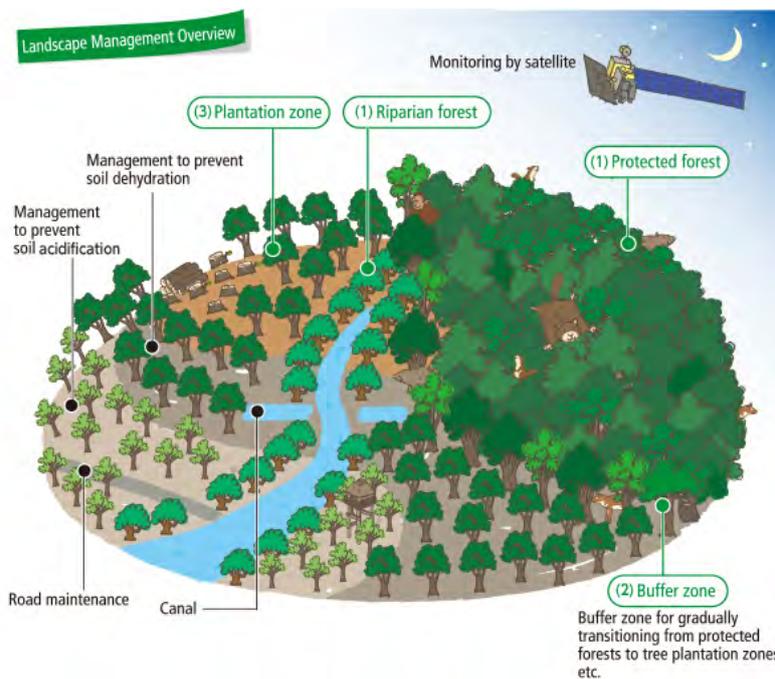
* Definition of peatlands: Characteristics of the peat soil found in the peat swamps is known to emit enormous amounts of greenhouse gases, typically carbon dioxide and methane gas, if the soil was inappropriately exploited. Owing to joint researches by Japanese and Indonesian academic institutes, our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

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Landscape management of forestry business designed based on detailed data

Monitoring the water level in peatlands



Papua New Guinea

Open Bay Timber (OBT) keeps track of the fire hazard levels by analyzing temperature, rainfall, and humidity every day, as well as by preparing firebreaks and organizing forest residues to prevent the spread of fire on the planted forest. 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 2021 thanks to these initiatives.

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New Zealand

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.

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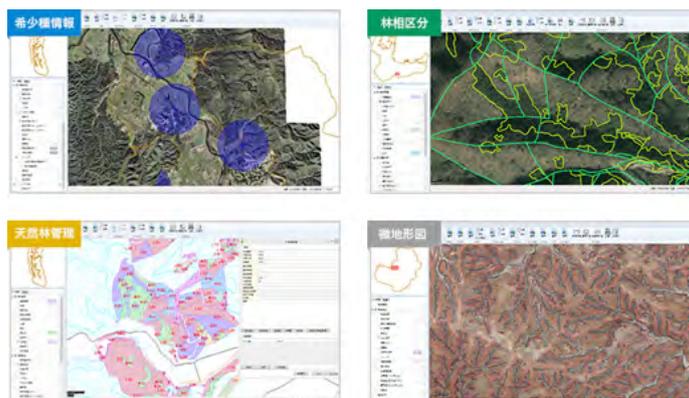
Afforestation Consultancy

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 16 municipalities with the platform as of the end of fiscal 2021.

Forestry ICT Platforms



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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 locally produced timber 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 forest road networks 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.

The Forestry Agency's "Model Project for Creating Regions for Forestry Growth Industry" is currently being used to assist in the development of a framework for implementing the plan, and we will continue to provide an assistance so that this master plan will contribute to regional forestry promotion.





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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 logs, 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.

In 2021, the Company conducted on-site proof of concept, surveys, and proposals to support the establishment of an intra-regional supply chain for locally produced timber, expanding material production, and insuring demand for lumber.

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 timber industries
- Adopt and effectively utilize forestry machinery in forest
- 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 locally produced timber both inside and outside of the city



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Comprehensive Partnership Agreement with Nishiawakura Village, Okayama Prefecture and Sumitomo Mitsui Trust Bank

Sumitomo Forestry entered into a comprehensive partnership agreement with Nishiawakura Village, Okayama Prefecture 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 to marketing and promotion of wood. Nishiawakura Village offers support from a governmental stance and deliberates on building road network, forest information and other infrastructure.

Japan's forestry is currently in the midst of a period of utilization of its abundant forest resources while at the same time facing the challenges: timber prices have fallen to one-fourth of their peak levels, forest owners have less motivation, and there is a shortage of forest management and forest operation leaders. 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 contribute to work to promote regional revitalization founded in forestry.

In 2021, we conducted research, analysis, and recommendations to Nishiawakura Village and Hyakumori Corporation, a company specializing in forest management, with respect to improving operational productivity and reducing distribution costs.

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 cyclical forest management 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

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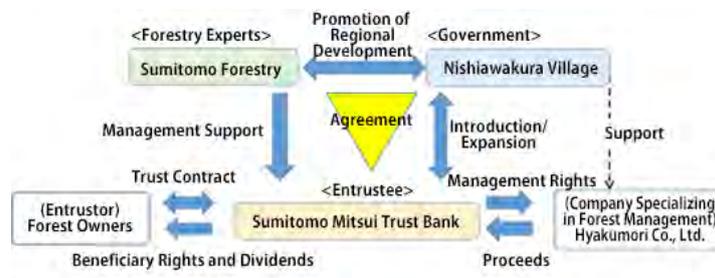
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Partnership Agreement Scheme



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's Paliyan Wildlife Sanctuary Reforestation Project (Conservation Forest/ Social Forestry)

Mitsui Sumitomo Insurance 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. Mitsui Sumitomo Insurance Co., Ltd. also received a letter of gratitude from the



Local Agricultural Society Members Cultivating Seedlings to Distribute as Social Forestry

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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.

Toward the Commercialization of "Tropical Peatland Consulting" and "Quality Carbon Credits"

Sumitomo Forestry and IHI Corporation have signed a business partnership agreement for "Forest Management Consulting Business" and "Development of the Sustainable Business that Optimizes the Value of Natural Capital". The two companies will collaborate to establish a consulting business specialized in the appropriate management of tropical peatlands. The two companies will also collaborate to create and sell high-quality carbon credits^{*1} by appropriately assessing the value of natural capital such as carbon storage in forests and soil.

Sumitomo Forestry's major strengths include forest management technologies it has created in Japan and abroad, as well as the tropical peatland management technologies it has developed in Indonesia and the data it has accumulated on the ground. IHI Group's strengths lie in its satellite data utilization technology, weather observation and forecasting technology, which it has developed over many years of space research. By combining strengths of the two companies, we are aiming to establish a way for extensively disseminating tropical peatland management technology across the world, and to start growing it as a consulting business by 2022. We will also develop a method for precisely evaluating and monitoring amount of CO₂ absorbed by vast forests. In addition to the value of carbon absorption as a measure against climate change, we will also aim to create "High-quality Carbon Credits" by adding value as "Natural Capital"^{*2} such as biodiversity and water cycle conservation, as well as contribute to local communities.

*1 A tradable Greenhouse Gases Emissions Reduction Certificate. Emissions are considered as credits when dispersed within enterprises or globally, and the trade unit is 1t-CO₂.

*2 For example, trees absorb CO₂ and provide clean water, and nature as a stock (capital) that provides valuable services.

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Sustainable Forest Management

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



Local KTI Staff Celebrate the Minister's Prize

Number of Seedlings Given to Local Communities

Company Name	FY2021 result
KTI	550,000 trees
VECO	330,000 trees

Promoting Certification of Forests Together With Local Communities

KTI organized Koperasi Serba Usaha Alas Mandiri KTI (KAM KTI)*, which is a community forestation cooperative association. In 2008, KTI obtained the first FSC®-FM certificate for the 152-hectare planted forest 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 2021, the area expanded to 1,330 hectares and it has been supplying logs to KTI. The area of certified forest has reached a total of 2,335 hectares. These certified forests will strengthen the manufacture and sale of products with high environmental value based on a growing supply of certified timber.



View of Planted Forest

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

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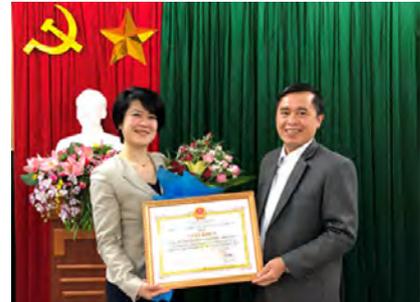
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Contributing to Reforestation in Collaboration with Governments

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 Sumitomo Forestry 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. Sumitomo Forestry is 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

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Utilization of Sustainable Forest Resources

Utilization of Sustainable Forest Resources

Timber and Building Materials Business Initiatives

Promotion for Sales of Environmentally-conscious KIKORIN-PLYWOOD

Sumitomo Forestry Group has set a target for the percentage of procurement of imported wood board products, such as plywood, that are made of certified forest timber and planted forest wood, and has been working to expand sales of these products. Among these products, JAS Plywood that uses 50% or more FSC-certified or PEFC-certified timber and sustainable planted forest wood is marketed as "KIKORIN-PLYWOOD," and some of its revenue is invested in forestry business implemented in Indonesia. This product made using 50% or more certified timber or planted forest wood, was praised as being environmentally conscious. It received an encouragement prize in the 1st EcoPro Awards* on September 12, 2018. Sales performance in fiscal 2020 (April to December) are 42,051 m³. From fiscal 2021, the definition of "KIKORIN-PLYWOOD" has aligned with Sumitomo Forestry Group's Wood Procurement Standards as "plywood using 100% of sustainable certified timber," and we will strive to further expand sales. Sales performance in fiscal 2021 (January to December) under new definition are 313,280 m³.



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

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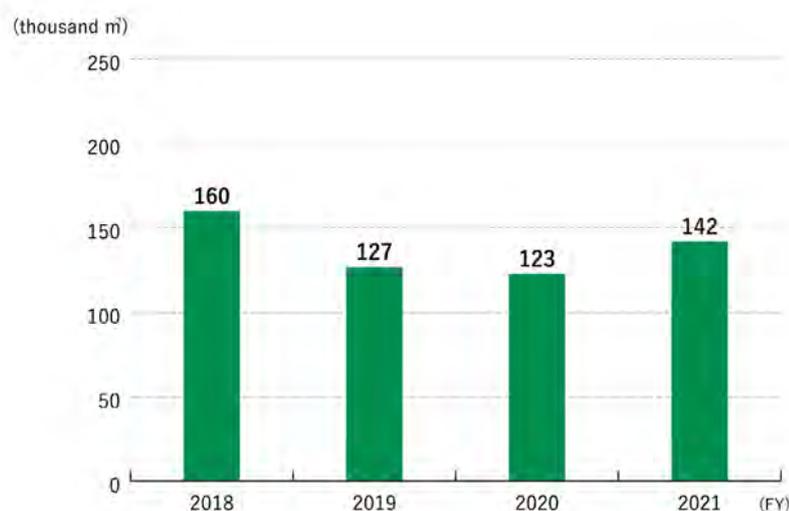
Exporting Japanese Timber

Overseas demand for wood 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.

In fiscal 2021, the second half of the year was significantly affected by demurrage at Chinese ports due to coronavirus disease(COVID-19), power shortages in China, and the real estate development economic decline caused by the Evergrande Group management crisis issue, but in the first half of 2021, we were able to take over the recovery of market conditions in the Chinese market in fiscal 2020 due to the early cessation of infectious diseases. As a result, the exports of Japanese timber increased by 15.7% from the last half to 142,000 m³.

In fiscal 2022, although problems such as the demurrage problem and soaring container freight rates will still be apparent, China's trade situation is such that the U.S. market is their largest target, and if the quarantine system is improved as a border control after the Beijing Winter Olympics, more export volume is expected than that in fiscal 2021.

Export Results of Japanese Timber*



* The aggregation period for fiscal 2021 is from January to December 2021, the aggregation period for fiscal 2020 is from April to December 2020, and the aggregation period before fiscal 2019 is from April of each year to March of the following year.

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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. Sales performance in fiscal 2021 was 284,494 m³, a 31% increase over fiscal 2020 in terms of average monthly sales volume.

Recycling of Wood Resources into Chips

The Sumitomo Forestry Group contributes to resource recycling through its wood chip operations, whereby offcuts generated during the wood 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 aggregation period for fiscal 2020 onwards is January to December of each year, and the aggregation period before fiscal 2019 is April of each year to March of the following year.

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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.

Medium- to large-scale Wooden Constructions Brand "with TREE"

In 2021, Sumitomo Forestry and Kumagai Gumi launched the "with TREE," a brand of medium- to large-scale wooden constructions. The concept is "architecture good for both the environment and your health." We provide new value created by "wood" in urban architecture and promote MOCCA (Timber Solutions) business in medium- to large-scale constructions. The project will combine Sumitomo Forestry's knowledge of forests and wood with Kumagai Gumi's knowledge of steel frame, RC, and large-scale construction to strengthen the cooperative framework. We have launched this brand as an initiative in the field of medium- to large-scale wooden constructions, which has been the mainstay of our collaboration since the business and capital alliance in 2017, and we will propose to enhance "environmental value" and "health value" from material procurement to construction and consulting.

Initiative Examples

Co-starring of Hospitality with Natural Wood and Fresh Hot Spring Water Katsuragi Koto no Niwa Onsen Ryokan (Japanese-style Hotel)

Located adjacent to the Dogo Onsen Honkan, a national important cultural property, this hotel inherits the history and culture of Dogo region and focuses on the natural blessings of wood and hot springs. The architectural concept is "namaki" meaning natural wood. All 10 rooms were designed as guest rooms with open-air baths, aiming co-starring of the wish to offer authentic feel and scent of the wood and "namayu" (fresh hot spring water) flowing directly from the source.



We use an abundance of high-quality domestic cypress and cedar trees grown in Ehime Prefecture, and we also carefully pass down the culture of local production for local consumption.

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The Dogo Onsen Honkan began reconstruction work in 1890 by the first mayor with the belief of creating something that could not be imitated even 100 years later. We call it the texture of "Tokimi-iro" color tone, based on the idea of the wood's beauty over time. We hope that this facility will be "Tokimi-iro" in color tone and texture in a hundred years, and assimilate as part of the stately scenery of Dogo.



Wooden Construction and Wood Conversion of Fast Food Stores

Sumitomo Forestry performed wooden construction of 17 fast food stores in fiscal 2021.

In accordance with Sumitomo Forestry's proposal, the pillars of the structural frame are made of laminated cedar wood, utilizing domestic timber. We were in charge of structural design and wooden frame construction, such as utilizing laminated veneer lumber (LVL) manufactured by Nelson Pine Industries (NPIL) in New Zealand for the beams. In addition, the wood louvers installed on the exterior were treated with Sumitomo Forestry's original S-100 paint (silicone-based strong water-repellent paint) and AZN dry-type wood preservation treatment to improve weather resistance and durability. As of December 2021, a cumulative total of 316 retail properties have been performed wood construction with such proposals.



S-100 Preservative-treated Wooden Lattice

Even after becoming a product, wood continues to fix CO₂ as carbon. Compared to the use of steel frames or reinforced concrete for pillars and beams, it also leads to a reduction in CO₂ emitted from the store over its entire life cycle, from material procurement to construction, renovation, demolition, and disposal.

Sumitomo Forestry will further promote the expansion of wood utilization by providing integrated services from wood procurement to supply and construction.

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Fast Food Restaurant Construction



Exterior of Wooden Fast-Food Restaurant

Participated in the 15-story Wooden Office Development Project, which is the Tallest Building in Melbourne, Australia

Sumitomo Forestry, together with NTT Urban Development Corporation, has launched initiatives to realize net zero carbon buildings^{*1} through Hines, a leading global developer.

The project that will serve as a stepping stone to this goal is a large-scale wooden office to be constructed in Collinwood, a suburb of Melbourne, Australia. The building is a mixed structure of RC and wood with 15 floors above ground and two floors below (all floors above the 6th floor to be made of wood), and is expected to be the tallest^{*2} wooden office building in Melbourne, Australia. Construction is scheduled for completion in 2023.

Through this project, in addition to achieving the highest level of Green Star environmental certification in Australia (6 stars), we aim to obtain Net Zero Carbon certification based on the Carbon Neutral Standard for Building, an Australian standard. We also estimate that approximately 4,000 m³ of wood will be used in the structural frame, fixing approximately 3,000 tons of carbon (on a CO₂ basis). Including this fixed amount, the CO₂ (Embodied Carbon) emitted during the construction of the building (in the process of raw material procurement, manufacturing, construction, demolition, etc.) is equivalent to a reduction of approximately 40% compared to the case where the entire structure is made of RC (reinforced concrete).

This project is an advanced development that combines the effective utilization of wood, which has carbon-fixing functions, with energy conservation, energy creation, and renewable energy use in buildings to achieve the WGBC^{*3} goal of zero operational carbon in all new buildings by 2030, seven years ahead of schedule.

*1 The building is designed to save or create energy, and CO₂ (operational carbon) emissions from building use are reduced to virtually zero through a combination of renewable energy use and offsets using carbon credits.

*2 Based on research by Wood Solutions, an organization affiliated with the Australian Government (as of June 2021)

*3 WGBC: World Green Building Council, a member of the UN Global Compact and a global action network of about 70 green building councils around the world

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Toward the Future -Aiming for the Timberized Eco City with W350 Plan

Sumitomo Forestry Group announced its W350 Plan in 2018. The W350 Plan is a research and technological development roadmap aiming to realize a Timberized Eco City symbolized by a wooden high-rise building by 2041, the 350th anniversary of the company's foundation, in which the city is transformed into a forest. This plan is intended to realize future technologies such as building construction methods, environmentally conscious technologies, and the development of wood for building materials and resources that contribute to people's lives, society, and the global environment.

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

Toward Realizing Timberized Eco City

Managed mainly by Tsukuba Research Institute, a research and development center of Sumitomo Forestry, the W350 Research and Technological Development Plan is a roadmap for future technologies including the development of building construction methods, environmentally conscious technologies, and wood for building materials and resources, to expand the possibilities of wood as a natural resource as well as wooden structures.

This plan of realizing Timberized Eco City will revitalize the forestry industry with increased demand of wood and mitigate climate change with increased CO₂ fixation, etc.; thus, we will contribute to invigorate the community and to realize coexistence with the global environment.



Image of "Timberized Eco City" (Created by Tsukuba Research Institute)

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Partially Implementing the Results of the W350 Plan in Society

Sumitomo Forestry's Post Tension Earthquake Resistance Technology^{*}, one of the new technologies related to wood structures used in the new research building at the Tsukuba Research Institute, has been adopted in Building 15 at Sophia University, which Sumitomo Forestry was contracted to design and construct.

Sophia University Building No. 15 adopted load-bearing walls with this post-tensioning earthquake-resistant technology and reduced the wall length to 1/4 of the original plan, thereby contributing to the realization of an open space and cost reduction. In addition, since the load-bearing walls do not bear vertical loads, the wood of the frame can be exposed, contributing to the comfort and productivity of users through wood interiors. This three-story fireproof wooden structure made of Japanese timber reduces CO₂ emitted during construction and other processes, including the procurement of raw materials, their transportation, and the processing of materials. The construction of this facility will lead to the "transform cities into forests," contributing to the achievement of the SDGs and the realization of a decarbonized society.

As a future development, we will expand our knowledge by participating in a shaking table test of a full-scale 10-story wooden building with post-tensioning seismic technology to be conducted in the United States in 2022.

^{*} Technology to increase the fixation degree between members by applying tensile force to high-strength steel rods or wire ropes that are passed through load-bearing members.

Outline of Building No. 15, Yotsuya Campus, Sophia University

- Location: parts of 6-16, 6-17, and 6-18, respectively, Kojimachi, Chiyoda-ku, Tokyo
- Building area: 163.05m²
- Floor area: 478.35m² 1F: 154.43m² 2F: 163.05m² 3F: 160.87m²
- Structure: 3-story wooden structure, fireproof *post-tensioning earthquake-resistant technology, "Kigurumi FR" is adopted.
- Application: Schools, restaurants and stores
- Design: Building Market Development Department (currently Building Division), Sumitomo Forestry Co., Ltd.
- Construction: Building Market Development Department (currently Building Division), Sumitomo Forestry Co., Ltd.
- Construction period: Start of construction May 2021 Completion April 2022

Use of Japanese timber in housing products of housing and construction business

Sumitomo Forestry houses are mainly built using the BF (Big Frame) and MB (Multi-balance) construction methods. In fiscal 2021, the percentage of domestically produced structural members and hagarazai (relatively small-diameter lumber used to supplement or underlay structural members) per building for these two construction methods was 50% for the BF construction method and 71% for the MB construction method (calculated based on model plans).

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Biodiversity Conservation

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.

[Click here for related information](#)

> [Sumitomo Forestry Group
Environmental Policy](#)

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.

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Commitment to Protected Areas

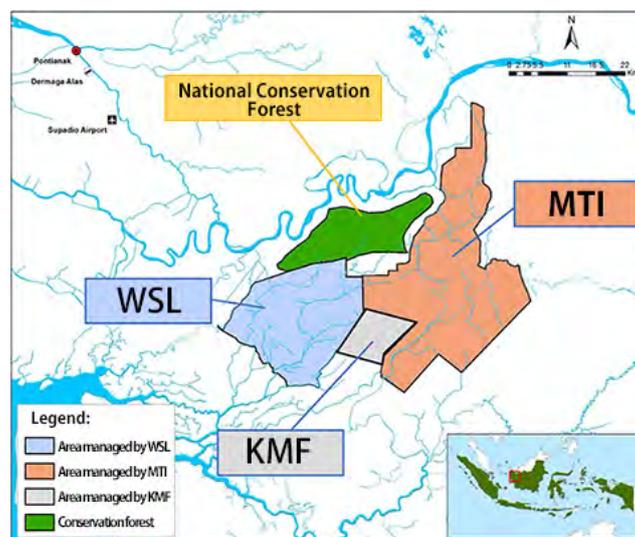
To manufacture and secure timber resources, Sumitomo Forestry Group owns or manages many forests both in Japan and overseas. None of these forests is located in areas designated as world heritage sites. Furthermore, we have not and will not operate in areas designated as world natural heritage sites. 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 "Conservation Forests" and "Working Forests" etc. In both Japan and overseas, "Conservation Forests" are, in principle, natural protection areas where no operations are carried out.

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), PT. Mayangkara Tanaman Industri (MTI), and Kubu Mulia Forestry (KMF) 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



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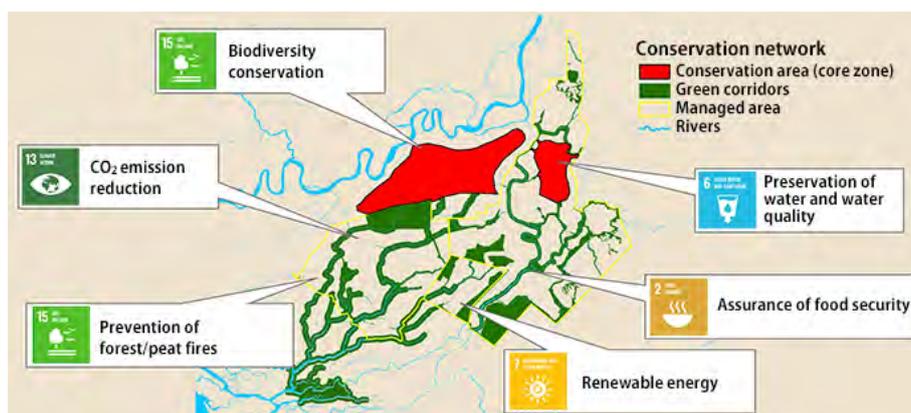
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Conservation Network



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 Kyozon Jigyousho[®]" certification set by the Association for Business Innovation in Harmony with Nature and Community (ABINC) or the Social and Environmental Green Evaluation System (SEGES) green certification implemented by the Organization for Landscape and Urban Green Infrastructure.

Support of Related Initiatives and Cooperation with Organizations

Sumitomo Forestry participates in many organizations that are actively involved in biodiversity conservation. The 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.

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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).

In addition, Sumitomo Forestry Landscaping Co., Ltd. is actively striving toward the registration of "Ikimono Kyozon 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.

* Until fiscal 2019 Temporary Staffing

[Click here for related information](#)

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 wood procurement of Sumitomo Forestry as one excellent example initiative.

[Click here for related information](#)

Guidelines
> for Private Sector Engagement
in Biodiversity (Second Edition)

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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.

[Click here for related information](#)

> [Business for Nature "Full list of
Call to Action signatories"](#) 



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Biodiversity Conservation

Biodiversity Conservation in Company-Owned Forests in Japan and Planted 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. We also strive to prepare an endangered species list and a waterside forest management manual, and check for rare species when clear-cutting and opening work roads.

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.

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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.



Sumitomo Forestry Red Data Book

The company has also created the Riparian Forest Management Manual to ensure the appropriate management and preservation of areas around bodies of water that are rich in biodiversity.

Wildlife Monitoring Surveys

Sumitomo Forestry monitored wildlife inhabiting company-owned forests. Every year, surveys are conducted in four areas—Mombetsu (Hokkaido), Niihama (Shikoku), Hyuga (Kyushu) and Hyogo/Mie (Honshu). 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



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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

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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 feeding damage caused to young leaves and 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.

In order to properly manage forests, Sumitomo Forestry Group catches and exterminates deer and installs tree shelters and protective nets that protect planted trees to control feeding damage and prompt the growth of healthy forests.

Properly controlling the deer population contributes to comprehensive forest management of next generation through sustainable forest growth, biodiversity conservation by sustaining diverse vegetation on the forest floor, and prevention of local disasters by preventing soil runoff.

Biodiversity Conservation in Planted 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 working forests and environmental protection in the West Kalimantan province of Indonesia.

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Each operation begins with detailed measurements and surveys to determine conservation areas, buffer zones and forestation areas. Conservation 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 conservation areas captured a total of 1,016 animals from 40 different species (photographed between the beginning of August 2019 to the beginning of December 2021).

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.

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.



List of Aquatic Creatures Discovered Through the Survey



Direct Observation of Animals Using Heat Sensors



Adult Orangutan with Its Child (October 2019)

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Tasman Pine Forests (TPF) Initiatives

Sumitomo Forestry strives to protect Kea (Large Parrot Species), which is a parrot unique to the South Island of 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. It is a bird that is protected as an endangered species (about 5,000 birds throughout New Zealand), and adored by the people. It has been confirmed that nesting is carried out in the drainage clay pipe in the forest of TPF. In cooperation with the Kea Conservation Trust, we strive to set up traps and fences around the area to protect eggs from natural enemies. As a result, it has been confirmed that one chick has successfully hatched.

We will continue to make efforts so that the birds can leave the nest in the future.



Kea (Large Parrot Species)

[Click here for related information](#)

> [New Zealand Nature Conversation Agency Homepage](#) 

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Biodiversity Conservation

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.

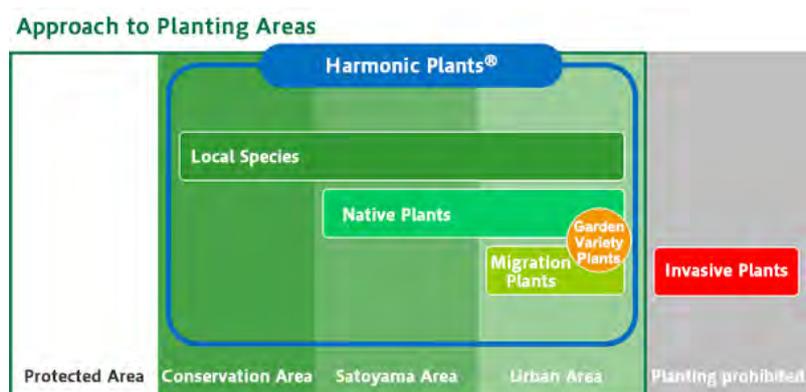
In the midst of these trends, Sumitomo Forestry Landscaping has defined Harmonic Plants® guidelines for selecting plants species based on greening areas with the concept that using indigenous and local species in greening plans is in the best interest of natural revitalization. The Company has been promoting 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



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Contributions to Property Development

Forest Garden Hadano Receives the First ABINC Certification As a Detached Housing Complex

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 new custom-built housing and landscaping businesses. We develop long-lasting properties by taking advantage of nature with the goal of realizing a sustainable and prosperous society.

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 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 have been newly added.

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

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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 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

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Tokiwadaira Danchi (Apartment Complex) of the UR Urban Renaissance Agency is the first green space for residential usage approved by the "Sodateru-green" of SEGES (Social and Environmental Green Evaluation System)

The SEGES (Social and Environmental Green Evaluation System) (Sponsored by: Organization for Landscape and Urban Green Infrastructure) has certified the green space in the UR Tokiwadaira Urban Renaissance Agency's Tokiwadaira Danchi as an Excellent Stage 2 green space in the category of "Sodateru-green", which evaluates green spaces that contribute to society and the environment. This is the first green certification for residential areas.

On August 5, 2020, the independent administrative Urban Renaissance Agency and Sumitomo Forestry signed a "Research Agreement on Effective Utilization of Residential Outdoor Space with Environmental Certification System", and have been conducting research on effective outdoor space utilization in apartment complexes. Tokiwadaira Danchi's green space was certified as Excellent Stage 2 in the SEGES "Sodateru-green" category in April 2021.

UR and Sumitomo Forestry are studying methods to utilize the rich green space that has been fostered over the years and has become a natural asset for the community, using the SEGES evaluation.

We aim to accomplish a town development in harmony with nature, where diverse generations can continue to live actively and safely, by utilizing the results of the research and supporting local activities and communication among residents of the complex.



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Received the Minister of Land, Infrastructure, Transport and Tourism Award in the Housing Townscape Contest

Sumitomo Forestry Landscaping's Forest Garden Hadano and Queen Forest Nagareyama Ootakanomori won the Minister of Land, Infrastructure, Transport and Tourism Award and the Townscape Award, respectively, in the 16th Housing Townscape Contest in FY 2020.

The Foundation for Promotion of Housing Production's "Housing Townscape Contest" aims to promote districts and groups that have achieved a desirable townscape via the efforts of local inhabitants, especially residents, in maintaining and managing their homes. One project got the Minister of Land, Infrastructure, Transport and Tourism Award, and four projects obtained the Residential Townscape Award, two of which were awarded to Sumitomo Forestry Landscaping-constructed properties, out of the many entries received in the competition this year.

This is a result of Sumitomo Forestry Landscaping's contribution to attractive town planning that takes advantages of local characteristics. Sumitomo Forestry Landscaping will continue to expand its business domain to realize the goal of "Creation of a complete town."

* Sumitomo Forestry Landscaping did not receive the award directly, but applied through the local community association or the management association.

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 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



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Publish of an Illustrated Guide to Home Trees Revised Edition

Sumitomo Forestry Landscaping restructured its own criteria for alien species, taking further effects on the ecosystem into consideration, and published the revised edition in A revised edition was published in March 2017, replacing some of the tree species previously listed in the "An Illustrated Guide to Home Trees Revised Edition", in response to the establishment of the "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)" by the Ministry of the Environment and the Ministry of Agriculture, Forestry and Fisheries. A revised edition was released in response to changes to the Plant Variety Protection and Seed Act and the addition of original species in March 2021. The revised edition contains 508 species, including 6 original varieties. The main revisions are as follows.

(1) Revision of descriptions in response to the revision of the Plant Variety Protection and Seedling Law.

The "Variety Registration Number" and other information were added to the original trees for sale and the trees registered as varieties in the illustrated book in compliance with the modification of the Seed and Seedling Law, as registered varieties are now obliged to be labeled.

(2) SDGs (Sustainable Development Goals) initiatives were added.

Through its green business, Sumitomo Forestry Landscaping Co., Ltd. is implementing initiatives in line with the SDGs, such as protecting biodiversity through the concept of "Harmonic Plants" in the consideration of sustainability, and creating comfort, enjoyment, and beauty in society by constructing homes and communities that harness the "Power of Greenery". We are putting these initiatives into action. These initiatives have been included in this revision.



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Overseas Landscaping 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 2017, Sumitomo Forestry Group 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. Sumitomo Forestry Group 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. In 2021, Sumitomo Forestry also collaborated on concept proposals and drafting work for a local government public park project in Sydney.

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. Sumitomo Forestry Group has just begun our efforts in the overseas landscaping 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

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Resource Conservation and Waste Reductions

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. In order to achieve these targets, the Sumitomo Forestry Group established key measures in each division and confirms their progress each fiscal year. In the final year of fiscal 2021, the Group achieved the overall final disposal amount at 21,050t, surpassing the planned 54,087t. As main achievement factors, promotion of effective utilization of incinerator ash in Mombetsu Biomass Electric power and review of calculation method in demolition work* were conducted.

In the new Mid-Term Sustainability Targets until fiscal 2024, we will strive to effectively utilize resources to reduce generated waste and achieve zero emissions.

* With respect to final disposal amount at the housing demolition site, we changed the aggregation method based on the electronic manifest from the actual results in fiscal 2021. The impact of the change in the aggregation method is recognized as -19,415t.

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> [Material issue 3 The Reduction of the Environmental Impact of Our Business Activities](#)

> [Material issue 3 To realization a circular bioeconomy by leveraging forests and wood resources](#)

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Trends in Waste Generated and Recycling Rate Over the Last Four Years^{*1*2}



*1 Does not include figures for Cohnan Kensetsu Inc., which joined the Sumitomo Forestry Group in January 2021 (total emissions based on Company baseline: 66,044t; final disposal amount: 1,779t; recycling rate: 97.3%).

*2 Aggregation period for emissions after fiscal 2020 is from January to December of each year, and aggregation period for emissions for fiscal 2019 and before is from April of each year to March of the following year.

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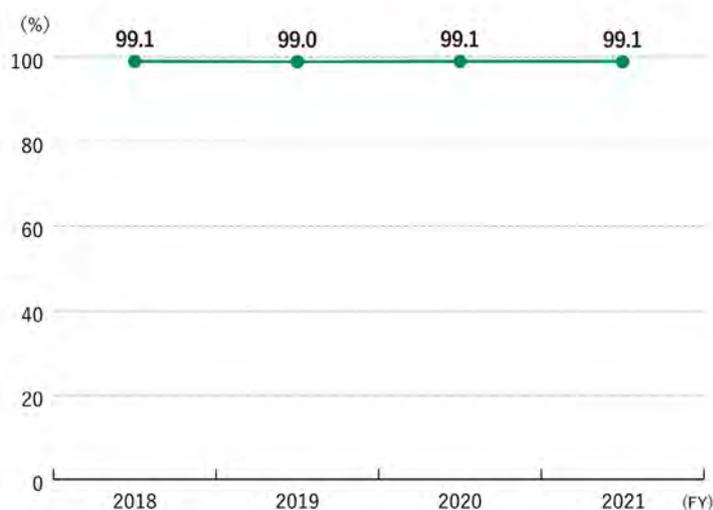
Initiatives at Domestic Manufacturing Facilities

Sumitomo Forestry Group managed to achieve a recycling rate of 99.1% against the target of 97.3% while zero emissions (recycling rate of 98% or more) were achieved at Sumitomo Forestry Crest and Sumitomo Forestry Landspaing Agricultural Products Division in fiscal 2021 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.

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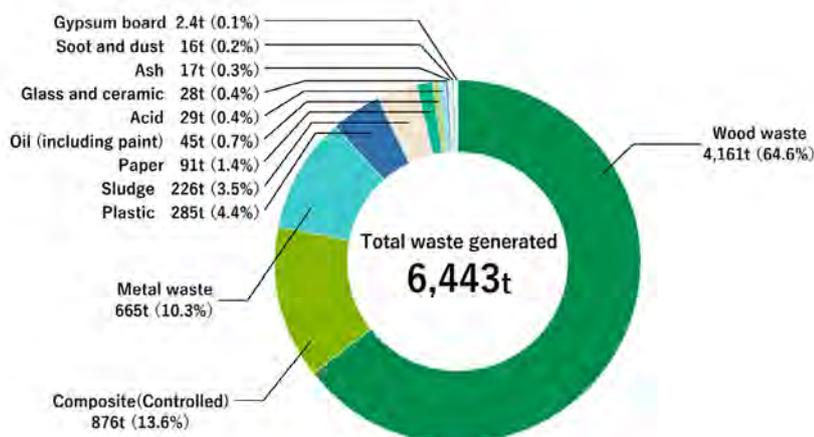
Recycling Rate at Domestic Manufacturing Plants*

(Sumitomo Forestry Crest, the Agro-Products division of Sumitomo Forestry Landscaping, Japan Bio Energy, Okhotsk Bio Energy, Michinoku Bio Energy)



*Aggregation period for emissions after fiscal 2020 is from January to December of each year, and aggregation period for emissions before fiscal 2019 is from April of each year to March of the following year.

Breakdown of Waste Generated at Domestic Manufacturing Plants (FY2021)



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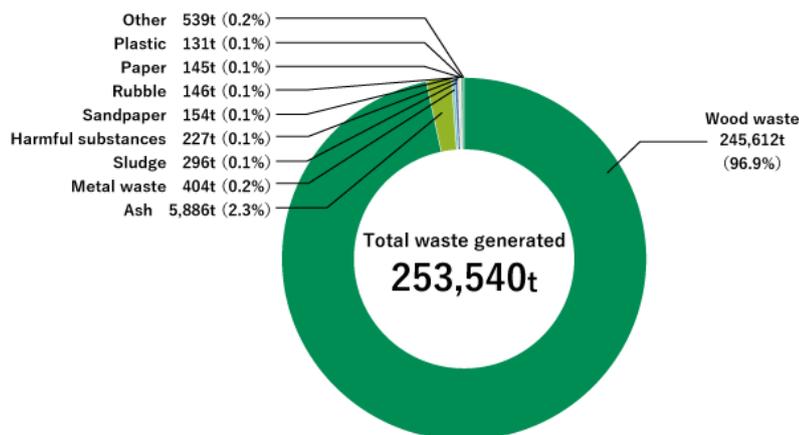
Initiatives at Overseas Manufacturing Plants

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 2021, the total volume of waste produced was 253,540t, with a final waste processing volume of 3,816t and a recycling rate of 98.5% against the 98.0% target set by the Mid-Term Sustainability Targets. The Mid-Term Sustainability Targets until fiscal 2024 set the target of a 99% recycling rate for 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 (FY2021)



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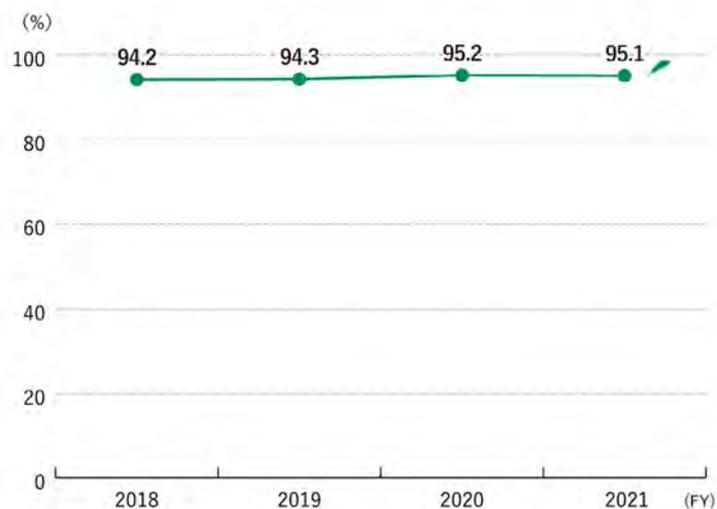
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Efforts at New Housing Construction Sites

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. 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. The recycling rate was 95.1% in fiscal 2021 with respect to 98%, which is the target of Mid-Term Sustainability Targets by fiscal 2021. From now on, we will work to improve the recycling rate by expanding the pre-cut of roof slate and exterior wall siding, which has a large waste reduction effect, adopting new recyclable treatment plants, and promoting manufacturer collection routes.

