

Happiness Grows from Trees



Sumitomo Forestry Group  
Sustainability Report 2023



# Contents

## 002 Top Commitment

### 006 Sustainability Activity Highlights

- 006 Material Issue 1
- 007 Material Issue 2
- 008 Material Issue 3
- 009 Material Issue 4/Material Issue 5
- 010 Material Issue 6
- 011 Material Issue 7/Material Issue 8
- 012 Material Issue 9

### 013 Sumitomo Forestry Group's Sustainability Management

- 014 Corporate Philosophy and Sustainability Management
- 024 Sustainability-related Policies and Philosophy
- 025 Mid-Term Sustainability Targets and Material Issues
- 031 Contributions to the SDGs and Material Issues
- 039 Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan
- 039 Material Issue 1  
To enhance the value of forests and wood through sustainable forest management
- 043 Material Issue 2  
To realize carbon neutrality by leveraging forests and wood resources
- 048 Material Issue 3  
To realize a circular bioeconomy by leveraging forests and wood resources
- 054 Material Issue 4  
To provide comfortable and secure spaces for society at large
- 056 Material Issue 5  
To improve the livelihood of the local communities where we operate
- 060 Material Issue 6  
To create a vibrant environment for all workers
- 067 Material Issue 7  
To create new markets with forests and wood
- 070 Material Issue 8  
To transform markets through DX and innovation
- 072 Material Issue 9  
To establish a robust business structure
- 075 Stakeholder Engagement

## 084 Initiatives for Sumitomo Forestry Group's business and ESG

- 085 Overall Picture of Our Business
- 086 Timber and Building Materials Business
- 090 Housing Business
- 093 Global Housing, Construction and Real Estate Business
- 097 Environment and Resources Business
- 102 Lifestyle Services Business
- 105 Research & Development

## 108 Environment

- 109 Sumitomo Forestry Group's Environmental Management
- 121 Responding to Climate Change
- 182 Sustainable Forest Management
- 212 Utilization of Sustainable Forest Resources
- 221 Biodiversity Conservation
- 244 Resource Recycling Initiatives
- 261 Pollution Prevention
- 274 Efficient Use of Water Resources
- 277 Environmental Related Data

## 299 Social

- 300 Human Rights
- 308 Diversity and Inclusion
- 333 Work-Life Balance
- 345 Occupational Health and Safety
- 375 Safety and Quality of Products and Services
- 402 Communication with Our Customers
- 413 Business initiatives that contribute to regional revitalization
- 414 Supply Chain Management
- 441 Social Contribution
- 470 Social Data

## 478 Governance

- 479 Corporate Governance
- 495 Risk Management
- 504 Compliance
- 510 Tax
- 512 Business Continuity Management
- 516 Information Security / DX
- 520 Intellectual Property Management
- 521 Responsible Advertising / Promotional Efforts
- 523 Return to Shareholders and IR Activities

## 527 Related Information

- 528 External Recognition
- 535 Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19)
- 536 SASB Content Index
- 538 GRI Content Index (GRI Standards)
- 553 Editorial Policy / Independent Assurance Report

### 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 2023

**Reporting Period** : January 2022 to December 2022 (Japan and Overseas)

\* Some activities in Japan and overseas started before the period and after December 2022, 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



### Urgent climate crisis measures

The Special Report on Global Warming of 1.5°C was released by the IPCC (Intergovernmental Panel on Climate Change) five years ago in 2018 and the IPCC Sixth Assessment Report was issued in March this year. While policies and environmental regulations in countries around the world have progressed, under current measures, it is highly likely that the global average temperature will soon exceed 1.5°C compared to pre-industrial levels. This underscores the need to achieve targets set out in the Paris Agreement, namely, to reduce global greenhouse gas (GHG) emissions 43% compared to 2019 levels by 2030 and 60% by 2035.

Disruptions in the supply chain triggered by the COVID-19 pandemic have cast a shadow on corporate management. In addition, the business environment has become increasingly uncertain due to soaring energy prices with Russia's invasion of Ukraine, food security issues and the collapse of US financial institutions on a scale not seen since 2008. Regardless, the IPCC Report warns that our actions over the next decade will have an irreversible impact on humanity and the planet that will last thousands of years. Even in these uncertain and difficult times, all actors must respond more boldly and quickly than ever before.

Last February, the Sumitomo Forestry Group announced its long-term vision, Mission TREEING 2030, to help us better respond to global challenges (such as climate crisis, nature loss and growing inequalities), technological advances (such as DX and AI) and changes in consumer preferences. One of the business policies of our long-term vision is maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy. Through our value chain, which we call the Wood Cycle, we are striving to contribute to the decarbonization of not only our own company, but of society as a whole, as well. Specifically, we are accelerating the cyclical forestry business in our forestry operations, promoting wood change in our timber operations and working to standardize decarbonized design in our construction operations. And we are spreading the word about all these



efforts both within and outside the company. Last year was the first year of our Mid-Term Sustainability Targets as part of our 2024 Mid-Term Management Plan. As you may have seen in our Sustainability Report 2023, we made progress on individual goals related to climate crisis initiatives, including a TCFD scenario analysis with a perspective that goes across the entire group and an SBT target of a 54.6% reduction of greenhouse gas emissions by 2030 compared to fiscal 2017 levels. All our efforts are generally proceeding as planned.

## Accelerating initiatives to reduce Scope 3 emissions

One after another, guidance on issues the world needs to address to realize a sustainable future and ways to quantify and target non-financial information are being proposed. The foundation for these guidelines is the GHG Protocol, the de facto standard for organizations to report their GHG emissions. In 2011, in addition to emissions from an organization's operations (Scope 1) and energy purchased (Scope 2), Scope 3 emissions in the value chain were added and the number of disclosing companies is increasing yearly.



At Sumitomo Forestry Group, 96 percent of our GHG emissions are Scope 3, of which more than 60 percent is Category 11 (Use of Sold Products), which in our case, comprises of emissions from air conditioning, lighting and other uses of energy during occupancy of a house. The key to reducing these emissions is the popularization of ZEH (net zero energy houses). In Japan, on a per month basis, we have currently reached our sales share target of 80 percent by the end of 2024. We have also begun offering LCCM (life cycle carbon minus) homes, which go beyond ZEH, and have opened a model house. In August last year, Henley Properties Group in Australia announced that it would become the first major builder to install solar panels on all its custom-built detached houses and make all-electric a standard specification, which would save up to 75 percent of energy consumption. In the United States where our annual number of buildings sold exceeds 10,000 units, 89 percent of our newly built properties in 2022 qualified for Energy Tax Credits (houses that consume 50 percent less energy for heating and cooling compared to 2006 standard levels). With increasing interest in reducing Scope 3 emissions, we are steadily responding in our core business of building and selling detached wooden houses.

## Promoting decarbonization with the construction of medium- to large-scale wooden buildings

Now we must place greater focus on embodied carbon, the GHG emissions that come from the raw material procurement, processing, transport, renovation and disposal of building materials. With the construction sector accounting for approximately 40 percent of the world's GHG emissions and demand for housing growing primarily in emerging countries, the key to decarbonization for the whole of society is reducing embodied carbon. As a first step in this initiative, in August of last year, we began sales of the Japanese edition of One Click LCA, a software that visualizes GHG emissions volume. We have concluded contracts with a wide range of clients, from developers and general contractors to architectural design offices, and from February of this year, we began offering calculation services on a commission basis. We are also promoting the acquisition and popularization of an environmental labeling system for building materials called Environmental Product Declaration (EPD) to support carbon neutral design across the entire construction industry.



Compared to other construction methods that require large amounts of energy to extract, manufacture, process and transport materials, wooden buildings have relatively low embodied carbon, and substituting wood for other materials to avoid emissions provides a reduction contribution effect. Furthermore, because trees absorb carbon dioxide during growth through photosynthesis and store this carbon dioxide even after being harvested, promoting the construction of wooden buildings contributes to the decarbonization of society.

Since 2010, Sumitomo Forestry has been working to promote wooden construction and the use of wood in non-residential buildings, as well. Through our business and capital alliance with Kumagai Group, the addition of Cohnan Kensetsu as a Sumitomo Forestry Group company and the development of Kigurumi CT, an original fire-resistant wooden material, we are focusing our efforts on the construction and development of medium- to large-scale wooden buildings. In May last year, we completed construction of Building 15, a three-story wooden building on the Yotsuya campus of Sophia University that is being enjoyed as a venue for adult education and community mingling. In Melbourne, we will begin construction in September this year of a 15-story wooden net-zero carbon building, which has virtually zero CO<sub>2</sub> emissions during occupancy. We are also pursuing projects in the United States and the United Kingdom and plan to further promote the construction of medium- to large-scale wooden buildings both in Japan and abroad.

To increase the self-sufficiency ratio and utilization of Japanese timber, we are planning to build a timber industrial complex in Shibushi City, Kagoshima, among other areas. We believe these complexes will contribute significantly to the expansion and popularization of medium- to large-scale wooden buildings.

## Accurate visualization of the value of forests in carbon sequestration

Until now, companies have only reported GHG emissions from fossil fuel combustion. GHG emissions/removal from biological sources, such as land use management and conversion for agriculture, forestry and other, have not been included. Emissions from this area account for one-quarter of total emissions, and the fact that they are not included in company reporting has been a concern. For the world to limit the global average temperature increase to within 1.5°C, CO<sub>2</sub> absorption and carbon fixation by forests, as well as technological innovations that remove carbon, are essential. However, there are no common tools to visualize, target and report these numbers. To enable the visualization of efforts being made by companies, a revision of the GHG Protocol that would add to the scope of the calculations is currently under discussion.

At Sumitomo Forestry, we are working to accurately measure the amount of CO<sub>2</sub> absorption and carbon fixation of forests to create high-quality carbon credits, which we want to offer widely through our forestry funds. To visualize these amounts, we are working with a wide range of stakeholders, such as local governments and universities, conducting joint verification tests and publishing papers. We are also participating in GHG Protocol revision pilot tests to contribute to the development of reporting guidelines. Through NeXT FOREST, a company we jointly established in February this year with IHI, we are providing consulting services to promote the appropriate management of tropical peatlands, such as water-level management techniques. It goes without saying that common rules for visualization are a prerequisite for the success of these efforts.



## Seeking both a nature-positive world and human rights initiatives

At COP15 held in Montreal last year, the concept of nature positive was presented as an approach to halt and reverse nature loss. At the same time, Nature-based Solutions (NbS) were similarly highlighted as an approach to address the climate crisis. Both concepts are in line and in strong agreement with Sumitomo Forestry's Wood Cycle, which promotes carbon neutral design through sustainable forest management and the utilization of forests resources that considers the value of natural capital, such as biodiversity and water cycles. Working with the Forest Solutions Group of the World Business Council for Sustainable Development (WBCSD), of which we are a member, we participated in the formulation a roadmap for the forestry sector. Climate crisis and nature loss are correlated. Their impact is greatest on indigenous people and vulnerable populations that directly benefit from forests and nature. In April, Sumitomo Forestry, with a wide range of businesses centered on wood, revised and enhanced the Sumitomo Forestry Group Human Rights Policy formulated in 2019 to also require business partners and others in the value chain to respect human rights. We pledged to offer collaboration and support on an as-needed basis, and we established a grievance mechanism.

Ever since our establishment in 1691, Sumitomo Forestry has sought to provide value not only to the company but also to society as a whole in line with our thinking, "Benefit self and benefit others, private and public interests are one and the same." We consider our ESG initiatives and information disclosure efforts not as costs, but as strategic investments for the future. And we fully utilize various forms of ESG finance, including sustainability-linked loans and ESG funds, to support these initiatives. At Sumitomo Forestry, all our employees, working together with our many business partners and stakeholders both in Japan and overseas, are committed to contributing to the creation of a sustainable and prosperous society.



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.



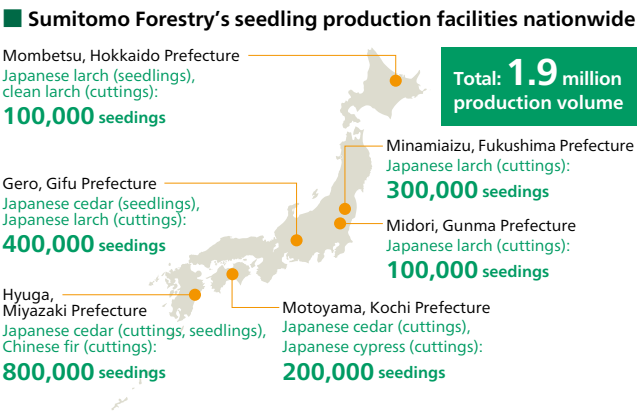
**Initiatives to revitalize the Japanese forestry industry**

An increasing number of municipalities are working to revitalize their forestry industries as part of their regional development efforts. In addition, the clearcutting of Japanese cedar, Japanese cypress and Japanese larch planted after World War II is increasing with the approach of harvesting season, which will require a stable supply of seedlings for replanting. Sumitomo Forestry was one of the first companies to begin modernizing its nursery tree production. Utilizing its independently researched and developed container seedling production technologies and through the operation of facility-based nursery tree production, Sumitomo Forestry is contributing to the sustainability of forest resources and the active production of resources. Currently, we have six production facilities in Japan, including Miyazaki Prefecture and Gifu Prefecture, which have the capacity to produce 1.9 million seedlings annually. In addition to our own seedling production, Sumitomo Forestry began providing in fiscal 2021 technical assistance in Nichinan-cho, Tottori Prefecture. In fiscal 2022, we increased the number of seedlings produced on an outsourced basis to enhance the stability of our seedling supply.

In addition to the supply of seedlings, securing labor to plant these seedlings has been a challenge. To plant Japanese cedar and Japanese cypress seedlings, workers must carry approximately 10kg of seedlings on their backs, which is difficult especially given the wide extent of sloped terrain in Japan. In response, Sumitomo Forestry is working to develop drones for transporting seedlings in

collaboration with a drone manufacturer and sales company active in the agricultural field. We conducted repeated pilot testing in our Company-owned forests to ensure that drones can be used safely for unloading seedlings and for flying in areas with complex terrains and severe weather conditions. Based on pilot testing, we made improvements and in fiscal 2020, introduced in Japan Morito, a drone for transporting seedlings for forestry use. With sales of Japan Morito, we discovered that there is a growing need in this field for the transport of heavy items, such as materials for animal damage control. In fiscal 2022, we further developed a drone with a maximum loading capacity of 25kg, up from 8kg in the previous model, making it possible to transport heavy items.

Sumitomo Forestry will contribute to the revitalization of the domestic forestry industry by strengthening its supply system for seedlings and promoting smart forestry.



Growing seedlings in six production facilities in Japan



Forestry transport drone, Morito

Please refer to these sites for more information about related targets and initiatives.

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



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



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

**Joint research in Indonesia on climate-resilient varieties**

In October 2022, the Climate Change Adaptive Varieties Breeding Project (Tropical Forest Resilience Project) for forests in Indonesia began full-scale operations. This is a joint project of Japanese and Indonesian industry, government and academia. As the only participating Japanese private-sector company, Sumitomo Forestry is working with universities and research institutes in both Japan and Indonesia to jointly research and develop varieties that are resilient to climate change with the aim to enhance the resilience of the forestry industry and achieve sustainable forestry.

In Indonesia, there are concerns that climate change will lead to the decline and degradation of forests, including tropical forests. This project aims to develop technologies that will select and propagate Indonesia's major tree species that can adapt to climate change. Sumitomo Forestry, using as its base the manufacturing subsidiary Kutai Timber Indonesia (KTI), will oversee the propagation of selected trees and the

production of seedlings utilizing tissue culture and other technologies. During the afforestation phase, we will conduct simulations of environmental change caused by climate change and plant the selected superior tree varieties to enhance the forest's ability to serve as a CO<sub>2</sub> removal and storage. We hope that these initiatives to promote the growth of forests that are highly adaptable to climate change will restore the ecosystem, create a positive regional and economic impact through future timber manufacturing and ultimately, build a social consensus that promotes afforestation in Indonesia. Through this project, we aim to achieve SDG Goal 13 (Climate Action: Regulating and reducing emissions and promoting renewable energy) and Goal 15 (Life on Land: Reversing man-made deforestation and desertification to sustain all life on earth).



Growing seedlings and planting trees at KTI



Please refer to these sites for more information about related targets and initiatives.

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



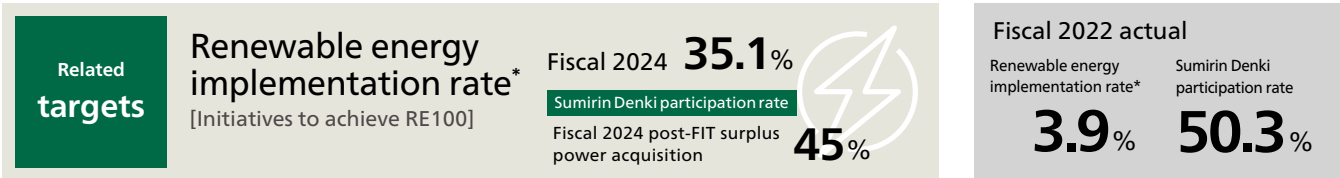


Providing value for our planet



**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.



\* Excluding offices and other facilities located in New Zealand, which is aiming to achieve RE100 by 2035 as a whole nation.

**Utilizing “Sumirin Denki” renewable energy for power usage in Japan**

With the intensification of the impact of climate change on global scale, companies are being tasked to reduce their greenhouse gas emissions. Sumitomo Forestry Group set out greenhouse gas emission reduction targets (Scope 1, 2 and 3), which were approved by the Science Based Targets Initiative as science-based targets in July 2018. Subsequently, to accelerate our decarbonization efforts with the view to achieve net zero emissions by 2050, the Group raised its 2030 greenhouse gas reduction targets (Scope 1 and 2) from the previous 21% reduction to a 54.6% reduction to align with the 1.5°C target and incorporated these goals in the Mid-Term Management Plan that started in 2022. To achieve these goals, in March 2020, we became a member of RE100\*, a global initiative to use 100% renewable energy for 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.

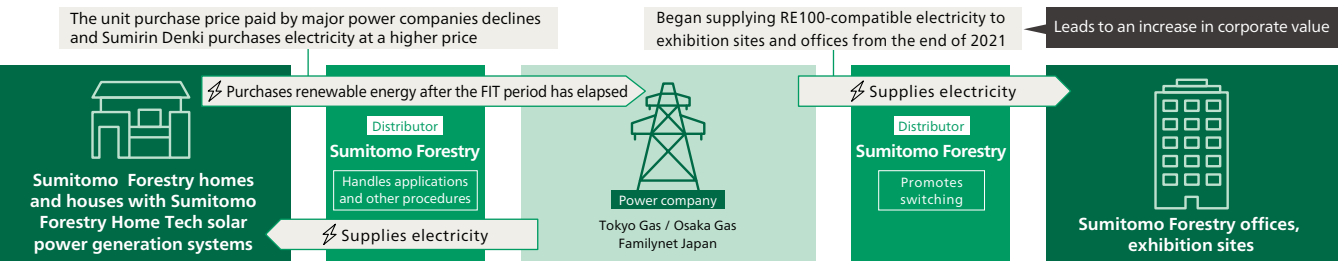
In our Mid-Term Sustainability Targets as part of the 2024 Mid-Term Management Plan, to achieve RE100 by 2030 in areas where we can do so based on our own effort, we set a goal to have 35.1% of the electricity we use for our Group business

operations be from renewable energy by fiscal 2024. As one approach to achieve this, we use Sumirin Denki for our electricity consumption in Japan.

Sumirin Denki is a service that purchases surplus electricity and sells it on behalf of homeowners of Sumitomo Forestry Homes and customers who have installed Sumitomo Forestry Home Tech solar energy panels after the renewable energy FIT (feed-in tariff) purchase period has elapsed (post-FIT). By utilizing surplus electricity purchased from home solar power generation systems for our offices, exhibition sites and other areas, Sumitomo Forestry Group is working to increase the ratio of renewable energy of our total power consumption in Japan. Through activities to promote Sumirin Denki subscriptions conducted by our call centers, the 2022 post-FIT subscription rate of owners (Sumirin Denki purchases) rose 10.5 points from the previous year to 50.3%. We are also supplying renewable energy to 38 exhibition sites in the Kinki area and by fiscal 2023, we plan to switch to supplying power via Sumirin Denki to all exhibition sites where Sumitomo Forestry has supply contracts with power companies. To achieve RE100, we are working on initiatives to raise the subscription rate of post-FIT surplus power purchasing.

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

**How Sumirin Denki works**



Please refer to these sites for more information about related targets and initiatives.

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



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



**Began sales of LCCM housing, which achieve negative CO<sub>2</sub> emissions throughout the house’s entire life cycle.**

The housing sector accounts for 14.7%<sup>\*1</sup> of Japan’s CO<sub>2</sub> emissions. To reduce CO<sub>2</sub> emissions from housing, measures are being taken to promote ZEH (net zero energy houses) for newly built homes. ZEH combines high-performance insulation, energy-saving equipment and devices, and solar power and other energy generation systems to achieve an annual primary energy consumption balance of zero. Sumitomo Forestry homes use wood as a structural material, which has excellent heat insulation properties, and integrate energy-saving, energy-generating and energy-storing technologies to improve energy efficiency and reduce CO<sub>2</sub> emissions during occupancy. In fiscal 2022, the ZEH order ratio was 77.2%, up 9.8 points from the previous year.

In April 2022, we introduced LCCM (life cycle carbon minus) housing. These homes achieve negative CO<sub>2</sub> emissions over the entire life cycle of the house, not only during occupancy, but also through construction and demolition, through renewable energy generation systems, such as solar power. Sumitomo Forestry homes use wood as a structural material wood, which absorbs CO<sub>2</sub> during growth through photosynthesis and stores this as carbon even after being harvested. In addition, our proprietary BF (Big Frame) Structure allows for flexible floor plan changes, which

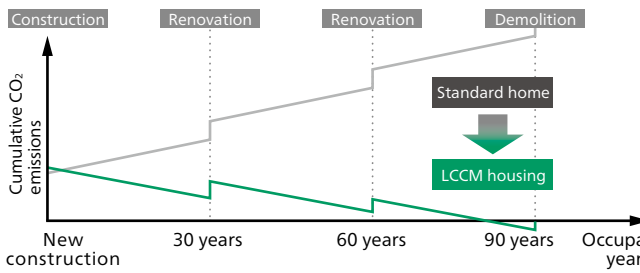
extends the life of the building and leads to long-term carbon fixation. Sumitomo Forestry’s LCCM housing takes advantage of the benefits of wood to reduce total CO<sub>2</sub> emissions during construction, renovation and demolition, and to achieve LCCM through renewable energy generation systems, such as solar power, energy-saving equipment and innovative design. By offering LCCM and other types of homes, Sumitomo Forestry Group is contributing to the realization of a decarbonized society.

\*1 Source: “Summary of Fiscal 2021 Greenhouse Gas Emissions/Absorption Volume (factual data),” Ministry of the Environment



LCCM housing model home (Yonago model home)

**CO<sub>2</sub> balance\*2**



**Standard home**  
• CO<sub>2</sub> emissions increase with the length of occupancy

**LCCM housing**  
• CO<sub>2</sub> emissions are reduced to negative figures every year with energy-saving and energy-generating systems  
• Achieves a negative CO<sub>2</sub> balance, including demolition

\*2 Standard home refers to conventional wooden houses that do not have environmental equipment, such as solar panel generation systems. LCCM housing is based on the Company’s model plan (BF structure, two stories, 114.18 m<sup>2</sup> total floor area).

Please refer to these sites for more information about related targets and initiatives.

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



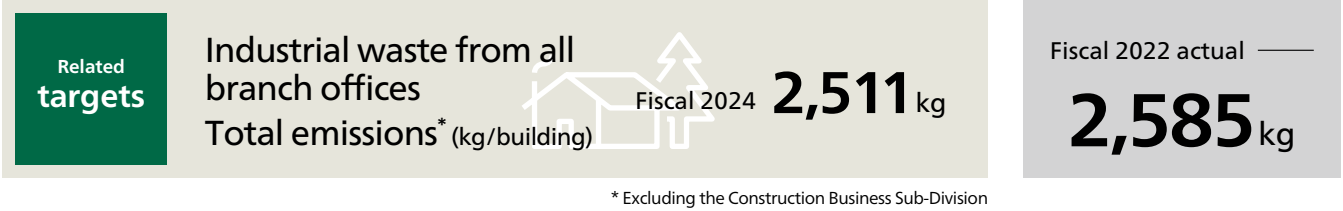


Providing value for our planet



**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.



**Reducing industrial waste at housing construction sites by promoting pre-cut processing of building materials**

Since 2020, Sumitomo Forestry has been expanding the use of pre-cut building materials to reduce industrial waste from housing construction sites. Pre-cutting refers to the processing of parts and materials at factories or at contractor sites instead of on-site. For our custom-built detached houses, we are pre-cutting our original structural panel called Kizure Panel\* and our exterior wall siding materials. In addition, in a first for the housing industry, Sumitomo Forestry is working in collaboration with the manufacturer to pre-cut roof slate materials (ColorBest roof materials),

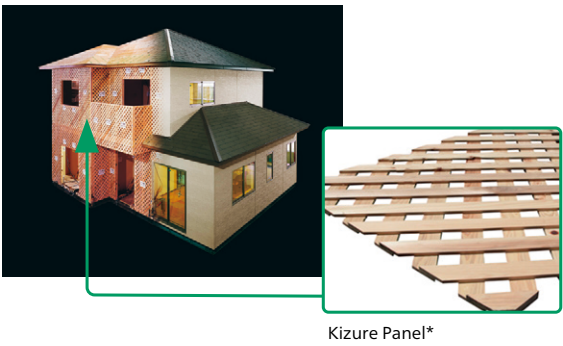


Roof slate

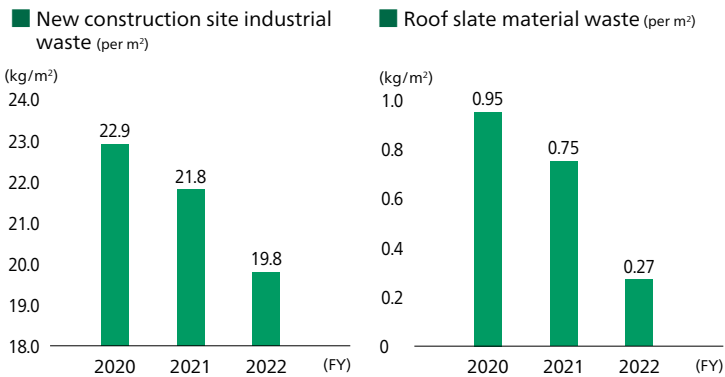
which account for approximately 80% of the roof materials used in our custom-built detached houses. By the end of 2022, the installation rate of pre-cut roof slate materials at target properties reached 100%, resulting in a 150kg reduction in waste per building. As for Kizure Panels, by the end of 2022, the installation rate at target properties reached 100%, resulting in a 70kg reduction in wood waste per building. Against the backdrop of a shortage of subcontractors with the necessary processing technologies and skills, we are developing a processing system to improve the installation rate of pre-cut exterior wall siding materials.

Sumitomo Forestry is working to promote pre-cut building materials not only to reduce industrial waste, but also to improve on-site work efficiency and construction safety. This also contributes to resolving housing construction site issues where labor shortages are becoming more serious with the declining birthrate, aging population and decrease in skilled workers. In the future, we will further promote the pre-cutting of exterior wall siding materials and other building materials.

\* Inspired by the traditional wooden latticework called Kirengoshi, an original structural panel with three functions – structural load-bearing material, ventilation layer and base for mortar coating



Kizure Panel\*



\* Abbreviation of Environmental Product Declaration. An ISO-compliant environmental certification labeling system that visualizes CO<sub>2</sub> emissions over a product's entire life cycle, from resource extraction to disposal.

**Working to visualize CO<sub>2</sub> emissions across the entire supply chain**

As the sole distributor in Japan, Sumitomo Forestry introduced in August 2022 the Japanese version of One Click LCA, a software that enables the visualization of a building's CO<sub>2</sub> emissions.

The construction sector is said to account for 37%<sup>\*1</sup> of the world's CO<sub>2</sub> emissions. Of this amount, approximately 70% is from during the occupancy of buildings (operational carbon) and the remaining 30% is from raw material procurement to processing, transport, construction, renovation and demolition (embodied carbon). Operational carbon is being reduced with the popularization of ZEH and ZEB<sup>\*2</sup>. Reducing embodied carbon is an urgent issue for the future.

By using OCL, users can calculate embodied carbon and others with LCA<sup>\*3</sup>, which evaluates the environmental impact of a building throughout its life cycle based on data on individual materials used at construction sites.

In February 2023, Sumitomo Forestry launched businesses to promote among timber and building material manufacturers the acquisition of the EPD environmental labeling system, which

indicates the environmental impact of building materials. We also began commission-based One Click LCA calculation services for developers, general contractors and architectural design offices.

Promoting these throughout the construction industry will lead to the visualization of CO<sub>2</sub> emissions from buildings and carbon neutral design.

In Europe, regulations for the construction industry are becoming stricter, including those related to disclosure of CO<sub>2</sub> emissions reduction data. This trend is expected to spread to Japan as well, making it necessary to expand the acquisition of the environmental labeling system EPD, which is required for data disclosure. However, the high cost and workload involved in acquiring the labeling are hurdles.

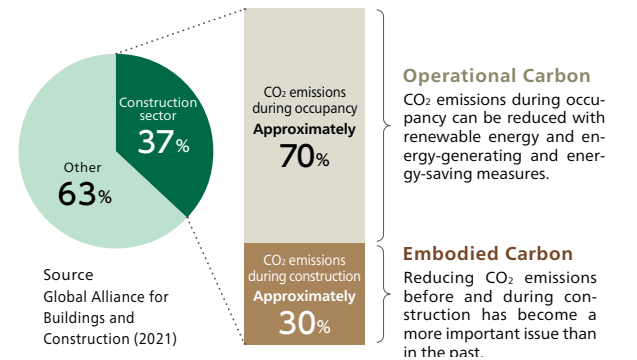
As a leader in the timber and building materials industry, Sumitomo Forestry will continue to work to popularize One Click LCA and EPD labeling to contribute to the decarbonization of the entire supply chain.

\*1 Source: Global Alliance for Buildings and Construction (2021)

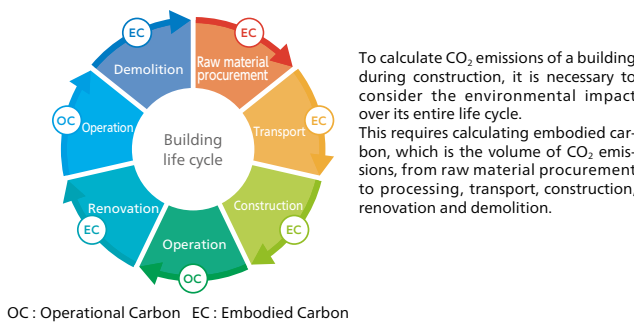
\*2 Abbreviation of Net Zero Energy Building

\*3 Abbreviation of Life Cycle Assessment

**Global CO<sub>2</sub> emissions by industry**



**One Click LCA efficiently calculates the environmental impact of a building over its lifetime.**



Please refer to these sites for more information about related targets and initiatives.

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



<https://sfc.jp/english/sustainability/environment/resource/housing/>



Please refer to these sites for more information about related targets and initiatives.

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



\* Net Promoter Score. An index that measures customer loyalty (degree of trust and sense of attachment to a company or brand)

## Offering disaster-resistant, comfortable housing

There is a growing demand for high-quality housing that is safe, durable and environmentally sustainable. Sumitomo Forestry is promoting the popularization of ZEH, which aims to achieve an annual primary energy consumption balance of zero, thereby contributing to reduced environmental impact, and offering homes that are disaster-resistant and comfortable to live in throughout the year.

Sumitomo Forestry’s wooden homes feature our proprietary BF (Big Frame) Structure. With the use of large, laminated engineered wood that are equivalent to about five ordinary columns and strong special metal hardware joints, it achieves high earthquake and wind resistance.

Seismic tests using a full-size, three-story model building confirmed that earthquake resistance was maintained even with a powerful magnitude 7 earthquake, such as the Great East Japan Earthquake, as well as with repeated aftershocks.

## 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 For-

estry conducts surveys of homeowner customers when moving in and then at the second and tenth year of occupancy regarding the house, its various components, how well company representatives took care of them and other aspects. In addition, we adopted NPS as one indicator of customer satisfaction and added the question, “Would you recommend Sumitomo Forestry homes to your relatives, friends and acquaintances?” with 11 choices of graded answers. We set a goal to raise our NPS score to 53pt by fiscal 2024. In the fiscal 2022, our score rose 2.3pt from the previous year to 53.2pt.

Once a month, a cross-sectional working group within the Housing Division reviews results of NPS and other surveys to discuss ways to make improvements. Detailed survey results are also provided to the relevant divisions, such as the branch offices. A PDCA (plan-do-check-act) cycle has been put in place for ongoing continuity to share information on good practices and to report follow-up remedies on areas that need immediate improvement.

In fiscal 2022, to further accelerate our improvement efforts, we implemented a management tool that helps branch offices visualize survey results. We will continue to listen closely to customer feedback to provide society comfortable and secure spaces.



A comfortable and secure space of a Sumitomo Forestry home

Customer survey conducted after moving in (sample)

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.



## Regional revitalization through our businesses

Sumitomo Forestry Group is participating in the development of VISON, one of Japan’s largest commercial facilities in Taki Town, Mie Prefecture, and launching an accommodation business through a joint industry-government-academia project that aims to promote industry and create employment utilizing local resources. VISON Hotel Management, jointly owned by Sumitomo Forestry, H.I.S. Hotel Holdings and Aquagnis, opened Hotel VISON and Hatago VISON in 2021. Hotel VISON has six villas and 155 guest rooms and Hatago VISON has 40 guest rooms for a total of 201 guest rooms.

VISION features 70 specialized and diverse restaurants, stores and hot spring bathing facilities centered on the themes of food and relaxation. Seasonal events are held on a regular basis to give visitors a sense of enjoyment of travel even within the facility. With a direct connection to the Seiwa-Taki Interchange on the Ise Expressway, VISON is conveniently located to nearby tourist sites. It is just 20 and 40 minutes by car, respectively, to Ise Grand Shrine and Kumano Kodo, a World Heritage site.

In addition to the accommodation business, Sumitomo Forestry actively participates in local events. In October 2022, Sumitomo Forestry sponsored the 8th Mie Chainsaw Technology Competition held at Kiond, a hands-on, experiential wood and

forest facility located in VISON, to promote and support the region’s important forestry industry. In February 2023, Hotel VISON also participated in the Nyujuku Tekuteku Hina Tour, an event that has been held since 2016 to encourage residents to enjoy walking around the Nyu district of Taki Town. As part of the tour, local junior high school students were invited to participate as volunteers in the display of hina dolls within the Hotel VISON compound.

Through our operations at VISON, we are utilizing our comprehensive know-how of existing businesses to promote regional development initiatives that value interactions with residents and respect the unique resources and culture of the region.



Hina dolls displayed as part of the Niujuku Tekuteku Hina Tour

Honzo Spa hot springs bathing facility

Exterior view of a villa

Please refer to these sites for more information about related targets and initiatives.

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



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



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



Please refer to these sites for more information about related targets and initiatives.

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



<https://sfc.jp/english/sustainability/social/social-issue/index.html>

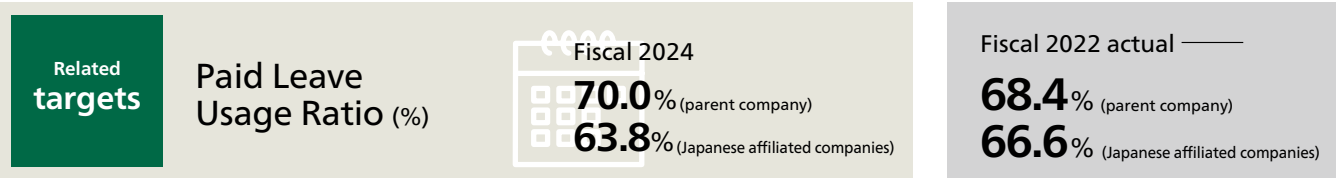




Providing value for people and society



**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 vibrant workplace where employees can thrive**

At Sumitomo Forestry, we recognize diverse work styles and strive to create a workplace where employees can find fulfillment in their work. We seek to enhance the quality of life for each employee by increasing the rate of paid leave utilization, reducing overtime and other measures to create a vibrant workplace where employees can thrive.

Sumitomo Forestry encourages employees to take at least 70% of their annual paid leave. To promote annual paid leave, we disclose on the internal company website a list of those taking paid leave at each business location and other measures for transparency. To facilitate the use of paid leave, we created half-day or hourly increments and the planned use of summer vacation and refreshment leave. For the Housing Division, which is closed on Tuesdays and Wednesdays, we also established a four-day planned annual leave system. In addition, we recognize that long

work hours may lead to workplace accidents as well as future labor shortages and hence, are working to improve both work systems and workflow.

In health management, we are striving to reduce absenteeism from work due to injury or illness and to prevent a decline in productivity due to presenteeism.\* We organize walking events and hold live health seminars to improve lifestyle habits, such as sleep, diet and exercise.

In January 2022, we abolished existing telework rules and formulated new ones by expanding the number of employees eligible for telework and adding provisions for satellite and mobile work. Under these new telework rules, which aim to realize work/life balance and improve productivity, all employees can take advantage of the new system up to two days a week (for three or more days a week with prior application and approval). We will continue to strive to create a work environment where each employee can feel motivated.

\* A situation where a person goes to work despite an illness or other condition that reduces his or her ability to work productively.

Major initiatives and systems to realize work/life balance

A safe environment	Promoting health management	Health management promotion structure	In the Workstyle Diversification Department of Personnel Department, we have on staff two clinical psychologists and one public health nurse for disease prevention and to support employees who have lost time due to injury or illness. At offices with 50 or fewer employees, we have appointed an occupational physician and a health supervisor (person in charge of hygiene).
		Mental healthcare	Utilizing results of stress checks, we conduct self-care and mental healthcare seminars, which are available to a wide range of employees through e-learning. We have also established a consultation service through an affiliation with an external EAP organization to provide third-party advice and counseling.
		Initiatives to reduce long work hours	
		Implemented per hour productivity evaluations	Revised personnel evaluations based on conventional per employee performance to raise awareness of time-based costs and reduce long work hours.
		Flextime system	Stipulated the number of work hours per month and made daily work hours flexible to more evenly distribute overall work time.
		Work time interval system	Created a system that secures at least 11 hours of rest time between the end of the previous day's work and the start of the next day's work to prevent overwork.
		Telework	Created an environment that allows employees to telework. All employees are eligible to do so up to two days a week. With prior application and approval, three or more days a week is also possible.
		Promoting the use of paid annual leave	Encouraging employees to take at least 14 days of planned paid annual leave per year, including summer vacation and refreshment leave.
		Family Friendly Day	For the Housing Division, which is closed on Tuesdays and Thursdays, encouraging employees to take off Saturday or Sunday at least once a month.
		Supporting both work and childcare	In addition to prenatal and postnatal leave, spousal maternity leave, childcare leave, childbirth leave and others, we have established a system of shorter working hours and a three-day workweek. We have also worked to create an environment where both men and women can balance work with childcare and build their careers by establishing a system where supervisors and childcare providers meet regularly, by distributing handbooks about balancing work with childcare and by holding roundtable discussions for childcare providers.
Work/life balance		Supporting both work and nursing care	In addition to nursing care leave (up to 365 days in total), a three-day work week and other systems that exceed legal requirements, the Company seeks to create an environment where employees can continue working while providing nursing care by distributing handbooks about balancing work with nursing care, providing basic information about elderly care facilities and nursing care costs, and holding seminars on nursing care.
		Workplace location request system	An employee may request a transfer to a location of his/her choice for reasons of marriage, a spouse's transfer, childcare or nursing care.
		Voluntary early retirement system	While the retirement age is set at the end of the year in which the employee reaches 65 years of age, it may be moved up to the day before the employee's 60th birthday upon employee request.
		Senior Human Resources Bank Center	Reemployment contracts are available after retirement with no age limit if needed by the company and desired by the individual.
		Re-hiring request system	After an employee leaves the company for personal reasons, under certain conditions, he/she may be entitled to a continuation of benefits when re-hired.



**Actively recruiting and training non-Japanese employees and creating an environment where diverse human resources can thrive**

In recent years, labor shortages due to Japan's declining birth-rate and aging population have become a social issue. To sustain business growth in such a society, we must create an organization where diverse human resources can unharness their capabilities. In 2019, the Japanese government established the specified skills foreign worker resident status that accepts certain foreign nationals as workers to address labor shortages in specific industries. Sumitomo Forestry Group's Sumirin Business Services Co., Ltd. established the Global Sales Department and began recruitment services for non-Japanese workers. Sumirin Fill Care, a Sumitomo Forestry Group company that operates nursing care services, has been utilizing Sumirin Business Services' recruitment services to employ non-Japanese as nursing care staff at its private nursing homes since 2020.

Due to the COVID-19 pandemic, we were unable to recruit people from abroad at the beginning of 2020. Instead, we approached and recruited foreign students who were unable to return to their home countries and others who had completed

their technical intern training program in Japan.\* After being hired, the employees underwent a month-long training program to learn about Sumirin Fill Care's philosophy, basic nursing care knowledge, Japanese etiquette and Japanese way of speech and communication. As of April 2023, 23 Vietnamese employees are working at the Company's facilities.

To create an environment where diverse human resources can thrive regardless of nationality, religion or other factors, it is important to raise the awareness of the Japanese employees who receive them, as well. We are actively working to do so by holding meetings for nursing home managers regarding the proper attitudes and differences in culture when working with non-Japanese employees. By clarifying work content and instructions, which are often expressed in vague terms, we hope to positively impact work styles of Japanese employees, as well. In the future, Sumitomo Forestry Group will share knowledge accumulated through these initiatives and promote the creation of workplaces where diverse human resources can thrive and feel motivated.

\* A resident status created to contribute to global development by enabling participants to acquire knowledge about Japanese technology through on-the-job training that they can later take back to their home country.



Group training for Vietnamese employees prior to workplace assignment



A meeting between Japanese and Vietnamese employees

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 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 office building in the US

Fiscal 2023

Southstone Yards project completed

Fiscal 2024

The Garren Project completed

Fiscal 2022 actual

Start of construction of wooden office buildings in the US and UK

Expanding medium- to large-scale wooden building projects to transform cities into forests

To realize a decarbonized society, Sumitomo Forestry Group is promoting the development of medium- to large-scale wooden buildings that achieve net zero carbon emissions. Compared to RC and other types of buildings, wooden buildings emit less CO<sub>2</sub> during raw material production and construction. In addition, because trees absorb CO<sub>2</sub> during growth and continue to store it as carbon even after being processed into wooden building materials, expanding the use of wood will contribute to the realization of a decarbonized society.

Currently, we are constructing a RC/wooden mixed structure building with 15 floors above ground and two basement floors in the suburbs of Melbourne. Completion is scheduled for September 2023.

In London, we are also planning to develop a six-story wooden, environmentally conscious office building, which received the World Architecture Festival Award 2021<sup>\*1</sup> and other awards for its advanced low-carbon design.

In the US, in addition to the development of a seven-story wooden office building in Dallas, Texas, and a three-story wooden

office building in the suburbs of Atlanta, Georgia, which we started in December 2022, we are moving forward with a project to renovate an existing building of historical and cultural significance to pass on its social value.

As part of these projects, we are working to obtain green building environmental certifications, such as the LEED<sup>\*2</sup> green building rating system and the WELL Building Standard<sup>\*3</sup> for healthy office buildings, to provide offices with high social and environmental added value.

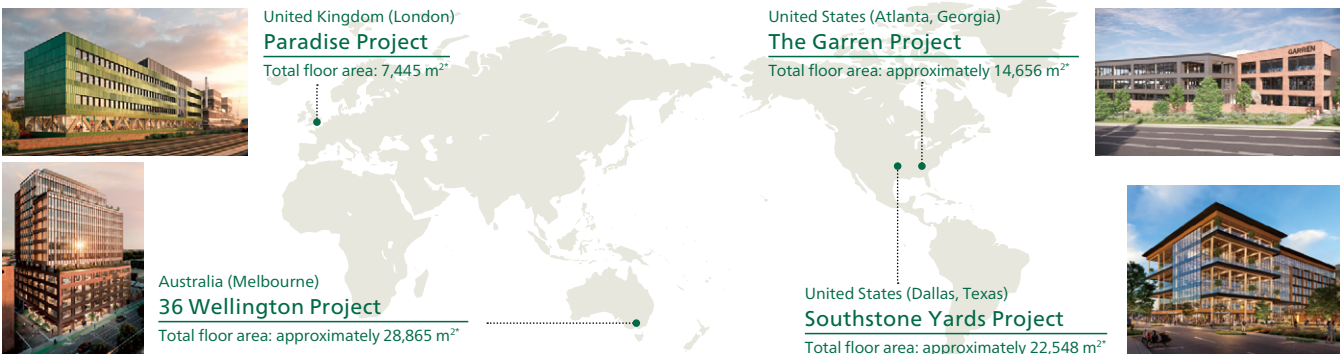
In Japan, we are working on several similar projects, such as a ten-story, fire-resistant wooden building we are constructing jointly with Kumagai Gumi in Sapporo under the “with TREE” brand of medium- to large-scale wooden buildings. Sumitomo Forestry Group will continue to expand projects in Japan and overseas and contribute to the decarbonization of society with the popularization of wooden buildings

<sup>\*1</sup> An architectural award program that recognizes outstanding buildings around the world.

<sup>\*2</sup> An environmental performance assessment system for buildings and sites developed and operated by USGBC (US Green Building Council).

<sup>\*3</sup> An evaluation system for buildings that focuses on people's health and well-being. Measures attributes of buildings that impact health by looking at ten factors or concepts. Certification is based on a review of documents and on-site inspections and given at four levels according to the score obtained.

Sumitomo Forestry Group medium- to large-scale wooden buildings overseas Examples



\*At time of press release

Please refer to these sites for more information about related targets and initiatives.

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



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



<https://sfc.jp/english/sustainability/environment/forest-resource.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

Data linkage with customer (company)

Adoption rate (%)

Fiscal 2024

**820** companies

**59%**

Fiscal 2022 actual

**746** companies

**53%**

Providing a service that digitally sends delivery slips and invoices

In October 2016, Sumitomo Forestry began offering a free service called Dennagon for its business partners to access and electronically receive delivery slips and invoices that were previously sent in paper form.

With Dennagon, data for delivery slips and invoices is updated every morning at 7:00am and made available for downloading. Dennagon also features a CSV output function for data processing with spreadsheet software, a search function for searches of delivery slips and invoices by order number or supplier name, data storage for ten years, and output as PDF files.

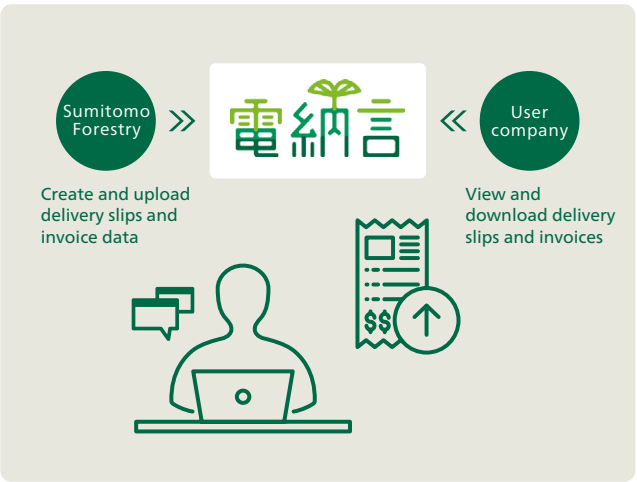
In the timber and building materials industry in Japan, many elements remain analog, such as telephone and fax communication with business partners. Analog processing often results in careless mistakes and loss of time. Dennagon can reduce such administrative burdens. In addition, because it can store data, it

is compatible with the Law on Book and Record Keeping through Electronic Methods of the Japanese government.

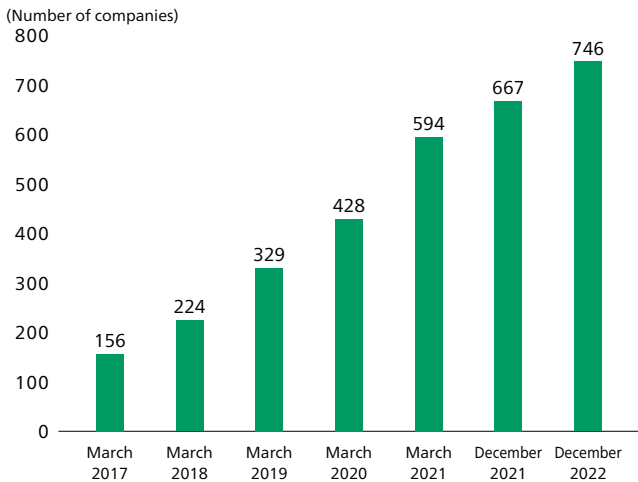
Business partners have commented that their work is smoother because they can quickly obtain information and easily find documents that are in data form. This has benefited our company, as well, by reducing the administrative burden and cost of sending out delivery slips and invoices.

Previously, we used an external system, making it difficult to change specifications on the site. However, the system was brought in-house in fiscal 2022 and we created an environment that allows specification changes based on user opinion. Sumitomo Forestry will strive to promote DX by raising awareness of Dennagon among its business partners, increasing the number of companies that use it and enabling two-way communication.

Dennagon



Number of companies using Dennagon (cumulative)



Please refer to these sites for more information about related targets and initiatives.

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



[https://sfc.jp/treecycle/mokuzai\\_distro/pdf/dennagon\\_pamphlet.pdf](https://sfc.jp/treecycle/mokuzai_distro/pdf/dennagon_pamphlet.pdf)





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

Implementation and disclosure of TCFD scenario analyses\*

Fiscal 2024  
Reflect Sumitomo Forestry Group's measures in each business division's strategy under the next Mid-Term Management Plan

Fiscal 2022 achievements  
Newly implement for two divisions – the Environment and Resources Division and the Overseas Housing Division (former name)

\* Conduct scenario analyses of all business divisions by March 2023 to study overall impact on the Group

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 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 resilience of the company's strategy. In the following fiscal 2019, we began disclosing information using the framework outlined in the TCFD recommendations. We implemented scenario analyses of the Environment and Resources Division and the Overseas Housing and Real Estate Division (former name) in 2021. In addition, we conducted a company-wide, cross-organizational analysis for all divisions in the Group in 2022.

\* 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 April 28, 2023, 4,458 financial institutions, companies and organizations worldwide have declared their support, of which 1,306 companies and organizations are based in Japan

Four areas of TCFD disclosure

The TCFD requires the disclosure of the following: 1) The organization's governance related to climate-related risks and opportunities; 2) The actual and potential impact of climate-related risks and opportunities on the organization's businesses, strategies and financial planning; 3) The method of selection, management and evaluation of climate-related risks and opportunities; 4) Indicators and targets related to the evaluation and management of climate-related risks and opportunities. Sumitomo Forestry is actively working on initiatives to improve the content of its disclosures.

Identifying and evaluating risks and opportunities

Based on the results of scenario analyses conducted in the past for each business unit, Sumitomo Forestry Group implemented scenario analyses in 2022 for the Timber and Building Materials Division, the Housing Division, the Global Housing, Construction and Real Estate Division, the Environment and Resources Division, and the Lifestyle Service Division. We examined the circumstances of two scenarios for 2030 – a 4°C increase where no progress is made in addressing climate change and a 1.5°C/2°C increase where progress toward decarbonization is made. The main issues are as follows.

Scenario analysis results by division

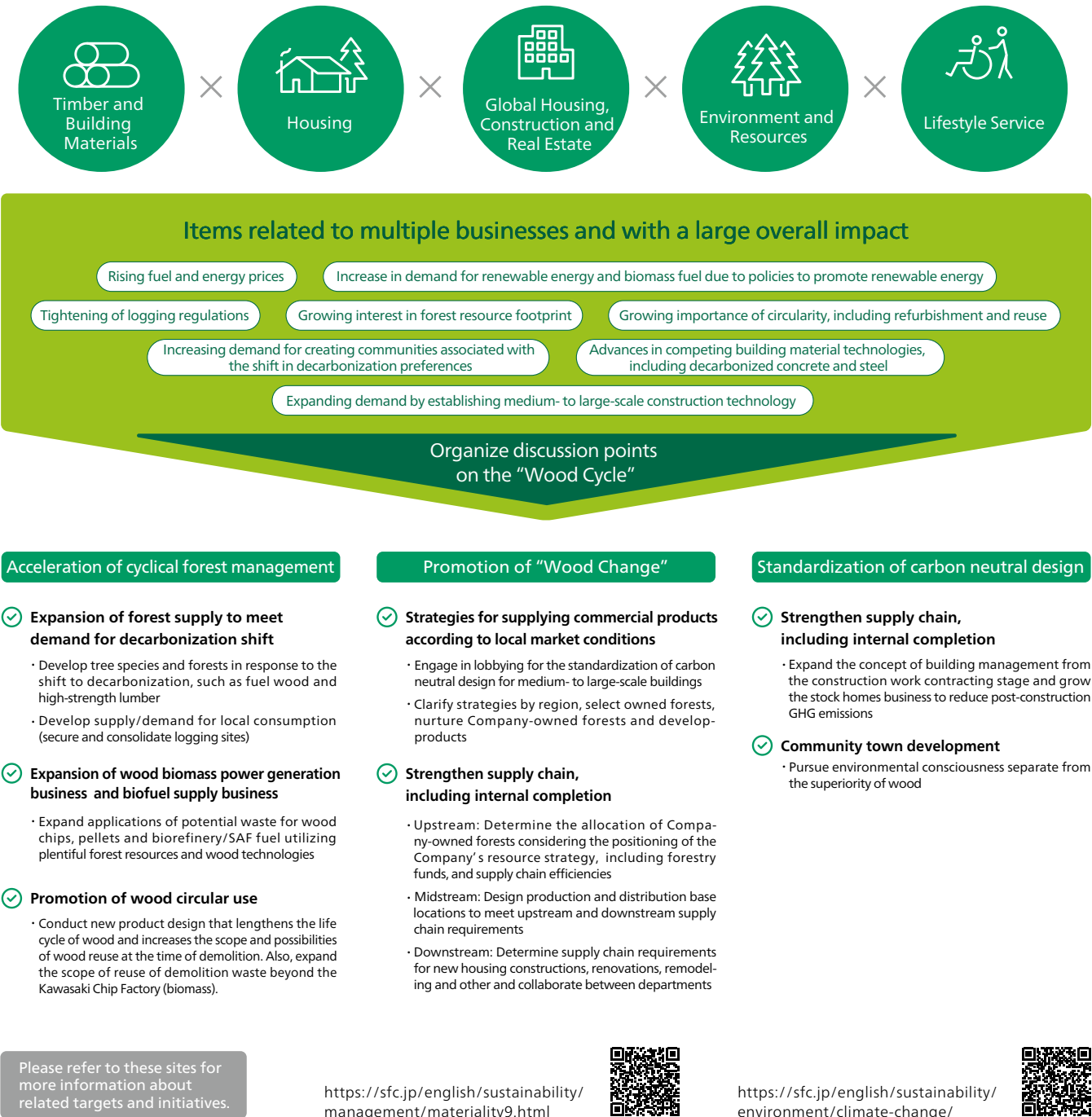
	Transition risks	Physical risks	Opportunities
Timber and Building Materials Business	Increased wood procurement costs due to stricter forest protection policies that raise logging taxes and reforestation costs	Decline in sales and lower wood procurement volume due to stricter forest protection policies that reduce areas available for forest operations	Rise in sales of timber and building materials with the development of environmentally conscious housing and medium-to large-scale constructions
Housing Business	A relative fall in the value of wood, leading to a decline in sales of wooden constructions, with the development of decarbonization technologies for steel, concrete and other building materials over the long term	Decline in sales of wooden detached houses due to the intensification of disasters that prompt a growing preference for more robust buildings	Rise in sales with entry into growing markets, such as environmentally conscious multi-family housing and other, with changes in customer preferences, policies, etc.
Global Housing, Construction and Real Estate Business	Loss of brand value, fall in share price, and decline in sales due to a delay in environmental regulation compliance	Intensifying competition to secure development sites due to a shift in demand to areas with lower disaster risk	Expanded market for medium- to large-scale wooden buildings in response to ESG demand from investors and financial institutions
Environment and Resources Business	Decrease in timber production due to stricter forest protection policies	Increased road damage and road repair costs due to changes in precipitation and weather patterns	Increase in forestry fund credit sales gains due to a credit market expansion
Lifestyle Service Business	Decline in sales of the gasoline card business due to a shift from gasoline to electric vehicles	Decrease in customers and increased safety consideration costs of company-owned facilities due to rising temperatures	Acquisition of customers with our safety and security measures in response to greater customer awareness of decarbonization and the intensification of disasters

Consideration of measures to address cross-organizational issues

In our scenario analysis of all divisions conducted in 2022, we analyzed risks and opportunities by business operation and then identified issues that affect multiple operations. Among these,

we assigned particularly important issues as items for cross-organizational deliberation of countermeasures. The main issues are as follows.

Relationship Between Cross-organizational Issues/Countermeasures and the Wood Cycle





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 - Stakeholder Engagement

# Sumitomo Forestry Group's Sustainability Management

014	Corporate Philosophy and Sustainability Management
024	Sustainability-related Policies and Philosophy
025	Mid-Term Sustainability Targets and Material Issues
031	Contributions to the SDGs and Material Issues
039	Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan
039	Material Issue 1 To enhance the value of forests and wood through sustainable forest management
043	Material Issue 2 To realize carbon neutrality by leveraging forests and wood resources
048	Material Issue 3 To realize a circular bioeconomy by leveraging forests and wood resources
054	Material Issue 4 To provide comfortable and secure spaces for society at large
056	Material Issue 5 To improve the livelihood of the local communities where we operate
060	Material Issue 6 To create a vibrant environment for all workers
067	Material Issue 7 To create new markets with forests and wood
070	Material Issue 8 To transform markets through DX and innovation
072	Material Issue 9 To establish a robust business structure
075	Stakeholder Engagement





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 - Stakeholder Engagement

# Sumitomo Forestry Group's Sustainability Management

## Corporate Philosophy and Sustainability Management

### Corporate Philosophy and Sustainability Management

#### Corporate Philosophy

The 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".

#### Code of Conduct

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. The Sumitomo Forestry Group is seeking to disseminate and implement the Code of Conduct throughout its supply chain as a global standard, including service providers, business partners, and contractors, in addition to the Group and its partners, including suppliers and affiliates. 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 the 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.

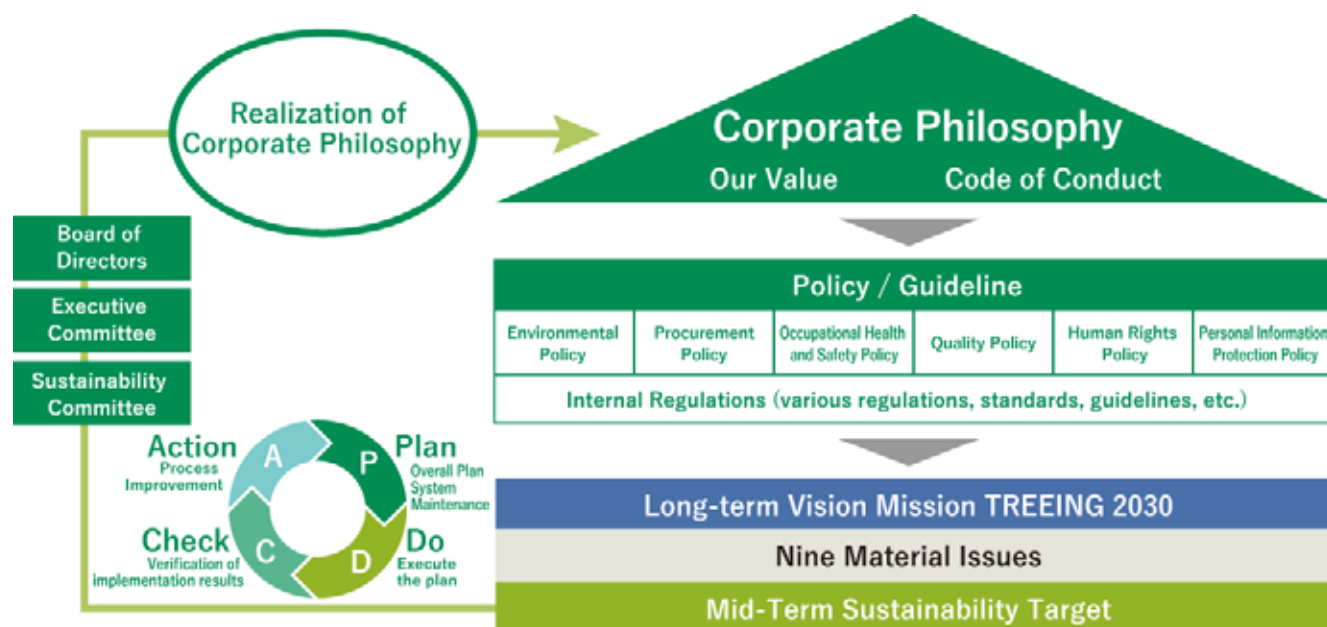
#### Policies and Guidelines

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 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. We are dealing with ESG-related sustainability targets as a specific practice for the Mid-Term Management Plan.
















	Top Commitment	<b>Sustainability Management</b>	Initiatives for Sumitomo Forestry Group's Business and ESG	Environment	Social	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 - Stakeholder Engagement

## Sumitomo Forestry Group's Sustainability Management



## Nine Material Issues

Theme	Nine Material Issues		Relevant SDGs
Value for our plane ×	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 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 - Stakeholder Engagement

## Corporate Philosophy

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

## Our Value

We provide high-quality products and services that bring joy to our customers.

We create new businesses that lead to happiness for generations to come with a fresh perspective.

We promote a free and open-minded corporate culture that respects diversity.

We set and strive to achieve ambitious goals through ongoing effort.

We do work that wins us the trust of society with fair and honest conduct.

## Sumitomo Forestry Group Code of Conduct

### Purpose and scope of application

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

### Fair and transparent corporate activities

#### 1. Strict adherence to laws and regulations

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

#### 2. Prevention of corruption

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

#### 3. Fair business transactions

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

#### 4. Fair accounting procedures

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

#### 5. Communication with stakeholders

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

#### 6. Maintaining confidentiality

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



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 - Stakeholder Engagement

## 7. Information Security

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

## 8. Relationships with companies we do business with

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

## 9. Protection of intellectual property rights

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

## 10. Protection of personal information

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

## 11. Responsible advertising/promotional efforts

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

## 12. Healthy relationship with the government

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

## 13. Stance on organized crime

We shall have absolutely no involvement in organized crime.

## 14. Establishment of a whistleblowing mechanism

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

## Ethical conduct

## 15. Avoidance of a conflict of interest

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

## 16. Prohibition of misappropriation of company assets

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

## 17. Prohibition of insider trading

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

## 18. Appropriate gift giving and entertainment

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

## 19. Prohibition of political or religious activities

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

## A respectful, healthy workplace

## 20. Respect for human rights

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



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 - Stakeholder Engagement

**21. Prohibition of discrimination and the promotion of diversity**

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

**22. Prohibition of forced labor and child labor**

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

**23. Freedom of association and collective bargaining rights**

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

**24. Appropriate working hours and wages**

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

**25. Work/life balance**

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

**26. Occupational health and safety**

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

**27. Human resources development**

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

**28. Prohibition of harassment**

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

**29. Protection of privacy**

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

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

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

**31. Coexistence with the environment**


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


**32. Contribution to the local community**


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


Established July 1, 2017

Click here for related information

> Sumitomo Forestry Group Code  
of Conduct Guidebook (English) 

> Sumitomo Forestry Group Code  
of Conduct Guidebook (Indonesian) 

> Sumitomo Forestry Group Code  
of Conduct Guidebook (Vietnamese) 

> Sumitomo Forestry Group Code  
of Conduct Guidebook (Chinese) 



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 - Stakeholder Engagement

## 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.





**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 - Stakeholder Engagement

## 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 joined the WBCSD in January 2020. In addition, Sumitomo Forestry has participated in the development of the Forest Sector SDG Roadmap (July 2019) to achieve the Sustainable Development Goals (SDGs) as well as the Forest Sector Net Zero Roadmap (November 2021) for a low carbon economy. In January 2022, Sumitomo Forestry took part as the only Japanese company in formulating the Forest Sector Nature-Positive Roadmap.

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.



The 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 initiated 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](#)



**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 - Stakeholder Engagement

## 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 in September 2021 from 21% reduction by 2030, to 54.6% reduction in line with the 1.5°C target of the Paris Agreement to respond to the Glasgow COP26.

### 2°C target (SBT approved)

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

<sup>\*1</sup> Scope 1: Direct GHG emissions of a company, including emissions from fuel consumption. E.g. CO<sub>2</sub> emissions from the use of gasoline for company vehicles.

Scope 2: Indirect GHG emissions including CH<sub>4</sub> and N<sub>2</sub>O from the generation of purchased electricity and heating. E.g. CO<sub>2</sub> emissions from the use of electricity by offices.

Scope 3: GHG emissions occurring in the supply chain. E.g. CO<sub>2</sub> emissions generated during the use of products sold.

<sup>\*2</sup> 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.

[Click here for related information](#)

➤ Mitigation of Climate  
Change



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 - Stakeholder Engagement

## 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
United Nations Global Compact
* Including Global Compact Network Japan and its subcommittees (ESG Subcommittee, HRDD Subcommittee, WEPs Subcommittee, Anti-Corruption Subcommittee, Supply Chain Subcommittee, Circular Economy Subcommittee)
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), and its Working Groups (Sustainable Supply Chains Working Group, Discovering & Sharing Green Values Working Group, and Impact Assessment of Natural Capital Working Group)
TNFD Forum
30 by 30 Alliance (Ministry of the Environment)
GX League (Ministry of Economy, Trade and Industry)



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 - Stakeholder Engagement

## 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
JCI Message: Now is the time to accelerate renewable energy deployment	June 2022
COP15 Business Statement for Mandatory Assessment and Disclosure (Business for Nature)	October 2022



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 -  
Stakeholder Engagement

# 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

### Governance Policies

Click here for related information

- > Basic Policy on Corporate Governance 
- > Sumitomo Forestry Group Code of Conduct
- > Preventing Corruption
- > Promotion of Fair Competition and Appropriate Transactions with Subcontractors
- > Information Security Policy
- > Intellectual Property Management Policy
- > Management and management responsibility system for public research funds, and prevention of research misconduct (in Japanese) 
- > Responsible Advertising/Promotional Efforts



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 -  
 Stakeholder Engagement

# 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

[Click here for related information](#)

➤ [Overall Picture of Long-term Vision Mission TREEING 2030](#)

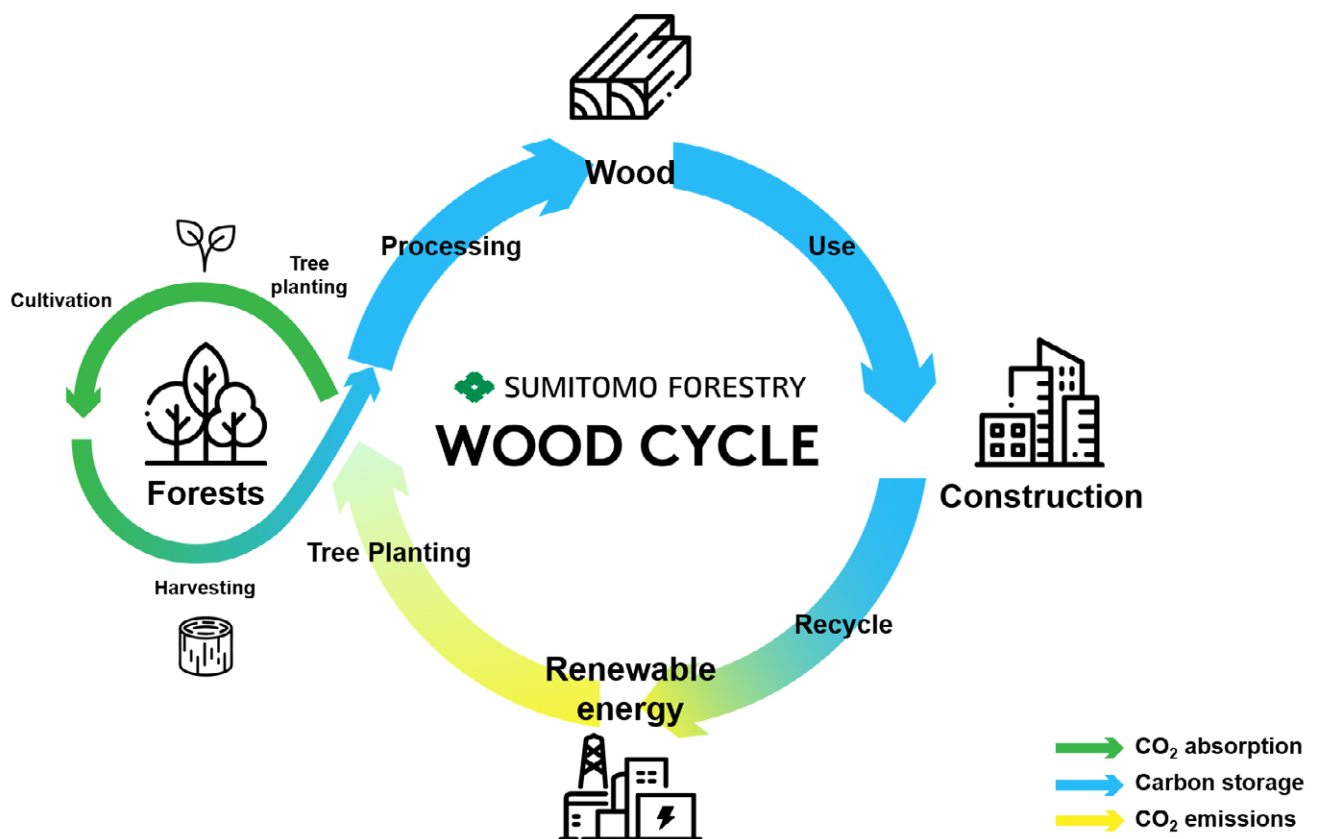




Corporate Philosophy and Sustainability Management - Sustainability-related Policies and Philosophy - **Mid-Term Sustainability Targets and Material Issues** -  
Contributions to the SDGs and Material Issues - Mid-Term Sustainability Targets as part of 2024 Mid-Term Management Plan -  
Stakeholder Engagement

## WOOD CYCLE

The Sumitomo Forestry Group is developing business activities through the "WOOD CYCLE," a value chain based on wood, from forest management to wood processing and distribution, wooden buildings, and biomass power generation. We contribute to a decarbonized society by turning the "WOOD CYCLE" in other words, by planting and cultivation, increasing the amount of CO<sub>2</sub> absorbed by forests, promoting carbon storage inside wood, and using the wood in buildings and furniture to store carbon over a long period of time. Through this business as a whole, we will contribute to CO<sub>2</sub> absorption and fixation not only for ourselves but also for society as a whole.



## Mid-Term Sustainability Targets

The 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.



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 -  
 Stakeholder Engagement

## **(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 Material Issues were newly identified. Specific numerical targets have been defined for each business unit in more detail until 2024 in order to realize these Nine Material Issues.

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.



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 -  
Stakeholder Engagement

## Nine Material Issues and Related SDGs

Theme	Nine Material Issues		Relevant SDGs
Value for our plane ×	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, the 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, the Sumitomo Forestry Group developed its long-term vision "Mission TREEING 2030" in February 2022, which newly identified Nine 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.



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 -  
 Stakeholder Engagement

## Identification Method of Material Issues

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 the 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 the 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 the 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.

The 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



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 -  
Stakeholder Engagement



Click here for related information

> Contributions to the SDGs and Material Issues



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 -  
 Stakeholder Engagement

# 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 the 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.

## SUSTAINABLE DEVELOPMENT GOALS





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 - Stakeholder Engagement



## 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
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	



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 - Stakeholder Engagement

Nine Material Issues	Details of Material Issues	Relevant SDGs (Goals and Targets)		
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

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

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





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 - Stakeholder Engagement

## 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 wood and certified timber which considers sustainability and biodiversity to creating public forest benefits through the management of company owned forests.

In March 2022, we reported on the progress of our efforts and activities to achieve the SDGs and on the targets for fiscal 2024, which will serve as a new indicator.

## "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 the 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.



## Giving on-site classes at elementary schools in Niihama City

The Niihama City Board of Education is developing educational activities in collaboration with schools and local communities in order to nurture leaders of a sustainable society. In response to a request for cooperation in environmental education, Sumitomo Forestry visited each elementary school and held classes.

In the on-site classes, participants learned about the workings of trees and forests and their public benefits while introducing examples of Sumitomo Forestry's work and initiatives.



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 - Stakeholder Engagement



4th graders at Izumigawa Elementary School held in March 2022



5th graders at Habu Elementary School held in March 2022

## 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 67.7% in 2021 to 78.7% in 2022, as a result of these and other initiatives.



**KANAGAWA SDGs PARTNER**  
神奈川県 SDGs推進活動 認定企業・団体及び関係機関の連携による活動



Kanagawa SDGs Partner Logo

## Committing to the Shizuoka City SDGs Declaration

The Shizuoka Branch of the Housing 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, Hamamatsu Kita High School in Shizuoka Prefecture interviewed us online about the SDGs in February 2022 and explained our initiatives to 10 first-year students enrolled in the international course.

[Click here for related information](#)



Promotion of Net Zero Energy House (ZEH)

Specifications



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 - Stakeholder Engagement

## Registered under the Maebashi City SDGs Partner Program

In November 2022, based on the philosophy of SDGs, the Gunma Branch of the Housing Division was registered in the "Maebashi City SDGs Partner Program" as a company, an organization, or the like that works together to solve regional issues and to create sustainable communities without leaving anyone behind, and stated that the Gunma Branch aims at 80% spread of ZEH in the action declaration for achieving SDGs.

## 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)



## Education on the SDGs among owners of Sumitomo Forestry Houses

Reborn vegetables were introduced in the issue 101 of Lovely Family, an information magazine for owners of "Sumitomo Forestry homes" published in June 2022. In the issue 102 of Lovely Family published in November 2022, we introduced the wood cycle and afforestation under the title of "Sumitomo Forestry × Decarbonization."

In addition, beginning with Lovely Family issue 101, we changed the envelope for sending from vinyl to paper.



Lovely Family Issue 101 Reborn Vegetables



Issue 101 envelope

Top  
Commitment**Sustainability  
Management**Initiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

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 -  
 Stakeholder Engagement



Lovely Family issue 102 "Sumitomo Forestry × Decarbonization"



Issue 102 envelope

## Initiatives in Sustainable Finance

### Conclusion of Positive Impact Financing Agreement

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\*<sup>1</sup> Principles for Positive Impact Finance\*<sup>2</sup>. 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\*<sup>3</sup> about the rationality of evaluation factors used and the compliance to the Principles for Positive Impact Finance.

In the future, Sumitomo Forestry also aims to improve medium-to long-term corporate value by further enhancing initiatives to achieve the SDGs.

\*1 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.

Click here for related information

Third-party Opinion on Positive (in  
Japanese)







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 -  
Stakeholder Engagement

### Conclusion of Sustainability Linked Loan

In August 2022, we concluded a sustainability linked loan with Sumitomo Mitsui Banking Corporation. Sustainability linked loans set sustainability performance targets ("SPTs") based on the borrower's management strategy, and promote environmentally and socially sustainable economic growth by aligning borrowing terms with actual progress of SPTs. By aiming to achieve the SPTs set in the loan agreement, we will promote sustainable management.

The SPTs in this case adopt a climate change score by which CDP\*, an international NGO, evaluates the greenhouse gases emission reduction activity and the action of the climate change mitigation measures.

[Click here for related information](#)

➤ [Issuance of Green Bonds](#)



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** - Stakeholder Engagement

# 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 CO<sub>2</sub>, 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.



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** - Stakeholder Engagement

## Impact on Society and the Environment

Material Issue 1	Impact (Influence)
<b>To enhance the value of forests and wood through sustainable forest management</b>  Nurturing forests to enhance and harness the value of wood and other forest resources.	Contribution to measures against global warming through CO <sub>2</sub> 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

## Management of Material Issue 1 (FY2022)

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.

## Utilization of Sustainable Forest Resources

The Sumitomo Forestry Group produces seedlings needed for reforestation after harvesting (clearcutting) in Japan. In fiscal 2022, the number of seedlings shipped was 1.88 million compared to the planned 2.23 million, falling short of the plan due to the fact that fall demand did not meet our anticipation, but the number exceeded the fiscal 2021 level (1.46 million), a record high, due to a recovery in reforestation demand. In fiscal 2023, we will contribute with our effort to sustainable forest management by increasing the number of seedlings, focusing on spring shipments, which are in high demand.





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** - Stakeholder Engagement

## Results

Ratings in the table below

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

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Domestic and overseas certified forest area (ha)	Environment and Resources Division	242,493	231,153	△	242,493	242,493
Area of forest plantation with in-house produced seedlings Domestic forest (ha)		892	753	△	892	1,012
Seedlings supplied Domestic forest (unit: 10 Thousand)		223	188	△	223	253
Amount of biofuel material used (such as wood chips and pellets) <sup>*1</sup> (t)	Environment and Resources Division Timber and Building Materials Division	1,832,890	1,648,729 	△	2,073,948	2,482,964
Percentage of sustainable wood used as primary building material <sup>*2</sup> (%)	Housing Division	100	100 	○	100	100
Maintaining of SGEC certified area <sup>*3</sup> (%)	Environment and Resources Division	100	100	○	100	100

\*1 FIT fuel material and non-FIT fuel material handled by Japan Bio Energy, Okhotsk Bio Energy, Sumitomo Forestry Wood Products, and Sumitomo Forestry's Timber and Building Materials Division are eligible. For Sumitomo Forestry Wood Products, the KPI has been changed to include only FIT fuel material, and from fiscal 2022, the KPI excludes non-FIT fuel material and adds log-derived FIT fuel material to the total. The impact of this change is a decrease of about 200 thousand tons.

\*2 "Sustainable wood" is defined as certified wood and pre-certified timber, wood from planted forest, natural forest wood where forestry management and distribution can be assessed as sustainable (excluding wood from conversion forests), and recycled timber.

\*3 Except for land leased to Kawanokita Development and surrounding forests

## Biodiversity Conservation

We sell native species logs mainly to our detached housing business, to the greening business in urban spaces such as parks, office buildings, and factories, and to general customers such as garden landscapers and plant wholesalers.

In fiscal 2022, we were able to sell 521,000 trees, more than planned, the volume increasing due to construction delays from fiscal 2021, caused by the impact of the pandemic of coronavirus disease (COVID-19). We will continue to increase the sale of native species logs that are appropriate for the region, thereby strengthening efforts to conserve the ecosystem and promoting regional development that makes the most of the natural environment.





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** - Stakeholder Engagement


## Results

Ratings in the table below

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

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Sales of native species logs (unit: trees)	Housing Division	470,000	521,000	○	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	30 or more
Establishment of evaluation method for biodiversity conservation		Information collection	Information collection	○	Examination of evaluation criteria	Establishment of evaluation method

[Click here for related information](#)

>  About symbol for Independent assurance



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** - Stakeholder Engagement

## 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 CO<sub>2</sub> in the process of growth and only a small amount of CO<sub>2</sub> during production, it is important to actively use wood for the transition to decarbonized society.

Since founding, the 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 wood, we will promote long-term carbon fixation value of wood, enhance competitiveness of domestic wood, 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.

The 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.



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** - Stakeholder Engagement

### Impact on Society and the Environment

Material Issue 2	Impact (Influence)
<b>To realize carbon neutrality by leveraging forests and wood resources</b>  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.	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 (FY2022)

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.

### Promotion of decarbonization

Although greenhouse gas emissions amounted to 355,928 t-CO<sub>2</sub>e and did not reach the target for fiscal 2022, we were able to reduce emissions from 370,772 t-CO<sub>2</sub>e in fiscal 2021. One of the reasons for the reduction from fiscal 2021 is that, while emissions in the Global Housing, Construction and Real Estate Division increased due to more frequent use of commercial vehicles after the restrictions due to coronavirus disease (COVID-19) were lifted, the ratio of coal co-firing was reduced at Mombetsu Biomass Electric Power. In the Medium-Term Management Plan(2022-2024), we aim to achieve 289,469 t-CO<sub>2</sub>e in the final year of 2024 (down 21.7% from the fiscal year ended March 31, 2018) by continuing to reduce the ratio of coal co-firing at Mombetsu and promoting convert to renewable energy efforts in order to achieve RE100.