Recycling Rate at New Housing Construction Sites

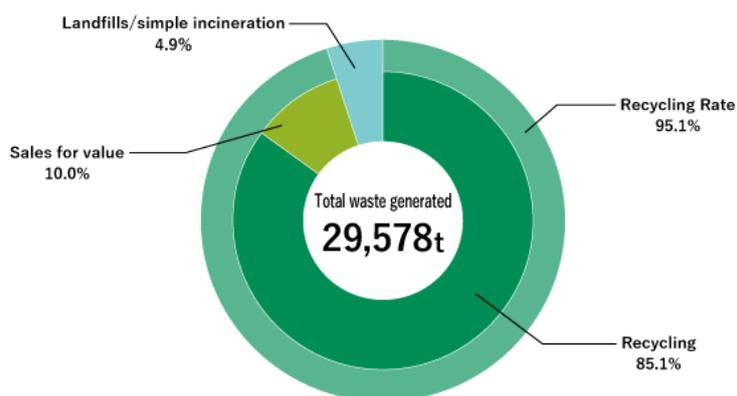
(Housing and Construction Division, Sumitomo Forestry Landscaping, Sumitomo Forestry Home Engineering)



*Aggregation period for emissions after fiscal 2020 is from January to December of each year, and aggregation period for emissions before fiscal 2019 is from April of each year to March of the following year.

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Breakdown of Waste Generated by Disposal Process for New Housing Construction Sites (FY2021)



Breakdown of Waste Generated at New Housing Construction Sites (FY2021)



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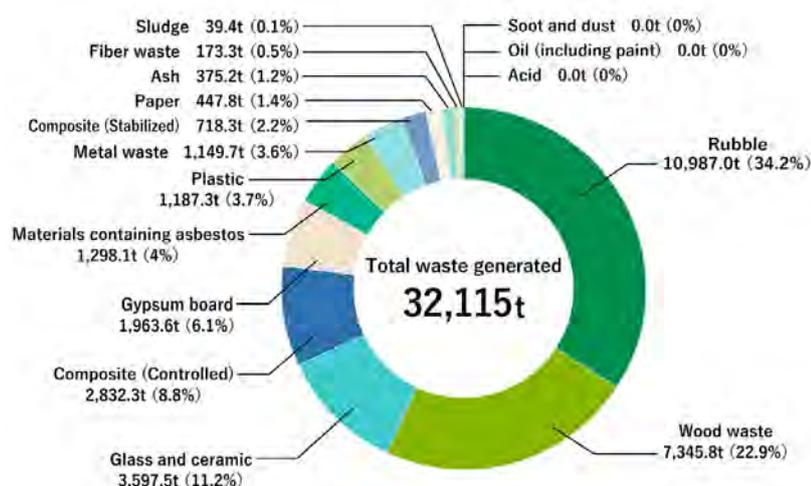
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Renovation Business Initiatives

We are working to reduce waste generated by renovation sites by using protective materials as well as other measures to mitigate waste generation. Sumitomo Forestry Home Tech recycles 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 2021 was 79.7% against our target of 84.0%.

In the three major metropolitan areas with high volumes of generated waste, we have established construction departments to supervise the entire area and provide guidance and education to improve their recycling rate. We will also outsource to contractors with high-level recycling capabilities for glass and ceramic waste.

Breakdown of Waste Generated at Renovation Business Operations (FY2021) (Sumitomo Forestry Home Tech)



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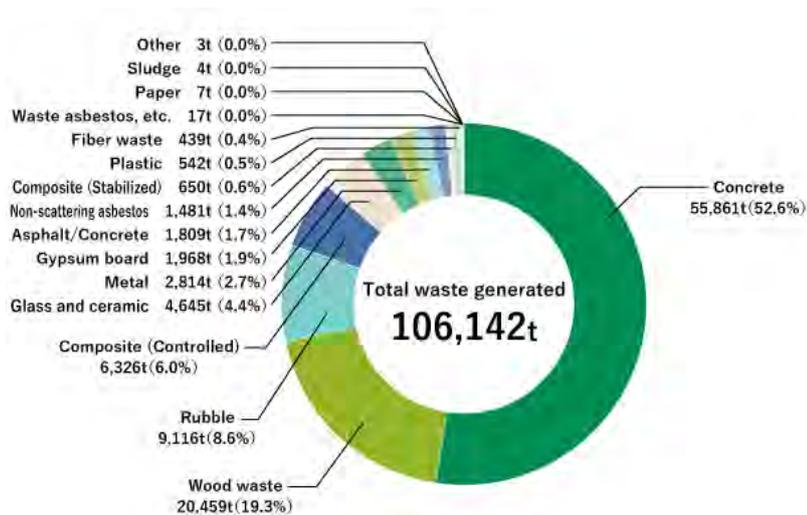
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Efforts at Demolition Housing Sites

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 was almost 100% in fiscal 2021, as it was the previous year. We also maintain a high recycling rate for wood waste by removing extraneous matter. In the Mid-Term Sustainability Targets from fiscal 2022, we have set the target of a 100% recycling rate based on the Construction Waste Recycling Law, including for construction projects that fall outside the scope of the Law (total floor area of 80 m² or less).

Breakdown of Demolition Waste Generated (FY2021)



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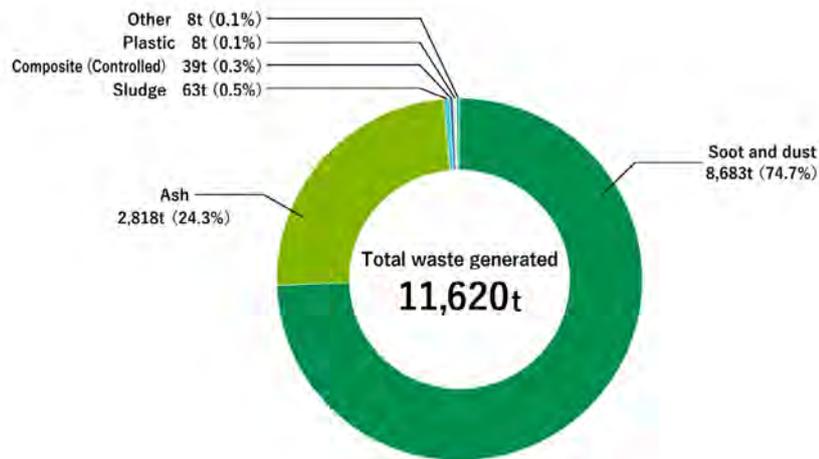
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Power Generation Business Initiatives

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. In fiscal 2021, the actual recycling rate was 99.3%, achieving the target of 56.5% by a wide margin due to the effective use of incinerator ash. We also achieved zero emissions (recycling rate of 98% or more) for the first time in the power generation business.

Breakdown of Waste Generated at Power Generation Business Operations (FY2021) (Mombetsu Biomass Electric Power, Hachinohe Biomass Electric Power)



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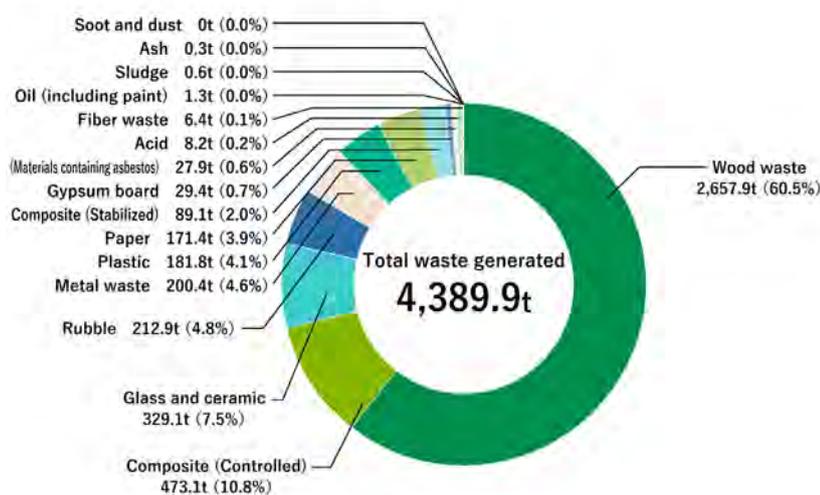
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Initiatives at Lifestyle Service Business, Housing-Related Materials Sales^{*1}, etc.

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 Emissions at Lifestyle Service Business, Housing-related Materials Sales, etc.^{*2} (FY2021)



*1 Housing materials sales comprise distribution and renovation operations, Tsukuba Research Institute, etc.

*2 Does not include figures for Cohnan Kensetsu Inc., which joined the Sumitomo Forestry Group in January 2021 (total emissions based on Company baseline: 66,044t).

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".

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Resource Conservation and Waste Reductions

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.

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 promote further reduction of environmental impact in our business activities. As a result, the final disposal amount was reduced by 66.9%. In addition, we aimed to achieve zero emissions through more detailed management than the conventional medium-term plan by dividing them into seven categories of new construction sites, domestic manufacturing plants, power generation business, remodeling and renovation business, lifestyle service business, etc., overseas manufacturing plants, and demolition work site in consideration of status of business activities and waste generated. As a result, we achieved zero emissions at our power generation plants in addition to our domestic and overseas manufacturing plants.

In the Mid-Term Sustainability Targets, which newly set the target year from fiscal 2022 to fiscal 2024, we will continue to set targets such as for the final disposal volume of industrial waste and the recycling rate, and to reduce our environmental impact.

* Includes new housing construction sites, domestic manufacturing plants, power generation plants, remodeling and renovation businesses, lifestyle service businesses, etc., 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 99.5% while zero emissions (recycling rate of 98% or more) were achieved at Agro-Products division of Sumitomo Forestry Landscaping and Sumitomo Forestry Crest in fiscal 2021* 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.

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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 2021 achieved zero emissions at 98.5% against our target of 98.0%.

* Indonesia: PT. Kutai Timber Indonesia, PT. Rimba Partikel Indonesia, and PT. AST Indonesia
New Zealand: Nelson Pine Industries Ltd.
Vietnam: Vina Eco Board Co., Ltd.



Recycling by sorting waste



Recycling by sorting waste 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

From 2014, Sumitomo Forestry has launched a "waste reduction working" by personnel in charge of product development, material procurement, production control, and environment department, and has devised and implemented many measures to reduce waste at new 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.

Sumitomo Forestry Group Mid-Term Sustainability Targets has set a goal of reducing the amount of industrial waste generated from new construction sites by 18% per building until fiscal 2021 compared to fiscal 2017. Although emission of industrial waste per new-constructed building was stagnated at a 10% reduction in fiscal 2020, compared to fiscal 2017, pre-cutting of scratch panels and roof slate, which have started operation, has progressed smoothly, and a great effect has begun to appear in reducing industrial waste emissions.

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This initiative has been operating at all offices and branches throughout Japan since fiscal 2021. With respect to roof slate material, it is expected to reduce 170 kg per building. We have also started to pre-cut siding in some areas and are gradually expanding this to others. Since the weight of waste from siding is 550 kg per building, we expect to further reduce industrial waste emissions through expanded operation in the future.

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.

Reduction Rate of Industrial Waste Generated at New Housing Construction Sites (Per Household)

	Total Emissions (kg)	Reduction Rate
FY2017 (Baseline)	3,325	-
FY2019 result	3,002	-10%
FY2021 result	2,977	-10%
FY2021 result	2,736	-18%

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 pre-cut structural and other materials.

Because of effects of soaring processing costs and labor shortages due to the spread of coronavirus disease(COVID-19), the recycling rate at the treatment facilities declined in fiscal 2021, resulting in a stagnation of 95.1% against the recycling rate target of 98%.

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.



Posters About Sorting Industrial Waste

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In fiscal 2022, we will work to increase the recycling rate by newly adopting treatment plants where recycling is possible, and expanding the promotion of manufacturer collection routes.

Waste Recycling Rate at New Housing Construction Sites

	Recycling Rate
FY2017 (Baseline)	92.5%
FY2019 result	94.3%
FY2020 result	95.2%
FY2021 target	95.1%

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

Sumitomo Forestry has been certified by the Ministry of the Environment under Inter-Region Recovery and Recycling Certification. This certification makes it possible for non-industrial waste companies to transport industrial waste, and we have built our own industrial waste recycling system.

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 has 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 Resource Recovery Center collects detailed data regarding waste generation conditions and trends by specification, construction contractor, and region, and utilizes the data in product development, material procurement, and production management departments for use in waste reduction initiatives.

The Metropolitan Area Resource Recovery Center collects detailed waste generation status and trend data for each specification, construction shop, and region, and uses the data for product development, material procurement, feedback to production management departments, and waste reduction efforts.



Metropolitan Area Recycling Center

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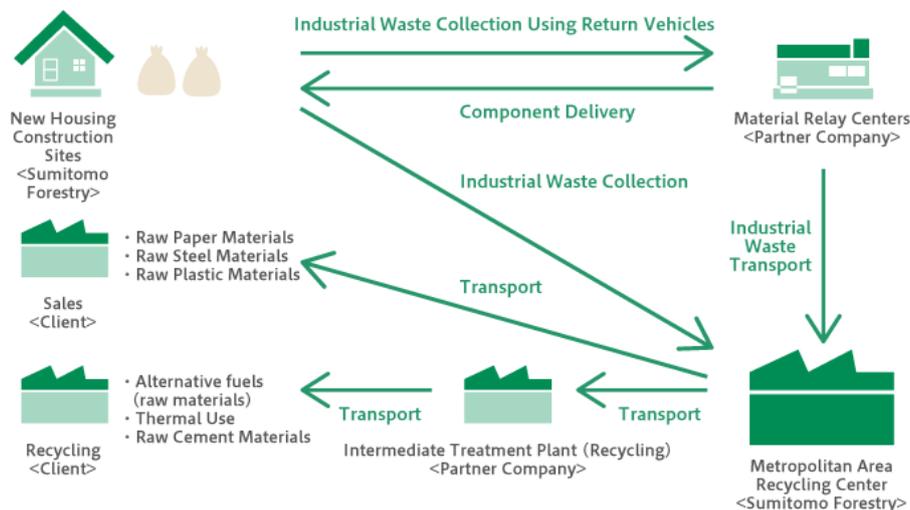
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This initiative works to expand operation under the certification even in regions outside the metropolitan area. Currently, the system is in operation at branches except for in Kagoshima Prefecture and the Sanin area. In the same way data is collected 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.

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 revised law 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.

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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 in fiscal 2021 was 79.7% due to the start of new deliveries of glass and ceramic waste to processing contractors with high-level 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.

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Biomass Power Generation Business Initiatives

Maintenance of Forest Roads, etc. Using Rovander Foundation Filler Made with Incineration

Ash

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-conscious 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, has been 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 conscious, 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.

In addition, it was awarded as an excellent business establishment by Resource Circulation Kanagawa in fiscal 2020. Excellent business establishments are selected by recommendation from each area, but it was recognized for solid business activities for more than five years.



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Pollution Prevention

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 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 (FY2021)

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	Kashima Plant	186	Methylene chloride (dichloromethane)	6,498	4,693	0	0	0	0	1,804	1
		448	Methylenebis(4,1-phenylene) diisocyanate	1,304	0	0	0	0	0	29	0
	Subtotal			7,802	4,693	0	0	0	0	1,833	1
	Niihama Plant	186	Methylene chloride (dichloromethane)	3,835	2,747	0	0	0	0	1,087	0

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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	Subtotal			3,835	2,747	0	0	0	0	1,087	0
	Imari Plant	4	Acrylic acid and water-soluble salts	13,430	0	0	0	0	0	0	13,430
		7	n-Butyl acrylate	8,048	0	0	0	0	0	21	8,027
		84	Glyoxal	2,500	0	0	0	0	0	5	2,495
		134	Vinyl acetate	2,171,377	2,361	96	0	0	0	53	2,168,828
		349	Phenol	55,800	0	0	0	0	0	15	55,785
		395	The water-soluble salts of peroxy disulfuric acid	3,407	0	0	0	0	0	9	3,398
		407	Poly (Oxyethylene) = Alkylether (alkyl group: C12 ~ C15)	4,212	0	24	0	0	0	12	4,176
		411	Formaldehyde	146,472	43	0	0	0	0	220	146,209

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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	Imari Plant	448	Methylenebis (4,1-phenylene) diisocyanate	10,080	0	0	0	0	0	56	10,024
	Subtotal			2,415,326	2,404	120	0	0	0	390	2,412,372
Total				2,426,963	9,844	120	0	0	0	3,311	2,412,373

* Results for January to December 2021

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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 (FY2021)

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.	20,059	-	-	50
ASTI	Indonesia	Styrene, xylene, solvents	325	-	15	62
RPI	Indonesia	Isocyanate/Formaldehyde	512	-	-	0
NPIL	New Zealand	Formaldehyde	339	-	-	0
VECO	Vietnam	Isocyanate/Formaldehyde, etc.	390	-	-	0
CCC	United States of America	MEK, alcohols, etc.	273	263	-	12
Total			21,898	263	15	124

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 2021, emissions concentration testing results were all within the relevant standard values.



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Management Table of Air Pollutants at Plants in Japan (FY2021)

Applicable Company	Applicable Department	Measured Substances	Unit	(Baseline)	Measured Concentration	Emissions to the Air (mg-TEQ)
Sumitomo Forestry Crest	Kashima Plant	Dioxin	ng-TEQ/m ³	5	0.011	0.5
	Shizuoka Plant	Dioxin	ng-TEQ/m ³	5	1.1	3

Applicable Company	Applicable Department	Measured Substances	Emissions to the Air (kg/year)	Unit	(Baseline)	Measured Concentration	Dry gas flow rate (Nm ³ /h)
Sumitomo Forestry Crest	Niihama Plant (Wood Waste Boiler)	Sulfur oxides (SOx)	244	ppm	0.47	0.05	8,500
		Nitrogen oxides (NOx)	1,388	ppm	350	150	8,500
		Soot and dust	26	g/Nm ³	0.3	0.002	8,500
	Niihama Plant (Heavy Oil Boiler)	Sulfur oxides (SOx)	1	ppm	0.1	0.029	460
		Nitrogen oxides (NOx)	1	ppm	180	76	460
		Soot and dust	0	g/Nm ³	0.3	0.034	460
	Imari Plant	Sulfur oxides (SOx)	766	ppm	-	-	-
The Agro-Products division of Sumitomo Forestry Landscaping	Shinshiro Plant	Sulfur oxides (SOx)	27	ppm	0.49	Less than 1.2	8,470
		Nitrogen oxides (NOx)	896	ppm	200	56	8,470
		Soot and dust	382	g/Nm ³	0.2	0.049	8,470

* There are no standards on the measurement frequency because this is a small-size once-through boiler.



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Applicable Company	Applicable Department	Measured Substances	Emissions to the Air (kg/year)	Unit	(Baseline)	Measured Concentration	Dry gas flow rate (Nm ³ /h)
Mombetsu Biomass Power Plant		Sulfur oxides (SOx)	86,804	ppm	373	4.6	189,000
		Nitrogen oxides (NOx)	270,818	ppm	250	89.2	189,000
		Soot and dust	4,796	g/Nm ³	0.1	0.0078	189,000
Hachinohe Biomass Power Generation Plant		Sulfur oxides (SOx)	540	ppm	32.3	0.02	58,000
		Nitrogen oxides (NOx)	77,332	ppm	250	66.4	58,000
		Soot and dust	309	g/Nm ³	0.3	0.05	58,000

* Results for January to December 2021

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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 2021, emissions concentration testing results were all within the relevant standard values.



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Management Table of Air Pollutants at Plants Overseas (FY2021)

Applicable Company	Country	Measured Substances	Unit	(Baseline)	Measured Concentration
KTI	Indonesia	CO (Carbon monoxide)	µg/Nm ³	10,000	4,537
		Sulfur oxides (SOx)	µg/Nm ³	150	41
		Nitrogen oxides (NOx)	µg/Nm ³	200	33
		Pb (lead)	µg/Nm ³	2	0.2
		HC (hydrocarbon)	ppm	160	17
		O ₃ (Ozone)	ppm	150	28
		Soot and dust	mg/Nm ³	230	26
RPI	Indonesia	Sulfur oxides (SOx)	mg/Nm ³	800	34
		Nitrogen oxides (NOx)	mg/Nm ³	1,000	119
		Soot and dust	mg/Nm ³	350	*
ASTI	Indonesia	CO (Carbon monoxide)	µg/Nm ³	10,000	1,716
		SO ₂ (sulfur dioxide)	µg/Nm ³	150	< LoD
		NO ₂ (nitrogen dioxide)	µg/Nm ³	200	61.6
		H ₂ S (Hydrogen sulfide)	µg/Nm ³	0.02	< LoD
		NH ₃ (Ammonia)	ppm	2	0.07
		TSP (Debu Total)	µg/Nm ³	230	138.6
		Total Suspended Particulate Matter			
VECO	Vietnam	Sulfur oxides (SOx)	mg/Nm ³	500	0
		Nitrogen oxides (NOx)	mg/Nm ³	850	100.85
		Soot and dust	mg/Nm ³	200	49.2
CCC	United States of America	Volatile organic compounds (VOCs)	lbs	200,000	163,816

* Confirmation of the dryer status and its adjustment are in process. The measurement will be made in April 2021 after adjustment.



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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, all plants of Sumitomo Forestry Crest (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 2021, 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 (FY2021)

Applicable Company	Applicable Department	Test Items	Unit	(Baseline)	Measured Concentration
Sumitomo Forestry	Tsukuba Research Institute	pH	-	5 ~ 9	7.4
		BOD (Biochemical Oxygen Demand)	mg/L	< 600	9
		COD (Chemical Oxygen Demand)	mg/L	-	-
		SS (Suspended Solids)	mg/L	< 600	10
		Normal hexane extracts (mineral oils)	mg/L	≦ 5	< 1
		Normal hexane extracts (animal and vegetable oils and fats)	mg/L	≦ 30	< 2
		Iodine consumption	mg/L	≦ 220	< 5
		Phenol content	mg/L	≦ 5	< 0.025
		Cyanogen compound	mg/L	≦ 1	< 0.1
		Copper content	mg/L	≦ 3	< 0.02
		Zinc content	mg/L	≦ 2	0.03
		Soluble iron content	mg/L	≦ 10	0.08
		Soluble manganese content	mg/L	≦ 10	< 0.02
		Benzene	mg/L	≦ 0.1	< 0.001
		Boron and other compounds	mg/L	≦ 10	0.12
		Fluorine and other compounds	mg/L	≦ 8	< 0.17

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Applicable Company	Applicable Department	Test Items	Unit	(Baseline)	Measured Concentration
Sumitomo Forestry Crest	Kashima Plant	pH	-	5.8 ~ 8.6	12.4
		BOD (Biochemical Oxygen Demand)	mg/L	-	1.4
		COD (Chemical Oxygen Demand)	mg/L	5	3.4
		SS (Suspended Solids)	mg/L	5	< 1
		Normal hexane extracts	mg/L	1	< 0.5
	Shizuoka Plant	pH	-	5.8 ~ 8.6	6.8
		BOD (Biochemical Oxygen Demand)	mg/L	≤ 160	68
		COD (Chemical Oxygen Demand)	mg/L	-	-
		SS (Suspended Solids)	mg/L	≤ 200	9.8
	Niihama Plant	pH	-	5.8 ~ 8.6	6.8
		BOD (Biochemical Oxygen Demand)	mg/L	-	-
		COD (Chemical Oxygen Demand)	mg/L	160	9.8
		SS (Suspended Solids)	mg/L	200	80
	Imari Plant	pH	-	5.8 ~ 8.6	7.7
		BOD (Biochemical Oxygen Demand)	mg/L	-	-
		COD (Chemical Oxygen Demand)	mg/L	70	13
SS (Suspended Solids)		mg/L	70	8	
Mombetsu Biomass Power Generation Plant	pH	-	5 ~ 9	7.8	
	BOD (Biochemical Oxygen Demand)	mg/L	1,000 mg/L or less over five days	2.8	
	SS (Suspended Solids)	mg/L	1000	2	

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Applicable Company	Applicable Department	Test Items	Unit	(Baseline)	Measured Concentration
Hachinohe Biomass Power Generation Plant		pH	-	5.8 ~ 8.6	7.8
		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)	7.5
		Normal hexane extracts	mg/L	≤ 5	< 1



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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 2021, emissions concentration testing results were all within the relevant standard values.

Management Table of Water Quality at Plants Overseas (FY2021)

Applicable Company	Country	Test Items	Unit	(Baseline)	Measured Concentration
KTI	Indonesia	pH	-	6 ~ 9	7.87
		BOD (Biochemical Oxygen Demand)	mg/L	75	4
		COD (Chemical Oxygen Demand)	mg/L	125	22
		TSS (Suspended Solids)	mg/L	50	2
		NH ₃ -N (Ammonia concentration)	mg/L	4	0.1
		Fenol (Fenol concentration)	mg/L	0.25	0.002
RPI	Indonesia	pH	-	6 ~ 9	7.8
		BOD (Biochemical Oxygen Demand)	mg/L	75	< 7
		COD (Chemical Oxygen Demand)	mg/L	125	< 12.4
		TSS (Suspended Solids)	mg/L	50	< 8
		NH ₃ -N (Ammonia concentration)	mg/L	4	< 0.09
		Fenol (Fenol concentration)	mg/L	0.25	< 0.1
ASTI	Indonesia	pH	-	6 ~ 9	7.88
		BOD (Biochemical Oxygen Demand)	mg/L	500	31
		COD (Chemical Oxygen Demand)	mg/L	1,600	93
		Soluble iron content	mg/L	5	0.23
		Soluble manganese content	mg/L	2	0.02
		Copper content	mg/L	2	0.05
		Zinc content	mg/L	5	0.35
		Chromium hexavalent compound	mg/L	0.1	< 0.005
		Chromium compound	mg/L	0.5	< 0.108

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Applicable Company	Country	Test Items	Unit	(Baseline)	Measured Concentration
ASTI	Indonesia	Cadmium compound	mg/L	0.05	0.0041
		Lead compound	mg/L	0.1	0.038
		Hydrogen sulfide compound	mg/L	0.05	0.0005
		Nitrate compound	mg/L	20	0.015
		Nitrite compound	mg/L	1	0.035
		Mercury	mg/L	0.002	0.0005
		Fenol (Fenol concentration)	mg/L	0.5	< 0.005
VECO	Vietnam	Rainwater Treatment in Logyard			
		pH	-	5 ~ 9	7.97
		BOD (Biochemical Oxygen Demand)	mg/L	200	35.4
		COD (Chemical Oxygen Demand)	mg/L	300	116
		SS (Suspended Solids)	mg/L	200	30.7
		Nitrogen compound	mg/L	60	4.74
		Phosphate compound	mg/L	10	3.29
		Wastewater treatment plant			
		pH	-	5 ~ 9	7.28
		BOD (Biochemical Oxygen Demand)	mg/L	200	59.6
		COD (Chemical Oxygen Demand)	mg/L	300	147
		SS (Suspended Solids)	mg/L	200	13
		Nitrogen compound	mg/L	60	40.75
		Phosphate compound	mg/L	10	3.44
NPIL	New Zealand	pH	-	6 ~ 9	Within standard values
		BOD (Biochemical Oxygen Demand)	mg/L	2,350	1,901
		COD (Chemical Oxygen Demand)	mg/L	6,400	4,678
		SS (Suspended Solids)	mg/L	650	360

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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 FY2019 (kg) ^{*1}	Total Disposal in FY2020 (kg) ^{*1}	Total Disposal in FY2021 (kg) ^{*1}
Sumitomo Forestry Crest	(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	FY2021 Onward Estimated Processing (Units)	Management Status
Sumitomo Forestry Crest	(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.

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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 2020.

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.



Grass laid on the site where a gasoline station once stood

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 FY2021 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

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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.

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Efficient Use of Water Resources

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 and 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 significantly due to the operation of the Mombetsu Biomass Power Generation Plant and Hachinohe Biomass Power Generation 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 with specific water consumption targets for entire Group for conducting progress management. In fiscal 2021, the entire group used 2,858 thousand m³ of water, which achieved our target of 3,011 thousand m³ or less. Sumitomo Forestry Crest's Imari Plant, which uses recycled industrial water, has successfully implemented water conservation measures and replaced wastewater treatment equipment, resulting in a constant reduction in water use. We also set a goal of reducing water use in production activities and improved water consumption monitoring and management at the Mombetsu Biomass Power Plant. In comparison to fiscal 2020, the fiscal 2021 data showed a decline of 3.3% (35 thousand m³).

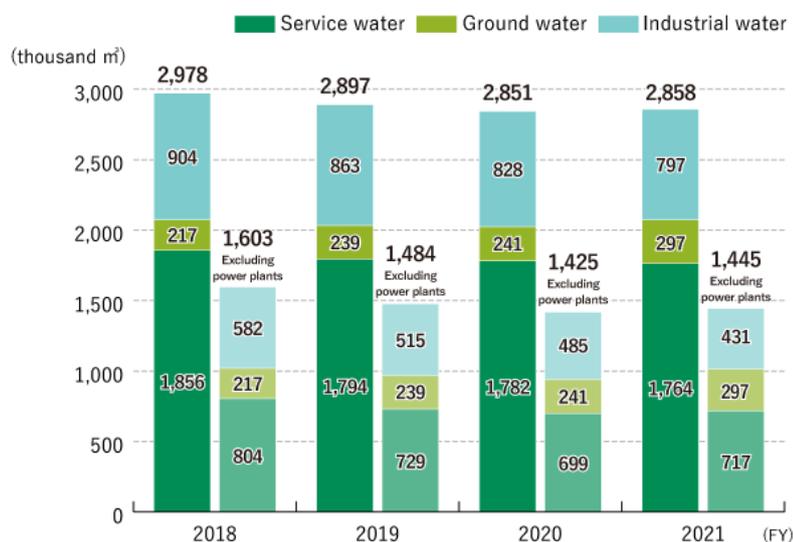
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Sumitomo Forestry conducts sample surveys of water used by partner companies at on-site construction of houses in fiscal 2015 to grasp the water consumption in the supply chain, which found the volume of water used per 1 m² of floor area is approximately 0.0887 m³.

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Water Consumption over the Past Four Years*



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Water Consumption 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)
	FY2019	FY2020	FY2021	FY2019	FY2020	FY2021	FY2019	FY2020	FY2021	FY2021
Service water	78	81	87	1,324	1,359	1,337	392	342	340	1,764
Ground water	37	42	52	12	10	8	190	189	238	297
Industrial water	114	120	113	432	419	431	318	288	253	797
Total	230	243	252	1,768	1,788	1,776	900	820	831	2,858

* Covers sites where actual water consumption is measurable, such as at buildings owned by the Sumitomo Forestry Group.

* The aggregation period for water consumption in fiscal 2020 onwards is January to December of each year, and the aggregation period before fiscal 2019 is April of each year to March of the following year.

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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 65,600m³ in fiscal 2021, a 56% 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

Subjecting waste water (after processing for coagulating sedimentation) to further biological processing^{*1} makes it possible to restrict the water used for dilution in plant waste water quality management (approximately 350m³/day).

Maintain water-quality control by measuring COD^{*2} and treat wastewater using only the minimum amount of water necessary. After water is used to cool manufacturing equipment, it is used to dilute plant waste water.

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 Security questions and discloses more detailed information about efforts on risks related to water since fiscal 2017.



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Environmental Related Data

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 2021 Sumitomo Forestry Group Balance of Input & Output*

INPUT			
Energy Input (TJ)	12,035	Raw materials (1,000t)	2,599
Purchased electricity (1,000MWh)	264	Timber	1,863
Petroleum (1,000kL)	14	Metal	29
Gas (1,000m ³)	4,498	Plastic	18
Coal (1,000t)	35	Paper	1
Wood waste (1,000t)	473	Adhesives, coatings, drugs	92
Palm kernel shells (PKS, etc.) (1,000t)	27	Concrete	371
Non-industrial steam (TJ)	4	Other	225
Water consumption (1,000m ³)	2,858	Seedlings (1,000)	1,456

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BUSINESS ACTIVITIES

Product			
Building, housing materials (1,000t)	66	Kitchen cabinets (1,000)	117
Chips (1,000t)	247	Woodworking / others (1,000t)	38
MDF (1,000m ³)	300	Quantity harvested at company owned forests (1,000m ³)	43
PB (1,000m ³)	440	Seedling production (1,000)	1,959
LVL, plywood (1,000m ³)	70	Unused wood resources (1,000m ³)	16
Lumber / laminated engineered wood (1,000m ³)	39		




Generated energy (1,000MWh)	487	Number of delivered domestic household sales	8,347
		Number of delivered overseas household sales	14,399




OUTPUT

Waste (1,000t)		Chemical substance waste released (t)	
Total generated	445	Waste water discharge (1,000m ³)	970
Final disposal amount	21	Greenhouse Gas (1,000t-CO ₂ e) (Scope 3)	9,835
Greenhouse Gas (1,000t-CO ₂ e) (Scope 1,2)			
	371		

* The period of data collection for fiscal 2021 is from January 1 to December 31, 2021

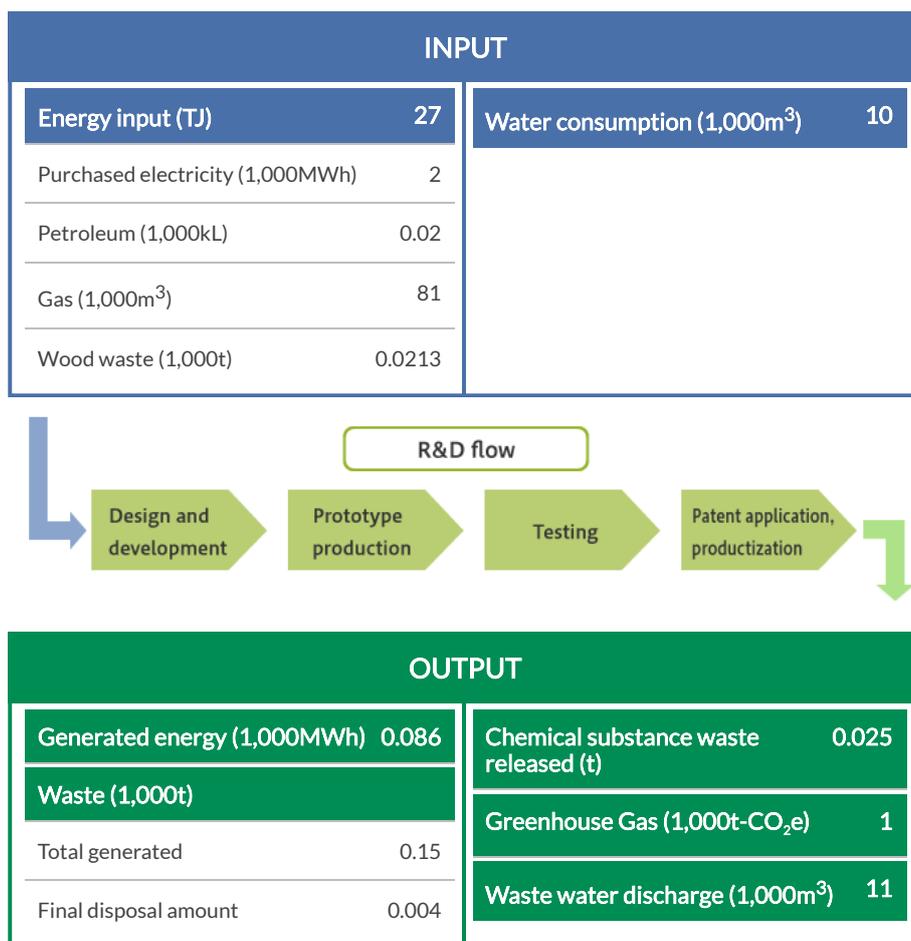
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Research & Development*

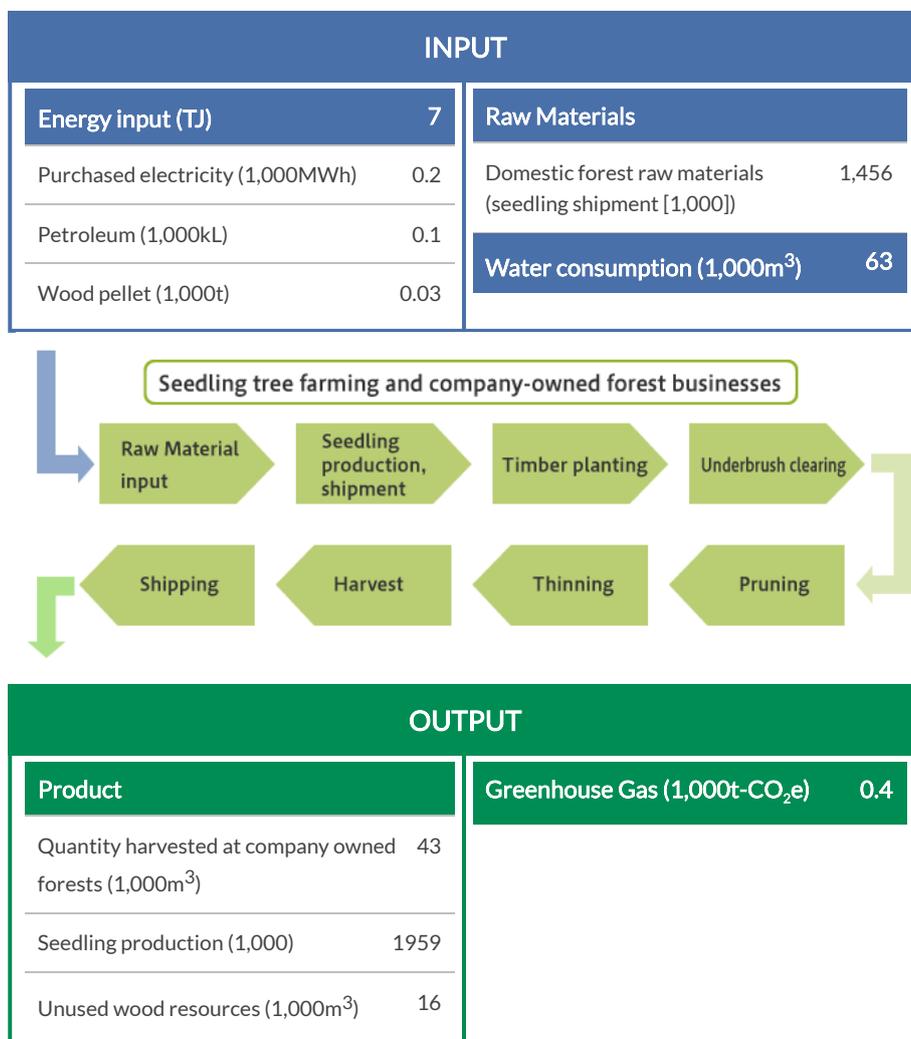


* Subject: Tsukuba Research Institute

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Forest Management*



* Subjects: Forestry offices (Hyuga, Niihama, Osaka, and Mombetsu); seedling tree farming centers (Togo, Motoyama, Gifu, Watarase, and Mombetsu)

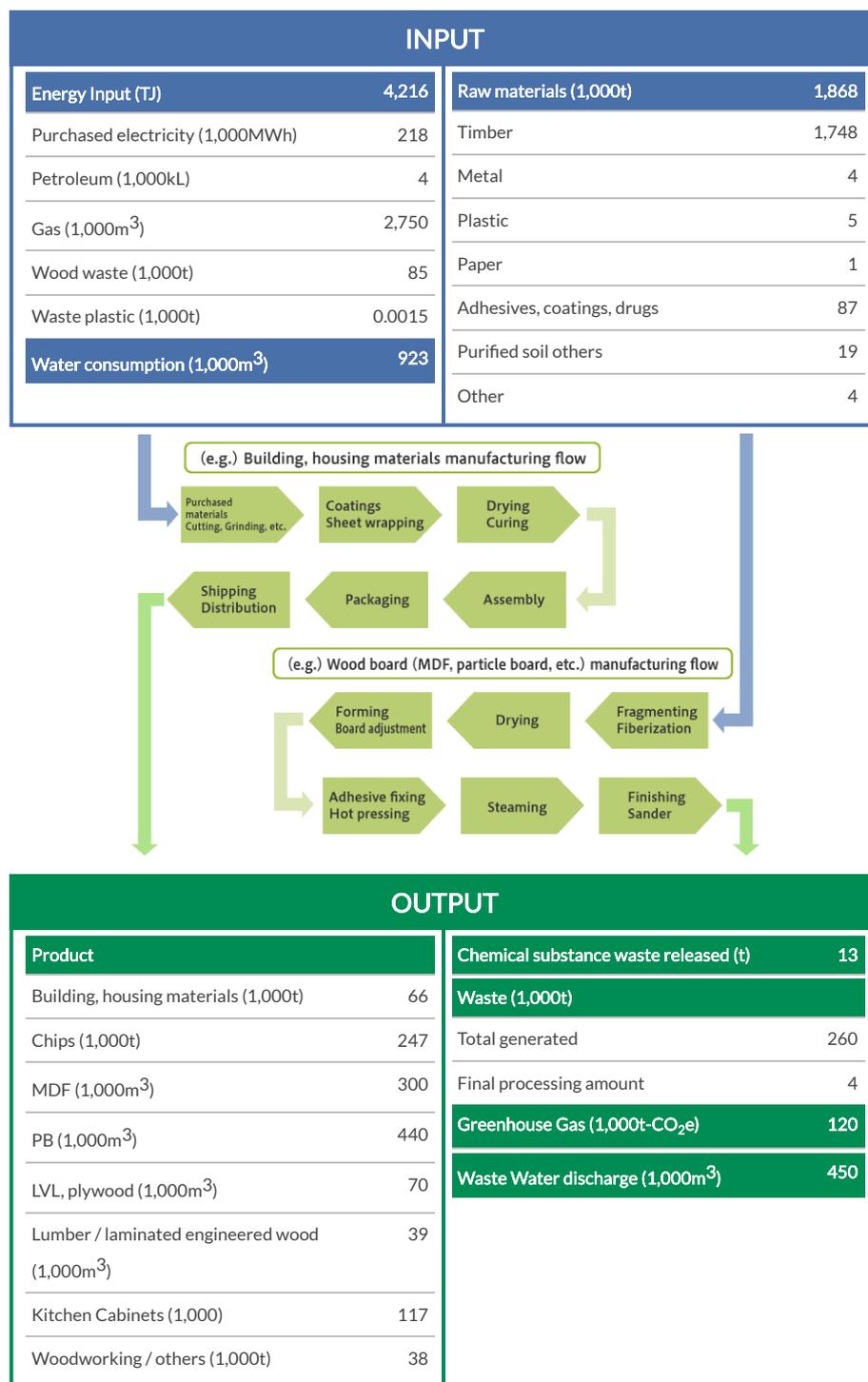
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Environmental Related Data**Manufacturing Business***

* 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 (ASTI, Indonesia), Nelson Pine Industries (NPIL, New Zealand), Vina Eco Board (VECO, Vietnam), Canyon Creek Cabinet Company (CCC, America), Japan Bio Energy, Okhotsk Bio Energy, Michinoku Bio Energy.

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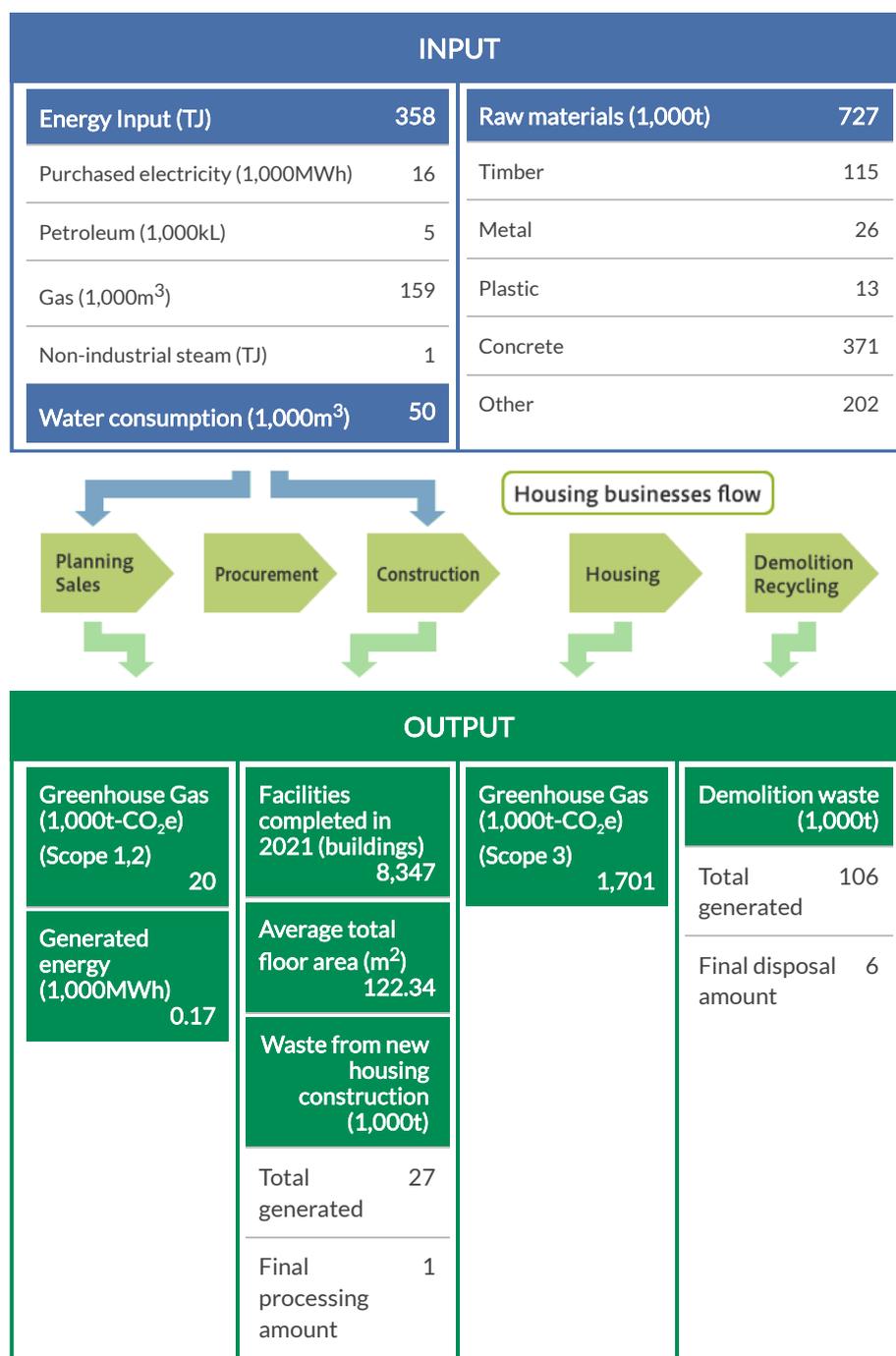
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Housing Business (Domestic)*



* Subjects: Sumitomo Forestry Housing and Construction Division and Sumitomo Forestry Home Engineering

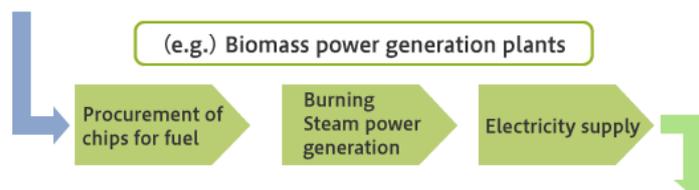
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Renewable Energy Business*

INPUT	
Energy Input (TJ)	6,932
Purchased electricity (1,000MWh)	1
Petroleum (1,000kL)	0.3
Gas (1,000m ³)	0.0
Wood waste (1,000t)	388
Palm kernel shells (PKS, etc.) (1,000t)	27
Coal (1,000t)	35
Raw materials (1,000t)	
Adhesives, coatings, drugs	4
Water consumption (1,000m³)	1,413



OUTPUT	
Generated energy (1,000MWh)	487
Chemical substance waste released (t)	2
Greenhouse Gas (1,000t-CO₂e)	203
Waste water discharge (1,000m³)	510
Waste (1,000t)	
Total generated	12
Final disposal amount	0.08

* Subjects: Mombetsu Biomass Electric Power, Hachinohe Biomass Electric Power

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Boundaries and Method of Data

> Aggregation (Balance of Input & Output)

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Boundaries and Method of Data Aggregation (Balance of Input & Output)

* The period of data collection on the balance of input and output in fiscal 2021 is from January 1 to December 31, 2021.

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, Okhotsk Bio Energy, and Michinoku Bio Energy
Timber and 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, Hachinohe Biomass Electric Power
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

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> [All Sumitomo Forestry Group
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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
	Waste	Waste produced during harvesting and seedling production at Company-owned forests
Timber and 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

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Classification	Prerequisites	
	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 emitted 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

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- Boundaries and Methods of
- > Greenhouse Gas Emissions Calculation

Waste: Calculating Emissions with Data Collected from Manifests

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Environmental Data of Group Companies in Japan

The Sumitomo Forestry Group reports information about its environmental impact of each company and each plant for domestic manufacturers and power plants that have a large influence on the environment.

Sumitomo Forestry Crest Co., Ltd.

Item (unit)	Kashima Plant	Shizuoka Plant	Niihama Plant	Imari Plant	Subtotal
Energy Input (GJ)	37,237	29,490	28,957	16,257	111,940
Raw Material Input (t)	8,316	24,650	3,673	16,050	52,689
Water Resource Use (m ³)					
Service water	6,655	5,795	5,942	131	18,523
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	-	-	-	65,600	65,600
Main Water Source	-	-	Groundwater (water authority in Niihama City)	River -- Aritagawa River basin (partly Mt. Kurokami mammal and avian species wildlife refuge)	-

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Item (unit)	Kashima Plant	Shizuoka Plant	Niihama Plant	Imari Plant	Subtotal
Greenhouse gas emissions (t-CO ₂)					
Carbon dioxide (CO ₂)	274	951	1,644	917	3,786
Methane (CH ₄)*	28	5	13	-	45
Dinitrogen oxide (N ₂ O)*	4	0	1	-	6
Waste generations (t)	2,364	1,950	907	365	5,586
Water discharge (m ³)					
Sewerage	5,310	-	4,754	-	10,064
Ocean	-	-	-	59,240	59,240
Rivers	-	4,636	-	-	4,636
Lakes	-	-	-	-	-
Emissions to the air (kg)					
Sulfur oxides (SOx)	-	-	245	766	1,011
Nitrogen oxides (NOx)	-	-	1,389	-	1,389
Soot and dust	-	-	26.4	-	26.4

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

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The Agro-Products division of Sumitomo Forestry Landscaping

Item (unit)	Tobishima Plant	Shinshiro Plant	Subtotal
Energy Input (GJ)	2,416	5,860	8,276
Raw Material Input (t)	12,405	6,683	19,088
Water Resource Use (m ³)			
Service water	666	504	1,170
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)	125	356	481
Methane (CH ₄)*	-	-	-
Dinitrogen oxide (N ₂ O)*	-	-	-
Waste generations (t)	50	36	86
Water discharge (m ³)			
Sewerage	-	-	-
Ocean	-	-	-
Rivers	666	504	1,170
Lakes	-	-	-
Emissions to the air (kg)			
Sulfur oxides (SOx)	-	27	27
Nitrogen oxides (NOx)	-	896	896
Soot and dust	-	382	382

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

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Power Plants

Item (unit)	Mombetsu Biomass Electric Power Co.,Ltd.	Hachinohe Biomass Electric Power Co.,Ltd.	Okhotsk Bio Energy Co. Ltd.	Japan Bio Energy Co., Ltd.	Michinoku Bio Energy Co., Ltd.	Subtotal
Energy Input (GJ)	5,227,441	1,704,473	15,427	10,755	9,444	7,156,384
Raw Material Input (t)	3,643	806	69,678	55,401	117,602	247,130
Water Resource Use (m ³)						
Service water	1,038,358	9,155	555	6,502	217	1,054,787
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	-	365,683	-	-	-	365,683
Main Water Source	-	Mabechi River	-	-	-	-
Greenhouse gas emissions (t-CO ₂)						
Carbon dioxide (CO ₂)	87,198	1,493	966	246	637	90,539
Methane (CH ₄)*	7,333	3,005	-	-	-	10,338
Dinitrogen oxide (N ₂ O)*	78,056	26,135	-	-	-	104,191
Waste generations (t)	9,567	2,058	1	567	-	12,193
Water discharge (m ³)						
Sewerage	409,184	-	555	-	217	409,956
Ocean	-	100,576	-	-	-	100,576
Rivers	-	-	-	-	-	-
Lakes	-	-	-	-	-	-

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Item (unit)	Mombetsu Biomass Electric Power Co.,Ltd.	Hachinohe Biomass Electric Power Co.,Ltd.	Okhotsk Bio Energy Co. Ltd.	Japan Bio Energy Co., Ltd.	Michinoku Bio Energy Co., Ltd.	Subtotal
Emissions to the air (kg)						
Sulfur oxides (SOx)	86,804	540	-	-	-	87,344
Nitrogen oxides (NOx)	270,818	77,332	-	-	-	348,150
Soot and dust	4,796	309	-	-	-	5,105

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

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Environmental Related Data**Total for All Plants in Japan**

Item (unit)	Total	
Energy Input (GJ)	7,276,600	
Raw Material Input (t)	318,907	
Water Resource Use (m ³)		
Service water	1,074,480	
Main Water Source	As indicated above	
Industrial water	431,283	
Main Water Source	As indicated above	
Greenhouse gas emissions (t-CO ₂)		
Carbon dioxide (CO ₂)	94,806	
Methane (CH ₄)*	10,383	
Dinitrogen oxide (N ₂ O)*	104,197	
Waste generations (t)	17,865	
Water discharge (m ³)		
Sewerage	420,020	
Ocean	159,816	
Rivers	5,806	
Lakes	-	
Emissions to the air (kg)		
Sulfur oxides (SOx)	88,381	
Nitrogen oxides (NOx)	350,435	
Soot and dust	5,513	

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

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Environmental Related Data

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)	505,134	94,063	1,303,926	30,232
Raw Material Input (t)	100,512	24,782	520,468	5,556
Water Resource Use (m ³)				
Service water	-	803	-	-
Industrial water	-	41,527	211,611	-
Ground water	58,585	-	176,804	-
Greenhouse gas emissions (t-CO ₂)				
Carbon dioxide (CO ₂)	20,194	7,161	47,454	2,301
Methane (CH ₄)*	39	-	113	-
Dinitrogen oxide (N ₂ O)*	420	-	1,212	-
Waste generations (t)	23,306	4,491	86,767	1,055
Water discharge (m ³)				
Sewerage	-	8,065	-	-
Ocean	-	-	21,966	-
Rivers	57,925	-	-	-

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

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Environmental Related Data**Overseas Manufacturers 2/2**

Item (unit)	Nelson Pine Industries Ltd. (NPIL)	Vina Eco Board Co., Ltd. (VECO)	Canyon Creek (CCC)	Total
Energy Input (GJ)	1,693,439	370,720	56,214	4,053,728
Raw Material Input (t)	732,094	169,520	7,991	1,560,923
Water Resource Use (m ³)				
Service water	284,736	49,897	4,255	339,691
Industrial water	-	-	-	253,138
Ground water	-	-	2,429	237,818
Greenhouse gas emissions (t-CO ₂)				
Carbon dioxide (CO ₂)	13,726	18,570	1,254	110,659
Methane (CH ₄)*	241	15	-	408
Dinitrogen oxide (N ₂ O)*	1,275	159	-	3,066
Waste generations (t)	115,355	20,571	2,026	253,571
Water discharge (m ³)				
Sewerage	264,571	17,464	4,256	294,356
Ocean	-	-	-	21,966
Rivers	-	-	-	57,925

* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

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Environmental Related Data

Environmental Accounting Results for Fiscal 2021

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

Environmental Protection Costs

Cost Category		Main Activities	Total Cost (Million yen)
Costs within operational area	Global environmental protection costs ^{*1}	Sustainable forestry cultivation	623
		Environment-related business (Overseas consulting, REDD+ business, etc.)	46
	Resource recycling costs ^{*2}	Promotion of appropriate treatment, reduction, and recycling of industrial waste	7,098
		Waste wood chip distribution operations	197
		Volume sold of potting mix using recycled sediment from water purification	296
Upstream / Downstream costs ^{*3}		Green purchasing	23
Management activity costs ^{*4}	Operation and promotion of environmental management activities (ISO14001 certification, environmental education, LCA surveys, etc.)		178
	Monitoring of environmental impact		1
	Disclosure and administration of environmental information (Sustainability Report, environment-related advertising, environment-related exhibitions, etc.)		30
R&D costs ^{*5}		R&D activities related to environmental protection	1,068
Social contribution costs ^{*6}	Management and operation of Mt. Fuji Manabi no Mori		16
	Management and operation of Forester House		9
	Other social contribution activities		3
	Donations to the Keidanren Nature Conservation Fund		2
Total			9,588

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Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Conservation and Waste Reductions - Pollution Prevention - Efficient Use of Water Resources -

Environmental Related Data

- *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.

Click here for related information [—————](#)

> [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)	702,000 m ³
	Volume sold of potting mix using recycled sediment from water purification	14,000 t
Benefits from Upstream/Downstream costs	Green procurement ratio	66.9%
Benefits from management activity costs	Employees designated as internal environmental auditors	103
Benefits from R&D costs	Exhibition of the Culture Samples and Seedlings of Japanese Apricot Bonbai Successfully Propagated Through Tissue Culture Unveiled at Bonsai Exhibition of Ume Trees with Blossoms	-
	Completion of Toho Gakuen Munetsugu Hall, the first use of CLT structural materials with wood texture and acoustic effects	-
	Wood member "Wooden CT" obtained minister certification for three hours fireproof structure Enabling medium- and large-scale wooden construction of 15 floors or more	-
	Starting construction of "Sophia University Building No. 15" with wooden fireproof structure Contributing to decarbonization society with the latest technology from Sumitomo Forestry	-

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Environmental Related Data

Category	Effects	Benefits
Benefits from R&D costs	Joint research with Kobe University on high temperature resistant tree species Research on resistance and adaptability of domestic trees to urban warming is published in the international scientific magazine "TREES."	-
	Sumitomo Forestry donates "Taiko Weeping Cherry Tree," which grew seedlings through tissue culture, to the Yamatane Museum of Art, to Daigoji Temple	-
	Wood hybrid laminated lumber perforated beam obtained minister certification for one hour fireproof structure Improvement of freedom of design and creativity, and cost reduction in total construction cost	-
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	79
	Children participating in the Environmental Education Program at Mt. Fuji Manabi no Mori project	1,101
	Visitors to Forester House	2,603
	Sumitomo Forestry Group Sustainability Report 2021	-

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Human Rights

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. In addition, the "Sumitomo Forestry Group Code of Conduct", which is based on these international norms, states respect for human beings and the realization of a healthy workplace. 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.

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, Social 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



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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)



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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

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[> Corporate Philosophy](#)

[> Our Value](#)

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

[> Sumitomo Forestry Group Procurement Policy](#)

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

[> Participation and Sponsorship of Initiatives](#)

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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 2021, 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 (29 companies in Japan and 30 companies overseas). As a result, we verified 50 of these companies are conducting human rights training and 47 have setup rescue help desks while 56 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 2021, 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.

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[Sumitomo Forestry Group Procurement Policy](#)

[Distribution Business Initiatives](#)

Identifying and Managing Human Rights Risks

In order to strengthen initiatives in human rights due diligence, each business division maps risks associated with stakeholders in value chain and identifies important human rights risks for each group.

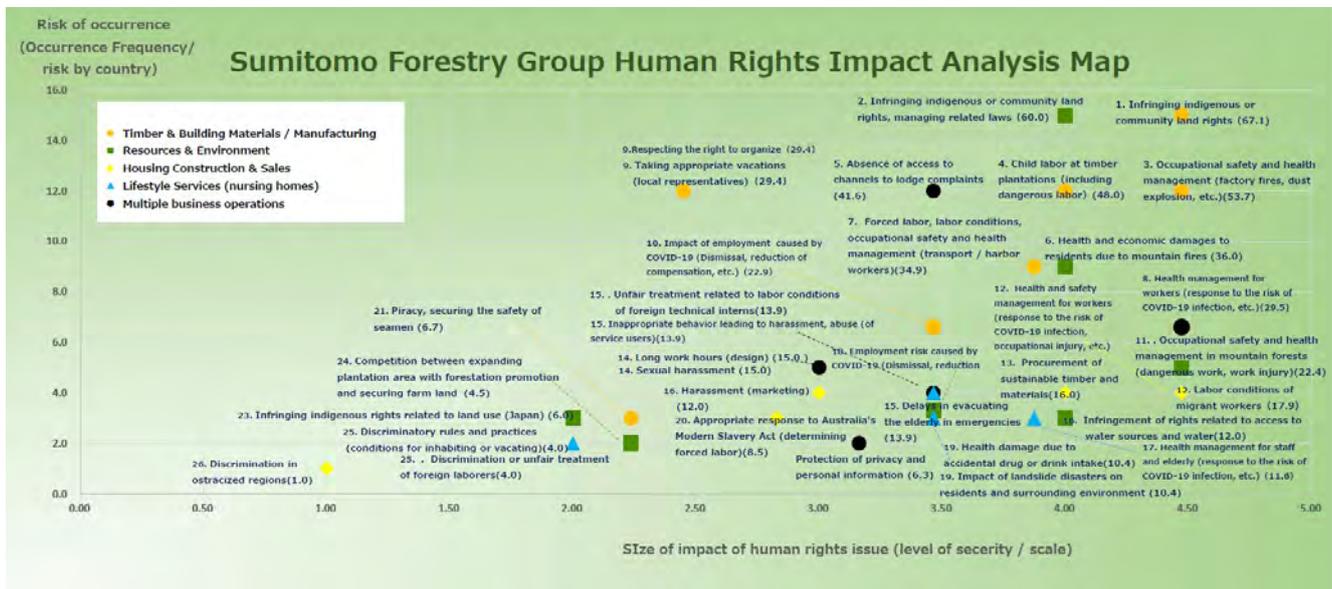
We identified important risks as follows: The Environment and Resources Division - "Infringing indigenous or community land rights and managing related laws" as well as "Occupational safety and health management in mountain forests (dangerous work, etc.)". The Timber & Building Materials Division - "Infringing indigenous land rights", "Occupational safety and health management at factories (fires, dust explosions, etc.)", and "Child labor at planted forests (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, we reviewed the mapping in fiscal 2020, considering the impact of spread of new coronavirus infection as a new risk factor.

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Regarding the identified risks, we take measures to reduce and correct risks for each business. For example, 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 fiscal 2021, regarding "respect for rights of indigenous peoples and communities", in order to further reduce risks and build better relationships with stakeholders in the business development areas, we confirmed the initiatives and identified places to be corrected regarding the operational status of grievance mechanism in the overseas resource environment business. As a result of online review conducted by a third-party organization, we verified that continuous consultations with government agencies and communities have been conducted by operating appropriate grievance mechanisms at three overseas tree planting sites in Indonesia, Papua New Guinea, and New Zealand. On the other hand, it was found that it is necessary to improve initiatives such as expanding external information disclosure and reflecting it in the mechanism through dialogue with rights holders.

We will further establish measures and implementation plans for prevention, avoidance, mitigation, and correction for each stakeholder, and will implement PDCA to improve our initiatives in the future.

Sumitomo Forestry Group Human Rights Impact Analysis Map



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Respect for Human Rights at Overseas Planted forests

For forestry business 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 planted 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. PT. Kubu Muria Forestry (KMF), which started operations from 2022, starts similar initiatives.

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.

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[Grievance Desk](#)

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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 2021, 11,760 employees of whom 5,229 and 6,531 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. In fiscal 2021, we reviewed four cases that were consulted at the "Harassment Consultation Counter".

Each of the group companies in Japan and overseas also engages in various other measures, such as consultation hotlines to report harassment and discrimination in the workplace.

Sumitomo Forestry incorporates classes about harassment in its training for new general managers. We also strive to raise employee awareness through basic knowledge of harassment and courses on preventive measures by utilizing e-learning that can be used by group companies.

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> [Sumitomo Forestry Group Code of
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> [Mental Health Care](#)

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Diversity and Inclusion

Diversity and Inclusion of Sumitomo Forestry Group

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.

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



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Promotion System

As an independent organization within the Human Resources Department, "Work Style Support Office" cooperates with each department to support the active involvement of diverse employees, including female employees, retired employees, and employees with disabilities, and promotes diversity.

The Sustainability Committee, consisting of directors concurrently serving as executive officers and general managers of each division, is chaired by the President Executive Officer and manages progress, etc. in the Mid-Term Sustainability Targets.

In addition, two independent directors play a role in promoting the diversity of Sumitomo Forestry and the active involvement of female employees. In discussions with female employees at in-house opinion exchange meetings and meetings by members attending the Board of Directors, not only the promotion of the active involvement of female employees but also the promotion of diversity in Sumitomo Forestry is actively discussed.

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 addition, 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 fiscal 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

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, 2021
(Non-consolidated)

5.6%

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2019, the second phase action plan (April 1, 2019 to March 31, 2022) was formulated, advocates and has advanced 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. As of the end of 2021, it was 5.6%.

Furthermore, in the third phase action plan (April 1, 2022 to December 31, 2024) in fiscal 2022, a goal of "the percentage of female employees in management positions being 8.1% or more by December 31, 2024" is announced.

In addition, we have been conducting a mentoring system for the purpose of encouraging growth for the active participation of female employees as management. 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. Since fiscal 2020, we have participated in an external mentor program, with two employees participating in fiscal 2020 and three employees participating in fiscal 2021.



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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

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Supporting the Workstyles of
 > Employees Currently Raising
 Children

Sumitomo Forestry Third
 Phase
 Action Plan for The Act on
 > Promotion of Women's
 Participation and
 Advancement in the
 Workplace (In Japanese)





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Employment and Promotion of Women (Non-Consolidated)

	FY2018	FY2019	FY2020	FY2021
Female employees including contract employees* ¹ (%)	21.0	21.6	22.0	22.6
Female employees in management positions* ¹ (%)	3.7	4.2	4.8	5.6
Ratio of female senior managers (%)	2.1	2.7	2.7	2.7
Ratio of female general managers (%)	3.2	5.1	6.3	7.1
Female new graduates* ² (%)	24.8	26.9	30.2	26.9
Female employees in management positions in revenue-generating functions* ^{1*3} (%)	-	-	3.2	3.9
Ratio of women in research and development / technical positions* ¹ (%)	-	-	9.5	11.7

*1 The ratio of female employees and the ratio of female employees in management positions are calculated from the number of employees enrolled on March 31 of each year from fiscal 2018 to fiscal 2019. The rate is calculated based on the number of employees as of December 31 due to the change in the accounting period after fiscal 2020. 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.

Development and Sales from a Woman's Perspective

"Female-oriented customer service brush-up training" for female home advisors working at housing exhibition halls are continuously conducted. 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.

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Main Initiatives Aimed at Increasing the Motivation of Female Employees

Sumitomo Forestry provides various training for female employees.

Training for women salespersons is conducted for the purpose of finding their source of motivation to encourage female staff to continue to work in sales. Female staff members 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. From 2020 onward, implementation has been postponed due to the impact of the spread of the coronavirus disease (COVID-19), but we plan to resume the implementation by utilizing online and the like in the future.

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, two employees from the participants of "Women's Conference 2020" participated in an external mentor program with the aim of raising awareness for further career advancement in the future.

In 2021, three employees who changed jobs to broaden their careers also participated in the mentor program.



Participants of Women's Conference 2020 displaying their individual goals

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Main Initiatives Aimed at Increasing the Motivation of Female Employees

Eligible Persons	Description
Sales Staff	Regular Female Sales Staff Training
	Networking Event for Female Housing Sales Staff: Joint Program by Housing Builders
Production Staff	Regular On-site Training for Female Engineers
Managers and Manager Candidates	Mentoring Program
Administrative planning staff	Career Advancement Training
Administrative planning staff Engineers	External Mentoring Program

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.

LGBT initiatives

Sumitomo Forestry regards LGBT measures as an important initiative that underlies diversity and inclusion, which is understanding of others and respect for individuals, and is promoting training and the development of systems and mechanisms.

It is important to deal with not only employees but also customers and business partners. In order to gain correct knowledge and understanding, in 2021, we conducted training for executives and personnel and general administration departments, and opened an e-learning course that all employees can take.

In addition, an "outside consultation desk" where consultation with a specialist counselor can be anonymously performed was set up, and the system was set up.



LGBT training state

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We will continue to work to create an environment where everyone can work comfortably and actively.

Partnership System Regulation

Sumitomo Forestry established the "Partnership System Regulations" in January 2022. This regulation applies the in-house system and welfare programs to "same-sex partners" and "common-law partners" (hereinafter referred to as "partners") in the same way as spouses. As a result, special leave, childcare and nursing care-related systems, condolence money regulations, or the like will be applied to registered partners and their children and parents.

According to this regulation, the relationship of same-sex partnership is recognized in the company, employees can work with peace of mind by applying the in-house system, a system that can be compatible with work is established even when a life event such as childcare or nursing care with a partner happens, and the employees can work actively in the future. In addition, as new families are becoming more widespread, regardless of legal marriage, we are also targeting common-law partners and creating an environment where they can work comfortably and actively in the future.

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, 2021 was 2.38%. 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. All employees, excluding employees who are on leave, are prompted to take the 3rd grade course every year and achieved a 100% attendance rate in 2021^{*2}. We plan to implement this course for new hires, etc. from the next fiscal year onward, and promote the acquisition of all employees. Through this test, we aim to promote and retain the employment of persons with disabilities and improve the hospitality of various customers and business partners.

*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 Applicable to 5,430 employees excluding childcare leave, long-term leave, overseas expatriates, etc.

*3 The calculation is the sum of Sumitomo Forestry, subsidiary Sumirin Wood Peace as well as the affiliated Group company Sumirin Business Services



State of group work in the Universal Manners Test (November 2019)

Ratio of Disabled Employees
As of December 31, 2021
(Non-consolidated^{*3})

2.38%

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Employment of Persons with Disabilities (Non-Consolidated)

	FY2018	FY2019	FY2020	FY2021
Ratio of Disabled Employees (%)	2.32	2.40	2.25	2.38

* Calculated as of March 31 of each fiscal year until 2019, and as of December 31 due to changes in the accounting period after 2020

* Calculated including subsidiary Sumirin Wood Peace and the affiliated Group company Sumirin Business Services

-Sumirin Wood Peace-aiming to actively promote employment of persons with disabilities

Sumirin Wood Peace located in Niihama City, Ehime Prefecture, is a group company that cultivates raw wood shiitake mushrooms and manufactures, processes, and prints woodwork products. In April 2017, 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 2021, Sumirin Wood Peace employs 12 people with disabilities. In the future, the Company will further this recruitment and ensure business continuity.



State of wood product processing

Awarded as Sumirin Woodpeace Employee, Excellent Worker with Disability

Employees of Sumirin Woodpeace Co., Ltd. received the President's Effort Award of the Japan Organization for Employment of the Elderly, Persons with Disabilities, and Job Seekers as an excellent worker with disability at the Award for Excellent Establishments for Employment of Persons with Disabilities in Reiwa3rd Year. In the previous year, another employee of Sumirin Woodpeace received the President's Encouragement Award at the Poster Original Drawing Contest for Employment of Persons with Disabilities, and this is the second consecutive year that the award has been given by the organization.

The award for excellent establishments for employment of persons with disabilities is intended to promote employment of persons with disabilities and stabilize their employment, and is a tribute to the efforts and achievements of establishments that actively hired a large number of persons with disabilities and excellent workers with disabilities who have been working for a long time as model professionals.

2021 Champions of Inclusion Award to award persons with disabilities and companies that are active

In October 2021, Canyon Creek (CCC), a group company in the United States, and employees working for the company received the "2021 Champions of Inclusion Award" from AtWork!, a non-profit organization that supports the employment and independence of persons with disabilities. Since the manufacturing business requires a lot of employment, the manufacturing business is a business that has close ties with the local communities. CCC will continue to aim to be an attractive company that local residents "want to work for".

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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 ratio of retirees before adopting the selective retirement system has remained around 80% on average, although the ratio varies from year to year, after adopting the selective retirement system, 91.9% of employees (1 re-employment retiree) in fiscal 2020, and 93.3% of employees (4 re-employment retirees) in fiscal 2021 choose to continue employment after the age of 60, which has led to stable employment for those aged 60 and over.

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. Since April 2020, a re-employment ratio of 100% is achieved even for those who wish to be re-employed after selecting retirement age.

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, 58 employees have registered as senior human resource assets, of whom 40 are still working as of January 1, 2022.



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Return to Work Application System

Sumitomo Forestry has operated the Return to Work Application System. 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 worked for at least three consecutive years before the resignation. Until now, 288 applications have been received and 7 have been re-employed.

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. Sumitomo Forestry has established a system that allows dispatched employees to be converted to direct employment as "fixed-term employees (called: partner employees)" in order to prompt talented employees. We also operate a system for promoting partner employees to permanent status. It promoted 13 workers to permanent employee status in fiscal 2022.

Furthermore, we have also implemented a system for partner employees with disabilities (challenged employees) to transition to permanent employment.

Number of Partner Employees Promoted to a Permanent Employee

FY2018	FY2019	FY2020	FY2021	FY2022
12	14	12	17	13

* As of April 1 of each fiscal year

Number of Challenged Employees Promoted to a Permanent Employee

FY2018	FY2019	FY2020	FY2021	FY2022
0	2	1	0	1

* As of April 1 of each fiscal year



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Diversity and Inclusion

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 program is designed for all Sumitomo Forestry employees, from recruits to middle management and executives, who strive to 1. teach the corporate philosophy based on Sumitomo's Business Spirit, 2. master universal business skills 3. nurture global human resources, and 4. train management 5. create a workplace culture that allows employees to work energetically without hesitation.

We are also promoting group management by 6. foster a sense of unity between all Group employees and developing human resources.

Human Resources Development Department, Housing and Construction Division

Employees of the Housing & Construction Division 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 are conducted at each Group company and in each department.

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Human Resources Development System

Under a theme of "Supporting Motivated People", Sumirin Business College (SBC) of the Personnel Department 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 visit the ruins of the old Besshi copper mine and Company-owned forests to learn about the Sumitomo Group history and business spirit. In fiscal 2021, 180 employees of whom 136 and 44 belong to the parent company and Group companies, respectively, took the class.

In addition, the Sumitomo Forestry Business Institute e-learning hosts a program on the history and corporate philosophy of Sumitomo Forestry taken by each Sumitomo Group employee every year.

2. Acquisitions of business skills

We support learning that emphasizes employee autonomy in our self-development training programs.

We have established a system to subsidize 50,000 yen for employees to attend external training programs that they have sought out, in addition to providing e-learning and correspondence courses for acquiring business skills and knowledge. In fiscal 2020, a total of 372 employees participated in such training, and 642 employees participated in fiscal 2021. We have also focused on enhancing training by specific levels.

We conducted online training for 17 newly appointed managers in April 2020, in line with the establishment of a new promotion system to management career-track positions by changing administrative positions to administrative planning positions with the goal of increasing productivity through the expansion of operations.

In addition, training for evaluators has been conducted to ensure that the evaluation system is firmly in place. The program was implemented for 293 evaluators in fiscal 2020, and then in fiscal 2021, it was implemented for 66 evaluators, mainly freshly appointed evaluators.

In addition, as part of the multifaceted assessment to develop managers' management skills, a multifaceted evaluation feedback workshop offered for 185 first-time evaluators in fiscal 2021, to assist them accurately grasp and practice the evaluation results.

In addition, all of our 62 branch managers from the Housing and Construction Division attended the housing branch manager workshop co-hosted by 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.



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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, with Indonesian language training added this year. The curriculum is an original program adapted to the level and work content of each employee taking the course. 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 complete from the program. Since fiscal 2018, a total of 65 employees have graduated, with 41 of those trainees participating in fiscal 2021. (104 employees are working abroad as of December 1, 2021, 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 2020, 31 employees took part in eight programs, and 140 people took part in 29 programs in fiscal 2021.

5. The creation of a work environment that motivates people to work hard and without hesitation

In fiscal 2021, the Housing and Construction Division and the Timber and Building Materials Division launched the "Three-Star Project" and the "New Value Creation Project" respectively, with the goal of creating a workplace culture in which employees can work energetically and vigorously with a free and open attitude and high engagement.

The "Three-Star Project" aims to create a branch that is as vibrant as a three-star restaurant, with each employee highly respected by customers and rooted in and adored by the community. 25 employees from the two pilot branches participated in a six-month workshop. The knowledge obtained from the training was immediately applied to their work. The participating members evaluated the project as a "Necessary Initiative" "Awareness and behavior have changed", and "I think it will lead to increased performance over the medium term". In the future, we plan to expand the project gradually to a total of 62 branches.

In a six-month workshop, 10 employees participated in the "New Value Production Project", which examined the creation of new value and encouraged a frontier spirit and entrepreneurial spirit. The final business proposal is scheduled to go into effect in fiscal 2022.

6. Foster a sense of unity between all Group employees and develop Human Resources

We are aiming to build a sense of unity throughout the Group and raise awareness of working members of society by offering training for new employees in a program that is common to all Group companies. In fiscal 2021, the content of the programs was standardized and conducted online training at each company, while connecting Group companies online for some programs, with 258 employees taking part.

In addition, Group companies with similar goals participated in self-development seminars and group exchange training etc., with 26 employees participating in fiscal 2021.

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The e-learning system has also been deployed as a learning tool shared by Group employees, allowing employees of Group companies in Japan to share and learn from 118 courses on topics such as Sumitomo Forestry's history, business spirit and corporate philosophy, as well as acquiring business skills and knowledge.