The percentage of orders for ZEH type houses out of new custom-built detached housings increased 9.8 percentage points from 67.4% in fiscal 2021 to 77.2% in fiscal 2022, achieving the 75% target on schedule.

We have achieved positive results by making people aware of and actively utilizing the government's ZEH subsidies and the "Children's Future Housing Support Project," which provides subsidies for energy-saving home improvements by households raising children or of young couples, and we plan to continue promoting the various subsidies in accordance with customer needs. We will continue our efforts to promote the ZEH penetration, targeting 80.0% in fiscal 2024, the final year of Mid-Term Sustainability Targets.



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** - Stakeholder Engagement

## Results

Ratings in the table below

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

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Fixed amount of CO <sub>2</sub> in domestic company-owned forests(t-CO <sub>2</sub> )	Environment and Resources Division	13,547 thousand	13,730 thousand	○	13,617 thousand	13,758 thousand
Carbon stock from production forests by overseas afforestation companies(t-CO <sub>2</sub> )		10,133 thousand	10,661 thousand	○	10,133 thousand	10,133 thousand

## Promotion of decarbonization (scope 1, 2)

### Results

Ratings in the table below

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

Indicators for Evaluation		Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Greenhouse gas emissions(t-CO <sub>2</sub> e) Percentage change from fiscal 2017		All Sumitomo Forestry Group Companies	329,700 ▲ 10.8	355,928 ▲ 3.7	△	309,800 ▲ 16.2	289,469 ▲ 21.7
Sumirin Denki subscription rate (%)	Electricity sale after FIT	Housing Division	40.0	50.3	○	45.0	45.0
	New owner's purchased power		-	-	-	37.0	50.0
Renewable energy consumption rate [Efforts to achieve RE100] (%)*		All Sumitomo Forestry Group Companies	4.1	3.9	△	6.1	35.1

\* Excluding offices and other facilities located in New Zealand, which is aiming to achieve RE100 by 2035 as a whole nation.



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** - Stakeholder Engagement

## Promotion of decarbonization (scope 3)

### Results

Ratings in the table below

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

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Percentage of orders for ZEH type houses out of new custom-built detached housings (%)	Housing Division	75.0	77.2	○	75.0	80.0
Environmentally sound remodeling order rate for Customers (%)		70.0	64.6	×	72.0	75.0
Rate of orders for Environmentally sound products <sup>*1</sup> (%)		60.0	57.9	×	61.0	62.0
[New custom-built detached houses] BELS acquisition rate <sup>*2</sup> (%)		98.5	98.4	×	98.5	98.5
[House and land package] Environmental equipment (PV / FC) installation rate (green smart rate) (%)		15.0	20.3	○	30.0	30.0
Environmentally friendly remodeling order rate for Owners (%)		65.0	60.7	×	67.0	70.0
Environmentally friendly remodeling order rate for Customers + Owners (%)		67.3	62.5	×	69.3	72.2
[MOCCA (Timber Solutions)] Number of proposals based on basic plan (cases)		24	20	△	26	28



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** - Stakeholder Engagement

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Amount of electricity supplied by renewable energy business <sup>*3</sup> (MWh)	Environment and Resources Division	751,110	746,486	△	764,701	856,022
New forest value creation business-based profit, loss and income ratio expansion		Examination of numerical targets	Scheme under construction	—	Development of numerical targets	Achievement of numerical targets
Environmental certification number of projects targeted for Edge(Asia)(cases)	Global Housing, Construction and Real Estate Division	1	1	○	1	1

\*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 The figures are for Mombetsu Biomass Electric Power, Hachinohe Biomass Electric Power, Kawasaki Biomass Electric Power, Tomakomai Biomass Power, Kanda Biomass Energy, and Kashima Solar Power Plant. For equity-method affiliates, electricity supply is calculated according to their equity share.

#### Utilization of Sustainable Forest Resources

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Sales quantity of KIKORIN-PLYWOOD (Month) (m <sup>3</sup> )	Timber and Building Materials Division	32,000	28,452	×	35,000	35,000

[Click here for related information](#)

> About symbol for Independent assurance



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** - Stakeholder Engagement

## 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.

The Sumitomo Forestry Group realizes a circular bioeconomy centered on wood by running a wood cycle that cascades utilization of timber, 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.



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** - Stakeholder Engagement

### Impact on Society and the Environment

Material Issue 3	Impact (Influence)
<b>To realize a circular bioeconomy by leveraging forests and wood resources</b>  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 (FY2022)

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.

### Reduction and Recycling of Industrial Waste

Total amount of industrial waste discharged from all branches (kg / building) was 2,585 kg, significantly lower than the 2,837 kg emitted in fiscal 2021, and also lower than the targeted amount (2,709 kg). The steady progress in the adoption of pre-cut materials such as “Kizure Panels” and slates, along with the curbing of the generation of offcuts and other wastes during on-site work, contributed significantly to the reduction of emissions. Currently, pre-cutting of siding is gradually progressing, and we will continue to reduce waste on site.

On the other hand, the recycling rate at new housing construction sites was 94.3%, falling short of the targeted 96%. The main reason for this is the relative decline in the recycling rate due to the shift to pre-cut materials with high recycling rates.

In the medium-term management plan (2022-2024), we aim to achieve 98.0% in the final year of the plan, FY12/2024, by reducing the co-mingled waste ratio through thorough separation of waste at each site.

### Results

Ratings in the table below

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

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Final disposal amount (t) consolidated	Sustainability Department	20,489	24,294	×	20,181	19,905
Percentage change from fiscal 2021		▲2.7	+ 15.4		▲4.1	▲5.4





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** - Stakeholder Engagement

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Recycling rate at new housing construction sites <sup>*1</sup> (%)	Housing Division	96.0	94.3	×	97.0	98.0
Recycling rate at housing demolition sites <sup>*2</sup> (%)		100	99.9	×	100	100
Recycling rate at the work sites of the renovation business unit <sup>*3</sup> (%)		84.5	83.2	×	85.0	85.5
Recycling rate at the work sites of the power generation business unit (%)	Environment and Resources Division	98.0	99.0	○	98.0	98.0
Recycling rate at overseas manufacturing plants (%)	Timber and Building Materials Division	99.0	98.0	×	99.0	99.0
Recycling rate at domestic manufacturing plants (%)		99.0	99.4	○	99.0	99.0
Other recycling rate (%)	Timber and Building Materials Division Lifestyle Service Division Tsukuba Research Institute	84.0	81.0	×	85.0	86.0
Sustainable timber usage ratio (Overall manufacturing) (%)	Timber and Building Materials Division	100	99	×	100	100
Total amount of industrial waste discharged from all branches (kg / building) <sup>*4</sup>	Housing Division	2,709	2,585	○	2,573	2,511
Discharge amount of newly built industrial waste(kg/m <sup>2</sup> )		20.8	20.3	○	20.1	19.8

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

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

\*3 Includes Sumitomo Forestry Home Tech renovation sites but excludes hard-to-recycle debris and asbestos.

\*4 Excludes Construction Business Sub-Division.



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** - Stakeholder Engagement


## Reduction of Water Consumption

The Sumitomo Forestry Group's overall water consumption increased to 2,937 thousand m<sup>3</sup> from the planned 2,739 thousand m<sup>3</sup> due to a large-scale water leakage caused by a damaged underground water pipe that lasted several days at an overseas manufacturing plant, and an increase due to the lifting of lockdowns following the pandemic of coronavirus disease (COVID-19). We will continue our efforts to reduce the amount of water used and to increase the recycled amount, particularly in the manufacturing, which uses a large amount of water.

### Results

Ratings in the table below

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

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Water consumption (m <sup>3</sup> ) (consolidated)	All Sumitomo Forestry Group Companies	2,739,067	2,937,395 	×	2,757,494	2,777,269

## Management of the supply chain

With regard to the "Sustainability procurement survey implementation rate in the supply chain of the domestic housing department" in the domestic detached houses sector, which began in fiscal 2019, we have conducted surveys for more than 90% of our suppliers in terms of material purchases, and we maintained this status in fiscal 2022. The results of the survey have been improving by providing feedback to the supplier, and as a result, the "tier 1 supplier" evaluation (score) has been improved by 0.2 points compared to fiscal 2021. The domestic distribution department of the Timber and Building Materials Division has also begun a new survey of suppliers for fiscal 2022. The implementation rate was 80.6% compared to the planned 80%.

The number of companies that proposed Environmental Product Declaration (EPD) certification to suppliers was 65 (64.8% of total purchases) compared to the planned 10 (52% of total purchases) as a result of aggressive proposals to suppliers.

Currently, we are marketing and providing the Japanese version of "One Click LCA," software that visualizes greenhouse gas emissions at the time of construction, etc. We will continue to actively utilize this software and provide training and application support for EPD acquisition in order to market and promote the EPD product.



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** - Stakeholder Engagement

## Results

Ratings in the table below

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

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Sustainability procurement survey implementation rate in the supply chain of the domestic housing department(%)	Housing Division	97	97	○	97	97
Certification acquisition rate of incoming PKS (%)	Environment and Resources Division	-	In preparation	-	100	100
Average score rate of "tier 1 suppliers" in ESG Survey	Housing Division	Improvement as compared to previous year	0.2pt improvement	○	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	65 64.8	○	30 66	65 71
Sustainability survey response rate to suppliers (sales ratio) (%)		80	80.6	○	85	90

## Utilization of Unused Resources

Regarding the volume of unutilized resources handled, the handled volume increased compared to fiscal 2021, but was slightly lower than planned. The main reason for this was a significant drop below the target due to a change in the operation plan at the Mombetsu Forestry Office. On the other hand, the Niihama and Hyuga forestry offices increased the volume handled to compensate for the decrease at the Mombetsu Forestry Office, resulting in an increase in volume compared to fiscal 2021.

[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](#)** - [Stakeholder Engagement](#)

Results

Ratings in the table below

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

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Unused resources (biomass use) handling volume (m³)	Environment and Resources Division	18,272	18,022	△	18,452	19,202

[Click here for related information](#)

[About symbol for Independent assurance](#)



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** - Stakeholder Engagement

## 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.

The 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



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** - Stakeholder Engagement

## Management of Material Issue 4 (FY2022)

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.

### Customer satisfaction

In the detached houses sector, we conduct questionnaire at the time of moving in as an indicator of customer satisfaction. In fiscal 2022, overall satisfaction with the building's interior and exterior design and comfort of living improved, resulting in a score of 53.2, two points higher than targeted.

For items with a relatively low satisfaction rate, we will make further improvements to increase customer satisfaction by developing countermeasures in relevant departments through the satisfaction improvement working group, which meets monthly.

### Results

Ratings in the table below

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

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Ratio of Implementation of design performance evaluation (%)	Housing Division	99.0	99.8	○	99.0	99.0
Ratio of Construction performance evaluations implemented (%)		99.0	99.8	○	99.0	99.0
Ratio of Certified as Long-life Quality Housing <sup>*1</sup> (%)		95.0	96.3	○	95.0	95.0
Questionnaire at the time of moving in (Non-consolidated NPS value <sup>*2</sup> ) (%)		51.0	53.2	○	52.0	53.0
Improvement of score of customer survey on person in charge of construction <sup>*3</sup> (point)		75	70.8	×	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



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** - Stakeholder Engagement

## 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.

The 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.



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** - Stakeholder Engagement

## Impact on Society and the Environment

Material Issue 5	Impact (Influence)
<b>To improve the livelihood of the local communities where we operate</b>  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 (FY2022)

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.

## Response to declining birthrate and aging population

The number of private nursing home rooms was unchanged from fiscal 2021 at 1,764 rooms for Sumirin Fill Care and Sumirin Care Life, both of which are elderly care services companies. For fiscal 2023, the number of rooms is expected to increase to 1,842 due to the planned opening of new facilities.

### Results

Ratings in the table below

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

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 target	FY2023 target	FY2024 target
Number of rooms at private-pay elderly care facilities (rooms)	Lifestyle Service Division	1,764	1,764	○	1,842	1,842





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** - Stakeholder Engagement

## Communication with local communities

With regard to communication with local communities, we disclose the number of local personnel employed at the Open Bay Timber (OBT), based in Papua New Guinea as an indicator (the target being increase over the previous year). In fiscal 2022, we hired 26 more local residents than in fiscal 2021. In addition to increasing our workforce for larger production volume, we hired more local residents than planned, including carpentry-related employees to develop and improve local living infrastructure. We will continue to actively recruit human resources to contribute to the local community.

### Results

Ratings in the table below

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

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 target	FY2023 target	FY2024 target
Communication with stakeholders related to maintaining SGEC certification (times)	Environment and Resources Division	1 or more	6	○	1 or more	1 or more
Explanation and communication to local residents when planning a new power plant (times)		1 or more	4	○	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	+26	○	+ 17	+ 28
Pruning and weeding area at TPF (ha) [Reduce fire risk and improve landscape (pruning and weeding area)]		15	Implementation	○	30	30

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



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** - Stakeholder Engagement

## Human Rights

In response to further increasing external requirements for human rights, we are strengthening our human rights efforts. In fiscal 2022, we studied the operational structure so that the Grievance Mechanism\* can be comprehensively deployed throughout the Sumitomo Forestry Group.

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

### Results

Ratings in the table below

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

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 target	FY2023 target	FY2024 target
Efforts related to grievance mechanism	Sustainability Department	Structure Construction	Operational structure under consideration	△	Range enlargement	Continuous operation



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** - Stakeholder Engagement

# 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.

The Sumitomo Forestry Group sets "We promote a free and open-minded corporate culture that respects diversity" as one of Our Values, and also make Declaration on Health Management in an effort 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.



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** - Stakeholder Engagement

## Impact on Society and the Environment

Material Issue 6	Impact (Influence)
<b>To create a vibrant environment for all workers</b>  Creating a work environment where everyone throughout the supply chain is safe, healthy and motivated.	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 (FY2022)

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.

### Work-life balance (workstyle reform)

Sumitomo Forestry's overtime working hours reduction rate was 13.8% compared to fiscal 2017, falling short of the targeted 16% reduction. The increase in working hours in the Housing Division, which accounts for about 70% of the total, is the main reason for the increase. In addition to revising work flow and promoting the use of outside business partners, we will strengthen efforts to reduce working hours by implementing measures including a "no-overtime day."

Regarding the percentage of male employees taking childcare leave at Sumitomo Forestry on a non-consolidated basis, the take-up rate was 49%, falling short of the targeted rate of 80%. In April 2022, the Company began to allow employees to apply for childcare leave from the stage when their child is expected to be born. In October of the same year, the Company revised its rules on childcare leave, including the establishment of childcare leave at birth, and has been working to encourage employees to take childcare leave by introducing good practices and notifying employees of other details on the company intranet, thoroughly implementing the new flow, and strengthening individual follow-up. Both the number of employees who have taken the leave and the average number of days they have taken the leave have reached record highs, and we will continue to work toward achieving a work-life balance by raising employee awareness through these measures.



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** - Stakeholder Engagement

## Results

Ratings in the table below

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

Indicators for Evaluation		Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Employee satisfaction level (%)	Non-Consolidated	Personnel Department	80.0	77	×	81.0	82.0
	Consolidated in Japan		67.0	58.9	×	68.9	71.0
Paid Leave Usage Ratio (%)	Non-Consolidated		70.0	68.4	△	70.0	70.0
	Consolidated in Japan		61.6	66.6	○	62.6	63.8
Overtime hours reduction rate (%) compared to fiscal 2017	Non-Consolidated (FY2017: 45.5H)		▲16.0	▲13.8	×	▲19.0	▲23.0
	Consolidated in Japan (FY2017: 31.1H)		▲10.0	▲9.5	△	▲13.0	▲15.0
Retention rate of new graduates (3rd year after joining the company)*1(%)	Non-Consolidated		83.0	82.9	×	84.0	85.0
	Consolidated in Japan		75.8	74.8	×	78.8	84.5
Culture that does not allow harassment**2(%)	Non-Consolidated		76.0	76.0	○	78.0	80.0
	Consolidated in Japan		76.2	70.0	×	77.7	75.0
Ensuring psychological safety**2(%)	Non-Consolidated		71.0	70.0	×	73.0	75.0
	Consolidated in Japan		64.0	60.9	△	65.5	67.1
Male childcare leave acquisition rate (%)	Non-Consolidated		80.0	49.0	×	90.0	100
	Consolidated in Japan		33.0	25.4	×	39.0	43.0

\*1 Calculated as a percentage of the number of new graduate employees who joined the company between April and the following March and who will be with the company on April 1, three years later.

\*2 Percentage of employees who answered either "absolutely" or "yes, if I have to choose" in employee satisfaction surveys

## Diversity

We manage targets based on the following five indicators to encourage women to play active roles in the workplace.

The ratio of executives and the ratio of new graduates hired by Sumitomo Forestry on a non-consolidated basis were in line with the plan, while the ratio of employees was 0.1 point short, almost in line with the plan.



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** - Stakeholder Engagement

In order to achieve the target, training was provided for all levels, including management career candidates in administrative planning positions, new managers and female leadership candidates. In addition, educational activities are conducted to focus on careers over the long term, such as seminars for pairs of childcares and supervisors to help them overcome life events such as childcare and develop their careers. In the future, measures will be considered and implemented in the context of human capital management initiatives.

## Results

Ratings in the table below

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

Indicators for Evaluation		Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Employment continuation rate after age 60 (retirement extension, reemployment, etc.) (%)	Non-Consolidated	Personnel Department	95.0	94.3	△	95.0	95.0
	Consolidated in Japan		87.5	84.5	×	99.1	98.2
Ratio of female employees to all employees (%)	Non-Consolidated		23.2	23.1	△	23.9	24.5
	Consolidated in Japan		34.3	33.4	△	34.5	34.7
Female officer ratio (%)	Non-Consolidated		13.8	13.8	○	16.7	19.4
Ratio of female senior managers* <sup>1</sup> (%)	Non-Consolidated		3.0	2.4	×	3.3	3.6
	Consolidated in Japan		6.5	6.7	○	7.3	7.9
Ratio of female general managers* <sup>1</sup> (%)	Non-Consolidated		9.0	8.5	△	10	11
	Consolidated		12.4	11.2	×	13.5	14.3
Ratio of females to new hires* <sup>2</sup> (%)	Non-Consolidated		32.6	33.1	○	35.0	35.0
	Consolidated in Japan		34.6	34.6	○	35.5	35.6
Ratio of disabled employees (%)	Non-Consolidated		2.20	2.19	△	2.25	2.30
	Group certification		2.40	2.40	○	2.45	2.50
	Consolidated in Japan		2.30	2.23	×	2.40	2.40

\*1 Among managers, supervisors are defined as senior managers and the rest as general managers.

\*2 Calculated by adding the number of new graduate employees hired between May and the following March of the previous year to the number of new graduates hired in April.





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** - Stakeholder Engagement

## Human Resources Development

Training costs per employee were 105 thousand yen, which did not reach the plan, but improved from fiscal 2021. While implementing the Coronavirus disease (COVID-19) measures, we conducted parallel group and online training programs, as well as expanded the self-development menu to allow a wide range of employees to participate in the program, and also implemented projects with a high number of participants.

In response to growing environmental awareness, the Sumitomo Forestry Group encourages its employees to take the Certification Test for Environmental Specialists Test (eco kentei) in order to develop the capability to accurately explain the relationship between our business and the environment.

Sumitomo Forestry's non-consolidated acquisition rate for fiscal 2022 was 43.6%, falling short of the plan, but up more than 9 points from fiscal 2021. We will continue to promote the acquisition of these certifications by posting details on the company intranet, utilizing our certification acquisition support rules, and distributing textbooks to departments with low participation rates.

### Results

Ratings in the table below

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

Indicators for Evaluation		Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Training cost per employee (unit: 1,000 yen)	Non-Consolidated	Personnel Department	125	105	△	125	150
	Consolidated in Japan		57	35	△	57	56
Training time per employee (hours)	Non-Consolidated		16.0	15.5	△	18.0	18.0
	Consolidated in Japan		12.5	23.7	○	12.8	13.1
Certification Test for Environmental Specialists acquisition rate (%)		Sustainability Department	50.0	43.6	△	60.0	70.0

\* Numerical values as of January 1, 2023

## Occupational Health and Safety

As for the number of occupational injuries, we have set a target of zero serious occupational injuries (occupational injuries resulting in four or more days of absence from work), but in fiscal 2022, these accidents occurred in each business field. Especially at new construction sites in Japan, heat stroke and injuries involving crashes and falls increased, resulting in 19 cases of serious work-related injuries lasting four days or longer. In addition, 14 injuries occurred at overseas manufacturing plants, including that occurred by the fall from a forklift.



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** - Stakeholder Engagement

In fiscal 2022, the Quality Control and Worker Safety Management Department organized the ISO45001 internal auditor training courses, and 50 employees (36 in the internal auditor qualification course and 14 in the standard explanation course) attended the courses. In addition, a new system for evaluating and awarding safety and health activities was established to raise safety awareness. In the event of a serious occupational injury, we will pursue the cause of the injury, prevent its recurrence, and conduct internal auditing to keep these initiatives in check. We will continue to strengthen our efforts to achieve zero occupational injury throughout the Sumitomo Forestry Group by implementing Group-wide management of occupational injury cases, strengthening safety education in each division and affiliate, and providing support horizontally.

## Results

Ratings in the table below

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

Indicators for Evaluation		Managing department		FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
(1) Number of serious occupational injuries (Four or more days of lost worktime) (numbers) (2) Number of occupational injuries (One or more days and less than 4 days of lost worktime) (numbers) (3) Total number of occupational injuries (One or more days of lost worktime: (1)+(2))(numbers)	Domestic new construction site (Contract)	Housing Division	(1)	0	19🌿	△	0	0
			(2)	18	26	×	16	14
			Total	0	45	×	16	14
	Remodeling site (Contract)		(1)	0	4	×	0	0
			(2)	0	6	×	0	0
			Total	0	10	×	0	0
	Overseas housing site (Contract)	Global Housing, Construction and Real Estate Division	(1)	0	9🌿	×	0	0
			(2)	0	4	×	0	0
			Total	0	13	×	0	0
	Domestic group manufacturing companies (employees)	Timber and Building Materials Division	(1)	0	1🌿	×	0	0
			(2)	0	0	○	0	0
			Total	0	1	×	0	0
	Overseas group manufacturing companies (employees / contractors)*		(1)	0	14🌿	×	0	0
			(2)	0	10	×	0	0
			Total	0	24	×	0	0



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** - Stakeholder Engagement

Indicators for Evaluation		Managing department		FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
	Domestic forest site (Contract)	Environment and Resources Division	(1)	0	3🌿	×	0	0
			(2)	0	1	×	0	0
			Total	0	4	×	0	0
	Overseas afforestation site (Contract)		(1)	0	11🌿	×	0	0
			(2)	0	22	×	0	0
			Total	0	33	×	0	0
	Elderly care site	Lifestyle Service Division	(1)	0	6	×	0	0
			(2)	0	2	×	0	0
			Total	0	8	×	0	0

\* Total of 8 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), Pan Asia Packing (PAP), and PT. Rimba Partikel Indonesia (RPI)

[Click here for related information](#)

> About symbol for Independent assurance



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** - Stakeholder Engagement

# 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.

The 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.



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** - Stakeholder Engagement

## Impact on Society and the Environment

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

## Management of Material Issue 7 (FY2022)

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.

## New market development

In the medium- to large-scale wooden construction business, we participated in a 15-story wooden office development project in Melbourne, Australia in 2021, followed by the development of a 6-story wooden office in the UK, a 3-story wooden office in Atlanta, USA, and a 7-story wooden office in the suburbs of Dallas, USA in 2022. We plan to continue to actively develop this business.

## Results

Ratings in the table below

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

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Development of medium-to large-scale wooden constructions Business (US / Australia / Europe)	Global Housing, Construction and Real Estate Division	Examination/ Commercialization	Commercialization	○	Commercialization	Commercialization



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** - Stakeholder Engagement

## Research & Development

Regarding the number of contracts for joint research partners, the objective is to promote R&D based on knowledge that is not available in-house by establishing cooperative frameworks with public institutions and private research organizations.

The number of contracts was 42 in fiscal 2022 at the Tsukuba Research Institute exceeded the plan (52.5% of all contracts).

### Results

Ratings in the table below

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

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Number of contracts for joint research partners (cases)	Tsukuba Research Institute	35	42	○	36	38
Ratio of all themes (%)		50	52.5		51	54



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** - Stakeholder Engagement

# 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.

The 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.





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** - Stakeholder Engagement

## Impact on Society and the Environment

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

## Management of Material Issue 8 (FY2022)

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.

## DX related

In the timber and building materials distribution sector, delivery slips are sent to customers, and we are working to reduce the use of paper delivery slips and improve the efficiency of paperwork in line with the shift to electric transmission.

In fiscal 2022, 766 companies (introduction rate of 64%) introduced the system, compared to the planned 720 companies (introduction rate of 60%). In the wake of the coronavirus disease (COVID-19) outbreak in fiscal 2020, the need to work in a telework system environment increased employee awareness of data transmission, contributing to higher adoption rates. Reduction of simple input work for documents like delivery slips through the use of digital technologies such as RPA and OCR also progressed steadily.

The number of facilities with sensor equipment installed in the elderly care business has not changed from fiscal 2021; however, the number of facilities with sensor equipment will increase by one facility due to the opening of a new facility in fiscal 2023.

## Results

Ratings in the table below

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

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
Data linkage with customer (company)	Timber and Building Materials Division (IT Solutions Department)	720	766	○	770	820
Adoption rate (%)		60	64		64	68
RPA and OCR adoption rate (%)		80	85.4	○	90	100
Number of facilities that have introduced sensor equipment in elderly care business	Lifestyle Service Division	18	18	○	19	19



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** - Stakeholder Engagement

# 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 amidst a global environment of crises that have 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. Continuing business even in the face of unexpected events also contributes to stability of the industry and market as a whole.

The 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.



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** - Stakeholder Engagement

### Impact on Society and the Environment

Material Issue 9	Impact (Influence)
<b>To establish a robust business structure</b>  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 (FY2022)

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.

### Governance /Compliance /Climate change

As a response to governance, an external evaluation of effectiveness of the Board of Directors was completed in January 2022 in response to the results of a survey of all directors and statutory auditors.

Task Force on Climate-related Financial Disclosures (TCFD) scenario analysis was conducted for two of our core businesses, the Housing Division and the Timber and Building Materials Division, in fiscal 2018, and in fiscal 2022 the analysis was conducted in two divisions, the Global Housing Division and the Environment and Resources Division. From October 2022 to March 2023, we conducted another review of the aforementioned two divisions, the Housing Division and the Timber and Building Materials Division, and together with the Global Housing Division and Environment and Resources Division, risks and opportunities related to climate change were analyzed and countermeasures were considered, at the company-wide level.



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** -  
Stakeholder Engagement

## Results

Ratings in the table below

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

Indicators for Evaluation	Managing department	FY2022 target	FY2022 result	FY2022 value	FY2023 target	FY2024 target
New introduction of business process control (internal control)	Global Housing, Construction and Real Estate Division	Full-scale introduction (2 companies)	Implementation	○	Continuation	Continuation
Strengthening information security level of overseas affiliated companies* (%)	IT Solutions Department	20	39.1	○	50	100
Implementation of external evaluation of effectiveness of the Board of Directors	General Administration Department	Examination	Implementation	○	Examination	Completion
Conduct scenario analysis and disclosure consistent with guidance from the Task Force on Climate- related Financial Disclosures (TCFD)	Sustainability Department	New implementation in two divisions including the Environment and Resources Division and Global Housing, Construction and Real Estate Division	New implementation in two divisions including the Environment and Resources Division and Global Housing, Construction and Real Estate Division	○	Examining impact of the entire group through re- implementation in two divisions including the Timber and Building Materials Division and Housing Division	Examining reflection of measures taken by the group in the strategy for each business division of the next Mid-Term Management Plan

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



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 -

**Stakeholder Engagement**

# 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. Our focus is always on communication as well as taking into account the direct and indirect relationships between stakeholders while we are engaged with our business activities, and sincerely responding to their expectations and requirements.

### Stakeholders of the Sumitomo Forestry Group



### Responsibilities and Communication Methods

#### Customers

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

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



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 -

**Stakeholder Engagement**

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

**Relevant Performance**

Number of calls received by the call center  
FY2022 result

**124,930**

Customer satisfaction ratio  
(surveyed when residents move in)  
FY2022 result

**97.4%**

[Click here for related information](#)

> [Product and Service Safety as well as the  
Quality Management](#)

> [Communication with Our Customers  
Housing Business Initiatives](#)

**Employees and Their Families**

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

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

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>• Creating a fair work environment with respect for human rights and no discrimination</li> <li>• 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</li> <li>• Equally and fairly evaluating personnel</li> <li>• Establishing educational systems able to drive and improve skills</li> <li>• Establishing measures, policies and other regulations to enhance the work-life balance</li> </ul>	<ul style="list-style-type: none"> <li>• Conducting regular consultations and performance reviews</li> <li>• Conducting employee satisfaction surveys</li> <li>• Conducting stress checks</li> <li>• Installing a compliance hotline</li> <li>• Implementing briefings during policy revisions and enhancing inquiry methods (use of AI chatbots, etc.)</li> <li>• EAP (Employee Assistance Program) service</li> <li>• Carrying on a dialogue (casual discussions) between the president and employees</li> <li>• Holding Family Open Day</li> <li>• Carrying out meetings with management made up of both labor and management committee members</li> <li>• Publishing internal magazines, creating an internal website</li> </ul>



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 -

**Stakeholder Engagement****Relevant Performance**

Overtime working hours  
FY2022 result  
(Compared to FY2017)  
(Non-consolidated)

**13.6%**  
reduction

Education expense per employee  
FY2022 result  
(Non-consolidated)

**105,000**<sub>yen</sub>

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.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>• Disclosing timely and accurate information</li> <li>• Pursuing informational transparency and accountability</li> <li>• Executing the appropriate premium redemption to shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Holding general meetings of shareholders, financial results briefings, investor briefings, analyst briefings, on-site briefings, and other relevant meetings</li> <li>• Communicating information on websites, integrated reports, shareholder correspondence, briefing materials and in other relevant forms</li> <li>• Responding to surveys for assessment and research agencies related to ESG, etc.</li> </ul>





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 -

**Stakeholder Engagement****Relevant Performance**

Individual meeting for institutional investors  
(in and outside Japan)  
FY2022 results

**254**

Full-year dividend per share  
FY2022

**125<sub>yen</sub>**

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"> <li>Complying with all relevant laws as well as reporting and delivering notifications</li> </ul>	<ul style="list-style-type: none"> <li>Responding through expert and relevant departments</li> </ul>

**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.



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 -

**Stakeholder Engagement**

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>Assembling the appropriate markets and competitive environment</li> <li>Offering cooperation for the growth and development of our industry</li> </ul>	<ul style="list-style-type: none"> <li>Participating in industry associations and other organizations</li> </ul>

Click here for related information

➤ Contributions to Public Policy

**Business Partners**

Promoting sustainable forest management and procuring wood 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 forestation 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"> <li>Building equal and fair relationships with business partners</li> <li>Improving the occupational health and safety environment</li> <li>Complying with all relevant laws</li> </ul>	<ul style="list-style-type: none"> <li>Engaging in purchasing and procurement activities</li> <li>Conducting safety conferences, safety patrols and building contractor meetings</li> <li>Conducting workshops and informational exchange meetings</li> <li>Conducting supplier evaluations (surveys and questionnaires)</li> </ul>

Click here for related information

➤ Supply Chain Management

➤ Occupational Health and Safety



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 -

## Stakeholder Engagement

### Students

Sumitomo Forestry Group provides information on its philosophy, business models that contribute to the economy, society, and the environment through its core business, various initiatives such as workstyle reform, and its medium- to long-term vision to students who are entrusted with the next generation.

In addition to deepening understanding of Sumitomo Forestry, we are actively engaging in two-way communication using online tools in a rapidly changing environment.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>Conducting equal and fair hiring practices</li> <li>Actively communicating information</li> </ul>	<ul style="list-style-type: none"> <li>Internships</li> <li>Conducting online-based information sessions and events to interact with employees</li> <li>Distributing information through our recruiting website</li> </ul>

Click here for related information

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

### NPOs/NGOs

The Sumitomo Forestry Group works with NPOs and NGOs that have specialized knowledge and understand the situation in the regions where they operate to address social issues such as deforestation, loss of biodiversity, and human rights issues. 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"> <li>Working cooperatively to solve social challenges</li> <li>Providing business know-how</li> </ul>	<ul style="list-style-type: none"> <li>Participating in employee volunteer activities</li> <li>Working cooperatively through social contribution activities</li> <li>Stakeholder Dialogue</li> </ul>

Click here for related information

➤ [Reinforcing Engagement with NGOs and Other External Stakeholders](#)

➤ [Social Contribution](#)



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 -

## Stakeholder Engagement

## 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"> <li>Preserving the natural environment and biodiversity</li> <li>Reducing the environmental impact of business activities</li> <li>Developing and providing products and services with minimal environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Providing an environment for business</li> <li>Supplying and standardizing environmentally-conscious housing</li> <li>Acting as volunteers in building forests such as in reforestation</li> <li>Carrying on a dialogue with NPOs/NGOs</li> <li>Conducting environmental and social contribution activities linked up with NPOs/NGOs</li> </ul>

## Relevant Performance

Percentage of orders for ZEH  
type houses out of new custom-built  
detached housings  
FY2022 result

**77.2%**

Percentage of sustainable timber  
and wood products handled  
FY2022 result

**100%**

[Click here for related information](#)

➤ [Mitigation of Climate Change](#)

➤ [Sustainable Forest Management](#)

➤ [Policies and Targets for Biodiversity  
Conservation](#)

➤ [Waste Reduction and Recycling Management](#)

➤ [Social Contribution](#)



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 -

## Stakeholder Engagement

## 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.

Responsibilities	Communication Methods
<ul style="list-style-type: none"> <li>Contributing to solutions to both global and local challenges in society</li> </ul>	<ul style="list-style-type: none"> <li>Participating in employee volunteer activities</li> <li>Supporting the formation of communities through social contribution activities</li> <li>Preparation of Regional Infrastructure</li> </ul>

## Relevant Performance

Expenditure on social contribution activities  
FY2022

Approx. **53** million yen

Cumulative number of visitors to  
Mt. Fuji Manabi no Mori  
FY2022

**1,636**

[Click here for related information](#)

➤ [Social Contribution](#)

## 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.

### Grievance Desks at overseas forestry companies

In many regions and countries, indigenous people's and local community's land rights are recognized by formal or customary law. While forest operations could offer jobs and social development of the region, communication and engagement with these stakeholders are extremely important to protect human rights and also for the sustainability of the operation.

For example, we have implemented a grievance mechanism at our forest operations in Indonesia since 2018. We receive opinions and requests from local residents, through regular visits or in writing, and respond to them within seven working days as a general rule.

[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](#) -

**Stakeholder Engagement**

At 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 operation can post a complaint, requests 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.

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](#)



Overall Picture of Our Business - Timber and Building Materials Business - Housing Business -

Global Housing, Construction and Real Estate Business - Environment and Resources Business - Lifestyle Services Business - Research & Development

# Initiatives for Sumitomo Forestry Group's Business and ESG

085 Overall Picture of Our Business

086 Timber and Building Materials Business

090 Housing Business

093 Global Housing, Construction and Real Estate Business

097 Environment and Resources Business

102 Lifestyle Services Business

105 Research & Development





**Overall Picture of Our Business** - Timber and Building Materials Business - Housing Business -

Global Housing, Construction and Real Estate Business - Environment and Resources Business - Lifestyle Services Business - Research & Development







# 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 Business Global Housing, Construction 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"> <li>Seedling Farming</li> <li>Site Preparation</li> <li>Garden Vegetation</li> <li>Cultivation</li> <li>Harvest</li> <li>Transport</li> </ul>	 <ul style="list-style-type: none"> <li>Procurement</li> <li>Fuel Production</li> <li>Power Generation</li> <li>Sales</li> </ul>	 <ul style="list-style-type: none"> <li>Verification of Legal Compliance/Sustainability</li> <li>Procurement</li> <li>Shipping/Sales</li> <li>Delivery</li> </ul>	 <ul style="list-style-type: none"> <li>Product Development</li> <li>Raw Material Procurement</li> <li>Manufacturing</li> <li>Delivery</li> </ul>	 <ul style="list-style-type: none"> <li>Sales/Product Development</li> <li>Design</li> <li>Materials Procurement</li> <li>Construction</li> <li>After-Sales Support</li> </ul>	 <ul style="list-style-type: none"> <li>Elderly Care Business</li> <li>Insurance and Solutions Business</li> <li>Golf Course Management</li> <li>Lodging and Community Revitalization Business</li> </ul>



Overall Picture of Our Business - **Timber and Building Materials Business** - Housing Business -

Global Housing, Construction and Real Estate Business - Environment and Resources Business - Lifestyle Services Business - Research & Development

# 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 (FY2022 Result)

#### Recycling rate at manufacturing plants

Japan: **99.4%**

Overseas: **98.0%**

#### Sustainability procurement survey implementation rate of suppliers of imported timber

**100%**

Overall Picture of Our Business - **Timber and Building Materials Business** - Housing Business -

Global Housing, Construction and Real Estate Business - Environment and Resources Business - Lifestyle Services Business - Research &amp; Development

## Value Chain of Distribution Business



### Verification of Legal Compliance and Sustainability

The Sumitomo Forestry Group engages in due diligence on its procurement suppliers and wood 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 wood and building materials in each region.



### Commercialization and Delivery

Sumitomo Forestry Group commercializes and ships the wood that is procured not only as log but also plywood, 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.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

Governance

Related  
InformationOverall Picture of Our Business - **Timber and Building Materials Business** - Housing Business -

Global Housing, Construction and Real Estate Business - Environment and Resources Business - Lifestyle Services Business - Research &amp; Development

## 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.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

Governance

Related  
InformationOverall Picture of Our Business - **Timber and Building Materials Business** - Housing Business -

Global Housing, Construction and Real Estate Business - Environment and Resources Business - Lifestyle Services Business - Research &amp; Development

## 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](#)
[Resource Recycling Initiatives](#)
[Occupational Health and Safety in the Manufacturing Business](#)
[Product Safety and Quality Management in the Manufacturing Business](#)
[Supply Chain Management](#)



Overall Picture of Our Business - Timber and Building Materials Business - **Housing Business** -

Global Housing, Construction and Real Estate Business - Environment and Resources Business - Lifestyle Services Business - Research & Development

# Initiatives for Sumitomo Forestry Group's Business and ESG

## Housing Business

### Business Overview

The Housing 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, real estate management and mediation, subdivision, greening, and other businesses.



### Main Business Figures (FY2022 Result)

Number of buildings sold and delivered in Japan

Custom-built detached house, rental housing, built-for-sale detached housing Total **9,416**houses

Percentage of orders for ZEH type houses out of new custom-built detached housings (%) **77.2%**

Fixed carbon content\* **196,835**t-co<sub>2</sub>

\* Including construction business

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

Governance

Related  
InformationOverall Picture of Our Business - Timber and Building Materials Business - **Housing Business** -

Global Housing, Construction and Real Estate Business - Environment and Resources Business - Lifestyle Services Business - Research &amp; Development

## 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 durability, 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 implementation of safety training and environmental education.



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

Governance

Related  
InformationOverall Picture of Our Business - Timber and Building Materials Business - **Housing Business** -

Global Housing, Construction and Real Estate Business - Environment and Resources Business - Lifestyle Services Business - Research &amp; Development

**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.

**Operations and ESG Initiatives in the Housing Business**

The Housing 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 Business**[Click here for related information](#)[Mitigation of Climate Change](#)[Adaption to Climate Change](#)[Contributions to Eco Cities Through Greening](#)[Occupational Health and Safety on Construction Sites](#)[Product Safety and Quality Management in the Housing Business](#)[Resource Recycling Initiatives > Housing Business Initiatives](#)[Communication with Our Customers > Housing Business Initiatives](#)[Supply Chain Management > Housing Business Initiatives](#)



Top  
CommitmentSustainability  
Management**Initiatives for Sumitomo  
Forestry Group's  
Business and ESG**

Environment

Social

Governance

Related  
Information

Overall Picture of Our Business - Timber and Building Materials Business - Housing Business -

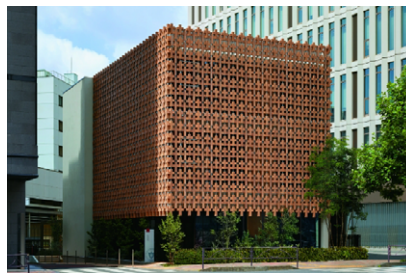
**Global Housing, Construction and Real Estate Business** - Environment and Resources Business - Lifestyle Services Business - Research & Development

# Initiatives for Sumitomo Forestry Group's Business and ESG

## Global Housing, Construction 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, Construction and Real Estate Business is expanding even in Australia and Asia. In addition to offering housing and medium- to large-scale wooden constructions that matches the needs of the climate and natural features as well as markets in each region, we promote initiatives to create shared value through our business activities by respecting employees, local residents, corporate organizations, society and every other stakeholder.



### Main Business Figures (FY2022 Result)

Housing sold and delivered in the United States and Australia **13,031**houses

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

Governance

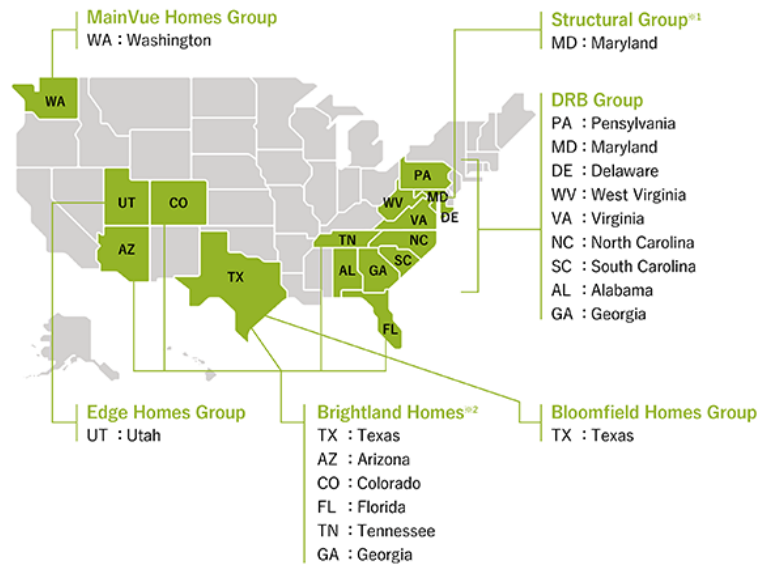
Related  
Information

Overall Picture of Our Business - Timber and Building Materials Business - Housing Business -

Global Housing, Construction and Real Estate Business - Environment and Resources Business - Lifestyle Services Business - Research &amp; Development

## Global Housing, Construction and Real Estate Business Development Areas

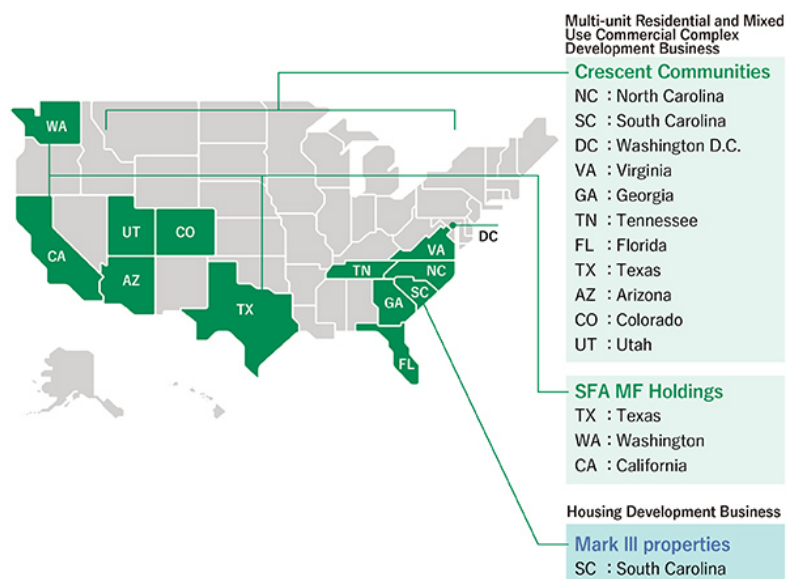
### United States Housing Construction Business Areas



\*1 Operates component manufacturing business such as trusses and wall panels for housing

\*2 The company name has been changed from Gehan Homes Group in March 2023.

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



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

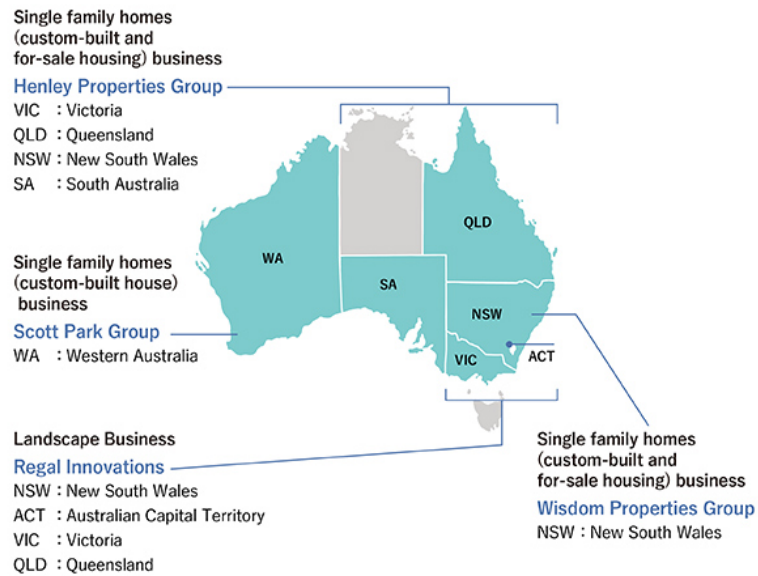
Governance

Related  
Information

Overall Picture of Our Business - Timber and Building Materials Business - Housing Business -

Global Housing, Construction and Real Estate Business - Environment and Resources Business - Lifestyle Services Business - Research &amp; Development

## Australia Single Family Homes and Landscape Business Area



## Asian Business Areas



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

Governance

Related  
Information

Overall Picture of Our Business - Timber and Building Materials Business - Housing Business -

Global Housing, Construction and Real Estate Business - Environment and Resources Business - Lifestyle Services Business - Research &amp; Development

**Main medium- to large-scale wooden construction business areas (excluding Japan)**

Country/Region	Title		Building area	Start of construction (scheduled)
Australia (Melbourne)	15-story wooden office	36 Wellington Project	28,865m <sup>2</sup>	December 2021
United Kingdom (London)	6-story wooden office	Paradise Project	7,445m <sup>2</sup>	March 2023
United States (Dallas, Texas)	7-story wooden office	Southstone Yards Project	Approx. 22,548m <sup>2</sup>	August 2022
United States (Atlanta, Georgia)	3-story wooden office	The Garren Project	Approx. 14,656m <sup>2</sup>	December 2022

**Take an Integrated Approach to Business Operations and ESG Initiatives in the Global Housing, Construction and Real Estate Business**

The Global Housing, Construction 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, all-electric appliances and solar panels are standard equipment, adding value from the perspective of reducing environmental impact.

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 Global Housing, Construction and Real Estate Business**

Click here for related information

[Sales of Environmentally-conscious Housing Overseas](#)
[Green Building Initiatives](#)
[Product Safety and Quality Control in the Construction and MOCCA \(Timber Solutions\) Business](#)
[Medium- to large-scale Wooden Constructions Business Initiatives](#)
[Human Rights Initiatives](#)
[Risk Management > Risks in Operations](#)
[Overseas Landscaping Businesses](#)



Overall Picture of Our Business - Timber and Building Materials Business - Housing Business -

Global Housing, Construction and Real Estate Business - **Environment and Resources Business** - Lifestyle Services Business - Research & Development

# 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 240,000 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.





Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

Governance

Related  
Information

Overall Picture of Our Business - Timber and Building Materials Business - Housing Business -

Global Housing, Construction and Real Estate Business - **Environment and Resources Business** - Lifestyle Services Business - Research & Development

## Main Business Figures (FY2022 Result)

## Managed and owned forest area

Japan: Approx. **48,000ha**Overseas: Approx. **240,000ha**

## Domestics and overseas certified area

Japan: Approx. **48,000ha**Overseas: Approx. **181,000ha**Wood biomass power generation scale (based on  
confirmed projects)Approx. **252MW**

## Value Chain of Forestry Business



## 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.

Top  
CommitmentSustainability  
Management**Initiatives for Sumitomo  
Forestry Group's  
Business and ESG**

Environment

Social

Governance

Related  
Information

Overall Picture of Our Business - Timber and Building Materials Business - Housing Business -

Global Housing, Construction and Real Estate Business - **Environment and Resources Business** - Lifestyle Services Business - Research & Development**Cultivation**

The Sumitomo Forestry Group manages a total of approximately 48,000 ha of company-owned forests in Japan and a total of around 240,000 ha 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.

## Value Chain of the Renewable Energy Business

**Procurement**

The Sumitomo Forestry Group aims to further use of scrap wood produced during construction, renovation and demolition 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.



Top  
CommitmentSustainability  
Management**Initiatives for Sumitomo  
Forestry Group's  
Business and ESG**

Environment

Social

Governance

Related  
Information

Overall Picture of Our Business - Timber and Building Materials Business - Housing Business -

Global Housing, Construction and Real Estate Business - **Environment and Resources Business** - Lifestyle Services Business - Research & Development**Production**

The Sumitomo Forestry Group strives to recycle wood waste into wood resources through our business operations supplying chips as fuels including wood 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 is developing energy business by leveraging local characteristics and conditions of each wood biomass power generation area in five regions.

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

Forests have multifaceted functions such as water source recharge, global warming prevention, biodiversity conservation, and forest product supply. A sustainability perspective is essential for forest management, maintaining the cycle of planting trees, growing them, harvesting and utilizing them, and planting them again.

Currently in Japan, planted forests are approaching the harvesting period, and the nation is underway trying to turn forestry into a growth industry by encouraging the use of wood. The stable supply of seedlings for replanting has become a challenge amid expectations of increasing clear cutting while encouraging the use of domestic timber. Our domestic forestry business adopted leading-edge forestry equipment to improve productivity while developing and strengthening seedlings production systems.

In our overseas forestry business, 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 afforestation projects 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.

[Top  
Commitment](#)[Sustainability  
Management](#)**Initiatives for Sumitomo  
Forestry Group's  
Business and ESG**[Environment](#)[Social](#)[Governance](#)[Related  
Information](#)[Overall Picture of Our Business](#) - [Timber and Building Materials Business](#) - [Housing Business](#) -[Global Housing, Construction and Real Estate Business](#) - **[Environment and Resources Business](#)** - [Lifestyle Services Business](#) - [Research & Development](#)

## ESG Initiatives in the Environment and Resources Business

[Click here for related information](#)[Promotion of the Renewable Energy Business](#)[Sustainable Forest Management](#)[Biodiversity Conservation in Company-](#)[Owned Forests in Japan and Planted Forests  
Overseas](#)[Resource Recycling Initiatives](#)[Respect for Human Rights at Overseas  
Planted forests](#)[Occupational Health and Safety in  
Environmental Energy Business](#)[Examples of Regional Contribution Activities  
Overseas](#)



Overall Picture of Our Business - Timber and Building Materials Business - Housing Business -

Global Housing, Construction and Real Estate Business - Environment and Resources Business - **Lifestyle Services Business** - Research & Development

# Initiatives for Sumitomo Forestry Group's Business and ESG

## Lifestyle Services Business

### Business Overview

Lifestyle Services Business is responsible for downstream business that support people's daily lives. 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 lifestyle-related services which center on elderly care business that 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.

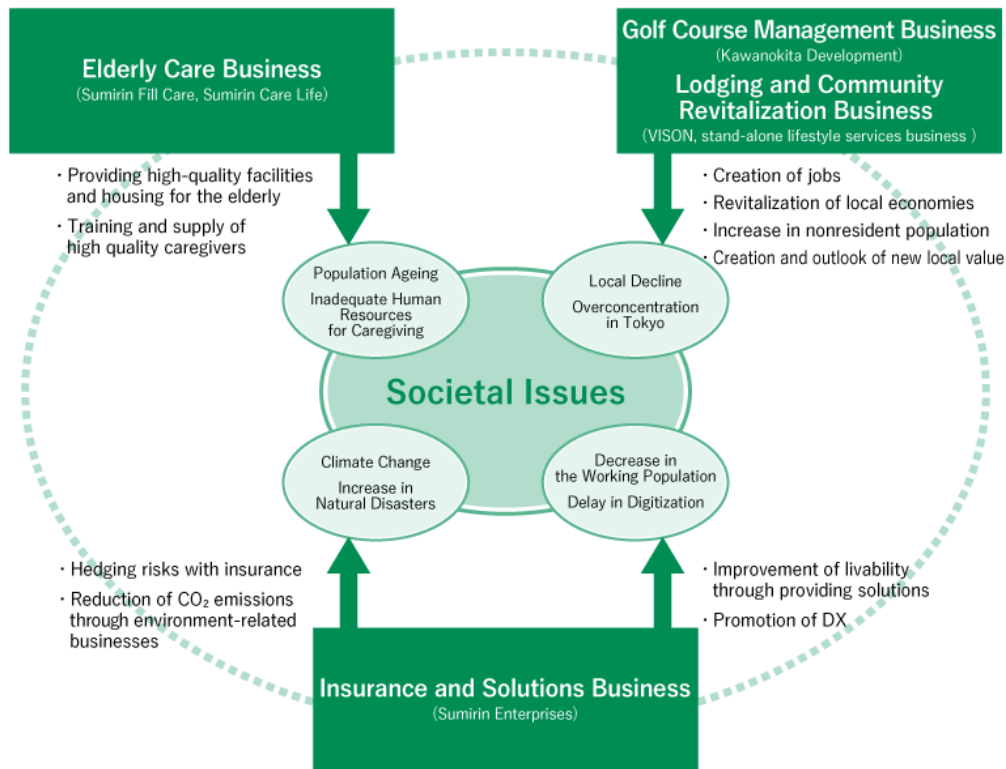




Overall Picture of Our Business - Timber and Building Materials Business - Housing Business -

Global Housing, Construction and Real Estate Business - Environment and Resources Business - **Lifestyle Services Business** - Research & Development

## Social Issues and Lifestyle Services Business



## 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 **1,457 million yen**Number of insurance business site **13**Number of insurance companies managed **17** (Non-life insurance companies 4, life insurance companies 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.



Overall Picture of Our Business - Timber and Building Materials Business - Housing Business -

Global Housing, Construction and Real Estate Business - Environment and Resources Business - **Lifestyle Services Business** - Research & Development

## 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 2021, the aging rate reached 28.9%\*, 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, 2022 ed.



## ESG Initiatives in the Lifestyle Services Business

Click here for related information

> Resource Recycling Initiative

> Occupational Health and Safety in Lifestyle Services Business

> Quality Control in Lifestyle Services Business

> Communication with Our Customers > Lifestyle Services Business Initiatives

> Business initiatives that contribute to regional revitalization

Top  
CommitmentSustainability  
Management**Initiatives for Sumitomo  
Forestry Group's  
Business and ESG**

Environment

Social

Governance

Related  
Information

Overall Picture of Our Business - Timber and Building Materials Business - Housing Business -

Global Housing, Construction and Real Estate Business - Environment and Resources Business - Lifestyle Services Business - **Research & Development**

# 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 (FY2022 Result)

Research and development expenses **2,576**million yen



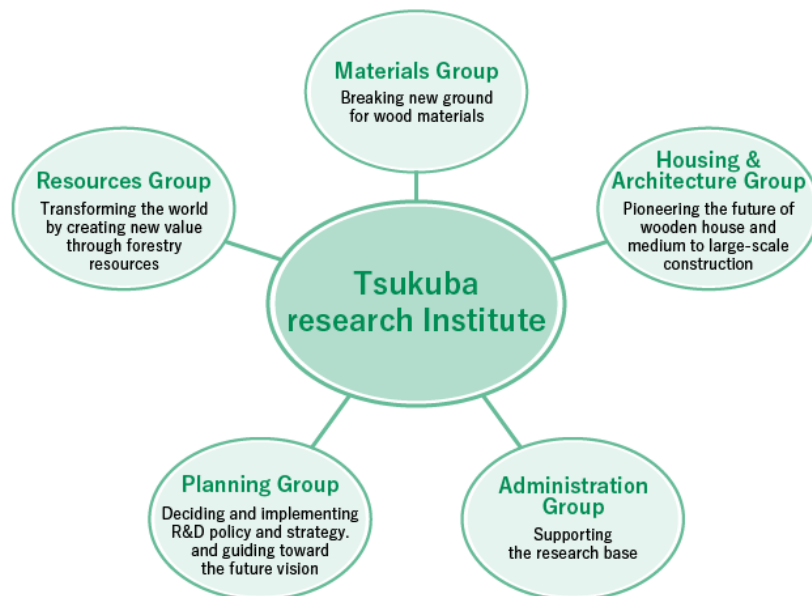
Overall Picture of Our Business - Timber and Building Materials Business - Housing Business -

Global Housing, Construction and Real Estate Business - Environment and Resources Business - Lifestyle Services Business - **Research & Development**

## Research and Development System and Fields

Tsukuba Research Institute, using a five-group organization, engages in two main types of research and development: corporate research and development aimed at creating new business opportunities and value creation, and research and development linked to divisions based on business strategies. 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



Click here for related information

➤ [Tsukuba Research Institute Website](#)

➤ Management and management  
responsibility system for public research  
funds, and prevention of research  
misconduct (in Japanese)





[Top  
Commitment](#)[Sustainability  
Management](#)[Initiatives for Sumitomo  
Forestry Group's  
Business and ESG](#)[Environment](#)[Social](#)[Governance](#)[Related  
Information](#)[Overall Picture of Our Business](#) - [Timber and Building Materials Business](#) - [Housing Business](#) -[Global Housing, Construction and Real Estate Business](#) - [Environment and Resources Business](#) - [Lifestyle Services Business](#) - [Research & Development](#)

## Research Results Benefiting People and Society

In 2018, the Sumitomo Forestry Group announced the "W350 Plan," a research and technology development concept that aims to realize a "Timberized Eco City" by 2041, the 350th anniversary of its founding, by transforming the city into a forest through the woodification and use of wood of the surrounding buildings and everything else, with wooden high-rise buildings as the symbol. Then, in February 2022, Sumitomo Forestry announced its long-term vision, "Mission TREEING 2030," which aims to promote decarbonization and realize a circular bioeconomy through upstream to downstream business activities centered on "trees". Tsukuba Research Institute contributes to the realization of the Sumitomo Forestry Group's goals by applying the various knowledge and technologies gained through its research activities to Sumitomo Forestry's business, and by sharing them with people and society.

[Click here for related information](#)[Visualization of CO<sub>2</sub>](#)[Research and development aimed at realizing  
a decarbonized](#)[Proof testing for adaptation to climate  
change](#)

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data



109 Sumitomo Forestry Group's Environmental Management

121 Responding to Climate Change

182 Sustainable Forest Management

212 Utilization of Sustainable Forest Resources

221 Biodiversity Conservation

244 Resource Recycling Initiatives

261 Pollution Prevention

274 Efficient Use of Water Resources

277 Environmental Related Data



**Sumitomo Forestry Group's Environmental Management** - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## 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 Environmental Policy applies to all stages of 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, and mergers and acquisitions, in all businesses of the Sumitomo Forestry Group to promote businesses that contribute to the realization of a sustainable society.

For example, regarding the selection and evaluation of suppliers, a "sustainability procurement survey" is conducted based on our Environmental Policy, and when a new business is started up or a joint venture or acquisition is made, each division performs a risk check from both aspects of the environment and society.

To share and raise awareness of the Environmental Policy among Group employees, it is 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 the Sumitomo Forestry Group.

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 vision, towards 2030 which is also the goal year of 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.

[Click here for related information](#)

➤ [Corporate Philosophy and Sustainability Management](#)

➤ [New Business Plan Risk Assessment](#)



**Sumitomo Forestry Group's Environmental Management** - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## 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 English 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



**Sumitomo Forestry Group's Environmental Management** - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

# 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.

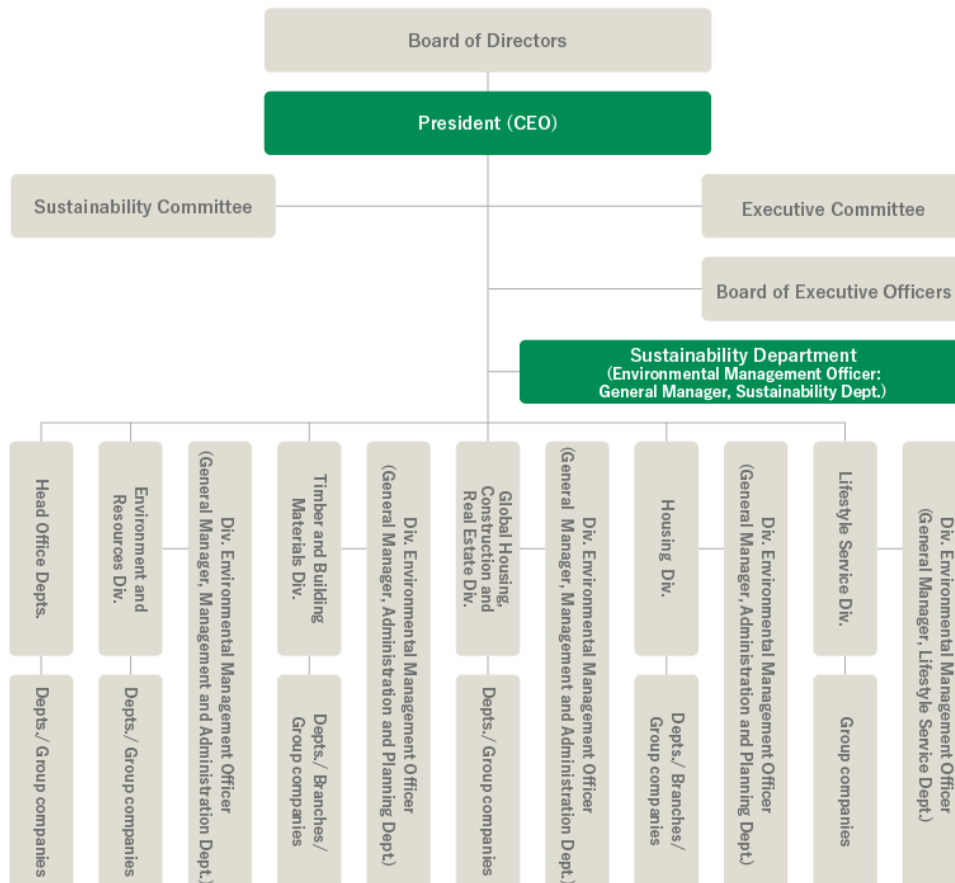
The General Manager of Sustainability Department under the President and Representative Director acts as the Environmental Management Officer to raise the effectiveness of environmental activities by drafting a Sustainability Budget as a quantitative targets for each fiscal year for environmental activities that each department of the Group is advancing and by regularly checking progress in with the Sustainability Committee.

In addition, Sustainability Committee reports its findings to the Board of Directors, and the Board of Directors is involved in monitoring environmental performance.



**Sumitomo Forestry Group's Environmental Management** - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Environmental Management Structure



[Click here for related information](#)

> [Management of Mid-Term Sustainability Targets](#)

## 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



**Sumitomo Forestry Group's Environmental Management** - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## 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 2022, the certification rate of consolidated organizations was 94.6% (based on sales).

ISO14001  
Certification Rate  
(Based on Sales)

**94.6%**

## 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 <sup>*1</sup>	August 2022 <sup>*1</sup>
	Sumitomo Forestry Landscaping Co., Ltd.	November 2002 <sup>*2</sup>	
	Sumitomo Forestry Crest Co., Ltd.	September 2003 <sup>*2</sup>	
	Sumitomo Forestry Home Tech Co., Ltd.	March 2013 <sup>*2</sup>	
	Japan Bio Energy Co., Ltd.	August 2014 <sup>*2</sup>	
Cohnan Kensetsu Inc.		March 2011	March 2020
Kutai Timber Indonesia (KTI)		August 2001	November 2022
Nelson Pine Industries Ltd. (NPIL)		July 2003	July 2022
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

<sup>\*1</sup> Certification was acquired by individual departments and divisions from 1997 before integrated ISO 14001 certification was acquired for the entire company

<sup>\*2</sup> Acquired by inclusion in Sumitomo Forestry's integrated certification





**Sumitomo Forestry Group's Environmental Management** - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## 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 2022, 74 departments at five companies underwent renewal and transition reviews for the ISO 14001: 2015 (JISQ 14001: 2015).

As a result of these reviews, three nonconformities and 102 observations for improvement advice were identified. On August 4, 2022, the companies under review were approved to sustain their registration after the assessment.

For the three nonconformities, we investigated the root causes, implemented measures to prevent recurrence, and horizontally shared the information, including in other branches. For each of the observations, we examined improvement methods and took individual action. Issues common to all Group companies were shared by the Sustainability Department, and the status of improvement was confirmed through internal environmental audits. The audit was conducted with particular attention to the effectiveness of compliance with environmental laws and regulations, compliance mechanisms, and responding (measures) to deal with matters where targets were not achieved.

## 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 1,611 (as of the end of fiscal 2022).

Internal Environmental Audits were conducted in 115 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.

## 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.

Significant violations in the last five years

0

\* Violation with a penalty or punishment of one million yen or more



**Sumitomo Forestry Group's Environmental Management** - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

# 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.

[Click here for related information](#)

[> Adaption to Climate Change](#)



**Sumitomo Forestry Group's Environmental Management** - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Responding to Changes in the Wood Cultivation and Procurement Regulations

Sumitomo Forestry Group positions wood as its principal material and product. The risk of higher costs is always present as well as the risk of having to change suppliers in the event of regulations being imposed due to the depletion of wood resources or changes to habitats resulting from climate change and the loss of biodiversity.

Therefore, as a means of diversifying the risk of changes in conditions of wood cultivation and wood procurement regulations, wood is imported from more than 20 countries. In addition, we have representatives in major countries to gather information. We also conduct factory inspections of suppliers by overseas representatives and head office employees to confirm legal compliance and sustainability. 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.

[Click here for related information](#)

> [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.

In regard to Japan, carbon pricing has also been implemented due to the Tax for Climate Change Mitigation measures enforced in October 2012. Achieving targets outlined in the Paris Agreement could result in changes such as higher taxes and new levies and emissions trading, 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](#)

> [Material Issue 2 To realize carbon neutrality  
by leveraging forests and wood resources](#)

## Responding to Energy Supply Shortages

In June 2022, Japan's power crisis has become apparent, as tight supply-demand warning was issued for four consecutive days in the service area of Tokyo Electric Power Company. There is a risk that disruption of power transmission may cause the Sumitomo Forestry Group's exhibition halls and factories to cease 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. In addition, solar power generation system is installed on the roofs of exhibition halls and factories responding to energy supply shortages.



**Sumitomo Forestry Group's Environmental Management** - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## 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 the Sumitomo Forestry Group.

[Click here for related information](#)

[> Risk Management Framework](#)

## 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 2022, 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. In terms of the breakdown of illegally dumped industrial waste, 87.4%\* of the total is construction waste. 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 2022, managers from the Housing Division conducted 525 on-site checks at 537 waste treatment plants run by 354 waste treatment contractors. Divisions other than the Housing Division as well as offices of Group companies are being instructed to continue using waste treatment plants which the Housing Division has already inspected.



**Sumitomo Forestry Group's Environmental Management** - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

To be able to determine whether industrial waste is being processed in an appropriate manner, the Group asks waste treatment contractors to employ electronic manifests. All branches of the Housing Division as well as all contractors accepting industrial waste from new housing construction sites have already introduced electronic manifests. In fiscal 2022, 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 2022, around 120 persons participated 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.

\* From the materials announced by the Ministry of the Environment in 2021

[Click here for related information](#)

> [Waste Reduction and Recycling](#)

## 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.

The Group's domestic built-for-sale housing business conducts independent surveys of land related to brownfields\* and has not purchased or sold any land that has not been through soil contamination measures.

\* Land that is not used or underutilized significantly compared to its potential value due to the presence or concern of soil contamination

[Click here for related information](#)

> [Project for Soil Purification Technology and Environmental Remediation Aided by Plants](#)

## 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.



**Sumitomo Forestry Group's Environmental Management** - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

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.

[Click here for related information](#)

[> Management of Water Pollutants](#)

## 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.

[Click here for related information](#)

[> Management of Air Pollutants](#)

## Noise and Vibrations

The 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 2022.



**Sumitomo Forestry Group's Environmental Management** - [Responding to Climate Change](#) - [Sustainable Forest Management](#) - [Utilization of Sustainable Forest Resources](#) - [Biodiversity Conservation](#) - [Resource Recycling Initiatives](#) - [Pollution Prevention](#) - [Efficient Use of Water Resources](#) - [Environmental Related Data](#)

## 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 Sumitomo Forestry Group has taken steps to disseminate the details and take appropriate measures.

In addition, as a manager of specified products, we conducted simple and periodic inspections as planned.

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.). Some business sites have construction vehicles that fall under the category of "specified products," such as forklifts, etc. equipped with air conditioners. In response to the enactment of this law, we are conducting periodic simple inspections of the 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.



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

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## Responding to Climate Change

### Greenhouse Gas Emissions from Business Activities

#### Greenhouse Gas Emissions per Scope Based on the GHG Protocol

The Sumitomo Forestry Group has ascertained the volume of its GHG 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. Since starting operations in 2016, the Mombetsu Biomass Electric Power, a consolidated subsidiary company, has significantly increased Scope 1 and Scope 2 emissions of the Group because coal is used as a secondary fuel to ensure smooth operation and maintenance. In fiscal 2022, Scope 1 and 2 emissions were reduced by 4.0% from fiscal 2021 due to a reduction in coal consumption at Mombetsu Biomass Electric Power. When looking by business, our plants in Japan and the power generation business make up 54.0% while our plants overseas compose 32.1%.

In addition, we began calculating Scope 3 in fiscal 2013. 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 CO<sub>2</sub> emissions during occupancy by promoting ZEH (Net Zero Energy House) in our housing business. The scope of calculation for Scope 3 was expanded from fiscal 2022. After estimating approximately 100% coverage for the Sumitomo Forestry Group's operations in fiscal 2021, the new scope of calculation excludes items with low emissions which are unlikely to have an overall impact. The coverage ratio for the conventional scope of calculation was approximately 85.9% in the fiscal 2021 estimate, and this was raised to approximately 94.4% as a result of the revised scope.

We continue to work to achieve the Science Based Targets (SBT) by further reducing greenhouse gas emissions.

\* 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

[Click here for related information](#)

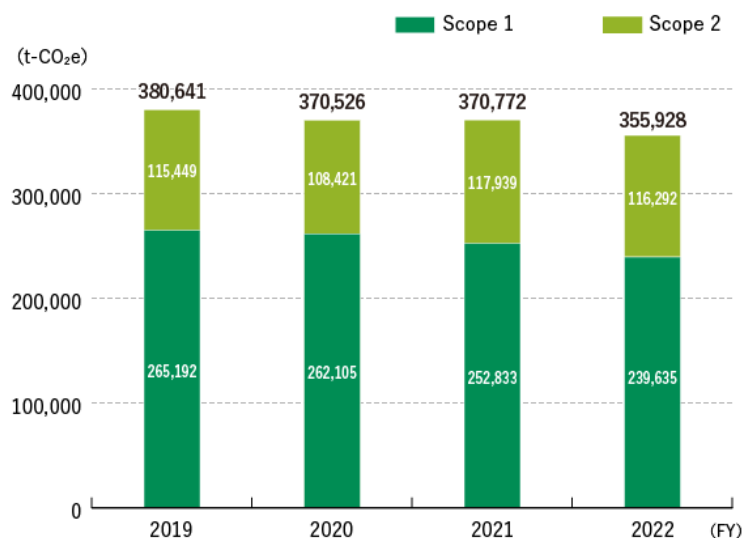
> [Establishment and Certification of Science  
Based Targets \(SBT\)](#)

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



Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

### Scope 1 and Scope 2 CO<sub>2</sub> Emission Trends<sup>\*1</sup>

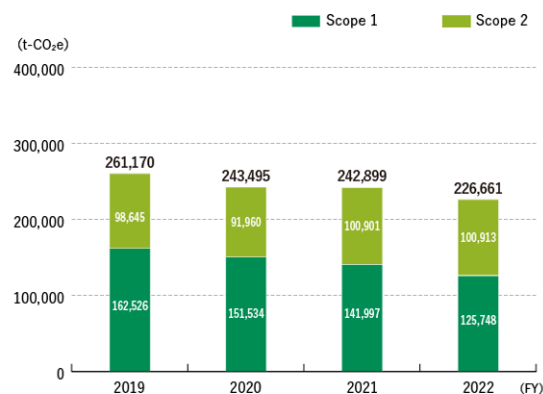


\*1 Assured Scope 1 and Scope 2 emissions including power generation projects

\*2 Data collection period for total emissions from fiscal 2020 is January to December of each year, and the emissions counting period for fiscal 2019 is April to March of the following year

The Sumitomo Forestry Group's greenhouse gas emissions 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 greenhouse gas emission coefficient for biomass combustion is being considered to be changed to the coefficient used in the National Greenhouse Gas Inventory Report of JAPAN (NIR) submitted by the Japanese government under the United Nations Framework Convention on Climate Change (UNFCCC), and to exclude the equity-method affiliates currently included in the scope of calculation; the emissions calculated using this factor are also disclosed for reference.

### (Reference) Changes in Scope 1 and 2 emissions, calculated using the change in emission coefficient for biomass combustion and excluding equity-method affiliates



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

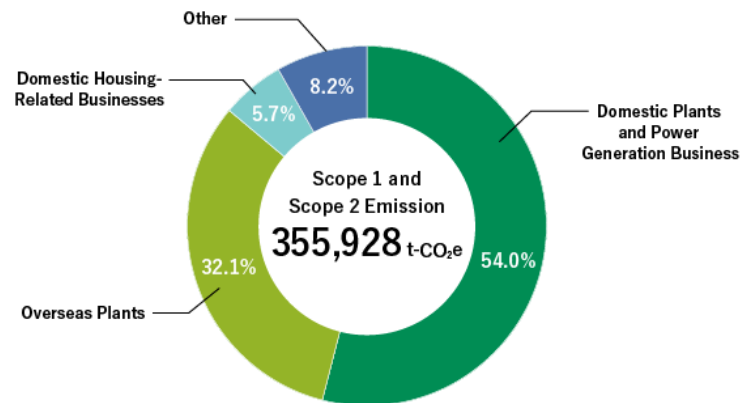
Social

Governance

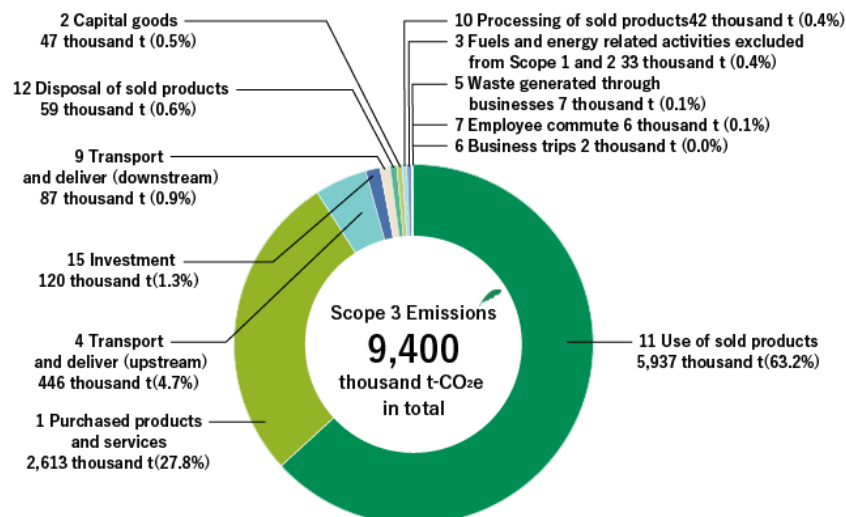
Related  
Information

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

## Scope 1 and 2 Breakdown by Business (FY2022)



## Scope 3 Emissions by Category





Sumitomo Forestry Group's Environmental Management - [Responding to Climate Change](#) - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

**Scope 3 Emissions by Category (three years)**(thousand t-CO<sub>2</sub>e)

Category	Boundary of Emissions included in the Category	FY2020*2	FY2021*2	FY2022*2	
				Former scope*3	Revised scope*3
1 Purchased products and services*1	Emission from upstream of products and services purchased by Sumitomo Forestry	2,160	2,458	2,613	2,787 (2,780)
2 Capital goods*3	Emissions from upstream of purchased equipment	40	31	47	47
3 Fuels and energy related activities excluded from Scope 1 and 2	Emissions from the upstream of purchased fuels, electricity, heat capacity, and water	33	34	33	33 (32)
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	410	432	446	446 (439)
5 Waste generated through businesses	Emissions from waste treatment and its transport	6	6	7	7
6 Business trips*4	Emissions related to business trips of employees such as use of public transportation and accommodation	3	2	2	2
7 Employee commute*5	Emissions from employee commuting	6	6	6	6
8 Leased property (Upstream)	(Emissions from use of upstream leased property such as office building, heavy machinery, vehicles, and facilities are included in Scope 1 or 2)	-	-	-	-
9 Transport and deliver (downstream)	Emissions during transport of products sold	99	96	87	87 (81)
10 Processing of sold products	Emissions from processing of logs into plywood as well as of sold pre-cut processing of sold lumber	41	52	42	42
11 Use of sold products	Emissions during use of detached houses sold	6,580	6,534	5,937	6,816 (6,524)

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

Category	Boundary of Emissions included in the Category	FY2020 <sup>*2</sup>	FY2021 <sup>*2</sup>	FY2022 <sup>*2</sup>	
				Former scope <sup>*3</sup>	Revised scope <sup>*3</sup>
12 Disposal of sold products	Emissions from demolition and disposal of detached houses sold by the Company	55	65	59	59
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)	115	120	120	120
Total		9,548	9,835	9,400	10,453 (10,139)

\*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)

\*2 Data collection period for total emissions from fiscal 2020 is January to December of each year, and the emissions counting period for fiscal 2019 is April to March of the following year

\*3 Since the scope of calculation was expanded from fiscal 2022, figures calculated within the previous scope and figures calculated by revising the scope are shown together. The greenhouse gas emission coefficient for biomass combustion is changed to the coefficient used in the National Greenhouse Gas Inventory Report of JAPAN (NIR) submitted by the Japanese government under the United Nations Framework Convention on Climate Change (UNFCCC) and to exclude the equity-method affiliates currently included in the scope of calculation. The emissions calculated using this factor are also disclosed for reference, shown in parentheses

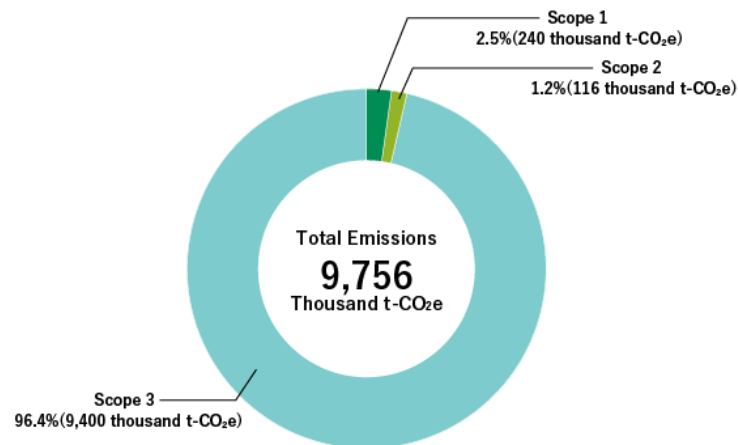
\*4 From fiscal 2021 onward, a percentage decrease in travel costs was applied to reflect the impact of coronavirus disease (COVID-19) in the calculation

\*5 From fiscal 2021 onward, a percentage decrease in attendance was applied to reflect the impact of the COVID-19 in the calculation

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

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## FY2022 Total Greenhouse Gas Emissions Accrued from Corporate Activities



\* Data collection period for the total emissions during fiscal 2022 is from January to December 2022

[Click here for related information](#)

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

## Energy Used in Business Activities and the Adoption of Renewable Energy

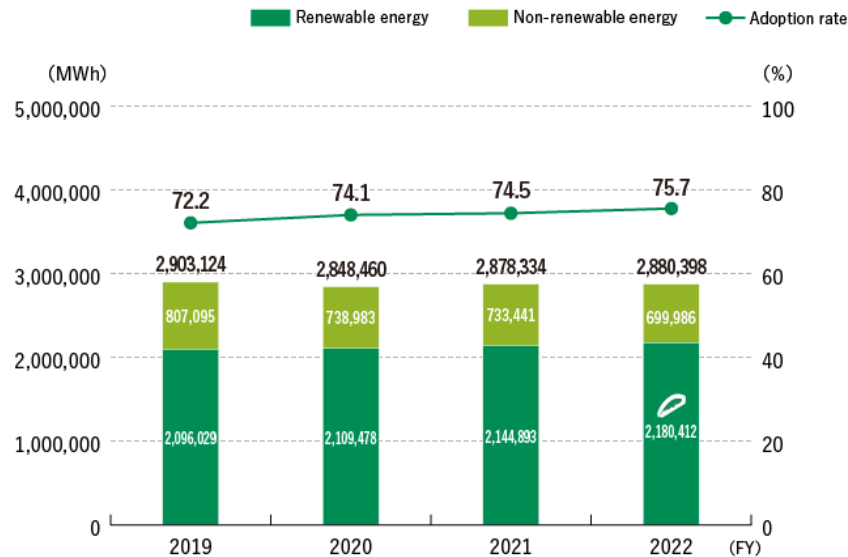
Energy consumption by the Sumitomo Forestry Group in fiscal 2022 was 2,880,398 MWh\*, the same level as the previous year. With regard to energy consumption in businesses other than power generation, we are striving to reduce energy consumption through various energy conservation activities. In addition, the adoption rate of renewable energy in fiscal 2022 is 75.7%.

\* Energy input in the Balance of Input & Output is calculated in TJ based on the Ministry of the Environment's "Environmental Reporting Guidelines." Both calculated from the same energy use

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

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## Energy Consumption and Renewable Energy Usage Trends



\* The aggregation period for fiscal 2020 onwards is January to December of each year, and the emissions counting period fiscal 2019 is April to March of the following year

[Click here for related information](#)

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

## Reducing Greenhouse Gas Emissions

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, 350 of the 383 company-owned vehicles introduced during 2022 were fuel-efficient vehicles (for an 90.9% adoption rate of fuel-efficient vehicles).

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.





Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

## Reducing greenhouse gas emissions from transportation

Under the revised Act on the Rational Use of Energy in Japan, consigners\*<sup>1</sup> 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<sup>2</sup> 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<sup>3</sup> 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 2021, Sumitomo Forestry's per-unit energy consumption was 96.4% compared to the previous year and Sumitomo Forestry Crest's was 98.2%. Sumitomo Forestry Wood Products was 99.7%.

In the future, we will work with transporters to further reduce CO<sub>2</sub> 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

## Energy consumption for transportation (FY2021)

	Energy Use (Crude Oil Equivalent)	CO <sub>2</sub> Emissions	Energy Consumption Per Unit
Sumitomo Forestry	1,771kL	4,712t-CO <sub>2</sub>	0.00201kL/m <sup>3</sup> (Ratio to Previous FY: 96.4%)
Sumitomo Forestry Crest Co., Ltd.	1,862kL	4,946t-CO <sub>2</sub>	0.0000642kL /1,000 Yen (Ratio to Previous FY: 98.2%)
Sumitomo Forestry Wood Products Co., Ltd.	1,877kL	5,033t-CO <sub>2</sub>	0.000669kL/m <sup>3</sup> (Ratio to Previous FY: 99.7%)

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

## Establishment of an Efficient Delivery

Sumitomo Forestry is reducing the CO<sub>2</sub> 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 approximately 80 logistics contractors as of December 2022, excluding the Sumitomo Forestry Group. We also provide logistics support through a delivery matching system that directly connects shippers with drivers and carriers via the web, improving the efficiency of delivery request operations and providing emergency delivery services. As of December 2022, approximately 180 companies are using this service.

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.

## Modal Shift in Tree Transportation

In March 2022, Sumitomo Forestry Landscaping, in collaboration with Nippon Freight Railway Company, Kawasaki Kinkai Kisen Kaisha, Ltd. and Nippon Express Co., Ltd. started full-scale operation of "Green Delivery Service®." "Green Delivery Service®" is a tree delivery service that aims for decarbonization by modal shifting from trucks to railroads and ships for trunk line transportation. In fiscal 2022, we made three round-trip tree deliveries from Kagoshima to the Tokyo metropolitan area. We plan to continue to promote delivery by railway, as well as tree delivery by ship.



"Green Delivery Service®" transportation by railway



Scene of tree delivery



Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Responding to Climate Change

### Boundaries and Methods of Greenhouse Gas Emissions Calculation

The data collection period for fiscal 2022 is from January to December 2022.

#### 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. From fiscal 2022, the scope will be expanded to include projects that were not previously included in the calculation

[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 (CO<sub>2</sub>e) are calculated using the CH<sub>4</sub> and N<sub>2</sub>O emission coefficients stipulated in the Act on Promotion of Global Warming Countermeasures.

The greenhouse gases emission coefficient for biomass combustion is being considered to be changed to the coefficient used in the National Greenhouse Gas Inventory Report of JAPAN (NIR) submitted by the Japanese government under the United Nations Framework Convention on Climate Change (UNFCCC), and the emissions calculated using this factor are also disclosed for reference.



Sumitomo Forestry Group's Environmental Management - [Responding to Climate Change](#) - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

## 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 2022 is calculated using the emission coefficient for each power provider for submission in 2023.

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 2022 are calculated by the latest emission coefficient (2020) of each country according to the IEA Emission Factors 2022 issued by the International Energy Agency (IEA). However, Canyon Creek Cabinet Company 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

$\sum (\text{energy use during on-site construction per home} \times \text{emissions coefficient by energy source}) \times \text{Portion of outside contracts used in houses completed in the current fiscal year}$

#### ■ Purchased products

$\sum (\text{Quantity and amount (excluding tax) of procured product or sales} \times \text{Emissions per weight or per price})$

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.



Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

### [2022 Expansion Scope]

- Products purchased for apartments and medium to large scale buildings, and the portion of outside contracts during construction

$\Sigma$  (Total floor area of apartments and medium/large scale buildings x Emission intensity per floor area))

- Products purchased for custom-built detached houses

$\Sigma$  (Quantity and amount (excluding tax) of procured product or sales x Emissions per weight or per price)

- Portion of outside contracts during construction for remodeling, housing exteriors construction, and other construction work

$\Sigma$  (Outsourcing cost (excluding tax) x emission intensity per amount ) )

- Portion of outside contracts for forestry business

$\Sigma$  (Domestic harvest volume x Intensity per harvest volume) +  $\Sigma$  (Overseas harvest volume x Intensity per harvest volume by country)

## Category 2. Capital goods

$\Sigma$  (Capital goods procurement value by all Group companies (excluding tax) x Per unit emissions by industrial division)

## Category 3. Fuel- and energy-related activities (not included in scope 1 or scope 2)

- Procurement

$\Sigma$  (Energy and water use x Per unit emissions of energy source)

- Transport from retailers

\* The target of calculations is the use on operational sites such as plants

$\Sigma$  (Energy use (weight conversion) x Estimated transport distance x Per unit use of fuel in ton-kilometers x emissions coefficient)

\* Calculation based on transportation scenario

## Category 4. Upstream transportation and distribution

- Transport in Japan

$\Sigma$  (Amount procured by each plant x Estimated transport distance x Per unit use of fuel in ton-kilometers x 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

$\Sigma$  (Amount of import products procured x Distance to transport by sea from the country of procurement x Per unit emissions of ship transport)



Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

## Category 5. Waste generated in operations

$\Sigma$  (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

## Category 9. Downstream transportation and distribution

### ■ Wood yard pick up such as the plywood or fiberboard that is sold

$\Sigma$  (Sales volume  $\times$  Estimated transport distance  $\times$  Per unit fuel use in ton-kilometer  $\times$  emissions coefficient)

\* Calculation based on transportation scenario

## Category 10. Processing of sold products

### ■ Plywood work and Precut factories

$\Sigma$  (Sales volume of log and timber  $\times$  Per unit emissions during processing)

\* Per unit is based on the LCA procurement implemented in the past by the company

## Category 11. Use of sold products

### ■ Emissions during habitability

$\Sigma$  (Annual energy use per household  $\times$  Emissions coefficient by energy source)  $\times$  Years of residence period  $\times$  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)

\* 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



Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

**[2022 Expansion Scope]**

$\Sigma$  (Total floor area of medium/large scale buildings x Years of residence period x Emission intensity per floor area)

$\Sigma$  (Total floor area per apartment x Emissions coefficient per floor area) x Years of residence period x Number of houses completed by type in the current fiscal year

$\Sigma$  (Annual energy use per detached house x Emissions coefficient by energy source) x Years of residence period x Number of houses completed in the current fiscal year by region

$\Sigma$  (Annual energy consumption of gas appliances installed during remodeling x Emission coefficient x Useful life)

**Category 12. End-of-life treatment of sold products****■ Emissions during demolition**

$\Sigma$  (Fuel use during demolition per household x Emissions coefficient by fuel type) x Number of houses completed for the current fiscal year

\* Fuel use during demolition per household (diesel/gasoline):

Estimated based on sample surveys conducted by Sumitomo Forestry related to the fuel use in model house demolition in 2006

**■ Emissions during disposal (including transport)**

$\Sigma$  (Amount of waste during demolition per household x Per unit emissions by volume reduction rate, disposal rate, recycling rate for each type of waste x Per unit emissions by type of waste or processing method) x 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:147m<sup>2</sup>) of Sumitomo Forestry for fiscal 2010

**Category 15. Investments**

$\Sigma$  (Scope 1 and 2 emissions from companies the Group invests x 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





Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

## Responding to Climate Change

### Mitigation of Climate Change

#### 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 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 2022, the number of contracts was 3,061, an increase of 1,522 from fiscal 2021. In addition, from 2021, we have been supplying electricity purchased from owners to model homes in Kinki area (38 model homes covered as of December 2022). 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 2023.



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Expanding the Use of Renewable Energy at Manufacturing Plants

As Sumitomo Forestry Group, our manufacturing facilities account for about 34% 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\*. We purchased non-fossil certificates with tracking for electricity not generated by solar power, and Kashima and Imari plants have achieved RE100 and Shizuoka plant RE50 as of December 2022. These initiatives contributed to a reduction of 1,803 t-CO<sub>2</sub> emissions in fiscal 2022. Sumitomo Forestry Group's overseas factories also promote introduction of the solar power generation, and we plan to procure renewable energy and aim to reduce greenhouse gas emissions.



Exterior view of the Kashima Factory

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.

\* 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

## Overseas Sites Initiatives

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 2021. The New Zealand government has set out a goal for 100% renewable energy by 2035, and NPIL expects to have 100% renewable energy by that time.

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.



Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Promotion of the Renewable Energy Business

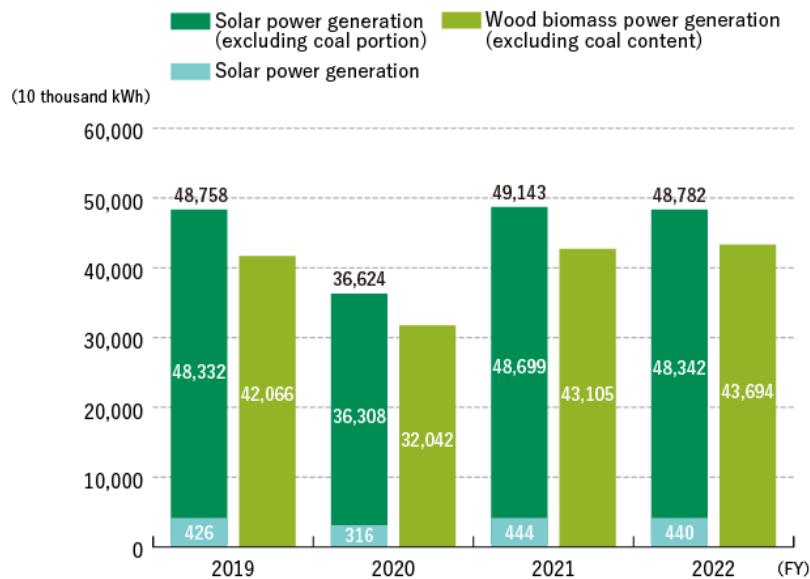
The Sumitomo Forestry Group is advancing renewable energy generation businesses, including solar power generation as well as biomass power generation that chips and uses scrap construction wood in addition to unused forest resources and other such materials as fuel. In 2022, the total amount of electricity generated was 487.82 million kWh (including from coal) MWh, a decrease of 0.7% from 2021.

Effect of CO<sub>2</sub> emission reduction through power generation in fiscal 2022

**71,227** t-CO<sub>2</sub>e

\* CO<sub>2</sub> emission reductions compared to the electricity purchased from power companies. These emissions are calculated using the CO<sub>2</sub> emission coefficients of mainly Hokkaido Electric Power and Tohoku Electric Power.

## Trends in the Amount of Renewable Energy Generation<sup>\*1\*2</sup>



\*1 The amount of electricity generated by wood biomass power generation is only from Sumitomo Forestry's consolidated subsidiaries

\*2 The aggregation period for fiscal 2021 and onwards is from January to December of each year, the aggregation period for fiscal 2020 is from April to December, and the aggregation period for fiscal 2019 is from April to March 2020

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## 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 CO<sub>2</sub> emitted by burning wood does not contribute to CO<sub>2</sub> in the atmosphere as part of the life cycle of the trees because the CO<sub>2</sub> 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 CO<sub>2</sub> 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 commences business operation in November 2023, the total power generation scale of the wood biomass power generation plants where the Sumitomo Forestry Group is involved 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



Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

### Sumitomo Forestry Group's wood biomass power generation business

Title	Location	Power generation capacity	Start of operations	Main features
<b>Kawasaki Biomass Power Generation Business</b> (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"> <li>• Largest biomass power generation facility in Japan that primarily burns scrap wood as fuel</li> <li>• Utilizes recycled chips produced from construction debris and waste pallets from Tokyo and surrounding suburbs, as well as pruned branches</li> <li>• 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</li> </ul>
<b>Mombetsu Biomass Electric Power Business*</b> (Joint investment with Sumitomo Joint Electric Power Co., Ltd.)	Hokkaido Mombetsu City	50MW	December 2016	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Palm kernel shell, plus some coal is also partially used as an auxiliary fuel</li> </ul>
<b>Tomakomai Biomass Power Generation Business</b> (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"> <li>• All of the fuels are from unused forest resource in Hokkaido.</li> </ul>
<b>Hachinohe Biomass Power Generation Business</b> (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"> <li>• 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</li> <li>• Some palm kernel shell will be used</li> </ul>



Sumitomo Forestry Group's Environmental Management - [Responding to Climate Change](#) - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

Title	Location	Power generation capacity	Start of operations	Main features
<b>Kanda Biomass Power Generation Business</b> 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"> <li>Fuel uses thinnings and unused forest resource from northern Kyushu in addition to American pellets and Indonesian palm kernel shell</li> </ul>
<b>Morinomiyako Biomass Energy Generation Business</b> 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"> <li>Fuel uses pellets produced mainly in North America and palm kernel shell from Indonesia and Malaysia</li> </ul>

\* A consolidated subsidiary of Sumitomo Forestry

## 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.

In fiscal 2022, the combined output of power generation was 4,400,000kWh.



Solar panels and environmentally conscious wooden frames

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

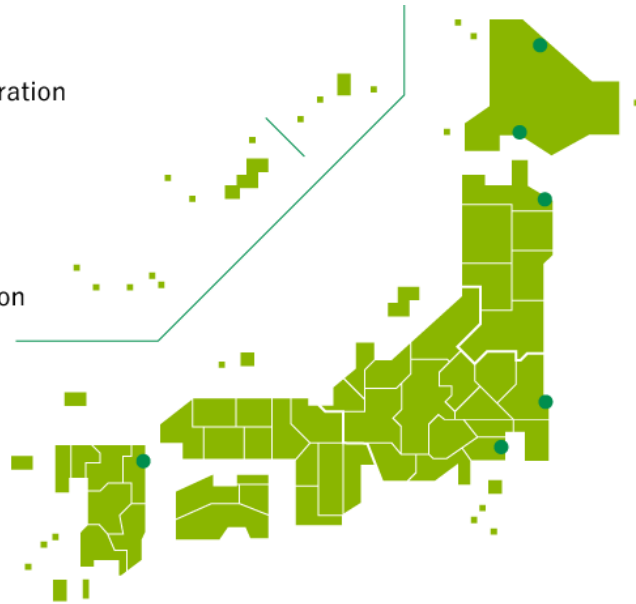
## Power plant location for renewable energy business



Biomass power generation  
251.6MW



Solar power generation  
3.4MW



### Kyushu region

Kanda 75.0MW

### Kanto·Chuetsu·Chubu region

Kashima 3.4MW

Kawasaki 33.0MW

### Hokkaido·Tohoku region

Mombetsu 50.0MW

Tomakomai 6.2MW

Hachinohe 12.4MW



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

## Promoting the Use of Unused Forest Resource

Unused forest resource is left-over wood not suitable as a building material or wood from thinning in forests. Although demand for pulp for papermaking has been sluggish, wood biomass power generation plants are operating in each area and the demand for wood biomass is growing following the adoption of the Feed-in Tariff for Renewable Energy law (FIT). By using unused forest resource, we can expect an effective increase in the value of forests while also promoting renewable energy. In fiscal 2022, the Group used 370,000 tons of unused forest resource at its power plants. 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  
(2022)

**370,000**tons



Unused forest resource

## Promotion of Net Zero Energy House (ZEH) Specifications

The household sector in Japan still has high level emission of CO<sub>2</sub> 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.

Percentage of orders for ZEH type  
houses out of new custom-built detached  
housings\*3  
(FY 2022)

**77.2%**

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

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 CO<sub>2</sub> 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 increased by 9.8 percentage points from the previous fiscal year to 77.2% in fiscal 2022.

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.

\*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

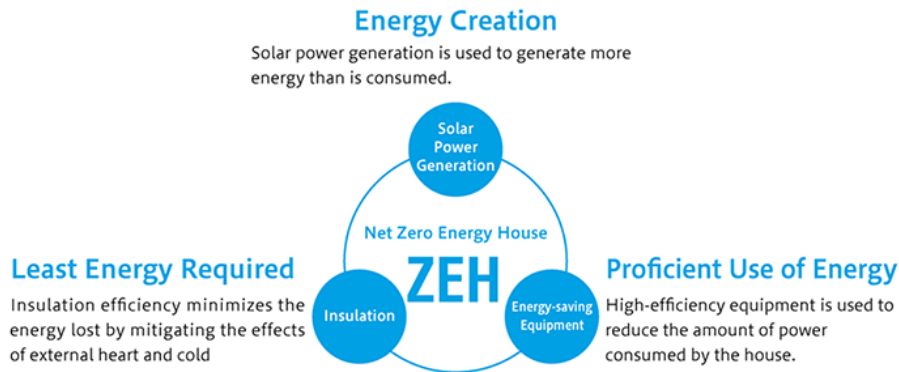
Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data



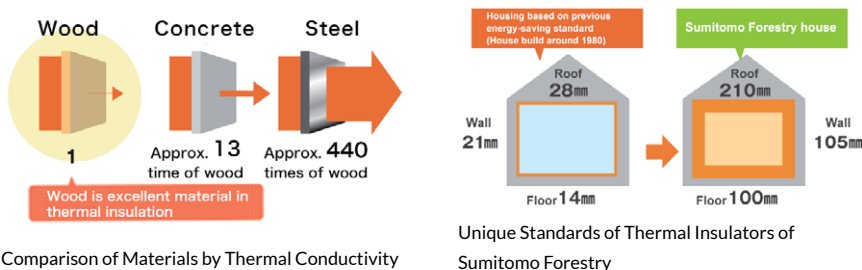
Click here for related information

> "Ryoonbo" Design Method (in Japanese)

> Management of Key Issue 2

## 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.



### 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.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

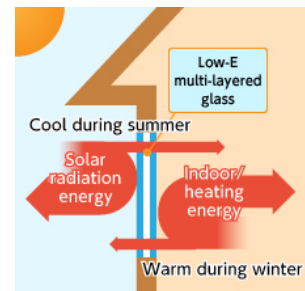
Sumitomo Forestry Group's Environmental Management - [Responding to Climate Change](#) - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

Sumitomo Forestry applies for BELS for all of new custom-build detached houses. BELS is a labeling system with which a third party evaluation organization evaluates and certifies the energy efficiency of new and existing structures using an index indicating the energy performance and asset value of each building. Our initiative strives to make Sumitomo Forestry the first major housing manufacturer to have every building BELS-certified. In fiscal 2022, the BELS certification rate (at the start of construction of the main unit) was 98.4%. 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

## Adoption of Glass with Superior Heat Insulation Properties

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

[Click here for related information](#)

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

## 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.

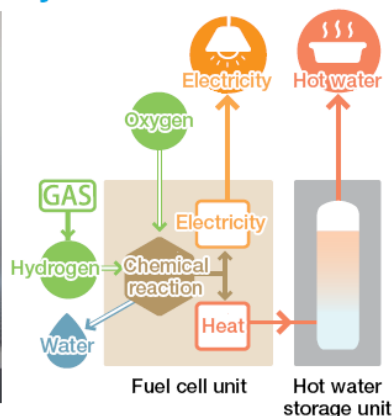
Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

**Ene-Farm****Solar power generation system****Water heaters that also generate electricity**

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



Combining solar power generation system and Ene-Farm further reduces utility costs and CO<sub>2</sub> 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

	FY2019	FY2020	FY2021	FY2022
Solar power generation systems	56%	57%	68.9%	78.1%
Ene-Farm units	36%	27%	25.5%	20.5%
Eco One*3	17%	15%	19.4%	24.4%
Environmentally conscious equipment installation rate	75%	70%	78.2%	84.6%

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

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

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

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## Launched Life Cycle Carbon Minus Housing

In April 2022, we began sales of our environmental flagship model, the "life cycle carbon minus housing," which makes full use of superior insulation efficiency, high-performance equipment, and energy creation devices such as large-capacity solar power generation systems.

LCCM housing is a house that reduces CO<sub>2</sub> emissions during construction, occupancy, and demolition, and also generate renewable energy using solar power generation, etc., to achieve negative CO<sub>2</sub> emissions over their entire life cycle. Sumitomo Forestry's LCCM housing is a wooden house, which has little CO<sub>2</sub> emissions from raw material procurement to construction, and reduces more CO<sub>2</sub> by using domestic timber as the main body of the structural framework that utilizes renewable biomass fuel in the timber drying process. In addition, Sumitomo Forestry's proprietary Big Frame (BF) construction method allows for flexible adaptation to future changes in floor plans, and the building achieves life cycle carbon minus by reducing total CO<sub>2</sub> emissions during construction, renovation, and demolition\*, utilizing renewable energy from solar power generation, and devising a design that controls light and heat. The strong structural framework fixes approximately 20% more carbon than traditional construction methods, contributing to a decarbonized society through long-term carbon fixation.

Furthermore, in October 2022, we have started to make proposals based on the "Environmental Contribution Presentation Sheet" for houses that nurture forests. The "amount of carbon storage" and "area equivalent to reforestation" at the design stage can be calculated for each residence to visualize the environmental contribution.

\* Calculated using the LCCM housing basic requirement (LCCO<sub>2</sub>) compliance assessment tool created by Japan Sustainable Building Consortium



LCCM housing model home (Yonago model home)


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

Sumitomo Forestry Group's Environmental Management - [Responding to Climate Change](#) - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Converting All Apartments to ZEH

Sumitomo Forestry is promoting ZEH-M ("Net Zero Energy Mansion")<sup>\*1</sup> in all of its Forest Maison apartments to achieve a comfortable indoor environments and significant energy efficiency performance. All buildings will be certified as ZEH-M, with specifications corresponding to the highest rank of five stars of the Building-Housing Energy-efficiency Labeling System (BELS) promoted by the Japanese government. We will also promote the installation of solar power generation systems to reduce CO<sub>2</sub> emissions during daily life.

Forest Maison's ZEH Mansion will be designed to meet or exceed the ZEH-M Oriented standard, which aims to reduce primary energy consumption by 20% or more<sup>\*2</sup> for the entire building, including common areas, by significantly improving the insulation efficiency and maintaining comfortable indoor environments through the introduction of highly efficient equipment systems.

<sup>\*1</sup> Acronym for Net Zero Energy House Mansion. An apartment house that improves the insulation and energy efficiency performance, generates energy through solar power generation, etc., and achieve a "zero" balance of primary energy consumption (air conditioning, hot water supply, lighting, ventilation) per year.

ZEH standards for multi-family housing set by the government, which are classified into four categories according to the primary energy consumption reduction rate: "ZEH-M," "Nearly ZEH-M," "ZEH-M Ready," and "ZEH-M Oriented"

<sup>\*2</sup> Comparison with the standard primary energy consumption for "heating," "cooling," "ventilation," "lighting," and "hot water" according to the 2016 Energy Efficiency Standards



ZEH Mansion case study

## 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.

In recent years, the need for safe and secure housing has been increasing due to concerns over intermittent earthquakes, and we are actively promoting seismic resistance and structural reinforcement work.

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.



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

Sumitomo Forestry Group's Environmental Management - [Responding to Climate Change](#) - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## FY2022 result

Sumitomo Forestry Home Tech has set the goal of "improving the rate of orders for environmentally conscious renovations" in Mid-Term Sustainability Targets 2024 with fiscal 2024 as target year.

In fiscal 2022, we aimed for a total order ratio of 70 % for the four works of seismic construction, structural reinforcement work, heat insulation renovations, and smart material installation on general housing (other than owners of Sumitomo Forestry homes), and the actual result was 64.6%.

On the other hand, we aimed for a total order ratio of 65% for the four works of seismic construction, exterior work, heat insulation renovations, and smart material installation on Sumitomo Forestry homes, and the actual result was 60.7%.

In addition to actively proposing these types of work through the seismic damper campaign and other means, we have been sharing 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 in terms of smart material\*. We are also proposing environmentally conscious products from the viewpoint of in-house power generation and consumption to owners who are facing the termination of FIT duration with the rising cost of utilities.

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

\* Solar power generation systems, storage batteries, Ene-Farm units, etc.

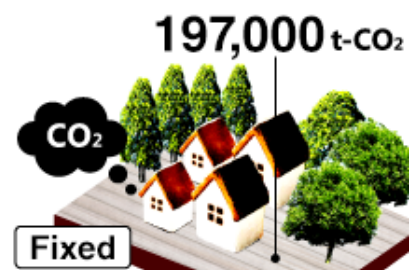
[Click here for related information](#)

[Management of Key Issue 2](#)

## Carbon Stock in the Housing and Construction Business

Trees retain CO<sub>2</sub> as carbon even after they are turned into products. Constructing wooden houses can therefore be likened to building forests in the city. The total domestic carbon stocks\* in timber that was used in the housing and construction business in fiscal 2022 reached 197,000 t-CO<sub>2</sub>. Sumitomo Forestry Group is contributing to a decarbonized society by increasing carbon stock in forests and cities.

\* CO<sub>2</sub> fixation is calculated by categorizing the actual amounts of timber used per tree species for custom-built detached house, rental housing, spec homes, Construction Business, and calculating carbon content from the specific gravity of each tree species



Carbon stock of the timber used in the housing and construction business in Japan in fiscal 2022

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

## 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 five stars of the energy-saving performance standard Energy Rating\*<sup>1</sup> as its own standard specifications ahead of other companies. Efforts toward the environment accelerated further after joining the Sumitomo Forestry Group in 2008. Henley Properties conducted a variety of initiatives to reduce the environmental impact, including the development of the first zero emission house\*<sup>2</sup> for the general consumer as a major home builder company in the country.



Houses with solar panels

In August 2022, we became the first major Australian builder to install solar panels as standard equipment on all custom-built detached houses. The energy generated by solar power generation will be used to meet the energy needs of daily life, and all-electric appliances is standard, enabling up to 75% reduction in utility costs, thus reducing "CO<sub>2</sub> emissions in life" by up to 100%.

\*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.

## Visualization of CO<sub>2</sub>

### Research & Development

In order to clarify the value of wood constructions and wood materials, and to contribute to the realization of a decarbonized society by further enhancing their value, Sumitomo Forestry is engaged in research and development to establish data preparation and calculation methods that will make it easier to compare CO<sub>2</sub> emissions by building structure type and evaluate the carbon storage capacity of wood at the building 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 CO<sub>2</sub> emissions during operation and aim to further reduction by continuing to verify the effectiveness.



Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Estimating Carbon Storage in Wooden Buildings

Tokyo University of Agriculture and Technology has published a study in the open access journal Scientific Reports on a method for estimating carbon storage in wooden buildings constructed by the private sector over the past 50 years.

At the 17th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP17) held in 2011, it was agreed\* that changes in carbon stocks within Harvested Wood Products (HWP) should be accounted for as greenhouse gases absorption or emissions by each country. HWP are important for climate change mitigation because they continue to store carbon after they are harvested from the forest.

In order to make effective use of HWP, it is first necessary to accurately determine their carbon storage. This study focused on wooden buildings, which store the most carbon of all HWP applications, and examined methods for estimating HWP carbon storage in buildings constructed by companies.

Building data was provided by Sumitomo Forestry, and both parties jointly verified the estimation method. The results of this research will allow us to understand and estimate the carbon storage capacity of wooden buildings with greater accuracy. In addition, Sumitomo Forestry's wooden houses have been shown to store carbon over the long period of time.

\* In the second commitment period of the Kyoto Protocol, the rule to evaluate and account for changes in the carbon content of HWP (carbon storage effect) is permitted. The HWP calculation rules apply to "wood," "wood panels," and "paper" produced from cultivated forests under "forest management" in Japan

## Visualization of CO<sub>2</sub> Emissions During Construction

In August 2022, Sumitomo Forestry began selling the Japanese language "One Click LCA", software that visualizes CO<sub>2</sub> emissions and other data from buildings, as the sole distributor in Japan.

"One Click LCA" is used in 130 countries, mainly in Europe, and is compatible with international ISO standards and more than 50 green building certifications worldwide. CO<sub>2</sub> emissions during procurement of materials for construction, processing, transportation, construction work, renovation, and disposal (CO<sub>2</sub> emissions during construction) can be calculated precisely.

It is reported that the construction sector accounts for about 37%\*<sup>1</sup> of global CO<sub>2</sub> emissions. About 70% of these are CO<sub>2</sub> emissions from living (operational carbon) and the remaining 30% are CO<sub>2</sub> emissions from building (embodied carbon). CO<sub>2</sub> emissions from living spaces have been reduced through the spread of ZEH and ZEB, and the urgent issue going forward is to reduce CO<sub>2</sub> emissions from construction.

In February 2023, Sumitomo Forestry launched a project to promote acquisition of the environmental labeling system EPD\*<sup>2</sup> for timber and building materials manufacturers and a "One Click LCA" calculation contract business for developers, general contractors, and design firms.

Through the promotion of One Click LCA, we will continue to promote carbon neutral design in the Japanese construction industry.

\*1 Source: Global Alliance for Building and Construction (2021)

\*2 ISO-compliant environmental labeling system that visualizes CO<sub>2</sub> emissions over the entire product life cycle, from resource extraction to disposal.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

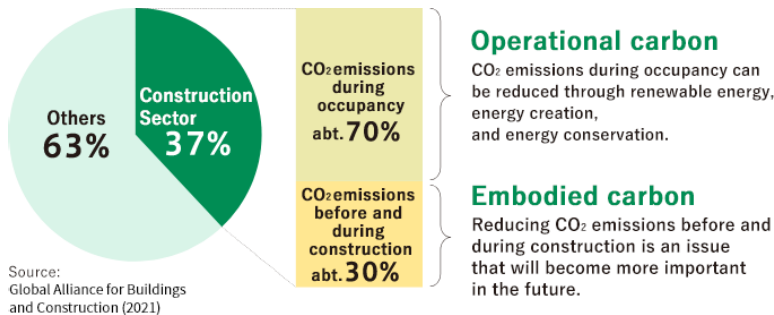
Social

Governance

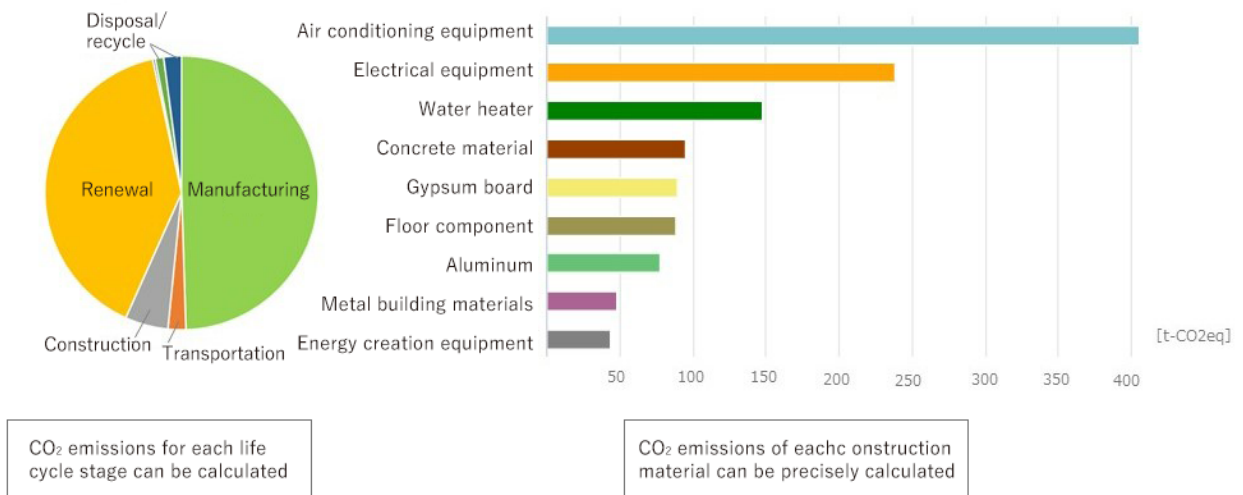
Related  
Information

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

### Global CO<sub>2</sub> Emission Rates by Industry



### Example of calculation with "One Click LCA"



\* Source: The above graph is the result of our own calculations using "One Click LCA" based on the data published in the "Fiscal 2007 Report on the CO<sub>2</sub> Reduction Demonstration Work for the Promotion of Wood Use and Energy Saving" released by the Forestry Agency in March 2008.

## Visualization in Investment

Sumitomo Forestry is considering the introduction of internal carbon pricing in order to use greenhouse gas emissions as one of the criteria when deciding whether or not to invest in a project. We aim to begin operations in July 2023.

## Investment in Japan Green Investment Corp. for Carbon Neutrality

Sumitomo Forestry has invested in Japan Green Investment Corp. for Carbon Neutrality (JICN), which was established in October 2022 based on the Act on Promotion of Global Warming Countermeasures.

JICN develops fund business with capital from government fiscal investment and loans and private investment, and encourages private companies to invest in decarbonization by investing in and financing projects that contribute to decarbonization. The Sumitomo Forestry Group supports the purpose of JICN's activities and has decided to invest in JICN because the Group believes that the growth of the decarbonization-related market will lead to expanded business opportunities. We will also accumulate information and knowledge on advanced cases in the decarbonization field supported by JICN in order to create future business opportunities for our Group.



Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

# Responding to Climate Change

## Adaption to Climate Change

### Basic Policy

In recent years, large-scale natural disasters such as 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 Division and measures and action guidelines for operations were defined to quickly and accurately respond to damages from natural disasters to our home owners as they become more prevalent due to climate change. As one of the measures, the Disaster Prevention Department, established in 2020, 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 affiliates and work to minimize the damage caused by disasters.

In 2022, we cooperated with the disaster-stricken branch office in the Fukushima prefecture offshore earthquake with a maximum seismic intensity of upper 6 in March and contacted the home owners to inquire their safety while inspecting the damaged houses to support the prompt recovery. In addition, in response to the flood damage in Shizuoka Prefecture caused by Typhoon TALAS, the Disaster Prevention Department gave instructions to the branches in the disaster stricken area and provided disaster response stockpiles and on-site survey support to facilitate emergency responses.



Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## IoT Utilization for Disaster Recovery Support

### Issues in Promptly Grasping the Disaster Situation

While Japan has 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\*.

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.

By December 2022, the program has been deployed in 94 locations nationwide, and data is being collected on an ongoing basis. We also studied the use of the data, such as using the obtained data for prompt loss appraisals in cooperation with non-life insurance companies. In fiscal 2023, we will continue to study the practical application of this new service to protect the safety and security of our customers in the event of a disaster.



A sensor installed inside a wall of a house

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

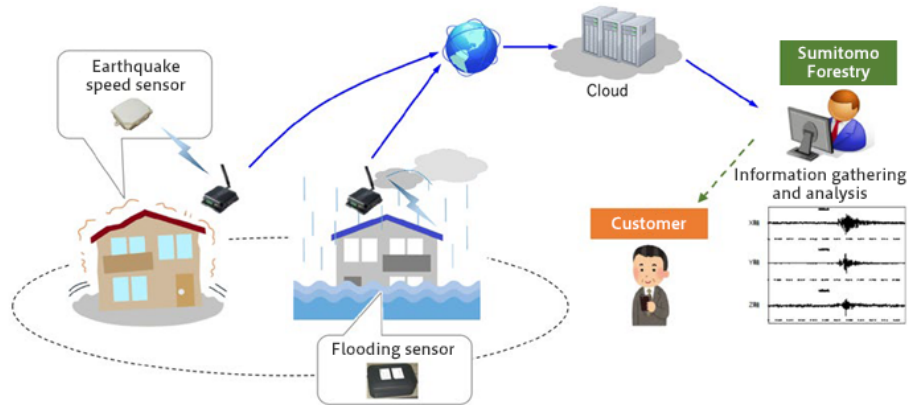
Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

### Overview of How Data Is Collected

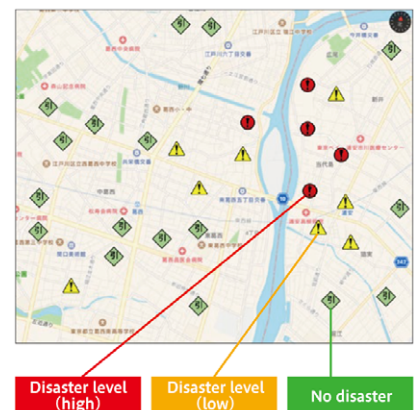


### Supporting the Speedy Recovery of Home Owners and Regions Affected by Disasters

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



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

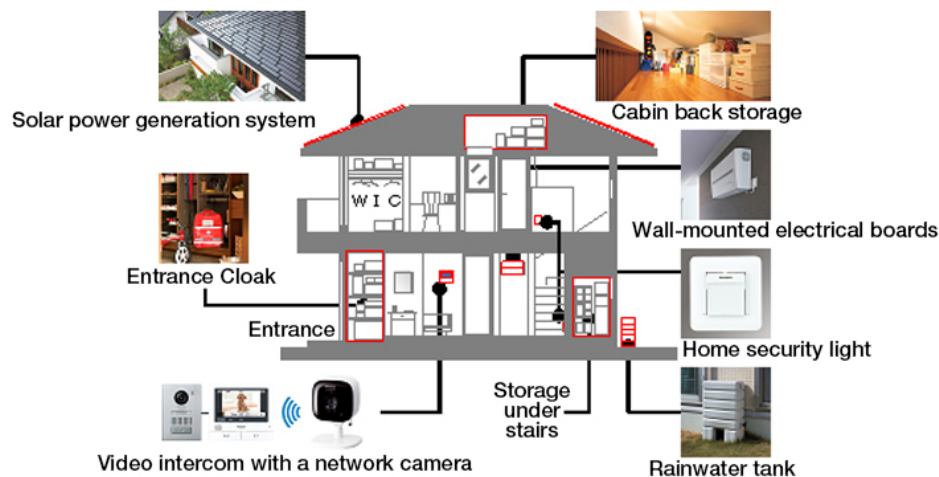
## Housing Sales Adapted to Climate Change

### "Sumitomo Forestry Homes" Resistant to Various Disasters

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.

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





Sumitomo Forestry Group's Environmental Management - [Responding to Climate Change](#) - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

### The Thinking Behind Taking Evacuation living 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 survived the disaster. It may also take days to restore lifelines such as electricity and water.

To solve these problems, there is a tactic called "evacuation living at home", using one's home as an evacuation site.

Sumitomo Forestry provides various readiness based on the seismic resistant BF construction method and ZEH performance. The high insulation efficiency of the ZEH specifications enables an energy-saving living, while securing electricity of solar power generation systems, household fuel cells, storage battery systems, etc. In addition, it supports "evacuation living 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.

### 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.

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

Sumitomo Forestry Group's Environmental Management - [Responding to Climate Change](#) - Sustainable Forest Management -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## 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, we began demonstration experiment in October 2021 using a garden vegetation tray with a water reservoir developed for use in the rooftop greening field. This experiment was adopted for the Demonstration Experiment on Yumeshima Island, the site of the Expo 2025 Osaka, Kansai, Japan.



Demonstration experiment

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.



Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

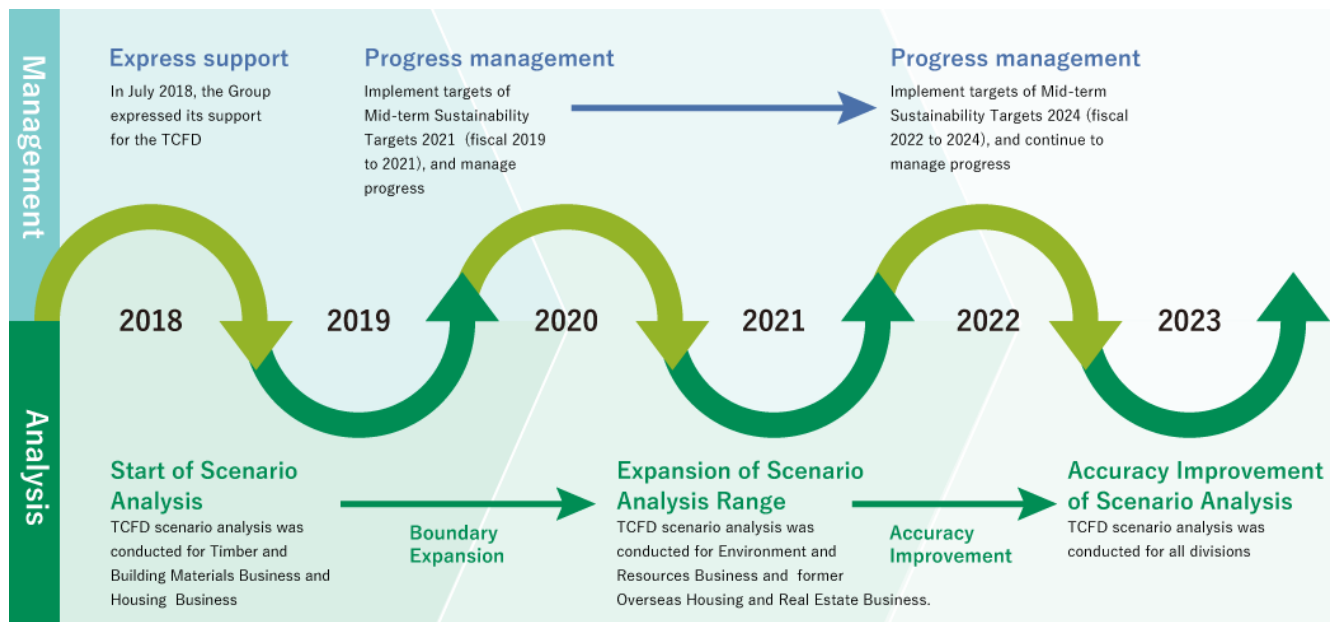
## Responding to Climate Change

### 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 Business based on the TCFD recommendations, assessing the risks and opportunities that climate change issues pose to society and our businesses, as well as the resilience of our strategies, and in the following year 2019, we began disclosing information with reference to the framework recommended by the TCFD. In 2021, the analysis was implemented for the Environment and Resources Business and former Overseas Housing and Real Estate Business, and furthermore, in 2022, the analysis was conducted across the entire Group, covering all businesses in the Group. In cooperation among each division and the headquarters departments analysis were conducted and countermeasures across businesses were examined. We will continue to work on improving the level of scenario analysis in the Sumitomo Forestry Group.

#### Sumitomo Forestry Group Disclosure of TCFD Scenario Analysis



[Click here for related information](#)

> Material issue 9 To establish a robust business structure

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

Sumitomo Forestry Group's Environmental Management - [Responding to Climate Change](#) - Sustainable Forest Management -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## Governance

The Sumitomo Forestry Group promotes 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, also appointed as 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 Group's Values and Code of Conduct. It also reports all proceedings at committee meetings to the Board of Directors.

In February 2022, Sumitomo Forestry revised 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.

[Click here for related information](#)

[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 CO<sub>2</sub> absorption and carbon storage functions of forests, the carbon stock and CO<sub>2</sub> 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.

2In 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 CO<sub>2</sub> 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".

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

Sumitomo Forestry Group's Environmental Management - [Responding to Climate Change](#) - Sustainable Forest Management -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## 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](#)

## TCFD Scenario Analysis

### Identifying and Evaluating Risks and Opportunities

Based on the results of scenario analyses conducted in the past by division, the Sumitomo Forestry Group conducted this analysis from a company-wide, cross-sectional perspective, covering all divisions in 2022: Timber and Building Materials; Housing; Global Housing, Construction, and Real Estate; Environment and Resources; and Lifestyle Services. We considered the situation in 2030 using two scenarios: the 4°C scenario, in which no further progress is made in tackling climate change, and the 1.5/2°C scenario, in which progress is made in transitioning the society toward decarbonization.

The relevant departments and each division of our company collaborated to identify risks and opportunities of each division, conducted financial impact assessments, and discussed countermeasures for items that were identified as significant risks and

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

opportunities. In addition, the five divisions jointly discussed countermeasures to address cross-cutting issues that affect multiple divisions.

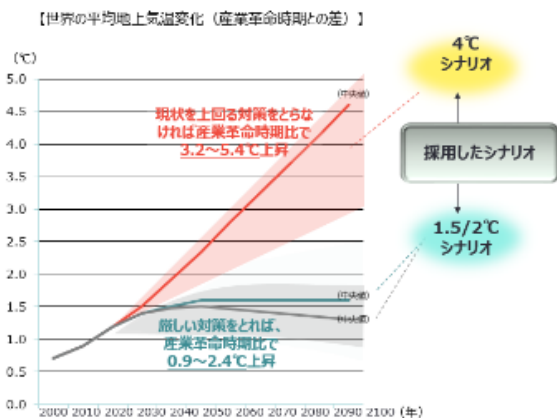
We will closely examine cross-sectional countermeasures in cooperation with related departments to reflect them in the next medium-term management plan and other business plans to be launched in 2025, or when necessary adding to the existing targets. In the future, we will further increase the accuracy of our scenario analyses, while moving forward with the creation of business strategies for the resilience that will see us through into an uncertain future.

## Assumptions for Scenario Analysis

In conducting scenario analysis, we used the following two scenarios from the International Energy Agency (IEA) and the United Nations Intergovernmental Panel on Climate Change (IPCC).

Setting scenario		4°C scenario	1.5/2°C scenario
Social image		A scenario where the status quo is maintained, economic development is prioritized, and global temperature rise and its effects continue to worsen	A scenario in which society as a whole takes a major turn toward decarbonization and succeeds in limiting temperature increases
Reference scenario	For transition risks	Stated Policies Scenario (IEA)	Sustainable Development Scenario (IEA) Net Zero Emissions by 2050 (IEA)
	For physical risks	SSP5-8.5 (IPCC)	SSP1-2.6 (IPCC) SP1-1.9 (IPCC)
Risks & opportunities		Physical risks and opportunities are likely to become apparent	Transition risks and opportunities are likely to become apparent

Source: Compiled from IPCC AR5, AR6, SR1.5, IEA WEO 2020, Net Zero Emission by 2050



Source: IPCC, SR1.5, etc.





Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Scenario Analysis Results by Division

The scenario analysis was first conducted for each business unit. The leading matters are as follows.

In Timber and Building Materials Business, while there is concern that procurement costs will rise due to policies related to forest protection, demand for domestic wood is expected to increase due to the market's orientation for decarbonization. In Domestic Housing Business, there are concerns about a shift away from wooden constructions due to a growing preference for robust buildings as a result of more severe weather disasters, but the market for environmentally conscious housing is expected to grow further, depending on trends in decarbonization policies and ESG investment.

In Global Housing, Construction and Real Estate Business, in addition to matters common to the domestic housing business, medium- to large-scale construction using wood, a renewable material, is gaining prominence due to progress in ESG investment. While this trend is expected to accelerate, there is a risk of brand value abandonment and stock price slump if compliance with environmental regulations is delayed.

In Environment and Resources Business, rising temperatures and other physical risks will have a significant impact on business, but commercial opportunities for forestry fund and forest-derived biomass fuels are expected to expand.

While there are concerns that rising temperatures and other factors will lead to a decline in the number of users of owned facilities in Lifestyle Services Business, it is expected that customers' preference to decarbonize and their desire for safety and security in the face of more severe disasters will lead to an increase in the number of users.

	Transition Risks	Physical Risks	Opportunities
Timber and Building Materials Business	<ul style="list-style-type: none"> <li>• Cost increase due to introduction of carbon tax and stricter environmental regulations</li> <li>• Logging tax in accordance with the strengthening of forest protection policy</li> <li>• Increased wood procurement costs due to higher reforestation costs</li> </ul>	<ul style="list-style-type: none"> <li>• Decrease in sales due to reduction in area where forestry is permitted, decrease in wood procurement volume as a result of stricter forest protection policies</li> <li>• Decrease in value of wood and sales of timber and building materials due to growing preference for more robust buildings as a result of more severe disasters</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in demand for renovation to environmentally conscious housing due to stricter environmental regulations, and increase in sales of timber and building materials</li> <li>• Increase in sales of timber and building materials due to development of processing technology for materials for environmentally conscious housing and medium- to large-scale buildings</li> </ul>



Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

	Transition Risks	Physical Risks	Opportunities
Housing Business	<ul style="list-style-type: none"> <li>• In the short term, technological development costs and construction costs for LCCM housing* and medium- to large-scale buildings will increase.</li> <li>• In the long term, the value of wood will decline due to the development of decarbonization technologies for steel, concrete, and other building materials, and sales of wooden buildings will decline.</li> </ul>	<ul style="list-style-type: none"> <li>• Decrease in sales of timber and building materials due to growing preference for more robust buildings as a result of more severe disasters</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing demand and sales of LCCM (Life-Cycle Carbon Minus) homes in response to growing decarbonization orientation</li> <li>• Sales increase due to entry into growing markets such as environmentally conscious multi-family housing due to customer preferences, policy changes, etc.</li> </ul>
Global Housing, Construction and Real Estate Business	<ul style="list-style-type: none"> <li>• Cost increase due to introduction of carbon tax and stricter environmental regulations</li> <li>• Brand value loss due to delay in complying with environmental regulations, stock price slump, and sales decline</li> </ul>	<ul style="list-style-type: none"> <li>• Increased material procurement costs due to construction damage, extended construction time, and supply chain disruptions caused by severe disasters</li> <li>• Intensifying competition to secure development sites due to a shift in demand to areas with less risk of disasters</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing demand for environmentally conscious housing in response to the growing trend toward decarbonization</li> <li>• Expansion of the market for medium- to large-scale wooden constructions in response to ESG demand from investors and financial institutions</li> </ul>
Environment and Resources Business	<ul style="list-style-type: none"> <li>• Cost increase due to introduction of carbon tax and stricter environmental regulations</li> <li>• Decrease in wood production due to stricter forest protection policies</li> <li>• Increased cost of installing energy-efficient heavy equipment due to stricter environmental regulations</li> <li>• Increased operating costs because of soaring prices of fuel</li> </ul>	<ul style="list-style-type: none"> <li>• Increased forest road networks damage and road repair costs due to changes in precipitation and weather patterns</li> <li>• Increased forest fires due to higher average temperatures, increased wood procurement and reforestation costs</li> </ul>	<ul style="list-style-type: none"> <li>• Increased demand for logs and wood due to customers' preference for decarbonization</li> <li>• Increase in gain on sale of forestry fund credits due to expansion of credit market</li> <li>• Increased demand for renewable energy due to strengthened decarbonization policies, and increased sales of biomass-derived energy business</li> </ul>

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

Sumitomo Forestry Group's Environmental Management - [Responding to Climate Change](#) - Sustainable Forest Management -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

	Transition Risks	Physical Risks	Opportunities
Lifestyle Services Business	<ul style="list-style-type: none"> <li>• Decrease in sales of gasoline card business due to shift from gasoline to electric vehicles</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in costs for renovation of owned facilities and BCP response due to the severity of disasters</li> <li>• Decrease in customers using owned facilities due to rising temperatures and increased costs for safety considerations</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in insurance subscribers, shorter policy periods, more frequent renewals, and sales due to more severe disasters</li> <li>• Increase in the number of Sumirin Denki subscribers due to customers' preference for renewable energy</li> <li>• Customer acquisition by responding to customers' desire for decarbonization and for safety and security in the face of increasingly severe natural disasters</li> </ul>

\* LCCM housing: houses that reduce CO<sub>2</sub> emissions during construction, occupancy, and demolition, and also generate renewable energy using solar power generation, etc., to achieve negative CO<sub>2</sub> emissions over their entire life cycle

## Cross-organizational Financial Impact Analysis Scoping All Divisions

Among the risks and opportunities identified through the business-by-business analysis below are affecting, more than one business and have particularly large financial impacts. The increasing operating costs associated with the introduction of the carbon tax, environmental regulations, and the intensification of weather-related disasters will affect Timber and Building Materials Business and all divisions, while the growing preferences of customers for decarbonization will present opportunities for Environment and Resources Business and all divisions.



Sumitomo Forestry Group's Environmental Management - [Responding to Climate Change](#) - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

		Factors	Factors of Particular Impact*	Related Business
Transition Risks	Policies and Regulations	Introduction of Carbon Pricing	[Risks] • Increase in business costs due to the introduction of carbon tax imposition and emission trading system (Timber and Building Materials, Environment and Resources)	• Timber and Building Materials, Housing, Global Housing, Construction and Real Estate, Environment and Resources, Lifestyle Services
		Forest conservation policies	[Risks] • Increase in wood procurement costs due to payment of logging tax, logging fees, etc. (Timber and Building Materials, Environment and Resources) • Increase in domestic wood costs due to the shift of reforestation costs as a result of mandatory reforestation, etc. (Timber and Building Materials)	• Timber and Building Materials, Environment and Resources
		Introduction of environmental regulations	[Risks] • Governments implement regulations on the use of used vehicles, which will increase the cost of introducing heavy equipment and trucks (Environment and Resources) [Opportunities] • Sales increase due to the growing demand for environmentally conscious housing retrofits in response to stricter regulations on buildings (Housing) • Increase in sales due to increased demand for environmental certifications/low-carbon housing in response to stricter regulations on buildings (Global)	• Timber and Building Materials, Housing, Global Housing, Construction and Real Estate, Environment and Resources, Lifestyle Services



Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

		Factors	Factors of Particular Impact*	Related Business
	Market	Shift in customer orientation toward decarbonized products	[Opportunities] • Increase in sales due to increased demand/use of domestic wood by utilizing wood industrial complex and laminated engineered wood plants (Timber and Building Materials) • Increase in sales due to higher unit prices for logs and wood, associated with increased demand for renewable raw materials and products (Environment and Resources)	• Timber and Building Materials, Housing, Global Housing, Construction and Real Estate, Environment and Resources, Lifestyle Services
		Increased cost of raw materials	[Risks] • Increase in raw material costs due to higher energy costs (Timber and Building Materials)	• Timber and Building Materials, Housing, Global Housing, Construction and Real Estate
	Technology	Advances in next-generation technologies	[Risks] • Decrease in sales due to lower demand for wood as a result of progress in research and development of decarbonization of steel materials and concrete, which are competitors of wood (Timber and Building Materials)	• Timber and Building Materials, Housing, Global Housing, Construction and Real Estate, Environment and Resources
Physical Risks	Acute	Intensifying weather disasters	[Risks] • Decrease in sales due to increased demand for robust buildings using building materials other than wood and decreased disruption for wooden buildings (Housing) • Cost increase due to higher purchase prices caused by supply chain damage (Global)	• Timber and Building Materials, Housing, Global Housing, Construction and Real Estate, Environment and Resources, Lifestyle Services

\* The amount of impact 10% or more of each division's ordinary income

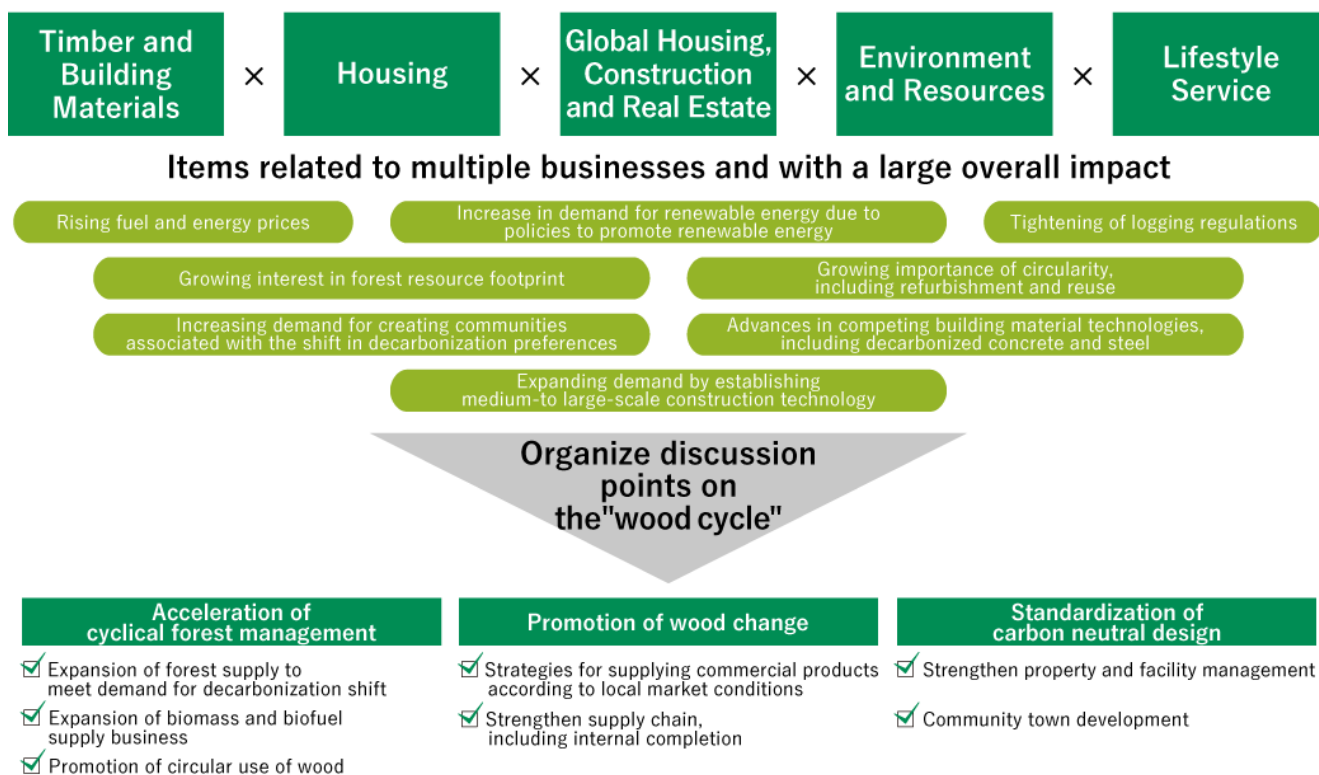
## Cross-organizational Issues Related to All Divisions and Countermeasures to Address Them

Addressing financial impacts across multiple businesses requires a company-wide approach. In addition to climate change, we have also identified cross-organizational issues that need to be strategically addressed in light of international trends and future market forecasts toward the realization of a sustainable society, including natural losses, human rights issues, and changing customer preferences. In considering countermeasures to address this issue, we pursued the creation of opportunities in the wood cycle, keeping in mind the three pillars of decarbonization initiatives in the wood cycle, namely "forests," "wood," and "construction," as stated in Mission TREEING2030.



Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

## Relationship Between Cross-organizational Issues/Countermeasures and the Wood Cycle



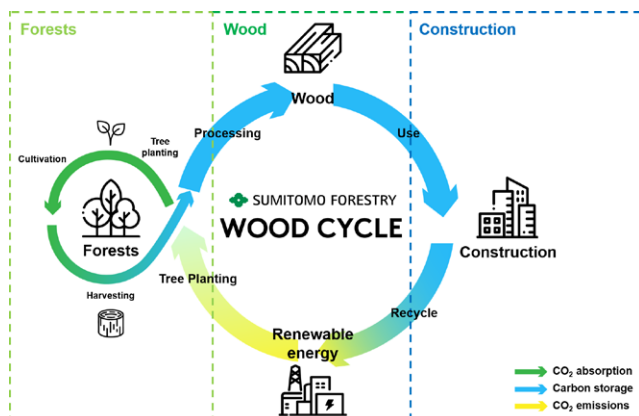
### Proposed countermeasures identified through joint discussions with all divisions

Items corresponding "wood cycle"		Cross-organizational issues	Countermeasures
Energy	Forest	Expansion of forest supply to meet demand for decarbonization shift	<ul style="list-style-type: none"> <li>• Development of tree species and forests in response to the decarbonization shift, such as fuel wood and high-strength wood</li> <li>• Development of supply and demand for local production for local consumption (secure and consolidate mountain owners)</li> </ul>
	Wood	Expansion of biomass and biofuel supply business	<ul style="list-style-type: none"> <li>• Expand applications for wood chips and pellets that can be disposed of or used for biorefinery/SAF fuel by utilizing abundant forest resources and wood technology (considering development of wood-based SAF and challenging a demonstration plant)</li> </ul>



Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

Items corresponding "wood cycle"		Cross-organizational issues	Countermeasures
Materials	Wood	Strategies for supplying commercial products according to local market conditions	<ul style="list-style-type: none"> <li>In order to standardize decarbonized design for medium- to large-scale buildings, on the basis of implementation and participation in planning activities, define the strategies of each region, select/cultivate company-owned forests, and develop commercial materials</li> </ul>
	Wood and Construction	Promotion of circular use of wood	<ul style="list-style-type: none"> <li>New product design from the perspective of improving the scope and possibility of wood reuse at the time of demolition while lengthening the wood life cycle, and expanding the scope of reuse of demolition materials outside of the Kawasaki Chip Plant (biomass)</li> </ul>
Construction	Construction	Property Management (PM) Facility Management (FM)	<ul style="list-style-type: none"> <li>Expanding the stock-type business as building management to reduce GHG emissions after construction, from the viewpoint of building contracting</li> </ul>
	Construction	Community townhouse development	<ul style="list-style-type: none"> <li>Seeking environmentally conscious demands from other axis than wood superiority</li> </ul>
Overall	Forest, Wood and Construction	Strengthen supply chain, including internal completion	<ul style="list-style-type: none"> <li>Upstream: the allocation of company-owned forests to be determined in consideration of the position of the forestry fund in the resource strategy, as well as supply chain efficiency</li> <li>Midstream: study and design the location and routing of production and distribution sites in accordance with upstream and downstream supply chain requirements</li> <li>Downstream: establish supply chain requirements by type of new construction, renovation/remodeling, etc., of houses, and coordinate with other departments</li> </ul>





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

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## Responding to Climate Change

### Participation and Sponsorship to Climate Change-Related Initiatives

#### Express its support of the TCFD recommendations

Click here for related information

> [Express its support of the TCFD  
recommendations](#)

#### 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. The Sumitomo Forestry Group has established Group-wide greenhouse gases reduction targets (Scope 1, 2, and 3) for the target year of 2030 and the targets were approved as SBT in July 2018. In order to accelerate our decarbonization efforts, we have raised our greenhouse gases reduction targets (Scope 1 and 2) from 21% to 54.6%, which aligns with the 1.5°C target, with a view to achieving net zero emissions by 2050. The target is set in the medium-term management plan that starts in 2022. In order to ensure the implementation of these efforts, we also formulated a transition plan through 2030 to achieve the 2030 target and realize a carbon-neutral society by 2050.

The Sumitomo Forestry Group is striving to reduce greenhouse gas emissions and taking measures to mitigate climate change for achieving SBT such as thorough energy saving activities and promotion of renewable energy use.



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

### Sumitomo Forestry Group's SBT

#### 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.

## Achievement of 2030 targets (Scope 1 and 2: down 54.6% by 2030 compared to 2017) and path to carbon neutrality\*<sup>1</sup> (summary version)

Items	Measures (Greenhouse Gases Reduction Items)	Greenhouse Gases Emissions Reduction Rate	Impact on profit/loss* <sup>2</sup> (million yen / year)	Note
Measures to achieve 54.6% reduction compared to 2017	Electricity from renewable energy sources (RE100); excluding New Zealand	▲ 26.9%	▲ 95	The profit/loss impact is calculated as when everything is procured with renewable energy certificates (price fluctuates depending on the time of year, required quantity, etc.)
	Priority 1: Installation of solar power generation equipment			Installation at own facility, including PPA model
	Priority 2: Purchase of RE100 compliant electricity			Procurement through Sumirin Denki in Japan
	Priority 3: Purchase of renewable energy certificates			



Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

Items	Measures (Greenhouse Gases Reduction Items)	Greenhouse Gases Emissions Reduction Rate	Impact on profit/loss*2 (million yen / year)	Note
Measures to achieve 54.6% reduction compared to 2017	Reduction of coal co-firing rate for Mombetsu Biomass Electric Power (10% to 0%)	▲ 10.2% ~ ▲ 25.8%	+20~ ▲ 181	
	Introduction of electric vehicles in company-owned vehicles in Japan (powered by RE100-compatible electricity)	▲ 2.8%	258	The profit/loss impact is the only difference between increased electricity consumption and reduced gasoline and diesel fuel consumption. Excluding vehicle price increases and the cost of installing recharging facilities.
	Introduction of electric vehicles for sales personnel's private cars for sales use (in Japan) (powered by RE100-compatible electricity)	▲ 0.3%	22	Assuming a 30% adoption rate in 2030 to achieve the Japanese government's goal of 100% electric vehicles in new car sales by 2035.
	Subtotal	▲ 40.0% ~ ▲ 55.6%	+4~+205	With coal co-firing rate at Mombetsu Biomass Electric Power 10%: down 40.0% (additional 14.6 reduction required); 0%: down 55.6% (target achieved with 1.0 % in excess)
Additional measures to achieve the 2030 target or to become carbon neutral	Reduction of coal co-firing rate for Mombetsu Biomass Electric Power (10% to 0%): additional reduction	▲ 15.6% ~ ▲ 0%		
	Electrification of energy other than electricity (RE100 compatible electricity), etc.	▲ 9.2%		
	Manufacturing plants, etc.: equipment, heavy machinery, vessels, boilers, backup power sources, etc.	▲ 4.4%		
	Introduction of electric vehicles for sales personnel's private cars for sales use: 100%	▲ 1.7%		

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

Items	Measures (Greenhouse Gases Reduction Items)	Greenhouse Gases Emissions Reduction Rate	Impact on profit/loss*2 (million yen / year)	Note
Additional measures to achieve the 2030 target or to become carbon neutral	Heating of offices and exhibition halls, and laboratory experiments, etc.	▲ 0.9%		
	Introduction of electric vehicles in company-owned vehicles (overseas)	▲ 0.8%		
	Use of natural gas in nursing homes	▲ 0.7%		
	Forestry Business: Heavy equipment, motor boats, fuel for power generation, etc.	▲ 0.5%		
	Biomass power generation/start at power generation	▲ 0.2%		
	<b>Biomass power generation/wood fuel (dinitrogen monoxide, methane)</b>	▲ 31.6%		Consideration of creating new credits using BECCS*3, offsetting by forests, etc.
	<b>Manufacturing facilities/biomass boilers, etc. (dinitrogen monoxide, methane)</b>	▲ 1.2%		Same as above
	<b>New Zealand (country) electricity RE100 conversion</b>	▲ 2.4%		Target: to be achieved in 2035
	<b>Performance and business growth</b>			In principle, increase will be absorbed by each division unit, since business conditions nor scale (emission volume) are unknown.
	<b>Emission trading</b>			Consider trading of emission credits based on achievement of SBT lines at division unit level, if necessary.
	Subtotal	▲ 60.0% ~ ▲ 44.4%		
	Total	▲ 100%		

\*1 Transition plan formulated by Sumitomo Forestry to achieve the fiscal 2030 target set in the Medium-Term Management Plan.

\*2 Impact on profit/loss excludes personnel and other indirect expenses.

\*3 Bioenergy with Carbon Capture and Storage. Technology to capture CO<sub>2</sub> emitted during the use of biomass fuels and store it underground.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

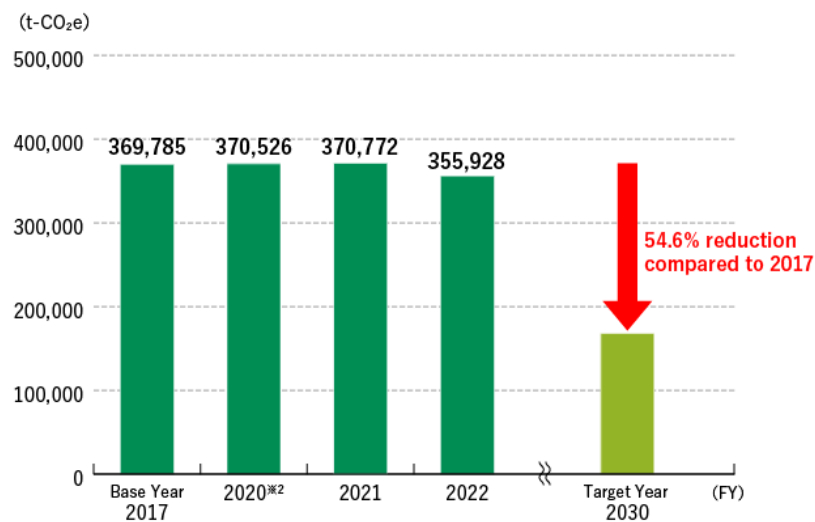
Related  
Information

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

## Progress Towards the SBT

In fiscal 2022, Scope 1 and 2 emissions decreased by 4.0% from fiscal 2021 due to a reduction in coal consumption at the Mombetsu Biomass Electric Power. Scope 3 emissions decreased 4.9% from fiscal 2021 due to a decrease in the number of units sold and delivered in the overseas housing, construction, and real estate business, and an increase in the ZEH sales ratio in the housing business.

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

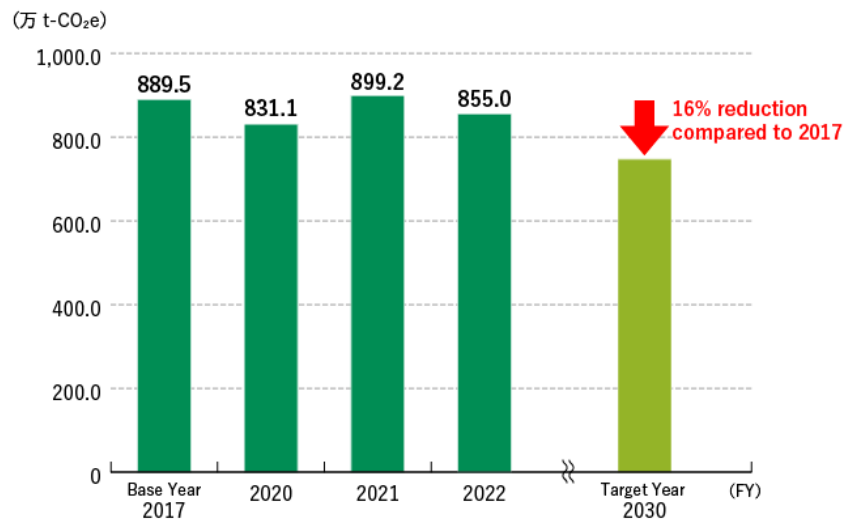


[Top  
Commitment](#)[Sustainability  
Management](#)[Initiatives for Sumitomo  
Forestry Group's  
Business and ESG](#)**Environment**[Social](#)[Governance](#)[Related  
Information](#)

Sumitomo Forestry Group's Environmental Management - [Responding to Climate Change](#) - Sustainable Forest Management -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

### 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 the total emissions is from January to December of each year since fiscal 2020.

[Click here for related information](#)

[Management of Material Issue 2](#)

## Participation in Race to Zero

Race to Zero is an international campaign calling on companies, municipalities, investors, universities, and other nongovernmental actors around the world to commit to halving their emissions by 2030 and achieving virtually zero greenhouse gas emissions by 2050, and to take immediate action to achieve this goal.

Sumitomo Forestry participated in the Race to Zero through Business Ambition for 1.5°C in September 2021, ahead of the 26th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26) held in Glasgow, UK.

By signing the Business Ambition for 1.5°C, we are declaring our commitment to net zero by 2050, and our participation in Race to Zero was announced at COP26, held in October through November 2021.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

## Aiming for 100% Renewable Energy and Joining the RE100

The Sumitomo Forestry Group positions the realization of carbon neutrality by leveraging forests and wood resources 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 2023, 397 companies worldwide are members, of which 77 companies are Japanese.

## Progress Towards the RE100 Goal

In fiscal 2022, amount of renewable energy introduced in the electricity used in Sumitomo Forestry Group's business activities resulted in 17.5% of 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 generation plants (including adjacent wood chip manufacturing plants for fuel), etc. This is an increase of 0.3 percentage points from fiscal 2021. In addition, ratio of biomass-derived fuel to the fuel consumption of the power generation business is 89.7% (calorific value conversion).

Renewable energy consumption rate within the  
power consumption of the entire group  
(FY 2022)

**17.5%**

In the Mid-Term Sustainability Targets 2024 announced in February 2022, we have set a goal of reaching 100% renewable energy for our business operation by 2030 for the part achievable on our own, and the target for fiscal 2024 is 35.1%.

\* Excluding offices and other facilities located in New Zealand, where the national government is aiming for RE100 in 2035 (with actual achievement of 3.9% in fiscal 2022).



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

Sumitomo Forestry Group's Environmental Management - [Responding to Climate Change](#) - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

## Endorsement of the GX League Concept

In order for Japan to achieve carbon neutrality in 2050 and contribute to global carbon neutrality while enhancing industrial competitiveness, it is important for companies and others to lead the transformation of the entire economic and social system (GX: Green Transformation), including stakeholders other than themselves.

In February 2022, the Ministry of Economy, Trade and Industry (METI) announced the "GX League Basic Concept". The GX League is a forum for companies that are taking on the GX challenges and aiming to achieve sustainable growth in the present and future society to collaborate with a group of companies, government, and academia that are making similar efforts. It will be fully operational in fiscal 2023 as a framework for a group of companies with ambitious carbon reduction targets to voluntarily trade emissions to meet their targets while investing in emissions reductions.

Sumitomo Forestry endorsed this "GX League Basic Concept" in April 2022. In addition, we are participating in the GX League, which was established in April 2023 based on the same concept.

[Click here for related information](#)

[Participation and Sponsorship of Initiatives](#)

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

## Responding to Climate Change

### Green Building Initiatives

#### Green Building Initiatives

The Sumitomo Forestry Group is developing medium- to large-scale wooden constructions in order to achieve net zero carbon emissions and realize a decarbonized society.

In addition to the environmental performance of the project, such as the carbon storage effects of wood, we are promoting a design that takes into consideration the convenient location, health of employees, and comfort of work. The company aims to obtain environmental certifications related to green buildings such as LEED\*<sup>1</sup> and WELL\*<sup>2</sup>, a health-conscious office certification, to provide offices with high social and environmental added value.

\*1 An environmental performance evaluation system for buildings and site use developed and operated by The US Green Building Council (USGBC)

\*2 WELL Building Standard. A building evaluation system that focuses on people's health and comfort. The functions that affect wellbeing are certified in four levels based on the scores obtained after a documentary and on-site audit based on 10 concepts

#### Environmentally Conscious Office Development Project in the United Kingdom

In February 2022, Sumitomo Forestry formed a joint venture with the U.K. real estate developer Bywater Properties Limited to participate in a six-story wooden environmentally conscious office development project in London.



The estimated CO<sub>2</sub> emissions of the project during the procurement of raw materials, processing, transportation, construction, renovation, and disposal (embodied carbon) is approximately 543 kg CO<sub>2</sub>e/ per unit floor area (m<sup>2</sup>). The property is expected to achieve a reduction of approximately 28% by 2025, five years ahead of the 2030 target of 750 kg CO<sub>2</sub>e/m<sup>2</sup> set by the Royal Institute of British Architects (RIBA\*<sup>1</sup>), making it a pioneering initiative in the United Kingdom. We are also working to reduce CO<sub>2</sub> emissions during building use (operational carbon) by designing buildings to energy conservation and energy creation specifications and combining this with the use of renewable energy.

The project plans to obtain the highest level of BREEAM\*<sup>2</sup> environmental certification, WELL health-conscious office certification, and WIRED SCORE \*<sup>3</sup> smart building certification.

Sumitomo Forestry will continue to deepen the knowledge of advanced environmental measures and develop medium- to large-scale wooden constructions overseas in order to realize a decarbonized society.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

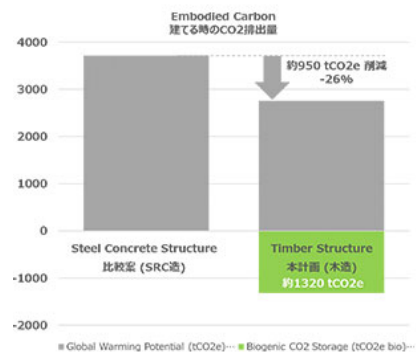
- \*1 Royal Institute of British Architects. An association of leading British architects. Developing guidelines for setting, designing, and evaluating sustainability in architecture, and other activities
- \*2 BRE Environmental Assessment Method. A method for evaluating the environmental performance of buildings, developed in 1990 by Building Research Establishment (BRE) and Energy and Environment (ECD), an energy and environment consultant
- \*3 An evaluation system that ranks internet connectivity in real estate. It has been introduced in 36 countries and is evaluated based on indicators such as comfort and stability of Internet connection and usage environment

## ESG-Conscious Office Development Project in Georgia, the United States

Crescent, a wholly owned subsidiary of Sumitomo Forestry, has decided with Daibiru USA, LLC to develop ESG-conscious offices near Atlanta, Georgia in December 2022.

A new three-story wooden office building and parking lot building will be constructed, and two existing school and gymnasium buildings will be converted to offices. CO<sub>2</sub> emissions are reduced through renovation and reuse of existing buildings compared to demolition and new construction. The company also aims to obtain LEED environmental certification and Fitwel\* wellness certification, and will provide socially and environmentally added value offices to ESG-conscious tenants.

\* A system developed by the General Services Administration (GSA) and the Centers for Disease Control and Prevention (CDC) to evaluate and certify the health and working environment of building users



## ESG-Conscious Office Development Project in Texas, the United States

In December 2022, Sumitomo Forestry, together with Iino Kaiun and Kumagai Gumi, participated in the development of a seven-story wooden ESG-conscious office building near Dallas, Texas, in the United States. These three companies will establish a special purpose company (SPC) with Crow Holdings, a leading developer in the United States, to construct a large-scale wooden office building of mass timber construction\*<sup>1</sup>.





Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

According to estimates using the "One Click LCA<sup>\*2</sup>" software that can visualize CO<sub>2</sub> emissions, the CO<sub>2</sub> emissions when built compared to the RC structure can be reduced by about 2,600 tons, and the wood used for the building materials fixes about 3,800 tons of carbon<sup>\*3</sup>. The use of mass timber will streamline work at the construction site and shorten the construction time compared to RC construction.

The company also aims to obtain LEED environmental certification and Fitwel<sup>\*4</sup> wellness certification, and will provide socially and environmentally added value offices to ESG-conscious tenants.

<sup>\*1</sup> Architecture using engineered wood, which is a relatively high-mass material made from multiple pieces of wood

<sup>\*2</sup> Software for which Sumitomo Forestry has concluded a sole agency agreement in Japan. CO<sub>2</sub> emissions during procurement of raw materials for construction, processing, transportation, construction, renovation, and disposal (CO<sub>2</sub> emissions during construction) can be calculated precisely

<sup>\*3</sup> CO<sub>2</sub> emissions during constructing the office and parking lot building were estimated. Major structural components such as framing, curtain wall, and foundation were evaluated based on construction drawings. Carbon storage amount is estimated for office building

<sup>\*4</sup> A system developed by the General Services Administration (GSA) and the Centers for Disease Control and Prevention (CDC) to evaluate and certify the health and working environment of building users

## 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<sup>\*1</sup> 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<sup>\*2</sup> 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 m<sup>3</sup> of wood will be used in the structural frame, fixing approximately 3,000 tons of carbon (on a CO<sub>2</sub> basis). Including this fixed amount, the CO<sub>2</sub> (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).