Sumitomo Forestry Business Institute Training System, Personnel Department (FY2021)

Level/grade	Post grade	Skill grade	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	Next generation leader development Management Leadership Training Transformational middle training Strategy-building skill training Engineer management training Financial leadership training Leadership training Liberal arts training Dispatch to Japan Management Association, Japan Productivity Center, Keio MCC and Globis (Joint Group training) Program to strengthen logical thinking Group exchange training Cross-industry exchange training	External extension courses Designated courses e-Learning (JMAM, Recruit, Globis, etc.) Group training (external training company) Sumitomo Forestry Business Institute courses Program for Global Human Resources Development External graduate studies programs Career Advancement Training for Administrative Planning Staff	Knowledge by division (timber and building materials, manufacturing business, housing and construction business, elderly care business, etc.) Knowledge (legal, financial, accounting, labor, harassment, mental health, etc.) Management skills (team management, coaching, etc.) Business skills (writing, logical thinking, marketing, etc.) Common (history and corporate philosophy of Sumitomo Forestry, legal compliance, the environment and information security)
	M5		Branch manager training			
	M4	E4	Training for new managers			
	M3	E3	Evaluator training			
	M3S	E2	Multiple evaluation feedback training			
	M2	E2	E2 grade aptitude training			
	M2S	E1	New Manager Training			
Staff track	S4		OJT trainer training			
	S3		Training for 5th year general management (All job categories) Training for 5th year graduates			
	S2		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			
			Training for who have changed job categories			
			Training for mid-career hires who join the company			
		Shikoku forestry training for mid-career employees/those who have changed job categories				
Proposed recruits		Follow-up training for proposed graduate recruits	* Training available to Group company employees			



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Number of Employees Attending Main Training Programs(FY2021)*

Training program	Number of people attending (Non-consolidated) (Persons)	Number of people attending (Group companies) (Persons)	Total
Training by specific levels (20 courses)	843	0	843
Selective training (30 courses)	175	3	178
Self-development training (117 courses)	642	7	649
e-learning (6 mandatory courses)	5,159	6,505	11,664

* April 1 to December 31, 2021

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

	FY2018	FY2019	FY2020* ¹	FY2021
Hours of training received per employee	13.6	18	10.5	13.0
Expenditure on training per employee (yen)	97,000	102,000	59,000 (77,000)* ²	77,473* 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 Figures in the parenthesis are reference data collected from January to December 2020

*³ Expenditure on training for fiscal 2021 (Non-consolidated) is 394 million yen.

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.

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In particular, a lump-sum payment up to 500,000 yen is provided to the employee who passes the examination for first-class registered architects to acquire a first-class registered architect's license. 25 employees satisfied the criteria in fiscal 2021. 58 employees obtained second-class architect licenses under the guidance of the Human Resource Development Department in fiscal 2021.

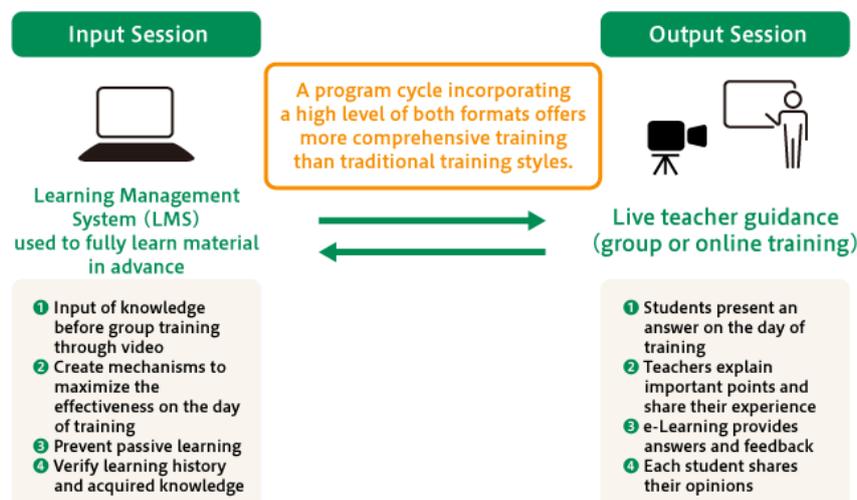
Sumitomo Forestry Home Tech introduced an in-house qualification system, the "Structural Diagnosis Master" in fiscal 2021. 240 employees from 14 locations nationwide took the test in the first examination, and 103 were confirmed as passing. The goal of the internal qualification system is to improve employee motivation for self-improvement while also improving legal compliance and quality control.

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 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.

We have begun insourcing video materials to broadcast before training for the purpose of an effective flipped classroom before regular training. There are interactive features in the 360-degree videos, such as information hotspots, quizzes, and knowledge verification modules, where clicking on information pulls up text and other information, contributing to student engagement and retention. 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.

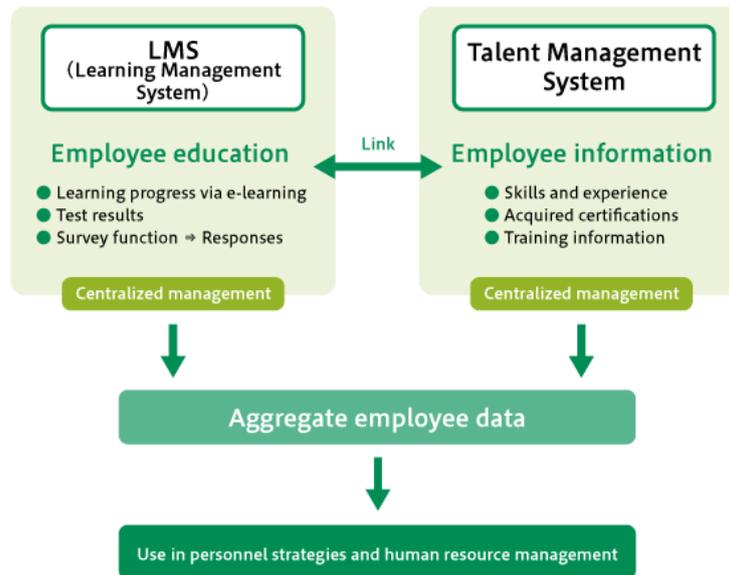
Flipped Classroom Using Videos





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Example of LMS in Use



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.

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. By using this system, employees can revise and save things, such as notes on important matters in the electronic text during the training session. Trainees can even review and use learning materials anywhere by using these tablets even after the training ends.

We have conducted training mostly online due to the impact of the COVID-19 since 2020. Online training saves the student traveling and enables highly productive lectures. Unlike traditional training, there are additional training management alternatives available, such as multiple days of brief training sessions, which greatly contributes to the structure of the training curriculum. We will establish a hybrid training management approach that combines small scale face-to-face training and online training, in addition to the usage of online training, since there are some lectures where face-to-face training has a greater training effect.

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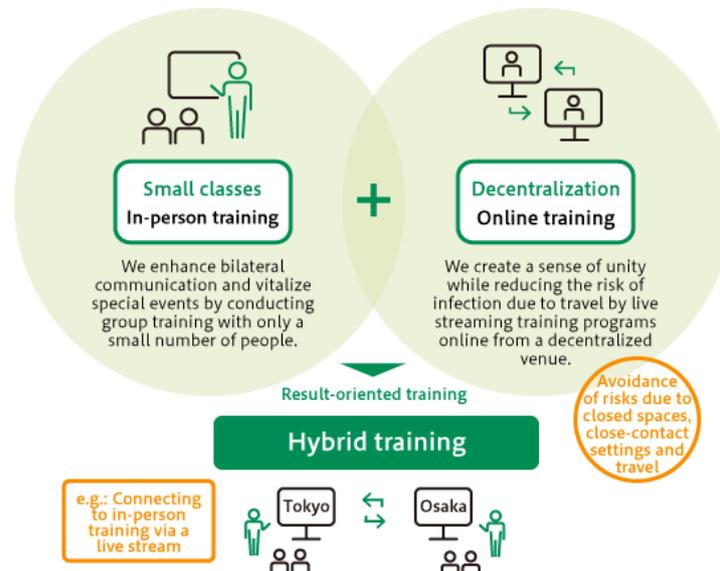
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Hybrid training that combines smaller scale face-to-face training and online training



We've been working on VR videos for a while now, and they've been proven to be quite effective. 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. We hope to expand the highly productive VR training to the entire group and boost the cost-effectiveness of training operations by bringing the training materials in-house.



Visual and Auditory Sensory Training via Video Projected to a Head-mounted Display Worn by Trainees

In addition, we are currently conducting sales talk analysis for housing salespeople, with the goal of efficiently and effectively strengthening customer service skills by using AI to objectively analyze the content of business talks with customers. More customer service assessments will be conducted in the future, leading to the development of Sumitomo Forestry's conversation model and the improvement of individual skills.

Promotion of Qualification Acquisition

Sumitomo Forestry encourages the acquisition of the qualifications necessary for business operations and ensures the availability of competent people, thereby strengthening employee skills and improving customer satisfaction. The most recent results of this support are as follows.



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Real Estate Agent

	FY2020	FY2021
Number of examinees	198	142
Number of successful candidates (Number of sales positions obtained)	24 (414)	25 (440)
Passing rate	12%	18%

Level 2 Financial Planner

	FY2020	FY2021
Number of examinees	150	120
Number of successful candidates (Number of sales positions obtained)	25	40 (260)
Passing rate	17%	33%

First-class construction management technician

		FY2020	FY2021*
The 1st test (Subject)	Number of examinees	52	-
	Number of passers	40	-
	Passing rate	77%	-
The 2nd test (Site)	Number of examinees	56	-
	Number of passers	38	-
	Passing rate	68%	-

* No support for obtaining qualifications in fiscal 2021



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Second-class architects and first-class architects (Subject)

		FY2020	FY2021
Second-class architects	Subject passing rate	100%	100%
	Passing rate of drawing	89%	84%
Second-class architects (Subject)	Subject passing rate	27%	-

Sumitomo Forestry focuses on training to develop its design capabilities. The Company seeks to develop its "Design Skills", "Presentation Skills" and "Customer Service Skills" by having all design personnel evaluate drawings in advance to detect and reinforce the Company's design trends and challenges, resulting in a strong design group that can compete with other companies. In the future, we will also collaborate with interior designers to strengthen their "Presentation Skills", "Customer Service Skills", and "Total Coordination Proposals", and are considering and planning to develop a team that includes interior designers. We're also considering training engineers who can handle medium- to large-scale projects.

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 2021, the school had another 69 new enrollments.

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Practical training in construction of a house

New Students and Performance at The Sumitomo Forestry School of Professional Building Techniques

	FY2018 (31st graduating students)	FY2019 (32nd graduating students)	FY2020 (33rd graduating students)	FY2021 (35th graduating students)
Number of new students	69	57	61	69
Number of graduates	68	55	60	-
Students who acquired the 2nd class carpenter license	62	55	60	-

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Diversity and Inclusion

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. In addition, we have partially revised the value evaluation system as "NEW Value Evaluation" in order to make it more concrete and easier to grasp since January 1, 2022. This system is intended to evaluate employees who proactively consider what they can do to improve corporate value and generate new value, as well as who take on challenges without fear of failure.

In fiscal 2021, 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, we provide feedback to help each employee 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.

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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 as a platform for discussion between the President and employees in Sumitomo Forestry Group since 2007.

In fiscal 2021, Sumitomo Forestry Group invited participants to discussion sessions twice, the majority of whom were young employees of the Group. The participants discussed the things they value in their professional and personal lives under the theme "What we Value" in the first discussion. The president and several mountain climbers gathered to explore the issue of "Mountains" in the second discussion. Many employees were able to get a glimpse of the president's intimate side by capturing and disseminating the video, which they would not have seen otherwise. We plan to continue this activity as an opportunity for direct dialogue between management and employees and to increase communication among the group in fiscal 2022.



Distribute video of the discussion

Employee Satisfaction Survey

Sumitomo Forestry conducted the eleventh employee satisfaction survey between July and August 2021.

The survey asked 91 different questions in 11 categories: work, work load, workplace, supervisor, evaluation/treatment/skill development, career, management and vision, customer first, compliance, satisfaction, and conscious action.

The questionnaire targeted 5,009 full-time and fixed-term employees with a response rate of 93.1%.

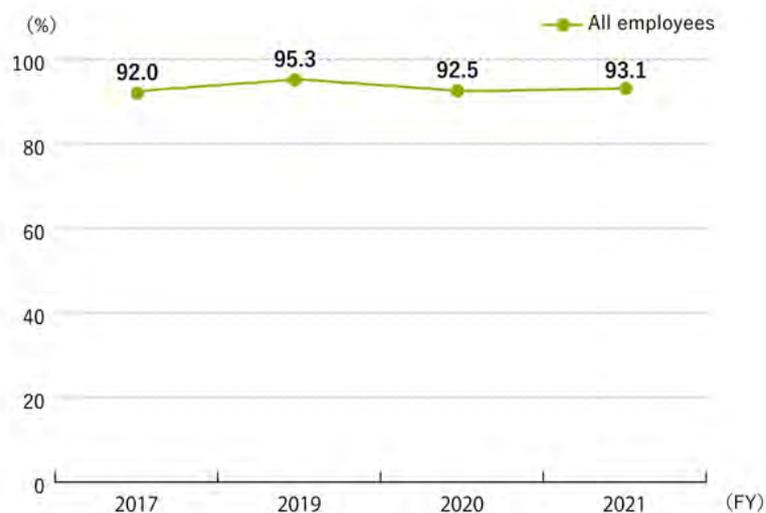
As a result of the survey, 78.2% of employees answered either "absolutely" or "yes, if I have to choose" when asked whether they were satisfied working for Sumitomo Forestry. The items that have improved over time include "Positive outlook on the future of our company" "Improved awareness of diversity in the workplace" and "Workplace supportive of childcare and nursing care", indicating that Diversity and Inclusion initiatives are becoming more widespread.

Furthermore, this survey was also jointly conducted at 26 consolidated Group companies in Japan and Sumitomo Forestry. The questionnaire targeted 12,246 full-time and fixed-term employees (including some part-time employees) with a response rate of 88.5%.

Sumitomo Forestry plans to introduce the employee satisfaction survey as an annual survey throughout all consolidated Group companies in Japan to understand yearly changes.

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Employee Satisfaction Survey Response Rate (Sumitomo Forestry)



Employee Satisfaction Survey Trends (Sumitomo Forestry)



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Relationship with Labor Unions

All of the eligible employees at Sumitomo Forestry (3,889 people) have joined the labor union as of January 1, 2022. 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 2021, joint labor-management discussions were held on 18 occasions, and following on from fiscal 2020, consideration was given to measures for reducing long working hours and innovating work styles such as telework.

Membership rate in labor unions
(Non-consolidated)

100%



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Work-Life Balance

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.

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.

Furthermore, a flextime system and a work interval system have been adopted with the purpose of reducing long hours and improving productivity. 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.

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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.

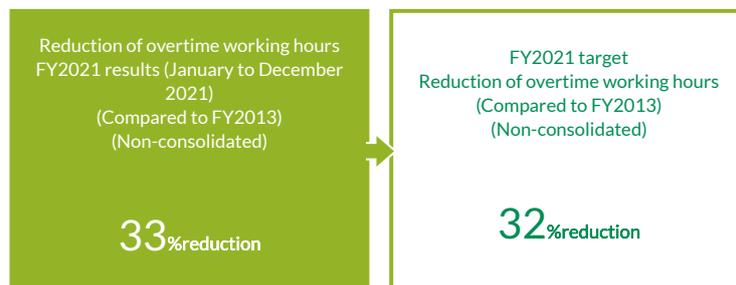
In particular, close communication with customers is indispensable in the sales and construction of custom-built detached housing, and long working hours occur as a result of this need in the Housing and Construction Division.

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.

[Click here for related information](#)

> 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.

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Encouraging Employees to Take Paid Annual Leave

Sumitomo Forestry encourages employees to take at least 14 days of annual paid leave per year, including refresher and summer vacation days, and has promoted the taking of paid leave by posting a list of annual paid leave taken at each of its locations on the intranet.

Paid Leave Usage Ratio
(2021)
(Non-consolidated)

64.1%

We have also adopted half-day paid annual leave and hourly paid annual leave to provide an environment where taking time off is easy.

In addition, the Housing and Construction Division has established planned annual holidays for all departments (general rule of four days).

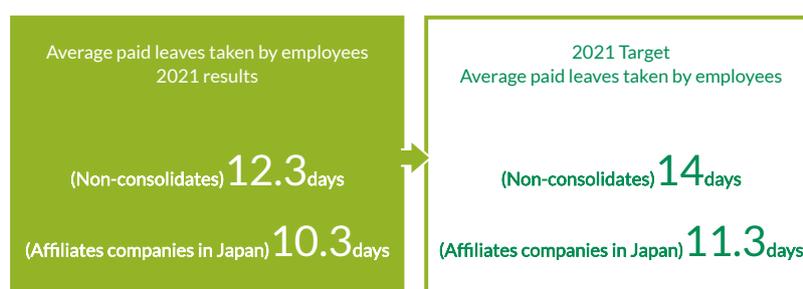
The yearly paid leave usage ratio in 2021 was 64.1 percent as a result of these initiatives.

We will further promote this initiative during the next three years, commencing in 2022, by setting "an average annual paid leave usage ratio of 70% or higher" as stated in the Sustainability Targets of the Mid-term Management Plan.

Results of Paid Annual Leave Usage Ratio

	2017	2018	2019	2020	2021
Paid Annual Leave Usage Ratio (%)	47.4	53.2	60.2	60.7	64.1

*Calculated by dividing the number of days of paid annual leave taken each fiscal year by the number of days issued





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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)

	2018	2019	2020	2021
Percentage of Refresh Leave Program takers (%)	32.1	43.7	31.3	31.3
Percentage of Family Friendly Day Leave takers (%)	28.7	36.8	30.5	26.6



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Supporting the Workstyles of Employees Currently Raising 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 (April 1, 2022 to December 31, 2024).

The 7th Action Plan (fiscal 2020 to fiscal 2021) raised and strived 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.

[Click here for related information](#)

Sumitomo Forestry Co., Ltd.

8th

Action Plan for the Act on

> Advancement of Measures to

Support Raising Next-

Generation Children (in

Japanese)



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. The committee has been working on company-wide themes relating to business and work style reforms by incorporating employee feedback via questionnaires and suggestion boxes, such as the promotion of telework, a transition to a paperless environment and revisions to in-person signature approval processes. We will continue to review employee operations and make them more efficient.

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 participation of 149 families consisting of 433 employees and family members (canceled in fiscal 2020 and 2021 due to the impact of COVID-19 infections). 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.



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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. 62 employees took childcare leave in fiscal 2021.

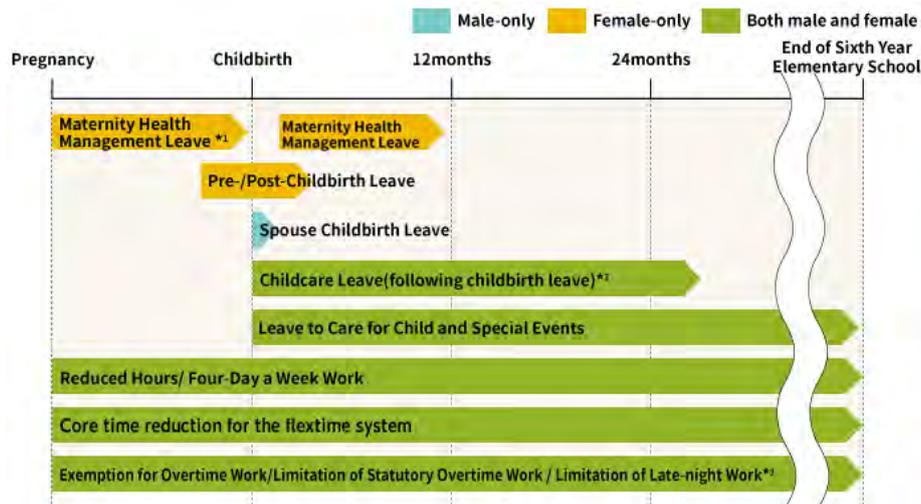
Main Childcare Support Programs (FY2021)

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.
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).



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Childcare Support Programs



*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

Roundtable Discussion for Employees on Childcare Leave

Sumitomo Forestry held a round table event online in March 2021 for employees planning to return to work from childcare leave. 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 and December 2021 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.



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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.

In fiscal 2021, we prepared a guidebook to provide basic knowledge and information on balancing work and family care, as well as the fundamentals of facilities for the elderly and family care services.

Main Family Care Support Programs (FY2021)

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	Number of family support program users: Total of 1 (Four-Day Work Week: 1)
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.	
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	No. of employees who took family care leave: 2

Family Care Support Program Performance (Non-consolidated)

	FY2018	FY2019	FY2020	FY2021
Family care leave (Persons)	1	1	2	2
Number of family support program users (Persons) (Flextime System, Shorter Working Hours, Four-Day Work Week, etc.)	3	4	4	1



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Sumitomo Forestry Holds Seminar to Support Balancing Work and Family Care

Sumitomo Forestry held an online seminar titled "Secrets to Balancing Work and Family Care" in December 2021. The goal of the seminar was to provide participants with tips on how to create an environment that allows them to balance work and nursing care in their daily lives, rather than giving up work to care for a family member, and to be physically and psychologically well and active.

About 150 people attended the seminar, including those who are currently caring for family members, those who want to begin preparing, and those who want to learn for their subordinates and coworkers. Individual consultations with the seminar instructors were held for individuals who chose to attend after the seminar.

We will continue to provide seminars and consultations to assist people in balancing work and family care.

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 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.

We also abolished the existing telecommuting rules, added provisions for satellite office work and mobile work, and set new telework rules with increased eligibility in January 2022. These rules were established to improve work-life balance and productivity, and all employees may utilize them for up to 2 days per week, based on the company-wide telework experience in the aftermath of the novel coronavirus disaster. Any utilization of 3 or more days per week can be accomplished by applying for it.

In the future, we will continue to consider further use of ICT, along with the development of an IT environment and the promotion of productivity through the use of ICT.

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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 2021, 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.

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Work-Life Balance

Promotion of Health Management

Basic Policy

Sumitomo Forestry Group believes that maintaining and promoting employee health contributes not only to the well-being of each and every employee, but also to improvement of productivity and efficiency at work. Sumitomo Forestry Group Declaration on Health Management was formulated based on this policy on Oct. 1, 2021.

Sumitomo Forestry has assigned clinical psychologists and 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.

Sumitomo Forestry Group Declaration on Health Management

Sumitomo Forestry Group is committed to maintaining and improving the mental and physical health of all employees and their families so that every employee making up the Group can work healthily and vibrantly while experiencing "Happiness Grows From Trees".

- We will share the results of regular health check-ups and other examinations with employees, and work on mental and physical health issues and responses to these issues.
- We will actively incorporate health measures that can not only be used by employees, but also by their families.
- We will observe laws and regulations related to safety and health, and strive to improve safety as well as maintain and improve health.

President and Representative Director
Toshiro Mitsuyoshi

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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.

Walking events were held twice as a new attempt in spring and fall in fiscal 2021. Purpose of these events was to tackle a lack of exercise and encourage communication among our employees. This event was held only for Sumitomo Forestry in spring, and the same event was held together with the five Sumitomo Forestry Group companies that had agreed to participate in fall. In addition, a health live seminar was also organized to increase productivity and lifestyle in terms of sleep, diet, and exercise. The online seminar provided an excellent chance for Group employees to interact with each other.

Furthermore, two practical seminars for health management personnel were held online in June and December. This seminar, including lectures on relevant laws and regulations, as well as internal company rules, was designed to educate administrative officers, persons in charge of health management practices, and other persons in charge of group companies nationwide. Participants shared their own initiatives and innovations with each other via chat rooms during the seminar, making it a valuable opportunity to learn together.

Walking events, health live seminar, and practical seminar for health supervisors will be continued in the future.

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.

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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.

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 external provider of the employee assistance program (EAP)*.

In fiscal 2019, Sumitomo Forestry changed the external 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.

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

* A workplace mental health care service for employees



Line care training for new managers

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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.

New stress check items were added for evaluating health reasons and psychological safety in fiscal 2021, such as illnesses and symptoms that had an influence on job performance, in order to validate priority measures and improve the workplace environment. As part of care following stress checks, we also distributed results of individual organizational analysis to each site and provided "Stress Check Feedback Training" to all managers in order to raise awareness about building an even more vibrant workplace. Individual consultations were provided to departments experiencing difficulties in order to improve the workplace environment. In addition, a new category named "Health Care" was added to the e-learning program to help each and every employee achieve a healthier mind and body by offering information.

[Click here for related information](#)

> [Human Rights Initiatives](#)

Practical Mental Health Care Results

	FY2018	FY2019	FY2020	FY2021
Stress Check Response Rate (%)	91.6	93.3	96.4	94.5



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Occupational Health and Safety

Occupational Health and Safety Management

Basic Policy

Sumitomo Forestry Group established the Sumitomo Forestry Group Occupational Health and Safety Policy in order to further improve occupational health and safety activities in its corporations in August 2021. Based on the fundamental concept of "SAFETY FIRST" and the implementation of the policy, we seek to create a thriving workplace by maintaining a healthy and safe work environment.

We also require each and every employee to work on a daily basis to pursue Occupational Health and Safety as the foundation of corporate management, in accordance with this policy.

The policy reflects the expectations of stakeholders for quality improvement, which were gathered through a questionnaire survey of Group employees on their quality values and activities, as well as interviews with internal executives, senior managers, and major business partners.

In addition, Sumitomo Forestry has established Rules for Safety and Health 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.



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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

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Occupational Health and Safety Management System

Promotion System

Sumitomo Forestry Group has established Quality Control and Worker Safety Management Department as an office directly under the president strives to consistently improve product and service quality and eradicate occupational accidents. The office provides guidance and advice to the entire Group in Japan and overseas, as well as developing and strengthening the quality and occupational health and safety management system. In addition, the Sustainability Committee considers and reports on important occupational health and safety issues that affect the entire Group. We conducted a survey of the current status of quality management systems at 62 Group companies in Japan and overseas in fiscal 2021 and presented the findings at the Sustainability Committee and other entities.

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.

We have established individual policies and manuals for safety and health management in each of our businesses, such as Forestry, Manufacturing, Environment and Energy, and Housing, based on the characteristics of each business, aiming to prevent accidents at work sites and ensure workers' health.

Awareness education in the Company

To encourage deeper awareness and understanding among Group employees, posters were delivered to all our workplaces, branches, and offices, as well as offices and plants of Group companies in Japan and overseas, in accordance with the establishment of the "Occupational Health and Safety Policy." The slogan posters represent the president's own opinions on occupational health and safety and quality for the Sumitomo Forestry Group as a whole. "SAFETY FIRST" means that the safety shall be put at the first place, and it applies to all of the Group's businesses and occupations. Sumitomo Forestry Group Occupational Health and Safety Policy is regularly disseminated to all employees through the Sumitomo Forestry Group Handbook and the business intranet, in addition to posting policy posters in easily visible locations.



Sumitomo Forestry Group "SAFETY FIRST, ZERO DEFECTS" slogan poster



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ISO 45001 Certification and Human Resource Development

Sumitomo Forestry Group is promoting ISO 45001 Occupational Health and Safety Management System certification and ISO 45001 "Declaration of Self-Conformity*". In order to develop human resources, we provide training for internal auditors, including Group employees, in addition to supporting the implementation of internal audits and training sessions for companies considering the introduction of internal audits. We hosted an ISO 45001 internal auditor training seminar in fiscal 2021, which was attended by 37 employees. In addition, we have established a "Occupational Health, Safety and Quality" course on our intranet e-learning site, as well as a new course on ISO management systems and ISO 45001 management systems to promote safety and health education.

We will continue to strengthen our safety system, by providing guidance and advice to the entire Group.

In addition, occupational safety-related certificates have been obtained by 31.4% of Sumitomo Forestry Group manufacturing businesses (based on sales).

* Self-Conformity Declaration: An ISO-based management system has been established, operated, and conformed to by the Company.

Acquisition Status of Occupational Health and Safety Certifications at Each Group Company

Company	Country	Type of certification	Date acquired	Date renewed
Environment and Energy Department, Sumitomo Forestry	Japan	ISO45001:2018	August 2021	-
Sumitomo Forestry Crest	Japan	ISO45001:2018	February 2013	February 2022
PT. Rimba Partikel Indonesia (RPI)	Indonesia	ISO45001:2018	March 2019	July 2021
Kutai Timber Indonesia (KTI)	Indonesia	ISO45001:2018	January 2020	-
Nelson Pine Industries (NPIL)	New Zealand	ISO45001:2018	October 2019	-

Targets and Performance Concerning Occupational Injuries

In the Mid-Term Sustainability Targets as part of the Sumitomo Forestry Group Mid-Term Management Plan, Sumitomo Forestry Group sets critical targets by fiscal 2024 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.

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Occupational Injuries (Non-Consolidated)*1*2

	FY2018	FY2019	FY2020*5	FY2021
Number of occupational injuries (incidents)*3	2	1	1	2
Lost-time injury frequency rate*4	0.2	0.2	0.29	0.19
Work-related illness frequency rate	0	0	0.29	0

*1 The aggregation period for fiscal 2020 onwards is January to December of each year, and the aggregation period before fiscal 2019 is April of each year to March of the following year.

*2 One fatal occupational injury in fiscal 2020.

*3 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 (including the number of cases in which applications for compensated absences from work are pending)

*4 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

*5 Figures for fiscal 2020 have been retroactively adjusted due to the approval of workers' compensation.

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Occupational Health and Safety

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.



Safety Conference (Osaka Office)

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.

In fiscal 2021, the Safety and Health Convention was held twice, once at the Mombetsu forestry office and once at the Osaka Plant, with a total of four suppliers (12 participants) in attendance, due to the impact of COVID-19. Various themes were discussed with relevant parties to deepen mutual understanding, including occurrence of forestry work-related accidents, occupational safety measures in forest activities, heat stroke prevention, and wood and forestry in the context of climate change.

In fiscal 2021, there were 2 instances of occupational injury requiring payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act in Sumitomo Forestry-owned forests. As a result, with the contractors involved, response measures to prevent recurrence were discussed and agreed. Additionally, warnings were issued to other contractors through the Workplace Safety Conferences.

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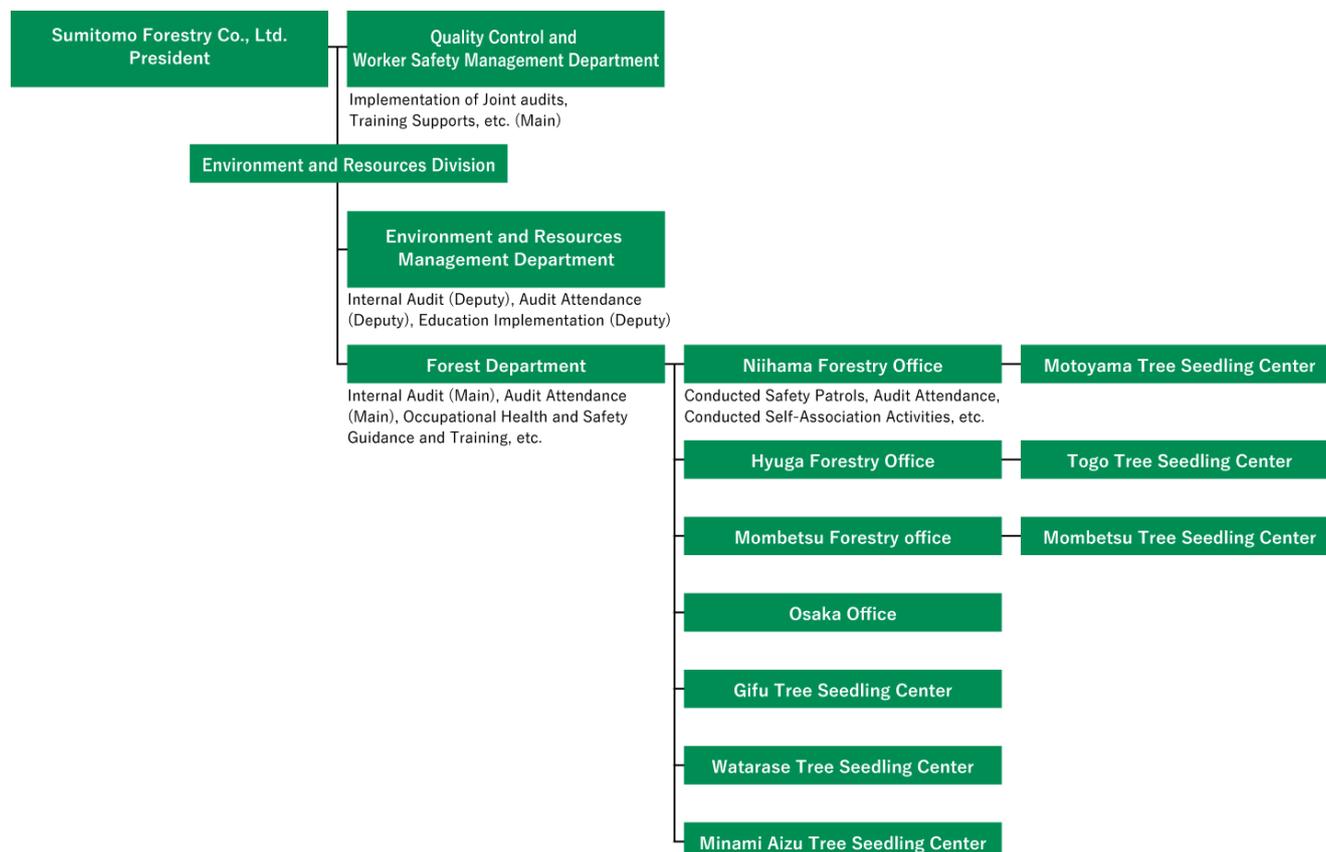
Number of Occupational Injuries Involving Contractors at Forestry Work Sites in Company-Owned Forests

FY2018	FY2019	FY2020	FY2021
4	1	1	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.

* The aggregation period for fiscal 2020 onwards is January to December of each year, and the aggregation period before fiscal 2019 is April of each year to March of the following year.

Occupational Health and Safety Management System Chart of Forest Department



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Initiatives of ISO 45001 Self-Conformity Declaration

Sumitomo Forestry's Forestry Department, which is responsible for forest management in Company-owned forests in Japan, which cover approximately 1/800th of the domestic land area, has been working with contractors to raise awareness of occupational accident prevention by developing our own occupational safety management manual, introducing mechanization, and introducing drones for transporting sapling materials. Among all industries in Japan, the forestry industry has the greatest rate of work-related accidents. We adopted the ISO 45001 Occupational Health and Safety Management System in fiscal 2021, to improve safety initiatives and raise awareness of safety, and the Forestry Department head office and Niihama Forestry Office have declared themselves "Self-compliant". In the future, we plan to seek certification from an external review institute to further strengthen safety and health management in our Company-owned forestry and nursery operations.



Logging contractors using heavy machinery to collect timber in Company-owned forests (Niihama 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 [OBT], Mayangkara Tanaman Industri [MTI], Wana Subur Lestari [WSL] and Tasman Pine Forests [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.

At each company, (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.

Due to frequent occurrences of worker negligence and insufficient safety checks around the work site, number of work-related accidents increased by 13 cases in fiscal 2021, compared to fiscal 2020. Number of accidents caused by carelessness of chainsaw handlers was the highest, thus Occupational Safety and Health Training Sessions for chainsaw handlers were held as measures to prevent of recurrence and to enhance safety awareness.

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Number of Occupational Injuries Involving Contractors at Forestry Work Sites

FY2018	FY2019	FY2020	FY2021
1	3	3	15

* The number of work-related accidents resulting in payment of compensation benefits for absence from work (four or more days of lost worktime) in accordance with the Japanese Industrial Accident Compensation Insurance Act is disclosed.

Measures against COVID-19 Infections in overseas plantation forest

Each company has established its own guidelines for Measures against COVID-19 infections and has implemented measures to prevent infection at each overseas afforestation site. Monthly antigen tests are conducted for clinics that support local medical care, as well as store personnel and executives who have frequent contact with people, in addition to basic measures such as handwashing and wearing masks.

In Indonesia, PT. Wana Subur Lestari (WSL), PT. Mayangkara Tanaman Industri (MTI), and PT. Kubu Mulia Forestri (KMF) have developed their own guidelines for COVID-19 infection and have implemented infection control measures.

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. Employees also manufactured handmade masks, which were delivered to workers at the lands for plantation business.

In Papua New Guinea, OBT assisted the Health Department in mass vaccinations of local residents in remote areas by arranging transportation, accommodation, and other services.

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 COVID-19.



Group vaccination



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Occupational Health and Safety

Occupational Health and Safety in Environmental Energy Business

Environmental Energy Business Initiatives

In addition to safety patrols by employees, the Environment and Energy Department and the Quality Control and Worker Safety Management Department conduct annual internal audits at the fuel chip plant of the Environment and Energy Business to prevent occupational accidents for employees and business partners who enter and leave the plant. Improvements and corrections are made at the work site.

In fiscal 2021, there were 3 instances of occupational injury requiring payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act at the work sites of our environmental and energy business. 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.

Number of occupational accidents involving employees and contractors at work sites in environmental energy business

FY2018	FY2019	FY2020	FY2021
0	0	3	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.

* The aggregation period for fiscal 2020 onwards is January to December of each year, and the aggregation period before fiscal 2019 is April of each year to March of the following year.

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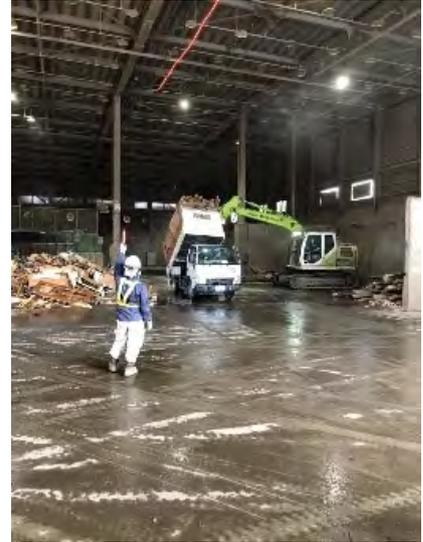
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Occupational Health and Safety System for Environmental Energy Business

The company is responsible for comprehensive management of health and safety of consolidated subsidiaries such as Mombetsu Biomass Electric Power, Hachinohe Biomass Electric Power, Okhotsk Bio Energy, Michinoku Bio Energy, and Japan Bio Energy, as well as equity method associated Kawasaki Biomass Electric Power, Tomakomai Biomass Power, and Kanda Biomass Energy. The Group also performs quarterly disaster drills, frequent inspections of firefighting equipment, and safety training to confirm progress, in addition to reporting occurrence of occupational injuries and sharing information how to prevent recurrence at monthly meetings. For example, we installed laser lights on the ceiling, so that drivers can see the truck stop location through mirrors. We have discovered risk of accidents when an inductor stands behind a truck and are taking countermeasures.



Health and Safety Risk Assessment

"ISO45001:2018" Certification

ISO45001 Self-Conformity Declaration* was implemented by Japan Bio Energy in February 2020. As Sumitomo Forestry's environment and energy department, Japan Bio Energy, Sumitomo Forestry's management department of the Environment and Resources Division, and Quality Control and Worker Safety Management Department jointly acquired ISO45001:2018 certification in August 2021. ISO45001 is an international standard for the Occupational Safety and Health Management System, entered into force by the International Organization for Standardization (ISO) in March 2018, with the aim of reducing possibility of labor accidents and associated management risks.



ISO45001 On-site Audit

By utilizing the ISO45001 scheme, management system for occupational health and safety is systematized, making it possible to discover problems at an early stage, deal with them, and implement effective preventive measures. A decrease in workplace accidents will lead to a reduction in both human and economic losses.