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

Sumitomo Forestry Group's Environmental Management - **Responding to Climate Change** - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

This project combines the effective use of wood with its carbon storage function with energy conservation, energy creation, and renewable energy features of the building, as stated by the WGBC<sup>\*3</sup>.

This is an advanced development that brings forward the goal of zero operational carbon in all new buildings by 2030 by seven years.

<sup>\*1</sup> The building is designed to save or create energy, and CO<sub>2</sub> (operational carbon) emissions from building use are reduced to virtually zero through a combination of renewable energy use and offsets using carbon credits

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

<sup>\*3</sup> 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



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

# 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, CO<sub>2</sub> 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 SGEF 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<sup>\*1</sup>, HCSA<sup>\*2</sup> and and FPIC<sup>\*3</sup> 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<sup>®</sup>-FM is preferable and FSC-CW and PEFC certification are acceptable as well).  
(FSC-C113957)

\*1 SGEF-FM (Trademark License No. SGEF/31-21-1057), PEFC-FM (Trademark License No. PEFC/31-21-1057)

\*2 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.

\*3 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.

\*4 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](#)

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

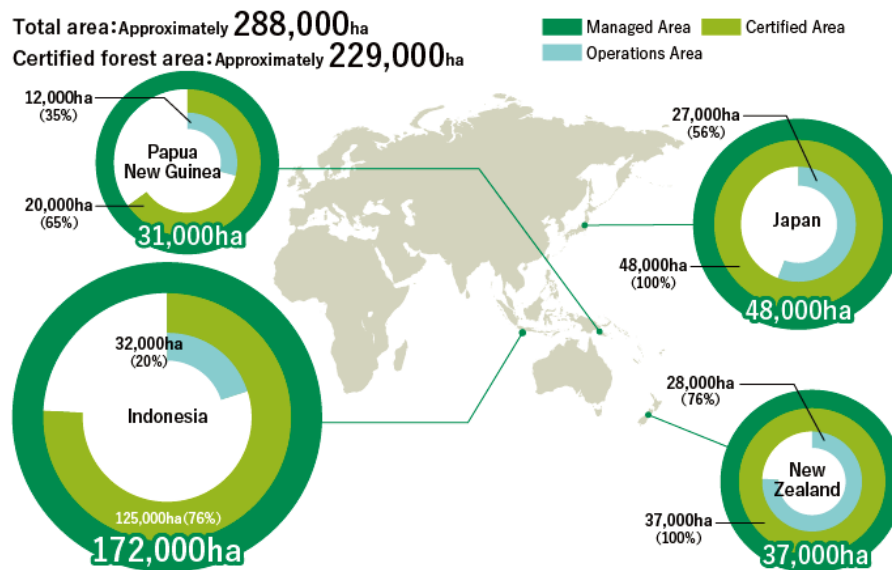
Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## Forest Management and Wood Usage



## Forest management, certification, and operations area in FY2022





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

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data



Company owned forests in Shikoku



Planted forest in New Zealand



Planted forest in Papua New Guinea



Planted forest in Indonesia



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

**Area of Forest Managed and Owned by the Sumitomo Forestry Group**

As of December 31, 2022

Country	Managed Area (ha)	Certified Area (ha)	Operations Area (ha)	Forest certification system* <sup>1</sup>	Certification Number	Certification Issuing Body	Afforestation Area for Social Forestry* <sup>3</sup> (ha)
Japan	47,989	47,736	27,161	-	-	-	0
Sumitomo Forestry	47,965	47,736	27,161	SGEC	JAFTA-010	Japan Forest Technology Association (JAFTA)	0
Indonesia	171,776	124,890	32,493	-	-	-	9,896
PT. Mayangkara Tanaman Industri (MTI)	104,664	74,870	10,534	PHPL* <sup>2</sup>	015.4/EQC-PHPL/IX/2018	PT. Equality Indonesia	0
PT. Wana Subur Lestari (WSL)	40,750	40,750	11,451	PHPL* <sup>2</sup>	10-PHPL-006	PT Almasentra Sertifikasi	0
PT. Kubu Mulia Forestry (KMF)	9,270	9,270	5,688	PHPL* <sup>2</sup>	IMS-SPHPL-009	PT Inti Multima Sertifikasi	0
PT. BINA OVIVIPARI SEMESTA (BIOS)	9,738	0	0	-	-	-	-
PT. Kutai Timber Indonesia (KTI)	7,302	0	4,771	-	-	-	7,144
Koperasi Serba Usaha Alas Mandiri KTI (KAM KTI)	0	0	0	-	-	-	1,005* <sup>4</sup>
Koperasi Bromo Mandiri KTI (KBM KTI)	0	0	0	-	-	-	1,330* <sup>5</sup>



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

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)
PT. Rimba Partikel Indonesia (RPI)	52	0	49	-	-	-	417
Vietnam	0	0	0	-	-	-	827
Vina Eco Board Co., Ltd.	0	0	0	-	-	-	827
Papua New Guinea	31,260	19,920	11,618	-	-	-	0
Open Bay Timber Ltd. (OBT)	31,260	12,854	11,618	FSC®	NC-FM/COC-005600	Preferred by Nature	0
		7,066		FSC®	NC-CW/FM-003093	Prefferd by Nature	
New Zealand	36,565	36,565	28,144	-	-	-	0
Tasman Pine Forests Ltd. (TPF)	36,565	36,565	28,144	FSC®	SGS-FM/COC-010806	SGS South Africa (Pty) Ltd	0
Total	287,590	229,111	99,416	-	-	-	10,723

\*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

## 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.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## 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 240,000 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.

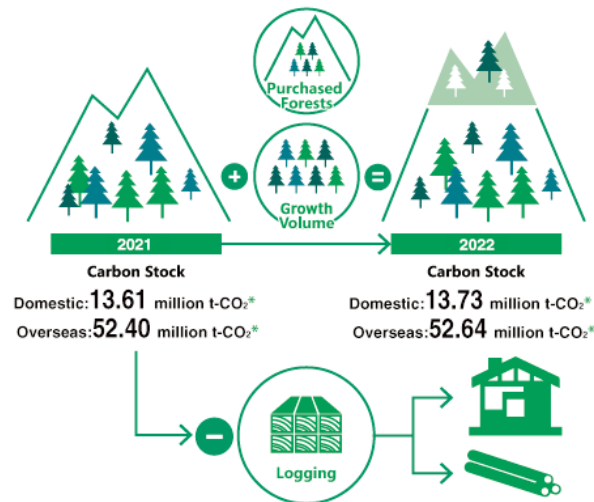
Carbon stocks\* of company-owned forests in Japan at the end of fiscal 2022 were 13.73 million t-CO<sub>2</sub> (+120,000t-CO<sub>2</sub> from the previous fiscal year). Carbon stocks at overseas planted forests were 52.64 million t-CO<sub>2</sub> (+250,000t-CO<sub>2</sub>).

\* 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 × CO<sub>2</sub> 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



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

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

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

The Sumitomo Forestry Group logged approximately 60,000 m<sup>3</sup> of trees in Japan and approximately 970,000 m<sup>3</sup> of trees overseas in fiscal 2022 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 CO<sub>2</sub>. The CO<sub>2</sub> 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 CO<sub>2</sub> in the atmosphere over the life cycle of the tree.

Click here for related information

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

## Reforestation: Preparing 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 2022, we planted forests on 184 hectares in Japan, and on 5,818 hectares overseas. The newly planted trees will absorb CO<sub>2</sub> during their growth and retain it as carbon.



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

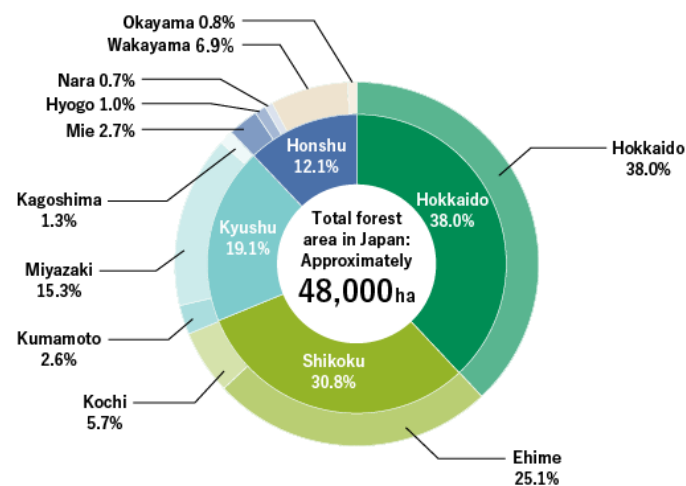
# Sustainable Forest Management

## 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 public 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 (as of December 31, 2022)





Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## 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 wood is the priority, or "conservation forests", where environmental conservation 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.

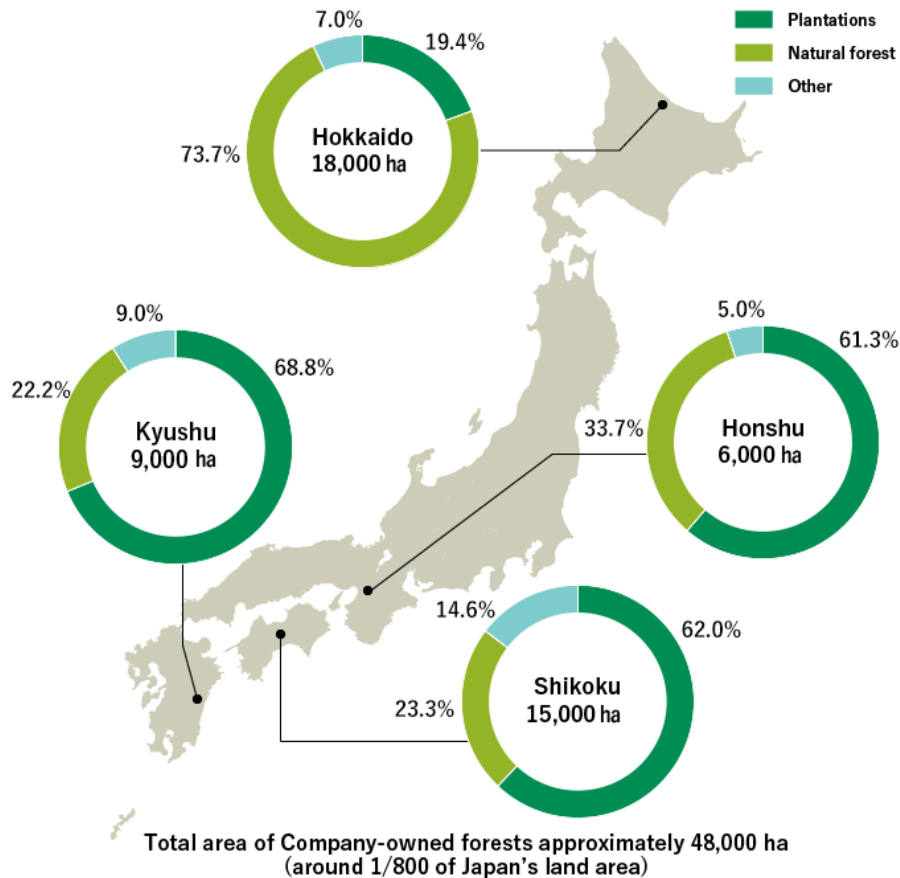
\*3 The Programme for the Endorsement of Forest Certification Schemes is an international NGO that mutually authenticates certification standards created in each country and region as criteria to be shared internationally. 55 forest certification schemes are members of PEFC, of which 48 are mutually certified (as of the end of December 2022).





Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## Distribution and Area of Company-Owned Forests (as of December 31, 2022)



## Forest Revitalization Initiatives

### Seedling Production for Regional Revitalization

An Increasing number of municipalities are working to foster forest resources that are not yet effectively utilized and to revitalize the forestry industry as one part of regional revitalization measures. Furthermore, the area of reforestation after clear cutting is increasing as the coniferous trees planted after World War II have entered the harvest season. 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 modernize containerized nursery seedlings production and began operating facility-based nursery tree production establishments by utilizing its own research and development of production technology. 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 cultivation. 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 seedlings cultivation.



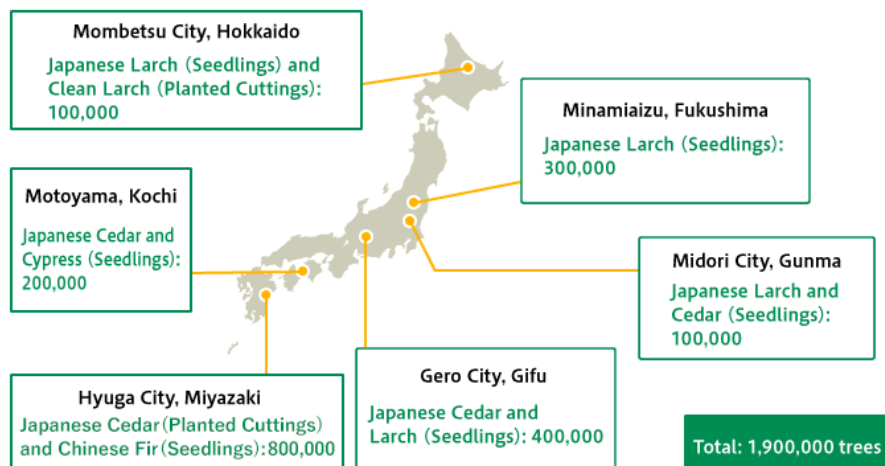
Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## Cultivating Sumitomo Forestry Seedlings Throughout Japan

We opened a facility-based nursery seedlings production establishment in Hyuga City, Miyazaki Prefecture in 2012, followed by another facility in Mombetsu City, Hokkaido. 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. Currently, we have a system capable of producing 1.9 million seedlings per year nationwide.

In addition to seedlings production at our own facilities, in fiscal 2020 we began outsourcing production in Gifu Prefecture, and in fiscal 2021 Sumitomo Forestry provided technical assistance in Nichinan Town, Tottori Prefecture. In fiscal 2022, we increased the number of seedlings consigned for production and strengthened our system for stable supply of seedlings.

### Sumitomo Forestry's seedlings production systems



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## 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 those that grow faster than Japanese cedar and Japanese cypress and can be harvested in a shorter felling season, and include China fir, bead trees, 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 Environment and Resources Division and the Tsukuba Research Institute are cooperating to test the planting of fast-growing broadleaf trees suitable for fuel material.



Chinese fir

## Development of a Forestry Transport Drone

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. Repetitive proof-of-concept tests were conducted in company-owned forests by flying drones safely over complex terrain and in harsh weather to ensure safe drone flight and reliable unloading of seedlings. 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 seedlings, but also heavy materials such as those used to prevent damage by animals, which has been on the rise in recent years. Therefore, we made improvements with a view to transporting forestry materials, and upgraded the machine to be able to transport heavy materials in fiscal 2022. The maximum loading capacity is now 25 kg, up from 8 kg in the previous model.



Forestry transport drone 'morito'

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

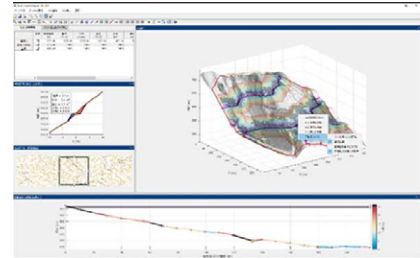
## FRD Forestry Roadway Design Support System

### Current Status of Strip Road Design in Japan

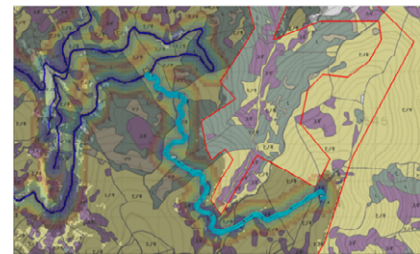
Forests in Japan often have insufficient forest roads or strip roads in place which prevent smooth management of forests and transport of the wood that is harvested. Currently, when constructing forest roads or strip roads, lines are drawn by hand over a paper topographical map before visiting the site to see if that plan for the road network can be executed according to the proposed alignment. This process of examination is usually done over and over again. The reality is that the process of creating the line drawn plans and checking and verifying on site relies heavily on personal intuition and experience, and takes a great deal of time and labor.

### Forestry road networks design using FRD

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 that can be maintained at low cost 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 the right features necessary for the job, such as allowing the design of safety lines that are less likely to break and safer, avoiding 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. In 2022, a new version was developed and new features were added, including the calculation of harvestable wood volume from the designed strip road.



Automatic Design Screen (Image)



Forest road design to avoid dangerous places (in red frame)


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

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Spreading the Use of the Winch-Assist Type Forestry Work Equipment

Sumitomo Forestry used a grant from the Forestry Agency in fiscal 2022 to improve the Tether winch-assist forestry machinery developed jointly with Nippon Caterpillar LLC and Sun-earth Inc. and conducted demonstrations of the equipment in Hokkaido, Saitama, Yamanashi and Kumamoto.



Work using Tether

The Tether is forestry machinery that assists heavy equipment for logging and hauling out on sloping terrain, pulling the heavy equipment by wire to maintain a stable posture of the heavy equipment. Forestry operations using heavy machinery will be possible on slopes where heavy machinery could not be used previously, which is expected to improve security and productivity.

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

## Improvement and Diffusion of Remote Clear Underbush Cutters

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.



Work view of remote clear underbush cutters

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. With the aim of promoting reforestation and securing forestry workers, in fiscal 2022, we conducted demonstration experiments, including improvements to underbush cutters, in forests across Japan and exhibited at forestry-related exhibitions.



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

## 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 CO<sub>2</sub> absorption and fixation, and coexistence with surrounding "Local Communities".

#### Overseas Managed Afforestation Area (unit: ha)

Country	Name of Forestry Business	Managed Area	Operations Area	Afforestation Area in FY2022	Logged Area in FY2022
Indonesia	PT. Mayangkara Tanaman Industri (MTI)	104,664	10,534	2,037	1,627
	PT. Wana Subur Lestari (WSL)	40,750	11,451	2,313	2,001
	PT. Kubu Mulia Forestri (KMF)	9,270	5,688	168	785
	PT. Kutai Timber Indonesia (KTI)	7,302	4,771	1,217	117
	PT. BINA OVIVIPARI SEMESTA (BIOS)	9,738	0	0	0
	Subtotal	171,724	32,444	5,735	4,530
Papua New Guinea	Open Bay Timber Ltd. (OBT)	31,260	11,618	415	298
New Zealand	Tasman Pine Forests Ltd. (TPF)	36,565	28,144	839	794
Total		239,549	72,206	6,989	5,622

\* Subsidiary of Sumitomo Forestry Group from December 2022



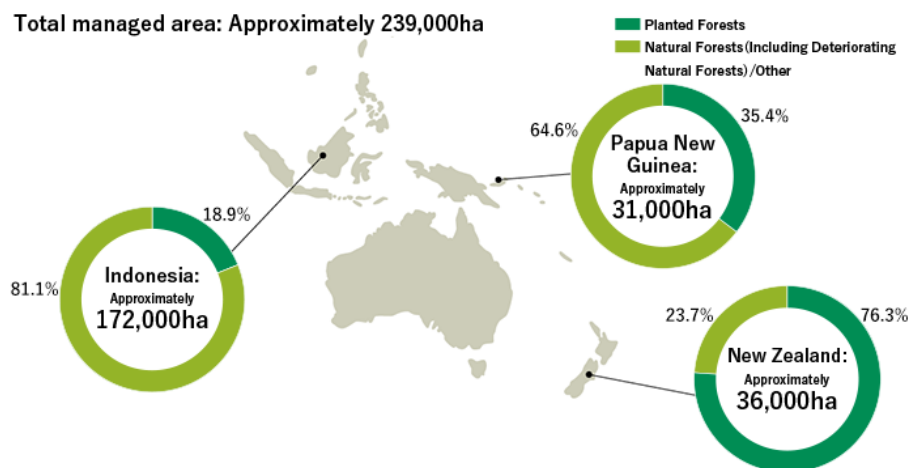
Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## 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 wood (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, 2022)



## Forest Certification and Sustainable Forestry Business

Of an approximately 31,000-hectare planted forest owned and managed by Papua New Guinea's Open Bay Timber (OBT), about two-thirds, or 20,000 hectares, has received FSC® forest certification\*. After harvest, the company ensures afforestation is carried out, and in fiscal 2022, 415 hectares of trees were planted.

The entire area of approximately 37,000 hectares managed by Tasman Pine Forests Ltd. (TPF) in New Zealand has been FSC®-FM certified. In fiscal 2022, TPF implemented 839 hectares of afforestation.

We will continue to practice sustainable forest management that lays basis for communities and environment to function in harmony.

\* OBT: CW certification FSC-C019117, FM certification FSC-C103694, TPF: FM certification FSC-C132002





Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

## 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\*<sup>1</sup>" from Indonesia's Ministry of Environment and Forestry.

In addition, since 2020, we have started a reforestation project at Kubu Mulia Forestry (KMF), which is close to WSL and MTI.

### 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 forest management 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 locates in tropical peatlands which play an extremely vital role in the carbon and water cycle on a global scale.

### Sustainable Forest Management

We launched these operations by conducting topographical surveys, and boring tests to understand the peat distribution, over five years. 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)\*<sup>2</sup>, 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.

Our employees' unified efforts have succeeded in building a unique peatland management model that stabilizes the underground water level throughout one year. Stabilization of the underground water level reduces greenhouse gas emissions and forest fires, while maintaining proper hydrological cycles, thereby making a significant contribution to climate change mitigation. Our peatland management model has been highly praised 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 Group works together with neighboring local business proprietors to preserve the entirety of the ecosystem.

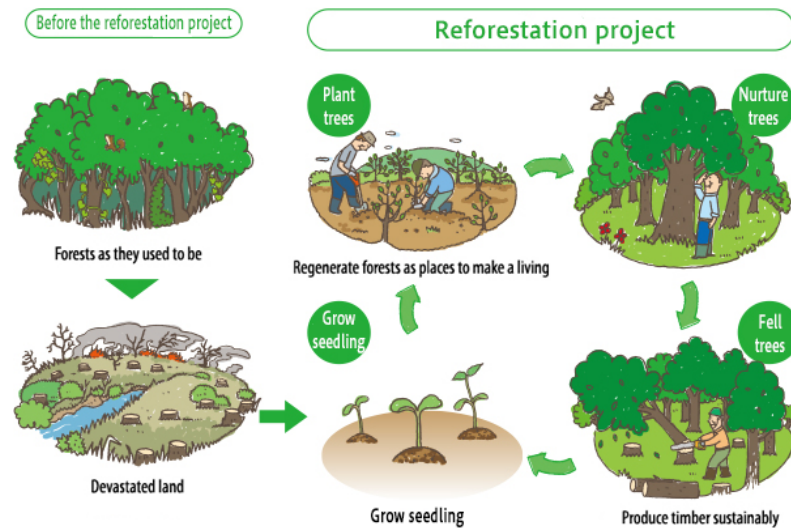
Sumitomo Forestry Group captures tropical peatlands and the ecosystems living throughout the peatlands as one type of important natural capital. In the future, businesses achieving a balance between industrial tree plantations and environmental protection will enhance value as natural capital and help 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.



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data



[Click here for related information](#)

> [Biodiversity Conservation in Planted Forests Overseas](#)

## History of Enhancing the Value of Natural Capital

2017	<ul style="list-style-type: none"> <li>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 conducted with the cooperation of the Ministry of the Environment and Forestry as well as the Peatland Restoration Agency.</li> <li>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.</li> </ul>
2018	<ul style="list-style-type: none"> <li>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.</li> <li>We reported on peatland management technology at the December 2018 United Nations Climate Change Conference (COP24) held in Poland.</li> </ul>
2019	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>At the United Nations Climate Change Conference (COP25) held in Madrid in December, we presented water management technologies and the preservation of rare species.</li> </ul>



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

2020	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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).</li> <li>• 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.</li> </ul>
2021	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
2022	<ul style="list-style-type: none"> <li>• At the 27th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP27) held in Egypt in November, we made a presentation at the Japan Pavilion and introduced technologies that could help solve the problem of underestimated forest and peatland loss in tropical countries and our approach to maximizing the value of natural capital.</li> </ul>

## Forest Fire Prevention Measures at Each Work Site

### Indonesia

Conventionally, reforestation in peatlands\* was done by managing the water level with drainage to push water out of the soil. However, while drainage-type water level management works well for plants, it has dried out the land, decomposing organic matter in peat soils and releasing greenhouse gases, as well as leading to large peat fires that are difficult to extinguish.

WSL and MTI, on the other hand, manage stored water levels based on precise surveys and peat studies. This maintains a water level that allows plants to grow and also prevents the land from drying out.

Real-time measurements of peat thickness have shown that peat thickness has not decreased in the long term as a result of previous efforts. 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, we are striving to develop technology using drones and AI.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

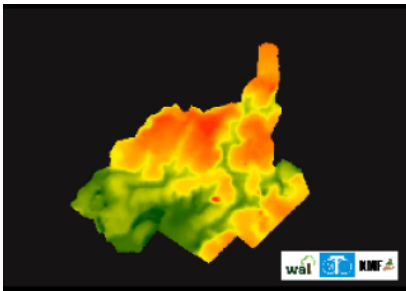
Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

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 rainforests and peatlands has the potential to act as a necessary water cycle function at 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 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.

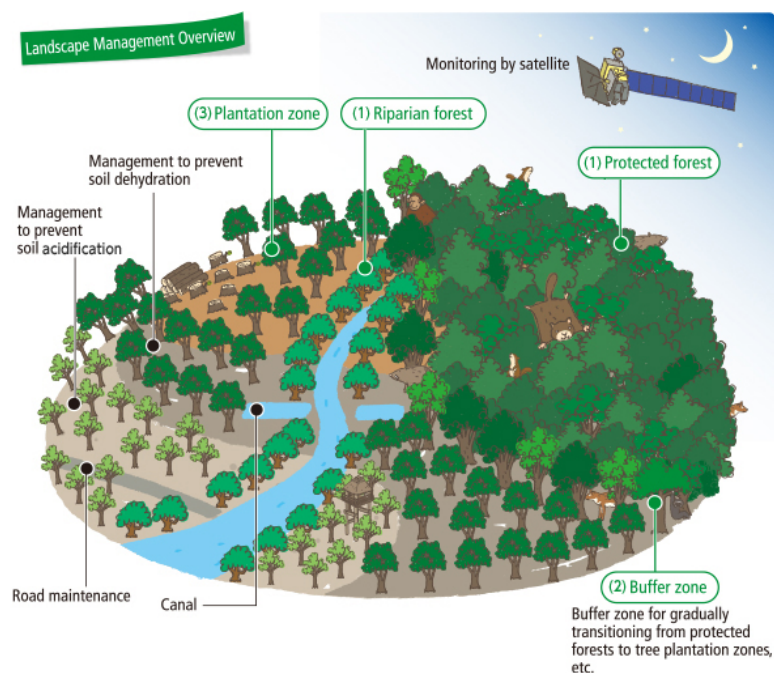
\* Characteristics of the peat soil found in the peat swamps is known to emit enormous amounts of greenhouse gases, typically carbon dioxide and methane gas, if the soil was inappropriately exploited. Owing to joint researches by Japanese and Indonesian academic institutes, our operations take into consideration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



Landscape management of forestry business  
designed based on detailed data



Monitoring the water level in peatlands





Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## 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. In 2022, there was one incident caused by a fire that jumped from an adjacent property, but countermeasures were strengthened by conducting educational activities for local residents regarding fire handling. We will work together with the community to reduce the number of fires to zero.

## 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. We have had no cases of forest fires under our management in 2022 thanks to these initiatives.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## Sustainable Forest Management

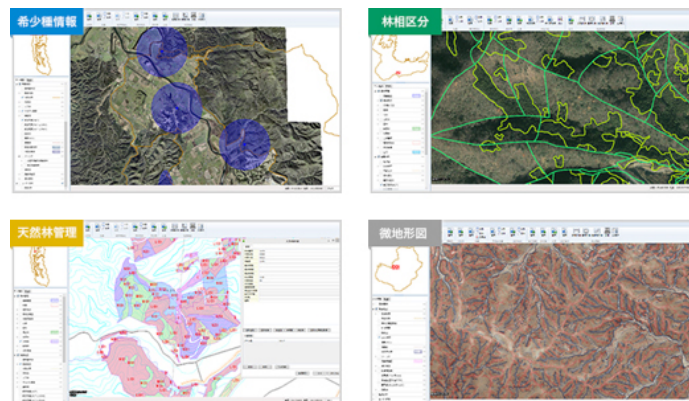
### Afforestation Consultancy

#### 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 19 municipalities with the platform as of the end of fiscal 2022.

#### Forestry ICT Platforms



#### 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.



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

### Positioning of the Master Plan

The Forest and Forestry Master Plan is the foundation for measures related to proper forest maintenance and effective use of locally produced wood in Itoshima, which is positioned as the basic plan under which businesses are to build supply chains for city use of wood that takes advantage of ICT promoted by Itoshima.

### Creation of Master Plan

For 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 forest road networks that would be optimal to haul wood 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 in line with this master plan.

The Forestry Agency's model project for regions with initiatives for making forestry a growth industry is currently being used to assist in the development of a framework for implementing the plan, and we will provide an assistance so that this master plan will contribute to regional forestry promotion.



## 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.





Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## Past Initiatives

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.

## Effects of the Comprehensive Partnership Agreement

The partnership agreement between Sumitomo Forestry and Nagato City aims to increase local production of logs, secure and train forestry workers, and expand wood 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 2022, we conducted on-site proof of concept, surveys, and proposals to support the establishment of an intra-regional supply chain for locally produced wood, on expanding material production, and insuring demand for lumber through the use of smart technology and other means.

## Partnership Agreement Overview

- Promote harvest and replanting
- Stably produce and use container seedlings
- Develop and standardize container seedling production technology and train business operators
- Establish and manage organizations central to forest management
- Identify the quantity of forest resources and the intention of forest owners
- Adopt and effectively utilize ICT in forestry and wood 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 wood industries
- Build a cooperative supply chain with local city sawmills and other forestry businesses
- Drive demand for locally produced wood both inside and outside of the city

## 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.



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## Partnership Agreement Scheme

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.

## Initiatives to Resolve Issues

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: wood prices have fallen to one-fourth of their peak levels, forest owners have less motivation, and there is a shortage of forest management and forestry workers. 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 2022, 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 wood 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 wood produced from forests related to forest Trusts
  - (4) Promote the expansion of forest trusts to other regions

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

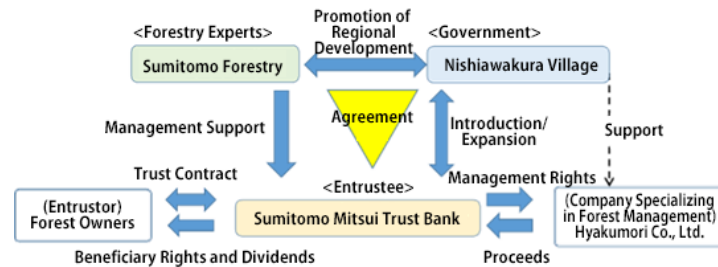
Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## Partnership Agreement Scheme



## Improvement of Forest Value Through Visualization of CO<sub>2</sub> Absorption

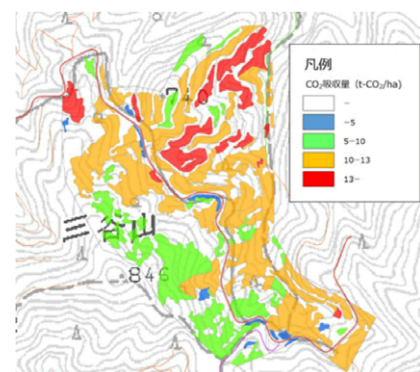
### Background of Visualization

Appropriate forest management is required to realize regional revitalization based on forest resources. However, an increasing number of forests remain unutilized due to a decline in forest owners' awareness of management issues and the high cost of forest management and maintenance.

Sumitomo Forestry, together with Nippon Telegraph and Telephone West Corporation and others, conducted a joint verification experiment in Maniwa City, Okayama Prefecture, aiming to increase the value of forests through the creation of high-quality carbon credits, so as to improve forest value and achieve sustainable forest management in the future, thus realizing the visualization of CO<sub>2</sub> absorption.

### Details of Initiatives

Forest information was digitized through interviews with forest operators, on-site plot surveys, and analysis of data acquired from drone photography, to build a cost simulation model for forest management and calculate forest CO<sub>2</sub> absorption. This model will enable appropriate forest management and wood production by identifying forest management costs in advance, which is an issue in forests in various regions. The project also aims to generate carbon credits based on the CO<sub>2</sub> absorption data obtained from the demonstration.



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## 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.

## Wildlife Conservation Forest Restoration and Regeneration Business

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

During the first phase of activities to March 2011, around 300,000 trees were planted on 350 hectares of land. As a second phase of activities since April 2011, 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. It is now in its fourth phase and activities and support are ongoing. In recognition of these activities, in September 2020, Mitsui Sumitomo Insurance Co., Ltd. received the Nature Conservation Award (business entity element category) from the government of Indonesia.

As part of this project, the Company has also opened the doors to its planted forest, 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.



Local Agricultural Society Members Cultivating Seedlings to Distribute as Social Forestry



Distributing seedlings to local residents

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

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

Sumitomo Forestry and IHI Corporation established NeXT FOREST in February 2023, a joint venture for "Forest Management Consulting Business" and "Development of the Sustainable Business that Optimizes the Value of Natural Capital". NeXT FOREST provides consultancy services for the appropriate management of tropical peatlands, and the creation and sale of high-quality carbon credits\*1 through the appropriate assessment of the value of natural capital, such as carbon stocks in forests and soils.

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 a consulting business. We will also develop a method for precisely evaluating and monitoring amount of CO<sub>2</sub> 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-CO<sub>2</sub>.

\*2 For example, trees absorb CO<sub>2</sub> and provide clean water, and nature as a stock (capital) that provides valuable services.



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## 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

The manufacturing subsidiary PT. Kutai Timber Indonesia (KTI) in Indonesia and the manufacturing subsidiary Vina Eco Board Co., Ltd. (VECO) in Vietnam distribute seedlings free of charge to local residents with the guarantee that they will buy the logs as raw material at market prices after growth. In 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	FY2022 result
KTI	380,000 trees
VECO	500,000 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, 152 hectares of planted forest were FSC®-FM certified, and in 2017, 206 hectares of Koperasi Bromo Mandiri KTI (KBM KTI)\*, another forestation cooperative, received the same certification. As of 2022, KAM-KTI has expanded to 1,005 hectares and KBM-KTI to 1,330 hectares, with logs supplied 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



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - **Sustainable Forest Management** -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## 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 forestation in 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, forestation, 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



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
**Utilization of Sustainable Forest Resources** - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## Utilization of Sustainable Forest Resources

### Utilization of Sustainable Forest Resources

#### Timber and Building Materials Business Initiatives

##### Promotion for Sales of 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 2018. 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 2022 (January to December) under new definition are 298,692 m<sup>3</sup>.



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

#### Utilization of Japanese Timber

Due to economic development and population growth in China and other emerging countries, demand for wood overseas is expected to increase over the long term. In Japan, the public and private sectors are working together to increase the self-sufficiency rate of domestic timber in order to achieve carbon neutrality and a decarbonized society by 2050.

Against this backdrop, the Sumitomo Forestry Group is working to increase the volume of domestic timber logs handled by utilizing its ports of loading and unloading. Specifically, in addition to exporting logs, we are increasing opportunities to sell them to domestic sawmills, plywood mills, biomass power generation plants, and paper mills by domestic vessels\*.

In fiscal 2022, we handled 218 thousand m<sup>3</sup> (118 thousand m<sup>3</sup> for export and 100 thousand m<sup>3</sup> for domestic sales), an increase of 9% over the previous year. In this way, we aim to increase the volume of domestic timber logs handled while keeping a close eye on changing market demands both domestically and internationally.



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
**Utilization of Sustainable Forest Resources** - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

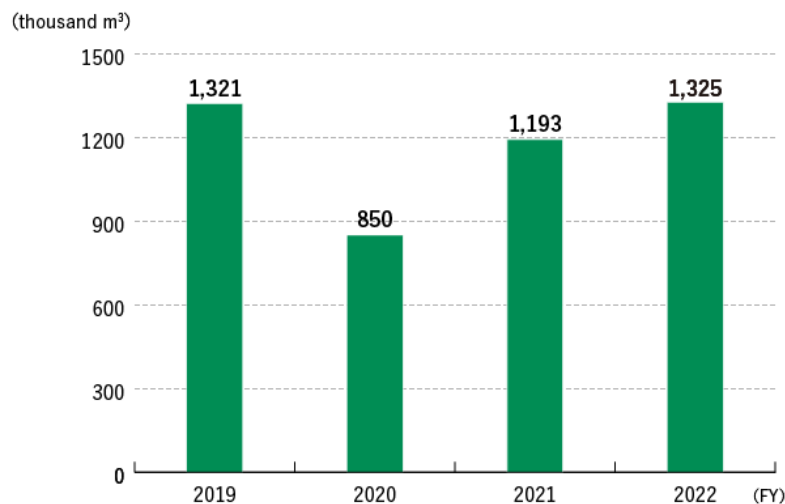
Although the Group still faces the effects of global inflation, rising interest rates, and economic stagnation in the major timber markets of the USA and China in fiscal 2023, we aim to increase overall handling volume by responding to domestic demand in a timely manner with domestic vessels, while keeping a close eye on exports to the rapidly changing Chinese market by sharing information more closely within the Group.

\* Transportation between ports in Japan

## Exporting Japanese Timber

Regarding the export volume of Sumitomo Forestry Group's domestic timber logs, the first half of fiscal 2022 saw a steady increase due to the return of demand for housing exteriors products such as fences for the USA market. In the second half of the year, however, export volumes grew at a sluggish pace due to the deteriorating real estate market in China and the economic turmoil and infection spreading due to the tightening and opening of the zero-COVID policy. As a result, the export volume of domestic timber logs in fiscal 2022 was 118 thousand m<sup>3</sup>, a 16.9% decrease from fiscal 2021.

### Handling Results of Japanese Timber\*



\* The number of logs and lumber handled. The aggregation period after fiscal 2021 is from January to December 2021 of each year, the aggregation period for fiscal 2020 is from April to December, and the aggregation period for fiscal 2019 is from April to March of the following year

## Initiatives to Promote the Use of Domestic Timber in Kyushu

In February 2022, Sumitomo Forestry concluded a basic location agreement with Shibushi City, Kagoshima Prefecture, regarding business verification in the city. This Shibushi project is the first step toward the establishment of a timber industrial complex, which is Sumitomo Forestry's concept for promoting wood change.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

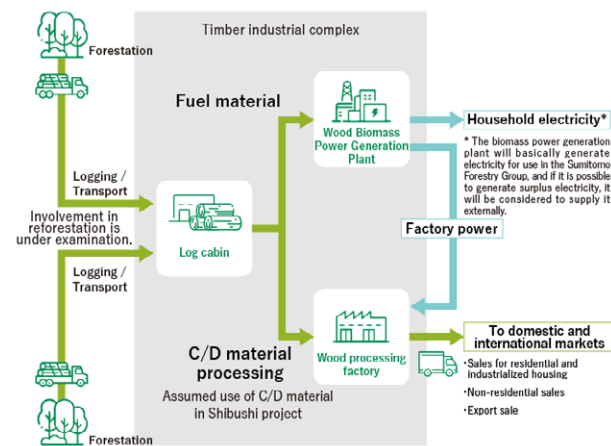
Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
**Utilization of Sustainable Forest Resources** - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

In 2020, wood shortages and soaring prices – in other words, a wood shock, occurred globally due to increased demand for housing construction in the United States and a container shortage caused by the spread of coronavirus disease (COVID-19). Japan, which relies on imports for approximately 60% of its timber supply, is greatly affected by imports in terms of both price and volume, making the promotion of the use of domestic timber a national challenge. In order to promote the use of domestic timber, it is necessary to establish a stable supply system that will ensure business profitability for everyone from forestry workers to timber manufacturers, processors, and builders.

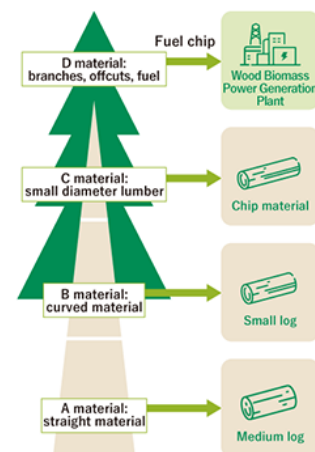
In order to solve these issues, Sumitomo Forestry is considering the construction of a new plant to process low-grade timber\*, which is currently exported as logs from the Port of Shibushi, into added value products, aiming for a stable supply to the domestic market and export of products from the Port of Shibushi to Asia and North America, as well as the construction of biomass power generation plant.

By establishing a timber industrial complex based on the cascade use of domestic timber, Sumitomo Forestry will raise productivity of its timber manufacturing and ensure a stable supply of timber products, thereby strengthening its price competitiveness. In addition, we will promote the creation of employment opportunities for forestry workers by increasing the added value of wood, the use of domestic timber, and contribute to decarbonization by increasing the period of carbon storage.

\* Timber that cannot be used for lumber or plywood due to size, crook, knots, rottenness, etc. and is exported.



Shibushi project overview



Flow of the cascade use

## 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, we are able to guarantee that timber and other products are from certified forests and sell them to our customers, because we are inspected by a third party.

[Click here for related information](#)

➤ [Distribution Business Initiatives](#)



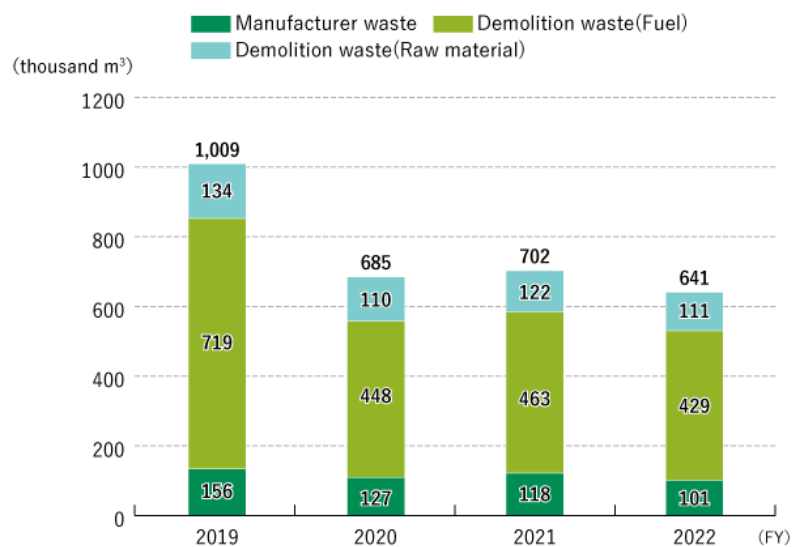
Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
**Utilization of Sustainable Forest Resources** - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## 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.

As demand for the supply of fuel for biomass power generation continues to rise, we aim to further expand the handled volume of fuel applications by using not only offcuts and wood waste but also thinnings and other unused forest resource.

### Handling Volume of Wood Chips\*



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

[Click here for related information](#)

➤ [Promotion of renewable energy business](#)

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
**Utilization of Sustainable Forest Resources** - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## Medium to Large-Scale Wooden Construction 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 Construction (Timber Solutions) Business specialized in proposing wooden non-residential medium- to large-scale construction. Trees absorb CO<sub>2</sub> from the atmosphere through photosynthesis and continue to fix it as carbon even after being harvested as wood products, so expanding the use of wood in this way will contribute to building a decarbonized society. In recent years, in 2017, Sumitomo Forestry formed a business and capital alliance with Kumagai Gumi, which has a large number of construction achievements in the civil engineering and building business fields in Japan and abroad. In 2021, we integrated Cohnan Kensetsu Inc. into the Group, which has expertise in steel/reinforced concrete construction and management of construction. Combining their expertise with Sumitomo Forestry's wooden constructions and interior/exterior use of wood technologies, we will expand into medium- to large-scale wooden constructions and other non-residential fields. 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

### Construction of "with TREE" Started in Sapporo

In June 2022, Sumitomo Forestry and Kumagai Gumi began construction of a fire-resistant wooden building with 10 stories above ground and 1 below (KAGA Project) in Sapporo, the first "with TREE" brand of medium- to large-scale wooden construction. As of December 2022, construction has been completed. The upper floors will be made of hybrid laminated engineered wood, and Hokkaido Japanese larch will be used as cladding for pillars and beams to help revitalize the domestic forestry industry. Trees absorb CO<sub>2</sub> from the atmosphere through photosynthesis and continue to fix it as carbon even after being harvested as wood products. Sumitomo Forestry will contribute to the realization of a decarbonized society through woodification and use of wood of medium- and large-scale buildings.



Exterior view of KAGA Project under construction

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

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - **Utilization of Sustainable Forest Resources** - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Building No. 15, Yotsuya Campus, Sophia University Completed

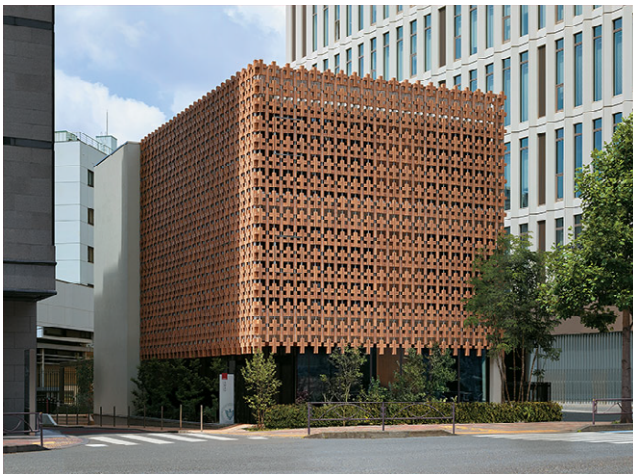
Building No. 15, Yotsuya Campus, Sophia University, designed and constructed by Sumitomo Forestry, was completed in June 2022.

The three-story wooden, fire-resistant structure reduces CO<sub>2</sub> emissions during the manufacture of materials for the structural framework compared to similar facilities built with general reinforced concrete or with steel frames\*<sup>1</sup> by 15% and 20% respectively. The structural framework uses 111.85 m<sup>3</sup> of wood and stores about 84 tons of carbon (on a CO<sub>2</sub> basis), equivalent to the carbon storage of about 280 trees\*<sup>2</sup> of 40-year old Japanese cedar. This facility will lead to the "transform cities into forests," contributing to the achievement of the SDGs and the realization of a decarbonized society.

In January 2023, the facility received an Encouragement Prize at the Wood City TOKYO Model Architecture Award.

\*1 The number of members of the facility's structural framework was calculated based on structural calculations when the facility's structural framework was made of reinforced concrete and steel, and the results were compared with the respective CO<sub>2</sub> emissions calculations

\*2 Forestry Agency's guidelines for calculation and indication of carbon storage of wood used for buildings Calculated with reference to Forestry Agency website



Exterior view of Building No. 15



Interior view of Building No. 15

[Click here for related information](#)

➤ [External Recognition](#)



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
**Utilization of Sustainable Forest Resources** - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## Wooden Post Office with CLT

Sumitomo Forestry constructed Maruyama Post Office (Minamiboso City, Chiba Prefecture), the first post office in Japan to utilize cross-laminated timber (CLT)\*<sup>1</sup>. Maruyama Post Office is the first of the environmentally sound post offices ("+" (Plus) Eco Post Offices") promoted by the Japan Post Group, which aims to achieve carbon neutrality, and opened in March 2022.

The exterior walls are made of "yakisugi"\*<sup>2</sup> cedar wood produced in Chiba Prefecture. The building is loved by the community for its yakisugi production with local children as a workshop event.

In addition to utilizing "wood" as a recyclable resource, we have also installed a private power generation system using solar power.

The facility took home the Encouragement Award (Review Committee Chair Award) at the Japan Wood Design Award 2022.

\*<sup>1</sup> Cross-laminated timber. Thick panels made by laminating long planks of wood in alternating lengths and widths, providing superior strength and thermal insulation.

\*<sup>2</sup> A "burnt cedar board" is a wood board whose surface is burnt and carbonized. Its carbonized layer is fireproof, antiseptic, and termite-proof.



Exterior view of Maruyama Post Office



Produced Yakisugi

[Click here for related information](#)

➤ [External Recognition](#)

## Wooden Construction in Rest Area

The Izumiotsu rest area dedicated to large vehicles in Osaka Prefecture, constructed by Cohnan Kensetsu Inc., was completed in April 2022. This rest area is the first wooden structure of its kind built by Hanshin Expressway Company Limited, utilizing the former tollgate of the main line on the No. 4 Wangan Route of Hanshin Expressway.

The wood used for the structural framework is 58m<sup>3</sup> which is equivalent to about 47 tons of carbon storage (on a CO<sub>2</sub> basis). In addition, the walls are made of solid local Senshu Japanese cedar wood bricks and planks as interior finishing materials.



Exterior view



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
**Utilization of Sustainable Forest Resources** - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

In the construction process, BIM\* was utilized to enable all parties involved to share data on all members, joints, and joint angles between members of the frame, which have different 3D coordinates and angles. By visualizing and sharing each construction step from temporary construction planning, we are able to improve productivity and quality, as well as reduce material waste and environmental impact.

\* Building Information Modeling. A system that reproduces a three-dimensional model (BIM model) of a building on a computer that is identical to the reality and uses it to create a better building. Workflow that creates 3D models with BIM tools and utilizes accumulated information from design to construction and maintenance to improve operational efficiency and generate innovation in architectural design.



Interior view

## Research and development aimed at realizing a decarbonized society

The Sumitomo Forestry Group announced its W350 Plan in 2018 and Mission TREEING 2030 in 2022. In order to contribute to the achievement of Sumitomo Forestry's goal of decarbonization and the realization of a circular bioeconomy not only through housing and construction, but also through various upstream and downstream business activities centered on "wood", Tsukuba Research Institute will promote research and development with the aim of realizing a Timberized Eco City that turns cities into forests through various future technologies, including innovative construction technologies, new wood materials and new tree species.

By implementing the results of our research and development into society, we will revitalize the forestry industry with increased demand of wood and mitigate climate change with increased CO<sub>2</sub> 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)



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
[Utilization of Sustainable Forest Resources](#) - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - Environmental Related Data

## Partially Implementing the Results of R&D

One of the new technologies developed by Tsukuba Research Institute, a hybrid laminated engineered wood perforated beam\*, of one-hour fire-resistant structure, has been adopted for the KAGA Project, which is under construction by a joint venture between Sumitomo Forestry and Kumagai Gumi.

The KAGA project is using hybrid laminated engineered wood on the 7th through 10th floors, and by using Hokkaido Japanese larch for the timber, the project is helping to revitalize the domestic forestry industry. The beams are made of hybrid laminated engineered wood perforated beams, which allow pipes to penetrate directly through the beams, thus ensuring a higher ceiling height than conventional hybrid laminated engineered wood beams, and increasing the degree of design freedom. It also eliminates the need to install bulky materials for equipment piping, leading to lower overall construction costs and expanded versatility.

The wood used for the facility's structural framework is 39.9 m<sup>3</sup>, with about 31.8 tons of carbon storage (on a CO<sub>2</sub> basis). This is equivalent to the amount of CO<sub>2</sub> absorbed by a Japanese larch forest approximately 7.2 times the size of the planned site (139.05 m<sup>2</sup>). These facilities will transform the city into a forest and help create a decarbonized society.

\* The new certification was jointly obtained by adding the beam penetration technology developed by Sumitomo Forestry to the one-hour fire-resistant certified beams of hybrid laminated engineered wood for which Japan Laminated Wood Products Association has obtained ministerial certification.



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## 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 Wood 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.

#### Commitment to Protected Areas

To manufacture and secure wood 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 etc., we operate in strict compliance with all legal regulations.



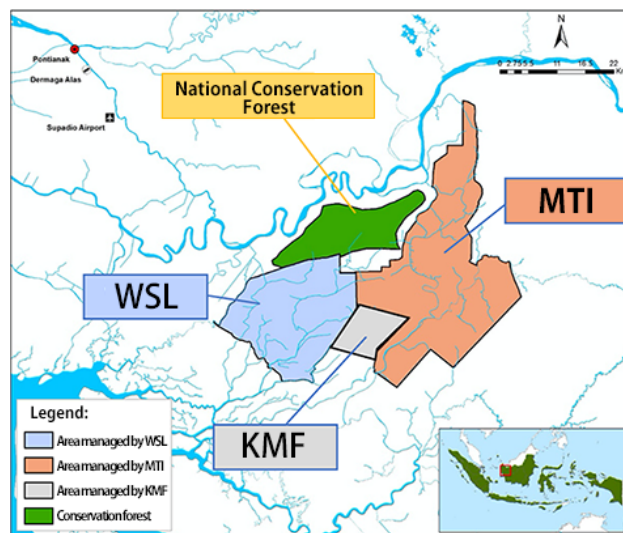
Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

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, but also work to mitigate our impact through reevaluation, minimization, revitalization, offsetting and other efforts.

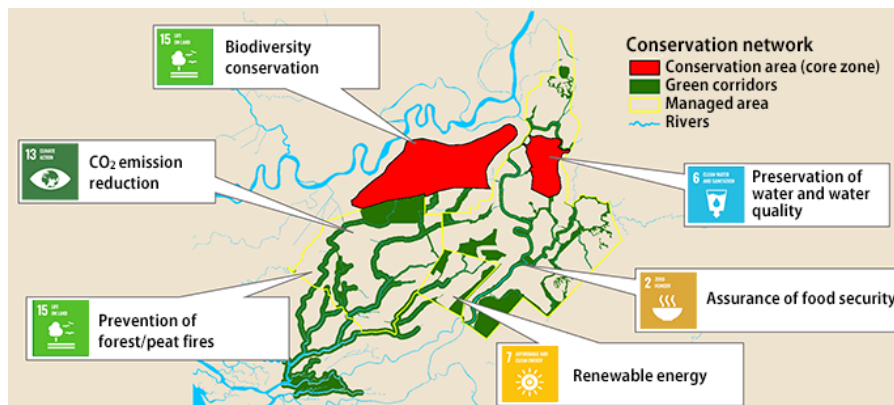
### Zoning Management According to Forest Purpose

The borders of these lands set by the government do not always match the boundaries of the ecosystem. The Indonesian subsidiaries 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.

Forest Management Area in Indonesia



Conservation Network





Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Evaluation of Initiatives by Stakeholders

The concept and specific initiatives of the Conservation Network proposed by WSL and MTI are attracting attention at home and abroad as a rare world wide initiative. At the 25th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP25) in Madrid, Spain in 2019, we presented as a representative of the private sector at the Indonesia Pavilion and were highly appreciated by international organization representatives, researchers, and NGOs. We also presented our technical approach to the challenges surrounding tropical forests and our initiatives at COP27 in Sharm El Sheikh, Egypt in 2022.

In addition, in our urban landscaping business, we are striving to improve the quality of our greening efforts through third-party certification by actively encouraging our customers to register for "Ikimono Kyosei Jigyousho<sup>®</sup>" 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.

## Taskforce on Nature-related Financial Disclosures (TNFD) /LEAP Initiatives

Changes in biodiversity and the natural environment affect corporate performance in various ways. The TNFD was established in June 2021 by Global Canopy, the United Nations Development Programme (UNDP), the United Nations Environment Programme Finance Initiative (UNEP FI), WWF, and others to examine a framework for each company to disclose information on biodiversity and other natural capital. Several draft versions of the information disclosure beta framework have been released, with final recommendations expected in September 2023.

The Sumitomo Forestry Group has been closely following the development of initiatives related to biodiversity and the natural environment, including signing on to the Business for Nature "Call to Action" in September 2020. As of February 2022, we participate in the TNFD Forum, a collective of stakeholders who support TNFD discussions, and we are working on information collection on TNFD through various domestic and international networks.

In conjunction with the information disclosure framework, the TNFD recommends the LEAP\* approach, a method for analyzing and assessing a company's dependence on and impact on nature, as well as risks and opportunities. The Sumitomo Forestry Group first took this LEAP approach on a trial basis in preparation for future TNFD disclosures.

\* It stands for Locate, Evaluate, Assess, and Prepare and is composed of four phases: Locating the interface with nature (L), Evaluating dependencies and impacts (E), Assessing material risks and opportunities (A), and Preparing to respond and report (P)

## Interaction between Business and Biodiversity

The Sumitomo Forestry Group is engaged in the distribution business, which purchases and sells wood from Japan and overseas; the wood building materials manufacturing business in Japan and overseas; the construction and sale of detached houses in Japan, the United States, and Australia; the development of multi-family housing and commercial and mixed use complexes; and medium- to large-scale construction projects. In looking at the supply chain as a whole within these Sumitomo Forestry Group businesses, we decided to go forward with the trial of the LEAP approach with respect to our wood procurement business, which depends on and has impact on biodiversity and natural capital in the most extensive and significant volumes around the world.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Locate

Interface with nature



## Evaluate

Dependencies &amp; impacts



## Assess

Material risks &amp; opportunities



## Prepare

Prepare to respond and report



### Analysis with LEAP Approach

#### Locate

L1: Business footprint

The Timber and Building Materials Business sector is involved in the global distribution, manufacturing, and sales of timber and building materials.

L2: Nature interface

When we looked over our business, we identified that we have particular interfaces with forests.

L3: Prioritization according to the integrity and importance of relevant ecosystems

Guiding Question:

Eight regions with significant wood imports (British Columbia, Canada; Tasman and Nelson, New Zealand; West Kalimantan, Central Kalimantan, East Java, and Central Java, Indonesia; and Sarawak, Malaysia) were identified as priority regions because they have particular contacts with forests.

L4: Identification of priority nature-risk locations by sector, business unit or value chain

We identified the sector as one that procures wood with a large volume of wood handled.



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

**Evaluate**

E1: Identification of relevant environmental assets and ecosystem services by priority location	We procure wood from about 20 countries.
E2: Identification of dependencies and impacts by priority location	According to the WWF Biodiversity Risk Filter, the following items are considered particularly risky for industries related to forest products. (1) Water scarcity (2) forest productivity and distance to markets (3) soil conditions (4) landslides (5) wildfire hazard (6) extreme heat (7) tropical cyclones (8) land, freshwater, and sea use change (9) tree cover loss (10) protected / conserved areas In addition, we examined the extent and causes of deforestation in each region over the past 20 years via Global Forest Watch.
E3: Dependency Analysis	Risk assessments were conducted in the above 8 regions. (WWF Biodiversity Risk Filter and Global Forest Watch)
E4: Impact Analysis	Risk assessments were conducted in the above 8 regions. (WWF Biodiversity Risk Filter and Global Forest Watch)

**Risk Assessment by Region****(1) Canada (British Columbia)**

In this region, deforestation has been caused by forestry business and forest fire over the past 20 years, resulting in a deforestation rate of 2% to 0.5% per hectare over the past 20 years. Bordering the Pacific Ocean to the west and the Rocky Mountains to the east, the region has many protected and conserved areas and is at high risk with respect to wood availability and landslides.

**(2) New Zealand (Tasman and Nelson regions)**

In these regions, deforestation in forestry business has been significant, with the deforestation rate per hectare over the past 20 years ranging from 2% to 0.5% in the Tasman region. However, with some forests restored in the Nelson region, the overall increase of 0.5% to 2% has been noted. The risk of landslides is high in this lush area dotted with national parks.

**(3) Indonesia****• West Kalimantan**

In this equatorial region, tropical rainforests are widespread. However, deforestation caused by large-scale land conversion to farmland has been significant, resulting in a deforestation rate of 5% to 2% per hectare over the past 20 years. Because of its largely undeveloped nature, the area has limited access to wood and is susceptible to landslides and extreme heat.

**• Central Kalimantan**

In this equatorial region, tropical rainforests are widespread. As in West Kalimantan, deforestation caused by large-scale land conversion to farmland has been significant, resulting in a deforestation rate of 5 % to 2% per hectare over the past 20 years. Because of its largely undeveloped nature, the area has limited access to wood and is susceptible to landslides and extreme heat.





Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

#### • East Java

In this region, there has been a lot of forest harvested due to large-scale land conversion to farmland and forestry, and although reforestation has been observed in some areas, the deforestation rate per hectare over the past 20 years has ranged from 5% to 2%. The area has a high risk of forest fire and water scarcity.

#### • Central Java

In this region, deforestation has been often caused by urbanization and forestry business, resulting in a deforestation rate of 2% to 0.5% per hectare over the past 20 years. The area is dotted with volcanoes and has a high risk of fires and landslides.

### (4) Malaysia

#### • Sarawak

Deforestation caused by large-scale land conversion to farmland and forestry business has been significant, resulting in a deforestation rate of 5% to 2% per hectare over the past 20 years. Because of its largely undeveloped nature, the area has limited access to wood and is susceptible to landslides.

#### Evaluation Indicators of WWF Biodiversity Risk Filter

Indicator name	Nature	Description
Scarcity of water	Dependency	It means whether freshwater resources are abundant or scarce
Forest productivity and distance to market	Dependency	The amount of wood supply feasible and the availability of wood
Soil condition	Dependency	Based on soil organic carbon (SOC) content
Landslides	Dependency	It assesses the potential threat of landslides caused by rainfall and earthquakes
Wildfire Hazard	Dependency	It assesses the potential threat of forest fire due to weather conditions
Extreme heat	Dependency	It assesses the threat of extreme heat during a 5-year replication period
Tropical cyclones	Dependency	It evaluates the maximum wind speed (mph) that can be expected in a 50-year cycle
Land, freshwater, and sea use change	Impacts	Measures pressures on the marine environment from direct human impacts such as agricultural expansion, river fragmentation, and shipping
Tree cover loss	Impacts	It measures forest canopy loss
Protected / conserved areas	Impacts	Indicates protection and conservation areas that overlap with the assessment unit



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

### Global Forest Watch Indicators of Forest Increase/Decrease

Tree cover gain	It identifies areas of increased trees under cover
Tree cover loss	It identifies areas of decreased trees under cover
Net changes in tree cover	It identifies the net increase/decrease in the number of trees under cover
Tree cover loss by dominant driver	Indicates dominant factors and their extent with respect to loss of trees under cover.

### Countermeasures against Risks

The Sumitomo Forestry Group is addressing sustainability issues, including biodiversity conservation, in its wood procurement.

#### Major Movements

(2005) Established "Wood Procurement Standards"

(2007) Established "Wood Procurement Philosophy and Policy"

(2015) Revised "Wood Procurement Philosophy and Policy" to "Sumitomo Forestry Group Procurement Policy"

(2017) Established "Sumitomo Forestry Group Code of Conduct"

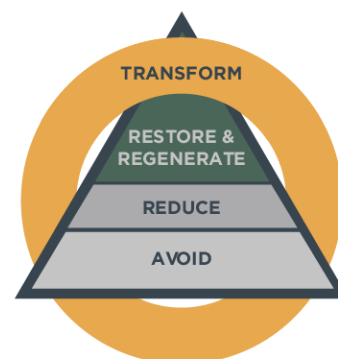
May 2019 Formulated "Wood Procurement Action Plan"

End of 2021 Achieved 100% handling ratio of timber and wood products from sustainable forests in direct imported wood, etc.

The Sumitomo Forestry Group has established its own wood procurement standards and conducts due diligence from the perspectives of compliance, respect for human rights, labor practices, biodiversity conservation, and impact on local communities. The Wood Procurement Committee conducts risk assessments from the perspective of sustainability, and by reconsidering contracts with suppliers that do not meet this standard, we have achieved a 100% sustainable timber and wood products procurement rate by the end of fiscal 2021(97.8% for the full year) . In fiscal 2022, we maintain 100% for the full year.

### Actions for Biodiversity Conservation

In order to coexist in harmony with nature, the Sumitomo Forestry Group is implementing various initiatives to achieve Nature Positive, which aims to reduce the loss of nature to zero and to turn it into a recovery. We have organized those activities in accordance with the framework of actions to achieve nature positivity recommended by SBT for Nature, as follows.



Source: Science Based Targets Network, 2020.  
"Science-Based Targets for Nature: Initial  
Guidance for Business Executive Summary



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

	Basic Policy	Initiatives and Commitments
Avoidance	The Sumitomo Forestry Group has formulated the Sumitomo Forestry Group Procurement Policy and Wood Procurement Management Regulations, and procures sustainable timber and wood products that conform to these policies, avoiding the use of problematic timber and wood products. In our forestry business, we manage forests separately as "working forests" for wood production and "conservation forests" for environmental conservation, avoiding business in areas where biodiversity is to be preserved. In company-owned forests in Japan, the company has also created the Riparian Forest Management Manual to ensure restricted operations in areas around bodies of water that are rich in biodiversity.	<ul style="list-style-type: none"> <li>• Annual Sustainability Procurement Survey in supply chain</li> <li>• Wood Procurement Committees are held four times a year</li> <li>• Certification acquisition rate of incoming PKS (100% in FY2024 target)</li> <li>• Securing ratio of conservation forests in company-owned forests (more than 30% in FY2024 target)</li> <li>• Prepared the Sumitomo Forestry Red Data Book and Riparian Forest Management Manual, and implemented appropriate management and conservation.</li> </ul>
Reduction	By promoting the recycling of wood, we aim to reduce resource consumption and increase efficiency, thereby realizing a circular bioeconomy and reducing the burden on nature. In our forestry business, we advance sustainable forest management to ensure that wood resources will be available in perpetuity while preserving public benefits of forests, including biodiversity conservation.	<ul style="list-style-type: none"> <li>• Final disposal of industrial waste (reduction rate compared to FY2021: 5.4%; reduction planned for FY2024)</li> <li>• Recycling rate at new housing construction sites (FY2021 result: 95.1% against FY2024 plan: 98.0%)</li> <li>• Recycling rate of waste at manufacturing plants (FY2021 results: overseas 98.5%, domestic 99.1% against FY2024 plan: 99.0%/99.0%)</li> <li>• Unused resources (biomass use) handling volume (planned for FY2024: 19,202 m<sup>3</sup>)</li> <li>• Domestic and overseas forest certified area (FY2021 actual 221,971 ha against FY2024 plan 242,493 ha)</li> <li>• Maintaining 100% SGEC certified area (company-owned forests in Japan)</li> </ul>



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

	Basic Policy	Initiatives and Commitments
Restoration and reproduction	We are engaged in activities to restore and regenerate biodiversity that has been lost or threatened with loss, in our core business of urban and residential landscaping business and in social contribution activities that utilize management resources cultivated through our business activities.	<ul style="list-style-type: none"> <li>• Increase in the number of native tree species sold (465,000 in FY2021 against 500,000 planned for FY2024), and promotion of "Harmonic Plants®" that sets guidelines for the selection of tree species, mainly native species, according to the target sites for afforestation</li> <li>• Promote acquisition of ABINC certification for urban landscaping business, etc.</li> <li>• Mt. Fuji Manabi no Mori project to restore 30ha of typhoon-damaged national forest at the foot of Mt. Fuji</li> <li>• Carried out the Oku-Matsushima Nature Restoration Volunteer Program, a tree-planting activity to restore the tsunami-devastated coastal area at the time of the Great East Japan Earthquake.</li> </ul>
Reform	We participate in and communicate our opinions on the activities of domestic and international rulemaking, industry associations, and related organizations regarding nature and biodiversity, and support the activities of NGOs and other organizations.	<ul style="list-style-type: none"> <li>• Participated in TNFD Forum</li> <li>• Joined the WBCSD Forest Solutions Group and got involved in the process of developing the Nature Positive Roadmap, etc.</li> <li>• Signing of the commitment of Business for Nature's "Call to Action" and "COP15 Business Statement for Mandatory Assessment and Disclosure"</li> <li>• Participation as a pilot company in the development of new guidelines for GHG protocols to calculate GHG removals and emissions from biological and soil-based sources</li> <li>• Participation in the 30by30 Alliance led by the Ministry of the Environment</li> <li>• Served as vice-chairperson of the Keidanren Committee on Nature Conservation and joined the Japan Business Initiative for Biodiversity (JBIB).</li> </ul>

## Support of Related Initiatives and Cooperation with Organizations


Sumitomo Forestry participates in many organizations that are actively involved in biodiversity conservation. In the Keidanren Committee on Nature Conservation, the chairperson of Sumitomo Forestry serves as vice-chairperson and sends members to the planning subcommittee, which is responsible for its operation. 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) and conduct joint research on corporate biodiversity initiatives in subcommittee meetings.

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

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

In addition, Sumitomo Forestry Landscaping is striving to the registration of "Ikimono Kyozon Jigyousho<sup>®</sup>" 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.

[Click here for related information](#)

> [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 \(Second Edition\)](#) 

## 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"](#) 



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Biodiversity Conservation

### Biodiversity Conservation in Company-Owned Forests in Japan and Planted Forests Overseas

#### Biodiversity Conservation in Company-Owned Forests in Japan

Our Policy on Biodiversity Conservation applies to the company-owned forests in Japan. We conserve "diversity of ecosystems" through proper management of conservation areas and consideration of forest continuity, "diversity of species" through protection of rare plants and animals, and "genetic diversity" through maintenance of wildlife populations. In keeping with these policies, forests are subject to appropriate zoning and management according to certain criteria, such as the increment of trees. 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.



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Creation of the Sumitomo Forestry Red Data Book

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, we will continually advance measures focused on biodiversity and update the content of the text as necessary.



Sumitomo Forestry Red Data Book

## Creation of the Riparian Forest Management Manual

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. Surveys were conducted in four areas— Mombetsu (Hokkaido), Niihama (Shikoku), Hyuga (Kyushu) and Kinki region (Honshu). The results were used to create basic reference materials relating to biodiversity and to ascertain the impact of forestry on the surrounding environment over the long-term.

The results of the nine surveys showed that the number of population and species of mammals and birds change during the gradual transition of small clear-cut areas to forest, indicating that biodiversity is maintained by forestry.

While a number of species decline temporarily, small size of 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





Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Species of Mammals and Birds Confirmed by Past Surveys

	Managed Area		Verified mammal and avian species								
	(ha)		2008	2009	2010	2011	2012	2013	2014	2015	2016
Company-owned forests in Shikoku	14,782	Mammals	14				11				10
		Birds	31				34				24
Company-owned forests in Kyushu	9,182	Mammals		11				12			
		Birds		33				29			
Company-owned forests in Hokkaido	18,199	Mammals			10				9		
		Birds			38				40		
Company-owned forests in Honshu * 2013 acquisitions in Okayama, Hyogo, and Mie  * 2015 additional acquisitions in Wakayama	5,804	Mammals				12				(Wakayama)10 (Hyogo)6	
		Birds				25				(Wakayama)29 (Hyogo)21	
Total	47,967										

\* Conducted in two areas in 2015; Wakayama and Hyogo



Japanese deer confirmed in Niihama (Shikoku) forests in fiscal 2016



Japanese monkeys confirmed in Niihama (Shikoku) forests in fiscal 2016

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Appropriate Control of the Deer Population

In recent years, the increasing numbers of wild deers throughout Japan has raised concerns about feeding damage on 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.

Sumitomo Forestry Group captures 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), Mayangkara Tanaman Industri (MTI) and Kubu Mulia Forestry (KMF) 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 subsidiary companies PT. Wana Subur Lestari (WSL), PT. Mayangkara Tanaman Industri (MTI) and Kubu Mulia Forestry (KMF) conduct operations balancing working forests and environmental conservation in the West Kalimantan province of Indonesia.

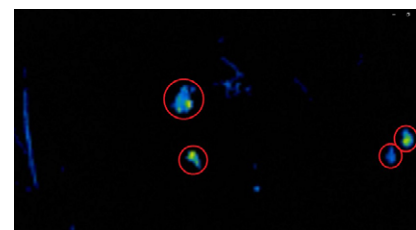
Each operation begins with detailed measurements and surveys to determine conservation areas, buffer zones and forestation areas. Conservation areas are subject to regular animal and plant surveys. In addition to population monitoring of orangutans and proboscis monkeys, which are rare animals, studies 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 proficient skills. Sumitomo Forestry is attempting to directly observe 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 installed in conservation areas photographed 31 species and 494 animals in 2022.



List of Aquatic Creatures Discovered Through the Survey



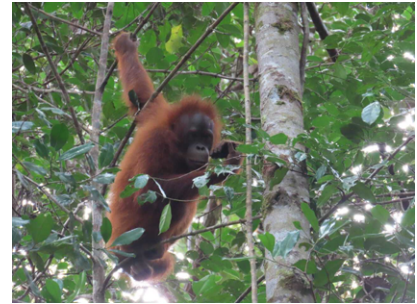
Direct Observation of Animals Using Heat Sensors



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

We photographed an adult orangutan with its child for the first time in fiscal 2019 and confirmed a higher population 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 designated as 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.



Orangutan observed in MTI's conservation area  
(photo taken May 2022)

## 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 strived 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 in 2021. In October 2022, three chicks were found to have hatched in the TPF forest. We will continue to make efforts so that the birds can leave the nest in the future.



Kea (Large Parrot Species)



Chicks found in TPF forests

[Click here for related information](#)

> [New Zealand Department of Conservation Homepage](#)





Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## 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.

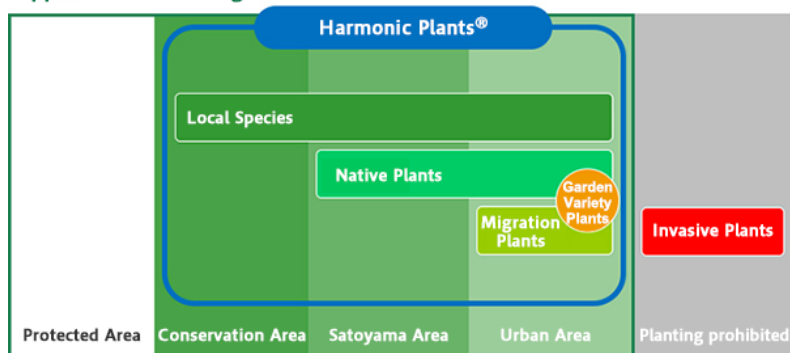
There are plants that have grown in Japan since long ago (native plants) and plants that have come to Japan from abroad (migration plants) for trees. Among these migration plants, there are species that will overrun areas where native plants live due to their characteristics, which endanger the biodiversity 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

##### Approach to Planting Areas



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## 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 350 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



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## 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

## UR Urban Renaissance Agency Tokiwadaira Danchi with SEGES First Accreditation for 'Sodateru-Green'

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.

In August 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.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

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.



the green space of Tokiwadaira Danchi



Related SDGs

## Minister of Land, Infrastructure, Transport and Tourism Award at the National Urban Greenery Fair Hokkaido

In the garden exhibition contest held within the 39th National Urban Greenery Fair Hokkaido in 2022, a work exhibited by Sumitomo Forestry and designed and supervised by Sumitomo Forestry Landscaping, the "Glamping Garden for Living with the Comfort of the Forest", received the highest award, Minister of Land, Infrastructure, Transport and Tourism Award and the Gold Award.

The award-winning entry was recognized for its ability to design the spaces and its high level of technical skill in utilizing wood and plants. The work also takes the local community and the environment into consideration through local production for local consumption and decarbonization, such as the use of *Abies sachalinensis* from Hokkaido for the post and beam of the framework, as well as the transportation of major trees by rail. In particular, rail transport of trees has reduced CO<sub>2</sub> emissions by about 80 % compared to transport by truck. Modal shift, which is a shift to a transport method with a smaller environmental impact, is expected not only to realize a decarbonized society, but also to address various social issues, such as the shortage of driver personnel.



Award-winning work

## 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.



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

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 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 an Illustrated Guide to Home Trees Revised Edition

A total of 46,000 copies of Sumitomo Forestry Landscaping's "An Illustrated Guide to Home Trees" have been printed since the first edition published in 2013, with two revisions afterwards.

The revised edition I was published in March 2017, following the establishment of the Invasive Alien Species List by the Ministry of the Environment and the Ministry of Agriculture, Forestry and Fisheries, and taking into account further impacts on the ecosystem. We also restructured Sumitomo Forestry Landscaping's own criteria for invasive species.

The revised edition II was published in March 2021 with partially altered content in response to the modification to the Plant Variety Protection and Seed Act and the addition of original varieties, and contains 508 species, including six original varieties.

### (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.





Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## (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.

## Recognition of Contributions to Environmental Consciousness

Sumitomo Forestry Landscaping has begun assessing carbon storage by trees in residential gardens as part of its efforts towards a decarbonized society. Trees play an important role towards a decarbonized society as they can absorb CO<sub>2</sub> during their growth and continue to fix it as carbon.

Combined with Harmonic Plants®, a guiding principle of Sumitomo Forestry Landscaping, the aim is to create gardens that take into account local biodiversity, while also looking at the environment of the entire planet.

At Sumitomo Forestry's model house in Yonago, plantings were mainly of native species in accordance with the Harmonic Plants® guidelines. As a model case for LCCM housing, carbon storage in gardening was also assessed.

The amount of carbon storage was calculated for trees, wooden decks and wooden fences as materials that can be used for carbon fixation in gardening. The garden at the Yonago model house fixes approximately 6.2 tonnes of CO<sub>2</sub> equivalent (equivalent to the carbon storage of about 21 trees of 40-year-old cedars in an planted forest).

In the future, the system will be developed to enable simpler assessment, and preparations will also be made to enable recognition of the fixed volume that increases as properly managed trees grow.



Yonago model house

[Click here for related information](#)

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

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Overseas Landscaping Businesses

### Expansion into the Landscape Business in Australia

In 2022, Sumitomo Forestry acquired Regal Innovations, a landscape business\* in Australia, as a subsidiary. The company is also involved in leading development and construction projects in urban Sydney, and accelerates efforts to address environmental issues through the creation of landscapes in harmony with nature in the design and construction of commercial areas, public facility housing exteriors, green zones and parks. When creating spaces, not only are plants, wood, stone and soil used, but also rainwater circulation and techniques for restoring and preserving vegetation are incorporated. Technological exchange between Japan and Australia has also begun, including the sharing of garden vegetation and green space management know-how by Sumitomo Forestry Landscaping, and design proposals for landscape design. In the future, we will combine this with our housing, construction and real estate business to promote more environmentally sound development in Australia and other countries.

\*Landscaping projects collectively, including housing exterior works in residential areas and urban and infrastructure developments



Barangaroo District Park area, Sydney



Darling Harbour area undergoing redevelopment

### Design Collaboration in Australian Subdivisions

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.



Nature Play Equipment Using Natural Stone (First Stage of the Annadale Estate Project Park)

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - **Biodiversity Conservation** - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

In this design partnership that began in 2017, Sumitomo Forestry Group proposed a concept, Growing Wellness Life & The Five Sense, for the basic design of Tract. Tract highly evaluated this proposal as a fantastic reference because a story is not usually incorporated into standard design plans in Australia and playground equipment using natural stone and logs was employed to better the motor skills of the children as well as the vegetation plans. The 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 are imperative to raise the value of the estate development and pursue the creation of efficiently green open spaces. The 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.



Concept Proposal for the Second Stage of the  
Annadale Estate Project Park



Completed Project



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - **Resource Recycling Initiatives** - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Resource Recycling Initiatives

### Waste Reduction and Recycling

#### 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. Our priority is to realize a circular bioeconomy by leveraging forests and wood resources, and we are promoting initiatives to reduce environmental impact, such as protecting resources by advocating for recycling and zero emissions. The Sumitomo Forestry Group has also established measures in each of its divisions to achieve these priority targets. We will check the progress of the plan each fiscal year, and by fiscal 2024, the final year of the Medium-Term Management Plan, we aim to reduce the Group's total final processing amount by 5.4% from the fiscal 2021 level, to 19,905 tons.

[Click here for related information](#)

Material Issue 3 To realize a circular

➤ bioeconomy by leveraging forests and wood resources

#### Initiatives to Achieve 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.

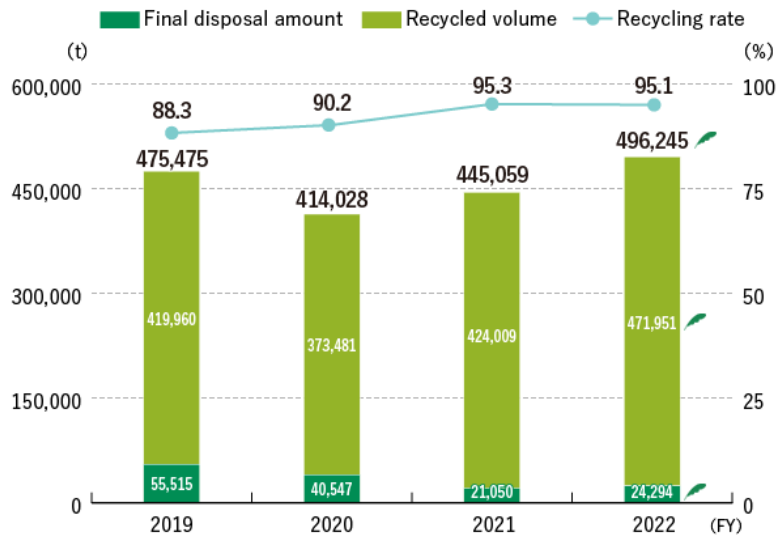
In addition, we aim to achieve zero emissions through more detailed management by dividing them into seven categories of new housing construction sites, domestic manufacturing plants, power generation business, remodeling and renovation business, lifestyle services business, etc., overseas manufacturing plants, and demolition work sites in consideration of status of business activities and waste generated. Continuing from last year, we achieved zero emissions at our domestic and overseas manufacturing plants and power generation plants in fiscal 2022.





Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - **Resource Recycling Initiatives** - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

### Trends in Waste Generated and Recycling Rate<sup>\*1\*2</sup>



\*1 Figures for Cohnan Kensetsu Inc. are included from fiscal 2022

\*2 Data collection period for emissions from fiscal 2020 is January to December of each year, and the emissions counting period for fiscal 2019 is April to March 2020

### Initiatives for Knowledge Acquisition of Waste Managers

The Sumitomo Forestry Group is taking steps to acquire knowledge so that each person in charge can properly deal with industrial waste generated at construction sites as well as waste generated at offices.

The Housing Division has launched a new e-learning course titled "Key Points for Construction Waste Management," which all managers in charge of production departments at branches must take. In response to stricter regulations on asbestos, we have also established an e-learning course on "Preliminary Investigation of Asbestos" and "Waste Management Basics" to promote the acquisition of knowledge on waste generated from offices. In addition, Sumitomo Forestry distributes a monthly "Safety, Environment and Quality Inspection Department Information" to its branches to keep them up-to-date on the latest information, and also provides guidance and education to construction subcontractors and demolition companies.

### 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".



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - **Resource Recycling Initiatives** - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Compliance with the Plastic Resource Circulation Act

On April 1, 2022, the Plastic Resource Circulation Act came into effect.

This act is designed to promote plastic resource recycling efforts (3R+Renewable) by all entities involved in the design, manufacturing, sale, and supply of plastic products, as well as the discharge, collection, and recycling of waste.

For "high-volume emitting businesses" that emitted 250 tons or more in the previous fiscal year, information on the status of target achievement must also be included and disclosed on the internet or other media (applicable to Sumitomo Forestry, Sumitomo Forestry Home Tech, and Sumitomo Forestry Crest).

## Status of Target Initiatives and Measures in Target Divisions

Division	Project	Indicators for Evaluation	FY12/21 (Results)	FY12/22 (Results)	FY12/23 (Estimated)
Sumitomo Forestry (Housing)	Emission suppression	Plastic waste emissions (t)	-	Calculation	Consideration of reduction methods
	Recycling	Continue to promote recycling into solid fuel (RPF), etc.			
	Measure	Emission suppression by studying specific reduction methods, and continue to promote recycling into solid fuels (RPF) and other forms of recycling.			
Sumitomo Forestry Home Tech	Emission suppression	Emissions per unit of completed construction	0.020t/million yen	0.0297t/million yen	Reduced from the previous fiscal year
	Recycling	Recycling rate	85.3%	81.6%	Reduced from the previous fiscal year
	Measure	Regarding the suppression of occurrence, we will discuss the reduction of plastic packing materials from suppliers, and work on the use of on-site reuse of protection materials. As for emission suppression, we will work to change the intermediate treatment contractors with low recycling rates through discussions.			
Sumitomo Forestry Crest	Emission suppression	Plastic waste emissions (t)	226.8t	235.9t	225.2t
	Recycling	Amount of plastic waste landfilled (t)	5.6t	2.8t	1.6t
	Measure	As for emission suppression, we will work on to reduce the volume of packing for solid floor spacers, replacement of foam protection materials with paper materials, and the replacement of air cushions.			





Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - **Resource Recycling Initiatives** - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Resource Recycling Initiatives

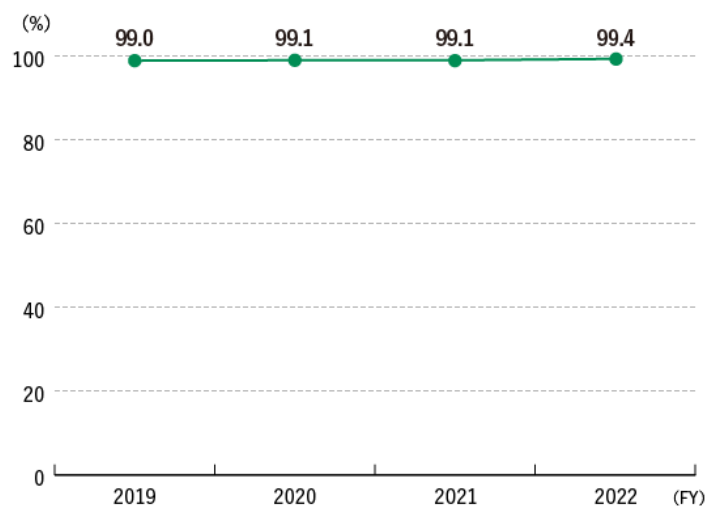
### Manufacturing Business Initiatives

#### Initiatives at Domestic Manufacturing Facilities

The Sumitomo Forestry Group is making ongoing efforts to reduce waste emissions, for example by tightening the sorting of industrial waste at each manufacturing plant, promoting its effective use as resources without simple incineration (thermal use), and selling it for a profit. The Sumitomo Forestry Group managed to achieve a recycling rate of 99.4% against the target of 99.5% in fiscal 2022. Zero emissions (recycling rate of 98% or more) were achieved at offices of Sumitomo Forestry Crest, Sumitomo Forestry Landscaping and Agro-Products division.

#### 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.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

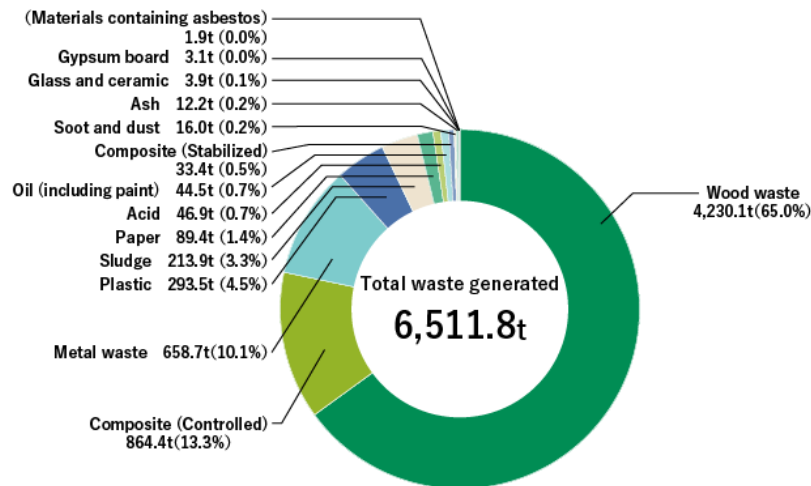
Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - **Resource Recycling Initiatives** - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Breakdown of Waste Generated at Domestic Manufacturing Plants (FY2022)



## Initiatives at Overseas Manufacturing Plants

Seven major overseas manufacturing plants\* are promoting zero emissions.

Offcuts generated at plywood and building materials mills is reused as raw material for wooden board mills, and at wooden board mills, waste wood from the manufacturing process is reused as fuel for heat sources in the drying and thermal pressing processes. We also promote zero-emission activities by making effective use of all types of wood waste, such as using the offcuts generated at our wooden mills for novelty goods.

The recycling rate in fiscal 2022 achieved zero emissions at 98.0% 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.

United States: Canyon Creek Cabinet Company



Recycling by sorting waste

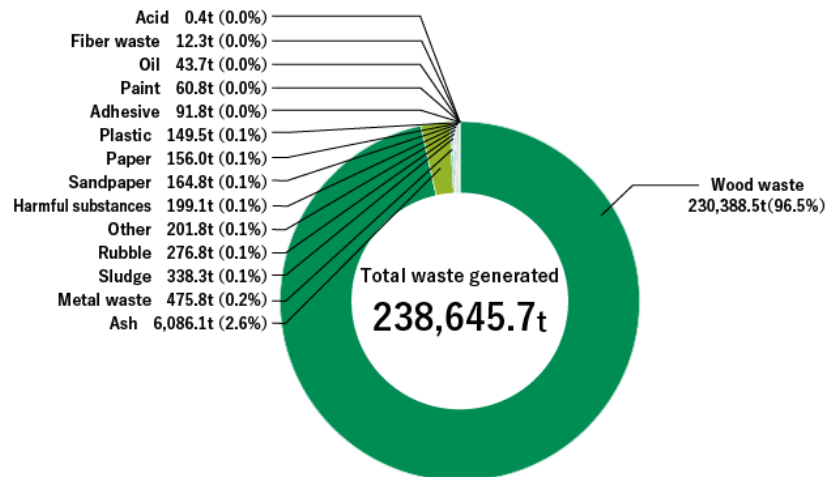


Recycling by sorting waste manufacturing as raw materials for novelty goods



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - **Resource Recycling Initiatives** - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

## Breakdown of Waste Generated at Overseas Manufacturing Plants (FY2022)



## Japan Bio Energy Recognized as Superior Industrial Waste Disposal Operator

Japan Bio Energy, which manufactures and sells wood biomass chips, has been recognized as a superior industrial waste disposal operator since 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. The current waste disposal business permit expires in April 2023, so the renewal of the certification as superior operator will be implemented in conjunction with the renewal of the permit.

[Click here for related information](#)

➤ [Waste Reduction and Recycling](#)



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - **Resource Recycling Initiatives** - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Resource Recycling Initiatives

### Housing Business Initiatives

#### Efforts 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 have worked to reduce waste by concentrating on these three primary forms of waste.

The Mid-Term Sustainability Targets of the Sumitomo Forestry Group set a target of reducing the amount of industrial waste generated per building from new housing construction sites to 2,511 kg/building by fiscal 2024. In fiscal 2021, we began to use pre-cut roofing slates and Kizure Panels at our branches and offices nationwide, and this has gradually had a positive effect on reducing industrial waste emissions. In fiscal 2022, the operation of pre-cut of the Kizure Panels and roof slates took root, resulting in a steady decrease in industrial waste emissions to 2,585 kg/building, exceeding the fiscal 2022 target of 2,709 kg/building.

With respect to Kizure Panels and roof slate material, they are expected to reduce 80kg/building and 170 kg/building respectively. 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.

In addition, at construction sites, we aim to reduce industrial waste emissions by 2.5% from the actual emissions in fiscal 2022 by promoting the use of reusable protection materials and ordering appropriate quantities of construction materials to prevent the generation of surplus materials, etc.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - **Resource Recycling Initiatives** - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Reduction Rate of Industrial Waste Generated at New Housing Construction Sites (Per Household)

	Total Emissions (kg)	Reduction Rate (Compared to Baseline)
FY2017 (Baseline)	3,325	-
FY2020 result	2,977	▲10%
FY2021 result	2,736	▲18%
FY2022 result	2,585	▲22%

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

Sumitomo Forestry meticulously sorts waste produced on new housing construction sites. We will raise awareness through mediums such as posters including specific waste information to make sorting of the 11 categories of waste easier. We have also engaged in efforts to reuse rather than dispose of wood base and packing materials used when transporting precut structural and other materials.

In fiscal 2022, the operation of pre-cutting of Kizure Panels and roof slates progressed, and the generation of industrial waste of wood waste and slates, which used to be recycled, decreased, and this affected the recycling rate that it declined and stagnated at 94.3%, compared to the recycling rate target of 98%.

Currently, the Sumitomo Forestry Group sets a goal of achieving 98.0% waste recycling rate for new housing construction sites by fiscal 2024 as part of the Mid-Term Sustainability Targets.

In fiscal 2023, we will reduce composite waste and improve the recycling rate by further enforcing separation of waste on site. We will also work to expand the adoption of new recycling treatment plants.



Posters About Sorting Industrial Waste



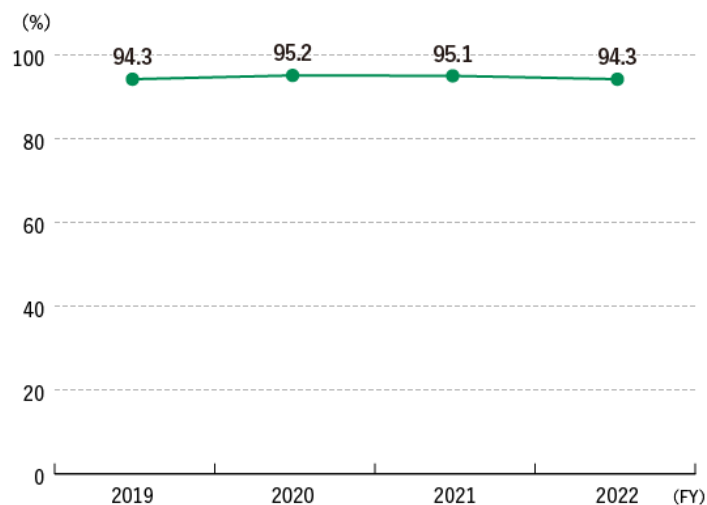
Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - **Resource Recycling Initiatives** - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Waste Recycling Rate at New Housing Construction Sites

	Recycling Rate
FY2017 (Baseline)	92.5%
FY2019 result	94.3%
FY2020 result	95.2%
FY2021 results	95.1%
FY2022 results	94.3%

### Recycling Rate at New Housing Construction Sites\*

(Housing Division, Construction Business Sub-Division, Sumitomo Forestry Landscaping,  
Sumitomo Forestry Home Engineering)



\* Data collection period for total emissions from fiscal 2020 is January to December of each year, and the emissions counting period for fiscal 2019 is April to March of the following year.

## 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.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - **Resource Recycling Initiatives** - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## 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 Recycling Center has been collecting and processing waste produced by new housing construction sites of the metropolitan and five prefectures of Kanto (Metropolitan Tokyo, Kanagawa, Saitama, Ibaraki, Tochigi, and Gunma prefectures).

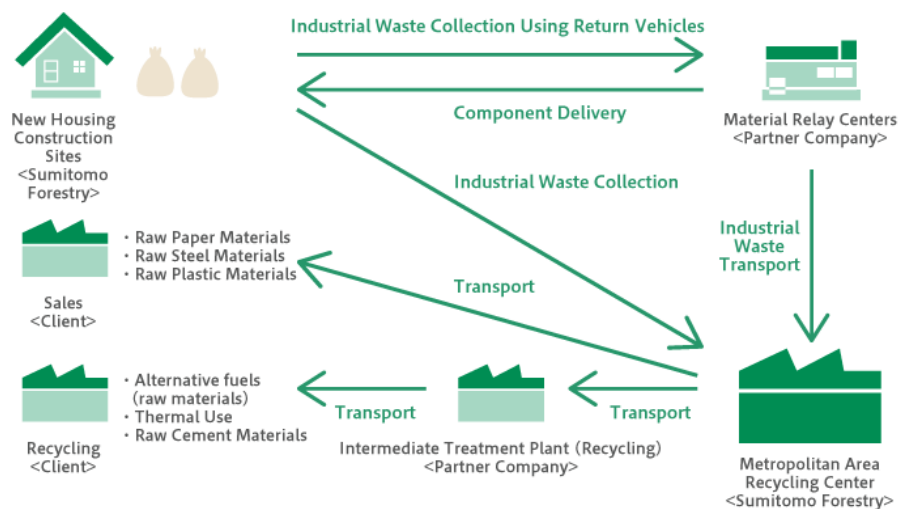


Metropolitan Area Recycling Center

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.

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 in the San-in 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



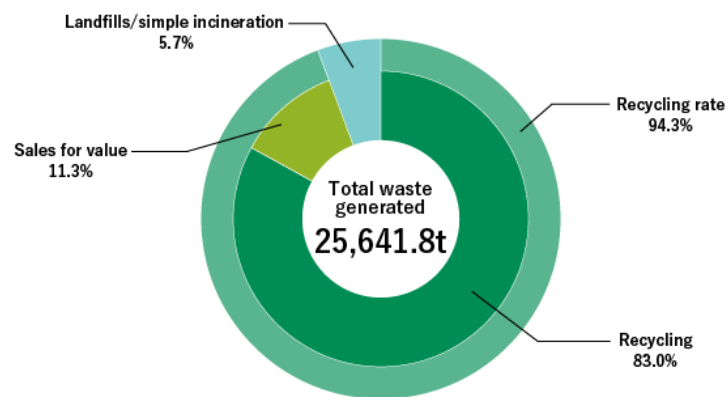




Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - **Resource Recycling Initiatives** - Pollution Prevention -  
Efficient Use of Water Resources - Environmental Related Data

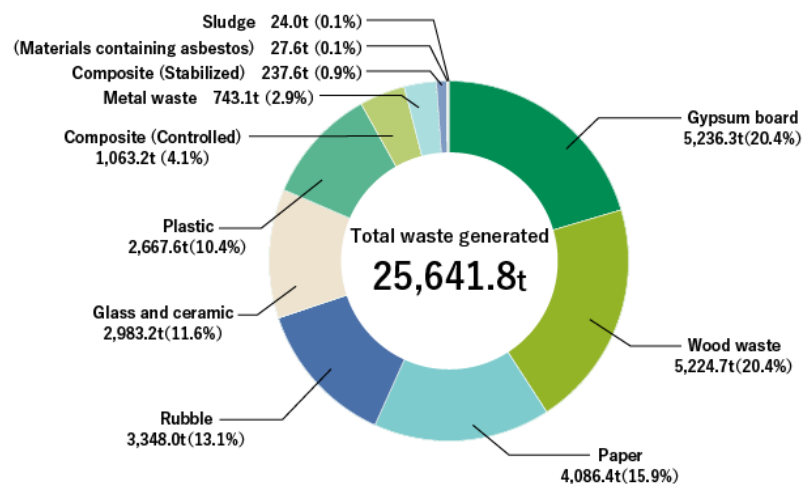
## Breakdown of Waste Generated by Disposal Process for New Housing Construction Sites (FY2022)

(Housing Division, Construction Business Sub-Division, Sumitomo Forestry Landscaping,  
Sumitomo Forestry Home Engineering)



## Breakdown of Waste Generated at New Housing Construction Sites (FY2022)

(Housing Division, Construction Business Sub-Division, Sumitomo Forestry Landscaping,  
Sumitomo Forestry Home Engineering)



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - **Resource Recycling Initiatives** - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## 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.

The recycling rate for concrete was almost 100% in fiscal 2022, as it was the previous year. We also maintain a high recycling rate for wood waste by removing extraneous matter.

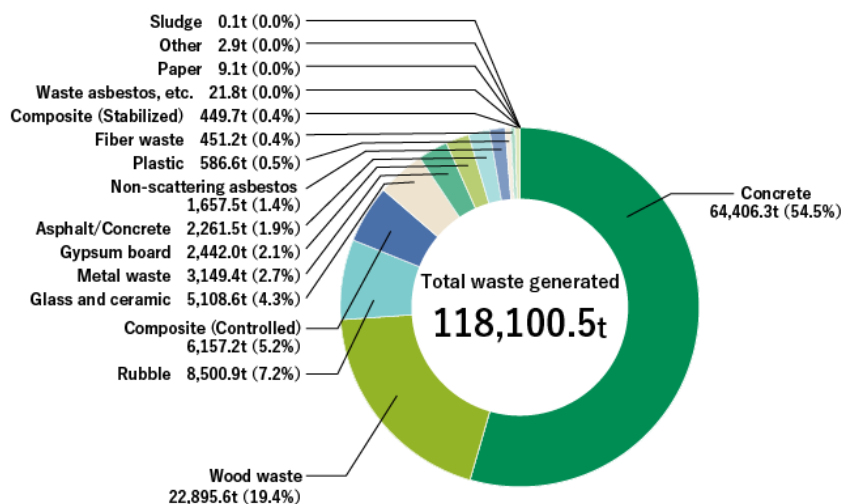
## Waste Management for Demolition Work

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.

Recycling rate at  
housing demolition sites

**94.4%**

## Breakdown of Demolition Waste Generated (FY2022)\*





Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - **Resource Recycling Initiatives** - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Launch of Industrial Waste Management Centers

Sumitomo Forestry opened three industrial waste management centers throughout Japan in fiscal 2021. We will work to eliminate industrial waste risks nationwide through unified and highly accurate management by personnel specializing in industrial waste management operations. 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.

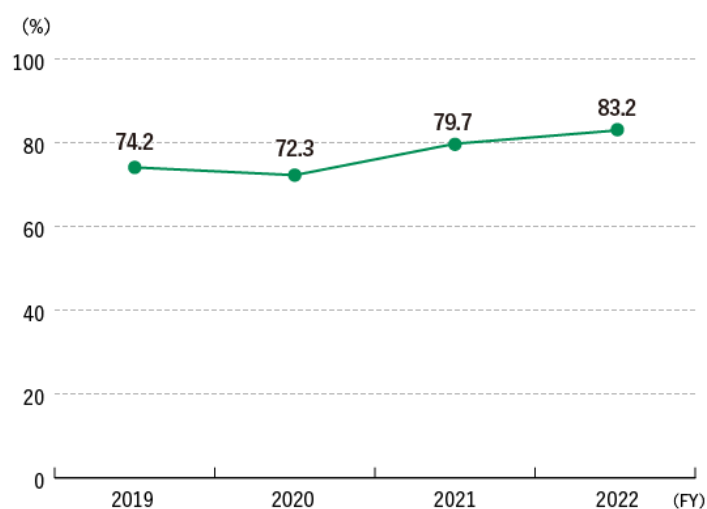
## Remodeling and Renovation Business Initiatives

We are working to reduce waste generated on remodeling and renovation sites by using reusable protective materials. Sumitomo Forestry Home Tech recycles wood waste materials generated at its renovation sites.

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. In addition, we will provide focused guidance and education to sites with low recycling rates, strengthen sorting, and promote outsourcing to disposal sites with high recycling capacity.

Guidance on on-site sorting and enhanced sorting at disposal sites resulted in a recycling rate of 83.2% in fiscal 2022

### Trends in Recycling Rates in the Renovation Business<sup>\*1,2</sup>



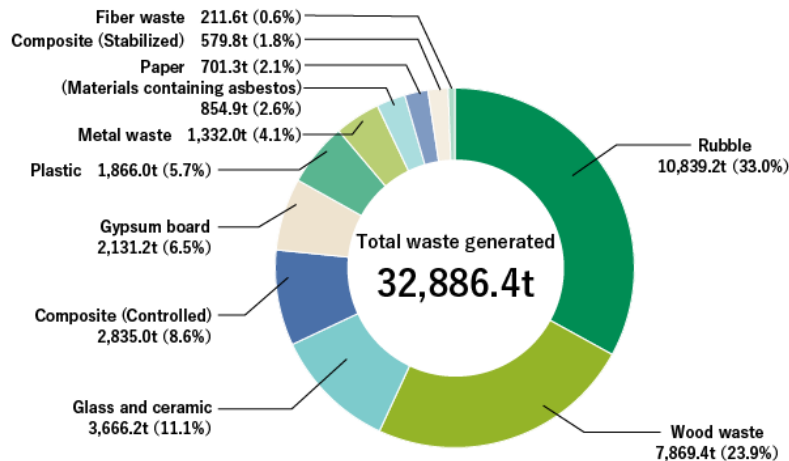
\*1 Includes Sumitomo Forestry Home Tech renovation sites but excludes hard-to-recycle debris and asbestos

\*2 Data collection period for total emissions from fiscal 2020 is January to December of each year, and the emissions counting period for fiscal 2019 is April to March of the following year



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - **Resource Recycling Initiatives** - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Breakdown of Waste Generated at Renovation Business Operations (FY2022) (Sumitomo Forestry Home Tech)



### 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.

[Click here for related information](#)

> About symbol for Independent assurance



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - **Resource Recycling Initiatives** - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

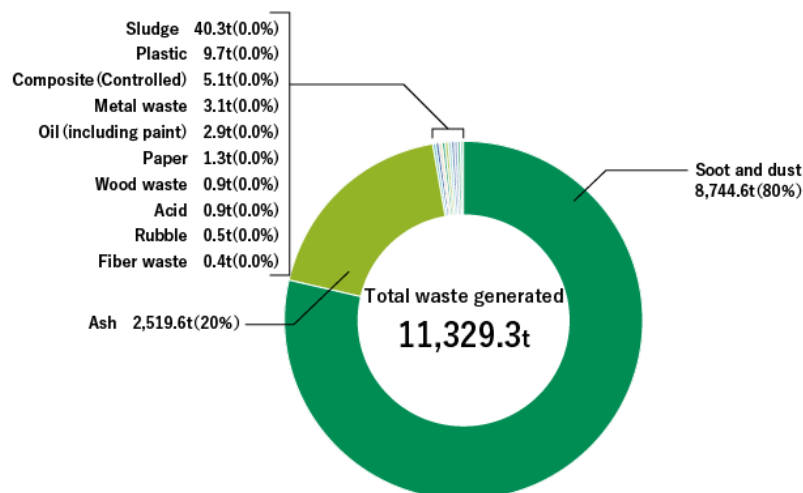
## Resource Recycling Initiatives

### Power Generation Business Initiatives

#### Power Generation Business Initiatives

In power generation business operations, incineration ash emitted by biomass boilers is blended with quicklime for reuse primarily as a forest roadbed material. In fiscal 2018, it was manufactured under the product name Rovander, and received approval as a Hokkaido Government-certified Recycled Product. We also achieved zero emissions (recycling rate of 98% or more) for the first time in the power generation business. In fiscal 2022, the recycling rate was 99.0%, achieving zero emissions for the second year in a row.

#### Breakdown of Waste Generated at Power Generation Business Operations (FY2022) (Mombetsu Biomass Electric Power, Hachinohe Biomass Electric Power)



[Click here for related information](#)

➤ [Waste Reduction and Recycling](#)


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

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - **Resource Recycling Initiatives** - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Maintenance of Forest Roads, etc. Using Rovander Foundation Filler Made with Incineration Ash

At Mombetsu Biomass Electric Power, 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 forest 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



北海道認定リサイクル製品

The Hokkaido Government-certified Recycled Product mark



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - **Resource Recycling Initiatives** - Pollution Prevention - Efficient Use of Water Resources - Environmental Related Data

## Resource Recycling Initiatives

### Other Business Initiatives

#### Other Business Initiatives

At waste-generating locations of enterprises such as Lifestyle Services Business, Distribution Business, Renovation Business and Research Institutes, initiatives to reduce amounts of waste generated are implemented at a department level.

#### Lifestyle Services Business Initiatives

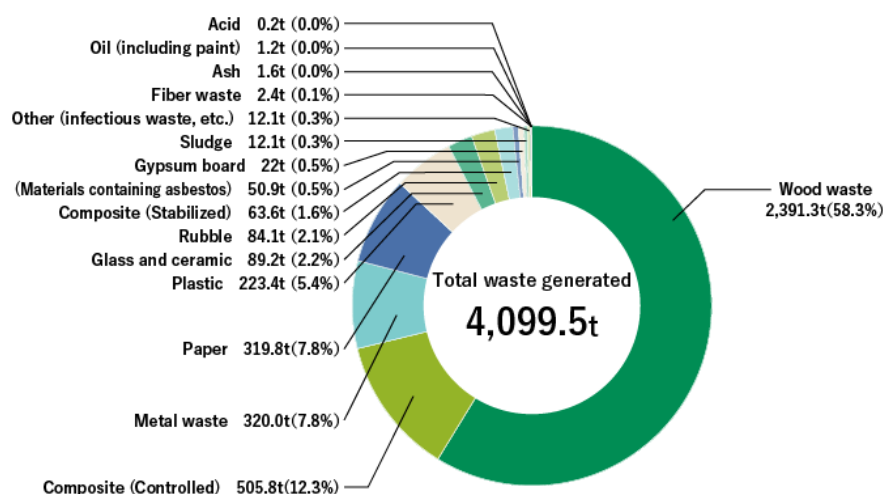
In the Lifestyle Services Business, we are promoting initiatives to reduce industrial waste in each of our diverse service offerings, such as nursing care facilities, hotels, and golf courses.

For example, Kawanokita Development, which operates the Takinomiya Country Club golf course in Niihama City, Ehime Prefecture, has eliminated plastic toothbrushes and razor blades, as well as plastic straws in favor of paper straws, in an effort to comply with the new plastic law.

#### Research Institute Initiatives

Sumitomo Forestry's Tsukuba Research Institute generates a variety of waste materials as a result of various tests. The majority of the waste consists of wood, and is reused as particle board raw material and fuel for biomass power generation. In addition, the chemical substances used in the experiment are outsourced to specialized dealers in industrial waste treatment to prevent leakage to the outer environment, where they, including the hazardous ones, will be treated according to their properties and rendered harmless. The residue is recycled as raw materials for cement, etc.

#### Breakdown of Waste Emissions from Other Business\* (FY2022)





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

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - **Pollution Prevention** - Efficient Use of Water Resources - Environmental Related Data

# 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.



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - **Pollution Prevention** -  
Efficient Use of Water Resources - Environmental Related Data

**Management Table of Chemical Substances at Plants in Japan (FY2022)**

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)	3,930	2,838	0	0	0	0	1,092	0	
		448	Methylenebis (4,1- phenylene) diisocyanate	1,120	0	0	0	0	0	18	0	
	Subtotal			5,050	2,838	0	0	0	0	1,110	0	
	Niihama Plant	186	Methylene chloride (dichloromethane)	3,965	2,897					1,068	0	
	Subtotal			3,965	2,897	0	0	0	0	1,068	0	
	Imari Plant	4	Acrylic acid and water-soluble salts	11,069	0	0	0	0	0	0	0	11,069
		7	n-Butyl acrylate	12,270	0	0	0	0	0	0	34	12,236
		84	Glyoxal	3,091	0	0	0	0	0	0	6	3,085
		134	Vinyl acetate	1,988,395	2,338	97	0	0	0	0	49	1,985,911
		349	Phenol	63,000	0	0	0	0	0	0	24	62,976
		395	The water-soluble salts of peroxy disulfuric	3,008	0	0	0	0	0	0	8	3,001
		407	Poly (Oxyethylene) = Alkylether (alkyl group: C12~C15)	4,181	0	23	0	0	0	0	12	4,146
		411	Formaldehyde	142,161	43	0	0	0	0	0	370	141,748
		448	Methylenebis (4,1- phenylene) diisocyanate	9,496	0	0	0	0	0	0	49	9,447
	Subtotal			2,236,671	2,381	120	0	0	0	552	2,233,618	
Total				2,245,686	8,116 🌱	120 🌱	0 🌱	0 🌱	0 🌱	2,730 🌱	2,233,618	



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - **Pollution Prevention** - Efficient Use of Water Resources - Environmental Related Data

## 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 (FY2022)

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.	18,312	-	-	46
ASTI	Indonesia	Styrene, xylene, solvents	320	-	14	27
RPI	Indonesia	Isocyanate/Formaldehyde	574	-	-	0
SRP	Indonesia	Curing agents, paints, dyes, etc.	171	-	-	8
NPIL	New Zealand	Curing agents, paints, dyes, etc.	347	-	-	0
VECO	Vietnam	Isocyanate/Formaldehyde, etc.	477	-	-	0
CCC	United States of America	MEK, alcohols, etc.	341	329	-	12
PAP	Thailand	Adhesives, Colorants	1	-	-	0.3
Total			20,543	329	14	93

## 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 and Hachinohe Biomass Electric Power in accordance with the Air Pollution Control Act as well as local regulations. In fiscal 2022, emissions concentration testing results were all within the relevant standard values.



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - **Pollution Prevention** - Efficient Use of Water Resources - Environmental Related Data

### Management Table of Air Pollutants at Plants in Japan (FY2022)

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 <sup>3</sup>	5	0.05	1.6
	Shizuoka Plant	Dioxin	ng-TEQ/m <sup>3</sup>	5	0.83	-

Applicable Company	Applicable Department	Measured Substances	Emissions to the Air(kg/year)	Unit	(Baseline)	Measured Concentration	Dry gas flow rate (Nm <sup>3</sup> /h)
Sumitomo Forestry Crest	Niihama Plant (Wood Waste Boiler)	Sulfur oxides (SOx)	252	ppm	0.47	0.05	8,740
		Nitrogen oxides (NOx)	1,437	ppm	350	41	8,740
		Soot and dust	56.3	g/Nm <sup>3</sup>	0.3	0.005	8,740
	Imari Plant	Sulfur oxides (SOx)	845	ppm	-	-	-
						* There are no standards on the measurement frequency because this is a small-size once-through boiler.	
The Agro-Products division of Sumitomo Forestry Landscaping	Shinshiro Plant	Sulfur oxides (SOx)	24.24	ppm	0.49	Less than 1.2	7,600
		Nitrogen oxides (NOx)	711.22	ppm	200	49	7,600
		Soot and dust	141.36	g/Nm <sup>3</sup>	0.2	0.02	7,600
Mombetsu Biomass Power Plant		Sulfur oxides (SOx)	65,396	ppm	373	3.5	189,000
		Nitrogen oxides (NOx)	244,308	ppm	250	81.3	189,000
		Soot and dust	7,761	g/Nm <sup>3</sup>	0.1	0.012	189,000
Hachinohe Biomass Power Generation Plant		Sulfur oxides (SOx)	673	ppm	32.3	0.03	58,000
		Nitrogen oxides (NOx)	76,602	ppm	250	66.0	58,000
		Soot and dust	0	g/Nm <sup>3</sup>	0.3	0.00	58,000



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - **Pollution Prevention** - Efficient Use of Water Resources - Environmental Related Data

## Management of Air Pollutants at Plants Overseas

At overseas plants, the Sumitomo Forestry Group measures the concentration of NO<sub>x</sub>, SO<sub>x</sub> 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 2022, emissions concentration testing results were all within the relevant standard values.

Management Table of Air Pollutants at Plants Overseas (FY2022)

Applicable Company	Country	Measured Substances	Unit	(Baseline)	Measured Concentration
KTI	Indonesia	CO (Carbon monoxide)	μg/Nm <sup>3</sup>	10,000	3,957-4,647
		SO <sub>2</sub> (sulfur dioxide)	μg/Nm <sup>3</sup>	150	33-42
		NO <sub>2</sub> (nitrogen dioxide)	μg/Nm <sup>3</sup>	200	29-34
		Pb (lead)	μg/Nm <sup>3</sup>	2	0.04-0.2
		HC (hydrocarbon)	ppm	160	13-20
		O <sub>3</sub> (Ozone)	ppm	150	32-46
		Soot and dust	mg/Nm <sup>3</sup>	230	11-71
RPI	Indonesia	Sulfur oxides (SO <sub>x</sub> )	mg/Nm <sup>3</sup>	800	< LoD
		Nitrogen oxides (NO <sub>x</sub> )	mg/Nm <sup>3</sup>	1,000	147.65
		Soot and dust	mg/Nm <sup>3</sup>	350	336
ASTI	Indonesia	CO (Carbon monoxide)	μg/Nm <sup>3</sup>	29	1.4
		SO <sub>2</sub> (sulfur dioxide)	μg/Nm <sup>3</sup>	-	< LoD
		NO <sub>2</sub> (nitrogen dioxide)	μg/Nm <sup>3</sup>	0.2	< LoD
		H <sub>2</sub> S (Hydrogen sulfide)	μg/Nm <sup>3</sup>	1	< LoD
		NH <sub>3</sub> (Ammonia)	ppm	17	0.043
		TSP (Debu Total)	μg/Nm <sup>3</sup>	5	0.525
SRP	Indonesia	CO (Carbon monoxide)	mg/Nm <sup>3</sup>	10,000	1,312.8
		SO <sub>2</sub> (sulfur dioxide)	mg/Nm <sup>3</sup>	150	< 21.7
		NO <sub>2</sub> (nitrogen dioxide)	mg/Nm <sup>3</sup>	200	35.4
		H <sub>2</sub> S (Hydrogen sulfide)	mg/Nm <sup>3</sup>	0.03	< 0.0031
		O <sub>3</sub> (Ozone)	ppm	0.1	0.011
VECO	Vietnam	Sulfur oxides (SO <sub>x</sub> )	mg/Nm <sup>3</sup>	500	0.87
		Nitrogen oxides (NO <sub>x</sub> )	mg/Nm <sup>3</sup>	850	137.53
		Soot and dust	mg/Nm <sup>3</sup>	200	124.47
		CO (Carbon monoxide)	mg/Nm <sup>3</sup>	1,000	45.23
		Formaldehyde	mg/Nm <sup>3</sup>	20	0.00



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - **Pollution Prevention** - Efficient Use of Water Resources - Environmental Related Data

Applicable Company	Country	Measured Substances	Unit	(Baseline)	Measured Concentration
CCC	United States of America	Volatile organic compounds (VOCs)	lbs	200,000	168,342
PAP	Thailand	Dust (TSP)	mg/Nm <sup>3</sup>	0.33	0.14
		Formaldehyde	ppm	0.75	0.004

## 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. Measured concentrations at the Kashima Plant have been affected by slags\* in the soil since the land was purchased (when the Kashima Plant was built), causing the land to rise and water quality concentrations (PH values) to exceed the regulated values, but measurements continue to be carried out to determine the values. All other plant measured concentrations were below regulation threshold.

\* General term for unwanted components that are separated during the smelting of minerals. Also known as slag.



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - **Pollution Prevention** -  
Efficient Use of Water Resources - Environmental Related Data

#### Management Table of Water Quality at Plants in Japan (FY2022)

Applicable Company	Applicable Department	Test Items	Unit	(Baseline)	Measured Concentration
Sumitomo Forestry	Tsukuba Research Institute	pH	-	5~9	7.7
		BOD (Biochemical Oxygen Demand)	mg/L	< 600	2
		COD	mg/L	-	-
		SS (Suspended Solids)	mg/L	< 600	6
		Normal hexane extracts (mineral oils)	mg/L	$\leq 5$	< 1
		Normal hexane extracts (animal and vegetable oils and fats)	mg/L	$\leq 30$	< 1
		Iodine consumption	mg/L	$\leq 220$	< 5
		Phenol content	mg/L	$\leq 5$	< 0.025
		Cyanogen compound	mg/L	$\leq 1$	< 0.1
		Copper content	mg/L	$\leq 3$	< 0.02
		Zinc content	mg/L	$\leq 2$	0.02
		Soluble iron content	mg/L	$\leq 10$	0.06
		Soluble manganese content	mg/L	$\leq 10$	< 0.02
		Benzene	mg/L	$\leq 0.1$	< 0.001
		Boron and other compounds	mg/L	$\leq 10$	0.05
		Fluorine and other compounds	mg/L	$\leq 8$	< 0.17





Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - **Pollution Prevention** -  
Efficient Use of Water Resources - Environmental Related Data

Applicable Company	Applicable Department	Test Items	Unit	(Baseline)	Measured Concentration
Sumitomo Forestry Crest	Kashima Plant	pH	-	5.8~8.6	12.6
		BOD (Biochemical Oxygen Demand)	mg/L	-	2.2
		COD (Chemical Oxygen Demand)	mg/L	5	4.2
		SS(Suspended Solids)	mg/L	5	< 1
		Normal hexane extracts	mg/L	1	< 0.5
		Total Phosphorus	mg/L	-	< 0.02
		Total Nitrogen	mg/L	-	2.9
	Shizuoka Plant	pH	-	5.8~8.6	7.3
		BOD (Biochemical Oxygen Demand)	mg/L	≤ 160	7.4
		COD (Chemical Oxygen Demand)	mg/L	-	-
		SS(Suspended Solids)	mg/L	≤ 200	1.6
	Niihama Plant	pH	-	5.8~8.6	6.7
		BOD (Biochemical Oxygen Demand)	mg/L	-	-
		COD (Chemical Oxygen Demand)	mg/L	160	8.6
		SS(Suspended Solids)	mg/L	200	21
	Imari Plant	pH	-	5.8~8.6	8
		BOD (Biochemical Oxygen Demand)	mg/L	-	-
		COD (Chemical Oxygen Demand)	mg/L	70	7.5
		SS(Suspended Solids)	mg/L	70	7
Shinshiro Plant		pH	-	5~9	7.8
		BOD (Biochemical Oxygen Demand)	mg/L	1,000 mg/L or less over five days	2.1
		SS(Suspended Solids)	mg/L	1000	1
Hachinohe Biomass Power Generation Plant		pH	-	5.8~8.6	7.8
		BOD (Biochemical Oxygen Demand)	mg/L	30 mg/L or less	1.2
		SS(Suspended Solids)	mg/L	40 mg/L or less (Daily average of 30mg/L or less)	7.3
		Normal hexane extracts	mg/L	≤ 5	1



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - **Pollution Prevention** -  
Efficient Use of Water Resources - Environmental Related Data

## 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 2022, emissions concentration testing results were all within the relevant standard values.

Management Table of Water Quality at Plants Overseas (FY2022)

Applicable Company	Applicable Department	Test Items	Unit	(Baseline)	Measured Concentration
KTI	Indonesia	pH	-	6~9	7.6-7.9
		BOD (Biochemical Oxygen Demand)	mg/L	75	4.3-12.7
		COD (Chemical Oxygen Demand)	mg/L	125	22.3-62.3
		TSS (Suspended Solids)	mg/L	50	2.3-17.7
		NH <sub>3</sub> -N(Ammonia concentration)	mg/L	4	0.2-0.5
		Fenol (Fenol concentration)	mg/L	0.25	0.001-0.002
RPI	Indonesia	pH	-	6~9	7.77
		BOD (Biochemical Oxygen Demand)	mg/L	75	9.75
		COD (Chemical Oxygen Demand)	mg/L	125	24
		TSS (Suspended Solids)	mg/L	50	9.9

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - **Pollution Prevention** -  
Efficient Use of Water Resources - Environmental Related Data

Applicable Company	Applicable Department	Test Items	Unit	(Baseline)	Measured Concentration
ASTI	Indonesia	pH	-	6~9	7.21
		BOD (Biochemical Oxygen Demand)	mg/L	50	11
		COD (Chemical Oxygen Demand)	mg/L	100	34
		Soluble iron content	mg/L	5	0.65
		Soluble manganese content	mg/L	2	0.1
		Copper content	mg/L	2	< 0.04
		Zinc content	mg/L	5	0.1
		Chromium hexavalent compound	mg/L	0.1	< 0.005
		Chromium compound	mg/L	0.5	< 0.108
		Cadmium compound	mg/L	0.05	0.013
		Lead compound	mg/L	0.1	< 0.006
		tin compounds	mg/L	2	0.006
		Hydrogen sulfide compound	mg/L	0.05	0.0049
		Nitrate compound	mg/L	20	0.2
		Nitrite compound	mg/L	1	0.11
		Mercury	mg/L	0.002	0.0015
		Fenol (Fenol concentration)	mg/L	0.5	< 0.005
VECO	Vietnam	Rainwater Treatment in Logyard			
		pH	-	5~9	7.21
		BOD (Biochemical Oxygen Demand)	mg/L	200	63.17
		COD (Chemical Oxygen Demand)	mg/L	300	155.33
		SS (Suspended Solids)	mg/L	200	15.67
		Nitrogen compound	mg/L	60	4.42
		Phosphate compound	mg/L	10	1.87
		Wastewater treatment plant			
		pH	-	5~9	7.26
		BOD (Biochemical Oxygen Demand)	mg/L	200	31.95
		COD (Chemical Oxygen Demand)	mg/L	300	70.68
		SS (Suspended Solids)	mg/L	200	15
		Nitrogen compound	mg/L	60	22.8
		Phosphate compound	mg/L	10	0.84



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - **Pollution Prevention** - Efficient Use of Water Resources - Environmental Related Data

Applicable Company	Applicable Department	Test Items	Unit	(Baseline)	Measured Concentration
NPIL	New Zealand	pH	-	6~9	7.3
		BOD (Biochemical Oxygen Demand)	mg/L	2,350	1,995
		COD (Chemical Oxygen Demand)	mg/L	6,400	5,103
		SS (Suspended Solids)	mg/L	650	518
PAP	Thailand	pH	-	5.5-9.0	7.6
		BOD (Biochemical Oxygen Demand)	mg/L	500	40
		COD (Chemical Oxygen Demand)	mg/L	750	252
		SS(Suspended Solids)	mg/L	200	130

## Appropriate Disposal of Building Materials Containing Asbestos

The Sumitomo Forestry Group has secured the proper disposal routes for asbestos. Sumitomo Forestry conducts preliminary surveys on all construction works subject to regulations to determine whether or not asbestos-containing building materials are present. In particular, the basis for determining whether or not asbestos is present is made clear, and guidance is given and measures are implemented to prevent the release of asbestos into the air and to ensure that it is disposed of properly. The Group is also engaged in proper disposal of asbestos in the buildings of the various Group companies based on the law.

## Storage and Proper Disposal Polychlorinated Biphenyl Waste

The treatment of polychlorinated biphenyl (PCB) contained in equipment such as spent high-voltage capacitors, was completed in Japan in fiscal 2021 in accordance with the Law concerning Special Measures for Promotion of Proper Treatment of PCB Wastes.

### Disposal Status of Polychlorinated Biphenyl (PCB) Waste\*1

Applicable Company	Applicable Facility	Total Disposal in FY2019 (kg)	Total Disposal in FY2020 (kg)	Total Disposal in FY2021 (kg)	Total Disposal in FY2022 (kg)
Sumitomo Forestry Crest	(Former) Nagoya Plant*2	0	0	1,515	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.



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - **Pollution Prevention** - Efficient Use of Water Resources - Environmental Related Data

### Management Status of Polychlorinated Biphenyl (PCB)\*<sup>1</sup>

Applicable Company	Applicable Facility	FY2021 Onward Estimated Processing (Units)	FY2022 Onward Estimated Processing (Units)	Management Status
Sumitomo Forestry Crest	(Former) Nagoya Plant* <sup>2</sup>	513 Units Stabilizers in storage	0 Units Stabilizers in storage	Stabilizers disposal complete: January 07, 2021
ASTI	ASTI Plants	144kg	74kg	Electrical Boards
RPI	RPI Plants	-	131kg	Power receiving board

\*<sup>1</sup> The equipment included above is equipment currently in use or in storage which is being evaluated for processing

\*<sup>2</sup> The (Former) Nagoya Plant was closed in end of June 2015.

## Management of Fluorocarbon Emissions

The Sumitomo Forestry Group is managing fluorocarbon emissions related to the fluorocarbon gases that are used as coolants by equipment such as air-conditioning and refrigeration at affiliate companies, and for testing equipment at the Tsukuba Research Institute, through periodic inspections of fluorocarbon emissions in accordance with the Act on Rational Use and Proper Management of Fluorocarbons enacted April 2015. The amount of CFC leakage was 8.6t-CO<sub>2</sub> in fiscal 2021.

\* Data collection period: April 2021 to March 2022

[Click here for related information](#)

➤ [Environmental Risk Management](#)

## Project for Soil Purification Technology and Environmental Remediation Aided by Plants

In re-using the site of an old factory there is often the environmental impact associated with soil contamination and the cost burden of any remedial measures, which has become a problem as brownfields\*. Under the revised Fire Service Act of Japan, gasoline stations are now obliged to repair any underground tanks that have lain under the ground for more than 40 years, and as a consequence of this, it is expected that between 1,000 and 2,000 stations will close down each year.

In order to meet the demand for environmental remediation and measures dealing with soil contamination, the Sumitomo Forestry Group has been working on cleansing contaminated soil by using the functions of plants (phytoremediation). As part of this, during fiscal 2012, in collaboration with ENEOS (JX Nippon Oil & Energy Corporation at the time), the Group developed a method for purifying soil contaminated with oil using Burning Field, a variety of Japanese lawn-grass independently registered by the Group.



Grass laid on the site where a gasoline station once stood

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

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - **Pollution Prevention** - Efficient Use of Water Resources - Environmental Related Data

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. The purification has completed at five gasoline stations or oil depots by fiscal 2022.

In fiscal 2013 and 2014, the Ministry of the Environment conducted a study on low-cost, low-impact technologies for surveying and for counteracting contaminated soil in addition to presenting the Environmental Measures Exemplary Efforts Awards (Minister of the Environment Award) in 2013. The study found that oil-degrading microorganisms tend to become more active, and were recognized as having potential to be applied at sites heavily contaminated with oil. Received the Good Design Award in October 2018 from the Japan Institute of Design Promotion. In March 2020, the Burning Field®, an enhanced variety of Japanese lawn-grass was registered with the Ministry of Land, Infrastructure, Transport and Tourism's New Technology Information System (NETIS). NETIS is a new technology information system designed by the Ministry of Land, Infrastructure, Transport and Tourism to share and provide information for use of new technologies. The use of NETIS-registered technology scores additional points for general evaluation at the bidding stage or construction performance evaluation during the usage stage, which is expected to raise awareness and standardize these new technologies at contractors involved in public works projects.

Moving forward, by steadily producing results in soil purification based on this technique, the Group will continue to help resolve the nationwide problem of oil contamination.

\* Land that is not used or underutilized significantly compared to its potential value due to the presence or concern of soil contamination.



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - **Efficient Use of Water Resources** - Environmental Related Data

# 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 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.

### Initiatives for Water Use in Business

In addition to manufacturing plants inside and outside Japan, since fiscal 2012, the Sumitomo Forestry Group has begun 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 first conducted risk assessments for water use at five companies in Japan and 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 that use large amounts of water.

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 Mid-Term Sustainability Targets set targets for Group-wide water consumption and manages progress. In fiscal 2022, the Group's total water consumption was 2,937 thousand m<sup>3</sup>. 79 thousand m<sup>3</sup> more than in 2021. The main factors were that in 2021, water use was curtailed due to a period of shutdown at overseas manufacturing plants as a result of a lockdown caused by the spread of COVID-19, and in 2022, the plant operated for the full year, and there was a groundwater pipe break at Indonesian subsidiary PT. Kutai Timber Indonesia (KTI), which caused a major leak over a period of several days. Although the Group's overall water consumption increased compared to fiscal 2021, thorough water-saving measures at Sumitomo Forestry Crest's Imari Plant to recycle industrial water and the replacement of waste fluid treatment equipment have led to a steady reduction in water consumption. At the Mombetsu Biomass Electric Power, an activity target was set to reduce water consumption in production activities, and the monitoring and management of water consumption was strengthened. In the future, efforts will be made to reach the 2024 target figure of 2,777 thousand m<sup>3</sup> or less.



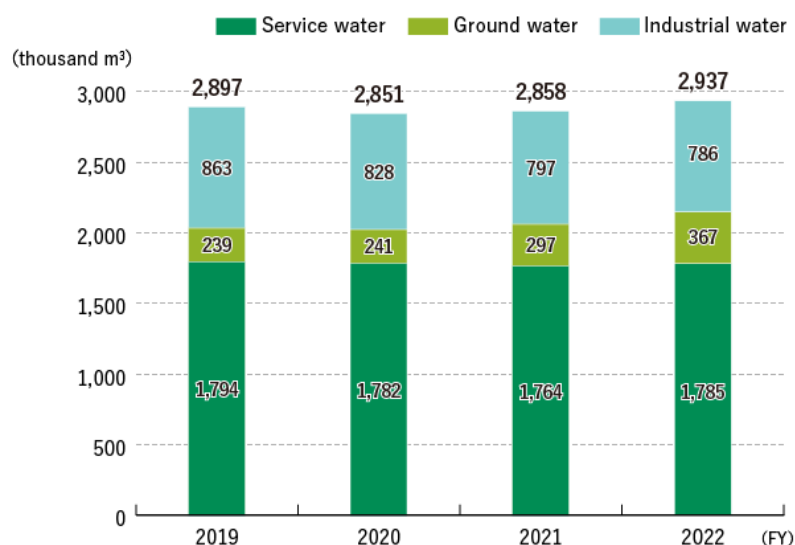


Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -

**Efficient Use of Water Resources** - Environmental Related Data

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 1m<sup>2</sup> of floor area is approximately 0.0887m<sup>3</sup>.

### Water Consumption\* (consolidated)



### Water Consumption per Department\*

	Office Departments in Japan, etc. (Unit: 1,000m³)			Plants and Power Generation Business Departments in Japan (Unit: 1,000m³)			Overseas Plants (Unit: 1,000m³)			Total (Unit: 1,000m³)
	FY2020	FY2021	FY2022	FY2020	FY2021	FY2022	FY2020	FY2021	FY2022	FY2022
Service water	81	87	80	1,359	1,337	1,341	342	340	364	1,785
Ground water	42	52	54	10	8	8	189	238	305	367
Industrial water	120	113	124	419	431	416	288	253	246	786
<b>Total</b>	<b>243</b>	<b>252</b>	<b>258</b>	<b>1,788</b>	<b>1,776</b>	<b>1,765</b>	<b>820</b>	<b>831</b>	<b>912</b>	<b>2,937</b>

\* Covers sites where actual water consumption is measurable, such as at buildings owned by the Sumitomo Forestry Group.

### 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


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

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -

[Efficient Use of Water Resources](#) - Environmental Related Data

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 54,750m<sup>3</sup> in fiscal 2022, a 63% 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<sup>\*1</sup> makes it possible to restrict the water used for dilution in plant waste water quality management (approximately 350m<sup>3</sup>/day).
- Maintain water-quality control by measuring COD<sup>\*2</sup> 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.

<sup>\*1</sup> Beneficial microorganisms are supplied with air (oxygen), whereupon they absorb and break down organic substances, lowering COD values.

<sup>\*2</sup> 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.



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - **Environmental Related Data**

## 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 2022 Sumitomo Forestry Group Balance of Input & Output\*

INPUT			
Energy Input (TJ)	12,046	Raw materials (1,000t)	2,575
Purchased electricity (1,000MWh)	266	Timber	1,832
Petroleum (1,000kL)	16	Metal	31
Gas (1,000m³)	4,659	Plastic	19
Coal (1,000t)	27	Paper	1
Wood waste (1,000t)	520	Adhesives, coatings, drugs	89
Palm kernel shells (PKS, etc.) (1,000t)	23	Concrete	369
Non-industrial steam (TJ)	4	Other	233
Water consumption (1,000m³)	2,937	Seedlings (1,000)	1,882



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - **Environmental Related Data**

**BUSINESS ACTIVITIES****Product**

Building, housing materials (1,000t)	48	Lumber / laminated engineered wood (1,000m <sup>3</sup> )	27
Potting mix (1,000t)	19	Kitchen cabinets (1,000)	112
Chips (1,000t)	264	Woodworking / others (1,000t)	79
MDF (1,000m <sup>3</sup> )	306	Quantity harvested at company owned forests (1,000m <sup>3</sup> )	41
PB (1,000m <sup>3</sup> )	416	Seedling production (1,000)	1,887
LVL, plywood (1,000m <sup>3</sup> )	164	Unused wood resources (1,000m <sup>3</sup> )	18

**Transmission (1,000MWh)** 433

Number of delivered domestic household sales 8,300

Number of delivered overseas household sales 13,031

**OUTPUT****Waste (1,000t)**

Total generated 496

Final disposal amount 24

Greenhouse Gas emissions (1,000t-CO<sub>2</sub>e) (Scope 1,2) 356 

Chemical substance waste released (t) 13

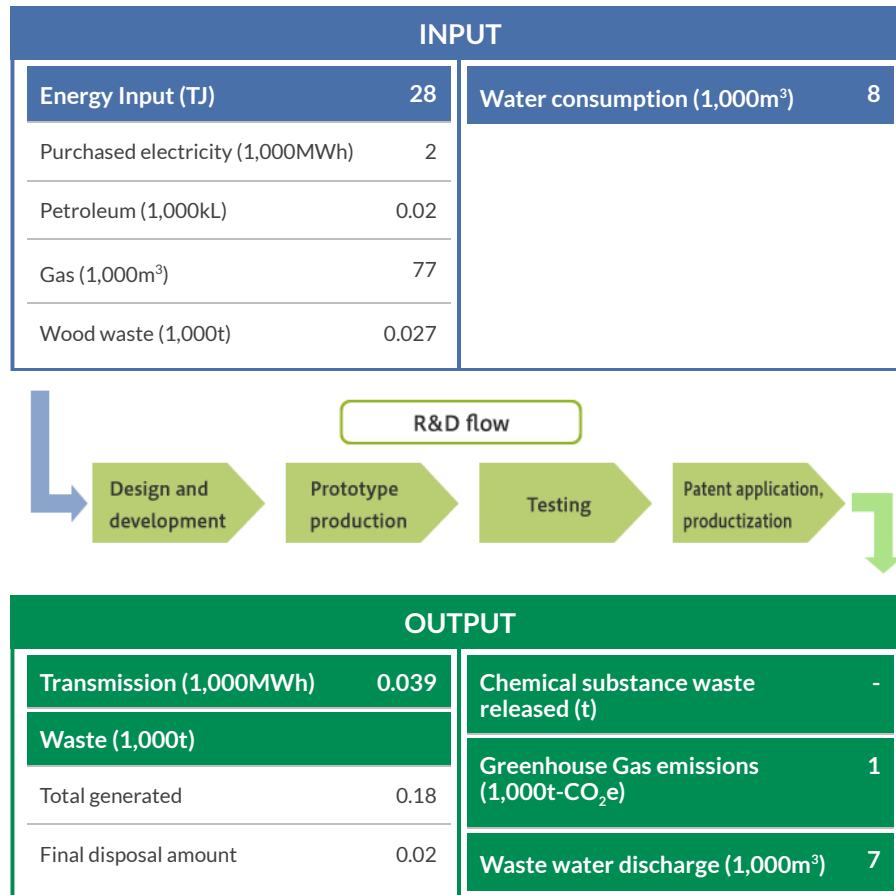
Waste water discharge (1,000m<sup>3</sup>) 970Greenhouse Gas emissions (1,000t-CO<sub>2</sub>e) (Scope 3) 9,400 

\* The period of data collection for fiscal 2022 is from January 1 to December 31, 2022

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

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - [Environmental Related Data](#)

## Research & Development\*

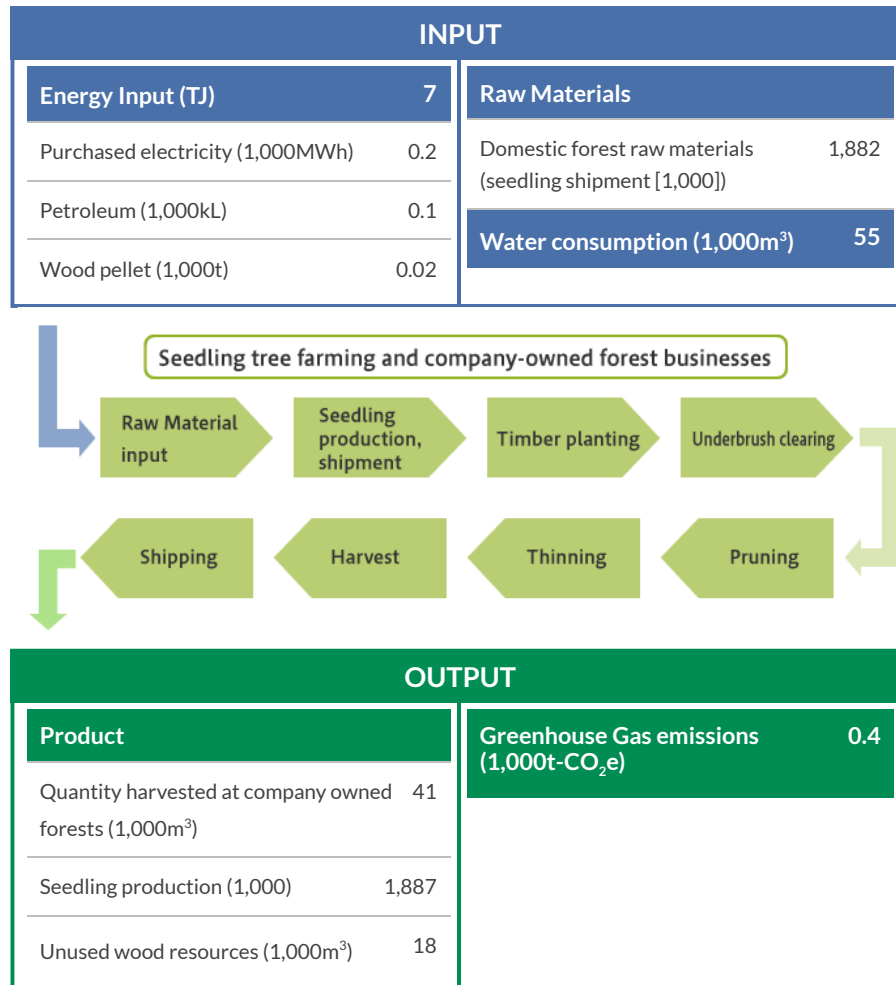


\* Subject: Tsukuba Research Institute



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - **Environmental Related Data**

## Forest Management\*



\* Subjects: Forestry Offices (Hyuga, Niihama, Osaka, and Mombetsu); seedling tree farming centers (Togo, Motoyama, Gifu, Watarase, and Mombetsu)



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - [Environmental Related Data](#)

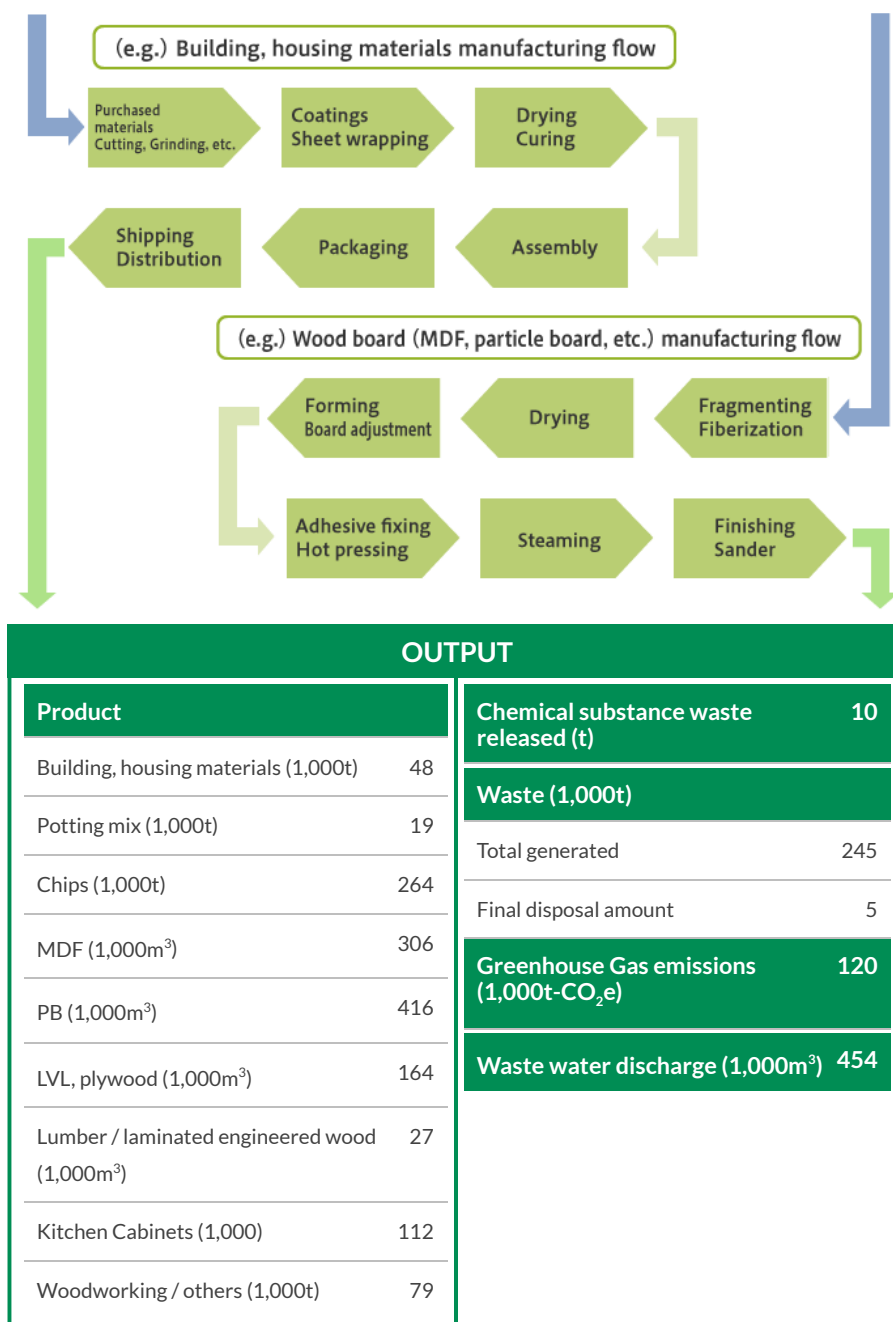
## Manufacturing Business\*

INPUT			
Energy Input (TJ)	4,249	Raw materials (1,000t)	1,847
Purchased electricity (1,000MWh)	220	Timber	1,718
Petroleum (1,000kL)	4	Metal	6
Gas (1,000m <sup>3</sup> )	2,952	Plastic	6
Wood waste (1,000t)	120	Paper	1
Waste plastic (1,000t)	-	Adhesives, coatings, drugs	85
Water consumption (1,000m <sup>3</sup> )	997	Purified soil others	19
		Other	12





Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - **Environmental Related Data**



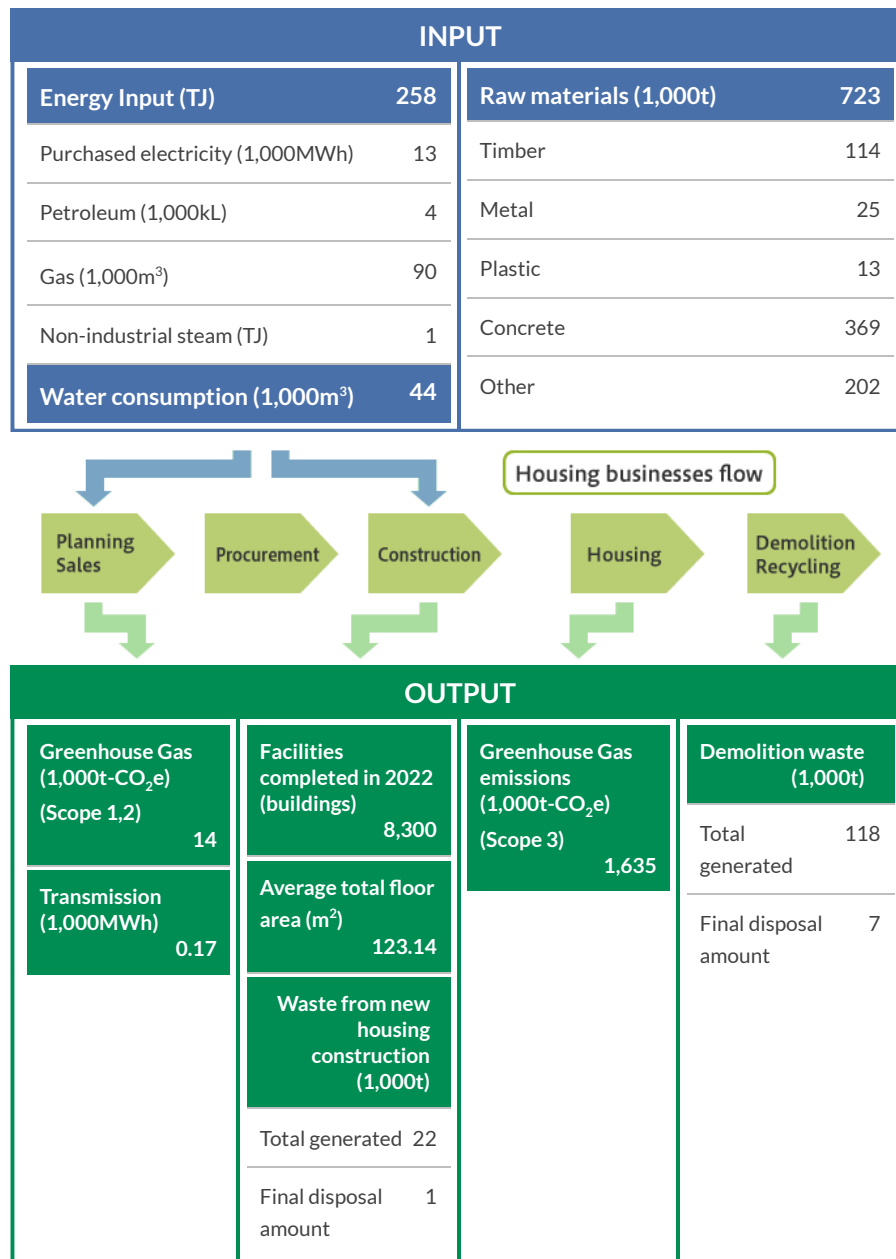
\* Subjects: Sumitomo Forestry Crest (Kashima Plant, Shizuoka Plant, Niihama Plant and Imari Plant), Sumitomo Forestry Landscaping (Shinshiro Plant and Tobishima Plant of Agro-Products Division), Kutai Timber Indonesia (KTI, Indonesia), Rimba Partikel Indonesia (RPI, Indonesia), Sinar Rimba Pasifik (SRP, Indonesia), AST Indonesia (ASTI, Indonesia), Nelson Pine Industries (NPIL, New Zealand), Vina Eco Board (VECO, Vietnam), Canyon Creek Cabinet Company (CCC, America), Pan Asia Packing (PAP), Japan Bio Energy, Okhotsk Bio Energy, Michinoku Bio Energy.

\* Pan Asia Packing (PAP) is excluded for waste, etc.



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - **Environmental Related Data**

## Housing Business (Domestic)\*

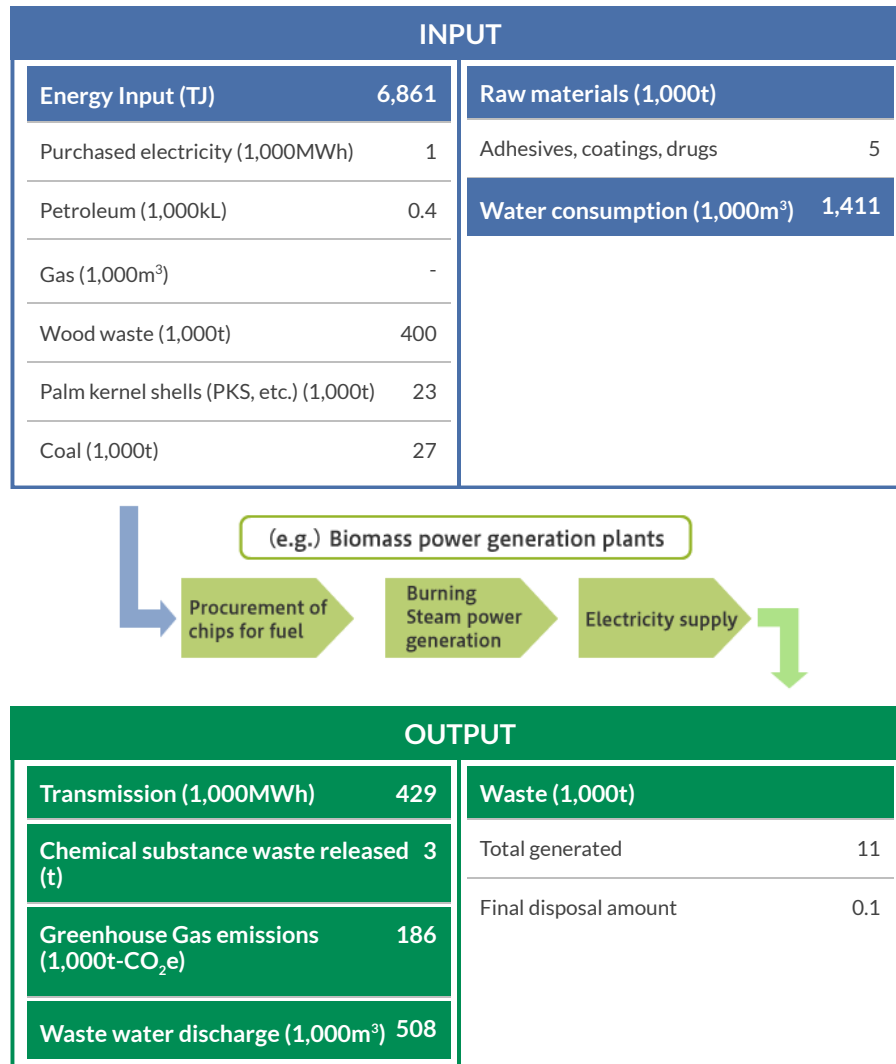


\* Subjects: Sumitomo Forestry Housing Division and Sumitomo Forestry Home Engineering



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - [Environmental Related Data](#)

## Renewable Energy Business\*



\* Subjects: Mombetsu Biomass Electric Power, Hachinohe Biomass Electric Power

[Click here for related information](#)

> [Boundaries and Method of Data Aggregation](#)  
(Balance of Input & Output)

> [About symbol for Independent assurance](#)



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - **Environmental Related Data**

## Environmental Related Data

### Boundaries and Method of Data Aggregation (Balance of Input & Output)

\* The period of data collection on the balance of input and output in fiscal 2022 is from January 1 to December 31, 2022

#### 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, Canyon Creek Cabinet Company and Pan Asia Packing
Environment and Resources Business (Renewable Energy Business)	Mombetsu Biomass Electric Power, Hachinohe Biomass Electric Power
Housing Business (Domestic)	Sumitomo Forestry (Housing 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

[Click here for related information](#)

➤ [All Sumitomo Forestry Group Companies](#)



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - [Environmental Related Data](#)

## 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 Business (Domestic)	Energy and Greenhouse Gases	Energy use and greenhouse gas emissions for business sites (including model homes) related to the housing business
	Raw Materials	Materials invested in housing construction
	Water	Water used at business sites related to the housing business
	Waste	Waste emitted from housing construction (including renovations) and demolition

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

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - [Environmental Related Data](#)

Classification	Prerequisites	
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

[Click here for related information](#)

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

Waste: Calculating Emissions with Data Collected from Manifests



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - [Environmental Related Data](#)

## Environmental Related Data

### Environmental Related Data (FY 2022)

#### 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)	41,165	28,988	27,992	11,675	109,819
Raw Material Input (t)	9,779	23,191	3,593	9,305	45,867
Water Resource Use (m <sup>3</sup> )					
Total	7,715	6,407	4,517	54,869	73,508
Service water	7,715	6,407	4,517	119	18,758
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	-	-	-	54,750	54,750
Main Water Source	-	-	Groundwater (water authority in Niihama City)	River -- Arita-gawa River basin (partly Mt. Kurokami mammal and avian species wildlife refuge)	-





Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - [Environmental Related Data](#)

Item (unit)	Kashima Plant	Shizuoka Plant	Niihama Plant	Imari Plant	Subtotal
Water discharge (m <sup>3</sup> )					
Total	6,387	6,407	3,614	49,354	65,762
Sewerage	6,387	-	3,614	-	10,001
Ocean	-	-	-	49,354	49,354
Rivers	-	6,407	-	-	6,407
Lakes	-	-	-	-	-
Water consumption (m <sup>3</sup> )	1,328	0	903	5,515	7,746
Greenhouse gas emissions (t-CO <sub>2</sub> )					
Carbon dioxide (CO <sub>2</sub> )	76	827	1,562	641	3,106
Methane (CH <sub>4</sub> )*	20	5	13	-	38
Dinitrogen oxide (N <sub>2</sub> O)*	2	0.4	1	-	4
Waste generations (t)	2,410	1,955	981	368	5,714
Emissions to the air (kg)					
Sulfur oxides (SOx)	-	-	252	845	1,098
Nitrogen oxides (NOx)	-	-	1,437	-	1,437
Soot and dust	-	-	56.3	-	56.3

\* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

## The Agro-Products division of Sumitomo Forestry Landscaping

Item (unit)	Tobishima Plant	Shinshiro Plant	Subtotal
Energy Input (GJ)	2,282	5,380	7,661
Raw Material Input (t)	12,914	6,276	19,190
Water Resource Use (m <sup>3</sup> )			
Total	711	483	1,194
Service water	711	483	1,194
Main Water Source	River -- Kiso-gawa River Basin	River -- Toyokawa Prefectural Water System	-
Industrial water	-	-	-
Main Water Source	-	Well water	-



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - [Environmental Related Data](#)

Item (unit)	Tobishima Plant	Shinshiro Plant	Subtotal
Water discharge (m <sup>3</sup> )			
Total	711	483	1,194
Sewerage	-	-	-
Ocean	-	-	-
Rivers	711	483	1,194
Lakes	-	-	-
Water consumption (m <sup>3</sup> )	0	0	0
Greenhouse gas emissions (t-CO <sub>2</sub> )			
Carbon dioxide (CO <sub>2</sub> )	119	327	446
Methane (CH <sub>4</sub> )*	-	-	-
Dinitrogen oxide (N <sub>2</sub> O)*	-	-	-
Waste generations (t)	32	37	68
Emissions to the air (kg)			
Sulfur oxides (SOx)	-	24	24
Nitrogen oxides (NOx)	-	711	711
Soot and dust	-	141	141

\* Methane and dinitrogen oxide are converted and calculated as carbon dioxide



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - [Environmental Related Data](#)

## 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)	5,132,021	1,729,134	16,162	9,764	9,311	6,896,391
Raw Material Input (t)	3,694	808	86,523	56,602	65,443	213,071
Water Resource Use (m <sup>3</sup> )						
Total	1,040,436	370,890	435	6,335	221	1,418,317
Service water	1,040,436	9,198	435	6,335	221	1,056,625
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	-	361,692	-	-	-	361,692
Main Water Source	-	Mabechi River	-	-	-	-
Water discharge (m <sup>3</sup> )						
Total	408,477	99,511	435	0	221	508,644
Sewerage	408,477	-	435	-	221	409,133
Ocean	-	99,511	-	-	-	99,511
Rivers	-	-	-	-	-	-
Lakes	-	-	-	-	-	-
Water consumption (m <sup>3</sup> )	631,959	271,379	0	6,335	0	909,673
Greenhouse gas emissions (t-CO <sub>2</sub> )						
Carbon dioxide (CO <sub>2</sub> )	64,798	126	1,009	203	628	66,764
Methane (CH <sub>4</sub> )*	7,540	3,113	-	-	-	10,653
Dinitrogen oxide (N <sub>2</sub> O)*	82,241	27,772	-	-	-	110,013
Waste generations (t)	9,179	2,151	4	600	0.1	11,933

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - [Environmental Related Data](#)

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)	65,396	673	-	-	-	66,069
Nitrogen oxides (NOx)	244,308	76,602	-	-	-	320,910
Soot and dust	7,761	0	-	-	-	7,761

\* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

## Total for All Plants in Japan

Item (unit)	Total
Energy Input (GJ)	7,013,872
Raw Material Input (t)	278,128
Water Resource Use (m <sup>3</sup> )	
Total	1,493,019
Service water	1,076,577
Main Water Source	As indicated above
Industrial water	416,442
Main Water Source	As indicated above
Water discharge (m <sup>3</sup> )	
Total	575,600
Sewerage	419,134
Ocean	148,865
Rivers	7,601
Lakes	-



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - [Environmental Related Data](#)

Item (unit)	Total
Water consumption (m <sup>3</sup> )	917,419
Greenhouse gas emissions (t-CO <sub>2</sub> )	
Carbon dioxide (CO <sub>2</sub> )	70,316
Methane (CH <sub>4</sub> )*	10,691
Dinitrogen oxide (N <sub>2</sub> O)*	110,017
Waste generations (t)	17,716
Emissions to the air (kg)	
Sulfur oxides (SO <sub>x</sub> )	67,191
Nitrogen oxides (NO <sub>x</sub> )	323,058
Soot and dust	7,958

\* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

[Click here for related information](#)

About symbol for Independent assurance

## 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)	508,954	99,528	1,244,819	29,769
Raw Material Input (t)	83,988	25,567	499,997	6,343



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - [Environmental Related Data](#)

Item (unit)	PT. Rimba Partikel Indonesia (RPI)	PT. AST Indonesia (ASTI)	PT. Kutai Timber Indonesia (KTI)	PT. Sinar Rimba Pasifik (SRP)
Water Resource Use (m <sup>3</sup> )				
Total	46,375	44,385	455,474	0
Service water	-	648	-	-
Industrial water	-	43,737	202,187	-
Ground water	46,375	-	253,287	-
Water discharge (m <sup>3</sup> )				
Total	46,375	12,183	27,162	0
Sewerage	-	12,183	-	-
Ocean	-	-	27,162	-
Rivers	46,375	-	-	-
Water consumption (m <sup>3</sup> )	0	32,202	428,312	0
Greenhouse gas emissions (t-CO <sub>2</sub> )				
Carbon dioxide (CO <sub>2</sub> )	19,470	7,663	46,631	2,290
Methane (CH <sub>4</sub> )*	438	-	1,138	-
Dinitrogen oxide (N <sub>2</sub> O)*	41	-	106	-
Waste generations (t)	17,736	4,909	77,452	1,097

\* Methane and dinitrogen oxide are converted and calculated as carbon dioxide

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG**Environment**

Social

Governance

Related  
Information

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
Efficient Use of Water Resources - [Environmental Related Data](#)

## Overseas Manufacturers 2/2

Item (unit)	Nelson Pine Industries Ltd. (NPIL)	Vina Eco Board Co., Ltd. (VECO)	Canyon Creek (CCC)	Pan Asia Packing (PAP)	Total
Energy Input (GJ)	1,775,077	369,153	62,045	6,459	4,095,804
Raw Material Input (t)	756,174	314,041	6,840	13,306	1,706,255
Water Resource Use (m <sup>3</sup> )					
Total	302,513	56,699	6,964	2,529	914,938
Service water	302,513	56,699	4,539	-	364,398
Industrial water	-	-	-	-	245,924
Ground water	-	-	2,425	2,529	304,616
Water discharge (m <sup>3</sup> )					
Total	284,372	19,845	4,539	2,529	397,005
Sewerage	284,372	19,845	4,539	2,529	323,468
Ocean	-	-	-	-	27,162
Rivers	-	-	-	-	46,375
Water consumption (m <sup>3</sup> )	18,141	36,854	2,425	0	517,934
Greenhouse gas emissions (t-CO <sub>2</sub> )					
Carbon dioxide (CO <sub>2</sub> )	15,856	18,518	1,331	338	112,097
Methane (CH <sub>4</sub> )*	489	142	-	-	2,207
Dinitrogen oxide (N <sub>2</sub> O)*	46	13	-	-	206
Waste generations (t)	117,830	17,527	2,095	-	238,646

\* Methane and dinitrogen oxide are converted and calculated as carbon dioxide





Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - [Environmental Related Data](#)

## Environmental Accounting Results for Fiscal 2022

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* <sup>1</sup>	Sustainable forestry cultivation	618
		Environment-related business (Overseas consulting, REDD+ business, etc.)	97
	Resource recycling costs* <sup>2</sup>	Promotion of appropriate treatment, reduction, and recycling of industrial waste	7,464
		Waste wood chip distribution operations	173
		Volume sold of potting mix using recycled sediment from water purification	294
Upstream / Downstream costs* <sup>3</sup>		Green purchasing	22
Management activity costs* <sup>4</sup>		Operation and promotion of environmental management activities (ISO14001 certification, environmental education, LCA surveys, etc.)	238
		Monitoring of environmental impact	1
		Disclosure and administration of environmental information (Sustainability Report, environment-related advertising, environment-related exhibitions, etc.)	30
R&D costs* <sup>5</sup>		R&D activities related to environmental protection	1,030
Social contribution costs* <sup>6</sup>		Management and operation of Mt. Fuji Manabi no Mori	17
		Management and operation of Forester House	13
		Other social contribution activities	0
		Donations to the Keidanren Nature Conservation Fund	2
Total			9,999

\*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



Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management - Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention - Efficient Use of Water Resources - [Environmental Related Data](#)

- \*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)	640,000m <sup>3</sup>
	Volume sold of potting mix using recycled sediment from water purification	14,000t
Benefits from Upstream/Downstream costs	Green procurement ratio	66.5%
Benefits from management activity costs	Employees designated as internal environmental auditors	121
Benefits from R&D costs	Development of "soil biodegradable tree shelters" that return to the soil. CO <sub>2</sub> reduction and labor-saving afforestation	-
	Development of "High Sound Insulation Boundary Wall 50" for rental housing Realizes high sound insulation performance for "Forest Maison"	-
	Expansion of the scope of ministerial approval for hybrid laminated engineered wood perforated beams with one-hour fire-resistant structure Freedom of space design expanded with beams up to 700 mm height	-
	Nikken Sekkei and Sumitomo Forestry jointly developed the composite beam construction method, which joins wooden beams and RC floor slabs (Shoban). Encouraging the spread of medium- to large-scale wooden constructions	-
	Joint development of highly seismic resistant wooden buckling restrained braces Actively introduced into medium- to large-scale wooden constructions	-
		-

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

Sumitomo Forestry Group's Environmental Management - Responding to Climate Change - Sustainable Forest Management -  
 Utilization of Sustainable Forest Resources - Biodiversity Conservation - Resource Recycling Initiatives - Pollution Prevention -  
 Efficient Use of Water Resources - [Environmental Related Data](#)

Category	Effects	Benefits
Benefits from social activity costs	Volunteers who participated in Mt. Fuji Manabi no Mori project	71
	Children participating in the Environmental Education Program at Mt. Fuji Manabi no Mori project	1,110
	Visitors to Forester House	3,227

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

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data




---

300 Human Rights

---

308 Diversity and Inclusion

---

333 Work-Life Balance

---

345 Occupational Health and Safety

---

375 Safety and Quality of Products and Services

---

402 Communication with Our Customers

---

413 Business initiatives that contribute to regional revitalization

---

414 Supply Chain Management

---

441 Social Contribution

---

470 Social Data

---



**Human Rights** - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

# Human Rights

## Human Rights Initiatives

### Basic Policy

The Sumitomo Forestry Group participated in the UN Global Compact in 2008, formulated the Sumitomo Forestry Group Human Rights Policy in July 2019, and revised in April 2023. We comply with international human rights bills (Universal Declaration of Human Rights and International Covenants on Human Rights), the International Labour Organization (ILO) Core Labour Standards, and the United Nations Guiding Principles on Business and Human Rights. The Sumitomo Forestry Group also participates in the UN Global Compact, its Japan local network (including the HRDD subcommittee) and the World Business Council for Sustainable Development (WBCSD). 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.