* Declaration of Self-Conformity: An ISO-based management system has been established, operated and adapted by the company.



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Occupational Health and Safety

Occupational Health and Safety in the Manufacturing Business

Occupational Health and Safety in Domestic Manufacturing Business

Sumitomo Forestry Crest's Occupational Health and Safety Policy is to provide its employees and subcontractors with a workplace environment that aims for "Zero Accidents to Zero Hazards". To accomplish this, we are working to develop a system that allows all employees to make continuous improvements, and employees at each plant proactively report near-miss incidents (410 reports and 506 employees in fiscal 2021) to the Health and Safety Committee, as well as other small group activities (TPM activities) in the workplace to exchange opinions and implement the PDCA process. Management cycle of PDCA is used to improve the efficiency of manufacturing activities while reducing risk.

As a result of these initiatives, number of work-related accidents in fiscal 2021 was zero. Based on the fundamental concept of "SAFETY FIRST", Sumitomo Forestry Group will continue to strive to create a thriving workplace by maintaining a healthy and safe work environment in the future.

Safety Objectives

1. Safety and health activities to attain zero occupational accidents

Improvement of Risk prediction ability through continuous safety education, establishment and implementation of forklift safety standards, collection and implementation of near-misses and improvement suggestions, thorough risk assessment and risk reduction

2. Maintain an appropriate working environment

Measurement of working environment, health checkups (Including special health checkups), and planning of measures against heat stroke or COVID-19

3. Fire safety precautions

Inspection of fire-prevention facilities, as well as the preparation and implementation of such plans

4. Consideration of issues based on internal and external demands and expectations

Reduction of long working hours, traffic safety training, etc.



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Safety and Health Management System

Occupational Health and Safety Management System (OH&S-MS) has acquired ISO 45001 certification in its operation. The OH&S-MS promotion staff at each plant is in striving for meeting targets and tracking progress. To ensure workplace safety, the Safety & Environment Department, which serves as the secretariat, coordinates activities of each facility and communicates health and safety information with Sumitomo Forestry Group overseas manufacturing enterprises.

Each plant appoints a general health and safety manager in compliance with the Occupational Health and Safety Law as part of our health and safety management system, and a Health and Safety Committee meeting is held once a month with these members playing a prominent role. Past workplace accident cases, near-miss reports, and traffic safety training are discussed in the Safety and Health Committee meetings.

Number of Occupational Injuries in the Manufacture of Wood Building Materials in Japan

FY2018	FY2019	FY2020	FY2021
0	0	1	0

* 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.

* The aggregation period for fiscal 2020 onwards is January to December of each year, and the aggregation period before fiscal 2019 is April of each year to March of the following year.

Safety and Health Improvement Activities, etc.

Regular workplace safety patrols are conducted at each plant to identify risks and make improvements. Near-misses and risk assessments are conducted on some of the identified risks, which are then horizontally distributed to other departments and basic safety measures are adopted to prevent accidents.

Risk assessments are conducted whenever new equipment is introduced or production lines are changed, with the aim of preventing employee hazards and health problems. We seek to ensure workplace safety by evaluating potential hazards in equipment and operations and implementing measures to reduce the risk level.

In analyzing the incidents of workplace accidents that have occurred, it is apparent that they were caused by a lack of safety precautions as a result of acts that were not expected in ordinary work, and were not identified as potential sources of danger. It is vital to identify hazard sources from various perspectives and increase sensitivity to hazards to recognize potential dangers.

We are focusing on improvement activities since there are many incidents of work-related accidents involving forklift operations that result in serious damage. We've been holding monthly review meetings to assess forklift safety measures since December 2020. We are assessing physical measures such as buzzer loudness and separating traffic lines from pedestrians, in addition to soft measures like safety training, which we have been implementing, in order to create a safer work environment.

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Sumitomo Forestry Crest has been engaged in total productive maintenance (TPM) activities. All factory employees, without exception, have a role to play and are involved in the organization through 3 basic activities such as "All Member Participation", "Voluntary Conservation", and "Zero Loss". One of our main objectives is to achieve zero work-related accidents by implementing safety activities such as "Hiyari-Hatto" (Equiv. near miss) and safety compliance, etc., and we are working toward this goal on a daily basis.



Vehicles and pedestrians will be separated by safety fencing.

Safety education and training etc.

We conduct safety training when employees are assigned to a plant to enhance their awareness of safety by teaching them on the purpose of wearing protective equipment and the rules for safe work. We also provide external instructor training and safety simulation training when working with highly hazardous equipment such as forklifts, knives, and other rotating objects to educate staff of the dangers associated in routine work.

Occupational Health and Safety in Overseas Manufacturing Business

We strive to create and maintain a safe and healthy work environment under the basic idea of "SAFETY FIRST", and the entire overseas manufacturing companies are working together under the basic policy of "creating manufacturing sites with respect for human life and safety first". In particular, we are developing activities focusing on risk assessment and risk prediction training (KYT), as well as sharing examples and activities among plants to achieve a safe workplace environment for the entire company.

Safety Objectives

Overseas manufacturing companies have set a safety goal and are promoting safety and health activities with the goal of Elimination of serious work-related accidents (Absence from work for 4 or more days) as a safety target, among which "Eliminating forklift accidents" and "Eliminating accidents involving rotating objects like knives" are priority initiatives.



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Safety and Health Management System

A safety and health officer is assigned to an overseas manufacturing company, and a safety and health committee is held every month to report on work-related accidents that have occurred, formulate countermeasures, analyze causes and formulate countermeasures for unsafe behaviors reported by safety patrols and Hiyari-Hatto (Equiv. near miss), as well as check the status of various safety improvement activities, risk prediction training (KYT), and risk assessment activities.

Sumitomo Forestry also conducts periodic safety audits to ensure that the safety and health management systems of each manufacturing company are in good order. In fiscal 2021, we were unable to conduct on-site audits due to COVID-19, so we conducted remote safety audits using a videoconferencing system. We will promote even more enhanced remote safety assessments in fiscal 2022, including the use of wearable cameras, in the event on-site audits are not practicable.

Number of Occupational Injuries in the Manufacture of Wood Building Materials in Overseas

FY2018	FY2019	FY2020	FY2021
10	9	12	8

* The number of work-related accidents resulting in payment of compensation benefits for absence from work (four or more days of lost worktime) in accordance with the Japanese Industrial Accident Compensation Insurance Act is disclosed.

* Total of 6 companies (consolidated companies) of Nelson Pine Industries (NPIL), Kutai Timber Indonesia (KTI), AST Indonesia (ASTI), Sinar Rimba Pasifik (SRP), Canyon Creek Cabinet (CCC), and Vina Eco Board (VECO)

Occupational Health and Safety Initiatives

The following are the details of the priority initiatives.

(1) Elimination of work-related accidents caused by forklifts

We promote physical measures, like maintenance of forklift workers (Running speed control, buzzer loudness, line mark display function when moving backward), separation of flow lines between forklifts and people, etc. As for educational measures, we provide abolition of collaborative work during cargo handling, safety education for workers around forklifts, and safety precautions for rotating objects like blades.

(2) Elimination of work-related accidents caused by rotating objects like blades

We are installing safety covers and improving measures for rotating parts (Such as the introduction of a braking function to prevent accidents during inertial rotation after halting), as well as the upkeep of safety work standards and training.

In addition, we conduct "Risk Assessment" to eliminate sources of danger and "Risk Prediction Trainin" (KYT 4-round approach) to prevent people from engaging in risky behaviors and share the details of these activities among manufacturing companies.

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Risk prediction training for local employees at Indonesian manufacturers

Occupational Health and Safety Education

Overseas manufacturing companies conduct Occupational Health and Safety Education based on an annual health and safety plan, and Sumitomo Forestry monitors the implementation status every month and follows up.

In addition, Sumitomo Forestry has established e-learning courses, providing education for Japanese employees working aboard or who are scheduled to work at overseas manufacturing companies, such as the Zero Accident Alliance Campaign, Risk prediction training, and Risk Assessment.

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Sumitomo Forestry Group Manufacturing Business Safety Meeting Held

Sumitomo Forestry and its domestic and overseas manufacturing companies held a safety convention in March 2022, with the goal of "stimulating activities to prevent occupational accidents" and "raising awareness of safety and health". Manufacturing sites in Japan, Indonesia, Vietnam, and other countries were connected online.

The participants verified the activity policy for fiscal 2022, reviewed past work-related accidents and fires in the Group, shared case study for safety initiatives at each company, and presented awards for outstanding safety initiatives at the convention. In addition, we had a lecture from the Central Safety and work-related accident Prevention Association to raise awareness of safety and health.

This was the first time the event had been staged on such a large scale, and it was a significant stimulus to each company. In the future, we will continue the competition to reduce serious accidents and foster a safety culture inside the Group.



Safety conference

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Occupational Health and Safety

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 homes, 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

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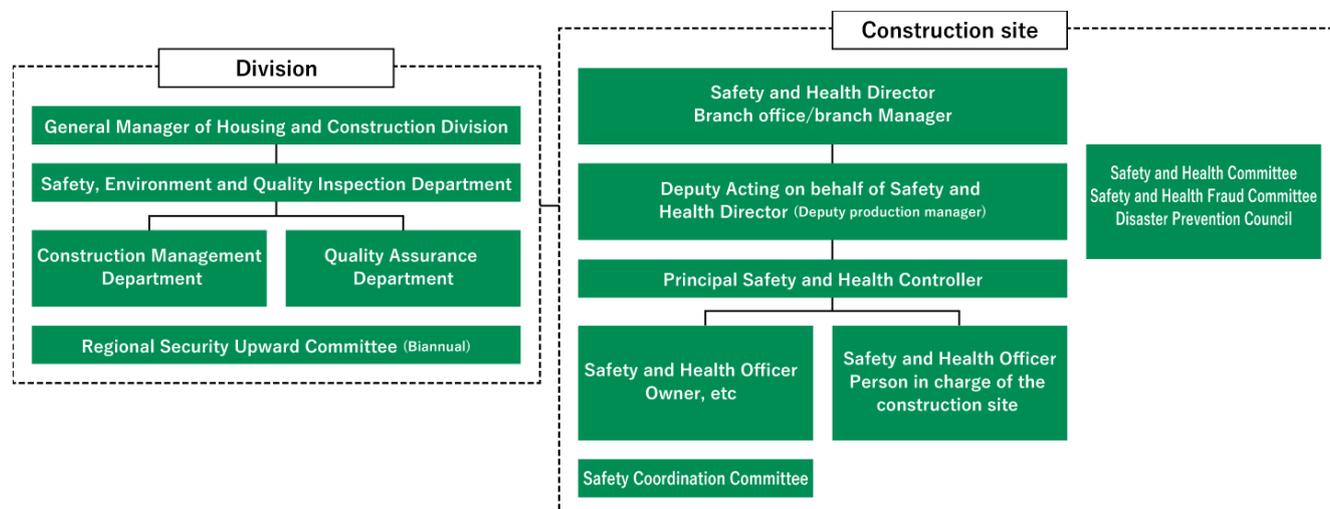
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Occupational Health and Safety System for Housing and Construction Business Site



Occupational Injuries of Contractors on Housing Construction Sites^{*4}

	FY2018	FY2019	FY2020	FY2021
Number of occupational injuries ^{*1}	9	20	21	24
1000-building rate ^{*2}	1.12	2.56	2.62	2.77
Lost-time injury frequency rate ^{*3}	2.79	4.13	5.12	3.49
Work-related illness frequency rate	0	0	0	0

*1 Disclose number of work-related accidents with 4 or more days of lost worktime (including sole proprietorship, excluding commuting accidents)

*2 1000-building rate=Number of work-related accidents with 4 or more days of absence per 1000 buildings

*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 aggregation period for fiscal 2020 onwards is January to December of each year, and the aggregation period for fiscal 2019 and before is April of each year to March of the following year.

[Click here for related information](#)

> Occupational Injuries

> About symbol for Independent assurance

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Training Designed to Improve Awareness for Occupational Health and Safety

Reports and feedback of safety and quality inspections as well as safety and health patrol are made by holding regular safety and health council meetings at the Housing and Construction Division, each branch, and branch office. We also provide safety and health training with concrete examples for safety and health managers, construction site safety and health supervisors (contractors), and personnel in various occupations. Special education (Article 59, Paragraph 3 of the Industrial Safety and Health Act) is provided for securing safety of work using the fall prevention equipment (full harness safety belts) 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.

In the past three years, we have held 208 special training sessions on full-harness safety belt, which became mandatory in January 2022, with 7,149 trainees in attendance. In addition, we plan to introduce three new original safety and health training programs in fiscal 2022 (training for workers handling circular saws and nailers, safety and health training for sole proprietorship, and training to improve the skills of supervisors and safety and health managers).

This course provides more practical knowledge of safety and health at Sumitomo Forestry housing construction sites, than standard special training courses provided by external organizations.

* Grinder: An electric tool to cut by rotating a grinding stone



Special Circular Saw Education



Full Harness Special Training



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Special Training Condition

Project Name	FY2019		FY2020		FY2021	
	No. of events held	No. of participants	No. of events held	No. of participants	No. of events held	No. of participants
Training for supervisors and health and safety managers	7	154	2	77	1	21
Safety training for workers handling circular saws	6	132	4	124	8	218
Special training for replacing free grinding wheels	6	131	7	171	9	242
Special training for workers engaged in assembly of scaffolding, etc.	2	38	1	14	1	1
Special training on the use of full-harness safety belts	26	1,203	88	3,084	94	2,862
Total	47	1,658	102	3,470	113	3,344

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 have created posters and put them up around work sites to constantly alert all concerned parties.

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.

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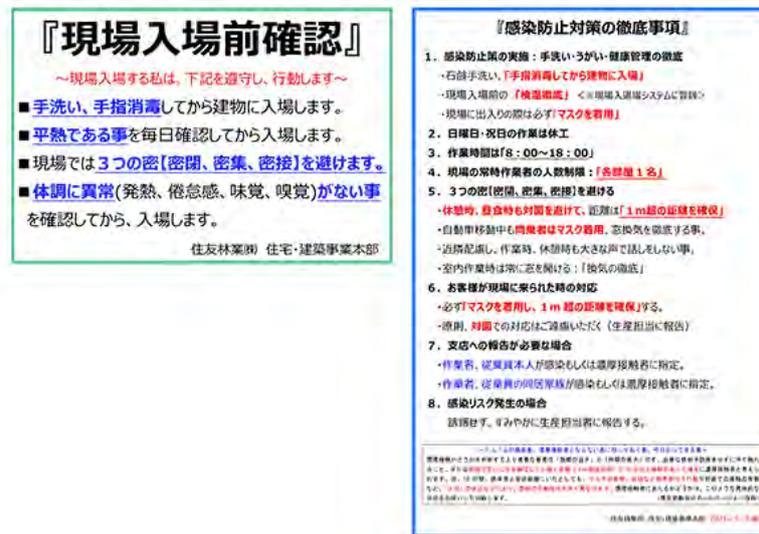
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The posters for call for attention



Safety Training for 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.

Sumitomo Forestry conducts safety training throughout Japan by visiting building and demolition contractors throughout Japan. Sumitomo Forestry promotes safety and environmental activities onsite by offering the aforementioned specific training and other direct guidance to workers, ensuring that they comprehend the Company's direction of "Penetration of Safety Culture".

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.

In addition, 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.

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Safety and Quality of Products and Services

Product and Service Safety as well as the Quality Management

Basic Policy

Sumitomo Forestry Group established Sumitomo Forestry Group Quality Policy in order to further strengthen quality in its corporate activities in August 2021. Through pursuit of "ZERO DEFECTS" and implementation of new initiatives, we seek to provide reliable products and services that bring joy to our customers.

We also require each and every employee to work on a daily basis to improve quality as the foundation of corporate management, in accordance with this policy.

The policy reflects the expectations of stakeholders for quality improvement, which were gathered through a questionnaire survey of Group employees on their quality values and activities, as well as interviews with internal executives, senior managers, and major business partners.



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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

Quality Management System

Promotion 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.

Sumitomo Forestry Group has established Quality Control and Worker Safety Management Department as an office directly under the president strives to consistently improve product and service quality and eradicate occupational accidents. The office provides guidance and advice to the entire Group in Japan and overseas, as well as developing and strengthening the quality and occupational health and safety management system. In addition, the Sustainability Committee considers and reports on important quality issues that affect the entire Group. We conducted a survey of the current status of quality management

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systems at 62 Group companies in Japan and overseas in fiscal 2021, and presented the findings to the Sustainability Committee and other entities.

Awareness education in the Company

To encourage deeper awareness and understanding among Group employees, posters were delivered to all our workplaces, branches, and offices, as well as offices and plants of Group companies in Japan and overseas, in accordance with the establishment of the "Quality Policy". The slogan posters represent the president's own opinions on occupational health and safety and quality for the Sumitomo Forestry Group as a whole. "ZERO DEFECTS" means "Zero Defects, Zero Shortcomings, Zero Inadequacies", and it applies to all of the Group's businesses and occupations. Sumitomo Forestry Group Quality Policy is regularly disseminated to all employees through the Sumitomo Forestry Group Handbook and the business intranet, in addition to posting policy posters in easily visible locations.



Sumitomo Forestry Group "SAFETY FIRST, ZERO DEFECTS" slogan poster

ISO 9001 Certification and Human Resource Development

Sumitomo Forestry Group is promoting ISO 9001 management system certification and ISO 9001 "Self-Conformity Declaration*¹". In order to develop human resources, we provide training for internal auditors, including Group employees, in addition to supporting the implementation of internal audits and training sessions for companies considering the introduction of internal audits. We hosted an ISO 9001 internal auditor training seminar in fiscal 2021, which was attended by 51 employees.

In addition, we have established a "Occupational Health, Safety, and Quality" course on our intranet e-learning site, as well as a new basic course on ISO management systems and ISO 9001 management systems to promote education for quality improvement. We will continue to offer guidance and advice to the entire group to develop and strengthen the system for quality improvement and promote quality-related human resource development initiatives.

In addition, occupational quality-related certificates have been obtained by 80.7% of Sumitomo Forestry Group manufacturing businesses (based on sales).

* Self-Conformity Declaration: An ISO-based management system has been established, operated, and conformed to by the Company.

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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	Japan	ISO9001:2015	September 2015	August 2018
Sumitomo Forestry Crest	Japan	ISO9001:2015	March 1999	November 2019
Environmental Greenification Division, Sumitomo Forestry Landscaping	Japan	ISO9001:2015	September 2002	September 2020
The Agro-Products Division, Sumitomo Forestry Landscaping	Japan	ISO9001:2015	March 2020	-
Sumitomo Forestry Home Engineering	Japan	ISO9001:2015	March 2006	March 2021
Sumitomo Forestry Home Tech	Japan	ISO9001:2015	March 2017	March 2020
Cohnan Kensetsu *1	Japan	ISO9001:2015	September 2011	March 2020
Nelson Pine Industries (NPIL)	New Zealand	ISO9001:2015	July 1993	October 2019
Kutai Timber Indonesia (KTI)	Indonesia	ISO9001:2015	September 1997	September 2019
Rimba Partikel Indonesia (RPI)	Indonesia	ISO9001:2015	June 2003	March 2022
AST Indonesia (ASTI) the first factory	Indonesia	ISO9001:2015	October 2002	October 2020
AST Indonesia (ASTI) the second factory	Indonesia	ISO9001:2015	January 2022	—
Vina Eco Board (VECO)	Vietnam	ISO9001:2015	March 2014	March 2020
Canyon Creek (CCC)	United States	ISO9001:2015	August 2003	March 2022

*1 Joined the Sumitomo Forestry Group in January 2021

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Acquisition Status of Product Certifications at Each Group Company

Group companies	Country	Type of certification	Date of certification renewal
Nelson Pine Industries (NPIL)	New Zealand	JAS (LVL)	June 2021
		JIS certification: (MDF)	June 2021
		CARB certification (MDF)* ²	December 2021
		EPA certification (MDF)* ²	August 2021
Kutai Timber Indonesia (KTI)	Indonesia	JAS (Plywood, LVL, laminated engineered wood)	August 2021
		Q-Mark (Door blanks)	June 2021
		CARB certification (PB)	October 2021
		EPA certification (PB)	October 2021
		CARB certification (Plywood)	October 2021
		EPA certification (Plywood)	October 2021
		CE Marking (Plywood)	July 2021
Rimba Partikel Indonesia (RPI)	Indonesia	JIS certification: (PB)	March 2022
		CARB certification (PB)	February 2022
		EPA certification (PB)	February 2022
Sinar Rimba Pasifik (SRP)	Indonesia	JAS (Flooring/laminated engineered wood)	November 2021

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Group companies	Country	Type of certification	Date of certification renewal
Vina Eco Board (VECO)	Vietnam	CARB certification (PB)	July 2021
		EPA certification (PB)	July 2021
		JIS certification: 2014 (PB)	December 2018

*2 Formaldehyde emission standards for specific wood products stipulated by the California Air Resources Board (CARB) and the United States Environmental Protection Agency (EPA)



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Safety and Quality of Products and Services

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 continuous 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 Business

Initiatives in Product Safety and Quality Control

Sumitomo Forestry Crest has established a quality policy based on ISO 9001 as described below. Each facility 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.

[Click here for related information](#)

> [Sumitomo Forestry Group Quality Policy](#)

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Sumitomo Forestry Crest's Quality Targets

Sumitomo Forestry Crest has set the following quality targets for fiscal 2022 based on results of the ISO 9001 top management review.

1. Reduction of error claims
2. Implementation of risk assessment according to risk degree of development
3. Thorough management of change points
4. Assessment of check items including testing during design review
5. Development of material-saving construction and implementation of construction verification

Product Safety and Quality Management System

Sumitomo Forestry Crest conducts sampling inspections for each product lot by dedicated quality staff in charge on an integrated production line from raw material selection through processing and coating. Sumitomo Forestry Crest has formed its own quality standards in addition to complying to JIS, JAS, and other standards in order to achieve a higher quality. In addition, Sumitomo Forestry Crest's four factories are also equipped with quality verification facilities specific to the items they produce. Furthermore, they collaborate with the Tsukuba Research Institute, a research institute of Sumitomo Forestry Group, to conduct durability testing under severe operating conditions. Quality management is carried out anticipating the next 10 to 20 years.

Sumitomo Forestry Crest utilizes a quality information management system to represent customer opinions and demands at the production site. In addition, the company has established a system in which, in the event that information on serious defects related to product safety and quality is obtained, a report is delivered from the person in charge to the President within two hours through the emergency contact network, ensuring that manufacturing is carried out in a manner that leverages the information.

Quality Management System

Sumitomo Forestry Crest has been operating with integrated ISO 9001 at its facilities 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 facilities 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.

Product Certification

Sumitomo Forestry Crest provides wood building materials that meet 4VOC* and formaldehyde emission regulations, as well as JAS certification and ministerial certification, to provide safe and comfortable homes. In addition, we have produced items that have been certified by the Minister of State for their fireproof performance, as well as products certified by SIAA (The Society of International sustaining growth for Antimicrobial Articles) for their antibacterial and antiviral performance.

* 4VOC: (1) toluene, (2) xylene, (3) ethylbenzene, and (4) styrene emitted from building materials

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Promotion of Quality Improvement Activities Based on Quality Promotion Targets

Sumitomo Forestry Crest assigns a specialized quality control manager to each facility to ensure daily quality control and promotes activities for quality improvement, aimed at the quality targets at each facility and division. In addition, we are trying to improve and maintain the management system at each facility and subcontractor plant. We've been able to reduce the number of error claims by more than 40% compared to fiscal 2018, by applying measures including human error measures and adhering to work standards and QC process charts. In addition, quality control managers from each facility conduct mutual quality audits in other facilities in order to maintain and improve quality.



Quality Check in Facility

Responsiveness to Customer Needs, Product Development, and Service

Sumitomo Forestry Crest strives for overall quality throughout the entire space to fulfill customer expectations, from visual aesthetics to simplicity of construction to comfort. Sumitomo Forestry Crest is devoted to developing "genuine" products that delight customers by harnessing its development capabilities, which only Sumitomo Forestry Crest can provide because of its in-depth understanding of the value of wood as a natural material.

Light, Low-Cost and Attractively-Designed Wooden Fire-Prevention Door Using Balsa

Sumitomo Forestry Co., Ltd. has launched 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, Kutai Timber Indonesia (KTI).



Own branded wooden fire-prevention doors made from balsa

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Product Safety and Quality Control in the Overseas Manufacturing Business

Initiatives and Framework for Product Safety and Quality Control

Our overseas manufacturing companies have established specific quality targets and activity plans in line with our quality policy, and are working to increase quality and customer satisfaction in accordance with ISO 9001. In addition, we have obtained product certifications such as JIS and JAS, and have formulated quality control policies and standards in accordance with those certification requirements. We conduct quality control on our products in compliance with these policies and standards, and we strive to enhance our quality control system on a regular basis through external organizations and periodic internal audits.

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

Quality Management System

Overseas manufacturing companies have established a quality management system based on ISO 9001. Monthly quality meetings are held to report and address quality complaints, identify reasons and measures for in-process and final product defects, and share quality improvement activities.

Sumitomo Forestry is dedicated to establishing contact channels with its customers in Japan, and also involved in the upkeep of JIS and JAS certificates, as well as the monitoring of compliance with these certifications and assisting with the upkeep of other necessary certifications. Furthermore, the Tsukuba Research Institute, a research institute of Sumitomo Forestry Group's, offers guidance and support on basic testing and manufacturing technologies for product development and quality improvement.

Click here for related information

[Acquisition Status of Quality
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Safety and Quality of Products and Services

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 Act on the Promotion of Long-life Quality Housing 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.



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Product Safety and Quality Management in the Housing and Construction Business



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 2021, under the Japanese Housing Performance Indication System, implementation rate^{*2} of Design Performance Evaluation reached 99.5%, Implementation of Construction Performance Evaluation reached 99.3%, and the acquisition of Long-life Quality Housing Certification reached 94.9%.

*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, January 01, 2021 - December 31, 2021) in the Housing and Construction Division

Japanese Housing Performance Indication System Implementation Rate*

	FY2018	FY2019	FY2020	FY2021
Design Performance Evaluation	99.0%	99.1%	99.4%	99.5%
Construction Performance Evaluation	98.4%	98.8%	99.3%	99.3%

* The aggregation period for fiscal 2020 onwards is January to December of each year, and the aggregation period before fiscal 2019 is April of each year to March of the following year.

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Long-life Quality Housing Certification

Sumitomo Forestry sets the standard specifications for its Sumitomo Forestry Homes to exceed the highest level of Long-life Quality 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 Long-life Quality Housing for New Custom-Built Housing*

	FY2018	FY2019	FY2020	FY2021
Ratio of Houses Certified As Long-life Quality Housing for New Custom-Built Housing	93.8%	94.4%	94.7%	94.9%

* The aggregation period for fiscal 2020 is April to December of each year, and the aggregation period before fiscal 2019 is April of each year to March of the following year.

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	Equivalent to highest level 3
		Measures to allow regular inspection	
Seismic Resistance	Strong to earthquake	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

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

* The higher the rated level, the better evaluated

Framework for Product Safety and Quality Control



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



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



A dedicated designer responsible for the work



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



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



Construction Management

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- 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



Corner Brace Panels

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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.



Hyper Panels

Construction Method (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.

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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

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.

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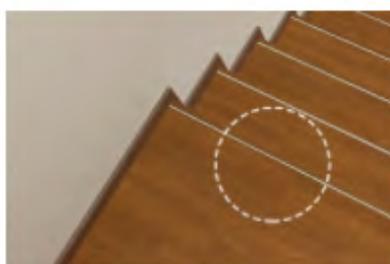
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In addition, anti-virus requirements are utilized for the handrails at the entrance, stairs, and toilets, which are frequently handled on a regular basis, and antibacterial specifications are used for coping in front of the kitchen near cooking area.

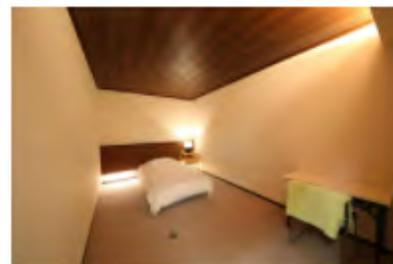
Furthermore, Sumitomo Forestry is placing its strength in the design of living spaces to satisfy the needs of customers such as development of stairs with enhanced visibility, heat shocks, and the Air-Dream Hybrid total air conditioning system that reduces house dust and realizes a comfortable space 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.



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)

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Safety and Quality of Products and Services

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

Initiatives 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 nonresidential fields such as commercial complexes and public facilities. The MOCCA (timber solutions) Business of the Construction Business Sub-Division, Housing and Construction Division, 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. Each plant sets tangible quality targets and a business expansion plan to attain maintained safety and enhanced product quality.

[Click here for related information](#)

> [Sumitomo Forestry Group Quality Policy](#)

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

The MOCCA (timber solutions) Business of the Construction Business Sub-Division, Housing and Construction Division, 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.

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Awards received in fiscal 2021

- Contest for excellent use of wood in building facilities in fiscal 2021
Forestry Agency Director-General Award
Building name: Toho Gakuen Munetsugu Hall
Constructor: Joint Venture of Maeda Corporation and Sumitomo Forestry
Date of Award: October 29, 2021
- Wood Design Award 2021 Lifestyle Design Category
Building name: Toho Gakuen Munetsugu Hall
Constructor: Joint Venture of Maeda Corporation and Sumitomo Forestry
Date of Award: December 8, 2021
- Wood Design Award 2021 Lifestyle Design Category
Building Name: Tenobe Takadaya and Marukatsu Takada Shoten
Constructors: Sumitomo Forestry and Marukatsu Takada Shoten Corporation, graf
Date of Award: December 8, 2021
- Wood Design Award 2021 Heartful Design Category
Name of the building: Dogo Hot Springs, Katsuragi Koto no Niwa
Constructor: Joint Venture of Sumitomo Forestry and BRC Construction Company
Date of Award: December 8, 2021

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[External Recognition](#)



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Communication with Our Customers

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.

With spread of the new type of coronavirus disease(COVID-19), information dissemination through digital content has become a mainstay. Sumitomo Forestry is strengthening communication through digital content, such as live broadcasts of actual examples via SNS, which can be easily viewed as a means of disseminating information on home building, and the "MYHOME PARK" web content, which allows users to view the woodiness that characterizes Sumitomo Forestry homes, as well as technology, performance, ZEH, and design capabilities anytime and anywhere they like.

In addition, showrooms and exhibition sites where visitors can see and touch rich woody materials and other materials with their own eyes, as well as completed homes and structural sites, are individually guided with sufficient infection control measures.

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.

A Dedicated Team to Realize Your Ideal Home

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.

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In addition, customers are individually guided to actual construction sites and completed houses with adequate infection control measures, so that they can visualize a realistic home and realize their ideal home building. The website MYHOME PARK features videos showing actual construction sites under construction and completed homes, allowing visitors to experience Sumitomo Forestry's homebuilding in the comfort of their own homes.

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, each of the more than 1,000 carefully selected plans in "Forest Selection BF" is a concentrated collection of ideas for living that only Sumitomo Forestry can offer, allowing customers to choose a home that meets their needs and lifestyle from a wide range of options.

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

In addition, in response to changes in lifestyles caused by the spread of the COVID-19, we offer ideal homes with a variety of design capabilities that fully utilize the power of wood to help you concentrate and relax, so that you can comfortably enjoy your new daily life, including how you work and spend your time at home, and how you care for your health and cleanliness.



New everyday

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Model Homes/Showrooms

Sumitomo Forestry has expanded its model homes to roughly 280 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 Homes. 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.

Model Homes

The model homes offer a wide variety of one-, two-, and three-story structures so that customers can experience the appeal of a home that meets their needs.

1. High-quality Luxurious Wooden Spaces

Sumitomo Forestry's model homes use an abundance of famous Japanese and world-renowned precious woods for flooring materials, while walls, ceilings, and fittings are also designed with high-quality wood materials, allowing visitors to experience an overwhelmingly woody space. The wooden interior materials, which have been carefully selected and evolved by skilled craftsmen, are known as "PRIME WOOD," and provide a high-quality atmosphere that can only be experienced in the actual space.

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 model homes 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 Conscious 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 homes, such as a design to create airflow from the south to north of the home with wonderful light via deep eaves. Some model homes are equipped with the latest environmental equipment, such as solar power generation systems, household fuel cells, and HEMS, as well as whole-house air conditioning systems.

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Yoshijima Model Homes (Hiroshima Branch/Hiroshima)
Opened in June 2021

Showrooms

Sumitomo Forestry's showrooms allow visitors to experience and check the actual materials and equipment used in each component. The showroom offers a wide variety of water-related equipment such as kitchen systems, bathrooms, and washbasins, as well as curtains, wallpaper, interior materials, furniture, and exterior components such as exterior walls and entrance doors. You can see, touch, and compare them to get a concrete idea of what your home will look like.

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. In addition, a large number of bathrooms and washstands are also on display, allowing visitors to check out the water features while envisioning how easy it would be to perform household chores in their daily lives.

2. Total Coordination of Interiors and Exteriors

To meet a variety of needs, 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. 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

Structure of a house is displayed in an easy-to-understand manner. The unique "BF construction method" features a main structural material that is about five times thicker than a typical pillar and is secured with strong metal, providing a high level of earthquake and wind resistance. In addition, we have the latest environmental devices on display, such as solar power generation.

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Utsunomiya Showroom



Fukuoka Showroom

Technology Model Homes

The technology housing display centers are dedicated to promoting technology and performance features of "Sumitomo Forestry homes." 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.

Both in fiscal 2020 and fiscal 2021, despite continuing impact of the COVID-19, a cumulative total of 2,552 visitors came to our technology model homes in Tokyo, Osaka, and Nagoya.



Outside of Technology Model Homes

Respect for and Application of Customer Feedback

Customers First Initiatives

Sumitomo Forestry has established the Customer Relations Office as a Group-wide customer consultation service. 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.

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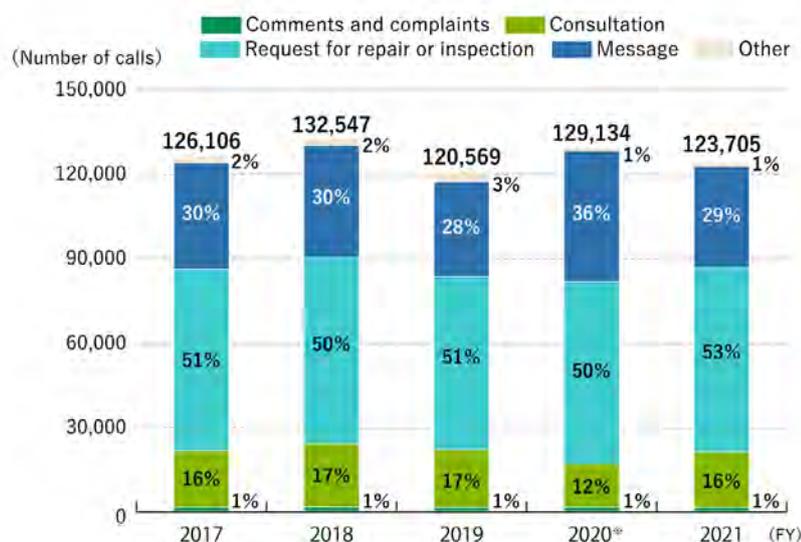
In addition, in order to raise employee awareness, we use our internal website to regularly disseminate to the company and Group company information on how to improve customer satisfaction that can be implemented on a daily basis and heartwarming case studies called "Your Kirari" Selection for the "Your Kirari Award" is conducted every year, and the impressions and insights of pleased customers are made public to Group employees. By having employees share their impressions with each other, they accumulate as a shared asset for the entire Group. In addition, in order to prevent recurrence of defects, we regularly disclose contents of customer comments, opinions, and consultations we receive, as well as the results of our analysis and responses to them. 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 2021, due to spread of the COVID-19, a number of products were difficult to replace with new ones, and we responded with parts replacement and alternative products. We will continue to strive to improve customer satisfaction by promptly responding to customer requests and consultations.

Sumitomo Forestry Call Center Inquiry Breakdown (Trends)*



* The aggregation period for fiscal 2020 onwards is January to December of each year, and the aggregation period before fiscal 2019 is April of each year to March of the following year.

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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 2021, the satisfaction ratio in these surveys was 97.4% in the survey of new owners, and 95.7% 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 Homes. As of December 2021, about 145,000 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 2021.

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The cover of "Lovely Family", spring and summer 2021 issue



Progress check page in clubforest



The cover of "Lovely Family", fall and winter 2021 issue

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Communication with Our Customers

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 2020, the aging rate reached 28.8%*, 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 addition, concentration of the population in Tokyo and depopulation of rural areas due to declining birthrate and aging population have become nationwide issues. Sumitomo Forestry is promoting initiatives to help resolve these issues. 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, 2021 ed.

Expanding Services for Customer Need

Sumitomo Forestry provides long-term care for the elderly through Sumirin Fill Care Co., Ltd. and Sumirin Care Life Co.

Nursing Care Service Business for the Elderly

Sumirin Fill Care provides comprehensive services to each resident through staff arrangement that exceeds the number required under nursing care insurance standards. As of December 2021, the company has six facilities with 766 rooms offered for the elderly with nursing care. The company is operating a total of three day-care facilities for the elderly.



Gran Forest Gakugei Daigaku

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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 1,842 rooms. As of fiscal 2021, 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.

Efforts to Help Extend Healthy Lifespans from the Customer's Perspective

—Providing 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* 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.

The total number of living spaces
FY2024 Target

1,842rooms

The total number of living spaces
FY2021 result

1,764rooms

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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.

Through these efforts, average occupancy rate remained high at 96.3% as of the end of fiscal 2021, despite restrictions on sales activities due to the impact of the COVID-19.

* Life Rhythm Navi is a registered trademark of EcoNaviSta Ltd.

Elderly Living Spaces Combining Sumitomo Forestry Group Living Environments and Nursing-care Expertise

—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). In addition, all units are equipped with emergency call and Wi-Fi for a safe, secure, and comfortable living environment.

More enhanced medical support is available to all residents from neural examinations through an MRI for the early detection of dementia and tumor marker 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.



Exterior view of Elegano Nishinomiya



Vaulted Dining Room



Outdoor Terrace to Easily Enjoy the Garden Even in a Wheelchair

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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.

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.

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Business initiatives that contribute to regional revitalization

Business initiatives that contribute to regional revitalization

Contributions to Regional Revitalization Through Our Business

Sumitomo Forestry Group aims to create value for shared benefit by addressing social and environmental issues through integration of Group resources and existing businesses.

Contributions to Regional Revitalization Through Our Business

Sumitomo Forestry Group is participating in lodging and accommodations business of "VISON", one of the largest commercial facilities in Japan, which just opened as a new enterprise tied to regional revitalization in Taki-cho, Mie Prefecture. As joint venture of Vison Hotel Management Co., Ltd., in which Sumitomo Forestry, H.I.S. Hotel Holdings Co., Ltd. and Aqua Ignis Co., Ltd., HOTEL VISON and Hatago VISON was opened in 2021.