The Group is also working to disseminate its policies to its business partners, and is conducting human rights due diligence and respond to human rights risks in an effort to fully grasp and mitigate any risk related to human rights. Where necessary, we will provide as much support as possible to our business partners in their efforts to respect human rights.

### Sumitomo Forestry Group Human Rights Policy

The Sumitomo Forestry Group respects the human rights of all people involved in our Group's business 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

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



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

In countries and regions where there are discrepancies between domestic laws and international norms, the Group will respect and prioritize the undertaking of international norms.

## 2. Scope of application

This Policy applies to all business operations of the Sumitomo Forestry Group. Furthermore, to widely apply the United Nations' Guiding Principles on Business and Human Rights, the Group asks business partners to be committed to the respect for all human rights based on an understanding of this Policy.

This Policy includes respect for the rights of workers of business partners, and when business partners or other related parties are associated with an adverse human rights impact, the Group will require those partners or other related parties to respect and not violate human rights in accordance with this Policy.

## 3. Measures related to the respect for human rights

### • Human rights due diligence

The Sumitomo Forestry Group has established a human rights due diligence system, has incorporated it as a necessary process of its business 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.

### • Access to remedies

If a Sumitomo Forestry Group business operation has been found to have directly caused, contributed to or encouraged an adverse human rights impact, the Group shall undertake all necessary internal and external procedures and provide appropriate remedies.

Furthermore, the Group shall create necessary grievance mechanisms, maintain a reporting desk for internal and external access to remedies, and evaluate the effectiveness of corrective actions and remedies in an ongoing manner.

If a business partner has been found to be directly linked to an adverse human rights impact, the Group shall work with that partner to remedy the situation. Furthermore, the Group expects business partners to establish grievance mechanisms and engage in remediation. Where necessary, the Group will cooperate with judicial and non-judicial grievance mechanisms operated by national and public authorities.

### • Education

The Sumitomo Forestry Group shall provide periodic and appropriate training for directors, employees and other parties to ensure that the Human Rights Policy is integrated into all business operations of the Sumitomo Forestry Group.

The Group expects business partners to provide their workers with appropriate training on this Policy and will support their efforts when necessary.

### • Rightsholder/Stakeholder engagement

In view of the seriousness of human rights violations, the Sumitomo Forestry Group shall engage in dialogue and consultation with rightsholders/stakeholders to identify potential or actual human rights risks, mitigation measures and remedies for actual incidents, as well as to monitor and evaluate its human rights efforts. The information and lessons learned will be incorporated into the human rights due diligence process.



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

- 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.

Toshiro Mitsuyoshi  
President and Representative Director

**(Attachment)**

## Sumitomo Forestry Group Human Rights Salient Issues

The following are the Group's salient human rights issues as defined by international norms. These salient issues shall be updated as appropriate according to changes in the Group's business operations and societal conditions. The Group expects business partners to also make a commitment to respect human rights on all issues described here.

### 1. Human rights issues that must be respected from the perspective of international norms

#### <Prohibition of discrimination>

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

#### <Workers' rights>

- Prohibition of child labor
- Prohibition of forced labor (including foreign and migrant workers)
- Prohibition of human trafficking
- Respect for the freedom of association and collective bargaining
- Prevention of low wage labor (labor below minimum or living wages)
- Prevention of excessive working hours (commitment to the ILO Hours of Work Convention)
- Prohibition of power and sexual harassment
- Occupational safety
- Occupational health (including mental health) of workers

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

- Respect for the rights of local residents in the areas we conduct business
- Respect for the rights of land, natural resources and indigenous peoples<sup>1</sup>
- Respect for the rights of women<sup>2</sup>
- Respect for the rights of children<sup>3</sup>
- Respect for the rights of minority groups
- Respect for the rights of elderly people
- Respect for the rights of migrants and refugees<sup>4</sup>
- Respect for the environmental rights of future generations (e.g., sustainable forest management)
- Respect for the right to have access to water and sanitation
- Respect for the rights of human rights defenders





Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

#### <Privacy, Freedom of expression>

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

\*1 Including respect for the rights described in the Voluntary Guidelines for Responsible Governance of Land Use, Fisheries and Forest Ownership in the Context of National Food Security (VGGT), IFC Performance Standards, ILO Indigenous and Tribal Peoples Convention 1998 (No. 169) or the UN Declaration on the Rights of Indigenous Peoples, etc.

\*2 Including a commitment to the Convention on the Elimination of All Forms of Discrimination against Women

\*3 Including a commitment to the Convention on the Rights of the Child

\*4 Including a commitment to the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families

#### 2. Issues identified through Human Rights Due Diligence

The Group recognizes the following human rights issues as salient and is working to mitigate risks identified through our human rights due diligence process.

- Respect for the rights of indigenous peoples and local communities
- Occupational health and safety
- Respect for the rights of foreign workers in Japan
- Building effective remedial grievance mechanisms

(as of April 2023)

Click here for related information

> Corporate Philosophy

> Our Value

> Sumitomo Forestry Group Code of Conduct

> Sumitomo Forestry Group Procurement Policy

> Green Procurement Guidelines(extract)

> Participation and Sponsorship of Initiatives

## Implementation of Due Diligence and Managing Material 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 mitigate them.

### Internal Sustainability Survey at 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 subsidiaries. In fiscal 2022, the Sumitomo Forestry Group conducted an annual survey on human rights training and the relevant help desks for 59 primary Group companies in Japan and overseas (29 companies in Japan and 30 companies overseas). As a result, 49 of these companies are conducting human rights training and 46 have setup a help desk while 59 are engaging in measures to mitigate risk to human rights. For each supplier, we strive to prevent human rights infringements through conducting surveys and face-to-face interviews.



**Human Rights** - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

Based on this survey, in fiscal 2022 there were no reports of human rights violations as defined in the Sumitomo Forestry Group Code of Conduct.

## Respect for Human Rights Through Sustainability Procurement

The Sumitomo Forestry Group conducts fair and responsible procurement under the Sumitomo Forestry Group Procurement Policy which obligates suppliers to protect human rights, workers' basic rights as well as preventing corruption. For procurement of imported materials, the Group ensures through surveys for more than 200 suppliers whether rights of workers and local communities in the areas where raw materials of the supplies are procured from have not been violated; whether adequate consideration is made during logging to the suppliers. Based on the risk categories, the Group also engages in interviews and on-site inspections with any suppliers where measures to mitigate risks were deemed necessary. Furthermore, in fiscal 2022, in order to promote awareness for human rights issues, a study session on "Human Rights and Supply Chain" was held for personnel in charge of wood procurement within the Sumitomo Forestry Group.

[Click here for related information](#)

> [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. In addition, we reviewed the mapping in fiscal 2020, considering the impact of spread of new coronavirus infection as a new risk factor.

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.)".

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 reviewed the operational status of grievance mechanisms and points to be corrected 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. In fiscal 2022, the Sumitomo Forestry Group Human Rights

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

**Human Rights** - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

Policy was revised with input from third parties to ensure that business partners are committed to respecting human rights and to comply with international guidelines.

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.

### New Business Plan Human Rights Risk Assessment

In planning new businesses and projects, Sumitomo Forestry conducts risk assessment for the entire supply chain. Social aspects, such as human rights considerations for workers and other stakeholders, are also covered in the assessment.

[Click here for related information](#)

[New Business Plan Risk Assessment](#)

### Operation and Maintenance of the Grievance Mechanism

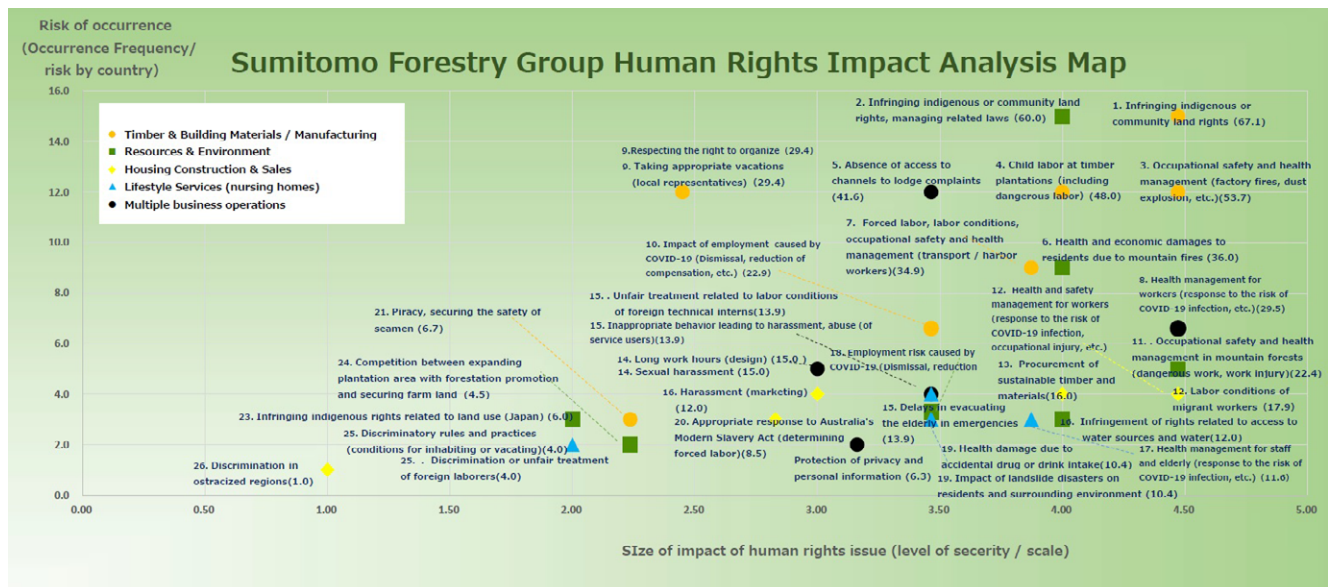
Sumitomo Forestry recognizes the importance of the grievance mechanism (complaint handling mechanism) and offers grievance hotlines. We will continue to develop internal and external hotlines to help prevent human rights violations and take necessary measures to remedies when human rights violations occur.

[Click here for related information](#)

[Grievance Desk](#)

[Compliance Hotline](#)

## Sumitomo Forestry Group Human Rights Impact Analysis Map



(Revised in July 2020)

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

**Human Rights** - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

## Respect for Human Rights in Overseas Forest Management

The following are examples of Sumitomo Forestry Group's overseas forestry business initiative as part of its stakeholder engagement and grievance mechanisms.

### Initiatives in Indonesia

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 stakeholder meetings inviting such stakeholders as local community members, neighboring concessions and businesses, academics, NGOs, and government officials; in 2013 to share the outcome of the surveys and in 2015 prior to the logging to deepen stakeholders' understanding about the business and environmental considerations.

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). PT. Kubu Mulia Forestry (KMF) has also been under the same mechanism since 2022. The mechanism has two grievance channels: The first allows local residents to share their opinion in writing with WSL, MTI and KMF, while the second provides WSL, MTI and KMF the opportunity to conduct local visits with local residents to collect community voices. WSL, MTI and KMF respond to any grievances from local residents from both routes within seven business days, with the approval from the management.

### Initiatives in Papua New Guinea

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.

### Initiatives in New Zealand

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](#)

➤ [Grievance Desk](#)



**Human Rights** - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

## Human Rights Training

The Sumitomo Forestry Group provides lectures about human rights in its new employee training in Japan. 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%). This training course also includes curriculum to enhance awareness and understanding about people with disabilities, foreign nationals, LGBTQ and other minorities. In fiscal 2022, 12,232 employees of whom 5,611 and 6,621 belong to the parent company and Group companies, respectively, took the class. Sumitomo Forestry also incorporates classes about human rights in its training for new general managers. The effort in raising human right awareness via e-learning and training opportunities 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, as well as through various group training programs and e-learning programs on harassment. Furthermore, the Group distributes an email to every employee from the Personnel Department every six months to raise awareness about stopping all harassment.

Since fiscal 2000, a "Harassment Hotline" has been set up within the Personnel Department to ensure that consultations are handled appropriately. In fiscal 2022, we reviewed four cases that were consulted at the "Harassment Hotline".

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.

Click here for related information

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

➤ [Practical Mental Health Care](#)

➤ [Grievance Desk](#)



Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

# Diversity and Inclusion

## Diversity and Inclusion of Sumitomo Forestry Group

### Basic Policy

The Sumitomo Forestry Group is promoting diversity and inclusion with "respecting diversity and creating a free and vigorous corporate culture" as one of our values.

In order to link innovation brought about by the diverse abilities and values of our diverse human resources to new challenges and growth, we have defined "To create a vibrant environment for all workers" as one of our material issues, and are managing it by incorporating it into the annual activity policies and measures of the administrative divisions.

The Sumitomo Forestry Group Code of Conduct states respect for the human rights of all individuals, including women, children, indigenous peoples, minorities, and vulnerable people, in accordance to internationally accepted human rights norms.

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.

Click here for related information

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

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## Promotion System

As an independent organization within the Personnel Department, "Workstyle Diversification Department" cooperates with each department to promote diversity and inclusion through activities that support the active involvement of diverse employees to achieve a work-life balance that meets their specific circumstances, including female employees, retired employees, employees with disabilities, and LGBTQ employees.

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.

## 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 we have been working on this goal, reaching 6.3% by the end of 2022.

In 2021, we endorsed the "Challenge to 30% by 2030," a goal set by the Keidanren (Japan Business Federation) to increase the percentage of women on the board of directors to 30% by 2030.

Percentage of Female employees in  
management positions  
FY2022 target  
(Non-consolidated)

At least **6.7%**

Percentage of Female employees in  
management positions  
As of December 31, 2022  
(Non-consolidated)

**6.3%**





Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

In 2022, in the Mid-term Sustainability Targets and the third phase of the Action Plan of the Act on the Promotion of Women's Active Engagement in Professional Life, a goal of "the percentage of female employees in management positions being 8.1% or more by December 31, 2024" was announced.

## 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

[Click here for related information](#)

➤ [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 \(In  
Japanese\)](#)





Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

### Employment and Promotion of Women (Non-Consolidated)

	FY2019	FY2020	FY2021	FY2022
Ratio of female employees to all employees <sup>*1</sup> (%)	21.6	22.0	22.6	23.1
Ratio of females to new hires <sup>*2</sup> (%)	26.9	30.2	26.9	33.1
Female employees in management positions <sup>*1*3</sup> (%)	4.2	4.8	5.6	6.3
Ratio of female senior managers (%)	2.7	2.7	2.2	2.4
Ratio of female general managers (%)	5.1	6.3	8.3	8.5
Female employees in management positions in revenue-generating functions <sup>*1*4</sup> (%)	-	3.2	3.9	3.8
Ratio of women in research and development / technical positions <sup>*1</sup> (%)	-	9.5	11.7	10.5

\*1 Fiscal 2019 was calculated based on enrollment as of March 31. 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 Calculated by adding the number of new graduate employees hired between May and the following March of the previous year to the number of new graduates hired in April.

\*3 Among managers, supervisors are defined as senior managers and the rest as general managers

\*4 The rate is excluding support functions such as HR, IT, Legal, etc.

## Training for Home Advisors

Regular training is provided for female home advisors working at model homes. We follow up with them by utilizing videos and operations manuals that summarize the details of the work and key points of customer service, so that they can put the work into practice.

In the fiscal year ended December 31, 2022, a total of 318 participants took the course. In the future, we plan to conduct skill improvement training utilizing online and other means so that we can respond to customers' situations and requests in a more detailed manner.

## Training for Female Sales Staff

Since not a small number of female employees leave the company due to life events, it is important to create an environment that enables diverse work styles and to facilitate early acquisition of skills. To this end, we provide training for female employees in sales positions in their third year with the company to help them acquire sales skills and follow up with them to strengthen their weak areas.

In addition, we plan to conduct online information exchanges to help resolve issues related to the retention of female staff.



Participants of Women's Conference 2020  
displaying their individual goals



Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## Initiatives Aimed at Increasing the 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.

### 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
Managers and Manager Candidates	Training for new managers and female leaders
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 design training, such as Career 30 training (voluntary) for employees in their 30s, Career 40 training (all employees) for employees in their 40s and Career 50 training (all employees) for employees in their 50s tailored to each major milestone throughout life.



Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## LGBTQ initiatives

Sumitomo Forestry regards LGBTQ 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.

In 2021, training was conducted for directors and employees at the Personnel Department and General Administration Department, and in 2022, training was conducted for all managers in charge of each department and branch office, as well as all managers in charge of general affairs. In 2023, we plan to implement the program for all group managers in the Housing Division. All employees are required to take e-learning courses to promote company-wide understanding.



LGBTQ training state

In the area of personnel systems, in January 2022, we established the "Partnership System Regulations" and applied the same internal systems and benefits to same-sex partners and de facto partners as those of spouses. We are working to increase the number of allies (people who understand and support LGBTQ) by providing information to employees on the internal website, including information on systems, initiatives, and participation in LGBTQ awareness-raising events such as Rainbow Pride.

In addition, an "External Grievance Desk" has been established to provide individual consultation.

In November 2022, in recognition of these efforts, Sumitomo Forestry received gold certification, the highest ranking, in the PRIDE Index 2022 which evaluates companies' engagement with the LGBTQ community. We will continue to work to create an environment where everyone can work comfortably and actively.

### Related Information

#### Establishment of the Partnership System

> Regulations: equal treatment for partners in same-sex marriages and de facto marriages as spouses (Japanese)

#### Sumitomo Forestry received gold

> certification in the PRIDE Index 2022 which evaluates the companies' engagement with the LGBTQ community (Japanese)



Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## 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, 2022 was 2.40%. 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<sup>\*1</sup> 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<sup>\*2</sup>. The program was also implemented in fiscal 2022 for new hires, etc. We plan to continue to do so and promote acquisition by 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.



State of group work in the Universal Manners Test  
(November 2019)

Ratio of Disabled Employees  
As of December 31, 2022  
(Non-consolidated<sup>\*3</sup>)

**2.40%**

<sup>\*1</sup> 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

<sup>\*2</sup> Applicable to 5,430 employees excluding childcare leave, long-term leave, overseas expatriates, etc.

<sup>\*3</sup> The calculation is the sum of Sumitomo Forestry, subsidiary Sumirin Wood Peace as well as the affiliated Group company Sumirin Business Services

### Employment of Persons with Disabilities (Non-Consolidated)<sup>\*1,2</sup>

	FY2019	FY2020	FY2021	FY2022
Ratio of Disabled Employees (%)	2.40	2.25	2.38	2.40

<sup>\*1</sup> Calculated as of March 31 for 2019, and as of December 31 due to changes in the accounting period after 2020

<sup>\*2</sup> 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 2022, Sumirin Wood Peace employs 13 people with disabilities. In the future, the Company will further this recruitment and ensure business continuity.



State of wood product processing



Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

### 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 Cabinet Company (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".

## 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 remained around 80% on average, although the ratio varies from year to year. After adopting the system, 91.9% of employees (1 re-employ retiree) in fiscal 2020, 93.3% of employees (4 re-employ retirees) in fiscal 2021 and 93.2% of employees (5 re-employ retirees) in fiscal 2022 chose 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



Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

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. Every year since April 2020, a re-employment ratio of 100% has also been 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, 77 employees have registered as senior human resource assets, of whom 53 are still working as of December 31, 2022.

## 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. This is a system that allows employees to be re-employed by the company in the future if they meet certain filing requirements such as three years or more of service when they retire due to their own circumstances, and since its introduction in October 2008, 324 applications have been received and 12 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.



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

Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

**Number of Partner Employees Promoted to a Permanent Employee\***

F2019	F2020	F2021	F2022	F2023
14	12	17	13	12

\* As of April 1 of each fiscal year

**Number of Challenged Employees Promoted to a Permanent Employee\***

FY2019	FY2020	FY2021	FY2022	FY2023
2	1	0	1	1

\* As of April 1 of each fiscal year



Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

# Diversity and Inclusion

## Human Resources Development

### Basic Policy

Sumitomo Forestry's basic policy for human assets development is to "nurture employees who learn by themselves, think about the essence of things, and take action" and "create a workplace culture that allows people to be energetic and vigorous." By supporting the growth of employees with high morale and pride, and by fostering a open minded and energetic corporate culture, we aim to realize our corporate philosophy.

### 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.comprehend and develop the corporate philosophy based on Sumitomo's Business Spirit, 2. master universal business and management skills 3. nurture global human assets, and 4. train management 5. create a workplace culture that allows employees to work energetically and vigorously.

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 Division

Employees of the Housing 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 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.



Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## Human Resources Development System

Under a theme of "Supporting Motivated People", Sumirin Business College 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 2022, 394 employees of whom 275 and 119 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 and management skills

We support employees' learning by respecting their autonomy at Sumitomo Forestry Business Institute of the Personnel Department. In addition to 137 courses, including e-learning, correspondence courses, and dispatch to external training programs for the purpose of acquiring business skills and knowledge, we offer online video learning courses from more than 200,000 courses. Moreover, we have a system to subsidize 50,000 yen for employees to attend external training programs that they themselves have sought out. In fiscal 2021, a total of 642 employees participated in such training, and 926 employees participated in fiscal 2022.

We also focus on hierarchical training. We have conducted evaluator training for 66 employees in fiscal 2021 and 72 employees in fiscal 2022 in order to firmly establish and utilize the evaluation system. In addition, as part of the multifaceted assessment to develop managers' management skills, a multifaceted evaluation feedback work was offered for 55 first-time evaluatees in fiscal 2022, to assist them accurately grasp and practice the evaluation results. We also conduct aptitude assessments for employees who wish to assume management positions. We help our employees identify their own strengths, weaknesses, and characteristics, and provide direction for the development of necessary skills. In fiscal 2022, this program was conducted for 74 participants.

Furthermore, all of our 62 general managers from the Housing Division attended the housing general managers workshop co-hosted by Sumitomo Forestry Business Institute of the Personnel Department and Human Resources Development Department. General managers are to improve 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 general managers and the corporate management team.

### 3. Nurture global human resources

Sumitomo Forestry strives to nurture human resources to entrust with business operations as business expands overseas. Therefore, we conduct an overseas human resource development program where employees who were in charge of overseas-related businesses for many years including those posted overseas provide 1-on-1 guidance to employees who would like to



Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

work abroad with extraordinary business performance. This guidance includes learning English and Indonesian. The curriculum is an original program adapted to the skill level and work content of each employee taking the course, and encourages the study of bookkeeping and accounting. In addition, a new course dealing with international affairs in general has been established since fiscal 2022.

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 83 employees have graduated, with 35 of those trainees participating in fiscal 2022. (106 employees are working abroad as of December 1, 2022, 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 2021, 96 employees took part in 17 programs, and 130 people took part in 23 programs in fiscal 2022.

#### 5. The realization of a open minded and energetic work environment

In fiscal 2021, the Housing 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 open minded and energetic. In fiscal 2022, we expanded the "Three-Star Project" and newly launched the "Forest4.0 Project" in the Environment and Resources Division.

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 fiscal 2021, and 97 employees from eight branches participated in fiscal 2022, in a six-month workshop. The knowledge obtained from the training was immediately applied to their work. In fiscal 2022, 71% of participating members reported increased engagement in their work and 78% reported increased engagement in their organizations as a result of this project. In the future, we plan to expand the project gradually to a total of 62 branches.

Eight employees participated in the "Forest4.0 Project", a six-month workshop that examined the future of forestry business, explored the possibilities of new value creation based on rich ideas, and considered a path to realization. The final project proposal continues to be considered for realization.

#### 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 2022, the content of the programs was standardized and conducted online training at each company, while connecting Group companies online for some programs, with 321 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 2022.



Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

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 130 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 (FY2022)

Level/grade	Skill grade	Training for specific levels (across-the-board attendance)	Selective training (nominated/open invitation)	Self-development training (voluntary)	SBC/e-Learning
Management track	Officers	New executive officer training		External extension courses	Knowledge by division (timber and building materials, manufacturing business, housing and construction business, elderly care business, etc.)
	M5	Branch manager training	Next generation leader development	Designated courses	Knowledge (legal, financial, accounting, labor, harassment, mental health, etc.)
	M4 E4	Training for new managers	Management Leadership Training	Undesignated	Management skills (team management, coaching, etc.)
	M3 E3	Evaluator training	Transformational middle training	Annual subsidy up to 50,000 yen for external training and language courses found independently by employees	Business skills (writing, logical thinking, marketing, etc.)
	M3S E2	Multiple evaluation feedback training	Strategy-building skill training	Sumitomo Forestry Business Institute courses	Common (history and corporate philosophy of Sumitomo Forestry, legal compliance, the environment and information security)
	M2S E2	E2 grade aptitude training	Engineer management training	Group training (external training company)	
	M2S E1	New Manager Training	Financial leadership training	Attended in-house (in-house training by outside instructors)	
Staff track	S4	OJT trainer training	Leadership training	Distance learning (JMAM, etc.)	
	S3	Training for 5th year general management (All job categories) Training for 5th year graduates	Liberal arts training	Management school (Globis)	
	S2	Training for 3rd year general management	Dispatch to Japan Management Association, Japan Productivity Center, Keio MCC and Globis	E-learning (JMAM, RECRUIT, GLOBIS, etc.)	
		Training for the second year of employee	(Joint Group training) Program to strengthen logical thinking	Group training (external training company)	
		Training for the first year of employee	Group exchange training		
		(All job categories) New employee training	Cross-industry exchange training		
		Follow-up training for proposed graduate recruits			
Proposed recruits					

\* Training available to Group company employees

### Number of Employees Attending Main Training Programs(FY2022)\*

Training program	Number of people attending (Non-consolidated) (Persons)	Number of people attending (Group companies) (Persons)	Total
Training by specific levels (23 courses)	1,063	0	1,063
Selective training (39 courses)	217	26	243
Self-development training (140 courses)	783	0	783
e-learning (6 mandatory courses)	5,611	6,621	12,232

\* January 1 to December 31, 2022



Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

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

	FY2019	FY2020 <sup>*1</sup>	FY2021	FY2022
Hours of training received per employee	18	10.5	13.0	15.5 <sup>*3</sup>
Expenditure on training per employee (yen)	102,000	59,000 (77,000) <sup>*2</sup>	77,473 <sup>*3</sup>	105,628 <sup>*4</sup>

\*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 Hours of training by hierarchy in Sumitomo Forestry Business Institute of the Personnel Department and Human Resources Development Department (excluding self-development training and selective training)

\*4 Expenditure on training for fiscal 2022 (Non-consolidated) is 543 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 of the 146 qualifications. In fiscal 2022, 935 employees took advantage of the program.

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, and 23 employees satisfied the criteria in fiscal 2022. 37 employees obtained second-class architect licenses under the guidance of the Human Resource Development Department in fiscal 2022.

Sumitomo Forestry Home Tech introduced an in-house qualification system, the "Structural Diagnosis Master" in fiscal 2021. The goal of the internal qualification system is to improve employees' motivation for self-improvement while also improving legal compliance and quality control. In fiscal 2022, the second examination was conducted. 345 employees took the exam and 124 passed. A total of 227 employees (24% of eligible employees) obtained certification, including those who passed the first round.

### Initiatives in the Human Resources Development Department, Housing 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.



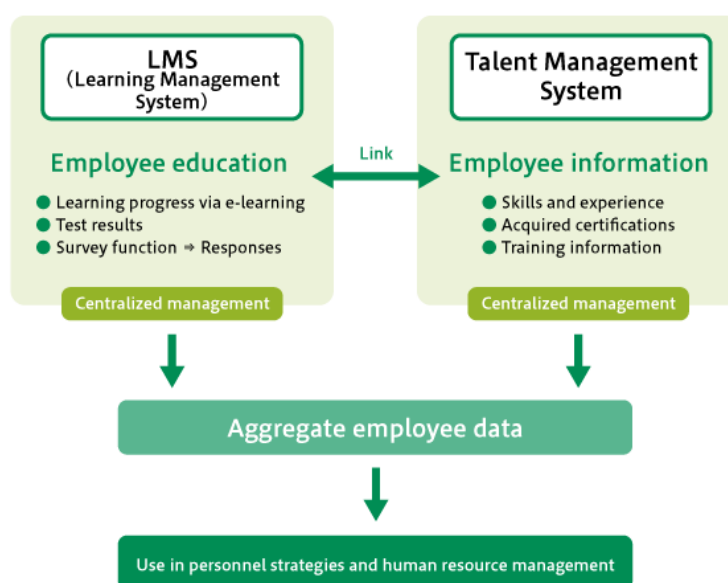
Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

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

Beginning in 2022, Sumitomo Forestry is using the headquarters studio to create video materials for training for employees joining the company. From April 2023, we plan to support on-the-job training at branches by establishing "Jinkai e-Learning," an environment that enables employees to learn business operations from the time they join the company. In conjunction with this initiative, we aim to establish a dual-axis training program for new graduates and mid-career hires by rooting a regular face-to-face training program for mid-career hires that began in 2022.

#### 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.



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

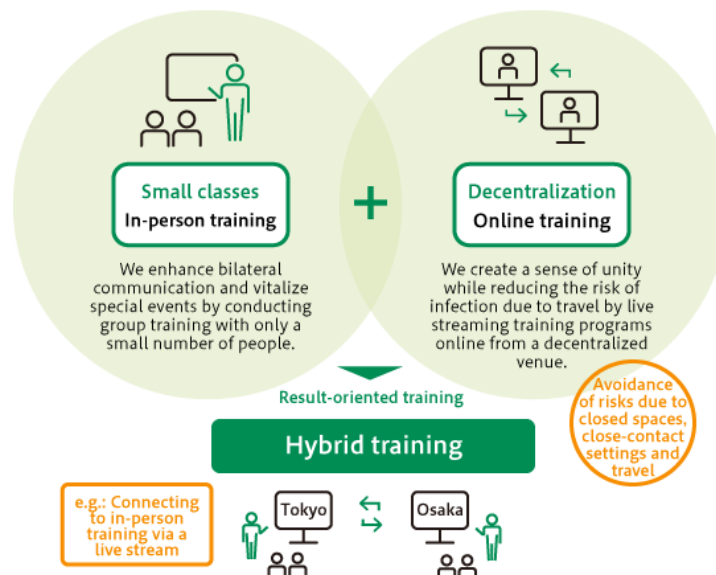
### Training Using Tablets

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 is 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. In addition, the provision of tablets to employees from the time they join the company also contributes to the improvement of IT literacy among younger employees. We will continue to strive to realize an educational ICT environment to further develop the qualities and abilities of each employee.

### Hybrid Face-to-Face and Web-Based Training

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.

#### Hybrid training that combines smaller scale face-to-face training and online training



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

### Training Using VR and AI

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.

## Initiatives in Sumitomo Forestry Home Tech

### Needs-Based Sales Training

Sumitomo Forestry Home Tech, has two businesses; "Owner Business," managing renovation and maintenance of Sumitomo Forestry's custom-built wooden detached homes and "Customer Business," renovation of non-Sumitomo Forestry houses. From FY2021, we have implemented "Needs-Based Sales Training" for up to the fifth year of new-graduate-employees who are in sales and design. While the average age of owners who order renovation is around sixty years old after their life stage change, the targets of this training are in their early twenty's and finding common topics for a small talk is already a challenge. The training was to cultivate "problems" or "something missing" and provide solutions for the home owners; then to propose a plan that addresses the potential needs of customers. The training is comprised of three sessions: awareness change, behavior change, and result change, and is conducted in a role-playing format. Role-playing format and the "awareness change" step leads to better communication in cultivating the unnoticed problems of the home owners. As a result, their sense of accomplishment increased with such comment as "the home owner now recognizes me as a family consultant" or "I now enjoy sales as I am not selling goods, but solutions for the family." The sales for owner business per personnel improved as well.

As a result of the training, the motivation of sales and design personnel has increased, and the number of proposals that led to actual contracts in routine work has increased. Improved motivation has led to an increase in the employee retention rate. Furthermore, a positive cycle has been created in which sales increase further due to increased self-confidence by increased unit price of orders.

Orders for "Owners Business" (Sumitomo Forestry homes) are mainly operated by young employees, who are the target of this training. After implementing the training, orders in the low-priced range (1 million yen or less) have decreased compared to the previous years. Whereas, orders in the price range of 1 million yen or above have increased, totaling 108% of the previous year. Moreover, due to the synergetic effect, the high price range has also increased in the "Customer's Business," totaling 112% of the



Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

previous year. Needs-Based Sales training, which stimulates owners' potential demand and leads to better sales results, is proven effective in providing added value to customers and motivating young employees, which leads to lower turn-over ratio as well.

## 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.

### Real Estate Agent

	FY2020	FY2021	FY2022
Number of examinees	198	142	194
Number of successful candidates(Number of sales positions obtained)	24 (414)	25 (440)	29 (470)
Passing rate	12%	18%	15%

### Level 2 Financial Planner

	FY2020	FY2021	FY2022
Number of examinees	150	120	146
Number of successful candidates(Number of sales positions obtained)	25	40 (260)	41 (306)
Passing rate	17%	33%	28%

### First-class construction management technician

		FY2020	FY2021*	FY2022
The 1st test (Subject)	Number of examinees	52	-	16
	Number of passers	40	-	8
	Passing rate	77%	-	50%
The 2nd test (Site)	Number of examinees	56	-	10
	Number of passers	38	-	7
	Passing rate	68%	-	70%

\* No support for obtaining qualifications in fiscal 2021



Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

### Second-class architects and first-class architects (Subject)

		FY2020	FY2021	FY2022
Second-class architects	Subject passing rate	100%	100%	100%
	Passing rate of drawing	89%	84%	81%
Second-class architects (Subject)	Subject passing rate	30%	30%	31%

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 2022, the school had another 84 new enrollments.


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

[Human Rights](#) - 
 [Diversity and Inclusion](#) - 
 [Work-Life Balance](#) - 
 [Occupational Health and Safety](#) - 
 [Safety and Quality of Products and Services](#) - 
 [Communication with Our Customers](#) - 
 [Business initiatives that contribute to regional revitalization](#) - 
 [Supply Chain Management](#) - 
 [Social Contribution](#) - 
 [Social Data](#)



Practical training in construction of a house

### New Students and Performance at The Sumitomo Forestry School of Professional Building Techniques

	FY2019 (32nd graduating students)	FY2020 (33rd graduating students)	FY2021 (34th graduating students)	FY2022 (35th graduating students)
Number of new students	57	61	69	84
Number of graduates	55	60	63	-
Students who acquired the 2nd class carpenter license	55	60	62	-



Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

# 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. In addition to short-term semiannual performance, the evaluation items include items that contribute to the long-term development of the company, teamwork attitude and actions to create results, compliance, and risk management. 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 2022, the multi-faceted evaluation system (360 Degree Evaluation) was mainly conducted for employees in charge of organizational management, specifically new management employees or employees 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.

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.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## 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 2022, President Mitsuyoshi held a discussion with five employees who are active at the forefront of decarbonized initiatives within the Sumitomo Forestry Group under the theme of "Mission TREEING 2030—Turning the Wood Cycle". The video of the event was filmed and distributed to convey the president's strong enthusiasm for realizing a decarbonized society and the passion of the employees for the project. We plan to continue this activity as an opportunity for direct dialogue between the president and employees and to increase communication among the group in fiscal 2023.



Distribute video of the discussion

## Employee Satisfaction Survey

Sumitomo Forestry conducted the 12th employee satisfaction surveys in July 2022.

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 4,995 full-time and fixed-term employees with a response rate of 91.1%.

As a result of the survey, 77.0% of employees answered either "absolutely" or "yes, if I have to choose" when asked whether they were satisfied working for Sumitomo Forestry.

Furthermore, this survey was also jointly conducted at 26 consolidated Group companies in Japan and Sumitomo Forestry since 2019. The questionnaire targeted 12,656 full-time and fixed-term employees (including some part-time employees) with a response rate of 88.5%.

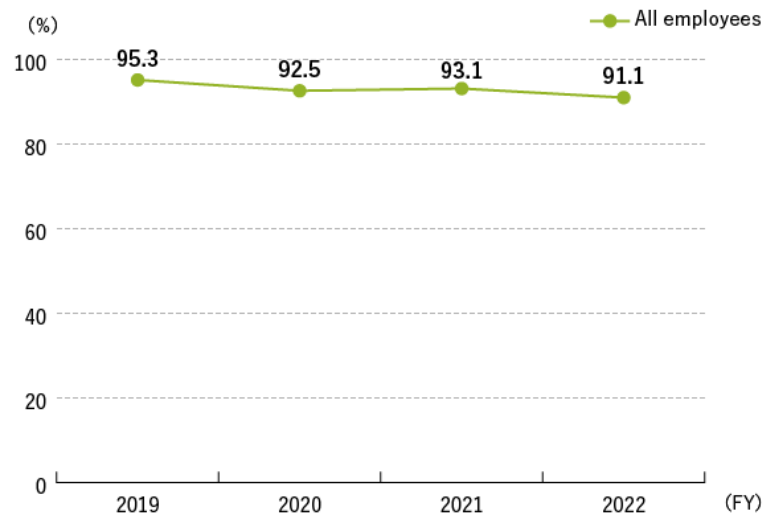
Sumitomo Forestry plans to introduce the employee satisfaction survey as an annual survey throughout all consolidated Group companies in Japan to understand yearly changes.



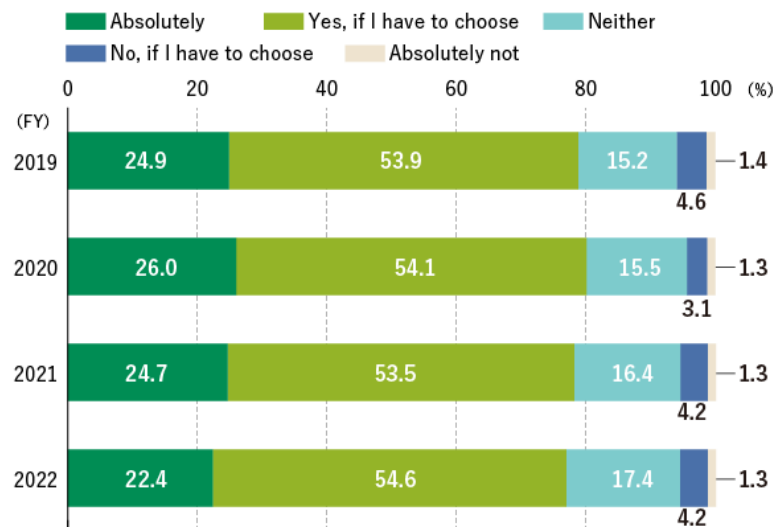


Human Rights - **Diversity and Inclusion** - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## Employee Satisfaction Survey Response Rate (Sumitomo Forestry)



## Employee Satisfaction Survey Trends (Sumitomo Forestry)



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

[Human Rights](#) - [Diversity and Inclusion](#) - [Work-Life Balance](#) - [Occupational Health and Safety](#) - [Safety and Quality of Products and Services](#) -  
[Communication with Our Customers](#) - [Business initiatives that contribute to regional revitalization](#) - [Supply Chain Management](#) -  
[Social Contribution](#) - [Social Data](#)

## Relationship with Labor Unions

All of the eligible employees at Sumitomo Forestry (3,867 people) have joined the labor union as of January 1, 2023.

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 2022, joint labor-management discussions were held on 15 occasions, and following on from fiscal 2021, consideration was given to measures for reducing overtime working hours and improving employees' work-life balance.

Membership rate in labor unions  
(Non-consolidated)

**100%**



Human Rights - Diversity and Inclusion - **Work-Life Balance** - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## 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, 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 the fiscal year ended December 31, 2022, the Sumitomo Forestry Group set the critical target "reducing long working hours through workstyle reforms" as of December 2022 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.

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.

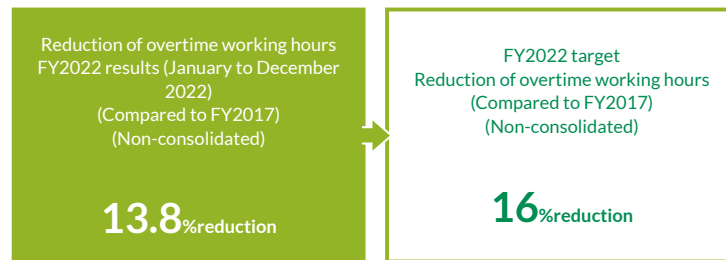
In particular, close communication with customers is indispensable in the sales and construction of custom-built detached housing in the Housing Division, which results in the employees' long working hours. To this end, OHS committee, which meets at each branch office, discusses initiatives to reduce long working hours at each branch. As to the working system and operational flow reform that are difficult to tackle at a branch level, the Housing Division continuously leads the long working hours mitigation campaign by making proposals for the systems improvement.



Human Rights - Diversity and Inclusion - **Work-Life Balance** - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

[Click here for related information](#)

> **Material Issue 6** To create a vibrant  
environment for all workers



## Revisions to the Personnel System

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

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

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

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

## Encouraging Employees to Take Paid Annual Leave

Sumitomo Forestry has promoted the use of annual paid leave by encouraging employees to take at least 70% of their annual paid leave entitlement and by posting a list of leave taken by each business location on the internal website. We have also introduced an annual paid leave system in half-day and hourly units, as well as a planned refreshment break and summer vacation to create an environment conducive to taking leave.

Paid Leave Usage Ratio  
(2022)  
(Non-consolidated)

**68.4%**

In addition, the Housing Division has established planned annual holidays for all departments (general rule of four days).

The yearly paid leave usage ratio in 2022 was 68.4 percent as a result of these initiatives.



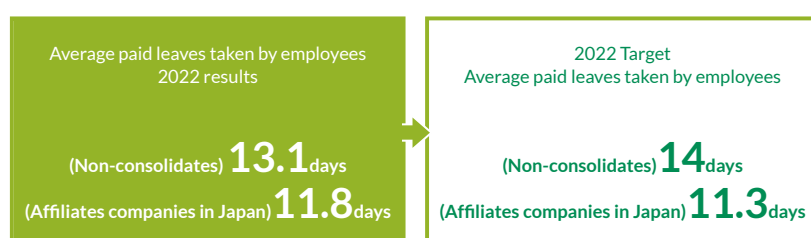
Human Rights - Diversity and Inclusion - **Work-Life Balance** - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

### Results of Paid leave usage ratio (non-consolidated)

	2019	2020	2021	2022
Paid leave usage ratio (non-consolidated) (%)	60.2	60.7	64.1	68.4

\* Calculated by dividing the number of days of paid annual leave taken each fiscal year by the number of days issued

\* Excluding directors and executive officers, employees on overseas assignment, employees hosted from other companies, and employees on extended leave or leave of absence



### Initiatives to Promote the Use of Paid 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.

Although branches of the Housing Business Division are closed on Tuesdays and Wednesdays because they often have business meetings with customers on Saturdays and Sundays, it sometimes makes hard for employees to take time off to attend their families' school activities or community events. 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.

### Refreshment Break and Family Friendly Day Leave Acquisition Rate (Non-consolidated)

	2019	2020	2021	2022
Percentage of Refresh Leave Program takers (%)	43.7	31.3	31.3	24.7
Percentage of Family Friendly Day Leave takers (%)	36.8	30.5	26.6	31.2



Human Rights - Diversity and Inclusion - **Work-Life Balance** - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## 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).

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 2022 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.

## Promoting Paternal Support for Male Employees

At Sumitomo Forestry, male employees are required to report their spouses' pregnancy and childbirth plans to their supervisors and Workstyle Diversification Department of Personnel Department. Then, the employees consult with their supervisors about the status of childcare and the acquisition of childcare leave while reviewing the "Handbook for Supporting Work and Childcare Balance" and a guidebook on childcare-related systems together.

After the interview, the employee fills out the "Childcare Leave Notification and Intention Confirmation Form" indicating their desire to take childcare leave and their supervisor's comments, and returns the form to Workstyle Diversification Department. The submission of this form is mandatory when applying for the "lump-sum childcare support payment" provided to employees whose children are born, thereby increasing the rate at which interviews are conducted. In addition, we follow up on each individual's smooth acquisition of childcare leave depending on the details of their request.



Human Rights - Diversity and Inclusion - **Work-Life Balance** - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

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. 77 male employees took childcare leave in fiscal 2022.

#### Main Childcare Support Programs (FY2022)

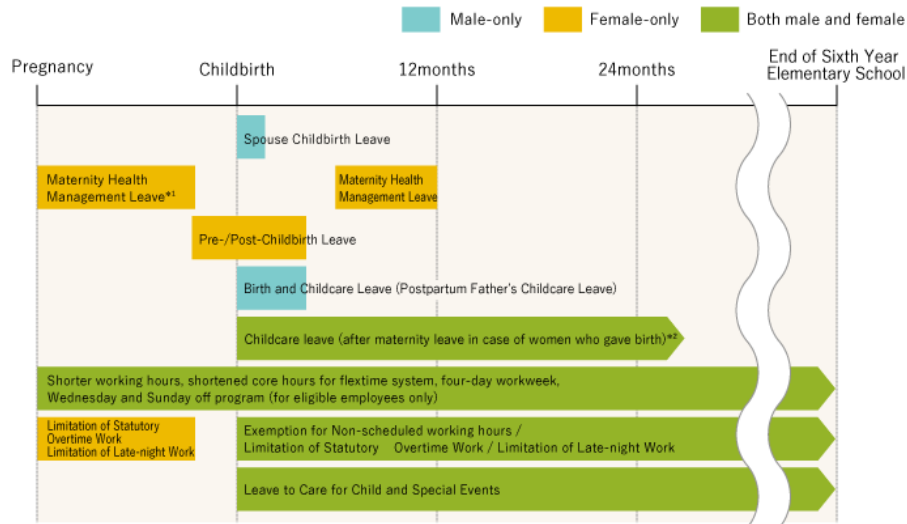
Program	Description
Childcare leave at birth	May be taken up to 2 times within 8 weeks of the birth of the child
Childcare leave	Childcare leave may be taken by employees until March 31 immediately following the child's second birthday, and may be obtained in installments of up to 2 times. The full salary 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).





Human Rights - Diversity and Inclusion - **Work-Life Balance** - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## 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 2022 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 Those who Returning to Work from Childcare Leave and Their Supervisors

Sumitomo Forestry held a joint seminar in November 2022 for those who returning to work from childcare leave and their supervisor. This seminar held classes to teach the social landscape surrounding childbirth and child raising, a balance between work and childcare as well as future career development, panel discussions with senior employees who have experience raising children and working, and group discussions with other participants. The opportunity offered a chance for everyone to think about the actions supervisors and the individual raising a child can each take to find a balance between work, raising children and developing a career.

## Supporting Workstyles for Employees Caring for Family Members

Sumitomo Forestry supports its employees in balancing work and nursing care. In addition to allowing employees to take up to 365days of leave per applicable family member, employees may also take advantage of shorter working hours or a four-day workweek. The flextime system was rolled out to the entire company in January 2021 (except employees on the discretionary work system), and now the core hours can be shortened for reasons of family care. Sumitomo Forestry has also established family illness and injury leave, enabling employees to take in 30 minute increments.



Human Rights - Diversity and Inclusion - **Work-Life Balance** - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

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 (FY2022)

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: 1

### Family Care Support Program Performance (Non-consolidated)

	FY2019	FY2020	FY2021	FY2022
Family care leave (Persons)	1	2	2	1
Number of family support program users (Persons) (Flextime System, Shorter Working Hours, Four-Day Work Week, etc.)	4	4	1	1

## Sumitomo Forestry Holds Seminar to Support Balancing Work and Family Care

Beginning in 2021, Sumitomo Forestry is holding online seminars and individual consultations to help people balance work and nursing care. The goal is to create an environment where people can balance work and family life in their daily lives, rather than giving up work to care for family members, and to give them tips on how to stay healthy and active both physically and mentally.

Sumitomo Forestry held seminars titled "Secrets to Balancing Work and Family Care" in December 2021, "Balancing Work and Dementia Care" in July 2022, and "The Basics of Elderly Care Facilities and Nursing Care Costs" in December 2022, with about 50 to 150 employees attending each session, including those who are already caring for family members, those who want to start preparations, and those who want to learn for their subordinates and colleagues. Individual consultations with the seminar instructors are held for individuals who choose to attend after each seminar.

We will continue to provide seminars and consultations to assist people in balancing work and family care.



Human Rights - Diversity and Inclusion - **Work-Life Balance** - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## 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.

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.

We abolished the existing telecommuting rules, added provisions for satellite office work and mobile work, and have developed 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.

## 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 2022, 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.



Human Rights - Diversity and Inclusion - **Work-Life Balance** - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## 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 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

[Click here for related information](#)

> Sumitomo Forestry Group Health  
Management Promotion System



#### Initiatives to Maintain and Improve Employee Health

Sumitomo Forestry Group is committed to health management in order to create an environment in which workers can thrive, and to prevent employees from being absent from work due to injury or illness, and from losing labor productivity due to presenteeism.

Sumitomo Forestry maintains a 100% medical examination rate for regular health checkup which are vital to preventing illness. In addition, the system that we use can offer regular health checkup, stress check aftercare, and consultations with industrial physicians during overwork and other stressful situations. These measures are also available to employees working at sites with a

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

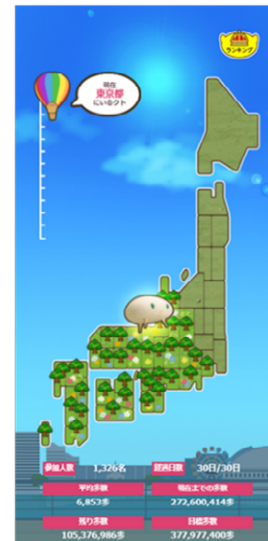
Human Rights - Diversity and Inclusion - **Work-Life Balance** - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

small number of staff through the appointment of industrial physicians even at locations with less than 50 employees.

Furthermore, a clinical psychologist and public health nurse are assigned to the Health Care Promotion Team in the Workstyle Diversification Department run by the Personnel Department to implement a variety of health measures and provide employees who are forced to take leave for health reasons with a system that allows them to focus on their treatment and return to work without worry.

## Organizing Walking Event

Sumitomo Forestry has been holding regular walking events since fiscal 2021 as part of its "health management" efforts to maintain and promote the health of each and every employee so that they can work vigorously and in good health. In the fall of 2022, an event was held in a new attempt to "increase greenery throughout Japan by the number of steps taken by all participants." The idea is that for every step a participant takes, a tree is planted on a virtual map of Japan. The number of participating Group companies doubled from the previous year, and the event is becoming established throughout the Group companies and will continue to be held in the future.



Walking Event

## Conducting Health Live Seminars

Sumitomo Forestry designated the first Monday of the month as "Health Day" and continued to hold health-related live seminars during lunch breaks with the aim of improving lifestyle habits and productivity in terms of sleep, diet, and exercise. From August to December 2022, a total of five "Presenteeism Dissolution Seminars" were held to raise health awareness and provide tips and ideas for better ways to work and act to help eliminate presenteeism. The online seminar provided an excellent chance for Group employees to interact with each other. We will continue to hold Health Live Seminars in the future.



Health Live Seminar



Human Rights - Diversity and Inclusion - **Work-Life Balance** - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## Seminars for Health Supervisors

Sumitomo Forestry conducted two online practical seminars for health supervisors in June and December 2022. In June, 167 people participated voluntarily on the topic of dealing with long-term sickness and injury, and in December, 179 people participated voluntarily on the topic of health committee meetings. 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. We will continue to offer seminars for health supervisors in the future.



Seminars for Health Supervisors

## Elimination of Presenteeism\*

As a result of these efforts, presenteeism (as measured by the WHO-HPQ method) in fiscal 2022 was 62.8, an improvement from 62.2 in the previous year.

\* The state in which a person goes to work while suffering from some disease or symptom, and their ability to perform work or productivity is impaired

	2019	2020	2021	2022
Presenteeism (%)	-	61.6	62.2	62.8

## 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.

## Collaboration with External EAP Agency

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.



Line care training for new general managers

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - **Work-Life Balance** - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

All domestic Group companies have an external consultation service for EAP as of the end of fiscal 2022.

\* A workplace mental health care service for employees

## Support during Absence and upon Returning to Work

Sumitomo Forestry distributes a Mental Absentee Guidebook to employees who are absent from work due to mental illness, which includes information on how to spend time during leave and company rules regarding leave, etc., to the employees to reduce anxiety during their absence. We also distribute a Guidebook for Managers to supervisors, providing them with information on how to respond to the situation at hand.

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.

## 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 media to help prevent mental disorders.

As part of care following stress checks, we distributed results of individual organizational analysis to each site and provided "Stress Check Feedback Training" to a total of 358 employees in all departments, including general managers (mandatory) and supervisors (voluntary) in order to raise awareness about building an even more vibrant workplace environment in 2022. We are strengthening line care to enable early detection and improvement of mental illness among subordinates, and are planning and implementing measures to improve the workplace environment at each site. Individual consulting services were also provided to departments with high psychological burdens. In addition, in order to help each employee cultivate a healthier mind and body, we continue to raise awareness by offering various courses such as "Sleep," "Health Management for Workers," and "How to Deal with Stress" in the category of "Health Care" in our e-learning program.

[Click here for related information](#)

[> Human Rights Initiatives](#)

## Practical Mental Health Care Results

	FY2019	FY2020	FY2021	FY2022
Stress Check Response Rate (%)	93.3	96.4	94.5	96.6





Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

# Occupational Health and Safety

## Occupational Health and Safety Management

### Basic Policy

The 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.

Sumitomo Forestry and all Sumitomo Forestry Group companies, as well as business partners involved in the Group's operations, are required to routinely engage in occupational health and safety activities as the foundation of corporate management in line 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 to disclosing this policy on our website, we also use various tools to promote understanding and penetration of the policy, such as posting it on posters and including it in the employee handbook.

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.



Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## 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

## Occupational Health and Safety Management System

### Promotion System

The 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 70 Group companies in Japan and overseas in fiscal 2022 and presented the findings at the Sustainability Committee and other entities.



Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

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.

## Implementation and Enhancement of ISO 45001 Management System

The Sumitomo Forestry Group promotes the operation of the ISO 45001 occupational health and safety management system (ISO 45001) to reduce the risk of occupational injury and maintain safe and healthy workplaces.

Among Sumitomo Forestry Group companies, businesses with particularly high occupational injury risks are analyzed, prioritized, and promoted for implementation.

In introducing an occupational health and safety management system, we support ISO training sessions for companies considering the introduction of such a system, and we recommend that they start operating the system based on a self-declaration of conformity\* and then undergo an external audit to reduce the difficulty of introducing the system.

Departments and divisions that have acquired ISO 45001 self-compliance and external certification promote the operation of ISO45001 by conducting internal auditing on a regular basis to ensure continuous improvement.

The scope of consolidated subsidiaries to be certified focuses on companies that are engaged in high occupational injury risk businesses. In fiscal 2022, the certification rate of targeted consolidated organizations was 36.0% (based on sales).

\* An ISO-based management system has been established, operated and adapted by the company

### Acquisition Status of Occupational Health and Safety Certifications at Each Group Company

Company	Country	Type of certification	Date acquired	Date renewed
Sumitomo Forestry Environment and Resources Division	Japan	ISO45001:2018	August 2021	-
Sumitomo Forestry School of Professional Building Techniques	Japan	ISO45001:2018	September 2022	-
Sumitomo Forestry Crest	Japan	ISO45001:2018	February 2013	February 2022
PT. Rimba Partikel Indonesia (RPI)	Indonesia	ISO45001:2018	March 2019	July 2021

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

Company	Country	Type of certification	Date acquired	Date renewed
Kutai Timber Indonesia (KTI)	Indonesia	ISO45001:2018	January 2020	November 2022
Nelson Pine Industries (NPIL)	New Zealand	ISO45001:2018	October 2019	July 2022

## Rapidly Comprehending and Dealing with Occupational Injury

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.

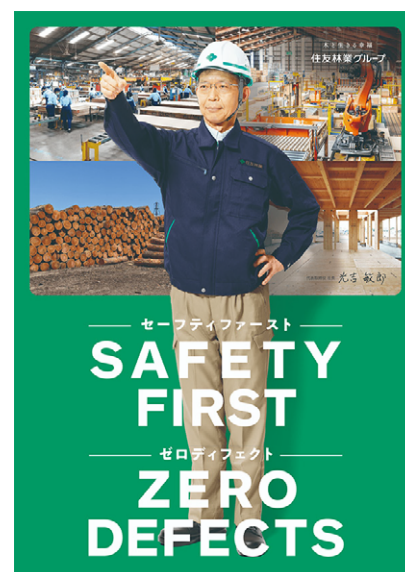
Serious occupational injuries are reported and managed through case reports on risk manifestations at monthly meetings of the Board of Executive Officers, as well as at quarterly meetings of the ESG Sustainability Committee and Risk Management Committee.

[Click here for related information](#)

> [Rapidly Comprehending and Dealing with Risks](#)

## 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



Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

## Occupational Health and Safety Award

The Sumitomo Forestry Group established the Occupational Health and Safety Award at the Sumitomo Forestry Group Performance Awards Ceremony as of December, 2021, held in April 2022. Based on the concept of "Safety First," the award is given to the top entity of each head office department and division that has achieved results in raising workplace safety awareness and promoting safety activities to eliminate occupational injuries. In fiscal 2021, three companies and one school were awarded.

### Purpose of the Occupational Health and Safety Award

- Raising awareness of occupational health and safety activities (especially zero occupational injury) with the participation of all employees
- Nurturing a culture of mutual respect
- Motivating employees, branches, and Group companies

### Occupational Health and Safety Award\*

Division	Award-winning companies and schools	Reason for award
Environment and Resources Division	Hachinohe Biomass Electric Power Co., Ltd.	Achieved zero occupational injury for more than three consecutive terms through the promotion of safety activities
Timber and Building Materials Division	Sumitomo Forestry Crest Co., Ltd.	Achieved zero occupational injury for the fiscal year ended December 2021, for the first time since the company's founding. Since the introduction of OHSAS (now ISO 45001) in 2013, the reduction of the number of occupational injuries has been achieved through the continuation of safety activities.
Lifestyle Service Division	Sumirin Fill Care Esperanza Noborito	Achieved zero occupational injury for the past three fiscal years. Specific efforts to prevent occupational injury were implemented on a daily basis, and this was a success.
Headquarters	Sumitomo Forestry School of Professional Building Techniques	Achieved zero serious occupational injury for the past three fiscal years for both faculty and students. ISO 45001 occupational health and safety management system to promote a culture of safety.

\* Awarded based on performance in fiscal 2021

## Human Resources Development

The Sumitomo Forestry Group also strives to develop human resources by conducting training for internal auditors, including Group employees. In fiscal 2021, the Quality Control and Worker Safety Management Department started ISO 45001 internal auditor training courses, and in fiscal 2022, 50 employees (36 in the internal auditor qualification course and 14 in the standard explanation course) completed the courses. In addition, a course on "Occupational Safety, Health, and Quality" was established in e-learning through the company website. The Sumitomo Forestry Group has introduced two new courses, including the content of understanding and infiltrating Sumitomo Forestry Group occupational health and safety policy and the basic course of risk



Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

management, to promote occupational health and safety education. In addition, the Quality Control and Worker Safety Management Department lends DVD materials on occupational health and safety for use in employee education and safety conferences, including those at Group companies. We will continue to strengthen our safety system, by providing guidance and advice to the entire Group.

#### Number of ISO 45001 internal auditors in the Sumitomo Forestry Group who have obtained the qualification \*

FY2020	FY2021	FY2022
8	44	39

\* Including those who have obtained qualifications through external training

#### FY2022 major education on occupational health and safety (company-wide education)

Title	Form	Purpose	Object	Number of people attending (persons)
What is ISO for your organization's operations? [Courses began in August 2021]	e-learning	Understand the basics of ISO management systems and link them to activities that promote the development of systems to address organizational issues and concerns.	Sumitomo Forestry Group companies (some excluded)	2,349*
ISO 45001 management system [Courses began in November 2021]	e-learning	Go one step beyond the basics of ISO 45001 management system and link them to activities that promote the development of systems to address organizational issues and concerns.	Sumitomo Forestry Group companies (some excluded)	2,315*
What is Sumitomo Forestry Group's "Safety First"? Know more about our safety policy! [Courses began in July 2022]	e-learning	Deepen understanding of the "Sumitomo Forestry Group Quality Policy" and promote health and safety activities with all employees working together	Sumitomo Forestry Group companies (some excluded)	116*
You may know it, but you don't know it!? Risk Assessment Part 1: Let's learn the basics, key points! [Courses began in December 2022]	e-learning	Learn the concepts of what is safety, what is risk, what is a source of danger, and understand risk assessment	Sumitomo Forestry Group companies (some excluded)	28*



Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

Title	Form	Purpose	Object	Number of people attending (persons)
ISO 45001 Management System Internal Auditor Training Seminar	Group training	Learn the requirements of ISO 45001 (overview) and key points of internal audit techniques with exercises to improve internal audit skills.	Sumitomo Forestry Group companies	50
ISO 45001 Management System Overview Training	Group training Online training	Acquire knowledge of on-site occupational health and safety management before traveling to overseas Group companies	Travelers to overseas Group companies	25*

\* Cumulative total as of the end of December 2022

### Targets and Performance Concerning Occupational Injuries

In the Mid-Term Sustainability Targets as part of the Sumitomo Forestry Group Mid-Term Management Plan, the 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.

With regard to the performance of the Sumitomo Forestry Group with respect to occupational health and safety against industry standards, the Group is also working to reduce the number of occupational injuries by referring to the frequency rates in the same industry.

### Occupational Injuries (Non-Consolidated)<sup>\*1,2</sup>

	FY2019	FY2020	FY2021	FY2022
Number of occupational injuries (incidents) <sup>*3</sup>	1	1	2	5
Lost-time injury frequency rate <sup>*4</sup>	0.2	0.29	0.19	0.42
Work-related illness frequency rate	0	0.29	0	0

\*1 The aggregation period for fiscal 2020 onwards is January to December of each year, and the aggregation for fiscal 2019 is April 2019 to March 2020

\*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





Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

# Occupational Health and Safety

## Occupational Health and Safety in the Forestry Business

### Domestic Initiatives in Forestry Business

Sumitomo Forestry manages approximately 48,000 ha of company-owned forests in Japan. 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 office twice a year.

At Workplace Safety Conference, we are stepping up educational activities such as lectures by experts in occupational injury prevention and environmental education, and on-site safety instruction.

In fiscal 2022, although COVID-19 infection continued to affect our operations as in the previous fiscal year, we held at least one workplace safety conference at each forestry office. Various themes were discussed with relevant parties to deepen mutual understanding, including occurrence of forestry occupational injuries, occupational safety measures in forest activities, heat stroke prevention.

In fiscal 2022, there were no occupational injury requiring payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act in Sumitomo Forestry's company-owned forests working site. We will continue our efforts to achieve zero occupational injury.



Workplace safety conference (Hyuga Forestry Office, Togo Seedling Tree Farming center)

### Number of occupational injuries involving contractors in company-owned forests<sup>\*1,2</sup>

FY2019	FY2020	FY2021	FY2022
1	1	2	0

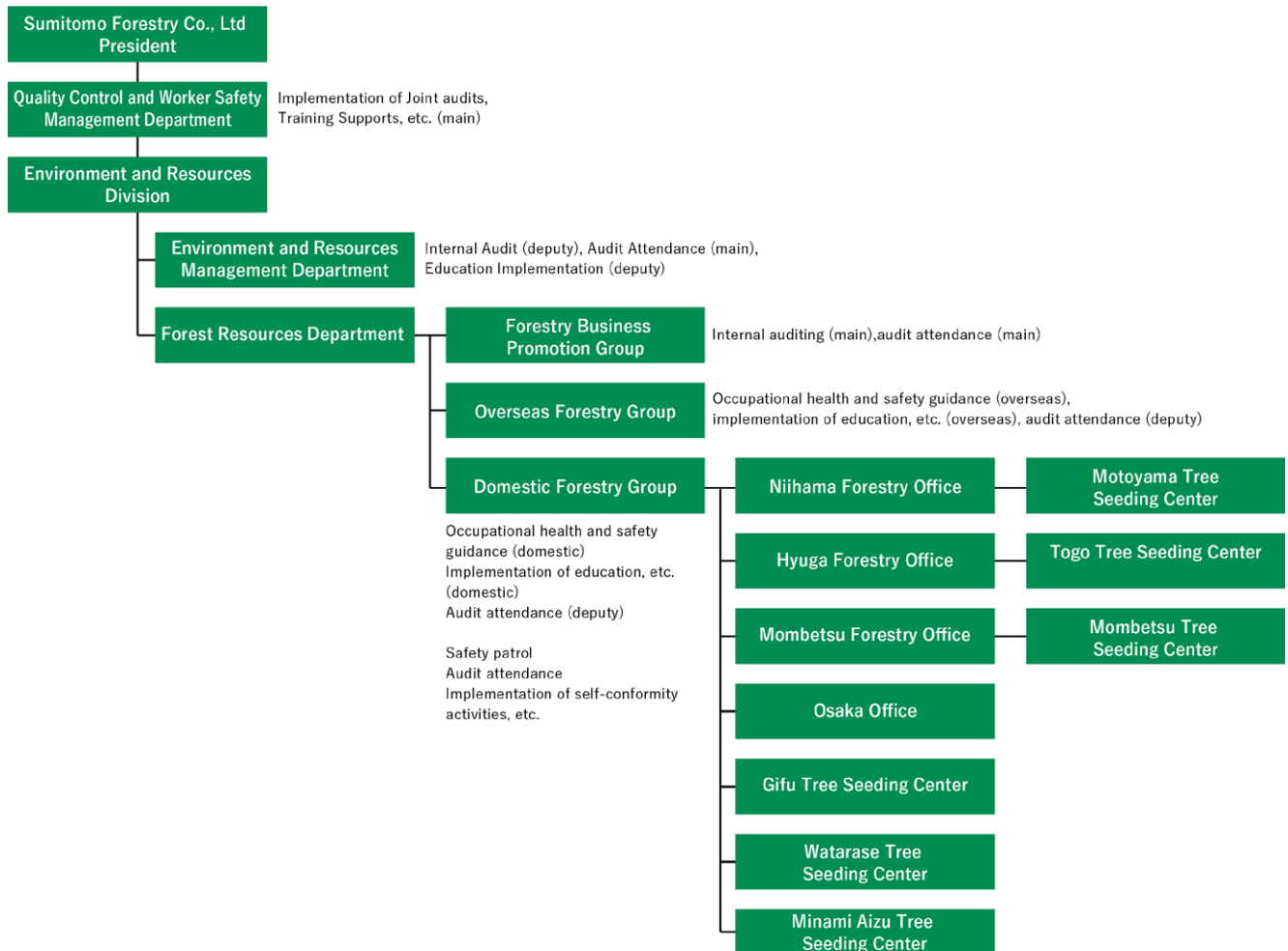
<sup>\*1</sup> The number of work-related accidents resulting in payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act is disclosed.

<sup>\*2</sup> The aggregation period for fiscal 2020 onwards is January to December of each year, and the aggregation for fiscal 2019 is April 2019 to March 2020



Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## Occupational Health and Safety Management System Chart of Forest Department



### "ISO45001:2018" Certification

Sumitomo Forestry's Domestic Forestry Group, Forest Resources Department, which is responsible for forest management in company-owned forests in Japan that cover approximately 1/800 of the domestic land area, has been working with contract business to raise awareness of occupational injury prevention by developing our own occupational safety management manual, introducing mechanization, and introducing drones for transporting seedlings materials. To further strengthen safety activities and raise awareness of safety, we introduced the ISO 45001 occupational health and safety management system in fiscal 2021.



Logging contractors using heavy machinery to collect timber in Company-owned forests (Niihama Forestry Office)

Sumitomo Forestry's Environment and Energy Department, Environment and Resources Division, Japan Bio Energy, and Quality Control and Worker Safety Management Department jointly acquired ISO45001:2018 certification in August 2021. In 2022, the Domestic Forestry Group, Forest Resources



Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

Department, Environment and Resources Division, Niihama Forestry Office, and Motoyama Seedling Tree Farming Center were added to the scope of application, and Sumitomo Forestry's Environment and Resources Business obtained ISO 45001:2018 certification. In addition, the Hyuga Forestry Office, Togo Seedling Tree Farming Center, and Gifu Seedling Tree Farming Center have made self-declarations of conformity\* in preparation for certification in fiscal 2023.

We will continue to strengthen our safety and health management system in our company-owned forests and seedlings operations.

\* An ISO-based management system has been established, operated and adapted by the company

## Overseas Initiatives in Forestry Business

The Sumitomo Forestry Group manages a total of approximately 240,000 ha of company-owned plantation forests overseas. To prevent occupational injury, all overseas forestation companies\* ensure that operators are equipped with safety equipment, and remind them of safety and health issues through periodic safety lectures and morning meetings.

Specifically, (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) Assessments of occupational health and safety for the company and logging contractors are conducted by occupational safety experts.

In fiscal 2022, 11 serious occupational injuries (4 or more days lost from work) occurred due to carelessness of workers or lack of safety confirmation of the work environment. The highest number of injuries occurred when knives and chain saws were used for clearing underbush. To prevent recurrence of such injuries, we strengthened safety education for workers and reviewed work methods. In addition, a global forestry occupational workplace safety conference was held to raise safety awareness among managers.

\* Open Bay Timber Ltd. (OBT), PT. Wana Subur Lestari (WSL), PT. Mayangkara Tanaman Industri (MTI), PT. Kubu Mulia Forestri (KMF), Tasman Pine Forests (TPF)

### Number of serious occupational injuries (four or more days of lost work time) occurring on overseas afforestation site (contract)\*

FY2019	FY2020	FY2021	FY2022
3	3	15	11

\* 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.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

## Measures against COVID-19 Infections in overseas plantation forest

Each site of overseas planted forest has established its own guidelines for measures against COVID-19 infections and has implemented these measures. 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.

At WSL, MTI and KMF in Indonesia, the Headquarters in Pontianak, West Kalimantan succeeded in shifting to a system keeping the number of people on-site to the minimum, and the office in Jakarta to a total telework system via measures surpassing that which required by the government. Strict access management at plantation forest operation sites prevented the spread of the virus to employees and contractors.

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 among employees brought everyone together in an effort to prevent the spread of the COVID-19.



Group vaccination

## Global Forestry Workplace Safety Conference Held

In September 2022, the Sumitomo Forestry Group held its first Global Forestry Workplace Safety Conference to raise awareness of occupational safety in its forestry business in Japan and overseas. 40 people from Group companies in Papua New Guinea, New Zealand, and Indonesia, forestry offices around Japan, and relevant divisions and the Quality Control and Worker Safety Management Department participated online in this conference. The participants discussed measures to prevent occupational injuries at forestry sites in Japan and overseas, and confirmed a policy to prevent occupational injuries through sharing and analyzing the causes of workers' near-misses.

The Sumitomo Forestry Group will continue to hold Workplace Safety Conferences to ensure the safety and health of on-site workers, with the aim of eliminating occupational injuries.



First Global Forestry Workplace Safety Conference



Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

# Occupational Health and Safety

## Occupational Health and Safety in the 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 2022, 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 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.

### Occupational injuries<sup>\*1,2</sup> of employees and contractors in Environmental Energy Business

FY2019	FY2020	FY2021	FY2022
0	3	1	2

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

\*2 The aggregation period for fiscal 2020 onwards is January to December of each year, and the aggregation for fiscal 2019 is April 2019 to March 2020



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

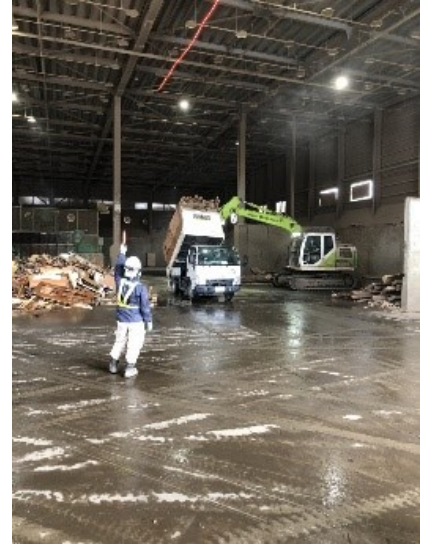
Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

## 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. In August 2022, the Domestic Forestry Group, Forest Resources Department, Environment and Resources Division, Niihama Forestry Office, and Motoyama Seedling Tree Farming Center were added to the scope of application. In January 2023, Michinoku Bio Energy and Okhotsk Bio Energy each declared themselves ISO45001 : 2018 compliant, promoting the use of management systems and strengthening management of occupational health and safety.



ISO45001 On-site Audit

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.

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.

\* An ISO-based management system has been established, operated and adapted by the company



Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

# 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 (468 reports from 505 employees in fiscal 2022) 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.

In FY2022, there was one occupational injury resulting in lost time from work. Based on the fundamental concept of "Safety First", the Sumitomo Forestry Group will continue to strive to create a thriving workplace by maintaining a healthy and safe workplace environment.

### 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.

## Safety and Health Management System

Sumitomo Forestry Crest Co., Ltd. has acquired ISO 45001 certification in its operation of its Occupational Health and Safety Management System (OH&S-MS). 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 the Sumitomo Forestry Group overseas manufacturing enterprises.



Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

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 serious occupational injuries (four or more days of lost work time) occurring on domestic group manufacturing companies<sup>\*1,2</sup>

FY2019	FY2020	FY2021	FY2022
0	1	0	1

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

\*2 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

### Safety and Health Improvement Activities, etc.

Regular workplace safety patrols are conducted at each Sumitomo Forestry Crest 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.

Sumitomo Forestry Crest is engaged in TPM\* activities. All factory employees, without exception, have a role to play and are involved in the activities through 3 basic activities—"All Member Participation", "Voluntary Conservation", and "Zero Loss". One of our main objectives is to achieve zero occupational injury by implementing safety activities such as "Hiyari-Hatto" prevention (Equiv. near miss) and safety patrols, etc., and we are working toward this goal on a daily basis.

\* Abbreviation for Total Productive Maintenance. Production and conservation with all member participation. Management methods for raising productivity in the manufacturing industry



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

Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data



Mutual safety audits between plants

## Safety education

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.

Click here for related information [\\_\\_\\_\\_\\_](#)

> [Occupational Health and Safety Management  
System](#)

## Occupational Health and Safety in Overseas Manufacturing Business

The Sumitomo Forestry Group's overseas manufacturing companies strive to create and maintain a safe and healthy workplace environment under the basic idea of "Safety First", and are united under the basic policy of "creating manufacturing sites with respect for human life and commitment to 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.



Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## 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. We were unable to conduct on-site audits due to COVID-19, so we have been trying remote safety audits using a videoconferencing system since 2021. In FY2022, we audited five overseas factories, using audit checklists and videos taken on site, with interpreters in place to provide an environment that allows us to conduct full-scale safety audits remotely.

### Number of serious occupational injuries (four or more days of lost work time) occurring on overseas group manufacturing companies (employees / contractors) <sup>\*1,2</sup>

FY2019	FY2020	FY2021	FY2022
9	12	8	14

\*1 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

\*2 Total of 7 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). Pan Asia Packing (PAP) was added in fiscal 2022

## 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 Training" (KYT 4-round approach) to prevent people from engaging in risky behaviors and share the details of these activities among manufacturing companies.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data



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 abroad or who are scheduled to work at overseas manufacturing companies, such as the Zero Accident Alliance Campaign, Risk prediction training, and Risk Assessment.

## The Sumitomo Forestry Group Manufacturing Business Safety Meeting Held

Sumitomo Forestry and its domestic and overseas manufacturing companies held a safety conference in March 2022, with the goal of "stimulating activities to prevent occupational accidents" and "raising awareness of safety and health" connecting 133 participants at manufacturing sites in Japan, Indonesia, Vietnam, and other countries 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.

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

[Human Rights](#) - [Diversity and Inclusion](#) - [Work-Life Balance](#) - **[Occupational Health and Safety](#)** - [Safety and Quality of Products and Services](#) -  
[Communication with Our Customers](#) - [Business initiatives that contribute to regional revitalization](#) - [Supply Chain Management](#) -  
[Social Contribution](#) - [Social Data](#)



Safety conference

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

# Occupational Health and Safety

## Occupational Health and Safety on Construction Sites

### Occupational Health and Safety on 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 Division formulates an Occupational 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.

The Occupational Health and Safety Policy for fiscal 2023 is "Safety First". In addition, we incorporated the slogan "STOP Five Major Accidents!" in Our Values. Initiatives that require special consideration are established as focal points. In order to ensure compliance with and control of safety standards for each process, we calculate hazards before work begins and promote the elimination of hazards and assurance of safety in order to eliminate occupational injuries, focusing on the five major injury factors (falling, tools, falls, heavy machinery, and heat stroke).



Safety check at construction site



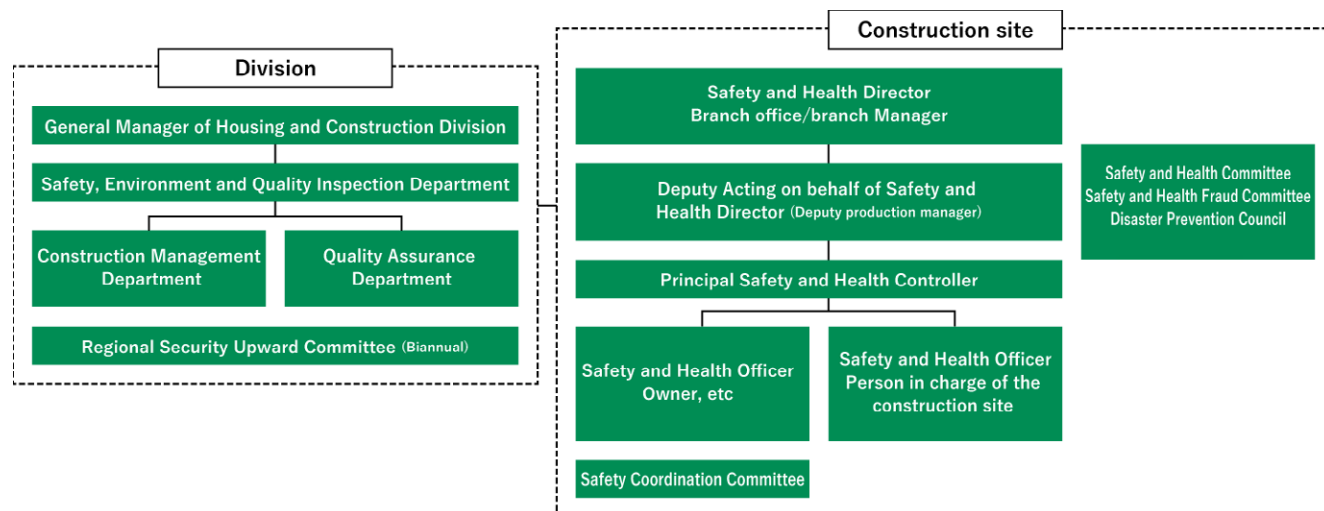
住友林業株式会社 住宅事業本部

Safety standards poster



Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
Social Contribution - Social Data

## Occupational Health and Safety System for Housing and Construction Business Site



### Occupational injuries of contractors on housing construction sites<sup>\*4</sup>

	FY2019	FY2020	FY2021	FY2022
Number of occupational injuries <sup>*1</sup>	20	21	24	19
1000-building rate <sup>*2</sup>	2.56	2.62	2.77	2.22
Lost-time injury frequency rate <sup>*3</sup>	4.13	5.12	3.49	4.22
Number of fatal accidents	0	0	0	0
Work-related illness frequency rate	0	0	0	0

<sup>\*1</sup> Disclose number of work-related accidents with 4 or more days of lost worktime (including sole proprietorship, excluding commuting accidents)

<sup>\*2</sup> 1000-building rate=Number of work-related accidents with 4 or more days of absence per 1000 buildings

<sup>\*3</sup> 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

<sup>\*4</sup> The aggregation period for fiscal 2020 onwards is January to December of each year, while for fiscal 2019 and the years before, it was April of each year to March of the following year.

[Click here for related information](#)

> Occupational Injuries

> About symbol for Independent assurance



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## Initiatives at Construction Sites

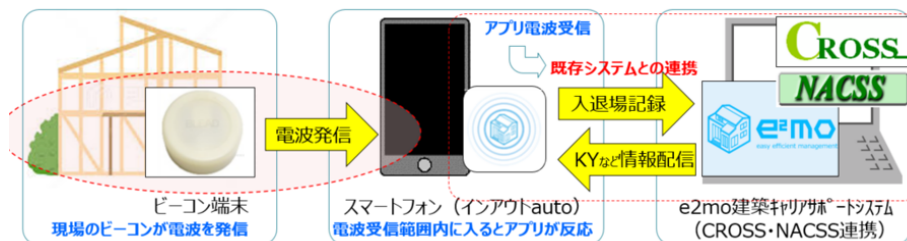
The Housing Division is implementing various measures to eliminate occupational injuries.

At the beginning of each fiscal year, risk assessment targets are set for each contractor and building contractor to manage implementation. In addition, safety, health, and environmental conventions are held at each branch during the fiscal year, and lecturers are dispatched from the headquarters to give safety lectures. The content of the lectures is to raise awareness of occupational health and safety by explaining the Sumitomo Forestry Group Occupational Health and Safety Policy and the Housing Division Health and Safety Management Policy, explaining key measures, the Company's roles and responsibilities under laws and regulations, accident statistics, and accident case studies.

In the event of an accident, we are required to make a first notification to all parties concerned within two hours of the occurrence and to prepare an accident report by the next day. Within 7 days of the occurrence of an accident, a recurrence prevention meeting is held, and minutes of the meeting, a list of attendees, and a report on the accident investigation and countermeasures are promptly prepared and submitted to the headquarters to ensure the prevention of recurrence. In addition, after an accident occurs, the headquarters prepares a preliminary report on the accident, which includes measures to prevent recurrence, and disseminates it to the contractors concerned and workers under its jurisdiction at regular safety and health council meetings and on-site safety meetings.

As one of the measures to promote DX at construction sites, "in-out auto (beacon)" was introduced in April 2022 to automate entry/exit records at construction sites. By changing entry and exit records from manual to automatic, we are able to eliminate record omissions and errors and to accumulate more accurate work history. At the same time, the system reduces the burden on workers to record their entry and exit, and distributes useful information to them when they enter, thereby improving work efficiency and ensuring safe operations.

### Image of "in-out auto (beacon)" operation



## Association of Sumitomo Forestry Safe Building Contractors

Association of Sumitomo Forestry Safe Building Contractors aims to prevent occupational injuries and fires at construction sites, improve work efficiency and the welfare of victims, and enhance quality, while contributing to the development of members' businesses by improving technology and management skills of construction and deepening friendship and exchange among members.





Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

The group is chaired by the Divisional Manager of the Housing Division of Sumitomo Forestry, and its members include Group companies Sumitomo Forestry Home Engineering and Sumitomo Forestry Landscaping, as well as 63 branches (as of June 2022) of construction companies throughout Japan.

## Annual Plan for Safety, Health and Environmental Management

At the beginning of each fiscal year, the Housing Division prepares an "Annual Plan for Safety, Health and Environmental Management" for each branch and office. Based on the risk assessment enhancement items, we systematically implement and manage safety, health, and environmental conferences, regular safety and health council meetings, special safety patrols, safety guidance, and other activities throughout the year.

## "ISO45001:2018" Certification

Sumitomo Forestry's homes utilize traditional Japanese techniques in wooden constructions, but with the aging of construction craftspeople, it is becoming increasingly difficult to pass on the skills of wooden constructions.

Sumitomo Forestry School of Professional Building Techniques is an in-house training school established in 1988 for the purpose of training technicians to construct "Sumitomo Forestry Homes". In addition to honing their construction skills, students can cultivate a foundation as a member of society through group living. Courses are divided into carpentry training, plastering training, and framework training, and are designed to foster technicians and engineers specializing in wooden house construction.

We have been providing training and guidance placing the highest priority on safety education. In order to visualize our past initiatives and aim for further improvement, we implemented a "Self-Conformity Declaration\*" for ISO45001 management system in December 2021, and obtained ISO45001: 2018 certification in September 2022.

Those who received training at the school are active throughout Japan as carpenters, plasterers, and other craftspeople and engineers involved in the construction of Sumitomo Forestry homes. We will utilize ISO45001 to systematize the management system for occupational health and safety, and to identify issues at an early stage and implement measures to address and prevent them.

\* An ISO-based management system has been established, operated and adapted by the company.

## 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 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.



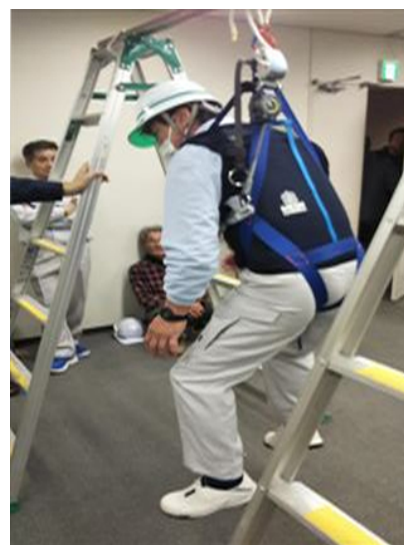
Special Circular Saw Education



Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

Most of the employees who were required to receive special training on the full-harness safety belt, which became mandatory in January 2022, had completed the training by fiscal 2021, and from fiscal 2022 onward, the training will be provided to new graduated technical positions and new construction workers at Sumitomo Forestry. In addition, the original safety and health training programs (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) were newly introduced in fiscal 2022 and held 67 times, with 2,256 employees attending.

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.



Full Harness Special Training

\* An electric tool to cut by rotating a grinding stone

### Special Training Condition

Project Name	FY2019		FY2020		FY2021		FY2022	
	No. of events held	No. of participants	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	2	42
Safety training for workers handling circular saws	6	132	4	124	8	218	3	75
Special training for replacing free grinding wheels	6	131	7	171	9	242	3	70
Special training for workers engaged in assembly of scaffolding, etc.	2	38	1	14	1	1	-	-



Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

Project Name	FY2019		FY2020		FY2021		FY2022	
	No. of events held	No. of participants	No. of events held	No. of participants	No. of events held	No. of participants	No. of events held	No. of participants
Special training on the use of full-harness safety belts	26	1,203	88	3,084	94	2,862	8	217
Total	47	1,658	102	3,470	113	3,344	16	404

## Occupational Safety Initiatives in MOCCA (Timber Solutions) Business

Construction Department, Construction Business Sub-Division, Global Housing, Construction and Real Estate Division, is actively engaged in exchanges related to occupational safety with Kumagai Gumi, with whom we have a business and capital alliance. Safety lectures have been held twice with lecturers from Kumagai Gumi, explaining the company's safety standards and reviewing accident case studies and legal standards.

## Commendations for Safety and Health Activities

The Housing Division presents commendations to branches and offices, and branches of the Association of Safe Building Contractors, for their proactive implementation of safety and health activities. The criteria for commendation are 1,000,2,000, and 3,000 days of no accidents or disasters of occupational injuries (excluding those with less than four days of absence from work).

## 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.

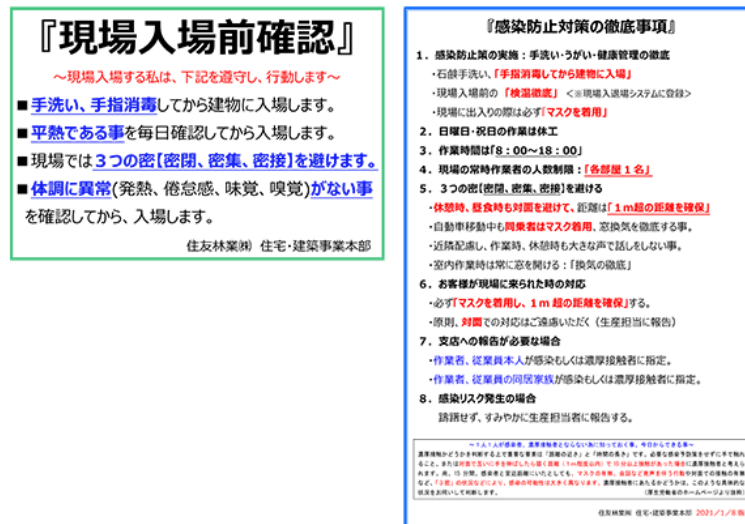
### Preventive Measures for COVID-19

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.



Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## 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.



Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

# Occupational Health and Safety

## Occupational Health and Safety in the Lifestyle Services Business

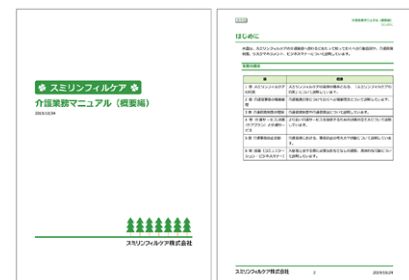
### Lifestyle Services Business Initiatives

The Sumitomo Forestry Group's Lifestyle Services Business is expanding a broad range of lifestyle-related services focusing on elderly care businesses and other downstream businesses that support people's lifestyles. Apart from the elderly care business, the company also operates Insurance and Solutions Business, Lodging and Community Revitalization Business, and a golf course management business.

### Initiatives in the Elderly Care Business

In the elderly care business, Sumirin Care Life and Sumirin Fill Care provide private-pay nursing home and elderly care facilities with nursing care services, as well as in-home services such as day care services and home-visit nursing care.

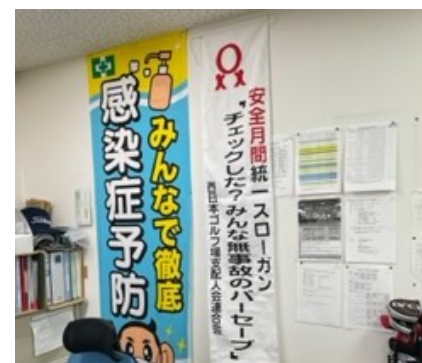
Each company holds a monthly meeting of the OHS Committee to prevent accidents involving users and to ensure the safety of both users and employees. In the event of an accident, meetings are held at each site to discuss the details of the accident, causes, analysis, and measures to prevent recurrence, which are then reported to the headquarters of each company for horizontal deployment to all sites. In addition, Sumirin Fill Care's "Manual of Care Operations" explains our values and risk management for caregivers.



Sumirin Fill Care's "Manual of Care Operations"

### Initiatives in the Golf Course Management Business

Takinomiya Country Club, a golf course operated by Kawanokita Development, displays "Safety Month Banners" in the clubhouse and other locations twice a year during Safety Month, and all staff members wear "Safety Month" patches to ensure the safety of staff and golf course visitors during this period.



Safety Month Banners

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## Initiatives in the Insurance and Solutions Business

Sumirin Enterprises, which operates insurance and solutions business, distributes Mitsui Sumitomo Insurance's information magazine "Tips for Safe Driving" to all employees once a month by e-mail to prevent traffic accidents.



OHS Committee

## Main Risk Reduction Measures

### Main Risk Reduction Measures for Elderly Care Business

#### Back Pain Prevention

Sumirin Fill Care distributes back pain belts to new graduates to prevent back pain, which is a common occurrence in nursing care settings, and to prevent employees unfamiliar to the job from overexerting themselves.

Sumirin Care Life has installed nursing care bathing lifts and toilet assisting lifts to reduce the risk of back pain for its staff.



Nursing care bathing lifts

#### Reduction of Fatigue Due to Night Shift Work

At Sumirin Fill Care, the day after the night shift is generally set aside as a day off, and time for napping is ensured during the night shift, in order to adjust the rhythm of daily life and maintain health.

#### Reduction of Risk to Residents

At Sumirin Care Life, we conduct three daily hand-offs regarding changes in residents' physical condition, and we also hold a all-staff conference once during the day to share information. At Sumirin Fill Care, we share information regarding changes in residents' condition through intercom devices and medical records, to establish a system for preventing our staff from overexerting themselves which can lead to accidents. The residents' physical conditions and the status of elimination are also posted in the office to visually grasp the situation.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## Major Risk Mitigation Measures in the Golf Course Operation Business

At Takinomiya Country Club, the course managers and caddies wear vests with blowers to prevent heat stroke in summer. To prevent heat stroke among customers, we have installed a shading sheet in the starting room that can block 70% of sunlight, and we provide rehydration tea during play.



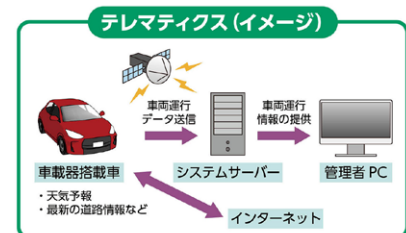
Shade sheet in the start room

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

In the elderly care business, a medication support system is in place to prevent accidents due to medication errors. When facility staff give medication to residents, they check for wrong person, wrong date and time, and double medication by scanning three types of QR codes with a mobile device.

Sumirin Fill Care has introduced an ICT monitoring system that allows us to check the residents' sleeping conditions and changes in their physical condition in real time, especially during the nighttime hours. As a result, the system is able to provide oversight in lieu of regular nighttime patrols, allowing the company to focus on those in need of assistance, thereby reducing the workload during the nighttime hours.

Sumirin Enterprises, which uses vehicles for its insurance and solutions business, uses telematics, an internet-connected vehicle operation proxy system, to ensure safe driving. Sudden acceleration, sudden deceleration, speeding, etc. will be emailed to the supervisor, and the supervisor will instruct the driver if there is a risk of danger. In conjunction with the start of installation of drive recorders, we are working to deter traffic accidents.



Telematics (image)



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

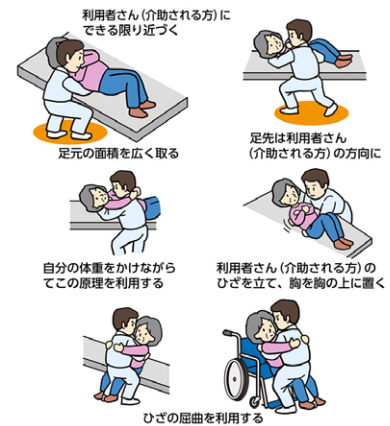
Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - **Occupational Health and Safety** - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## In-company training

Sumirin Fill Care provides practical training in "body mechanics" to those who wish to take it, approximately four times a year. Body mechanics is a caregiving technique that allows caregivers to provide care with minimal force and utilizes the mechanical relationships between human joints, muscles, and bones as they move. It is effective in reducing the burden on caregivers and preventing back pain.

We are also engaged in "anger management training" for all employees of the care facilities. Anger management is psychological training for managing and dealing with anger. Controlling anger can reduce work stress and improve communication with residents and users.



Body mechanics overview



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

# Safety and Quality of Products and Services

## Product and Service Safety as well as the Quality Management

### Basic Policy

The Sumitomo Forestry Group will pursue “Zero Defects” and take on the challenge of new initiatives through the implementation of the Sumitomo Forestry Group Quality Policy, a policy for further improving quality in its corporate activities, in order to provide products and services that bring joy to our customers and earn their trust.

All Sumitomo Forestry Group companies and business partners involved in the Group's operations, are required to routinely engage in quality improvement activities as the foundation of corporate management in line 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 executives, general managers, and major business partners.

In addition to disclosing this policy on the website, we also use various tools to promote understanding and penetration of the policy, such as posting it on posters and including it in the employee handbook.

### 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.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## 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.

The 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 systems at 70 Group companies in Japan and overseas in fiscal 2022, and presented the findings to the Sustainability Committee and other entities.

### Implementation and Enhancement of ISO9001 Management System

The Sumitomo Forestry Group promotes the operation of the ISO9001 Quality Management System ("ISO9001") in order to provide reliable products and services and improve customer satisfaction.

Among the Sumitomo Forestry Group companies, businesses where quality control is particularly important are analyzed, prioritized, and promoted for implementation.

We recommend that ISO9001 be introduced through a Self-Conformity Declaration\* before undergoing an external audit, thereby reducing the difficulty of introduction.

Departments and divisions that have acquired ISO9001 self-compliance and external certification promote the operation of the management system by conducting internal auditing on a regular basis to ensure continuous improvement.

The scope of consolidated subsidiaries to be certified focuses on companies that are engaged in businesses where quality control is of high importance. In fiscal 2022, the certification rate of targeted consolidated organizations was 98.7% (based on sales).

\* An ISO-based management system has been established, operated and adapted by the company

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

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

### Acquisition Status of Quality Management System Certifications (ISO 9001) at Each Group Company

Group companies	Country	Type of certification	Date acquired	Date renewed
Construction Business Sub-Division, Global Housing, Construction and Real Estate Division, Sumitomo Forestry	Japan	ISO9001:2015	September 2015	August 2021
Sumitomo Forestry Crest	Japan	ISO9001:2015	March 1999	November 2022
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	December 2022
Sumitomo Forestry Home Engineering	Japan	ISO9001:2015	March 2006	March 2021
Sumitomo Forestry Home Tech	Japan	ISO9001:2015	March 2017	March 2023
Cohnan Kensetsu	Japan	ISO9001:2015	September 2011	March 2023
Nelson Pine Industries (NPIL)	New Zealand	ISO9001:2015	July 1993	July 2022
Kutai Timber Indonesia (KTI)	Indonesia	ISO9001:2015	September 1997	November 2022
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 2023
Canyon Creek Cabinet (CCC)	United States	ISO9001:2015	August 2003	March 2022
Pan Asia Packing (PAP)	Thailand	ISO9001:2015	July 2018	July 2021



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

### 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 certification (LVL)	June 2022
		JIS certification (MDF)	June 2022
		CARB certification (MDF)*	August 2022
		EPA certification (MDF)*	August 2022
Kutai Timber Indonesia (KTI)	Indonesia	JAS certification (Plywood, LVL, laminated engineered wood)	September 2022
		Q-Mark certification (door blanks)	May 2022
		CARB certification (PB)	May 2022
		EPA certification (PB)	May 2022
		CARB certification (plywood)	December 2020
		EPA certification (plywood)	December 2020
		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 certification (flooring/laminated engineered wood)	February 2022
Vina Eco Board (VECO)	Vietnam	CARB certification (PB)	July 2021
		EPA certification (PB)	July 2021
		JIS certification (PB)	December 2021

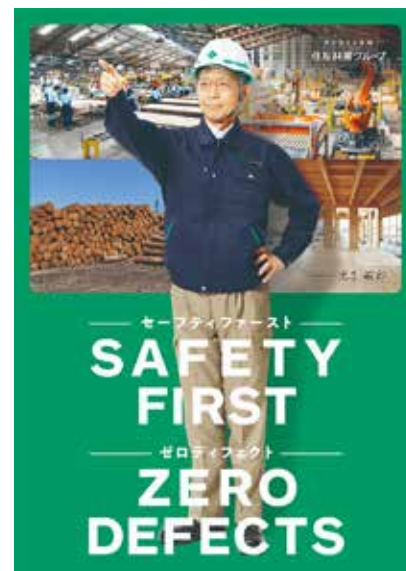
\* Formaldehyde emission standards for specific wood products stipulated by the California Air Resources Board (CARB) and the United States Environmental Protection Agency (EPA)



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## Awareness education in the Company

To encourage deeper awareness and understanding among Group employees, posters were delivered to all our workplaces of Sumitomo Forestry and 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" includes "Zero Defects, Zero Shortcomings, Zero Inadequacies", and it applies to all of the Group's businesses and job categories. Sumitomo Forestry Group Quality Policy is regularly disseminated to all employees through the employee handbooks, internal websites, in addition to posting policy posters in easily visible locations.



Sumitomo Forestry Group "SAFETY FIRST, ZERO DEFECTS" slogan poster

## Human Resources Development

Sumitomo Forestry Group is promoting ISO9001 certification and ISO9001 "Self-Conformity Declaration." 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. In FY2021, the Quality Control and Worker Safety Management Department started ISO9001 internal auditor training courses, and in FY2022, 80 employees (64 in the internal auditor qualification course and 16 in the standard explanation course) completed the courses.

In addition, a course on "Occupational Safety, Health, and Quality" was established in e-learning that can be taken by employees, including those at Group companies through the internal website. New content has been opened to promote understanding of the Sumitomo Forestry Group Quality Policy and to promote education for quality improvement. We will continue to develop and strengthen the system for quality improvement and promote quality-related human resource development initiatives.

### Number of ISO9001 internal auditors in the Sumitomo Forestry Group who have obtained the qualification

FY2020	FY2021	FY2022
15	135	155

\* Including those who have obtained qualifications through external training



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

### FY2022 Major Quality-Related Education (Company-Wide Education)

Title	Form	Purpose	Object	Number of people attending
What is ISO for your organization's operations? [Course launched in August 2021]	e-learning	Understand the basics of ISO management systems and link them to activities that promote the development of systems to address organizational issues and concerns.	Sumitomo Forestry Group companies (some excluded)	2,349*
ISO9001 Management System [Course launched in November 2021]	e-learning	Go one step beyond the basics of ISO9001 management system and link them to activities that promote the development of systems to address organizational issues and concerns.	Sumitomo Forestry Group companies (some excluded)	2,297*
What is Sumitomo Forestry Group's ZERO DEFECTS? Know more about our quality policy! [Course launched in July 2022]	e-learning	Deepen understanding of the "Sumitomo Forestry Group Quality Policy" and improve quality with all employees working together	Sumitomo Forestry Group companies (some excluded)	94*
You may know it, but you don't know it!? Risk Assessment Part 1: Let's learn the basics, key points! [Course launched in December 2022]	e-learning	Learn the concepts of safety, risk, and a source of danger, and understand risk assessment	Sumitomo Forestry Group companies (some excluded)	28*
ISO9001 Management System Internal auditor training workshop	Group training	Learn the requirements of ISO9001 (overview) and key points of internal auditing techniques with exercises to improve internal auditing skills.	Sumitomo Forestry Group companies	80
ISO9001 Management System Overview training	Group training Online training	Acquire knowledge of on-site occupational health and safety management before traveling to overseas Group companies	Travelers to overseas Group companies	25*

\* Cumulative total as of the end of December 2022



[Human Rights](#) - [Diversity and Inclusion](#) - [Work-Life Balance](#) - [Occupational Health and Safety](#) - **[Safety and Quality of Products and Services](#)** - [Communication with Our Customers](#) - [Business initiatives that contribute to regional revitalization](#) - [Supply Chain Management](#) - [Social Contribution](#) - [Social Data](#)

## Improving customer satisfaction

The Customer Service Department solicits heartwarming incidents at work, words of gratitude from customers, and lessons learned from customer feedback, including those from Group companies. The winning stories, selected by employee voting, are published on the internal website. The valuable experiences of Sumitomo Forestry Group colleagues are utilized as inspiration in our efforts to improve customer satisfaction.

[Click here for related information](#)

- > [Respect for and Application of Customer Feedback](#)



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
Social Contribution - Social Data

# 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 Policy for 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](#)



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## Sumitomo Forestry Crest's Quality Targets

Sumitomo Forestry Crest has set the following quality targets for fiscal 2023 based on results of the ISO 9001 top management review.

1. Establishment of a certification system for critical process program
2. Establishment of a scheme for risk assessment of production processes using QA Network<sup>\*1</sup> management methods
3. Thorough implementation of change point management (4M+3H)<sup>\*2</sup>
4. Check items during design description (quality standards/ verification test description)
5. Establishment of human resources education system based on TPM<sup>\*3</sup> activities
6. Mutual quality audits conducted by each plant
7. Visualization of future claim loss risk (listing and information sharing)

<sup>\*1</sup> An analysis method to identify which processes can prevent defects and their outflows for each quality assurance item on the production line

<sup>\*2</sup> 4M is a method for discovering and solving problems by analyzing and improving the four elements of Man, Machine, Material, and Method. On the other hand, 3H is the words taken from the initials of HAJIMETE (first time), HENKOU (change), and HISASIBURI (long time), and are used to identify mistakes and other problems from these perspectives and take countermeasures in advance

<sup>\*3</sup> Abbreviation for Total Productive Maintenance. Productive maintenance with all member participation. Management methods for raising productivity in the manufacturing industry

## 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.

[Click here for related information](#)

➤ [Quality Management System](#)



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## 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.

\* (1) toluene, (2) xylene, (3) ethylbenzene, and (4) styrene emitted from building materials

## 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.



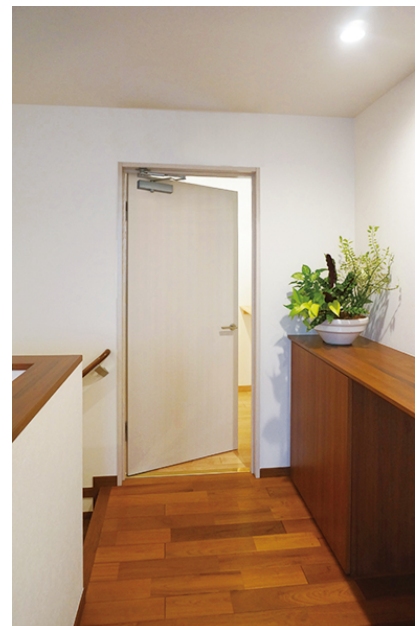
Quality Check in Facility

## 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

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

[Human Rights](#) - [Diversity and Inclusion](#) - [Work-Life Balance](#) - [Occupational Health and Safety](#) - **[Safety and Quality of Products and Services](#)** -  
[Communication with Our Customers](#) - [Business initiatives that contribute to regional revitalization](#) - [Supply Chain Management](#) -  
[Social Contribution](#) - [Social Data](#)

## Product Safety and Quality Control in the Overseas Manufacturing Business

### 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 Management  
 > System Certifications (ISO 9001) at Each  
 Group Company

Acquisition Status of Product Certifications  
 > at Each Group Company

### 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.



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## Safety and Quality of Products and Services

### Product Safety and Quality Management in the Housing 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 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 (ZEH), 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.



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## Product Safety and Quality Management in the Housing Business



### Design Performance Evaluation

The Company is actively promoting the use of the Japanese Housing Performance Indication System<sup>\*1</sup> for customer peace of mind and safety as well as enhancing the value of property. In fiscal 2022, under the Japanese Housing Performance Indication System, implementation rate<sup>\*2</sup> of Design Performance Evaluation reached 99.8%, Implementation of Construction Performance Evaluation reached 99.8%, and the acquisition of Long-life Quality Housing Certification reached 96.3%.

<sup>\*1</sup> 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

<sup>\*2</sup> 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, 2022 - December 31, 2022) in the Housing Division





Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

### Japanese Housing Performance Indication System Implementation Rate\*

	FY2019	FY2020	FY2021	FY2022
Design Performance Evaluation	99.1%	99.4%	99.5%	99.8%
Construction Performance Evaluation	98.8%	99.3%	99.3%	99.8%

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

### 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<sup>\*1</sup> certification conditions<sup>\*2</sup> (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\*

	FY2019	FY2020	FY2021	FY2022
Ratio of Houses Certified As Long-life Quality Housing for New Custom-Built Housing	94.4%	94.7%	94.9%	96.3%

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



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

### 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 <b>3</b>	Equivalent to highest level <b>3</b>
		Measures to allow regular inspection	
Seismic Resistance	Strong to earthquake	Rating of earthquake resistance <b>2</b> or higher	Equivalent to highest level <b>3</b>
Maintenance Requirement	Easy maintenance home	Rating measures for maintenance level <b>3</b>	Equivalent to highest level <b>3</b>
Energy conservation performance	The house must be thermally insulated	Rating measures for energy-saving performance <b>5</b> or higher	Equivalent to rating <b>5</b> or higher
		Primary energy consumption rating <b>6</b>	Equivalent to rating <b>6</b>

\* The higher the rated level, the better evaluated

### Framework for Product Safety and Quality Control

#### Product Development



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

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

**Design**

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



A dedicated designer  
responsible for the work

**Materials Procurement**

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

**Construction**

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



Construction Management

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

**After-sales Support**

- Sumitomo Forestry includes 30 years of free regular inspections with its homes. After the 10th year, owners can extend the building warranty by going through the paid maintenance constructions according to maintenance plans; then free regular inspections will continue after the 30th year until the 60th year. 60 years of support to ensure the longevity of your home
- Sumitomo Forestry has developed a 60-Year Maintenance Program that offers renovation and maintenance proposals and manages maintenance records in order to support home owners



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.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## 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/m<sup>2</sup> standard bearing wall).

Hyper Panels reduce removal work by only having to remove the gypsum board between existing flooring and ceilings. Hyper Hard T (Yoshino Gypsum Co., Ltd.) improves workability by dividing a high-strength board into three pieces for installation so that each board can be put in place as is. Three pieces of the board for installation enhances the bending strength without the board breaking. The method also got a technological evaluation by the Japan Building Disaster Prevention Association (6.9 KN/m<sup>2</sup> bearing wall for the standard type).

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



Corner Brace Panels



Hyper Panels

## Construction Method (BF Construction Method)

Sumitomo Forestry started selling the Big-Frame Construction Method (BF Construction Method) for three-story building products in 2005 and expanded this method to two-story products in 2008 as well as to products with fire-resistant specifications in four-story buildings in 2015. Thereafter, as awareness of customers grew about disasters and other risks, 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.

## Wooden Beam Rahmen Structure

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.



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

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.

## “Metal-Touch” (Metal-to-Metal) Joint

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.

## Introducing and Expanding Original Joining Technology

The BF construction method enables introducing and expanding a variety of original technologies and 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, which allows for a maximum opening width of up to 7.1 meters, 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.

## Confirmation of Performance by Full-Scale Vibration Test

Sumitomo Forestry conducted vibration testing using a full-scale test model of a 3-story building built with the BF construction method and the actual floorplan.

For this testing, the building with BF construction method withstood the maximum acceleration of 2,699 gal, equivalent to the Great East Japan Earthquake, proving its strength against major earthquakes. 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 equal to the Great Hanshin-Awaji Earthquake. Furthermore, assuming repeated strong aftershocks, we have confirmed that the seismic resistance of the structural framework will continue to be maintained even after 224 repetitions of severe shaking of intensity 4 to 6, for a total of 246 repetitions of shaking.

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

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data



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.

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.

In addition, Sumitomo Forestry is committed to designing homes that meet the needs of various customers, such as comfortable bedrooms with wood interiors and indirect lighting that improve sleep, as only Sumitomo Forestry can.



Indirect lighting of wood offers better sleep quality and reduces fatigue. Received KIDS DESIGN AWARD in FY2016 (Survey and Research Category)

## First Class Architect in the Housing Division

The Housing Division has 893 first class architects on staff (as of April 1, 2022), representing 21.2% of the division's total workforce. This is one of the highest ratios among housing manufacturers, and is the reason for the high quality of construction of Sumitomo Forestry homes.

## Proper Management of the Supply Chain

The Housing Division strives to properly manage the supply chain to maintain and improve the quality of Sumitomo Forestry homes construction. In order to continue appropriate business with suppliers, we maximize the use of "factory audits" and "supplier evaluations" by component.





Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## Factory Audit

The purpose of a factory audit is to ascertain the production process, quality control status, raw material procurement status, etc., for the parts and materials to be purchased.

Based on the "Quality Audit Program & Implementation Plan," we target more than 200 supplier factories nationwide to ascertain actual conditions through interviews with relevant personnel and visual inspections at local factories. In addition, corrective actions are requested during factory audits if there are items to be improved.

## Supplier Evaluation

The supplier evaluation includes a comprehensive assessment of the supplier's factory audit results, financial condition, quality control status, delivery time, costs, and BCP measures. We will check whether the manufacturer/product is up to the standard required by the Company and provide feedback on the results to ensure appropriateness.

## Sustainability Procurement Survey of Suppliers

Once a year, we conduct the Sumitomo Forestry Group Sustainability Procurement Survey of Suppliers.

In FY2022, 85 companies were surveyed. Survey results are fed back to suppliers, and evaluations and opinions are communicated to relevant parties in an effort to improve initiatives on survey items.

[Click here for related information](#)

➤ [Responsible Material Procurement](#)

## Sumitomo Forestry Group's ISO9001 Initiatives

The Sumitomo Forestry Group promotes the operation of the ISO9001 in order to provide reliable products and services and improve customer satisfaction.

### Sumitomo Forestry Home Tech Initiatives

Sumitomo Forestry Home Tech, which handles renovation and after-sales maintenance for Sumitomo Forestry homes, acquired ISO9001 certification in 2017. The purpose is to continuously improve quality and enhance customer satisfaction by utilizing the PDCA cycle, which is the most important part of ISO operations.

As a result of ISO activities, we understand the importance of process management (ensuring that operations flow without delay) by setting and managing targets and utilizing internal auditing, and we are making improvements.

### Sumitomo Forestry Home Engineering Initiatives

Sumitomo Forestry Home Engineering, which is responsible for the construction and supervision of Sumitomo Forestry homes, acquired ISO9001 certification in 2006. By unifying construction quality management methods, we ensure consistent quality even in different construction areas and by different contractors. We are committed to building homes that are healthy, safe, secure, and of the highest quality, and putting our customers first.

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

[Human Rights](#) - [Diversity and Inclusion](#) - [Work-Life Balance](#) - [Occupational Health and Safety](#) - **[Safety and Quality of Products and Services](#)** -  
[Communication with Our Customers](#) - [Business initiatives that contribute to regional revitalization](#) - [Supply Chain Management](#) -  
[Social Contribution](#) - [Social Data](#)

## ISO9001 Internal Auditors

The Quality Control and Worker Safety Management Department of the Sumitomo Forestry Group hosts and conducts the ISO9001 Internal Auditor Training Workshop to deepen understanding of the purpose of the standard and internal audits in order to incorporate the ISO9001 system into its operations and strengthen it. In fiscal 2022, 148 people\* in the Sumitomo Forestry Group's housing business obtained certification.

\* Including those who have obtained qualifications through external training

[Click here for related information](#)

[Quality Management System](#)



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## Safety and Quality of Products and Services

### Product Safety and Quality Control in the Construction and the MOCCA (Timber Solutions) Business

#### Basic Policy

Sumitomo Forestry broadly promotes the Construction and the MOCCA (Timber Solutions) Business that proposes woodification and use of wood also in nonresidential fields such as commercial complexes and public facilities. The Construction and the MOCCA (Timber Solutions) Business of Construction Business Sub-Division, Global Housing, Construction and Real Estate Division, provides high-quality buildings with consideration for user health, safety, and comfort via medium- to large-scale woodification and use of wood, and it obtained the ISO9001 in September 2015 in response to customer expectations. Each plant sets tangible quality targets and a business action plan to attain maintained safety and enhanced product quality.

Click here for related information

➤ [Sumitomo Forestry Group Quality Policy](#)

### Product Safety and Quality Control in the Construction and the MOCCA (Timber Solutions) Business

#### Product Safety and Quality Management System

The Construction and the MOCCA (Timber Solutions) Business of Construction Business Sub-Division, Global Housing, Construction and Real Estate Division, consolidates the quality management system under the aforementioned policy and is building a strict process management system. The Department also conducts biannual internal auditing 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.



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## Awards received in fiscal 2022\*

- The 4th COFI Wooden Constructions Design Award (Big & Tall Wood Challenge)  
 Building name: Toho Gakuen Munetsugu Hall  
 Constructors: Joint Venture of Maeda Corporation and Sumitomo Forestry  
 Date of Award: March 10, 2022
- Wood Design Award 2022 Lifestyle Design Category  
 Building name: Kumagai Gumi Fukui Office  
 Constructors: Kumagai Gumi, Sumitomo Forestry  
 Date of Award: October 6, 2022
- Wood Design Award 2022 Encouragement Award (Review Committee Chair Award)  
 Building Name: Maruyama Post Office  
 Constructors: Sumitomo Forestry  
 Date of Award: December 7, 2022
- Wood City TOKYO Model Architecture Award, Encouragement Prize  
 Building name: Toho Gakuen Munetsugu Hall  
 Constructors: Joint Venture of Maeda Corporation and Sumitomo Forestry  
 Building name: Building No. 15, Yotsuya Campus, Sophia University  
 Constructors: Sumitomo Forestry  
 Date of Award: January 31, 2023

\* Partially includes results for FY2023

[Click here for related information](#)

➤ [External Recognition](#)

## Initiatives and Framework for Product Safety and Quality Control

Construction Department, Construction Business Sub-Division, Global Housing, Construction and Real Estate Division, is actively engaged in exchanges related to product safety and quality control with Kumagai Gumi, with whom we have a business and capital alliance.

Since 2022, the company has invited an instructor from Kumagai Gumi for estimation\* and holds study sessions in-house on a regular basis. In addition, Sumitomo Forestry employees are sent to the company as estimating simulation trainees to learn more practical estimating methods.

In addition, "exchange patrols and construction review meetings" were held at five sites at Kumagai Gumi and two sites at Sumitomo Forestry, in an effort to improve the occupational safety level and quality of medium- to large-scale wooden constructions.

\* Calculation of the cost of construction in advance by accumulating the total predicted cost of construction



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

# Safety and Quality of Products and Services

## Quality Control in Lifestyle Services Business

### Quality Control for Lifestyle Services Business

The Sumitomo Forestry Group's Lifestyle Services Business is expanding a broad range of lifestyle-related services focusing on elderly care businesses and other downstream businesses that support people's lifestyles.

In the elderly care business, Sumirin Care Life and Sumirin Fill Care provide private-pay nursing home and elderly care facilities with nursing care services, as well as in-home services such as day care services and home-visit nursing care.

At Sumirin Fill Care, all employees, regardless of job category, participate in monthly general meetings at each facility to communicate internal initiatives and share residents' situations and challenges.

Sumirin Care Life conducts resident satisfaction surveys. If residents or their families have any requests or comments, we hold a general meeting attended by the director, manager, and station manager. This English is shared at the meeting of persons in charge of services attended by care managers, caregivers, nurses, social workers, nutritionists, rehabilitation staff, etc., and all participants work together to solve problems.

### Efforts to Improve Customer Satisfaction

In the Lifestyle Services Business, we are implementing a variety of initiatives to improve customer satisfaction.

The elderly care business provides hospitality training. Hospitality etiquette, which adds an element of hospitality to customer service etiquette, requires a more proactive approach to service. For example, if you see a visitor looking around, you can ask, "How can I help you?" even if they don't ask any questions. We are working on this as an essential skill development for our staff.

In addition, the elderly care business conducts regular customer surveys. The results are regularly shared with staff to resolve issues.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

## Promoting digitalization and labor-saving measures

In the Lifestyle Services Business, we are improving the quality of operations through digitization and labor savings.

Takinomiya Country Club, a golf course operated by Kawanokita Development, has installed navigation system on carts. By detecting where the cart is located on the course, the distance to the pin can be measured and visualized, improving customer satisfaction during playing unattended by staff.

Sumirin Enterprises, an insurance and solutions business, promotes paperless operations through the use of digital tools. Depending on the task at hand, paper documents have been reduced to one-tenth of what they were before the introduction of digital tools. Since materials can be created without printing, less paperwork is required, which allows more time for customer service, leading to greater customer satisfaction.



Navigation system and course data

## Awareness education in the Company

At Sumirin Care Life, training plans are prepared based on the opinions of the company-wide Education Committee, which brings together staff from all departments, and staff members take the initiative in implementing training by job level, job category, theme, and other genres as needed in the field.

The ladder system\*, introduced as a pillar of the education system, via "visualization" of job descriptions and skills, allows staff to see what they should be aiming for, thereby maintaining their motivation and improving their skills.

In addition, the "Case Study Presentation Meeting" is a mechanism to share the results of case studies on issues that are found in daily operations with the entire company, which is also linked to human resources development.

\* A personnel system that allows staff to advance their careers by taking one step at a time. Each step has a defined job description, skills, and goals

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

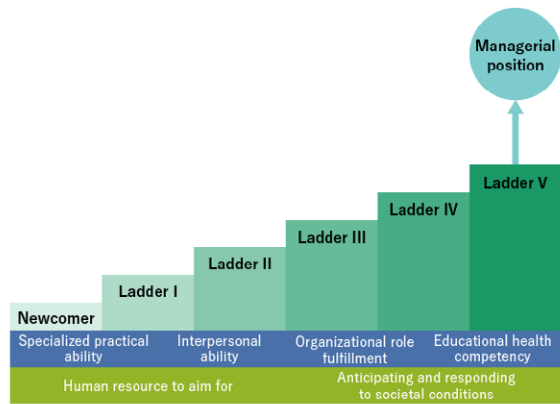
Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - **Safety and Quality of Products and Services** -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data



Ladder system structure chart



Case study presentation





Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
**Communication with Our Customers** - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

# Communication with Our Customers

## Housing Business Initiatives

### Basic Policy

Sumitomo Forestry provides proposals for ideal home building through continuous communication with 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 introducing live broadcasts of actual examples via social network, and the "MYHOME PARK" web content, which allows users to view the woodiness that characterizes Sumitomo Forestry homes, as well as information on technology, ZEH, and design capabilities anytime and anywhere they like.

In addition, showrooms, model homes, completed houses and structural sites where visitors can see and touch rich woody materials and other materials are 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 provides thorough after-sales service to ensure that every owner can sustain comfortable living in the long term. 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 asset value through support for the comfortable living of our customers.

### A Dedicated Team to Realize Ideal Home

Sumitomo Forestry has a dedicated team to realize ideal home building for customers.

The team is made up of a person in charge of sales, design, interior design, production and housing exteriors, and meets to discuss everything from the exterior appearance and room plan to the interior and housing exteriors with the customer. At the point of application, each person with expert knowledge inquiries 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.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - **Communication with Our Customers** - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

## 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 April 2022, we began sales of our environmental flagship model, the “life cycle carbon minus housing\*”, which makes full use of superior insulation efficiency, high-performance equipment, and energy creation devices such as large-capacity solar power generation systems. Sumitomo Forestry is committed to building houses that contribute to the promotion of decarbonization while taking advantage of the power of wood.

In addition, each of 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 on the website.

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

\* LCCM (Life Cycle Carbon Minus) housing is housing that reduce CO<sub>2</sub> emissions to minus throughout the life of the home, from when it is being built to when it is lived in



## Model Homes/Showrooms

Sumitomo Forestry has expanded its model homes to roughly 270 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.



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - **Communication with Our Customers** - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

## 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, high efficiency water heaters as well as central air-conditioning systems.



The first model homes of Hamadayama (Tokyo West Branch, Tokyo) to open in April 2022.





Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - **Communication with Our Customers** - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

## 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. 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.



Utsunomiya Showroom



Fukuoka Showroom



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - **Communication with Our Customers** - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

## 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.



Nagoya 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 Relations Office holds periodic meetings and working groups with each business division and Group company as well as shares information on case studies and analysis results to provide high-quality products and services which will bring sensation to our customers, bringing 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.

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.

### Operation of Sumitomo Forestry Call Centers

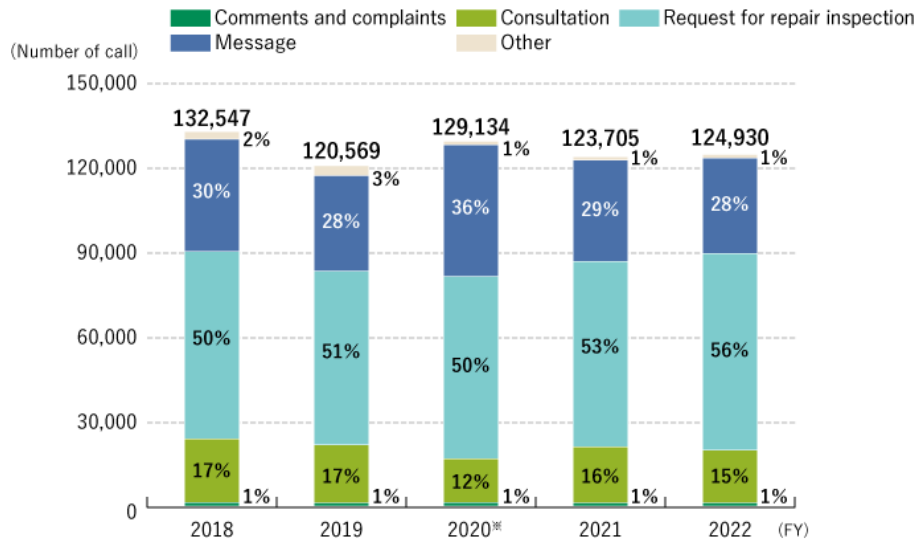
Sumitomo Forestry established Sumitomo Forestry Call Centers that open 24 hours a day 365 days a year toll free, as a consistent, dedicated helpline (general reception) throughout Japan that allows immediate support to our customers such as an emergency response for lifelines. The telephone number is 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. We will continue to strive to improve customer satisfaction by promptly responding to customer requests and consultations.



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - **Communication with Our Customers** - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

## 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 for fiscal 2019 and before is April of each year to March of the following year

## 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 2022, the satisfaction ratio in these surveys was 97.4% in the survey of new owners, and 96.3% in the survey of second-year owners. Furthermore, Sumitomo Forestry has adopted the Net Promoter Score (NPS)\* advocated by the housing industry for the purpose of enhancing customer satisfaction. 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)

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - **Communication with Our Customers** - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

## 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 2022, about 120,000 owners have become 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. On November 21, 2022, the system was redesigned with a new look and additional functions.

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 320,000 prints were issued for each issue in fiscal 2022.



Progress check page in clubforest



The cover of "Lovely Family", spring and summer 2022 issue



The cover of "Lovely Family", fall and winter 2022 issue



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
**Communication with Our Customers** - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - Social Data

# 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 2021, the aging rate reached 28.9%\*, 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 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, 2022 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.

In order to deliver the Sumitomo Forestry Group's high-quality services to as many customers as possible, the Group has set the goal of expanding the number of rooms it offers in the Mid-Term Sustainability Targets. In 2022, the total number of rooms provided by the two companies was 1,764, but the opening of new facilities in 2023 will bring the number of rooms provided to 1,842.

Since fiscal 2020, the spread of COVID-19 has continued both domestically and internationally, but we are making every effort to maintain appropriate care and high-quality service provision for our residents, while focusing maximum efforts on preventing infection.

#### Sumirin Fill Care's 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 2022, 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, a private-pay nursing home operated by Sumirin Fill Care





Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - **Communication with Our Customers** - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

### Sumirin Care Life's Nursing Care Service Business for the Elderly

Sumirin Care Life 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. Four facilities, including Elegano Nishinomiya, bring the number of living spaces available 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.

The total number of living spaces  
FY2024 Target

**1,842**rooms

The total number of living spaces  
FY2022 result

**1,764**rooms

## 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<sup>\*1</sup> Plus Doctor and ANSIEL<sup>\*2TM</sup> resident monitoring system since fiscal 2016. The system analyzes data from numerous sensors such as bed sensors, motion-detection sensors, and temperature/humidity sensors. It provides a detailed real-time grasp of the interior environments of living spaces, as well as residents' sleep states and activities, converting all of this information into data.

Bringing "visualization" 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 95.2% as of the end of fiscal 2022, despite restrictions on sales activities due to the impact of the COVID-19.

\*1 Life Rhythm Navi is a registered trademark of EcoNaviSta Ltd.

\*2 ANSIEL is a registered trademark of Sekisui Chemical Co., Ltd.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - **Communication with Our Customers** - Business initiatives that contribute to regional revitalization - Supply Chain Management - Social Contribution - Social Data

## Combining Sumitomo Forestry Group Living Environments and Nursing Care Expertise

### — Elegano Nishinomiya —

At Sumirin Care Life, we are working to enhance the living environment so that each resident can lead a unique and fulfilling life, while the nursing and care staff, external medical institutions, specialist lecturers, nutritionists and care managers work together to promote the provision of high quality services.

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.

#### Use of Living Environments Expertise

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. The nursing 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 Tsukuba Research Institute). In addition, all units are equipped with emergency call and Wi-Fi for a safe, secure, and comfortable living environment.

#### Full Medical and Health Support

Medical support is available to all residents through an MRI brain scan for the early detection of dementia and tumor marker tests that help with the early detection 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

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

[Human Rights](#) - [Diversity and Inclusion](#) - [Work-Life Balance](#) - [Occupational Health and Safety](#) - [Safety and Quality of Products and Services](#) - **[Communication with Our Customers](#)** - [Business initiatives that contribute to regional revitalization](#) - [Supply Chain Management](#) - [Social Contribution](#) - [Social Data](#)

### Programs to Enhance Your Life

In the liberal arts we offer programs such as go and mahjong to pottery, watercolor painting, calligraphy and flower arrangement classes. Skilled artisans teach the programs and beginner or a person who requires long-term care can enjoy these programs according to their skill level and health. In cooperation with Kobe College, we also hold regular concerts by college and graduate students majoring in music.



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - **Business initiatives that contribute to regional revitalization** - Supply Chain Management -  
 Social Contribution - Social Data

# 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.

### Participation in 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, in which Sumitomo Forestry, H.I.S. Hotel Holdings and Aqua Ignis, HOTEL VISON and Hatago VISON was opened in 2021.

A total of 201 rooms at the VISON HOTELS, including 6 villas, 155 hotel rooms, and 40 inn rooms. The villa building was selected for the Excellence Award in the non-housing category of the "1st Mie Prefecture Wood Construction Competition (sponsored by Mie Prefecture)" in recognition of the percentage of wood used from the prefecture and its high design quality. Designed in the image of a "detached room," the guest rooms are chic and woody, with black and white as the base color. Guests staying at the VISON HOTELS have access to various restaurants, shopping, and hot bath facilities, allowing them to fully enjoy their trip within "Vison". In addition, by using raw materials that contain natural straw, we adopt environmental impact reducing amenities that reduce plastic usage by 40%, and are engaged in environmentally sound initiatives. 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.



Exterior View of HOTEL VISON



Exterior View of the Villa Building



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** -  
 Social Contribution - Social Data

# 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.

#### 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.



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** -  
 Social Contribution - Social Data

### 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

## 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.



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** -  
 Social Contribution - Social Data

**(b). Human Rights**

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

**(c). Occupational health and safety**

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

**(d). Ethic**

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

**(e). Information security**

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





Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** -  
 Social Contribution - Social Data

## (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./li>

## (h). Social contributions

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

**2. Product assessment**

## a. Common items

## (a). Requirements

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

## (b). Initiatives

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

**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 13 organizations.



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** -  
 Social Contribution - Social Data

**Status of Sumitomo Forestry Group Forest Certification/ COC Certification\***

Organization	Certification	System Date Certified	Certification Number	Certification Issuing Body
Sumitomo Forestry Co., Ltd. Timber and Building Materials Division	FSC	December 14, 2022	JIA-COC-190013/ JIA-CW-190013	Japan Gas Appliances Inspection Association (JIA)
	PEFC	December 14, 2022	JIA-PEFC-COC-1201	Japan Gas Appliances Inspection Association (JIA)
Sumitomo Forestry Co., Ltd. Timber and Building Materials Division Global Housing, Construction and Real Estate Division Construction Department	SGEC	January 24, 2022	JIA-SGEC-COC-045	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, 2022	JAFTA-SGEC-COC-038	Japan Forest Technology Association (JAFTA)
Sumitomo Forestry Wood Products Co., Ltd.	SGEC	December 25, 2021	JAFTA-SGEC-COC-017	Japan Forest Technology Association (JAFTA)
Sumitomo Forestry Crest Co., Ltd.	FSC	September 15, 2020	SGSHK-COC-006693	SGS Japan
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	SA-COC-012758	Soil Association
PT. Rimba Partikel Indonesia (RPI) (Indonesia)	FSC	February 20, 2020	SA-COC-007620/ SA-CW-007620	Soil Association
PT.Sumitomo Forestry Indonesia	FSC	December 7, 2021	SA-COC-012757	Soil Association



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** - Social Contribution - Social Data

Organization	Certification	System Date Certified	Certification Number	Certification Issuing Body
Sumitomo Forestry (Singapore) Ltd.	FSC	January 28, 2023	NC-COC-005542/ NC-CW-005542	Prefferd by Nature
Sumitomo Forestry (Dalian) Ltd.	FSC	January 20, 2021	SCS-COC-008230	SCS Global Services
Vina Eco Board Co.,Ltd. (VECO) (Vietnam)	FSC	October 15, 2021	BV-COC-132458/ BV-CW-132458	Bureau Veritas
PAN ASIA PACKING LTD. (PAP) (Thailand)	FSC	January 16, 2023	SGSHK-COC-470150	SGS Hong Kong

\* 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

\* SGECCOC (Trademark License No. SGECC/31-32-86), PEFC-COC (Trademark License No. PEFC/31-32-86)

[Click here for related information](#)

➤ Sustainable Forest Management

## 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.

### SGEC (Sustainable Green Ecosystem Council)

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



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** - Social Contribution - Social Data

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-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 Timber-Related Operator	November 22, 2022	JIA-CLW-I II 17001	Japan Gas Appliances Inspection Association
Construction Materials Development Department, Housing and Construction Division	Construction Materials Development Department Type 2 Wood Related Entity	March 14, 2023	HOWTEC-CLW-II 0001	Japan Housing and Wood Technology Center
Sumitomo Forestry Wood Products	Type 1/Type 2 Wood Related Entity	February 20, 2023	JIA-CLW-I II-3	Japan Forest Technology Association
Sumitomo Forestry Crest Co., Ltd.	Type 2 Wood Related Entity	May 9, 2018	JIA-CLW-II 18002	Japan Gas Appliances Inspection Association
Nihei	Type 2 Wood Related Entity Timber-Related Operator	April 1, 2021	HOKKAIDO LUMBER INSPECTION CORPORATION -CLW-II-22	HOKKAIDO LUMBER INSPECTION CORPORATION

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

[Human Rights](#) - [Diversity and Inclusion](#) - [Work-Life Balance](#) - [Occupational Health and Safety](#) - [Safety and Quality of Products and Services](#) -  
[Communication with Our Customers](#) - [Business initiatives that contribute to regional revitalization](#) - **[Supply Chain Management](#)** -  
[Social Contribution](#) - [Social Data](#)

## Participation in JBIB (Japan Business Initiative for Biodiversity)

Sumitomo Forestry participants 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 2022, the supply chain working group enhanced its knowledge by exchanging information on member companies' biodiversity-friendly supply chain initiatives and by gathering information on COP15.

## Partnership Building Declaration

Sumitomo Forestry has endorsed the aims of the Council on Promoting Partnership Building for Cultivating the Future, promoted by the Cabinet Office and the Small and Medium Enterprise Agency of Japan, and has announced a "Declaration of Partnership Building". Based on the Corporate Philosophy and Our Value, the Sumitomo Forestry Group shall manage its operations, including the supply chain, in accordance with Sumitomo Forestry Group Code of Conduct. We build sustainable relationships of co-existence and co-prosperity with our business partners through participation in the "Declaration of Partnership Building".



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** -  
 Social Contribution - Social Data

# 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 timber to include a wide range of other procured products, such as metals, ceramics, resin and other building materials, and based on this policy, are engaged in procurement activities that take into consideration the economy, society and environment.

Sumitomo Forestry Group's sustainable wood procurement initiatives have responded to growing concerns about deforestation as one of the climate change factors with the introduction of our 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.

### Promoting the Use of Timber and Wood Products from Sustainable Forests

To confirm collateral of legal compliance as precondition, Sumitomo Forestry Group defines 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

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** -  
 Social Contribution - Social Data

[Click here for related information](#)

[Promoting Certified Timber](#)

## 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 2022, the Wood Procurement Committee met four times to confirm the legality and conduct a "Sustainability Survey" for all 171 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 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.

The 52 questionnaires for our sustainability survey are arranged according to check-list of such forest certification as FSC and PEFC, surveys from our purchasers, and sustainability assessment of cross-sectoral organizations.



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

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** -  
 Social Contribution - Social Data

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
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

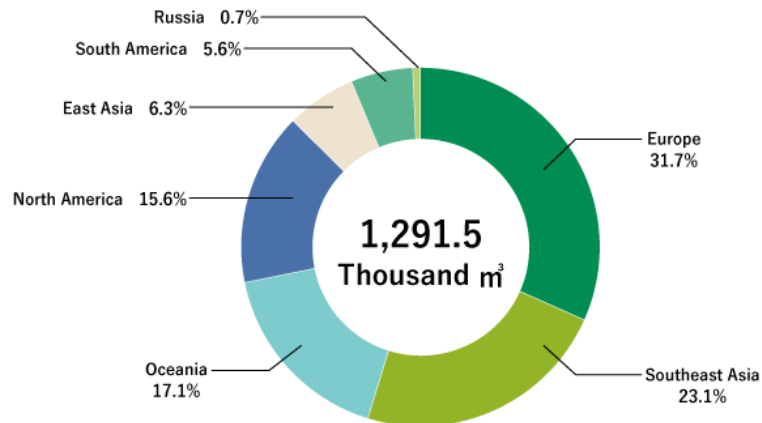
#### Risk level

With this 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 determined according to such information from Transparency International's CPI (Corruption Perception Index), FSC's national risk assessment, UNEP/WCMC (United Nation Environment Program/World Conservation Monitoring Center) and reports from environmental NGOs to be A (low risk), B (medium risk) and C (high risk). Even when suppliers are identified as A (low risk), they are all assessed regardless of the volume or duration of contracts, since our business is centered on wood and timber and wood products suppliers should not be considered as non-significant. 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 2022, we audited 45 companies in Category A, 29 companies in Category B, and 97 companies in Category C.



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** -  
 Social Contribution - Social Data

## Status of timber by region, and timber and wood products (results for January to December 2022)



### 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.
- 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.

Sustainability procurement survey  
implementation rate of suppliers of imported  
timber\*

**100%**

\* Number of suppliers conducting sustainability surveys as a percentage of the number of suppliers subject to wood procurement due diligence by the Wood Procurement Committee during the year under review.

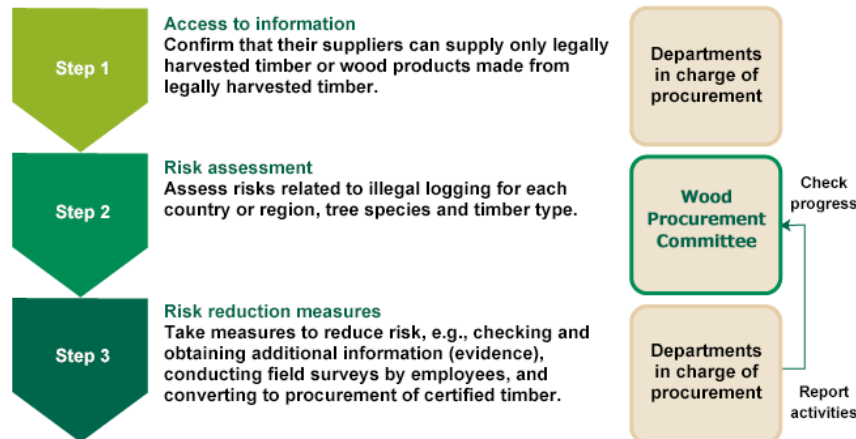
### Review

Each procurement division reports the status and progress of these initiatives to the Wood Procurement Committee, facilitating continuous improvements throughout the supply chain.



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** -  
 Social Contribution - Social Data

## Due Diligence in Wood Procurement



## Progress of sustainability initiatives in timber and wood products

Sumitomo Forestry established an Action 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 confirmed.

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. The same due diligence is also applied to wood biomass fuels such as pellets and PKS as to timber and wood products to promote sustainable procurement.

Percentage of sustainable timber and wood products handled  
FY2022result\*

**100%**

\* "Sustainable timber and wood products" is defined as certified timber and timber in the process of certification, timber from forestation or from natural forests that are recognized as sustainable in terms of forestry and distribution (excluding timber from converted forests), and recycled timber.

[Click here for related information](#)

[About symbol for Independent assurance](#)

## Education for Personnel in Charge of Procurement

In order to deepen the understanding of those in charge of wood procurement, the Sumitomo Forestry Group holds study session once a year with external experts in the Wood Procurement Committee to learn about current trends and the latest information in the world.



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** -  
 Social Contribution - Social Data

### Supply Chain and Human Rights

In recent years, respect for human rights in corporate activities is becoming increasingly important. In Japan, there are more and more media coverage on human rights issues in corporate activities, and interest is growing. There are also relevant human rights issues in aspects related to timber and wood products, for example, relations with local communities in logging areas and violations of indigenous peoples' rights. On December 19 2022, the Sumitomo Forestry Group held a study session entitled "Supply chain and human rights" with Mr. Hidemi Tomita, Representative Director of LRQA Sustainability K.K.



Study session by Hidemi Tomita,  
Representative Director, LRQA Sustainability K.K.

The study session covered the background of the issue of business and human rights, international codes of conduct, tightening international standards, and domestic and international trends such as legislation on human rights and due diligence in various countries. It was an opportunity to reflect on the urgent need to address human rights issues and the need to respond to human rights risks, including those in the supply chain, and how to deal with them before they develop into actual business risks.

### Study Meetings Held to Date

	Theme	Description	Lecturer
FY2018	Wood production and sustainable forest management in Indonesia and Malaysia.	Update on how the wood legal compliance certification system works, and certified wood and sustainable forest management in Indonesia and Malaysia.	Institute for Global Environmental Strategies (IGES) Research Manager Hiromitsu Samejima
FY2019	Forest certification seminar	History of various forest certification schemes and updates on FM and CoC certification	Japan Gas Appliances Inspection Association Forest & EPA Group FSC-CoC auditors and certifiers Kentaro Katase
FY2020	Recent trends and the nature of ESG investment	The major trends behind 'why ESG investment?'	Professor, Takasaki City University of Economics Professor Takeshi Mizuguchi
FY2021	Sustainable wood procurement from a financial perspective	Main outcomes of COP26, forests in ESG investment and financing policies of financial institutions, forest certification from a financial perspective, TNFD, etc.	WWF Japan Head of Financial Group Mutai Hashimoto

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** -  
 Social Contribution - Social Data

## Reinforcing Engagement with NGOs and Other External Stakeholders

In our efforts for formulating and implementing our Action Plan, to respond sincerely to societal demands and to promote responsible procurement, we organized a stakeholder dialogue with environmental NGOs, ESG specialists and researchers in July 2019.

Experts from the World Wildlife Fund (WWF) Japan, Friends of the Earth Japan, Global Environmental Forum, Institute for Global Environmental Strategies, the Rainforest Action Network and Takasaki City University of Economics participated on the day of the dialogue.



The scene at the stakeholder Dialogue

In December 2020, approximately one and a half years after the start of the Action Plan to achieve the target of 100% "sustainable timber and wood products procurement," another stakeholder dialogue was held to report on the efforts made so far. Discussion included the implementation of the Sustainability Procurement Surveys and the status of the percentage of timber and wood products from sustainable forests being handled, and other challenges at hand.

In March 2022, as the final year of the Action Plan, a report was given on the results of the initiatives from 2019 to 2021, together with an outline of Mission TREEING 2030, which was announced in February 2022.

In order to achieve the target of the Action Plan, reflecting the discussion from these stakeholder dialogues, we approached suppliers where improvement were required, deepen their understanding on the issues, and encouraged improvements and explained. Ultimately, we had to terminate our contract with suppliers whose sustainability could not be confirmed by any means, and in September 2021 we were able to achieve 100% "sustainable timber and wood products procurement."

In this regard, we were commended for suspending business with suppliers who did not show improvement in order to achieve our targets.

The Sumitomo Forestry Group will continue the implementation of active dialogue with stakeholders and strengthen its initiatives.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** -  
 Social Contribution - Social Data

## 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.



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



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** -  
 Social Contribution - Social Data

## 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 wood as legal, and expressly confirming the legality of the entire supply chain, from logging to wood 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 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



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

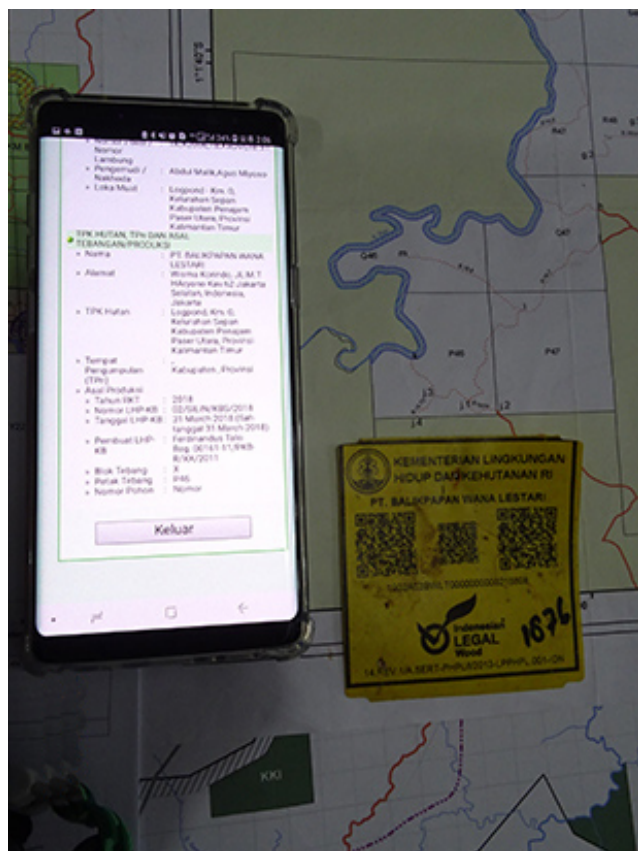
Environment

**Social**

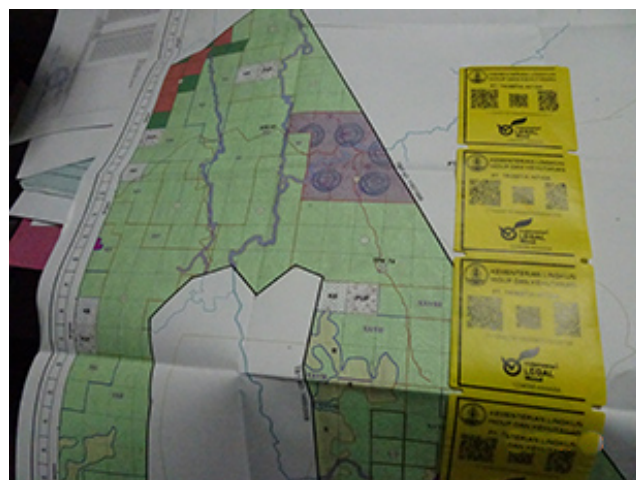
Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** -  
 Social Contribution - Social Data



Confirming the harvest site from tag information at the logging company (1)



Confirming the harvest site from tag information at the logging company (2)

In 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.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** - Social Contribution - Social Data

## 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 Forestry Corporation was established in 2003 for the purpose of eliminating illegal logging in Sarawak, Indonesia. Thereafter, the Sarawak Timber Legality Verification System (STLVS) was created in 2015 to further strengthen efforts to eliminate illegal logging, reflecting the trend of elimination of illegally logged timber in countries such as the United States, the EU, and Australia. Sumitomo Forestry conducted an on-site audit of a plywood production plant of one of its suppliers in September 2019 to primarily confirm whether the STLVS was properly in operation from the logging sites to the plant landing.

We were able to confirm that tracking is possible from logs arriving at the plant to the harvesting district via identification processes such as orange tags proving royalty payments (for processing domestically), white tags (for log production) as well as markings and relevant transfer permits from regional forest offices through the detailed logging plans and tree logging lists required by STLVS. In addition, a signature from a representative in charge of the regional forest office on the back of the export application (K2) necessary to export plywood products confirms the products satisfy all of the STLVS standards.



Logs for Plywood Stacked at a Log Pond



Log Production Tag (White) and Royalty Tag (Orange) at the Log Pond



Logs Stacked at the Landing of the Plywood Production Plant



Confirming the Royalty Number Written on the Log Delivery Ledger



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** -  
 Social Contribution - Social Data

## 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.

### Study Meetings Held to Date

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 2022)	Established in different regions around Japan as a forum for communication with business partners for distribution operations of timber and building materials. Training sessions and informational exchange meetings are held two or three times a year in each region, allowing members to deepen mutual friendships, promote product R&D, enhance production and distribution, and support improvements in the industry as a whole.
Publication of Building Materials Monthly Monthly print run of approximately 4,200 copies	With a history spanning more than half a century, this monthly magazine publishes timely information and topics regarding timber, building materials and the housing industry from our distinct perspective.

### Dennagon (Digital Delivery Slip and Invoice Transmission Service)

The Timber and Building Materials Division launched the Dennagon service in October 2016 as a website to access and receive digital versions of delivery slips and invoices traditionally exchanged on paper.

Using the Dennagon service provides the benefits below.

1. Purchasers can now receive the delivery slips and invoices the morning after they are issued by the Company instead of waiting for them to be delivered at an unknown time several times a week. The service also streamlines the tasks to process delivery slips based on the purchasers.
2. The work to check the content of delivery slips is made more efficient as well through a sorting function of the delivery data in Excel, with which the purchasers can easily find desired data.
3. The Dennagon service stores delivery slips for ten years and eliminates filing tasks by allowing various searches to help increase efficiency while reducing costs of operations at purchasers.

Another benefit of the service during the coronavirus disease (COVID-19) was the ability for purchasers to verify our delivery data without being in the office. As of fiscal 2022, roughly 758 of our business partners are using this service.





Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** -  
Social Contribution - Social Data

## Responsible Material Procurement

The Sustainability Procurement Surveys for suppliers of building materials and housing equipment, which has been implemented in the housing business since 2019, was also launched in the timber and building materials business from fiscal 2022. While the survey has been conducted for directly imported wood already, this is the first time it was conducted for other than-imported wood.

The main purposes of conducting the survey are (1) to ensure that the goods and services provided by the Sumitomo Forestry Group comply with various environmental and social laws and regulations throughout the supply chain, and (2) to share the Sumitomo Forestry Group's Procurement Policy, Human Rights Policy, etc. and to build better partnerships.

Conventional supply chain management refer to quality, cost and delivery, but in addition to these items, risks related to workers' rights, occupational safety and environmental issues must also be recognized and managed.

The content of the Sustainability Procurement Surveys questionnaire is based on international norms and Sumitomo Forestry Group policies and consists of questionnaires on governance, human rights, occupational health and safety, the environment, ethics, information security, supply chain and social contribution.

In fiscal 2022, the target of 80% was achieved, with 46 companies responding out of 52 companies to whom the questionnaires were sent; response rate was 80.6% in items of sales. The future target is 85% in fiscal 2023 and 90% in 2024, and we plan to meet the target by increasing the number of targeted companies.

大項目	小項目
ガバナンス	1 社会的責任（CSR）取組みの方針・規範を策定している。
	2 社会的責任（CSR）取組みの推進部署および責任者を設置している。
	3 社会的責任（CSR）方針・規範の教育、啓発活動を社員に対して行っている。
人権	4 人権の尊重に関する方針・規範を策定している。
	5 人権の尊重に関する取組みの推進部署および責任者を設置している。
	6 人権の尊重に関する方針・規範の教育、啓発活動を社員に対して行っている。
	7 各種ハラスメントを禁止し、社内に周知徹底を図っている。
	8 差別労働を禁止し、社内に周知徹底を図っている。
	9 児童労働を禁止し、社内に周知徹底を図っている。
	10 法令に定められている社員の労働時間を適切に管理している。
	11 労働に対して法令に基づき最低賃金を支払った適切な賃金を支払っている。
	12 社員が匿名でハラスメント、体罰等を会社に通報する仕組みがある。
	13 人種、年齢、宗教、国籍、性別などの差別を禁止し、社内に周知徹底を図っている。
	14 外国技能実習生を受け入れている。
	15 志願に従い、労働者の結社の自由や団体交渉権を認めている。
	16 すべての社員に差別なく、職務に合った技能開発・研修などの人材育成の機会を提供している。
労働安全衛生	17 労働安全衛生に関する方針・規範を策定している。
	18 労働安全衛生に関する取組みの推進部署および責任者を設置している。
	19 労働安全衛生に関する方針・規範の啓発活動を社員に対して行っている。
	20 安全で健康的な職場環境の維持に努めている。
	21 社員の心身の健康管理、労働災害や労働疾病の削減など適切な職場の安全管理を行っている。
	22 緊急時や災害時に備え、社員を安全を守るための対策を講じ、社内に周知徹底を図っている。

Implementation of web-based questionnaires

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** -  
 Social Contribution - Social Data

# 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 prioritize and promote the use of certified timber and materials from forestation areas for new raw materials during raw material procurement and encourage 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 planted 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 falcata*) in 1999. With the system of "social forestry," KTI has aimed to support the environment, community and economy by distributing seedlings to local residents for free to plant on the lands they own and promises to purchase wood when the trees are mature at its market value. In addition, the KTI Reforestation Cooperative supported by KTI (KBM KTI) has acquired the FSC-FM certification\* for forests owned by KTI (KAM-KTI).

In the future, KTI will strive to expand the manufacture and sales of products with high environmental value by expanding the area of certified forests and procuring sustainable 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

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

[Human Rights](#) - [Diversity and Inclusion](#) - [Work-Life Balance](#) - [Occupational Health and Safety](#) - [Safety and Quality of Products and Services](#) -  
[Communication with Our Customers](#) - [Business initiatives that contribute to regional revitalization](#) - **[Supply Chain Management](#)** -  
[Social Contribution](#) - [Social Data](#)

## Use of Sustainable wood

Sinar Rimba Pasifik (SRP) 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.

Approximately 70% of wood used was imported from North America, all of which is certified wood from member companies of the American Hardwood Export Council (AHEC) or Quebec Wood Export Bureau (QWEB), which promote sustainable forest management.

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

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

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** -  
 Social Contribution - Social Data

# Supply Chain Management

## Housing Business Initiatives

### Basic Policy

In the Housing Business, sustainable procurement is positioned as one of its 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 in Japan. The Housing 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 such wood materials as foundation, posts and beam that are 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 initiatives 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 initiatives assessment".

[Click here for related information](#)

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





Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** -  
 Social Contribution - Social Data

## Environmental Consideration and Legal Compliance in Responsible Material Procurement

The Sumitomo Forestry Group procures materials for the Housing 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 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.

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

Name/Scale	Description
Evaluation and feedback based on the Supplier Evaluation Standards Implementation rate: 100% (FY2022)	Material suppliers of the Housing 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 2022, we provided feedback to 231 suppliers, a 100% implementation rate.
	As part of our evaluation, we have been conducting factory audits of our suppliers on a regular basis previously. However in fiscal year 2022, visits to our suppliers' factories were conducted only when situation permitted as the COVID-19 pandemic was not settled. In cases where we were unable to visit, we also communicated with our suppliers' factory staff and quality control staff via the online meeting.
	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.



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - **Supply Chain Management** -  
 Social Contribution - Social Data

## Responsible Material Procurement

Starting in fiscal 2019, the Housing Division began subjecting new suppliers to an annual Sustainability Procurement Survey in addition to the Green Procurement Survey that has been required, such as building materials and housing equipment manufacturers. Each of these suppliers participates in the survey with all 53 questionnaires related to the progress of their initiatives on social and environmental aspects as well as the sustainability of their wood procurement.

In FY2019, 42 companies (86% of the previous year's annual purchases) were scoped. The scope of the survey was gradually expanded, and in fiscal 2022, 85 companies (97.2% of the total amount of purchases in the previous fiscal year by the target manufacturers) were scoped. Prior to the survey, a web-based sustainability survey briefing was held in July 2022. Approximately 100 people attended, and we shared with them the Sumitomo Forestry Group Code of Conduct, the Sumitomo Forestry Group Procurement Policy and our views on regarding responsible procurement to promote mutual understanding.

The response rate was 100% as it was in fiscal 2021. Based on the results of the survey, feedback was provided to all targeted suppliers. At the same time, in order to encourage advancement of each company's initiatives, the following steps were taken and recorded: (1) If a company did not respond to a "high-risk" issue, a detailed interview was conducted and the company was asked about its future initiatives; (2) If the company's initiatives had fallen behind last year, the status was interviewed and improvements were encouraged. The records of these interviews are documented.

Through the surveys, we were able to confirm that many suppliers share our own understanding of what responsible procurement means. On the other hand, some suppliers fell short of our expectations and after discussions at our supplier evaluation meetings, we provided feedback, which we will continue to follow up on to ensure ongoing improvement.