Exterior View of HOTEL VISON

In the Taki-cho, Mie Prefecture, which is blessed with bountiful seafood from the mountains and sea, VISON HOTELS is located next to "VISON", one of Japan's largest commercial complexes, where tourists may enjoy health, food, and knowledge. There are a total of 201 rooms at the hotel, including 6 villas, 155 hotel rooms, and 40 inn rooms. Guests staying at the hotel have access to various restaurants, shopping, and hot bath facilities, allowing them to fully enjoy their trip within "Vision". Sumitomo Forestry Group positions this project, an industry-government-academia project for regional revitalization, as a model for circular local communities and a recycling-oriented community and town. The development and operation of the accommodation facilities will increase the number of tourists and other visitors to the area, resulting in the local economy being revitalized and new jobs being created. Taking this opportunity, we will promote initiatives for regional development by harnessing know-how of existing businesses while effectively utilizing the distinctive resources and culture of the region.

[Click here for related information](#)

> [HOTEL VISON](#)

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Renovating to Improve Asset Value

Sumitomo Forestry Group has completed an extension to storage room of Setsuryosha Museum of Art in collaboration with K & E Co., Ltd. of Kumagai Gumi Group. The Setsuryosha Museum of Art established by the Arts Growth Foundation "Setsuryosha," founded by KOMERI Co., Ltd., a nationwide home improvement retailer, is a purely Japanese-style art museum that debuted in Niigata City in 1994. The museum exhibits works of art collected by Mr. Kenichi Sasage, who was the president of KOMERI Co., Ltd. at the time of the opening of the museum. Originally, plans were underway to create a home improvement center on this land, but when it was revealed that it was the original location of Shinran Shonin's "Yakifuna" (Burned fish), it was determined to build a Japanese garden and an art museum to preserve this historically significant site.

"Setsuryosha Firenze Prize Exhibition" is annually held by the Setsuryosha Museum of Art, to discover young exceptional artists working in Japan. The museum was asked to expand the storage room on the Hasuike Pond on the east side of the museum, due to a lack of storage space, resulting in the realization of an unusual national "Architecture on the Pond". The exterior view features "Namako Walls" and impressive eaves that were faithfully reproduced to match the existing buildings, while the interior is elaborately decorated with solid paulownia wood to manage humidity. Despite the unusual circumstances, the project was completed after a bit more than nine months of construction.



Exterior View



Interior



Furniture Proposal

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Supply Chain Management

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 wood in the market.

For procurement, our Wood 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 wood procurement activities by establishing Wood Procurement Standard and Wood Procurement Philosophy and Policy in 2005 and 2007 respectively. In 2015, with the Sumitomo Forestry Group Procurement Policy, we expanded our scope beyond wood 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.



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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



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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.



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(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

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- 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.

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 results for fiscal 2021 succeeded in a 100% implementation rate of sustainability procurement surveys for suppliers of imported timber and wood products and a 98.0% implementation rate in the domestic housing department, which achieved our targets.



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Supply Chain Management

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 wood procurement activities in accordance with our Wood Procurement Basic Policy formulated in 2005 and our Wood Procurement Principles and Policies formulated in 2007. To deliver legal and sustainable wood, we only engage in responsible wood procurement.

In 2015 with the Sumitomo Forestry Group Procurement Policy, we expanded our scope beyond wood 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's sustainable wood procurement initiatives have responded to growing concerns about deforestation as a climate change factor with the introduction of its own wood 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.

To confirm the legality as precondition, we define timber and wood products as sustainable if they fulfill one of the following:

Sustainable is Defined as, Environmental: No contribution to deforestation

Social: No violation of human rights such as occupational safety, forced labor, indigenous rights, etc.

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. Wood from planted forest
3. Natural forest wood where forestry management and distribution can be assessed as sustainable.
(this does not include wood from conversion forests = wood harvested from natural forest that were converted to farm land such as oil palm plantations)
4. Recycled Wood

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Structure of Wood Procurement Management

Sumitomo Forestry Group established the Wood 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 wood procurement. The committee discusses issues related to group-wide wood procurement, including procurement standards and risk assessments for illegal logging.

In fiscal 2021, the Wood Procurement Committee met four times to confirm the legality and conduct a "Sustainability Survey" for all 192 directly-imported suppliers subject to screening and suppliers with whom overseas Group companies (distribution) do business. Regularly (once a year or once every two years), we confirm legality and sustainability of both new and ongoing parties we conduct business with.



Wood Procurement Committee meeting

Sustainable Timber and Wood Products Procurement Initiative

Promoting Initiatives Adhering to the Procurement Policy

Procurement Policy

Under the Sumitomo Group Procurement Policy, Sumitomo Forestry Group carries out due diligence on wood 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.

Confirmation of Legality of Wood Procurement

Timber and Building Materials Business, Housing and Construction Business and each of wood procurement division at each Group company confirm that the wood provided by suppliers has been legally harvested, or that the timber and wood products they provide have been made only from legally harvested wood as a raw material. Each person in charge of procurement is required to follow the Wood 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	Wood type
4	Tree species of timber and wood products
5	Country or region of logging of timber and wood products

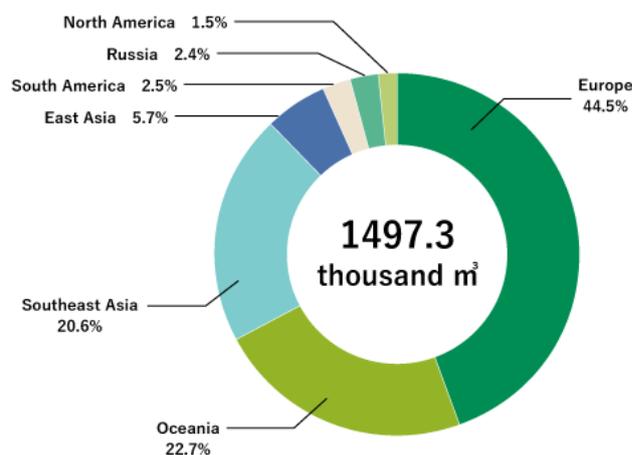


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No.	Category name
6	Annual procurement volume (weight, area, volume or quantity)
7	If sold to a legal entity, the name and address of that legal entity
8	Results of supplier surveys and other, inspection records and other
9	Documents certifying that harvesting was conducted in accordance with laws and regulations of the logging country

With these information sorted by country, region, tree species, and wood type, risk assessment on the illegal logging or human rights violation is carried out based on procurement standards stipulated by the Wood Procurement 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 2021, we audited 50 companies in Category A, 25 companies in Category B, and 117 companies in Category C.

Status of imported wood, timber and wood products by region in fiscal 2021 (results for January to December 2021)



Consideration for Biodiversity Conservation, Labor Practices and Human Rights, 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.

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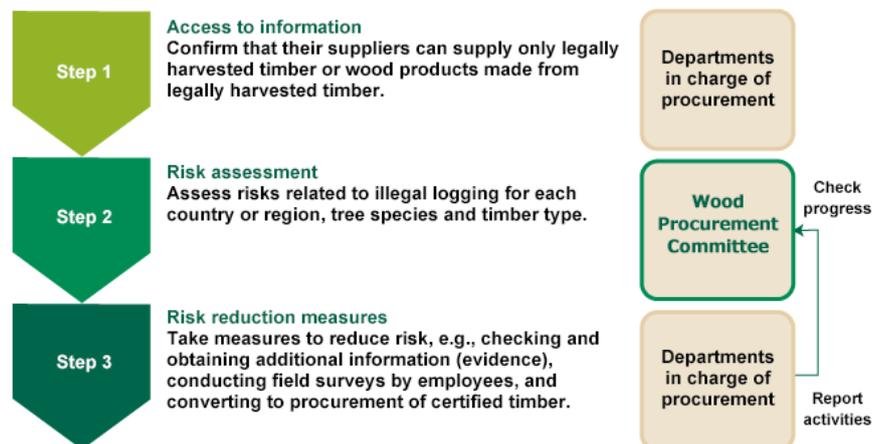
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- Whether the high conservation values forests are included in the area where we procure the products and their raw materials from. If this is the case, whether suppliers check their logging practices with consideration to forests with high conservation value.

Review

Each procurement division reports the status and progress of these initiatives to the Wood Procurement Committee, facilitating continuous improvements throughout the supply chain. In fiscal 2021, the final year of the Mid-Term Sustainability Targets 2021, we strengthened our examination of suppliers' procurement to achieve 100% sustainable wood procurement, and also developed due diligence on the sustainability of wood and biomass fuels such as PKS and pellets.

Due Diligence in Wood Procurement



Progress of sustainability initiatives in timber and wood products

In the Mid-Term Sustainability Targets, we established a plan to shift to alternative materials (from selective logging of natural forests and planted forests) and gradually stop handling wood products that do not meet the definition of "sustainable timber and wood products" even when their legality can be guaranteed.

The percentage of sustainable timber and wood products handled in fiscal 2021 was 97.8% for the full year. In September 2021, we suspended contracts with suppliers who did not meet our procurement standards and whose sustainability could not be confirmed through repeated dialogues, thereby achieving 100% handling of sustainable timber and wood products on a contract basis. We will continue to thoroughly implement sustainable wood procurement.

Percentage of sustainable timber and wood products handled
FY2021 result

97.8%

Percentage of sustainable timber and wood products handled
FY2021 target

100%

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Education for Personnel in Charge of Procurement

Wood 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 wood. In this connection, we held a seminar on October 31, 2018 titled "Wood 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 wood and other imported wood. At the seminar, participants learned the latest information about wood legality certification systems in both countries, the current state of certified timber, and sustainable forest management.



Institute for Global Environmental
Strategies (IGES)
A lecture by Research Manager
Hiromitsu Samejima

Forest Certification Systems

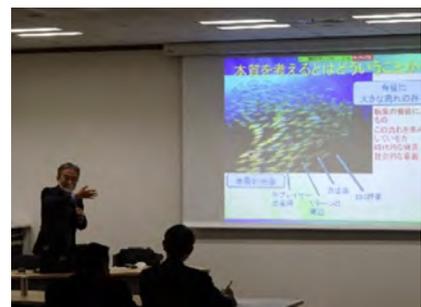
The Sumitomo Forestry Group operates under a system related to certified timber as one of sustainable timber and wood products defined as the handling of sustainable timber and wood products expands. To share the latest information, we held a Forest Certification Seminar on February 18, 2020 with the participation of 16 people in charge of wood procurement, including Wood 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 wood products from. 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.



Takasaki City University of Economics
Professor
Lecture by Takeshi Mizuguchi

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Sustainable Wood Procurement from a Financial Perspective

In recent years, private financial institutions and institutional investors have been incorporating sustainable finance into their portfolio (finance to realize a sustainable society), and the amount of ESG investments and green bonds issued are growing. Their focuses on corporate activities are on land conversion, countermeasures against the reduction of forest area and forest degradation caused by excessive logging, and sustainable wood procurement initiatives.

On December 16, 2021, Sumitomo Forestry held a seminar entitled "Sustainable Wood Procurement from a Financial Perspective" with Mr. Mutai Hashimoto, Lead, Sustainable Finance, World Wide Fund for Nature (WWF) Japan, as a lecturer. The seminar was announced to members of the Wood Procurement Committee as well as to relevant departments within the company, and was attended by a total of 84 people, 64 online in addition to 20 at the venue. At the seminar, participants learned an overview of the main outcomes of COP26, the concept of forests in ESG investment and policies of financial institutions, forest certification from a financial perspective, and the latest information on the TNFD (Task Force on Nature-related Financial Disclosures).

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 wood 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 wood products from forestry management as sustainable with these experts.

We have gained a wide range of feedback; as for there were no suppliers that fell into the category of required corrective actions through the Sustainability Procurement Survey, participants voiced their expectations for Sumitomo Forestry to engage with suppliers whose score are near the lowest-level and aspire further penetration of the required measures. In terms of the progress in the handling of timber and wood products from sustainable forests, feedback included the preference for further disclosure on the process towards the goal,



The scene at the Dialogue Conference

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not just the latest percentage, in order to better share the actual state with stakeholders. As the UK and other countries consider legislation such as regulations on the wood from conversion forests to eliminate deforestation due to agricultural production, Sumitomo Forestry received high praise for being a pioneer in committing to eliminate wood from conversion forests within its procurement standards, the discussion indicated the importance of awareness-raising measures to promote initiatives throughout the entire industry.

We will continue to expand our efforts toward achieving a 100% procurement rate of sustainable timber and wood products incorporating the feedback received through the stakeholder dialogue.

Assessing Wood Procurement by onsite interviews

Wood Procurement in Romania

Several environmental groups have expressed concerns about forest management and wood production in Romania in terms of whether logging has been appropriately conducted. In April 2017, members of the Wood 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.

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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 wood 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 wood

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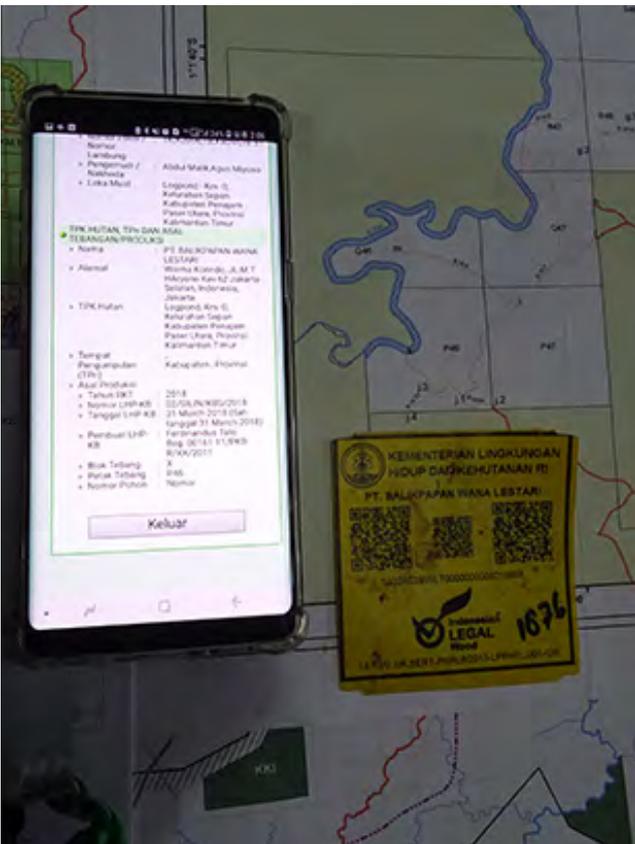
yard to access the ministry website and V-Legal documents, successfully tracing them back through the transport process to their harvest location.



Confirming tags attached to the logs at the plant wood yard



Confirming tags at an intermediate wood 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)

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In relation to plywood for concrete formwork used in the construction of Olympic-related facilities, in November 2018, an environmental NGO submitted an allegation to the Reporting Desk established by the Organizing Committee for the Olympic Games that logs used as raw materials by suppliers who have business relationships with Sumitomo Forestry may not conform to the Olympic procurement standards. Sumitomo Forestry responded to the report by presenting relevant documents and explaining to the Organizing Committee that such logs were not included in the supply chain. As a result, the Organizing Committee concluded that the allegations were untrue, and the report was not accepted, and was published on the website of the convention in February 2019.

In November 2021, a similar point was brought to the Tokyo Metropolitan Government's Olympic and Paralympic Preparation Office, which built related facilities. Sumitomo Forestry reiterated to the Tokyo Metropolitan Government that it complies with the Olympic procurement standards.

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.

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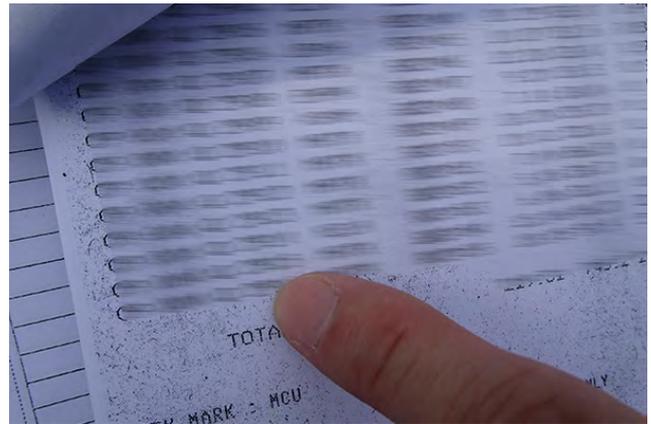
Logs for Plywood Stacked at a Log Pond



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 wood. As one index to confirm whether wood 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 229,000 hectares and CoC certification for 9 organizations.

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Status of Sumitomo Forestry Group Forest Certification/ CoC Certification* (FSC-C113957)

Organization	Certification System	Date Certified	Certification Number	Certification Issuing Body
Sumitomo Forestry Co., Ltd. Timber and Building Materials Division	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 Housing and Construction Division Construction Department	SGEC	January 24, 2017	JIA-W045	Japan Gas Appliances Inspection Association (JIA)
Sumitomo Forestry Co., Ltd. Timber and Building Materials Division, Hokkaido Branch Housing and Construction Division Construction Materials Development Department	SGEC	October 1, 2017	JAFTA-W038	Japan Forest Technology Association (JAFTA)
Sumitomo Forestry Wood Products Co., Ltd.	SGEC	December 1, 2021	JAFTA-W017	Japan Forest Technology Association (JAFTA)
Sumitomo Forestry Crest Co., Ltd.	FSC	March 3, 2020	SGSHK-COC- 006693	SGS
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	December 3, 2021	TT-COC-002009	BM TRADA
PT. Rimba Partikel Indonesia (RPI) (Indonesia)	FSC	April 26, 2016	TT-COC-005903	BM TRADA
Sumitomo Forestry Indonesia	FSC	December 7, 2021	SA-COC-012757	Soil Association
Sumitomo Forestry (Singapore) Ltd.	FSC	January 28, 2018	NC-COC-005542/ NC-CW-005542	Proffered by Nature

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Organization	Certification System	Date Certified	Certification Number	Certification Issuing Body
Sumitomo Forestry(Dalian)Ltd.	FSC	January 20, 2021	SCS-COC-008230	SCS Global Services

* 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.

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, wood 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 wood 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.

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 wood from trees harvested in compliance with the laws and regulations of Japan and other countries and to create a market where illegally logged wood, 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 wood, 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-



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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 wood 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
Construction Materials Development Department, Housing and Construction Division	Type 2 Wood Related Entity 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 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.

Communication Activities with the Business Partners of the Timber and Building Materials Division



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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 July 2021)	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 4,000 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 disease (COVID-19) was the ability for purchasers to verify our delivery data without being in the office. As of fiscal 2021, roughly 680 of our business partners are using this service.

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Supply Chain Management

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 wood in Japan but also hardwood from North America, and plantation wood 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 Wood 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 wood used as raw materials.

KTI also began reforestation with fast-growing trees such as Falcata (*Albizia falcataria*) in 1999. With the system of "social forestry," KTI has aimed to support the environment, community and economy by distributing seedlings to local residents for free to plant on the lands they own and promises to purchase wood when the trees are mature at its market value. In addition, the KTI Reforestation Cooperative supported by KTI (KBM KTI) has acquired the FSCFM 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 wood in order to fulfill the requirements of many of our business partners.



View of Plantation Forest

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

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Use of Sustainable wood

Sinar Rimba Pasifik uses sustainable wood 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 Homes. SRP procures only sustainable wood as the main raw material for these products, and is also promoting the use of plantation wood.

In fiscal 2021, approximately 70% of wood used at SRP was imported from North America, all of which is certified wood from member companies of the American Hardwood Export Council (AHEC), which promote sustainable forest management, or Quebec Wood Export Bureau (QWEB).

The remaining wood procured is plantation wood from Indonesia (Perum Perhutani), all of which are materials that have received SVLK (Sistem Verifikasi Legalitas Kayu) certification.

We will continue to pursue sustainable wood and manufacture and sell high-value-added products that use verified as legal and sustainable wood.



Wood Storage Warehouse

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Supply Chain Management

Housing and Construction Business Initiatives

Basic Policy

In the Housing and Construction Business, 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 was effective from May 2017 seeking to promote the distribution and utilization of legally harvested wood and related products. 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.

* 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.

[Click here for related information](#)

> [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 and social issues (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".

[Click here for related information](#)

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

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

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

Communication with Suppliers 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. We consider 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.

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

Name/Scale	Description
Evaluation and feedback based on the Supplier Evaluation Standards Implementation rate: 100% (FY2021)	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 2021, we provided feedback to 249 suppliers, a 100% implementation rate.
	As part of our evaluation, we have been conducting factory audits of our suppliers on a regular basis up to now, but in fiscal year 2021, as in the previous fiscal year, the spread of the coronavirus disease did not end, and visits to our suppliers' factories were conducted after a state of emergency was lifted. We also communicated with our suppliers' factory staff and quality control staff via the web.
	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.

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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 (86.0% of annual purchasing ratio of suppliers for the previous fiscal year). In fiscal 2020, this expanded to a total of 86 companies (97.3%). 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.

For the fiscal 2021 survey, we decided to survey the same 86 suppliers as in the previous year (98.5% of the annual purchase amount in the previous year), so we held a sustainability survey briefing session in August 2021 with voluntary participation. Approximately 40 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 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. The number of S-ranked companies increased by 8 from last year, accounting for 72% of the total. The number of C-ranked companies decreased by two, and feedback was provided to all eligible suppliers in order to encourage them to improve their efforts.

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 (%)

98.5%

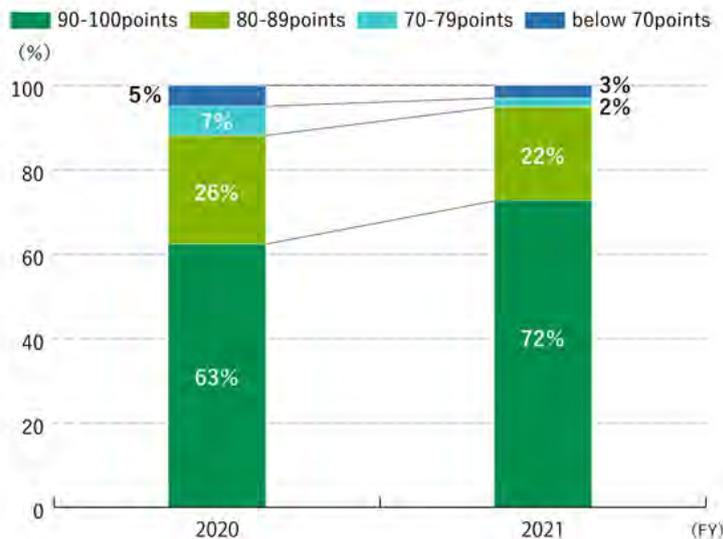
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> About symbol for Independent assurance



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Fiscal 2021 Sustainability Procurement Survey Results (100points indicates a perfect score)



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 2021, we were able to achieve the said ratio of 100% in primary building materials of Sumitomo Forestry's detached homes.

[Click here for related information](#)

> [Policy on Sustainable Timber and Wood Products](#)



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Social Contribution

Promotion of Social Contribution Activities

Basic Policy

The Sumitomo Forestry Group advocates “To improve the livelihood of the local communities where we operate” as one of nine material issues. Even in business processes, the Group makes considerations that include community development and local social welfare. Furthermore, we are expanding globally around fields that include the environment and education of next generation around an axis of forests and wood, which are closely related to the Group's business.

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.

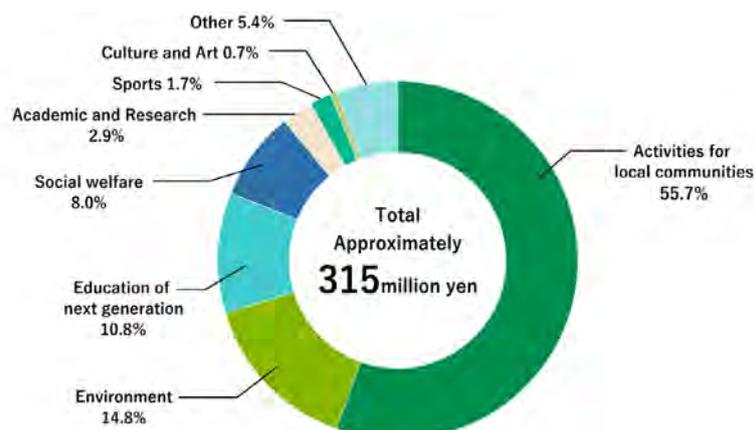
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> [Examples of Social Contribution Activities in Japan](#)

> [Examples of Overseas Community Development and Regional Contribution Activities](#)

Social Contribution Donations

Breakdown of Donations by Category (FY2021)



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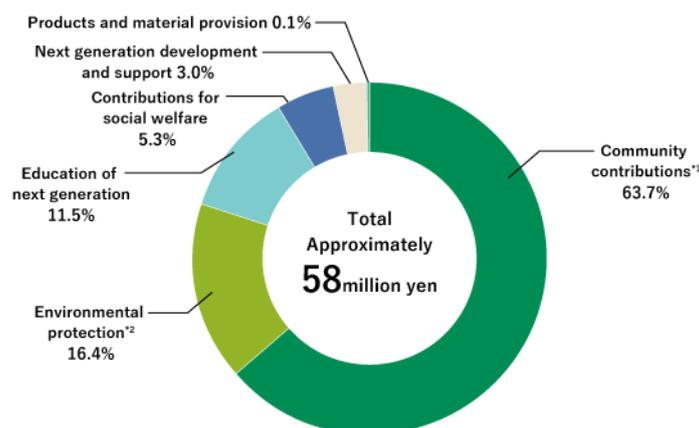
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Expenditure on Social Contribution Activities

Breakdown of Expenditure on Social Contribution Activities (FY2021)



*1 Mt. Fuji Manabi no Mori operation costs, etc.

*2 Costs of community cleaning activities and the Forester House operation, etc.

Volunteer Leave Program

To support its employees' volunteering activities, in May 2011 the Company established a volunteer leave program that allows employees a total of five days of leave a year for volunteer activities.

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. Six employees took volunteer leave, including those who used the leave in participating in volunteer activities for the Tokyo 2020 Games in fiscal 2021. We will continue to support employees' volunteer activities.

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 March 31, 2022)

Organization	Position	Position in the Company	Name
Council for the Promotion of Decentralization Reform, Cabinet Office	Assembly Member	Representative Director Chairperson	Akira Ichikawa

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Organization	Position	Position in the Company	Name
National Exchange Examination Board, National Personnel Authority	Board Member	Representative Director Chairperson	Akira Ichikawa
The 33rd Local System Study Group	Chairperson	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

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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 Wood Design Association	Vice-chairperson	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

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Organization	Position	Position in the Company	Name
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	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
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 Wood Design Association	Chairperson (Representative Supervisory Officer)	General Manager, External Relations Department	Akira Sekimoto
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

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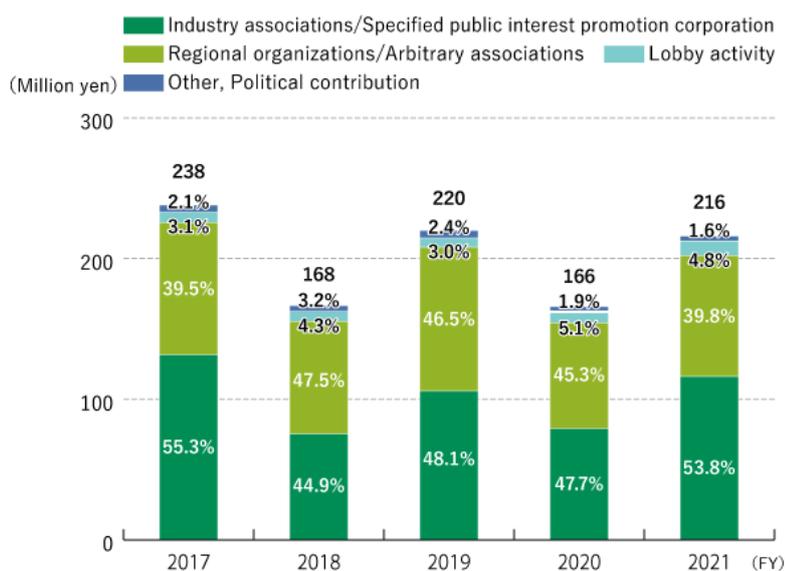
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Organization	Position	Position in the Company	Name
The Forest Culture Association	Director	General Manager, External Relations Department	Hiroyuki Wakabayashi
Japan-Papua New Guinea Association	Director	Divisional Manager, Environment and Resources Division	Masanobu Nishikawa

Costs Such as to Various Associations^{*1*2}



*1 The aggregation period of fiscal 2020 is from April to December 2020

*2 The aggregation period before fiscal 2019 is from April of each year to March of the following year

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Social Contribution

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 2021, the Mt. Fuji Manabi no Mori was used for volunteer activities and environmental education programs. A total of 1,449 people visited Mt. Fuji Manabi no Mori from inside and outside of the Company.

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 third year of this tree survey, 79 volunteers took part in creating a database from records of 475 trees planted on approximately 1,800 m² over four 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

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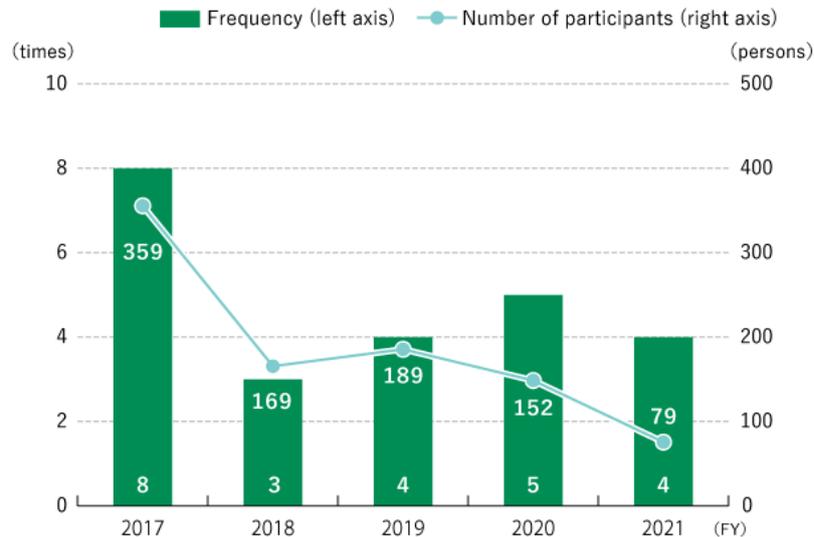
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Forest Recovery Volunteer Activities Trend*



* The aggregation period for fiscal 2020 onwards is January to December of each year, and the aggregation period before fiscal 2019 is April of each year to March of the following year.

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 2021, a total of 1,101 students and children from 14 schools were invited to the program. A cumulative total of more than 12,000 students and children have been invited as of fiscal 2021.

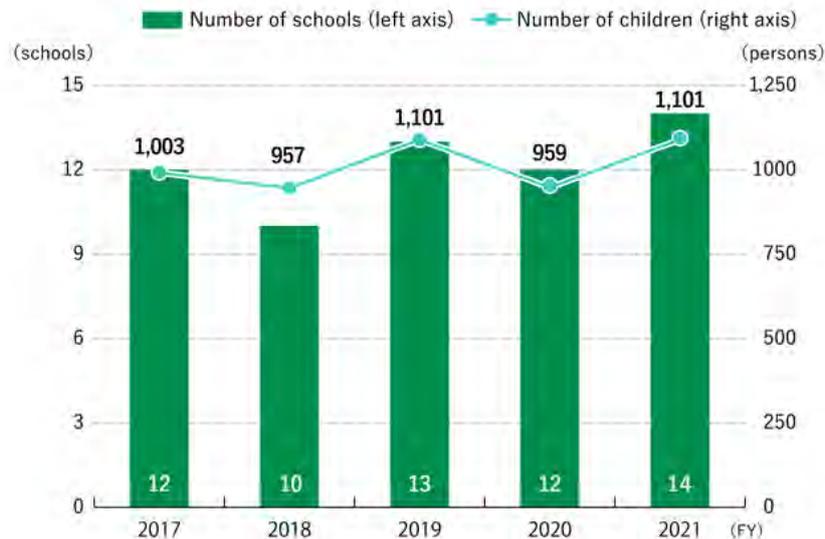


Environmental Education Program



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Environmental Education Program Trend*



* The aggregation period for fiscal 2020 onwards is January to December of each year, and the aggregation period before fiscal 2019 is April of each year to March of the following year.

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.

Since fiscal 2019, we have started an entomological survey with the cooperation of Tokoha University professors.

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.

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Vegetation Shift in the Wind-afflicted Area



(2001)



(2008)



(2016)

[Click here for related information](#)

> [Mt. Fuji Manabi no Mori \(in Japanese\)](#)

Tree Planting Activity Oku Matsushima Natural Recovery Volunteer

Sumitomo Forestry entered into a partnership agreement on restoration property development coordination and cooperation with Higashi Matsushima City, Miyagi Prefecture in 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 Suzaki 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.



Group photo of tree planting activities



Tree Planting

In 2021, tree planting activities were held twice, with a total of 213 people participating. Local residents, children from Higashi-Matsushima Municipal Miyanomori Elementary School, Sumitomo Forestry's subcontractors, and Sumitomo Forestry Group employees worked together to plant 880 local indigenous plants from five species: evergreen shrubs, resistant red pine, resistant black pine, Japanese hill cherry and Japanese cheesewood. In addition

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to the tree planting, this volunteer activity included clearing the undergrowth so that the seedlings in the planted area would grow to a large size by 2020. We also provided environmental education to third-year students of Miyanomori Elementary School, and are working together with the local community on medium- to long-term activities.

Since a soil survey conducted when we started experimental tree-planting activities suggested that the soil was highly acidic, we have been tree planting using crushed oyster shells as a neutralizing agent. In March 2022, the Tsukuba Research Institute gave a lecture on the neutralizing effect of crushed oyster shells at a public symposium hosted by The Japanese Society of Forest Environment under the title of "Natural Regeneration of Seawall Surfaces for Tsunami Disaster Prevention: Tree Planting Activities on Acidic Soil and Their Aftermath." We will continue to conduct monitoring surveys of the soil and planted trees, and will continue tree-planting activities while paying attention to effects of highly acidic soil.

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 forestry associations, the activities which included planting of Japanese cypress seedlings and thinning. Although the activity was cancelled in fiscal 2021 due to the impact of the coronavirus disease(COVID-19), employees, subcontractors, and their families, as well as family members of owners, have participated in the activity so far.



Gunma Manabi no Mori

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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*. Although the activity was cancelled in 2021 due to the impact of the COVID-19, as part of the activity, we have been conducting beach cleanup activities jointly with construction stores mainly in Yokohama and Shonan branch offices every year. 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.



Clean-up Efforts on the Tsujido Shore
(Shonan Branch)

* 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.

Kanagawa Zero Plastic Waste Declaration logo



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Giving on-site classes Project for Comprehensive Forestry Education

In October 2021, Sumitomo Forestry launched "morino de van," a comprehensive forestry education Giving on-site classes Project in collaboration with the Gifu Academy of Forest Science and Culture (monoris^{*1}). This project is an initiative to deliver a wide range of programs including nature observation, fire-making experience, and a hands-on forest museum, using a Wald-car^{*2} to provide a comprehensive program of forest experiences.



Wald-car

Nature Experience Program were jointly developed with Monoris, monoris provided instructors and training, and arranged and operated the program equipment. Sumitomo Forestry donated Wald-car^{*} and wooden boxes made from company-owned timber, as well as offcuts generated after lumbering.



Wooden box

The program aims to realize a society in which all people and forests are connected and "coexist" through the nature experience programs offered by the delivery of classes.

*1 morinos: Nickname of the Forestry Education Center within the Gifu Academy of Forest Science and Culture. Its purpose is to connect all people with forests and pass on the joy of living with forests and the richness of forest culture to the next generation.

*2 Wald-car: means "forest car." Wald (WALD) means forest in German.

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 wood 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 wood as a way to pass down both heritage and precious wood 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. On display were flasks and cultured seedlings propagated by tissue culture from Furo and Fuyoho, precious Ume Bonbai between 350 to 400 years old^{*}, and Beniwakonbai, a Tobiume plum tree sacred to the Kitano Tenmangu Shrine. This will be the second exhibition of Furo and Fuyoho seedlings since 2021, and the first time for Beniwakonbai seedlings to be shown.

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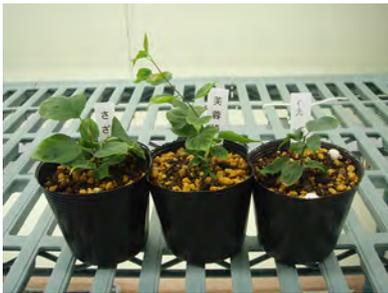
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The culture samples and seedlings cannot generally be viewed by the public because they are grown in a sterile chamber that controls temperature. At this exhibition, we created a system to very carefully control the temperature to achieve this special 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

■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, 2022.



Ume Bonbai Seedling



Culture Sample of the Ume Bonbai

Commemorative Tree Planting of Cherry Trees Associated with Okumura Togyu "Daigo" at the Yamatane Museum of Art

In October 2021, Sumitomo Forestry donated Taiko-shidare-zakura cherry trees from Daigoji Temple, which were propagated by tissue culture, to the Yamatane Museum of Art. The Taiko-shidare-zakura at Daigoji Temple, the head temple in Kyoto, known for Toyotomi Hideyoshi's Daigoji Cherry Blossom Viewing, is said to be 170 years old, and is also called Togyu's cherry tree because the Japanese painter Okumura Togyu, who is closely associated with the Yamatane Museum of Art, painted it in his masterpiece "Daigo."

A tree-planting ceremony was held on November 15, 2021 to coincide with the Yamatane Museum of Art's [Special Exhibition Commemorating the 55th Anniversary] The Art of Okumura Togyu - A Master of Nihonga Whom Yamazaki Taneji Loved, Part2.

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Training and Education for the Next Generation

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. We had also planned to hold seminars in fiscal 2020 and fiscal 2021, but the event had to be canceled unfortunately due to the COVID-19.

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.

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.



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Support for Social Contribution Activities of Other Companies

Supporting Tree-Planting Activities at BAUM Oak Forest

Sumitomo Forestry supported tree-planting activities conducted by Shiseido Company's brand "BAUM" at the "BAUM Oak Forest" in Morioka City, Iwate Prefecture. In 2021, the first year of the project, approximately 600 oak saplings procured by Sumitomo Forestry were planted.

Shiseido's "BAUM" brand, which is based on the theme of "coexistence with trees" has the brand philosophy of "To not just receive the blessings of trees, but to also give back to nature." Oak saplings used as wooden parts of the packaging will be cultivated in BAUM stores, and the cultivated saplings will be planted to realize recycling of forest resources. Sumitomo Forestry has been supporting the brand's activities since June 2020 when BAUM was launched, by providing and maintaining saplings grown in the stores and further cultivating the saplings grown in the stores for tree planting.



Tree Planting



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Social Contribution

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

PT. Kutai Timber Indonesia (KTI) founded the KTI Educational Foundation in 2000 to commemorate its 30th anniversary with the purpose of improving the livelihood of people in Indonesia through education as well as engaging in social activities. This foundation primarily provides 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 2021, 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 123,338,200 (approx. 940,000 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 Homes, 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.



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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 planted 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 planted forest.

After the afforestation completed in fiscal 2017, we continued to manage the planted forest, and transferred the environmental afforestation site to national park in March 2020 due to expiration of the agreement with the national park for the implementation of the project. Currently, the national park is maintaining and managing the afforestation site and restoring the ecosystem.

In December 2021, an eruption occurred at Mount Semeru in Rumahjan Province, East Java. The afforestation area (approximately 20 hectares in area) located within 10 km of the crater suffered ash fall damage, but this did not have a significant impact on the recovery of vegetation.

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. 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 afforestation efforts. Sumitomo Forestry not only engaged in afforestation 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 afforestation 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 570,000 seedlings in 2020, 540,000 seedlings in fiscal 2021.

66,891 houses were delivered during this project period with a roughly 400,000-ton CO₂ fixation target. As of ten years since these afforestation 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

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Community-oriented Industrial Tree Afforestation Area and Estimated CO₂ Fixation

FY	Number of Relevant Households	Target CO ₂ Fixation	Afforestation 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
合計	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.

[Click here for related information](#)

> 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

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Community Contributions Through Social Forestry

As a manufacturer and seller of plywood and processed wood products, 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.

[Click here for related information](#)

> [Promoting Sustainable Wood
Procurement](#)



Donated Seedlings



Distribution of Free Seedlings and Buy Back Guarantee of Logs

Respect for Local Tradition and Culture at Overseas Plantations

At forestry business 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 commercial afforestation project in West Kalimantan, Indonesia.

[Click here for related information](#)

> [Forestry Business in West
Kalimantan, Indonesia \(Industrial
Tree Plantation\)](#)

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Building Infrastructure and Providing Basic Educational and Medical Support in Neighboring Business Regions

PT. Mayangkara Tanaman Industri (MTI), a large-scale commercial afforestation project 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.

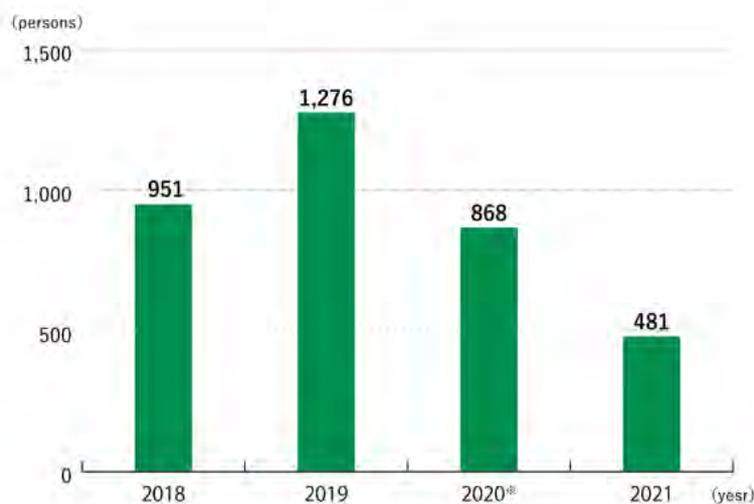
This forestry business acts as an invaluable employment opportunity for a local community with little industry. In particular, seedling production creates local employment opportunities for women who have few options.

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*



* The aggregation period for fiscal 2020 onwards is January to December of each year, and the aggregation period before fiscal 2019 is April of each year to March of the following year.

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Activities in Papua New Guinea

Building Social Infrastructure

Open Bay Timber Ltd. (OBT) in Papua New Guinea has been forestry business 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 wood 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. Patient transfers to larger hospitals are also provided.

The Open Bay Clinic is staffed day and night by health workers employed by OBT, who provide general medical care, deliveries, and medications, and also receive inpatients and transport critical patients over land and sea to large hospitals.

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. During mass new coronavirus vaccination, which was arranged by OBT, the state health department officials explained the COVID-19 and the vaccine, and those who agreed with the explanation were administered the vaccine. The Health Department thanked OBT for its strong support of the public-private partnership in the fight against the COVID-19.

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



Vaccination briefing by the state health department officials

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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.

During the 2021 MainVue Day, which was held for the first time in two years due to the impact of the COVID-19, employees volunteered at a community center for the elderly in Carnation, King County, which MainVue Homes plans to build itself. The volunteers installed a set of cabinets provided by Sumitomo Forestry Group company Canyon Creek, cleaned the facility, planted trees, and demolished dilapidated houses.

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MainVue Homes Employees Taking Part in the Construction Work



MainVue Homes Employees Repairing and Cleaning the Facility



Completed Canyon Creek Inc. Cabinets



Facility view after exterior cleaning and planting

Crescent participates in various programs sponsored by Habitat for Humanity, an international non-profit organization that provides housing assistance in more than 70 countries around the world.

In 2021, 48 Crescent employees participated in Critical Home Repair, a program to repair existing homes in Charlotte, North Carolina, USA, by painting four homes. The program is designed to assist residents who are unable to contribute to the cost of repairs to homes that have deteriorated due to age and need to be reinforced and made safer.

Sumitomo Forestry Group companies DRB, Edge Homes, and Mark III Properties also donated to Habitat for Humanity and took part in housing support activities.

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Crescent employees performing painting work

Participation in Environmental Conservation Efforts

In 2021, Crescent, in collaboration with the Catawba Lands Conservancy, which aims to preserve the land and environment around Charlotte, NC, conducted an invasive species removal and litter pickup activity around the Catawba River. Forty-five Crescent employees participated in the activity to protect native plants and environmental ecology. Crescent will continue to actively implement environmental promotion activities in the future.



Crescent employees participating in the activity



Scene of the activity

Participation in Social Welfare Activities

Crescent is also actively involved in social welfare activities.

In 2021, 20 Crescent employees visited the Second Harvest Food Bank of Metrolina, a volunteer organization that delivers donated food mainly to places of need, to pack 700 nutrition kits.

In addition, 25 Crescent employees visited BerryHill Public School in Charlotte, North Carolina, USA, to volunteer by reading books, cleaning flower beds, and replacing soil.

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Packing boxes at Second Harvest Food Bank of Metrolina



Volunteer activities at Berry Hill Public School

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 wood 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 we were unable to continue this activity in fiscal 2020 and fiscal 2021 due to the impact of the COVID-19, we will continue our efforts.



Trains and Other Donated Wooden Toys



Local Charity Organization Members Making Toys

Activities in Australia

In 2021, Henley Properties, a company that builds and sells detached houses, sold one house for sale that was built with the help of a residential land developer and component suppliers, and donated the proceeds. Many people from the company's business partners participated in this activity, from providing land, designing, estimating, manufacturing and procuring materials, managing construction, and building, and constructed a two-story house in Wollert, north of Melbourne. Henley Properties donated all the earnings from the charity auction this year to a children's hospital. Since its inception in 1993, donations through the auction have totaled A\$17.16 million (1,424.3 million yen), which has been used for medical expenses for children suffering from illnesses.

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Interior of the House Sold at the Charity Auction

Activities in New Zealand

Contributions to Local Disaster Prevention and Rescue Efforts

Tasman Pine Forests Ltd.(TPF) contributes to integrated fire prevention/extinguishing activities in the community in cooperation with Fire and Emergency New Zealand (FENZ), a New Zealand firefighting organization, and neighboring forestry companies. Specifically, TPF contributes firefighting equipment such as fire engines to be operated by the FENZ-led local fire brigade to help prevent and extinguish wildfires in the community.

In addition, TPF employees and logging contractors are working to improve their disaster awareness and capabilities by participating in FENZ-sponsored disaster drills and attending elementary forest fire extinguishing training.

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.

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Fire engine donated by TPF



Pilot and paramedics with the Nelson Marlborough Rescue Helicopter Trust Helicopter

Teapot Valley Area Natural Forest Restoration Project Begins

Beginning in 2021, a project to restore natural forests damaged by the Pigeon Valley fire in TPF's mountain forests in February 2019 has begun. Teapot Valley was one of the areas most affected by the fire, and the area contained rare trees and wetlands. The project is part of the New Zealand government's Billion Tree Plantation Project, a government initiative that will last approximately four years. TPF is participating in the project from a financial and operational perspective. In 2021, we conducted work such as removing dead trees as part of before forestation work.

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 2021 due to the COVID-19, we plan to continue our support in the future as the Myanmar Monastic School Support Team.

[Click here for related information](#)

Myanmar Monastic School
 > Support Team Video (in
 Japanese)



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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



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Basic Employee Data

Number of Employees

(Unit: Persons)	FY2018	FY2019	FY2020	FY2021
Non-Consolidated	4,824	4,914	5,073	5,091
Consolidated	19,159	19,332	20,562	21,254

Breakdown of Number of Employee (Non-Consolidated)

(Unit: Persons)	FY2018	FY2019	FY2020	FY2021
Management level	2,164	2,193	2,323	2,407
Non-management level	2,458	2,480	2,511	2,438
Fixed-term employees	119	152	151	153
Hosted from other companies	83	89	88	93
Total	4,824	4,914	5,073	5,091

Breakdown of Number of Employee (Subsidiary Companies in Japan)

(Unit: Persons)	FY2018	FY2019	FY2020	FY2021
Management level	1,460	1,725	1,675	1,982
Non-management level	4,440	4,400	5,660	5,616
Fixed-term employees	818	788	1,041	520
Hosted from other companies	218	196	191	219
Total	6,936	7,109	8,567	8,337

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Breakdown of Number of Employee by Age (Non-Consolidated)

(Unit: Persons)	FY2018	FY2019	FY2020	FY2021
Under 30	860	887	985	917
30-50	2,875	2,599	2,534	2,461
Older than 50	1,089	1,428	1,554	1,713

Number of Newly Hired Graduates* (Non-Consolidated)

(Unit: Persons)		FY2018	FY2019	FY2020	FY2021
Housing sales	Male	90	59	86	18
	Female	17	15	20	3
Housing engineering	Male	40	28	29	27
	Female	12	9	12	15
General management	Male	28	35	28	33
	Female	11	7	14	9
Clerical	Male	0	0	0	0
	Female	12	14	16	1
Total	Male	158	122	143	76
	Female	52	45	62	28
Total		210	167	205	104

* Calculated based on the number of new graduate recruits as of April 1 of each fiscal year.

Employment

Average Annual Pay (Non-Consolidated)

FY2018	FY2019	FY2020	FY2021
8,593,312 yen	8,587,314 yen	8,699,028 yen	8,723,534 yen



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Average Annual Pay by Gender (Non-Consolidated)

FY2021	Management level (Basic Pay)	Management level (Basic Pay and Bonus, etc.)	Non-management level
Male	6,867,2162 yen	10,523,172 yen	3,678,672 yen
Female	6,194,484 yen	9,261,096 yen	3,292,452 yen

Median Annual Pay (Non-Consolidated)

FY2018	FY2019	FY2020	FY2021
8,575,196 yen	8,575,196 yen	8,702,767 yen	8,730,623 yen

Average Length of Service* (Non-Consolidated)

	FY2018	FY2019	FY2020	FY2021
Male	15 years and 11 months	16 years and 3 months	16 years and 4 months	17 years
Female	11 years and 4 months	11 years and 6 months	11 years and 4 months	11 years and 8 months

* Calculated at the end of the fiscal year (as of March 31 of each fiscal year prior to fiscal 2019; December 31 in fiscal 2020 due to the change in the accounting period)

Separation rate*¹ (Non-Consolidated)

	FY2018	FY2019	FY2020* ³	FY2021
Voluntary separation rate (%)	2.3	2.3	1.6	2.4
Separation rate* ² (%)	2.7	2.5	1.8	2.7

*¹ Calculated by dividing the number of people who left during the year by the number of employees at the beginning of the year, including employees seconded to partner companies but excluding executive officers, hosted from other companies and exchange employees.

*² The 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).

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Separation rate*¹ (Subsidiary Companies in Japan)

	FY2018	FY2019	FY2020	FY2021
Voluntary separation rate (%)	-	-	3.0	6.3
Separation rate* ² (%)	-	-	4.3	6.4

*1 Calculated by dividing the number of people who left during the year by number of employees on April 1 of the year.

*2 The calculation includes voluntary separation.

Separation rate*¹ (Subsidiary Companies Overseas)

	FY2018	FY2019	FY2020	FY2021
Voluntary separation rate (%)	-	-	9.1	13.2
Separation rate* ² (%)	-	-	13.2	16.9

*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.

Diversity

Employment and Promotion of Women (Non-Consolidated)

	FY2018	FY2019	FY2020	FY2021
Female employees including contract employees* ¹ (%)	21.0	21.6	22.0	22.6
Female employees in management positions* ¹ (%)	3.7	4.2	4.8	5.6
Female new graduates* ² (%)	24.8	26.9	30.2	26.9

*1 Prior to FY2019, calculated based on March 31 enrollment each fiscal year. Calculated based on the number of employees enrolled as of December 31 due to a change in accounting period from fiscal 2020 onward.

*2 The rate of new female graduates is calculated based on the number of employees joining the company as of April 1 each year

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	FY2018	FY2019	FY2020	FY2021
Ratio of female senior managers	2.1	2.7	2.7	2.7
Ratio of female general managers	3.2	5.1	6.3	7.1
Ratio of female managers in business units* ¹ * ² (%)	-	-	3.2	3.9
Ratio of females in research and development / technical positions * ¹ (%)	-	-	9.5	11.7

*¹ Prior to FY2019, calculated based on March 31 enrollment each fiscal year. Calculated based on the number of employees enrolled as of December 31 due to a change in accounting period from fiscal 2020 onward.

*² The rate is excluding support functions such as HR, IT, Legal, etc.

Employment and Promotion of Women (Subsidiary Companies in Japan)

	FY2018	FY2019	FY2020	FY2021
Female employees including contract employees * ¹ (%)	32.0	32.7	32.4	34.4
Female employees in management positions * ¹ (%)	6.0	6.1	7.1	8.4
Female new graduates * ² (%)	43.5	45.7	43.4	35.1

*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.

*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)

	FY2018	FY2019	FY2020	FY2021
Percentage of Female employees including contract employees * ¹ (%)	32.0	30.2	30.8	30.0
Percentage of Female employees in management positions * ¹ (%)	16.0	17.1	19.5	20.9
Ratio of female recruitment * ² (%)	-	-	38.7	32.8

*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 female employees is calculated based on the number of new hires from January to December of each fiscal year.

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Employment of Persons with Disabilities* (Non-Consolidated)

	FY2018	FY2019	FY2020	FY2021
Ratio of Disabled Employees (%)	2.32	2.40	2.25	2.38

* Calculated as of March 31 of each fiscal year until 2019, and as of December 31 due to changes in the accounting period after 2020

Employment of Persons with Disabilities* (Subsidiary Companies in Japan)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Ratio of Disabled Employees (%)	1.45	1.75	1.76	1.77	1.85	2.04

* As of June each fiscal year

Rate of Local Employment in Group Companies Outside Japan*

	FY2018	FY2019	FY2020	FY2021
Rate of Local Employment in Group Companies Outside Japan (%)	99.1	99.1	99.3	99.2

* 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)

	FY2018	FY2019	FY2020* ¹	FY2021
Hours of training received per employee	13.6	18	10.5 (13.0)* ²	13.0
Expenditure on training per employee (yen)	97,000	102,000	59,000 (77,000)* ²	77,473

*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 Figures in the parenthesis are reference data collected from January to December



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Work-Life Balance

Work-Life Balance Program Usage (Non-Consolidated)

		FY2018	FY2019	FY2020	FY2021
Number of childcare leave users (Persons)	Male	38	43	51 (58)* ⁶	62
	Female	43	42	27 (40)* ⁶	37
Percentage of childcare leave users* ¹ (%)	Male	24.1	31.3	46.8 (40.3)* ⁶	50.4
	Female	97.7	100	84.4 (95.0)* ⁶	108.8
Percentage of returnees after childcare leave* ² (%)		96.2	98.7	96.1 (95.9)* ⁶	99.1
Number of reduced hours program users* ³ (persons)		61	58	74	83
Number of telework program users* ⁴ (persons)		49	63	_ ⁵	_ 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)

		FY2018	FY2019	FY2020	FY2021
Number of childcare leave users (Persons)	Male	6	8	16	28
	Female	73	83	72	95
Percentage of childcare leave users* (%)	Male	4.3	6.2	13.2	28.0
	Female	104.3	115.3	122.0	118.8

* The number of childcare leavers starting in the respective fiscal year divided by the number of employees who had a baby in respective fiscal year

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Paid Leave Usage Ratio (Non-Consolidated)

	FY2018	FY2019	FY2020	FY2021
Average paid leaves taken (day)	10.1	11.5	11.6	12.3
Paid Leave Usage Ratio* (%)	53.2	60.2	60.7	64.1

* 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.

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Paid Leave Usage Ratio (Subsidiary Companies in Japan)

	FY2018	FY2019	FY2020	FY2021
Average paid leaves taken (day)	8.7	10.6	10.3	11.2
Paid Leave Usage Ratio* (%)	50.5	63.0	58.1	59.6

* 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*2}

	FY2018	FY2019	FY2020 ^{*5}	FY2021
Number of occupational injuries (incidents) ^{*3}	2	1	1	2
Lost-time injury frequency rate ^{*4}	0.2	0.2	0.29	0.19
Work-related illness frequency rate	0	0	0.29	0

*1 The aggregation period for fiscal 2020 onwards is January to December of each year, and the aggregation period before fiscal 2019 is April of each year to March of the following year.

*2 One fatal occupational injury in FY2020.

*3 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 (including the number of cases in which applications for compensated absences from work are pending)

*4 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

*5 Figures for fiscal 2020 have been retroactively adjusted due to the approval of workers' compensation.

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Relationship with Labor Unions

Labor Union Membership (Non-Consolidated)*

	FY2018	FY2019	FY2020	FY2021
Labor union membership rate (%)	100	100	100	100

* As of January 1, 2022, the number of eligible employees is 3,889. The scope of eligibility for labor union membership is stipulated in the labor agreement

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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.

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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/77.8%, two female/22.2%) 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 29, 2021, nine directors (including three outside directors), five auditors (including three outside auditors) and 20 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.



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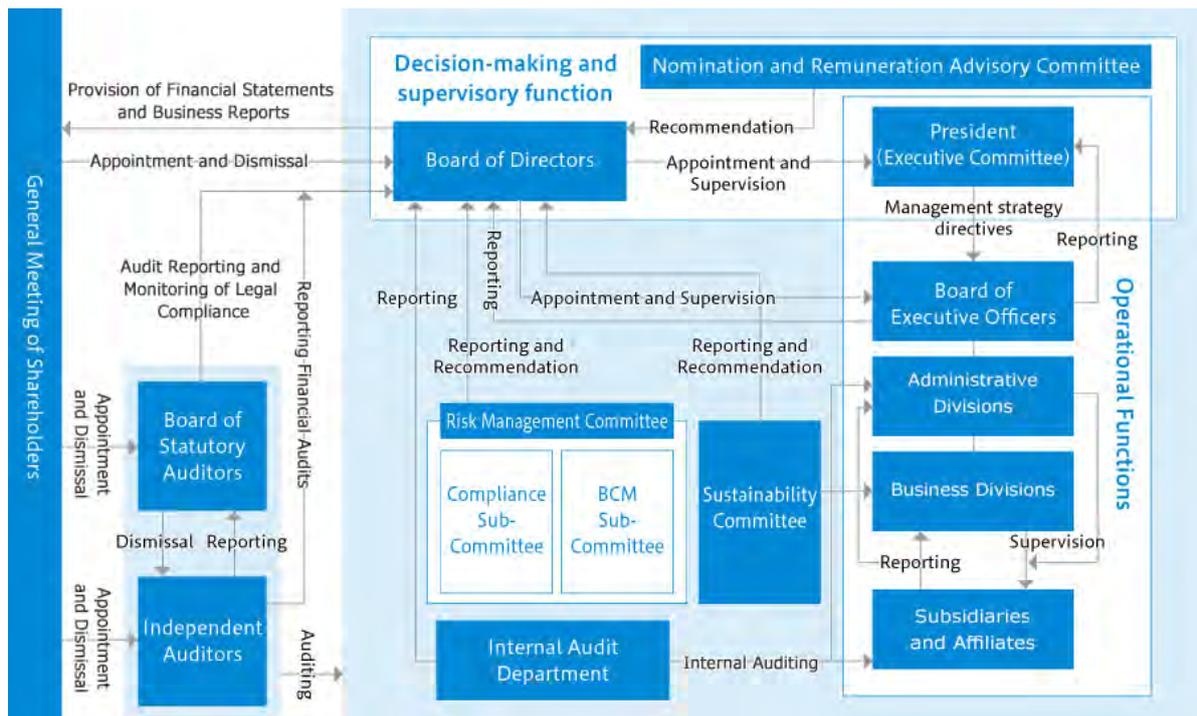
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Corporate Governance System



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. In fiscal 2021, the Board of Directors meetings were held 16 times while Executive Committee meetings were held 26 times.



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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	Konica Minolta Co., Ltd. Outside Director	16	100
President and Representative Director President and Executive Officer	Toshiro Mitsuyoshi	—	16	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 Statutory Auditor of Kumagai Gumi Co., Ltd.	16	100
Director, Senior Managing Executive Officer	Tatsumi Kawata	Administering Environment and Resources Division In charge of Corporate Planning, Finance, Corporate Communications, and Sustainability	16	100
Director Managing Executive Officer	Atsushi Kawamura	Administering Timber and Building Materials Division In charge of communication with Tsukuba Research Institute, Divisional Manager of Overseas Housing and Real Estate Division	16	100
Director, Managing Executive Officer	Ikuro Takahashi	Commissioned by General Manager of Housing and Building Business Division	-	-
Outside Director	Junko Hirakawa	Attorney at Law Outside Director of Tokyo Financial Exchange Inc.	16	100
Outside Director	Izumi Yamashita	Outside Director of AEON Bank, Ltd.	16	100

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Position ^{*1}	Name	Responsibility and Significant Concurrent Positions ^{*1}	Board of Directors ^{*2}	
			Attended Meetings (meetings)	Attendance Rate (%)
Outside Director	Mitsue Kurihara	Chairman and Representative Director of Value Management Institute, Inc. Outside Director of Chubu Electric Power Co., Inc. Outside Director of Japan Finance Corporation	13 ^{*3}	100 ^{*3}

*1 Position, responsibility and significant concurrent positions as of March 29, 2022

*2 Attended meetings and the attendance rate to Board of Directors meetings are in fiscal 2021

*3 Attended meetings and attendance rate of Board of Directors meetings are after appointment as a director on March 30, 2021

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.



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Officer Skill Matrix

Table below shows the expertise and experience that we especially expect from directors and statutory Auditors.

		Title	Corporate management	ESG Sustainability	Global	Real estate development Architecture	Financial accounting	Legal Affairs Risk Management Internal Audit	IT - DX	Industrial policy
Director	Akira Ichikawa	Representative Director, Chairman of the Board	•	•	•		•	•	•	•
	Toshiro Mitsuyoshi	Representative Director, President/Director, Corporate Officer	•	•	•	•				
	Tatsuru Satoh	Representative Director, Executive Vice President and Executive Officer	•	•			•	•	•	
	Tatsumi Kawata	Director, Senior Managing Executive Officer	•	•	•		•			
	Atsushi Kawamura	Director, Managing Executive Officer	•	•	•	•				
	Ikuro Takahashi	Director, Managing Executive Officer		•		•				
	Junko Hirakawa	Outside Director		•	•			•		
	Izumi Yamashita	Outside Director	•	•	•		•		•	•
	Mitsue Kurihara	Outside Director	•	•	•		•			•



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		Title	Corporate management	ESG Sustainability	Global	Real estate development Architecture	Financial accounting	Legal Affairs Risk Management Internal Audit	IT · DX	Industrial policy
Statutory Auditors	Akihisa Fukuda	Senior Statutory Auditor	●	●	●	●	●		●	
	Noriaki Toi	Statutory Auditor		●	●			●		
	Yoshitsugu Minagawa	Outside Statutory Auditor		●						●
	Yoshimasa Tetsu	Outside Statutory Auditor		●			●			
	Makoto Matsuo	Outside Statutory Auditor		●	●			●		

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 and conducted an external evaluation for the results of the questionnaire. In addition, the Board of Directors made an evaluation based on confirmation of implementation status for the role of the Board of Directors, etc. stipulated in Sumitomo Forestry's Basic Corporate Governance Policy and exchange of opinions with directors and corporate auditors.

2.Assessment Results

- As a result of the evaluation described in 1., the Board of Directors of Sumitomo Forestry was judged to be functioning effectively in general.
- With respect to the projects that were recognized as issues in the last year's evaluation, the Internal Audit Division established a report line to report directly to the Board of Directors on matters related to internal audits and held meetings to exchange opinions with outside officers to further strengthen collaboration between the two parties. In addition, criteria for reappointment of outside officers were established.

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- As future issues, there was an opinion requesting that the Board of Directors regularly monitor progress of the medium-term management plan and improve efficiency of the management of the Board of Directors, such as further improving materials of the Board of 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 14 times during fiscal 2021.

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. This meeting was held 5 times in fiscal 2021.

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Board of Statutory 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	—	16	100	14	100
Statutory Auditor	Noriaki Toi	—	16	100	14	100
Statutory Auditor (Outside)	Yoshitsugu Minagawa	Chief Counselor of Norinchukin Research Institute Co., Ltd. Supervisory Committee Member of The Norinchukin Bank	15	94	13	93
Statutory Auditor (Outside)	Yoshimasa Tetsu	Certified Public Accountant External Auditor, Daiwa Motor Transportation Co., Ltd.	16	100	14	100
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.	16	100	14	100

*1 Position, responsibility and significant concurrent positions as of March 29, 2022

*2 Attended meetings and the attendance rate to Board of Directors meetings and Board of Statutory Auditors meetings in fiscal 2021.



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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

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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%.



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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 (%)
Committee chairperson	Outside Director	Junko Hirakawa	2	100
Board Member	Outside Director	Izumi Yamashita	2	100
	Outside Director	Mitsue Kurihara	1 ^{*3}	100 ^{*3}
	Statutory Auditor (Outside)	Yoshitsugu Minagawa	2	100
	Statutory Auditor (Outside)	Yoshimasa Tetsu	2	100
	Statutory Auditor (Outside)	Makoto Matsu	2	100
	Chairman of the Board and Representative Director	Akira Ichikawa	2	100
	President and Representative Director	Toshiro Mitsuyoshi	2	100

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*1 The position as of March 29, 2022

*2 Attended meetings and the attendance rate to Nomination and Remuneration Advisory Committee meetings are in fiscal 2021.

*3 Attended meetings and attendance rate of Board of Directors meetings after appointment as a director on March 30, 2021.

Risk Management Committee

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

In fiscal 2021, Risk Management Committee was held four times, Compliance Subcommittee was held twice, BCM Subcommittee was held twice, and reports were made four times to Board of Directors respectively.

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[> 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.

In addition, plans and results regarding internal audits are reported directly to the Board of Directors, and an opinion exchange meeting with outside officers was held regarding internal audits.

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.

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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). Although as a general rule, we go to the site to check and evaluate actual documents, etc., we conducted an interview by remote audit (written audit and video conference) during the time of travel restrictions because of outbreak of novel coronavirus. In addition, the company has been promoting DX on the occasion of calamity of the coronavirus, including introduction of audit software to work on CAATs (Computer Assisted Audit Techniques), a technique for extracting large amounts of digital data and using audit tools to verify the existence of fraud.

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.

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Executive Remuneration

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



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Total Remuneration Paid to Directors and Statutory Auditors

(Fiscal 2021)

Officer classification	Total amount of remunerations (million yen)	Total amount by type of remuneration (million yen)			Number of eligible officers (persons)
		Monthly remuneration	Non-monetary remuneration (transfer-restricted stock remuneration)	Performance-linked remuneration (bonus)	
Director (excluding outside directors)	463	267	31	165	6
Auditor (excluding outside directors)	48	48	-	-	2
Outside Director	35	35	-	-	3
Outside Statutory Auditor	30	30	-	-	3

*1 Names and amounts of officers whose remuneration is greater than or equal to 1 billion yen are disclosed in Financial Statements.

*2 Total amount of non-monetary remuneration for directors includes the cost of 31 million yen for the allocation of transfer-restricted stock granted to six directors (excluding outside directors).

Executive Remuneration

1) Details and Method of Determination of the Amount and Calculation Method of Remuneration for Officers

Sumitomo Forestry aims to prepare a new three-year medium-term management plan with the long-term vision "Mission TREEING 2030" and the 83rd term (January 1, 2022 to December 31, 2022) as the starting business year, and establish an executive remuneration system that can raise awareness of each officer toward achievement of the medium-term management plan. Sumitomo Forestry is reviewing its executive remuneration system at the Board of Directors meeting held on February 14, 2022.

[Remuneration for directors]

1. Basic policies

The remuneration of directors of the Company is designed in accordance with the following policies:

- i. The remuneration plan should be highly linked not only to short-term performance but also to medium- to long-term performance and improvement of corporate value;
- ii. The plan should be linked to the value to be newly created and provided in the course of promoting the ESG integrated management;
- iii. The plan should be designed to be linked to the shareholder value of the Company;
- iv. The remuneration level should be such that the Company can secure and maintain the human resources necessary to achieve its long-term vision; and



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- v. The plan should ensure transparency and objectivity in the remuneration determination process.

2. Remuneration level

From the perspective of ensuring objectivity and appropriateness of the executive remuneration, the level of remuneration for directors of the Company will be set with reference to the levels of other companies as surveyed by outside professional organizations, with the aim of achieving the mid-to-high level of remuneration in companies of similar size. The Company will revise the remuneration levels as necessary in response to changes in the external environment.

3. Composition of remuneration

The remuneration for directors of the Company comprises (i) fixed remuneration commensurate with the director's responsibilities and roles, (ii) annual performance-based Bonus as a short-term incentive, and (iii) performance-based restricted stock remuneration as a medium- to long-term incentive. Thus, the remuneration plan is designed to encourage management efforts from a short-term, and medium- to long-term perspective and to appropriately reward the results of such efforts. The remuneration for outside directors, who are responsible for management supervision from an independent standpoint and not in a position to execute business, is composed solely of fixed remuneration.

4. Policy for determining the amount of fixed remuneration

The amount of fixed remuneration is determined based on the following policy:

- i. The Company will determine the amount of fixed remuneration for each position of directors in accordance with their responsibilities and roles. The fixed remuneration will be on a monthly basis, and a fixed monthly amount will be paid in cash on a fixed date of each month.
- ii. The amount of remuneration for outside directors, consisting only of monthly remuneration as fixed remuneration, will be determined in accordance with their responsibilities and roles.
- iii. The amount of remuneration for directors (total of fixed remuneration and annual performance-based Bonus) will be up to JPY 650,000,000 per year (of which up to JPY 60,000,000 per year is for outside directors) based on the resolution of the general meeting of shareholders.

5. Policy for determining the method of calculation of the amount of the annual performance-based Bonus

The method of calculation is determined based on the following policy:

- i. The Company will pay an annual performance-based Bonus to each Subject Director as a short-term incentive.
- ii. The amount of annual performance-based Bonus will be determined through comprehensive judgment based on the amount obtained by multiplying the standard Bonus amount determined for each position by the payment rate which varies in proportion to the base profit for each business year (the amount obtained by deducting actuarial differences regarding employees' retirement benefit obligation, and net income attributable to non-controlling interests from consolidated recurring income for the fiscal year covered)
- iii. The Company adopts the method of amortizing actuarial differences regarding employees' retirement benefit obligation in a lump sum in a single business year. Accordingly, any significant fluctuation in such actuarial differences due to stock price fluctuations, interest rate conditions, or otherwise at the end of the business year will have a significant impact on the business performance. Therefore, for the calculation of the base profit, the Company uses the consolidated recurring income after deducting actuarial differences regarding employees' retirement benefit obligation.



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- iv. The payment of annual performance-based Bonus will be determined by the board of directors within the limit of the remuneration amount (total amount of fixed remuneration and annual performance-based Bonus) for directors approved at the general meeting of shareholders (JPY 650,000,000 per year (of which up to JPY 60,000,000 per year is for outside directors)), based on the view of the Nomination and Remuneration Advisory Committee chaired by an outside director, in which outside officers constitute a majority of its members.

6. Policy for determining the method of calculation of the amount of performance-based restricted stock remuneration

The method of calculation is determined based on the following policy:

- i. The Company will vest performance-based restricted stock remuneration in each Subject Directors as a medium- to long-term incentive.
- ii. The performance-based restricted stock remuneration is structured to reflect the Company's performance during each period (three years) of the medium-term management plan in the level of vesting. The standard stock remuneration amount prescribed for each position consists of (i) a portion linked to the growth rate of the Company's market capitalization relative to TOPIX (two-thirds of the Standard Stock Remuneration Amount by Position), and (ii) a portion linked to the achievement rate of the greenhouse gas emission reduction target based on SBT (Science Based Targets) (one-third of the Standard Stock Remuneration Amount by Position), each during the subject period.
- iii. The stock remuneration amount to be vested in each Subject Director will be determined by the board of directors after the end of the subject period by calculating the cumulative amount of stock remuneration during the subject period based on the actual value of each evaluation index, taking into account the views of the Nomination and Remuneration Advisory Committee.
- iv. The amount to be vested as performance-based restricted stock remuneration will be JPY 100,000,000 or less per business year based on the resolution of the general meeting of shareholders. Similarly, the number of shares to be delivered per business year will be 100,000 shares or less.

7. Remuneration composition ratio

The plan has been designed so that the ratio of fixed remuneration to variable remuneration for directors should be 60 to 40 when the base profit is JPY 100,000,000,000. Specifically, fixed remuneration accounts for 60%, annual performance-based Bonus (variable) accounts for 25%, and performance-based restricted stock remuneration (variable) accounts for 15% of the total remuneration, respectively. The remuneration for outside directors consists solely of fixed remuneration.

8. Remuneration governance

The matters regarding executive remuneration, such as the amount of individual remuneration for directors, will be determined at a board of directors meeting taking into account the views of the Nomination and Remuneration Advisory Committee chaired by an outside director, in which outside officers (three outside directors, and three outside statutory auditors) constitute a majority of its eight members.

9. Forfeiture of remuneration

In the event that the board of directors confirms any illegal or wrongful action or other misconduct by a Subject Director, the Company may demand restriction of the vesting of remuneration in such Subject Director, or return of the remuneration paid to such Subject Director.



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10. Method of calculating the performance-based remuneration

(1) Annual performance-based Bonus (short-term incentive)

The amount of annual performance-based Bonus payable as short-term incentive remuneration will be determined through comprehensive judgment based on the amount obtained by multiplying the standard Bonus amount to be determined by position by the payment rate which is variable in proportion to the base profit for each business year (the amount obtained by deducting actuarial differences regarding employees' retirement benefit obligation, and net income attributable to non-controlling interests from consolidated recurring income for the fiscal year covered). The formula for calculating the amount payable is as follows:

< Calculation Formula >

Bonus amount = standard Bonus amount by position × payment rate (*)

* The payment rate range will be from 0% (lower limit) to 180% (upper limit).

(2) Performance-based restricted stock remuneration (medium- to long-term incentive remuneration)

Under the plan for performance-based restricted stock remuneration as a medium- to long-term incentive remuneration, in order to promote management that emphasizes medium- to long-term enhancement of shareholder value, restricted shares in a number corresponding to the achievement status of the medium-term management plan are granted to the Subject Directors after the end of the final business year of the three-year medium-term management plan period as an incentive for improving the Company's corporate value during the medium-term management plan period. The initial period covered by this plan will be three years from January 1, 2022 to December 31, 2024 (the "Initial Coverage Period").

The amount of performance-based restricted stock remuneration to be vested is calculated using two indicators. The calculation formulas are as follows:

i. Remuneration linked to the market capitalization growth rate

Remuneration linked to the market capitalization growth rate is designed to compare the Company's market capitalization growth rate with the TOPIX appreciation rate to objectively measure the Company's relative valuation in the stock market and reflect it in remuneration.

< Calculation Formula >

Remuneration linked to the market capitalization growth rate = amount equivalent to two-thirds of the Standard Stock Remuneration Amount by Position × vesting rate (the Company's market capitalization growth rate during the medium-term management plan period / TOPIX appreciation rate during the same period) (*)

* The vesting rate range will be from 0% (lower limit) to 120% (upper limit).

ii. Remuneration linked to the sustainability index achievement rate

Since the maximum vesting rate is set at 100%, if the Company fails to achieve the emission reduction target (*1) that it has set based on the SBT (Science Based Targets *2), the amount of remuneration vested in proportion to the target achievement rate will be reduced accordingly from the Standard Stock Remuneration Amount by Position, thereby providing a strong incentive to achieve the target.

< Calculation Formula >

Remuneration linked to the sustainability index achievement rate = amount equivalent to one-third of the Standard Stock Remuneration Amount by Position × vesting rate (achievement rate of the SBT-based emission reduction target under the medium-term management plan) (*3)

*1 The emission reduction target for the Initial Coverage Period has been set at -21.7% compared to the Company's figures in FY 2017.

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*2 "SBT" refers to the emission reduction targets set by companies and to be achieved in five to fifteen years in consistency with the level required by the Paris Agreement that was adopted at the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) and took effect in 2016 (which sets a goal of limiting global temperature increase to well below 2°C above pre-industrial levels and pursuing efforts to limit the increase to 1.5°C).

*3 The vesting rate range will be from 0% (lower limit) to 100% (upper limit).

[Remuneration for Statutory Auditor]

Compensation for Statutory Auditors consists only of monthly compensation as basic compensation. In addition, we use results of a survey conducted by a third party for directorship remuneration at domestic corporations in order to set an appropriate remuneration level from the perspective of ensuring objectivity and appropriateness of executive remuneration.

2) Date and contents of resolutions on remuneration for directors, etc. at the general meeting of shareholders

- Total limit of fixed remuneration for directors and annual performance-related bonuses has been resolved at the 82nd Ordinary General Meeting of Shareholders held on March 29, 2022, as no more than 650 million yen per year (of which, outside directors is no more than 60 million yen per year).
- At the 82nd Ordinary General Meeting of Shareholders held on March 29, 2022, it was resolved that maximum amount of performance-linked stock remuneration with transfer restrictions for directors (excluding outside directors) is 100 million yen per fiscal year.
- Amount of remuneration for statutory auditors was approved as no more than 8 million yen per month at the 74th General Meeting of Shareholders held on June 20, 2014.

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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 2021, Risk Management Committee was held four times, Compliance Subcommittee was held twice, BCM Subcommittee was held twice, and reports to Board of Directors were made four times respectively.

We keep developing specific activities to improve the effectiveness in our response to environmental, social, and governance risks and emerging risks described in Sumitomo Forestry Group Code of Conduct. 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.

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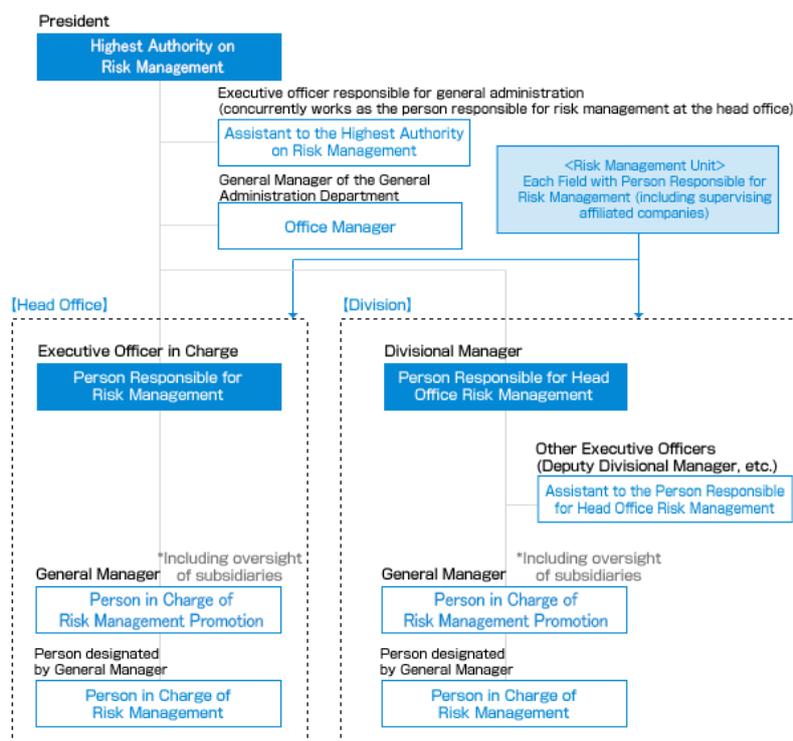
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Risk Management Structure of the Sumitomo Forestry Group



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 (Home Tech), which is undertaking a reform project, announced its Non-Conformance to Building Standards Act (This Case) in the extension work of detached houses on September 18, 2019. Home Tech 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, and received "Report" ("This Report") from the Special Investigation Committee on August 11, 2020.

Based on the contents, Board of Directors of Home Tech held on the 12th of the same month confirmed the cause of This Case and resolved the countermeasures to prevent its recurrence, and are proceeding with the response.

1. Outline of the results and progress 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 the investigation, we confirmed that 215 of the 342 cases for which the case inspection was completed as of March 31, 2022 had Non-conformance with the Act, and 70 of them had been repaired. These Legal Non-Conformances were all caused by the fact that the design work that should be adapted to the Building Standards Act had not been properly implemented, and the work necessary to conform to the Act had not been incorporated into the design. Home Tech will endeavor to promptly carry out the necessary repair works 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;

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(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.

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[Securities Reports/Internal
Control Reports \(in Japanese\)](#)

[Compliance](#)

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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.

[Click here for related information](#)

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

[Supply Chain Management](#)

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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.

[Click here for related information](#)

[Distribution Business Initiatives](#)

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. Emission of N₂O and CH₄ by bioenergy raw materials must also be included in the company inventory and targeted range.

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 five wood biomass power generation plants in Japan and is currently planning to add another in 2023, which would generate total of 251.6MW.

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.

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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 2025 at the latest, based on the current criteria, updated targets will need to be aiming at well below 2 degree-C.

Impact on the Sumitomo Forestry Group

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 fiscal 2030 compared to fiscal 2017 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.



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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. In fiscal year 2021, 15 new businesses and projects were discussed.

Environmental Aspects	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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

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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 Sustainability 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.

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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.

In addition, we are periodically conducting training on corporate law and corporate governance, including those of Sumitomo Forestry's independent board of directors and external statutory auditors.

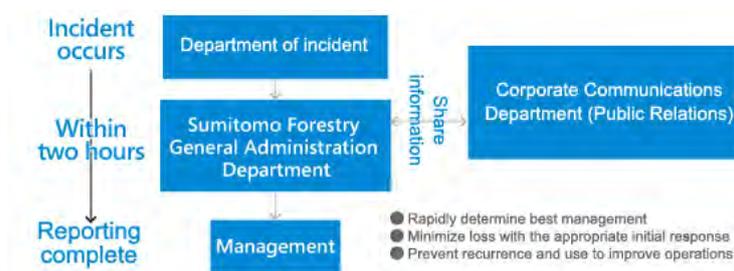
Moreover, the Compliance Subcommittee introduces and shares examples of common risks across the divisions which have manifested in the past and that should be noted the people in charge of risk management at Sumitomo forestry and each Group company.

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





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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.

A meeting was held by the committee twice in fiscal 2021 to continuously improve the compliance system through the following inspections and awareness activities. Through these efforts, compliance officers of the entire group are able to coordinate their viewpoints from the bottom up and share a sense of crisis.

- Combined inspection of compliance with the Construction Business Act, Act on Architects and Building Engineers, and the Real Estate Brokerage Act
- Combined inspection of safe operation management system
- Combined inspection of compliance with the Subcontracting Act
- Combined inspection of responses to administrative procedures and legal requirements specific to Tsukuba Research Institute and Group companies
- Explanation and sharing of information on the Unfair Competition Prevention Act and the Antimonopoly Act
- Explanation and sharing of information on the laws to be revised (such as the Whistleblower Protection Act, the Act on the Protection of Personal Information, and the Road Traffic Act)

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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 wood procurement is performed legally and in a sustainable manner with consideration of legal compliance, human rights, labor practices, biodiversity conservation, and local communities. The Wood Procurement Committee convened four times in fiscal 2021 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 2021, training was administered to a total of 258 new graduate recruits, and to 82 mid-career recruits (Sumitomo Forestry). Compliance training was also provided to groups of employees at specific levels, including "Training for New General Managers."

In addition, we have designated e-learning courses such as "Risk Management and Compliance," "Information Security," and "Work and Human Rights," which include topics related to harassment, as mandatory courses. All employees of the Group, including temporary employees and part-time employees, are required to take these courses every year through our intranet. Employees must pass a test to measure the effectiveness of the course.



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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.

We received 11 consultations, including cases of suspected misconduct and harassment in fiscal 2021. When a report is received, an investigation will be carefully conducted. If a compliance violation, etc. is confirmed, necessary corrective measures will be taken. In addition, content of corrective actions (including cases of disciplinary actions) and content of reports are used as model cases and used in training, etc. as necessary to prevent recurrence.

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



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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.

[Click here for related information](#)

> [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. Basic principle of these regulations is to pay attention to facilitation payments (small payments to facilitate ordinary administrative services) and to provide conditions and prior approval for donations such as political contributions. The regulations also stipulate that no offer, promise, implementation, or approval will be made for the provision of money, goods, or other benefits to public officials, etc. We also introduce overseas consolidated subsidiaries common tools such as a Sales Commission Checklist to help prevent bribery. On-site visits to overseas Group companies became difficult due to impact of the coronavirus disease (COVID-19) pandemic from March 2020. However, we continued to grasping corruption risk in China as well as providing remote training to Group employees.

In addition to the above, when appointing a new contractor or agency or renewing a contract, the Company appropriately confirms that there is no risk that contractor will commit acts of bribery. At the same time, when engaging in joint ventures with other companies, the Company appropriately conducts due diligence, including status of corruption.

In fiscal 2021, no violation of corruption and relevant laws was identified.

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 2021.

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.

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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 2021.

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.

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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

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Governance

Tax

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.

In addition, we have set the "Establishment of a strong business structure" as one of the Nine Material Issues of the Sumitomo Forestry Group, and are striving to link business strategies including tax affairs with sustainability strategies.

Tax Governance System

Tax affairs are one financial function of the Group led by the director in charge of financial matters. The Accounting Planning Department of Sumitomo Forestry 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.

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[> Risk Management Framework](#)

[> Compliance Hotline](#)

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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

The Sumitomo Forestry 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.

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Business Continuity Management

Business Continuity Management System

Sumitomo Forestry Group has established BCM Subcommittee in order to respond to business interruption risks, such as natural disasters and new strains of influenza, which are extremely difficult to prevent through corporate efforts and may have a significant impact on functions of the head office. We disseminate and strengthen the Business Continuity Management System (BCM system) and formulate, review, and improve the Business Continuity Plan (BCP), and conduct training based on the plan. In fiscal 2021, the BCM Subcommittee encouraged each organization to promote independent and active support by meeting twice to create an opportunity to organize and understand the importance of the BCP, and to explain that the coordinated Group-wide response had a significant impact on the effectiveness of the BCP.

To respond to global spread of Coronavirus disease (COVID-19) since March 2020, the Sumitomo Forestry Group has established a task force headed by the President and promoted countermeasures. However, in light of the lifting of the state of emergency declaration in all prefectures on March 31, 2021, the task force was dissolved on the same day, and measures against the COVID-19 are continuing in normal operations. To be specific, we have set up a "one-stop" service where employees can consult about special prevention of infection outbreak measures and questions about attendance management. In addition, we have installed anti-splash acrylic partition and stocked up on hygiene products such as non-woven fabric masks and disinfection of fingers solutions. In addition, the COVID-19 occupational vaccination was held in the summer of 2021 at three sites in Tokyo, Nagoya, and Osaka, which expanded to include executives and employees, their families, and employees of related construction sites.

Resilience certification

On July 31, 2021, Sumitomo Forestry acquired "National Resilience Organization Certification" (hereafter referred to as Resilience Certification), which is given to business operators who are actively engaged in business continuity and social contribution.

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Sumitomo Forestry has set acquisition of "Resilience Certification" as one of the indicators to evaluate the achievement of the qualitative goal of "strengthening risk management and compliance systems" set forth in the "Medium-Term Management Plan Sustainability Edition." Since fiscal 2019, we have been reviewing and improving our BCM system. In addition, since the Great East Japan Earthquake, through the Japan Wooden Housing Industry Association, to which we belong, we have concluded agreements on disaster prevention and reduction with local governments around the country, and are working to revitalize local communities and solve social issues in addition to building safe and secure communities. As a result of these efforts, we have been awarded certification. We will continue to accelerate our efforts to increase resilience in order to minimize the impact of business disruptions and recoveries from major disasters and pandemics.



Ensuring the safety of employees

Sumitomo Forestry Group places the highest priority on ensuring safety of employees and their families as a principle of response in the event of an emergency.

Therefore, we have established an emergency communication system for each organization. In addition, we have introduced a safety confirmation system that automatically transmits information in conjunction with a disaster to each domestic Group company so that more safety information can be obtained before communication becomes concentrated or disconnected after a disaster. In addition to establishing a safety confirmation system through multiple routes, the Safety Confirmation Manual summarizes the matters that each employee should be equipped with on a daily basis in an easy-to-understand manner and is regularly disseminated. Every year, Group companies in Japan conduct safety confirmation drills. A total of 15,332 employees participated in 2021.

To ensure safety of our overseas employees, we introduced a safety confirmation system for overseas employees in 2019. This system enables us to quickly confirm their safety in the event of an emergency such as an earthquake, terrorist attack, or volcanic eruption in the host country.

In addition, we are striving to prevent secondary disasters due to insufficient information by operating a crisis management portal site that can be accessed from external networks as a tool for disseminating information from the company after a disaster has occurred, and by building a system in which employees and their families can obtain various information even in the event of an emergency.

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Safety Confirmation Manual Summary

Initiatives for continuity of critical operations

Sumitomo Forestry Group established the BCM Regulations in October 2019 and has formulated a Business Continuity Plan (BCP) based on the assumption of a crisis event that may cause suspension of the head office functions and a crisis event that may cause damage to the residential safety of a large number of homes, etc. Specific important operations, such as employee safety confirmation and payment, are specified in this BCP. In addition to building a system that enables the continuation of important operations at the two bases in Tokyo and Osaka, and working to minimize the impact, such as preparing IT equipment for emergencies, we also take measures such as remote backup of various systems and data necessary for the execution of operations in an emergency.

At each disaster site, even in a situation where the chain of command with the head office is disconnected, it is necessary for the responsible person to make flexible decisions and respond quickly to the initial response. Therefore, "Simulated Initial Response Training" is implemented to enhance response-ability. This training has been implemented since 2011. It was not implemented due to measures against COVID-19 in 2020. However, the training format was changed to an online format, and training was implemented for a total of 81 operational managers of different sites in 2021.

In addition, in preparation for people unable to return home due to the occurrence of a massive earthquake, who can stay at offices or walk home for long distances, we have established standard disaster prevention stockpiles that should be deployed at a minimum in each workplace and are deployed at all Group sites. In particular, in major urban areas (Tokyo metropolitan area, Osaka city, and Nagoya city) where a large number of people are expected to be unable to return home, we store emergency supplies in anticipation of three days of work stays.

When selecting a new office, the head office disaster prevention manager is involved not only in cost and convenience but also from the perspective of disaster prevention and mitigation. At the same time, office disaster prevention and mitigation measures are taken, including measures to prevent office equipment from falling over and to prevent the movement of multi-function machines with casters.

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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.

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Information Security/DX

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. Moreover, we develop guideline of the same level for overseas group companies. In fiscal 2022, based on the new security guidelines formulated in fiscal 2021, we plan to implement countermeasures in an effort to further strengthen security level of overseas group companies.

All employees of the Group, including temporary employees and part-time employees, are required to take education on information security every year through the intranet. Employees must pass a test to measure the effectiveness of the course.

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 2021.

*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

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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.

[Click here for related information](#)

› [Personal Information Protection
Policy](#)

Systems for Managing Information Security

The general manager of the IT Solutions Department, 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. Social trends in information security and status of implementation of Sumitomo Forestry Group's measures are periodically reported at the IT Strategy Committee, in which President, the officer in charge of the Administrative Division, and the General Manager of each Business Division participate, and are instructed to take 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.

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Dalian Sumirin Information Technology Service (ITS) Co., Ltd., which provides housing CAD design both inside and outside the Group, system operation, back-office services, and other BPO services, has acquired ISO27001 certification for its information security management system.

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, Sumitomo Forestry Group will continue to make investments in information security in fiscal 2022, including endpoint security enhancement. 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).

Promotion of DX

Sumitomo Forestry Group is promoting Digital transformation in four quadrants: digitalization of business, digitalization of organizations and work styles, digitalization of customer relationships, and digitalization of society and economy.

Digitization of business

We will continue to rationalize housing construction through CAD and digitalization of construction methods.

Digitalization of organization and working methods

We are promoting automation of simple operations such as slip input using technologies such as RPA^{*1} and AI-OCR^{*2}.

Digitalization of customer relations

We will promote digital marketing by providing appropriate information and approaches to customers through integrated management of customer information in each business of Sumitomo Forestry Group.

Digitalization of society and economy

We will promote spread of structural calculation services provided by Home Express Structural Design Co., Ltd., which started business in 2021.

*1 Abbreviation for Robotic Process Automation. Technology to automate PC operations using software robots

*2 Abbreviation for Artificial Intelligence-Optical Character Recognition (OCR). A technology that combines conventional OCR technology with AI to find rules based on learned content and recognize characters.

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Governance

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 2021, from the perspective of preventing spread of new coronavirus infections, we established a prevention measure against infection for group training and conducted five intellectual property training sessions for persons in charge of R&D and sales planning and managers at the Tsukuba Research Institute, business units, and affiliated companies. These sessions were designed for thorough compliance and risk management of intellectual property to prevent infringement of the intellectual property rights of others.

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.



Governance

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 2021. 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.

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Initiatives to Improve Company-Internal Literacy

In fiscal 2021, the Brand Communication Committee held study sessions on the Copyright Act, Portrait rights, Act Against Unjustifiable Premiums and Misleading Representations, and Unfair Competition Prevention, and Trademarks 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



Governance

Return to Shareholders and IR Activities

Basic Policy

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.

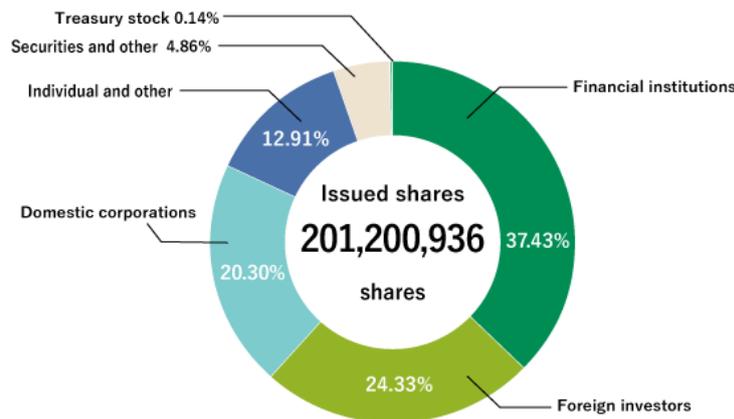
Dividends in the Fiscal Year Ended December 31, 2021

In the fiscal year ended December 31, 2021, a year-end dividend of 45 yen per share and an interim dividend of 35 yen per share were issued. This corresponds to a full-year dividend of 80 yen per share.



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Share Distribution by Shareholder Type (As of December 31, 2021)



* 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.

Furthermore, News releases share the latest information about Sumitomo Forestryour Group with stakeholders. Sumitomo Forestry published 77 news releases in fiscal 2021.

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.

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> [IR Materials \(Link to IR Information\)](#)



Integrated Report 2022



Japanese reports for shareholders on business activities (Year ended December 31, 2021)

Two-Way Communication with Shareholders and Investors

[Click here for related information](#)

> [IR Policy and Disclaimer](#)

General Meeting of Shareholders

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.).

Individual Meetings

Sumitomo Forestry holds individual meetings with security analysts and institutional investors following the announcement of its quarterly results. In fiscal 2021, we conducted a total of 215 consultations in Japan and overseas. In addition, we will also regularly hold forums such as small meetings and on-site briefings.

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IR Informative Meetings for Individual Investors

Sumitomo Forestry holds regular 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 and 2021 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 the United States, Europe, and Asia in fiscal 2021, 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.

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> [Second party opinion provided
by evaluation organization
Vigeo Eiris](#)



> [Environmental benefits: ex-
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Conclusion of Positive Impact Financing Agreements

The Sumitomo Forestry Group emphasizes contributions to the SDGs by defining Further integrating our businesses operations with ESG initiatives as one basic policy in the Mid-Term Management Plan.

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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/>

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Third-party Opinion on
Positive

> [Impact Financing of Sumitomo Mitsui Trust Bank to Sumitomo Forestry Co., Ltd](#) 

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External Recognition

External Recognition

Awards and Recognition by Third Parties in fiscal 2021

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 2022.

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 World Index and the Dow Jones Sustainability Asia Pacific Index selected Sumitomo Forestry for inclusion as a brand in November 2021. This is the 14th 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

Selected as "Gold Class" by S&P Global Corporation in the fourth consecutive years

Sumitomo Forestry Co., Ltd. has been consecutively selected in the fourth years with the highest valuation "Gold Class" in sustainability rating of the S&P Global Corporation, a global company responsible for evaluating social responsibility investment (SRI). S&P Global Corporation evaluate initiatives in economic, environmental, and social aspects of 7,000 large-scale enterprises or more worldwide, and publishes the top 15% of these enterprises in each of 61 industries in the "Sustainability Yearbook 2022" as "Company with excellent sustainability". Particularly excellent enterprises are rated therein as Gold Class, Silver Class, and Bronze Class.

**Sustainability Award
Gold Class 2022**

S&P Global

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Sumitomo Forestry Makes Climate Change A List in CDP 2021

Sumitomo Forestry Co., Ltd. has been selected by "Climate Change A List" as an enterprise in the sixth consecutive year - which achieves highest rating from CDP, a NGO, making a sustainable society come true. Since the evaluation criteria were changed in 2016, only four Japanese enterprises, including Sumitomo Forestry, have been selected in the sixth consecutive year.

* CDP Forest: A- CDP Water: B



FTSE4Good Global Index

Evaluation of companies that fulfill international standards in environment, social, and governance aspects by FTSE Russell, a group company of London Stock Exchange. Sumitomo Forestry has been consecutively included in the FTSE4Good Global Index every year since 2004.



FTSE4Good

Used as a Constituent Company in all Five ESG Indices Selected by GPIF

FTSE Blossom Japan Index

An ESG index for Japanese stocks by FTSE Russell, Ltd. and selected by the Government Pension Investment Fund, Japan (GPIF) as one of its three ESG indices in July 2017.



FTSE Blossom Japan

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FTSE Blossom Japan Sector Relative Index

It is one of ESG indices of FTSE Russell, which was chosen in March 2022 by the Government Pension Investment Fund (GPIF), a selective ESG composite Index which is evaluated in terms of three perspectives including ESG evaluation by FTSE Russell, carbon intensity (greenhouse gas emissions per sales unit), and management attitude toward climate change risks and opportunities.



**FTSE Blossom
Japan Sector
Relative Index**

* FTSE Russell (registered trademark of FTSE International Limited and Frank Russell Company) hereby certifies that Sumitomo Forestry as a result of a third-party investigation, has met the requirements for inclusion in the FTSE Blossom Japan Sector Relative Index and has become a constituent of the index.

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. Companies with relatively excellent ESG with "MSCI Japan IMI top 700 stocks by market capitalization" as parent index evaluating companies within the industry.

**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. Companies with relatively excellent ESG with "MSCI Japan IMI top 700 stocks by market capitalization" as parent index evaluating companies within the industry.

**2021 CONSTITUENT MSCI 日本株
女性活躍指数 (WIN)**

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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.



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Bloomberg Gender-Equality Index

Bloomberg selected Sumitomo Forestry as part of the 2022 Bloomberg Gender-Equality Index (GEI) in January 26, 2022. This is the second consecutive year that Sumitomo Forestry has been selected as a GEI index companies. 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 418 companies with head offices in 45 countries and regions (12 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.



Sompo Sustainability Index

Others

Other evaluations and awards

Award/Organiser	Recognition	Scope of Recognition
Forestry Agency	Toho Gakuen Munetsugu Hall, which was designed and constructed by Sumitomo Forestry Co., Ltd. in a joint venture (JV) with MAEDA CORPORATION, received the Forestry Agency Commissioner's Award at the fiscal 2021 Wood Utilization Excellent Facility Contest. https://sfc.jp/information/news/2021/2021-10-14.html (in Japanese)	Sumitomo Forestry

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Award/Organiser	Recognition	Scope of Recognition
<p>Wood Design Award Operational Secretariat</p>	<p>Sumitomo Forestry received the Japan Wood Design Award for the seventh consecutive year in 2021</p>  <p>JAPAN WOOD DESIGN AWARD 2021</p> <p>> https://sfc.jp/information/news/2021/2021-10-27.html (in Japanese) </p>	<p>Sumitomo Forestry</p>
<p>Organization for Landscape and Urban Green Infrastructure</p>	<p>We have concluded an "Agreement on Researching Effective Utilization of Residential Outdoor Spaces in Use of Environmental Certification System" with Independent Administrative Institution Urban Renewal Organization, and the green space of Tokiwadaira Danchi has been certified as SEGES "Sodateru Midori (fostered green color)" category Excellent Stage 2.</p>  <p>> https://sfc.jp/information/news/2021/2021-04-14-02.html (in Japanese) </p>	<p>Sumitomo Forestry Landscaping</p>

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Award/Organiser	Recognition	Scope of Recognition
Oricon ME Inc.	<p>Sumitomo Forestry Home Service was selected as the top ranking of Oricon Customer Satisfaction, ranging from three rankings of real estate brokerage, "Sold Condominiums," "Purchased Condominiums," and "Sold Detached Houses."</p>  <p><2021年 オリコン顧客満足度調査 不動産仲介 売却 マンション/購入 マンション/売却 戸建て 第1位></p> <p>> https://sfc.jp/information/news/2021/2021-09-01.html </p>	Sumitomo Forestry Home Service
Ministry of the Environment	<p>Sumitomo Forestry was selected as an Environmentally Sustainable Company in the Environmentally Sustainable Company Division of the third ESG Finance Award Japan.</p> 	Sumitomo Forestry
National Association of Home Builders	<p>Sumitomo Forestry received the highest award in two categories of Multifamily Pillars of the Industry Awards 2021 sponsored by NAHB (National Association of Home Builders). It is the third consecutive year that Crescent Communities has received the NAHB award.</p> <p>> https://sfc.jp/english/news/pdf/20220228_01.pdf </p>	Crescent Communities

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Editorial Policy

Editorial Policy

Editorial Policy

The Sumitomo Forestry Group regards the Sustainability Report as an important tool for communicating with our stakeholders.

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 highlighting our unique sustainability initiatives, arranged to be used in line with the interests of all our related stakeholders.

Furthermore, we publish an Integrated Report as a booklet that informs shareholders, investors, and stakeholders of our annual performance and efforts to improve corporate value in medium to long term.

We appreciate your feedback on our wide range of sustainable activities.

[Click here for related information](#)

[Sustainability Report
Questionnaire Page](#)

[Integrated Report / Annual Report](#)

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

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[List of Sumitomo Forestry Group
Companies](#)

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Published: September 2022 (date of the most recent previous report: August 2021)

Reporting Period:

Japan & Overseas: January 2021 to December 2021

* Some activities in Japan and overseas started before the period and after December 2021, 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)

* Sumitomo Forestry Group changed its accounting period (end of the fiscal business year) in fiscal 2020 from March 31 to December 31. Unless otherwise noted, the domestic period for the fiscal year 2020 is from April 2020 to December 2020.

Reliability of Report Content

The environmental and social performance indicators have obtained third-party assurance by KPMG AZSA Sustainability Co., Ltd., and are indicated by 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.



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Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19)

Sumitomo Forestry Group works to prioritize initiatives in response to the spread of the coronavirus disease (COVID-19) in an effort to make customers, employees, and trade partners safe and secure.

Customer and Supplier Initiatives

[Click here for related information](#)

- > Sales of Home in-line with Various Needs and Lifestyles
- > Model Homes/Showrooms
- > Renovating to Improve Function and Asset Value
- > Communication with Procurement Partners and Partner Evaluation

Community Support

[Click here for related information](#)

- > Building Social Infrastructure

Sumitomo Forestry Group Employee Initiatives

[Click here for related information](#)

- > Occupational Health and Safety in the Forestry Business
- > Occupational Health and Safety in the Manufacturing Business
- > Occupational Health and Safety on Construction Sites
- > Telework Initiatives
- > Information Security

Impact on the Sumitomo Forestry Group

[Click here for related information](#)

- > Strengthening Supply Chain Business Continuity Plan
- > Understanding and Responding to Environmental Risks



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SASB Content Index

SASB Content Index

SASB Content Index

It shows places where Sumitomo Forestry Group's initiatives are posted on the topic of standard of the forestry management of SASB.

SUSTAINABILITY DISCLOSURE TOPICS & ACCOUNTING METRICS

TOPIC	ACCOUNTING METRIC	CODE	LOCTION
Ecosystem Services & Impacts	Area of forestland certified to a third-party forest management standard, percentage certified to each standard	RR-FM-160a.1	<ul style="list-style-type: none"> > Area of Forest Managed and Owned by the Sumitomo Forestry Group > FY2021 Overseas Managed afforestation Area
	Area of forestland with protected conservation status	RR-FM-160a.2	<ul style="list-style-type: none"> > Area of Forest Managed and Owned by the Sumitomo Forestry Group > FY2021 Overseas Managed afforestation Area
	Area of forestland in endangered species habitat	RR-FM-160a.3	<ul style="list-style-type: none"> > Commitment to Protected Areas > Biodiversity Conservation in Company-Owned Forests in Japan
	Description of approach to optimizing opportunities from ecosystem services provided by forestlands	RR-FM-160a.4	<ul style="list-style-type: none"> > Utilization of Sustainable Forest Resources
Rights of Indigenous Peoples	Area of forestland in indigenous land	RR-FM-201a.1	-
	Description of engagement processes and due diligence practices with respect to human rights, indigenous rights, and the local community	RR-FM-201a.2	<ul style="list-style-type: none"> > Identifying and Managing Human Rights Risks > Consideration for Biodiversity Conservation, Labor Practices and Human Rights, and Local Communities

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TOPIC	ACCOUNTING METRIC	CODE	LOCTION
Climate Change Adaptation	Description of strategy to manage opportunities for and risks to forest management and timber production presented by climate change	RR-FM-450a.1	> Responding to TCFD

Activity Metrics

ACTIVITY METRIC	CODE	LOCTION
Area of forestland owned, leased, and/or managed by the entity	RR-FM-000.A	> Area of Forest Managed and Owned by the Sumitomo Forestry Group
Aggregate standing timber inventory	RR-FM-000.B	-
Timber harvest volume	RR-FM-000.C	> FY2021 Overseas Managed afforestation Area



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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
102-3	a. Location of the organization's headquarters		> Corporate Profile
102-4	a. Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report		> Sumitomo Forestry Group
102-5	a. Nature of ownership and legal form		> Corporate Profile
102-6	a. Markets served		> Corporate Profile > Sumitomo Forestry Group
102-7	a. Scale of the organization		> Corporate Profile > Financial Statement



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Disclosures		ISO26000 Disclosure	Location
102-8	<p>a. Total number of employees by employment contract (permanent and temporary), by gender</p> <p>b. Total number of employees by employment contract (permanent and temporary), by region</p> <p>c. Total number of employees by employment type (full-time and part-time), by gender</p> <p>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.</p> <p>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)</p> <p>f. An explanation of how the data have been compiled, including any assumptions made</p>	6.4 6.4.3	> Social Data
102-9	a. A description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products, and services		<ul style="list-style-type: none"> > Overall Picture of Our Business > Supply Chain Management
102-10	a. Significant changes to the organization's size, structure, ownership, or supply chain		<ul style="list-style-type: none"> > Corporate Profile > Financial Statement
102-11	a. Whether and how the organization applies the Precautionary Principle or approach	6.2	<ul style="list-style-type: none"> > Risk Management > Supply Chain Management > Human Rights Initiatives > Occupational Health and Safety Management > Environmental Risk Management > Pollution Prevention

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Disclosures		ISO26000 Disclosure	Location
102-12	a. A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses	6.2	<ul style="list-style-type: none"> > Corporate Philosophy and Sustainability Management > Mid-Term Sustainability Targets 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	<ul style="list-style-type: none"> > Promotion of Social Contribution Activities
Strategy			
102-14	a. A statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability	6.2	<ul style="list-style-type: none"> > Top Commitment
102-15	a. A description of key impacts, risks, and opportunities	6.2	<ul style="list-style-type: none"> > Top Commitment > Risk Management > Environmental Risk Management > Responding to TCFD > IR Library
Ethics and Integrity			
102-16	a. A description of the organization's values, principles, standards, and norms of behavior	4.4	<ul style="list-style-type: none"> > Corporate Philosophy and Sustainability Management
102-17	a. A description of internal and external mechanisms for: <ul style="list-style-type: none"> i. Seeking advice about ethical and lawful behavior, and organizational integrity ii. Reporting concerns about unethical or unlawful behavior, and organizational integrity 		<ul style="list-style-type: none"> > Intellectual Property Management > Compliance



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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 topics 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



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Disclosures		ISO26000 Disclosure	Location
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		> 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		> Corporate Governance
102-26	a. 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		> 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		> Corporate Governance
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, and social topics, including, as a minimum, changes in membership and organizational practice.		> Corporate Governance



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Disclosures		ISO26000 Disclosure	Location
102-29	<p>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</p> <p>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</p>	6.2	<ul style="list-style-type: none"> > Corporate Governance > Risk Management
102-30	<p>a. Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics</p>		<ul style="list-style-type: none"> > Corporate Governance > Risk Management
102-31	<p>a. Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities</p>	6.2	<ul style="list-style-type: none"> > Corporate Governance > Risk Management
102-32	<p>a. The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material topics are covered</p>		<ul style="list-style-type: none"> > Corporate Governance > Mid-Term Sustainability Targets and Material Issues
102-33	<p>a. Process for communicating critical concerns to the highest governance body</p>	6.2	<ul style="list-style-type: none"> > Corporate Governance > Risk Management > Compliance > Return to Shareholders and IR Activities
102-34	<p>a. Total number and nature of critical concerns that were communicated to the highest governance body</p> <p>b. Mechanism(s) used to address and resolve critical concerns</p>		<ul style="list-style-type: none"> > Compliance



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Disclosures		ISO26000 Disclosure	Location
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
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



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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	> Supply Chain Management > Distribution Business Initiatives
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 and Material Issues
102-47	a. A list of the material topics identified in the process for defining report content		> Mid-Term Sustainability Targets and Material Issues
102-48	a. The effect of any restatements of information given in previous reports, and the reasons for such restatements		> Greenhouse Gas Emissions from Business Activities > Occupational Health and Safety Management



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Disclosures		ISO26000 Disclosure	Location
102-49	a. Significant changes from previous reporting periods in the list of material topics and topic Boundaries		<ul style="list-style-type: none"> > Editorial Policy > Mid-Term Sustainability Targets 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		> Questionnaire
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		<ul style="list-style-type: none"> > Mid-Term Sustainability Targets and Material Issues > Material Issue 1 > Material Issue 2 > Material Issue 3 > Material Issue 4 > Material Issue 5 > Material Issue 6 > Material Issue 7 > Material Issue 8 > Material Issue 9



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Disclosures		ISO26000 Disclosure	Location
103-2	<p>a. An explanation of how the organization manages the topic</p> <p>b. A statement of the purpose of the management approach</p> <p>c. A description of the following, if the management approach includes that component:</p> <ul style="list-style-type: none"> i. Policies ii. Commitments iii. Goals and targets iv. Responsibilities v. Resources vi. Grievance mechanisms vii. Specific actions, such as processes, projects, programs and initiatives 		<ul style="list-style-type: none"> > Top Commitment > Sustainability related Policies and Philosophy > Mid-Term Sustainability Targets and Material Issues > Material Issue 1 > Material Issue 2 > Material Issue 3 > Material Issue 4 > Material Issue 5 > Material Issue 6 > Material Issue 7 > Material Issue 8 > Material Issue 9
103-3	<p>a. An explanation of how the organization evaluates the management approach</p>		<ul style="list-style-type: none"> > Mid-Term Sustainability Targets and Material Issues > Material Issue 1 > Material Issue 2 > Material Issue 3 > Material Issue 4 > Material Issue 5 > Material Issue 6 > Material Issue 7 > Material Issue 8 > Material Issue 9

Disclosures		ISO26000 Disclosure	Location
Economic Performance (2016)			
201-1	Direct economic value generated and distributed	<p>6.8.1</p> <p>6.8.2</p> <p>6.8.3</p> <p>6.8.7</p> <p>6.8.9</p>	<ul style="list-style-type: none"> > Return to Shareholders and IR Activities > Corporate Profile > Financial Statements



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Disclosures		ISO26000 Disclosure	Location
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	
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 Planted Forests Overseas



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Disclosures		ISO26000 Disclosure	Location
203-2	Significant indirect economic impacts	6.3.9 6.6.6 6.6.7 6.7.8 6.8.1 6.8.2 6.8.5 6.8.6 6.8.7 6.8.9	> 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



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Disclosures		ISO26000 Disclosure	Location
Tax (2019)			
207-1	Approach to tax	6.2	> Tax
207-2	Tax governance, control, and risk management	6.2	> Tax
207-3	Stakeholder engagement and management of concerns related to tax		> Tax
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	> Balance of Input & Output > Environmental Related Data
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	Recycled input materials used	6.5.1 6.5.2 6.5.4	> Balance of Input & Output > Environmental Related Data > Energy Used in Business Activities and the Adoption of Renewable Energy
302-2	Reclaimed products and their packaging materials	6.5.1 6.5.2 6.5.4	> Balance of Input & Output > Environmental Related Data > Greenhouse Gas Emissions from Business Activities
302-3	Energy intensity	6.5.1 6.5.2 6.5.4	
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



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Disclosures		ISO26000 Disclosure	Location
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 and Effluents (2018)			
303-1	Interactions with water as a shared resource		> Efficient Use of Water Resources
303-2	Management of water discharge- related impacts		> Efficient Use of Water Resources
303-3	Water withdrawal		> Balance of Input & Output > Environmental Related Data
303-4	Water discharge		> Balance of Input & Output > Environmental Related Data
303-5	Water consumption		> Balance of Input & Output > Environmental Related Data
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 Planted 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 Planted 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 Planted Forests Overseas



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Disclosures		ISO26000 Disclosure	Location
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	6.5.1 6.5.2 6.5.6	Biodiversity Conservation in Company- > Owned Forests in Japan and Planted Forests Overseas
Emissions (2016)			
305-1	Direct (Scope 1) GHG emissions	6.5.1 6.5.2 6.5.5	> Balance of Input & Output > Environmental Related Data > Greenhouse Gas Emissions from Business Activities
305-2	Energy indirect (Scope 2) GHG emissions	6.5.1 6.5.2 6.5.5	> Balance of Input & Output > Environmental Related Data > Greenhouse Gas Emissions from Business Activities
305-3	Other indirect (Scope 3) GHG emissions	6.5.1 6.5.2 6.5.5	> Balance of Input & Output > Environmental Related Data > Greenhouse Gas Emissions from Business Activities
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
Waste (2020)			
306-1	Waste generation and significant waste-related impacts		> Waste Reduction and Recycling Management
306-2	Management of significant waste-related impacts		> Waste Reduction and Recycling Management



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Disclosures		ISO26000 Disclosure	Location
306-3	Waste generated		<ul style="list-style-type: none"> > Balance of Input & Output > Waste Reduction and Recycling Management
306-4	Waste diverted from disposal		<ul style="list-style-type: none"> > Waste Reduction and Recycling Management
306-5	Waste directed to disposal		<ul style="list-style-type: none"> > Balance of Input & Output
Environmental Compliance (2016)			
307-1	Non-compliance with environmental laws and regulations	6.5.1 6.5.2 4.6	<ul style="list-style-type: none"> > 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	
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	<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
Employment (2016)			
401-1	New employee hires and employee turnover	6.4.1 6.4.2 6.4.3	<ul style="list-style-type: none"> > 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	<ul style="list-style-type: none"> > Social Data



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Disclosures		ISO26000 Disclosure	Location
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 (2018)			
403-1	Occupational health and safety management system		> Occupational Health and Safety Management
403-2	Hazard identification, risk assessment, and incident investigation		> Occupational Health and Safety
403-3	Occupational health services		> Occupational Health and Safety in the Forestry Business > Occupational Health and Safety on Construction Sites
403-4	Worker participation, consultation, and communication on occupational health and safety		> Communication with Employees > Occupational Health and Safety > Promotion of Health Management
403-5	Worker training on occupational health and safety		> Occupational Health and Safety > Promotion of Health Management
403-6	Promotion of worker health		> Promotion of Health Management
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		> Occupational Health and Safety > Promotion of Health Management
403-8	Workers covered by an occupational health and safety management system		> Occupational Health and Safety
403-9	Work-related injuries		> Occupational Health and Safety Management > Social Data
403-10	Work-related ill health		> Occupational Health and Safety Management > Social Data



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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 > Communication with Employees
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	> Human Rights Initiatives



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Disclosures		ISO26000 Disclosure	Location
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	> Human Rights Initiatives > Communication with Employees
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	> Supply Chain Management> Distribution Business Initiatives > Supply Chain Management> Manufacturing Business Initiatives > Supply Chain Management> Housing and Construction Business Initiatives > Human Rights 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	> Supply Chain Management> Distribution Business Initiatives > Supply Chain Management> Manufacturing Business Initiatives > Supply Chain Management> Housing and Construction Business Initiatives > Human Rights Initiatives

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Disclosures		ISO26000 Disclosure	Location
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 .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 Initiatives
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	> Human Rights Initiatives
412-2	Employee training on human rights policies or procedures	4.8 6.3.1 6.3.2 6.3.5	> Human Rights Initiatives
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



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Disclosures		ISO26000 Disclosure	Location
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	<ul style="list-style-type: none"> > Protecting Domestic Forest Resources > Afforestation Consultancy > Reforestation Activities Contributing to the Society > 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	<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
Public Policy (2016)			
415-1	Political contributions	6.6.1 6.6.2 6.6.4	<ul style="list-style-type: none"> > Promotion of Social Contribution Activities



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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	> 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	> 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	> 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	> Information Security/DX

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Disclosures		ISO26000 Disclosure	Location
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	

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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, 2021 to December 31, 2021 included in its Sustainability Report 2022 (PDF version) (the “Report”) for the fiscal year ended December 31, 2021.

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 Sumirin Care Life Co., Ltd. Elegano Konan 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.

Kazuhiko Saito, Partner, Representative Director
KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

September 27, 2022