A sustainability procurement survey explanatory meeting

Sustainability procurement survey  
implementation rate in the supply chain of the  
domestic housing department (%)

**97.2%**

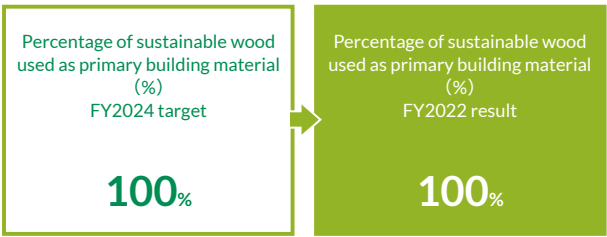
## Housing Business Initiatives for Sustainability in Timber and Wood Products

There is increasing concern about deforestation as the cause of climate change. Housing Division puts sustainable wood procurement into practice, including confirmation of legal compliance of wood procurement, compliance with human rights and occupational health and safety, biodiversity conservation, and considerations of the local community, especially for wood used in housing as outlined in the Sumitomo Forestry Group Procurement Policy. The Housing Division continues the 100% target for the rate of sustainable wood used as primary building material in Mid-Term Sustainability Targets 2024 announced as part of Medium-Term Management Plan in 2019.

In fiscal 2022, we were able to achieve the said ratio of 100% in the primary building material of Sumitomo Forestry's detached homes.

[Click here for related information](#)

- > Policy on Sustainable Timber and Wood Products





Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

**Social Contribution** - Social Data

# 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.

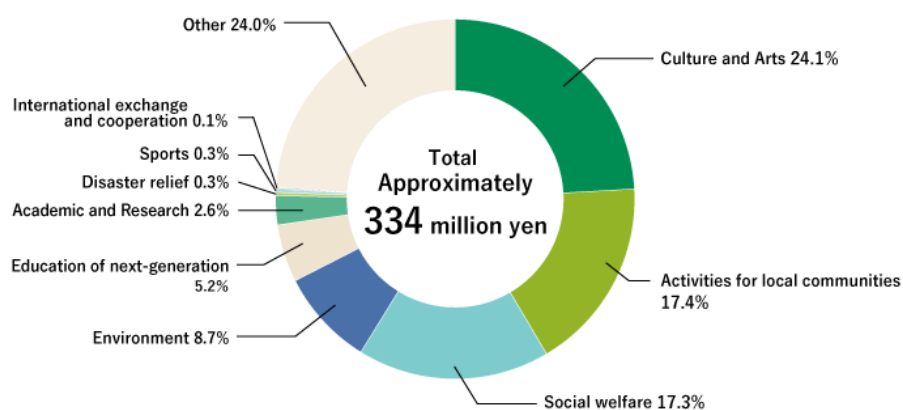
[Click here for related english](#)

> [Examples of Social Contribution Activities in Japan](#)

> [Examples of Regional Contribution Activities Overseas](#)

### Social Contribution Donations

#### Breakdown of Donations by Category (FY2022)



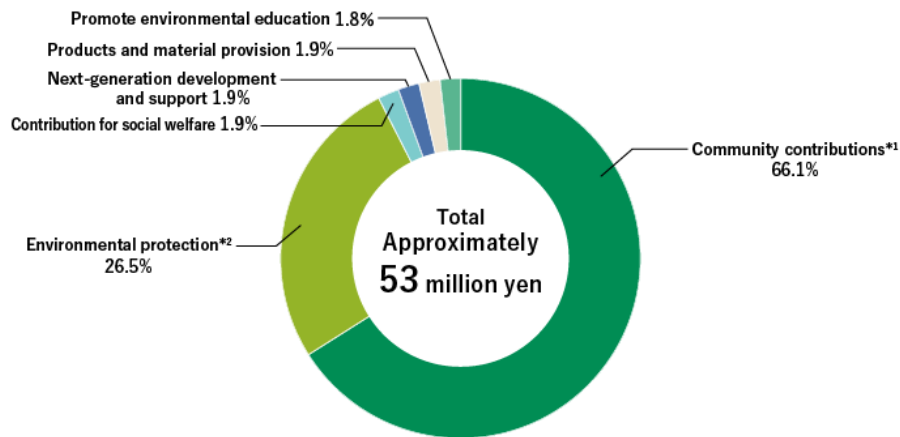


Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

Social Contribution - Social Data

## Expenditure on Social Contribution Activities

### Breakdown of Expenditure on Social Contribution Activities (FY2022)



\*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, and one employee took volunteer leave in fiscal 2022. 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.



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

**Social Contribution** - Social Data

## Public Service (As of December 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
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 Chairman and Executive Director	Representative Director Chairperson	Akira Ichikawa
Wooden Home Builders Association of Japan	Representative Supervisory Officer & Chairperson	Representative Director Chairperson	Akira Ichikawa
Japan Federation of Housing Organizations	Representative Supervisory Officer & Vice-chairperson	Representative Director Chairperson	Akira Ichikawa
The Machinami Foundation	Director	Representative Director, President and Executive Officer	Toshiro Mitsuyoshi
Japan-China Association for Building and Housing Industry	Director & 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
The Tokyo Chamber of Commerce and Industry	Permanent Councilor	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

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

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

**Social Contribution** - Social Data

Organization	Position	Position in the Company	Name
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
Aeon Environmental Foundation	Trustee	Representative Director Chairperson	Akira Ichikawa
Institute for Innovative Healthcare	Director	Representative Director President and Executive Officer	Tatsuru Satoh
Japan 2x4 Home Builders Association	Director	Director, Managing Executive Officer	Ikuro Takahashi
The Building & Housing Center of Japan	Executive Delegate	Director, 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
Japan Global Exchange Forum for Housing, Building and Urban Development	Officer & Vice Chairperson	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	Chairperson	Advisor	Hideki Nose
Japan Federation of Housing Organizations - International Foreign Relations Committee	Chairperson	Advisor	Hideki Nose
Institute for Built Environment and Carbon Neutral for SDGs (IBECS)	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



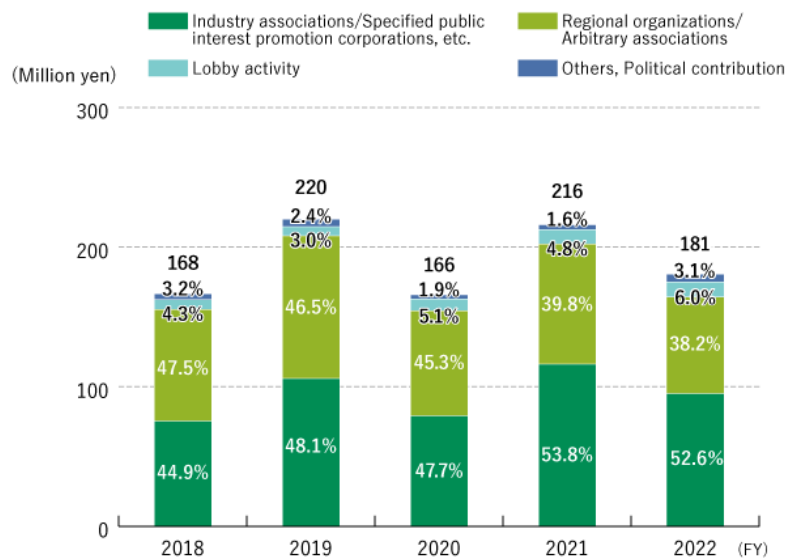
[Top Commitment](#)[Sustainability Management](#)[Initiatives for Sumitomo Forestry Group's Business and ESG](#)[Environment](#)**Social**[Governance](#)[Related Information](#)

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

**Social Contribution** - Social Data

Organization	Position	Position in the Company	Name
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
The Forest Culture Association	Director	General Manager, External Relations Department	Hiroyuki Wakabayashi

### Costs Such as to Various Associations<sup>\*1\*2</sup>



\*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

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
**Social Contribution** - Social Data

## 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 2022, Mt. Fuji Manabi no Mori was used for volunteer activities and environmental education programs. A total of 1,636 people visited Mt. Fuji Manabi no Mori from inside and outside of the Company. The total number of visitors to date is approximately 34,000.

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, approximately 30,000 region-specific saplings have been planted so far. In total, more than 12,000 volunteers have participated in tree planting and cultivation activities.

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. In 2022, as the fourth year of this tree survey, 71 volunteers took part in creating a database from records of 510 trees planted on approximately 1,800 m<sup>2</sup> under the guidance and cooperation of arborists and others.

The Manabi no Mori project will shift to a more friendly forest suitable for learning by visualizing the growth of the trees that have been cultivated by the volunteers so far. 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 will still be running 100 years from now, comprehensive forest management and environmental activities will be continued as a way to communicate the importance of nature to as many people as possible.



Volunteer tree survey

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

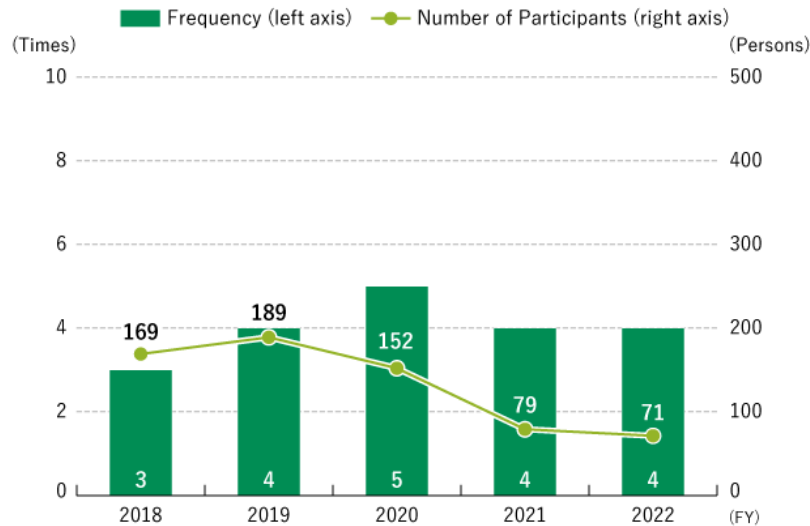
Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

**Social Contribution** - Social Data

## 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 activities 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 2022, a total of 1,110 students and children from 16 schools were invited to the program. A cumulative total of more than 13,000 students and children have been invited as of fiscal 2022.



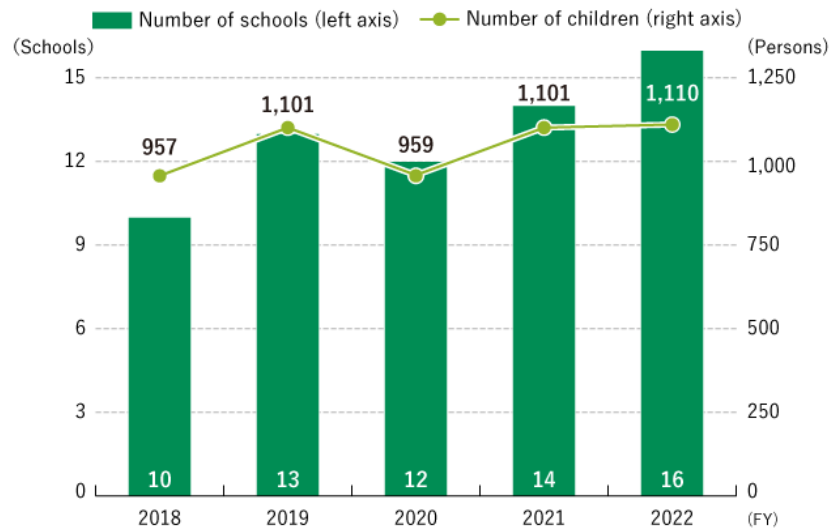
Environmental Education Program



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

Social Contribution - Social Data

### 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

## Monitoring Survey

At Mt. Fuji Manabi no Mori, we are monitoring and researching the recovery of the natural forest. We have been conducting vegetation surveys since fiscal 2000 with the cooperation 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. In addition, from 2019, the insect habitat surveys are being conducted with the cooperation of a professor emeritus from Tokoha University. The results of these surveys will be used to continue future forestry activities.

### Vegetation Surveys

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 24 years, the survey revealed that the planted trees had not only gotten larger but the entire species in the forest also recovered.

### Wildlife Habitat Survey/Insect Habitat Survey

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.

In July 2022, we conducted the third insect habitat survey.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

**Social Contribution** - Social Data

## 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 checked and made sure the seedlings had been growing with support by the local community, so that we started the Oku Matsushima Nature Recover Volunteer Planting Activity along the Nobiru coast of Higashi Matsushima City In fiscal 2019.

In 2022, a total of 230 people participated in the tree planting. Local residents, children from Higashi-Matsushima Municipal Miyanomori Elementary School, Sumitomo Forestry's subcontractors, and Sumitomo Forestry Group employees worked together to plant 930 plants from five local indigenous species. In addition to the tree planting, this volunteer activity included clearing the underbush so that the seedlings in the planted area would grow to a large size. We also provided environmental education to third-year students of Miyanomori Elementary School, and are working to grow *Raphiolepis umbellata*, a local indigenous plant, until it becomes a seedling plant from seedlings. We are working together with the local community on medium- to long-term activities.



Group photo of tree planting activities



Tree Planting



Environmental education at Miyanomori Elementary School



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

**Social Contribution** - Social Data

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 Aftereffects." 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 2022, following the previous year, due to the impact of COVID-19, employees, subcontractors, and home owners, have participated in the activity in the past.



Gunma Manabi no Mori

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
**Social Contribution** - Social Data

## 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 due to the impact of the COVID-19, as part of the activity, we have been conducting beach cleanup activities jointly with subcontractors mainly doing business with 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.

\* As an "SDGs Future City," area, Kanagawa Prefecture announced its "Kanagawa Zero Plastic Wasted Declaration" as part of its specific SDGs targets for a sustainable society, publicized as a "Message from the Whales" in September 2018. The project aims to achieve "zero plastic waste" by 2030 or earlier if possible by spreading efforts among the municipalities, private-sector companies and residents of the prefecture to eliminate and collect plastic straws, shopping bags, etc.



Clean-up Efforts on the Tsujido Shore (Shonan Branch)

## Kanagawa Zero Plastic Waste Declaration logo



## 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 (morinos<sup>1</sup>). 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<sup>2</sup> to provide a comprehensive program of forest experiences.

Nature Experience Program were jointly developed with Morinos, morinos 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.

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.



Wald-car



Wooden box



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

**Social Contribution** - Social Data

\*1 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 means "forest car." Wald (WALD) means forest in German

## 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. This enables us to put our strength into breeding seedlings with the properties in the flowers and leaves of heritage and precious wood and pass them 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 Ume Bonbai Successfully Propagated Through Tissue Culture

Sumitomo Forestry exhibited flasks and cultured seedlings of Ume Bonbai<sup>\*2</sup> successfully propagated through tissue culture at the Bonsai Exhibition of Ume Trees with Blossoms<sup>\*1</sup>. 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 2022, and the first time for Beniwakonbai seedlings to be shown.

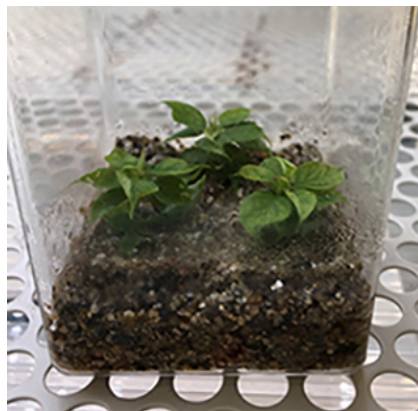
The culture samples and seedlings cannot generally be viewed by the public because they are grown in a sterile chamber that controls temperature. At this exhibition, we created a system to very carefully control the temperature to achieve this special presentation of the Ume Bonbai. The exhibition treated many visitors to the Ume Bonbai trees passed down for generations as well as leading-edge biotechnologies.

\*1 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.

\*2 Dwarfed Japanese apricot tree



Ume Bonbai Seedling



Culture Sample of the Ume Bonbai

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

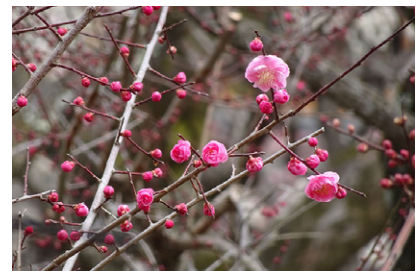
**Social Contribution** - Social Data

## Tobiume Plum Trees at Kitano Tenmangu Shrine, Tissue-Cultured Seedlings Have Flowered

The Beniwakonbai seedlings propagated by tissue culture, a Tobiume plum tree, have flowered in the "Hana-no-niwa" (plum blossom garden) at Kitano Tenmangu Shrine. This is the first time in the world that ornamental plum trees propagated by tissue culture have flowered. Kitano Tenmangu Shrine will use the blooming of the trees as an opportunity to launch the "Legend of Tobiume plum tree in Reiwa" project, in which we will protect and pass on to future generations the seedlings of Tobiume plum trees that we have propagated through tissue culture.

### Passing on the Tobiume Plum Trees to Future Generations

The success of this research is significant in terms of ensuring the succession of plum trees amid recent concerns about the impact on plum trees growth of diseases caused by viruses that threaten plum trees and environmental changes such as global warming. In addition to the protection and preservation of plum trees in the future, it will greatly contribute to the maintenance of Kyoto's landscape and cultural heritage. In the future, we will establish a seedling production system to realize the "Legend of Tobiume plum tree in Reiwa" project, in which plums propagated by tissue culture will be preserved and passed down to future generations.



Flowering plum trees

## 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.



Commemorative tree planting

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - **Social Contribution** - Social Data

## Oshima Cherry "Sakurakkabu" Returns Home

Using tissue culture technology, the Tokyo Metropolitan Government and Sumitomo Forestry have succeeded in propagating an estimated 800-year-old Oshima cherry tree called sakurakkabu, which is native to Oshima, and the seedlings have grown to about 1 meter. In March 2022, we held a tree-planting ceremony on Izu Oshima Island. This project is the first phase of the "Tokyo Sakura Project" launched by the Tokyo Metropolitan Government and Sumitomo Forestry in 2019. This is the first time that our tissue culture technology has been used for a nationally designated special natural monument.

The Tokyo Metropolitan Government and Sumitomo Forestry will continue their efforts to protect and propagate rare plant species including cherry blossoms that grow in nature parks in Tokyo.



Tree-planting ceremony by the head of the Oshima Island Branch Office and Sumitomo Forestry



Oshima cherry "sakurakkabu" (trunk circumference 6.95 m)

## Training and Education for the Next Generation

### Tours of Mombetsu Biomass Electric Power Plant and Chip Factory

In October 2022, Mombetsu Biomass Electric Power and Okhotsk Bio Energy conducted a tour of the power generation plant and chip factory for 13 first-year students of Mombetsu High School in Hokkaido. The tour guided visitors through the main facilities of the chip mill, boiler, turbine, and generator, along with the chip manufacturing process and fuel transfer route, to deepen their understanding of how electricity is produced.

The purpose of this tour is to raise participants' awareness of their career path after graduation. In addition to introducing the details of the business, such as the procurement method of fuel mainly from wood biomass resources and the structure of the power generation plant, the employees explained the operations of the factory and power plant, using their actual experiences, to help the participants envision what it would be like to work there.



Visiting



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

**Social Contribution** - Social Data

This is the second tour of the school, the first being in 2021. Since the power generation plant started operation in September 2016, it has hosted a total of more than 400 students from local junior high school to university students, contributing to the education of the next generation in the region.

Our business partners responsible for chip production, transportation and management of raw materials have also hired graduates of the schools that have participated in the tour so far. By actively accepting tours of the plant, the Sumitomo Forestry Group will continue to promote understanding of its recycling-based power generation business, which utilizes local forest resources for power generation and returns profits to the forests, while aiming to become a company with strong roots in the community.

## Conducting Seminars for Ehime Prefectural Matsuyama Higashi High School

Students of Matsuyama Higashi High School have visited 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\* that help nurture leaders in high schools launched by the Ministry of Education, Culture, Sports, Science and Technology since 2014. The seminars since fiscal 2020 had to be canceled unfortunately due to the COVID-19 and other factors.

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, and field work at Forester House in Kyubesshi. These students learned about the corporate spirit passed down through the 330-year history of Sumitomo Forestry as well as its contributions to current business expansion overseas. In fiscal 2014 and fiscal 2015, students visited the Jakarta office to experience the Sumitomo Forestry business operation 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.

\* Fostering future leaders through the development and implementation of high-quality curriculum and system development



Seminar

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

**Social Contribution** - Social Data

## Cooperation with Niihama City Junior High Schools Hometown Study

Each junior high school in Niihama City conducts the Besshi Copper Mine Mountain Climbing (Hometown Study) to learn about the history and historical sites of the Besshi Copper Mine, which laid the foundation for Niihama's development, in order to understand local characteristics and enhance love for the local area.

At the request of the Board of Education, Sumitomo Forestry is helping junior high school students take a guided tour of the facilities at Forester House so that they can learn about the history of afforestation and get a sense of the green revitalized Besshi Copper Mine before climbing the mountain.

May 2022	Kita Junior High School
May 2022	Niihama City Board of Education On-site Training
June 2022	Funaki Junior High School
July 2022	Besshi Junior High School



Training

## 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. Following last year, approximately 600 oak seedlings procured by Sumitomo Forestry were planted in 2022.

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



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

**Social Contribution** - Social Data

## Social Contribution

### Examples of Regional Contribution Activities Overseas

#### 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 2022, 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 103,131,989 (approx. 890,000 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 CO<sub>2</sub> (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.



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

Social Contribution - Social Data

### 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.

### 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, 570,000 seedlings in 2020, 540,000 seedlings in fiscal 2021, and 380,000 seedlings in fiscal 2022. Sumitomo Forestry strives to support the local people who want to plant more trees together with KTI.

66,891 houses were delivered during this project period, which began in 2009, with a roughly 400,000-ton CO<sub>2</sub> fixation target. As of ten years since these afforestation efforts, the cumulative total estimated CO<sub>2</sub> fixation was 430,000 tons\*. This is expected to reach our carbon dioxide fixation target of 6 tons per household.

\* Excludes CO<sub>2</sub> fixation for environmental reforestation deemed to have a high risk of fires and other disasters

### Community-oriented Industrial Tree Afforestation Area and Estimated CO<sub>2</sub> Fixation

FY	Number of Relevant Households	Target CO <sub>2</sub> Fixation	Afforestation Area (ha)	Estimated CO <sub>2</sub> Fixation*
2009	3,014	18,084	0	0
2010	8,435	50,610	740	68,734
2011	9,253	55,518	588	63,115



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

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

**Social Contribution** - Social Data

FY	Number of Relevant Households	Target CO <sub>2</sub> Fixation	Afforestation Area (ha)	Estimated CO <sub>2</sub> Fixation*
2012	9,407	56,442	702	58,419
2013	9,781	58,686	505	62,854
2014	9,350	56,100	482	61,645
2015	8,759	52,554	408	62,161
2016	8,892	53,352	406	55,273
Total	66,891	401,346	3,831	432,202

\* The estimated CO<sub>2</sub> 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 Wood

## 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 wood when the trees are mature at its market value.

[Click here for related information](#)

➤ [Promoting Sustainable Wood Procurement](#)

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

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

**Social Contribution** - Social Data



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 \(Industrial Tree Plantation\)](#)

## 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.

### Creation of Employment Opportunities

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.

### Infrastructure

In fiscal 2018, we began applying the water level management technology we have developed through our projects to flood control in the surrounding communities. We are providing surrounding villages with infrastructure that is easy to maintain and



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

**Social Contribution** - Social Data

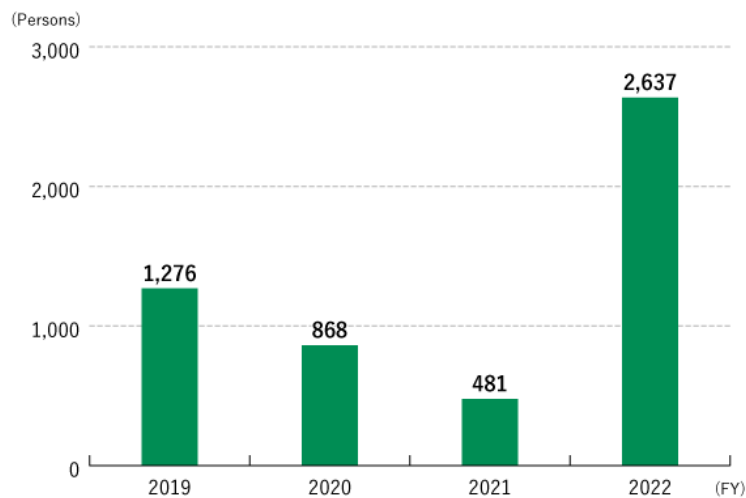
can effectively regulate water levels.

### Education, Medical and Sanitation Support

A water purifying plant was setup in villages in business regions to supply safe water for daily use 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 2020, as masks remained difficult to obtain throughout Indonesia due to the impact of the COVID-19, a mask production and distribution team was established to protect the health and safety of employees, and employees themselves produced cloth masks that can be washed and reused. In addition to distributing the masks to employees, they were also donated to local hospitals and nearby 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 fiscal 2019 is April to March of the following year

## Activities in Papua New Guinea

### Building Social Infrastructure and Medical Support

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 2007, OBT became a Group company of Sumitomo Forestry to further healthy expansion and effective use of reforestation wood resources.

#### Clinic Operations

OBT also operates its own clinics and super markets for their employees and local residents to use because the development of social infrastructure is insufficient in Papua New Guinea. In neighboring villages, OBT nurses periodically visit neighboring villages



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

**Social Contribution** - Social Data

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.

### Response to Coronavirus Disease (COVID-19)

During mass COVID-19 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.



Full View of Open Bay Clinic



Vaccination briefing by the state health department officials



Red Cross Training Model to Prevent the Spread of the COVID-19



Hand Washing Station Setup in Front of the Office

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

**Social Contribution** - Social Data

## Activities in the United States

### Social Contribution Activities Through the Housing Business

#### MainVue Day

MainVue Homes of Sumitomo Forestry Group set up MainVue Day in 2015 as a day each year for employees to participate in volunteer activities. 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.

In 2022, the work was performed at Kent Youth and Family Services, a youth and family charity in Kent, where the MainVue Home exhibition complex is located, and included interior painting of the facility, replacement of some building materials (interior door locks and windows), and housing exteriors cleaning.



MainVue Home employees who volunteered



Preparation of facilities for painting, etc.



Painting operation



Facility view after exterior cleaning and planting



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

**Social Contribution** - Social Data

### Participation in Habitat for Humanity

Crescent of Sumitomo Forestry Group participates in various programs sponsored by Habitat for Humanity, an international non-profit organization (NPO) that provides housing assistance in more than 70 countries around the world.

In 2022, Crescent and a developer active in the Charlotte area collaborated on a project to build a detached house in Charlotte, North Carolina, USA. This project is geared toward low-income families who are unable to afford housing. With contributions from 15 multi-family housing developers, construction began in April 2022 with progress monitored. The house was handed over to the new tenants in October.

Sumitomo Forestry Group companies DRB, Edge Homes, and Mark III Properties also donated to Habitat for Humanity and took part in housing support activities.



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. On the day of the activity, Crescent employees removed a total of 2,100 lbs (approx. 950 kg) of trash and participated in the activity to protect native plants and environmental ecology. Crescent will continue to actively implement environmental promotion activities in the future.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

**Social Contribution** - Social Data



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 2022, Crescent employees participated in the Second Harvest Food Bank, a volunteer program that primarily delivers donated food to places of need. Together with companies in and around Charlotte, North Carolina, we packed a total of 16,000 nutrition kits. In addition, we volunteered with a non-profit organization (NPO) to build picnic tables with students at Berryhill public school in Charlotte, North Carolina, USA.

## Donations of Wooden Toys by Provisions of Offcuts Produced During Manufacturing

The Canyon Creek Cabinet (CCC), 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 wooden toys and puzzles to child protection facilities and children's hospitals.



Trains and Other Donated Wooden Toys



Local Charity Organization Members Making Toys



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

**Social Contribution** - Social Data

## Activities in Australia

In 2022, Henley Properties Group, a company that builds and sells detached houses, sold three houses that were 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. Specifically, Henley Properties donated to a children's hospital all the earnings from the charity auction of a two-story house in Sunbury, north of Melbourne. Since its inception in 1993, donations through the auction have totaled A\$18.23 million (approximately 1,713.6 million yen), which has been used for medical expenses for children suffering from illnesses.



Interior of the House Sold at the Charity Auction

## Activities in New Zealand

### Contributions to Local Disaster Prevention and Rescue Efforts

Tasman Pine Forests (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 forest fires in the community.

In addition, TPF employees and logging contractors are working to improve their disaster awareness and capabilities by attending elementary forest fire extinguishing training.

Since fiscal 2017, TPF has been donating activity capital for natural disasters that occur in the region and for leisure accidents as a sponsor to the Nelson Marlborough Rescue Helicopter Trust every year. This trust deployed rescue helicopters 353 times in fiscal 2022. The TPF logo is posted on the Marlborough Rescue helicopter.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

**Social Contribution** - Social Data



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 September 2022, we also invited officials from the Ministry of Primary Industries and Tasman District council to participate in reforestation activities.



Reforestation activities



Seedlings planted





Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -

Social Contribution - Social Data

## 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.

The construction has been postponed since fiscal 2021 due to the COVID-19 and other factors. 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)



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 Yang 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

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services - Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management - **Social Contribution** - Social Data

Monastic School	Completion	Construction Region	Number of Students	Sponsors
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



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - **Social Data**

## Social Data

### Social Data

#### Basic Employee Data

##### Number of Employees

(Unit: Persons)	FY2019	FY2020	FY2021	FY2022
Non-Consolidated	4,914	5,073	5,091	5,139
Consolidated	19,332	20,562	21,254	21,918

##### Breakdown of Number of Employee (Non-Consolidated)

(Unit: Persons)	FY2019	FY2020	FY2021	FY2022
Management level	2,193	2,323	2,407	2,460
Non-management level	2,480	2,511	2,438	2,439
Fixed-term employees	152	151	153	140
Hosted from other companies	89	88	93	100
Total	4,914	5,073	5,091	5,139

##### Breakdown of Number of Employee (Subsidiary Companies in Japan)

(Unit: Persons)	FY2019	FY2020	FY2021	FY2022
Management level	1,725	1,982	2,024	1,995
Non-management level	4,440	5,353	5,063	5,249
Fixed-term employees	788	1,041	520	505
Hosted from other companies	196	191	219	215
Total	7,109	8,567	7,826	7,964

##### Breakdown of the number of employees (by age group, non-consolidated)

(Unit: Persons)	FY2019	FY2020	FY2021	FY2022
Under 30	887	985	917	877
30-50	2,599	2,534	2,461	2,373
Older than 50	1,428	1,554	1,713	1,889



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - **Social Data**

## Number of Newly Hired Graduates\* (Non-Consolidated)

(Unit: Persons)		FY2019	FY2020	FY2021	FY2022
Housing sales	Male	59	86	18	39
	Female	15	20	3	21
Housing engineering	Male	28	29	27	30
	Female	9	12	15	9
General management	Male	35	28	33	20
	Female	7	14	9	10
Clerical	Male	0	0	0	0
	Female	14	16	1	4
Total	Male	122	143	76	89
	Female	45	62	28	44
Total		167	205	104	133

\* Calculated based on the number of new graduate recruits as of April 1 of each fiscal year.

## Employment

### Average Annual Pay (Non-Consolidated)

FY2019	FY2020	FY2021	FY2022
8,587,314 yen	8,699,028 yen	8,723,534 yen	8,980,817 yen

### Average Annual Pay by Gender (Non-Consolidated)

FY2022	Management level(Basic Pay)	Management level(Basic Pay and Bonus, etc.)	Non-management level
Male	6,862,776 yen	10,680,048 yen	3,709,320 yen
Female	6,170,160 yen	9,367,584 yen	3,356,712 yen

### Median Annual Pay (Non-Consolidated)

FY2019	FY2020	FY2021	FY2022
8,575,196 yen	8,702,767 yen	8,730,623 yen	9,049,536 yen



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - **Social Data**

### Percentage of Total Annual Compensation (Non-Consolidated)

	FY2022
Ratio (%) of total annual compensation of the organization's highest paid employees compared to the median annual compensation of all employees (excluding highest paid employees)	1,303.9

### Average Length of Service\* (Non-Consolidated)

	FY2019	FY2020	FY2021	FY2022
Male	16 years and 3 months	16 years and 4 months	17 years	17 years and 5 months
Female	11 years and 6 months	11 years and 4 months	11 years and 8 months	12 years

\* Calculated at the end of the fiscal year (as of March 31 for 2019, and as of December 31 due to changes in the accounting period after 2020)

### Separation rate\*<sup>1</sup> (Non-Consolidated)

	FY2019	FY2020* <sup>3</sup>	FY2021	FY2022
Voluntary separation rate (%)	2.3	1.6	2.4	2.9
Separation rate* <sup>2</sup> (%)	2.5	1.8	2.7	3.2

\*<sup>1</sup> 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

\*<sup>2</sup> The calculation includes voluntary separations and excludes hiatuses and the end of terms

\*<sup>3</sup> The period for FY2020 results is from April 1 to December 31, 2020 (nine months due to the change in the accounting period)

### Separation rate\*<sup>1</sup> (Subsidiary Companies in Japan)

	FY2019	FY2020	FY2021	FY2022
Voluntary separation rate (%)	-	3	6.3	8.1
Separation rate* <sup>2</sup> (%)	-	4.3	6.4	8.2

\*<sup>1</sup> Calculated by dividing the number of people who left during the year by number of employees on April 1 of the year

\*<sup>2</sup> The calculation includes voluntary separation

### Separation rate\*<sup>1</sup> (Subsidiary Companies Overseas)

	FY2019	FY2020	FY2021	FY2022
Voluntary separation rate (%)	-	9.1	13.2	12.1
Separation rate* <sup>2</sup> (%)	-	13.2	16.9	15.5

\*<sup>1</sup> Calculated by dividing the number of people who left during the year by number of employees at the beginning of the year

\*<sup>2</sup> The calculation includes voluntary separation



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

**Social**

Governance

Related  
Information

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - **Social Data**

## Diversity

### Employment and Promotion of Women (Non-Consolidated)

	FY2019	FY2020	FY2021	FY2022
Female employees including contract employees*1(%)	21.6	22.0	22.6	23.1
Ratio of females to new hires*2(%)	26.9	30.2	26.9	33.1
Female employees in management positions*1*3(%)	4.2	4.8	5.6	6.3
Ratio of female senior managers(%)	2.7	2.7	2.2	2.4
Ratio of female general managers(%)	5.1	6.3	8.3	8.5
Ratio of female managers in business units*1*4(%)	-	3.2	3.9	3.8
Ratio of females in research and development / technical positions*1(%)	-	9.5	11.7	10.5

\*1 Fiscal 2019 was calculated based on enrollment as of March 31. Calculated based on the number of employees enrolled as of December 31 due to a change in accounting period from fiscal 2020 onward. The number of employees includes people dispatched to affiliate companies but excludes executive officers, employees hosted from other companies and exchange employees

\*2 Calculated by adding the number of new graduate employees hired between May and the following March of the previous year to the number of new graduates hired in April

\*3 Among managers, supervisors are defined as senior managers and the rest as general managers

\*4 The rate is excluding support functions such as HR, IT, Legal, etc.

### Employment and Promotion of Women (Subsidiary Companies in Japan)

	FY2019	FY2020	FY2021	FY2022
Female employees including contract employees*1(%)	32.7	32.4	34.4	33.4
Ratio of females to new hires*2(%)	45.7	43.4	35.1	34.6
Female employees in management positions*1(%)	6.1	7.1	8.4	8.9
Ratio of female senior managers(%)	-	-	6.0	6.7
Ratio of female general managers(%)	-	-	11.4	11.2
Ratio of female managers in business units*1*3(%)	-	-	-	33.3
Ratio of females in research and development / technical positions*1(%)	-	-	-	19.2

\*1 FY2019 was calculated based on enrollment as of March 31. 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

\*2 Calculated based on the number of new employees as of April 1

\*3 The rate is excluding support functions such as HR, IT, Legal, etc.



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - **Social Data**

### Employment of Women (Subsidiary Companies Overseas)

	FY2019	FY2020	FY2021	FY2022
Percentage of Female employees including contract employees*1(%)	30.2	30.8	30.0	28.2
Ratio of females to new hires*2(%)	-	38.7	32.8	39.5
Percentage of Female employees in management positions*1(%)	17.1	19.5	20.9	23.2
Ratio of female senior managers(%)	-	-	-	24.0
Ratio of female general managers(%)	-	-	-	23.7
Ratio of female managers in business units*1*3(%)	-	-	-	32.5
Ratio of females in research and development / technical positions*1(%)	-	-	-	45.9

\*1 Calculated based on enrollment as of December 31

\*2 Calculated based on the number of new employees from January to December

\*3 The rate is excluding support functions such as HR, IT, Legal, etc.

### Employment of Persons with Disabilities\* (Non-Consolidated)

	FY2019	FY2020	FY2021	FY2022
Ratio of Persons with Disabilities(%)	2.40	2.25	2.38	2.40

\* Calculated as of March 31, 2019, and as of December 31 due to changes in the accounting period after 2020

### Employment of Persons with Disabilities\* (Subsidiary Companies in Japan)

	FY2019	FY2020	FY2021	FY2022
Ratio of Persons with Disabilities(%)	1.77	1.85	2.04	2.23

\* As of June

### Employment of Persons with Disabilities (Subsidiary Companies Overseas)

	FY2019	FY2020	FY2021	FY2022
Ratio of Disabled Employees(%)	-	-	-	3.29



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - **Social Data**

### Rate of Local Employment in Group Companies Outside Japan\*

	FY2019	FY2020	FY2021	FY2022
Rate of Local Employment in Group Companies Outside Japan(%)	99.1	99.3	99.2	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)

	FY2019	FY2020* <sup>1</sup>	FY2021	FY2022
Hours of training received per employee	18	10.5 (13.0)* <sup>2</sup>	13.0	15.5
Expenditure on training per employee (yen)	102,000	59,000 (77,000)* <sup>2</sup>	77,473	105,628

\*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

## Work-Life Balance

### Work-Life Balance Program Usage (Non-Consolidated)

		FY2019	FY2020	FY2021	FY2022
Number of childcare leave users (Persons)	Male	43	51 (58)* <sup>6</sup>	62	77
	Female	42	27 (40)* <sup>6</sup>	37	43
Percentage of childcare leave users* <sup>1</sup> (%)	Male	31.3	46.8 (40.3)* <sup>6</sup>	50.4	49.0
	Female	100	84.4 (95.0)* <sup>6</sup>	108.8	110.3
Percentage of returnees after childcare leave* <sup>2</sup> (%)		98.7	96.1 (95.9)* <sup>6</sup>	99.1	97.3
Number of reduced hours program users* <sup>3</sup> (persons)		58	74	83	75
Number of telework program users* <sup>4</sup> (persons)		63	_ <sup>5</sup>	_ <sup>5</sup>	_ <sup>5</sup>

\*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



Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
Social Contribution - **Social Data**

\*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)

		FY2019	FY2020	FY2021	FY2022
Number of childcare leave users (Persons)	Male	8	16	28	39
	Female	83	72	95	80
Percentage of childcare leave users* (%)	Male	6.2	13.2	28.0	32.8
	Female	115.3	122.0	118.8	114.3

\* The number of childcare leavers starting in the respective fiscal year divided by the number of employees who had a baby in respective fiscal year

### Paid Leave Usage Ratio (Non-Consolidated)

	FY2019	FY2020	FY2021	FY2022
Average paid leaves taken (day)	11.5	11.6	12.3	13.1
Paid Leave Usage Ratio* (%)	60.2	60.7	64.1	68.4

\* Paid leave entitlements are issued each year in January, therefore the table shows figures as of December 31 of the respective year. Calculated by dividing the number of days of paid leave taken by the number of days of paid leave issued

### Paid Leave Usage Ratio (Subsidiary Companies in Japan)

	FY2019	FY2020	FY2021	FY2022
Average paid leaves taken (day)	10.6	10.3	11.2	11.8
Paid Leave Usage Ratio* (%)	63.0	58.1	59.6	66.6

\* 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

	FY2019	FY2020	FY2021	FY2022
Number of occupational injuries (incidents)*3	1	1	2	5
Lost-time injury frequency rate*4	0.2	0.29	0.19	0.42
Work-related illness frequency rate	0	0.29	0	0

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

Human Rights - Diversity and Inclusion - Work-Life Balance - Occupational Health and Safety - Safety and Quality of Products and Services -  
 Communication with Our Customers - Business initiatives that contribute to regional revitalization - Supply Chain Management -  
 Social Contribution - **Social Data**

- \*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

## Relationship with Labor Unions

### Labor Union Membership (Non-Consolidated)\*

	FY2019	FY2020	FY2021	FY2022
Labor union membership rate (%)	100	100	100	100

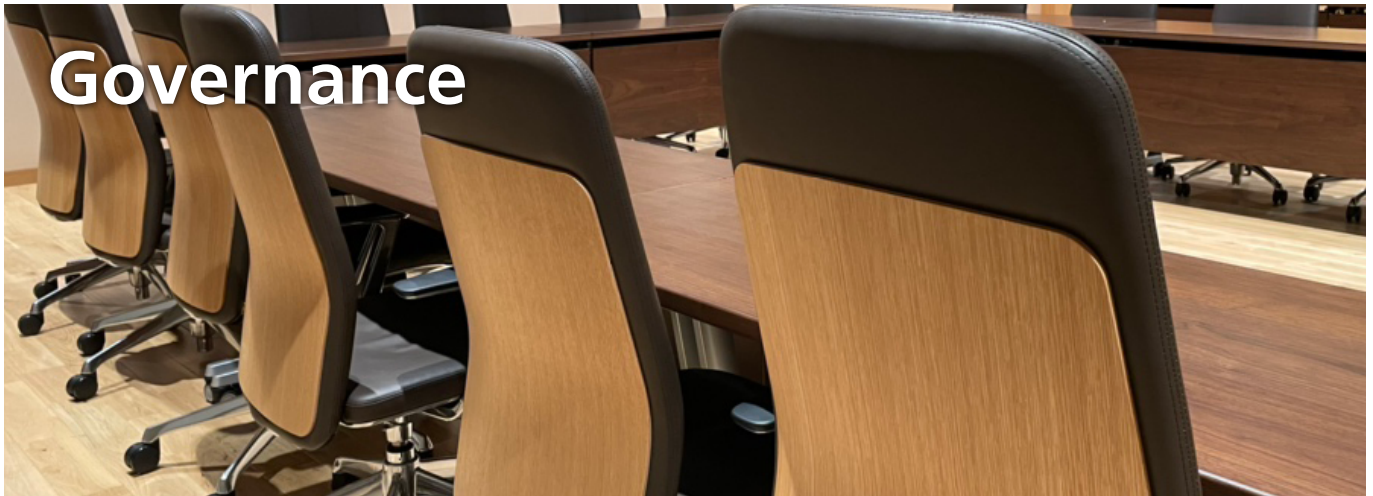
\* As of January 1, 2023, the number of eligible employees is 3,867. The scope of eligibility for labor union membership is stipulated in the labor agreement

[Click here for related information](#)

> About symbol for Independent assurance

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

[Corporate Governance](#) - [Risk Management](#) - [Compliance](#) - [Tax](#) - [Business Continuity Management](#) - [Information Security/DX](#) -  
[Intellectual Property Management](#) - [Responsible Advertising/Promotional Efforts](#) - [Return to Shareholders and IR Activities](#)



479 Corporate Governance

495 Risk Management

504 Compliance

510 Tax

512 Business Continuity Management

516 Information Security / DX

520 Intellectual Property Management

521 Responsible Advertising/Promotional Efforts

523 Return to Shareholders and IR Activities

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

[Corporate Governance](#) - 
 [Risk Management](#) - 
 [Compliance](#) - 
 [Tax](#) - 
 [Business Continuity Management](#) - 
 [Information Security/DX](#) - 
 [Intellectual Property Management](#) - 
 [Responsible Advertising/Promotional Efforts](#) - 
 [Return to Shareholders and IR Activities](#)

# Governance

## 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.

[Click here for related information](#)

[Integrated Report](#)

### Corporate Governance and Internal Control

Sumitomo Forestry introduced the executive officer system to separate decision making and management oversight functions from operational execution functions. Comprised of nine directors (seven male/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 30, 2023, nine directors (including three outside directors), five statutory auditors (including three outside auditors) and 20 executive officers (including 5 persons concurrently serving as directors) 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.

[Click here for related information](#)

[Basic Policy on Corporate Governance](#) 

[Corporate Governance Report](#) 

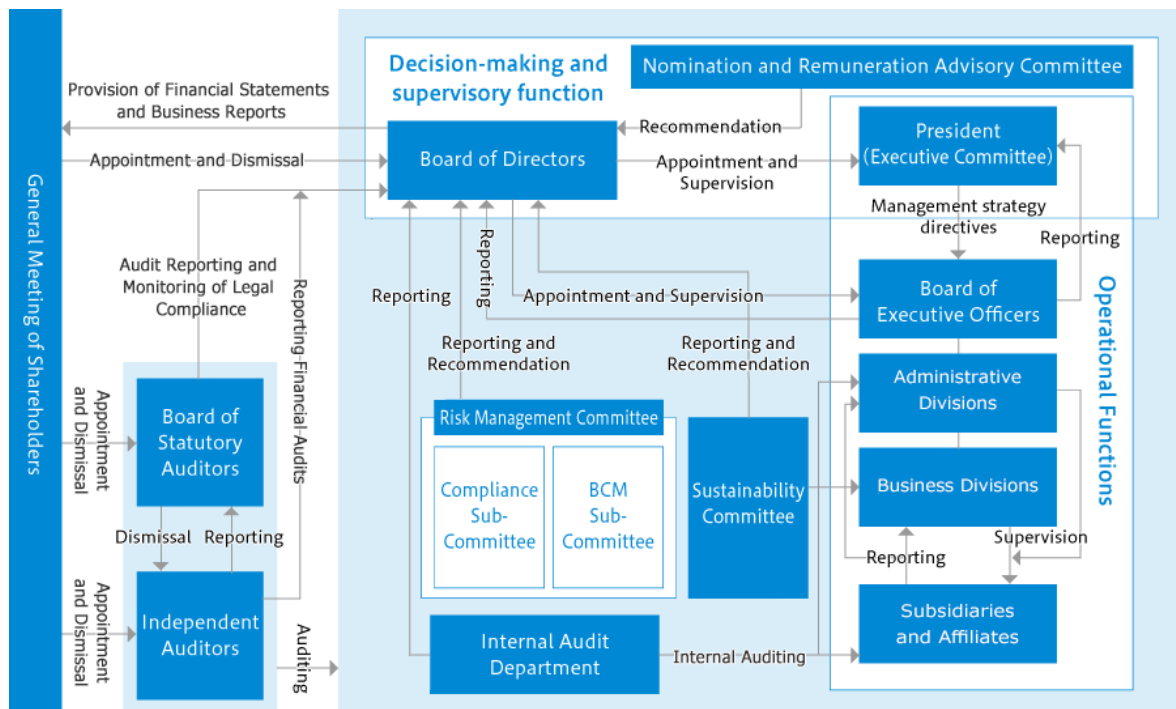
[Directors and Executive Officers](#)





Corporate Governance - Risk Management - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

## 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 2022, the Board of Directors meetings were held 15 times while Executive Committee meetings were held 26 times.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

**Governance**Related  
Information

Corporate Governance - Risk Management - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

## List of Directors

Position*1	Name	Responsibility and Significant Concurrent Positions*1	Board of Directors*2	
			Attended Meetings (meetings)	Attendance Rate (%)
Representative Director, Chairman of the Board	Akira Ichikawa	Outside Director, Konica Minolta, Inc., Outside Director, Sumitomo Chemical Company, Limited	15	100
Representative Director, President and Executive Officer	Toshiro Mitsuyoshi	—	15	100
Representative Director, Executive Vice President and Executive Officer	Tatsuru Satoh	Administering Lifestyle Service Division, In charge of General Administration, Legal affairs, Secretary, External Relations, Human resource development/D&I, IT Solutions and Internal Audit, Director, Kumagai Gumi Co., Ltd.	15	100
Director, Senior Managing Executive Officer	Tatsumi Kawata	Administering Environment and Resources Division, In charge of Corporate Planning, Finance, Corporate Communications and Sustainability	15	100
Director, Senior Managing Executive Officer	Atsushi Kawamura	Administering Timber and Building Materials Division, In charge of Tsukuba Research Institute, Divisional Manager of Global Housing, Construction and Real Estate Division	15	100
Director, Managing Executive Officer	Ikuro Takahashi	Divisional Manager of Housing Division	12*3	100
Outside Director	Izumi Yamashita	Outside Director, AEON Bank, Ltd.	15	100
Outside Director	Mitsue Kurihara	Chairman, Representative Director, Value Management Institute, Inc., Outside Director, Chubu Electric Power Co., Ltd., Outside Director, Japan Finance Corporation	15	100
Outside Director	Yuko Toyoda *4	Attorney at Law	—	—

\*1 Position, responsibility and significant concurrent positions as of March 30 2023

\*2 Attended meetings and the attendance rate to Board of Directors meetings are in fiscal 2022

\*3 Attended meetings and attendance rate of Board of Directors meetings are after appointment as a director on March 29, 2022

\*4 Appointed on March 30, 2023



**Corporate Governance** - Risk Management - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

### 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.

### Officer Skill Matrix

The table below outlines the skills (expertise, experience) that the Company takes into special consideration for each of the Directors and Statutory Auditors

		Title	Corporate management	Resources/ Environment	Construction/ Real estate development	Global	Financial accounting	Human resource development/ D&I	Legal affairs/ Risk management	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, Senior Managing Executive Officer	•	•	•	•					
	Ikuro Takahashi	Director, Managing Executive Officer	•		•						



Corporate Governance - Risk Management - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

		Title	Corporate management	Resources/ Environment	Construction/ Real estate development	Global	Financial accounting	Human resource development/ D&I	Legal affairs/ Risk management	IT/DX	Industrial policy
	Izumi Yamashita	Outside Director	●			●	●			●	●
	Mitsue Kurihara	Outside Director	●	●		●	●				●
	Yuko Toyoda	Outside Director				●			●		
Statutory Auditors	Akihisa Fukuda	Senior Statutory Auditor	●		●	●	●			●	
	Toshio Kakumoto	Statutory Auditor				●			●		
	Yoshitsugu Minagawa	Outside Statutory Auditor		●				●			●
	Yoshimasa Tetsu	Outside Statutory Auditor					●				
	Makoto Matsuo	Outside Statutory Auditor				●			●		

#### Reasons for selection of the skills

Corporate management	The Company needs board members who have experience in corporate management to achieve further growth of existing businesses, which cover a wide variety of aspects of people's lifestyles, such as forestry management, timber and building materials distribution and manufacturing, housing construction, etc. and to fulfill our long-term vision amidst a global movement toward decarbonization.
Resources/ Environment	In our long-term vision, we have set out to enhance the value of "forests" and "trees" through sustainable forestry management. The Company needs board members who have expertise and experience in resources and the environment to develop new businesses through pursuing the value of forests as a carbon sink, to conduct scenario analyses and ongoing financial disclosure based on recommendations made by TCFD (Task Force on Climate-related Financial Disclosure) and to steadily implement initiatives to achieve our SBT-based greenhouse gas emissions reduction targets.
Construction/ Real estate development	The Company needs board members who have expertise and experience in construction and real estate development to expand our medium- and large-scale wooden construction operations as stated in our long-term vision and Medium-Term Management Plan, and to nurture and reinforce our real estate development operations into a new pillar of profit.



**Corporate Governance** - Risk Management - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

Global	“Advancing globalization” is one of the business policies of our long-term vision. The Company needs board members who have global experience to promote the expansion of the business areas and scale of our overseas group operations.
Finance/Accounting	The Company needs board members who have expertise and experience in finance and accounting to improve capital efficiency, enhance shareholders’ equity, and make sustainable growth investments that raise corporate value.
Human resource development/D&I	In our long-term vision, we have set out to enhance “value for people and society”. The Company needs board members who have expertise and experience in human resource development and D&I to reinforce our ability to continually retain and nurture human resources who can respond to the diversification of our businesses, to improve engagement with our employees, to promote transformation in work styles, and to implement initiatives related to D&I (diversity and inclusion).
Legal affairs/ Risk management	The Company needs board members who have expertise and experience in legal affairs and risk management to create a corporate governance structure for sustainable growth and mid- to long-term improvement of corporate value, and to build a risk management system for the global growth of our business operations and other.
IT/DX	In our long-term vision, we have set out to enhance “value for the market economy”. The Company needs board members who have expertise and experience in IT and DX to promote digital transformation (DX) throughout the company and to enhance productivity through the development of an IT infrastructure and others.
Industrial policy	In our long-term vision, we have set out to enhance “value for the market economy”. The Company must create policy frameworks in relation to society and hence needs board members who have knowledge of industrial policy to develop businesses related to carbon credits of forests, which are a carbon sink.

### 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.

[Click here for related information](#)

➤ [Directors and Executive Officers](#)

### Summary of Analysis/Evaluation and Results of Overall Effectiveness of the Board of Directors

#### 1. Method of evaluation

This fiscal year and with guidance from an outside organization, the effectiveness of the Board of Directors was evaluated through a self-evaluation and analysis using a survey submitted by each of the directors and statutory auditors (the method of response was anonymous with responses sent directly to an outside organization, which maintained anonymity) and an outside evaluation of the survey results. In addition, an evaluation was conducted based on the implementation status of the role of the Board of Directors as set out in the Company’s Basic Policy on Corporate Governance (hereinafter, current status) and an exchange of opinions with outside directors and outside auditors.



**Corporate Governance** - Risk Management - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

## 2. Result of evaluation

- As a result of the evaluation described in 1., the Company believes that the Board of Directors is functioning effectively.
- In terms of areas cited for improvement last fiscal year, the Company prepared and distributed materials on issues to be discussed at the Executive Committee meetings, which are held in advance of the Board of Director meetings to clarify discussion points and improve the management efficiency of Board of Director meetings. In addition, we confirmed that the progress of the Medium-Term Management Plan is regularly discussed at board member gatherings, which aim to enhance Board of Director meetings and the content of discussions conducted there.
- Future challenges based on opinions include the monitoring of succession plans for top management and the development of effective measures to counter new operational risks with the expansion of our business fields.

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 2022.

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 five times in fiscal 2022.

### Board of Statutory Auditors

Position* <sup>1</sup>	Name	Responsibility and Significant Concurrent Positions* <sup>1</sup>	Board of Directors* <sup>2</sup>		Board of Statutory Auditors* <sup>2</sup>	
			Attended Meetings (meetings)	Attendance Rate (%)	Attended Meetings (meetings)	Attendance Rate (%)
Senior Statutory Auditor	Akihisa Fukuda	—	15	100	14	100
Statutory Auditor	Toshio Kakumoto* <sup>3</sup>	—	-	-	-	-
Statutory Auditor (Outside)	Yoshitsugu Minagawa	Chief Counselor of Norinchukin Research Institute Co., Ltd. Supervisory Committee Member of The Norinchukin Bank	14	93	13	93



**Corporate Governance** - Risk Management - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

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 (%)
Statutory Auditor (Outside)	Yoshimasa Tetsu	Certified public accountant, Outside Statutory Auditor, Daiwa Motor Transportation Co., Ltd.	15	100	14	100
Statutory Auditor (Outside)	Makoto Matsuo	Attorney, External Director, Capcom Co., Ltd. (member of the Audit and Supervisory Committee), Outside Director, Solasia Pharma K.K., Outside Statutory Auditor, Taisho Pharmaceutical Holdings Co., Ltd.	15	100	14	100

\*1 Position, responsibility and significant concurrent positions as of March 30, 2023

\*2 Attended meetings and the attendance rate to Board of Directors meetings and Board of Statutory Auditors meetings in fiscal 2022.

\*3 Appointed on March 30, 2023

## 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) Criteria for independence

If none of the following apply, an individual will be considered independent.

#### 1. An executive of the Company

An executive officer, operating officer, manager or other type of worker (hereinafter, executive) of the Company, its subsidiary or affiliate

#### 2. Consultant and other

(i) An employee, partner or other type of worker of a financial auditing company conducting financial audits for the Company or its subsidiary.

(ii) A lawyer, certified public accountant, tax attorney or other type of consultant who has received from the Company or its subsidiary outside of director compensation an annual average of 10 million yen or more in money or other types of financial gain in the past three fiscal years.

(iii) An employee, partner, associate or other type of worker of a law office, audit company, tax accountant office,





Corporate Governance - Risk Management - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

consulting firm or other type of advisory firm that is a major transaction party to the Company or its subsidiary (has received from the Company or its subsidiary payment equivalent to 2% or more of average consolidated total revenues of the past three fiscal years).

### 3. Major shareholder (fiduciary owner)

An individual (or in the case of a corporate entity, an executive of that entity) who directly or indirectly owns at least 10% of the Company's total voting rights.

### 4. Major shareholder (owner)

An executive of a corporate entity that the Company or its subsidiary owns at least 10% of their total voting rights.

### 5. Transaction parties

(i) Customers (major transaction parties): An individual (or in the case of a corporate entity, an executive of that entity) to whom our sales amount to that individual or corporate entity is 2% or more of the Company's total consolidated revenues.

(ii) Suppliers (major transaction parties of the Company): An individual (or in the case of a corporate entity, an executive of that entity) to whom our purchase amount from that individual or corporate entity is 2% or more of their Company's total consolidated revenues.

### 6. Lenders

Lenders who have lent the Company 2% or more of total consolidated assets (or in the case of a corporate entity, an executive of that entity).

### 7. Contribution recipients

An individual (or in the case of a corporate entity, an executive of that entity) that the Company or its subsidiary has contributed an average 10 million yen a year or 2% of total income, whichever is higher, over the past three fiscal years.

### 8. Family

A spouse or relative within the second degree of an individual who cannot be declared independent according to this standard (excluding persons of no importance\*).

### 9. Past requirements

An individual for which item 1 within the past 10 years, or item 2 or 7 within the past 5 years, applies.

### 10. Outside director reciprocal appointments

An executive or full-time auditor of a company that has an outside director who is an executive director or full-time auditor of the Company or its subsidiary.

\* Persons of no importance, in line with the independence standards stipulated by the Financial Instruments Exchange, is defined as follows.

- For each company, an individual who is not an executive director, operating officer, manager or general manager level employee.
- For advisory firms such as law offices, audit companies or other, an individual who is not the firm's employee, partner or associate.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

**Governance**Related  
Information

Corporate Governance - Risk Management - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

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

## (2) Standards of Concurrent Board Positions

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

## Nomination and Remuneration Advisory Committee

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

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



**Corporate Governance** - Risk Management - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

### 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	Izumi Yamashita	3	100
Board Member	Outside Director	Mitsue Kurihara	3	100
	Outside Director	Yuko Toyoda*3	-	-
	Statutory Auditor (Outside)	Yoshitsugu Minagawa	3	100
	Statutory Auditor (Outside)	Yoshimasa Tetsu	3	100
	Statutory Auditor (Outside)	Makoto Matsuo	3	100
	Chairman of the Board and Representative Director	Akira Ichikawa	3	100
	President and Representative Director	Toshiro Mitsuyoshi	3	100

\*1 The position as of March 30, 2023

\*2 Attended meetings and the attendance rate to Nomination and Remuneration Advisory Committee meetings are in fiscal 2022.

\*3 Appointed on March 30, 2023

## Risk Management Committee

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

In fiscal 2022, 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.

Click here for related information

➤ [Risk Management Framework](#)

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

**Corporate Governance** - Risk Management - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

## Sustainability Committee

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

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

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

[Click here for related information](#)

[➤ Risk Management Framework](#)

[➤ Responding to TCFD](#)

## Internal Audits

Sumitomo Forestry's Internal Audit Department draws on risk assessments in selecting about 60 business sites from among the roughly 200 business sites in the Group every year to conduct internal audits. The sites are selected by specifying an order of priority based on the two perspectives of operational risk (business results, size, complexity of business, etc.) and control risk (risk management framework). In principle, the assessment will be conducted by visiting the site, interviewing the parties concerned, and checking the actual documents and other items. We also conducted some interviews by remote audit (paper audit and video conference) during the time of travel restrictions because of outbreak of coronavirus disease (COVID-19). In addition, the company has been promoting DX on the occasion of calamity of coronavirus disease (COVID-19), including introduction of audit software to work on Computer Assisted Audit Techniques (CAATs), a technique for extracting large amounts of digital data and using audit tools to verify the validity of numerical values.

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, plans and results regarding internal audits are reported directly to the Board of Directors, and a discussion session with outside officers has been held at least once a year regarding internal audits.

[Click here for related information](#)

[➤ Integrated Report](#)



Corporate Governance - Risk Management - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

## Executive Remuneration

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

### Total Remuneration Paid to Directors and Statutory Auditors

(Fiscal 2022)

Officer classification	Total amount of remunerations (million yen)	Total amount by type of remuneration (million yen)				Number of eligible officers (persons)
		Monthly remuneration	Financial - performance-based remuneration (bonus)	Non-monetary remuneration		
				Old system (before March 2022)	New system (after March 2022)	
				Restricted stock remuneration	Financial-performance-based restricted stock remuneration	
Director (excluding outside directors)	489	267	163	8	51	7
Auditor (excluding statutory auditors)	50	50	—	—	—	2
Outside Director	41	41	—	—	—	3
Outside Statutory Auditor	33	33	—	—	—	3

\*1 Names and amounts of officers whose remuneration is greater than or equal to 1 billion yen are disclosed in Financial Statements.

\*2 The above includes one director who retired at the conclusion of the 82nd Ordinary General Meeting of Shareholders held on March 29, 2022.

\*3 The total amount of non-monetary remuneration for directors is respectively (i) 8 million yen, the amount to be expensed in the current financial year in respect of the allotment of restricted shares granted to six directors (excluding outside directors) under the old system (a remuneration plan for shares with restriction on transfer before March 2022) and (ii) 51 million yen, the amount to be expensed in the current financial year in respect of the allotment of restricted shares under the new system (performance-based remuneration plan for shares with restriction on transfer after March 2022), which is the estimated amount of monetary compensation claims based on the estimated number of shares to be delivered after the three-year evaluation period.

## Executive Remuneration

[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;



Corporate Governance - Risk Management - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

- (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
- (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

Remuneration for directors of the Company is composed of three types: (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. 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.

A summary of each type of remuneration is as follows:

### <Fixed remuneration>

1. The Company will determine the amount of fixed remuneration for each position of director in accordance with their responsibilities and roles. The fixed remuneration will be monthly, and a fixed amount will be paid in cash on a fixed date of each month.
2. 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.

### <Annual performance-based bonus>

1. The amount of annual performance-based bonus will be judged comprehensively and determined by multiplying the standard bonus amount stipulated for each position with a payout ratio that fluctuates (lower limit 0%~upper limit 180%) 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 relevant fiscal year).
2. The Company has adopted the method of amortizing actuarial differences regarding employees' retirement benefit obligation as a lump sum in a single business year. Accordingly, any significant fluctuation in actuarial differences due to stock price fluctuations, interest rate conditions, or other at the end of the business year will have a significant impact on business performance. Therefore, to calculate base profit, the Company uses consolidated recurring income after deducting actuarial differences regarding employees' retirement benefit obligation.
3. Payment of annual performance-based bonus to each eligible director will be decided upon by the Board of Directors taking into consideration the opinions of the Nomination and Remuneration Advisory Committee, which is chaired by an outside



Corporate Governance - Risk Management - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

director and in which a majority of its members are outside officers.

#### <Performance-based restricted stock remuneration>

1. Performance-based restricted stock remuneration is structured to reflect the Company's performance during each period (three years) of the Medium-Term Management Plan. 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 SBT (Science Based Targets) greenhouse gas emission reduction targets (one-third of the standard stock remuneration amount by position), each during the relevant period.

To promote management that emphasizes medium- to long-term enhancement of shareholder value, performance-based restricted stock remuneration is a plan to grant restricted stocks to eligible directors after the final fiscal year of the three-year Medium-Term Management Plan as an incentive to increase corporate value during the period of the Medium-Term Management Plan, in accordance with the achievement status of the Medium-Term Management Plan. The applicable period of the plan is the three years from January 1, 2022, to December 31, 2024 (hereinafter, the applicable period).

The amount of performance-based restricted stock remuneration is calculated using two indices and the method for calculation is as follows.

- (i) Remuneration linked to market capitalization growth rate

The aim of this system is to compare the Company's market capitalization growth rate with the TOPIX growth rate to objectively measure and reflect the Company's relative stock market valuation in the remuneration amount.

<Calculation formula> Amount equivalent to two-thirds of the standard stock compensation amount by position x payout ratio (growth rate of Company's market capitalization during the period of the Medium-Term Management Plan/TOPIX growth rate during the same period)\*

\* The payout ratio range will be from 0% (lower limit) to 120% (upper limit).

- (ii) Remuneration linked to sustainability indices achievement rate

By setting a payout ratio upper limit of 100%, if the Company fails to achieve its SBT (Science Based Targets<sup>\*1</sup>) greenhouse gas emission reduction targets<sup>\*2</sup>, the amount of remuneration will be reduced from the standard stock remuneration amount in accordance with the status of target achievement, thereby creating a strong incentive to achieve the targets.

<Calculation formula> One-third of the standard stock remuneration amount by position x payout ratio (percentage of achievement of Medium-Term Management Plan SBT greenhouse gas emission reduction targets).<sup>\*3</sup>

<sup>\*1</sup> Refers to the emission reduction targets set by companies and to be achieved in five to fifteen years to comply 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 warming to well below 2°C above pre-industrial levels and pursuing efforts to limit the increase to 1.5°C).

<sup>\*2</sup> The emission reduction target for the initial coverage period has been set at -21.7% compared to the Company's figures in fiscal 2017.

<sup>\*3</sup> The payout ratio range will be from 0% (lower limit) to 100% (upper limit).

2. The stock remuneration amount to be paid to each eligible 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 and considering the views of the Nomination and Remuneration Advisory Committee.





**Corporate Governance** - Risk Management - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

#### 4. 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 100 billion yen. 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 total remuneration, respectively. Remuneration for outside directors consists solely of fixed remuneration.

#### 5. Remuneration governance

Matters regarding the amount of individual remuneration for directors and other 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.

#### 6. Forfeiture of remuneration

If the Board of Directors confirms any wrongdoing or other misconduct by a director, the Company may demand a payment restriction or return of the performance-based restricted stock remuneration paid to such director.

#### [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.

## Strategically-held Shares

Article 5 of Sumitomo Forestry's Basic Policy on Corporate Governance cross-shareholding is as follows.

1. The Company may acquire and hold shares in its business partners and counterparties when the Company determines that such shareholdings will contribute to mid- to long-term enhancement of the Company's corporate value from the perspective of, among others, maintenance and reinforcement of long-term and stable business relationships with those partners and counterparties as well as expansion of the Company's business as a result of such closer ties with those parties.
2. At meetings of the Board of Directors, the Company will regularly examine whether the holdings of the shares under the preceding paragraph (the "Strategically-held Shares") lead to the improvement of its corporate value through analyzing the relationship between the profits/risks associated with such holdings and the cost of capital, and will verify the purpose and rationale of such holdings. When the Company judges that the rationale and necessity of such holdings cannot be confirmed, it will reduce the number of such Strategically-held Shares.
3. The Company will appropriately exercise its voting rights pertaining to the Strategically-held Shares in accordance with its voting criteria and based on its comprehensive judgment from the perspective of the improvement of its corporate value.

Click here for related information

[Basic Policy on Corporate Governance](#) 



Corporate Governance - **Risk Management** - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

# Governance

## 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 Department and each Division 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 2022, 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 are considered together with the business condition of each Division in order to evaluate risks and opportunities that are thought to have a severe financial impact at the corporate and divisional levels. Since fiscal 2019, each Division 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.

[Click here for related information](#)

➤ [Corporate Governance and Internal Control](#)

➤ [Business Continuity Management System](#)

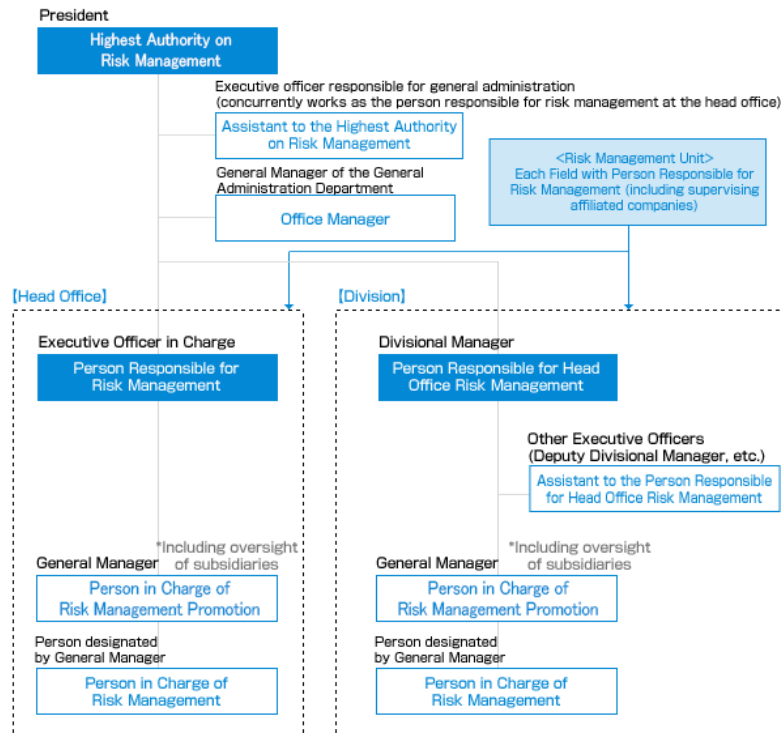
➤ [Sustainability Committee](#)

➤ [Responding to TCFD](#)



Corporate Governance - **Risk Management** - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

## 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 and real estate markets worldwide
2. Risks related to procurement and sales of raw materials, timber and building materials
3. Legal and regulatory risks
4. Foreign exchange risks
5. Quality assurance risks
6. Credit facility risks of business partners
7. Overseas business risks
8. Risks of mountain forests and plantation forest operation locations held and managed
9. Risks involving information security
10. Risks in accounting retirement benefits
11. Risks regarding the environment including climate change
12. 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 219 of the 347 cases for which the case inspection was completed as of December 31, 2022 had Non-conformance with the Act, and 129 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;
- (3) The managing architects stationed at each of the branches, who were supposed to supervise the technical matters

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

Corporate Governance - **Risk Management** - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

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.

[Click here for related information](#)

[Securities Reports/Internal Control Reports  
\(in Japanese\)](#)

[Compliance](#)

[Business Continuity Management](#)

## Risks Associated with Illegal Logging and Conversion Timber

Illegal logging is recognized as a crucial issue globally, and progress is being made to strengthen related laws and regulations in a number of countries and regions. Japan has announced the Act on Promotion of Use and Distribution of Legally-Harvested Wood and Wood Products (The Clean Wood Act) on May 20, 2016, which was enacted on May 20, 2017. Addressing stronger control of illegally harvested wood 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 wood products, sustainability of forests that produce wood 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](#)

[Responsible Material Procurement](#)

[Supply Chain Management](#)

### 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.



Corporate Governance - **Risk Management** - Compliance - Tax - Business Continuity Management - Information Security/DX -  
Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

## Risk Countermeasures

The Sumitomo Forestry Group has been committed to responsible wood 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 wood 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 wood 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 wood 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 and wood pellets as fuel has been considered as "carbon neutral" and as clean energy. However, since burning wood fuel generates methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O), making it not "GHG neutral," it is only required to report emissions other than CO<sub>2</sub>. However, SBT initiative announced its updated criteria in April 2021;

Bioenergy accounting:

Direct emissions from the combustion of biomass and biofuels, as well as GHG removals associated with bioenergy feedstock<sup>1</sup>, 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 N<sub>2</sub>O and CH<sub>4</sub> by bioenergy raw materials must also be included in the Company inventory and targeted range.

Nevertheless, 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 CO<sub>2</sub> emissions to currently reported methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O) from the biomass power generation operation, Sumitomo Forestry Group's SBT emission reduction target would be extremely challenging.

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



Corporate Governance - **Risk Management** - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

## 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 Emerging ESG Mandatory Disclosures

In June 2023, the International Sustainability Standards Board (ISSB) released its inaugural standards which set out requirements for sustainability-related (**IFRS S1**) and climate-related (**IFRS S2**) financial disclosures (ISSB Standards) for business entities. The new standards consolidate the requirements of multiple other leading sustainability reporting frameworks and is expected to be mandated by regulatory authorities. While it is a welcoming trend for business in a long run with a globally unified standard to report against and lowering cost of sustainability disclosure, transitional period poses a great risk for companies to adopt to new mandates coming into forces on a different time scale in each country.

### Impact on the Sumitomo Forestry Group

Sumitomo Forestry, headquartered in Japan and listed on the Tokyo Stock Exchange Prime Market, is required to follow the regulations by the Financial Agency of Japan, which plans to adopt the ISSB standards in 2025. In addition to Japan, the Group has its operations in, sources from and sell to about thirty countries, and each jurisdictional decision would affect the Group. These sustainability disclosure requirement trends coincide our rapid growth in overseas operations through merges and acquisitions and collecting and managing especially social aspects of non-financial data and measures poses challenges to the Group. While Scope 3 disclosure has already been realized and been updated, among already known requirements, below are time consuming and cost rising items we need to adopt; simultaneous reporting with the financial statement, connected information to sustainability-related risks and opportunities linking to the financial reporting information, and potentially broader third-party assurance to name a few. With IFRS intention to expand the disclosure content, biodiversity, human rights in supply chain and human capital development are in scope for the future requirements. Failing to meet these disclosure requirements or disclosing incorrect information would risk our access to market, which jeopardizes the fundraising.

## Risk Countermeasures

Sumitomo Forestry Group has been conducting Internal Sustainability Survey since 2012 to collect non-financial data, review sustainability readiness of each Group entity and to implement any necessary measures to mitigate risks. Building up on these initiatives, we plan to incorporate necessary measures in the upcoming mid-term sustainability target.

## 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, considering 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 2022, 35 new businesses and projects were discussed.





Corporate Governance - **Risk Management** - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

Environmental Aspects	<ol style="list-style-type: none"> <li>1. Greenhouse Gases</li> <li>2. Biodiversity Conservation (Including Verification of Protected Regions)</li> <li>3. Waste</li> <li>4. Water Resources</li> <li>5. Soil Contamination</li> <li>6. Noise</li> <li>7. Others</li> </ol>
Social Aspects	<ol style="list-style-type: none"> <li>1. Relationships with Companies We Do Business With</li> <li>2. Anti-Corruption in All Its Forms, Including Extortion and Bribery.</li> <li>3. Human Rights Considerations for Workers and Other Stakeholders</li> <li>4. Promotion of Employee Diversity</li> <li>5. Prohibition of Forced Labor and Child Labor</li> <li>6. Appropriate Working Hours and Wages</li> <li>7. Occupational Health and Safety</li> <li>8. Impact on Local Communities (Including Concern for Local Residents and Administrations, Industry Organizations, NPOs, Municipal Citizens' Groups and Indigenous People)</li> </ol>
Legal and Regulatory Compliance	-
Overall	Recognition of Indications from External Organization About Business Models, Products, Services and the Related Business Entities

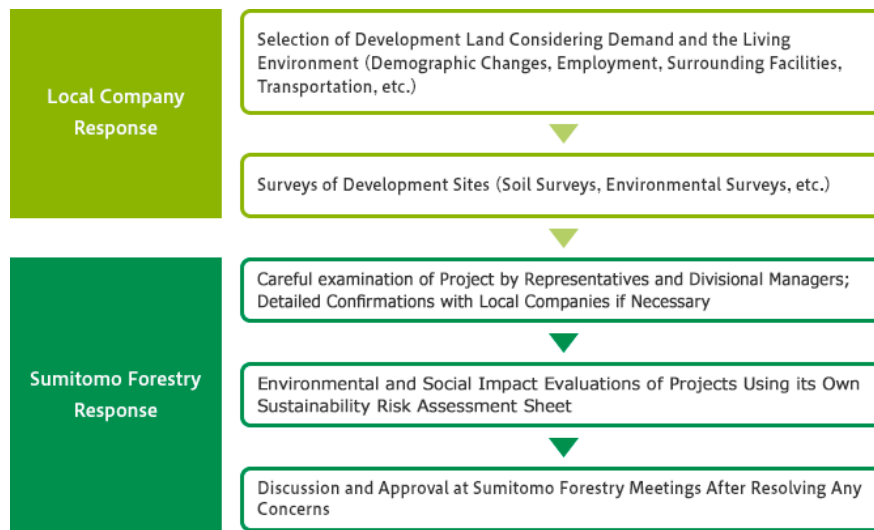
## Understanding and Assessing Housing and Real Estate Development Risks

Properly understanding the geological and geographical risks unique to each property is vital in the development of housing and real estate. The Sumitomo Forestry Group has put in place the necessary systems to verify whether there are any issues through careful surveys at the assessment stage of development in addition to other multistage checks done before determining how to implement a project.

In overseas development, for example, we first select the land to develop and then outsource soil and environmental surveys to external research firms to fully understand the risks from an objective standpoint. We not only ask local affiliated companies to give their input on risks but the Sumitomo Forestry head office also conducts property inspections and environmental and social impact studies using its own 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.



Corporate Governance - **Risk Management** - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities



Construction also comes with the risk of occupational accidents during the construction phase. Sumitomo Forestry complies with occupational health and safety laws and works to prevent occupational accidents at local affiliated companies and also puts in place systems to immediately report any accident that occurs to the headquarters so it can quickly understand what happened as well as plan and execute measures to prevent recurrence.

## Risk Education

We not only provide risk management and compliance training when Executive Officers and employees join the Company but also conduct e-learning for all Group Executive Officers and employees every year to enhance the risk sensitivity of Sumitomo Forestry Group Executive Officers 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.

[Click here for related information](#)

[> Communication in Employee Evaluation and  
Job Execution](#)



Corporate Governance - **Risk Management** - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

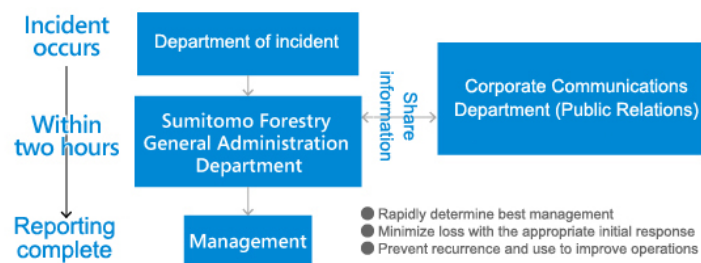
## Rapidly Comprehending and Dealing with Risks

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.

At our overseas offices, too, there are examples of employees providing feedback with regard to the details of risk assessments. For example, this includes the process where each department identifies latent risks during risk assessment activities and reports them through weekly safety meetings or the presence of reward systems that provide a reward to proposals when a near miss occurs, such as an event that could lead to a serious accident. Through this initiative, we are raising awareness among employees to make it easier to discover risks.

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





Corporate Governance - Risk Management - **Compliance** - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

# Governance

## Compliance

### Basic Policy

The Sumitomo Forestry Group has established the 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. In this manner, we ensure that the entire Group's operations follow the Code of Conduct including in the supply chain.

### 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 FY2022 to continuously improve the compliance system through the following 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
- Training led by an outside instructor for employees responding to whistleblowing
- Results and commentary from the compliance survey conducted on all employees of Group companies in Japan

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.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

**Governance**Related  
Information

Corporate Governance - Risk Management - **Compliance** - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

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 2022 led by the officer in charge of sustainability promotion as chairperson and procurement managers from the Timber and Building Materials Division, Housing Division, and each department procuring timber and wood products at affiliates 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 information security. In fiscal 2022, training was administered to a total of 321 new graduate recruits, and to 95 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.

In FY2022, 12,232 employees of whom 5,611 and 6,621 belong to the parent company and Group companies, respectively, took the class.

## 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. The Group established the Compliance Hotline (advice desks) in 2002 to allow for the reporting of compliance violations. Furthermore, in October 2019, we put in place a whistleblowing mechanism shared with our main overseas Group companies as our Group expands businesses around the world. An external multilingual operator is used for this reporting system to receive reports in English, Chinese, Indonesian, Vietnamese, and Thai.

We received 31 consultations, including cases of suspected misconduct and harassment in fiscal 2022. In addition, we established an internal whistleblower response system pursuant to the Whistleblower Protection Act, which took effect in June the same year.

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

**Governance**Related  
Information

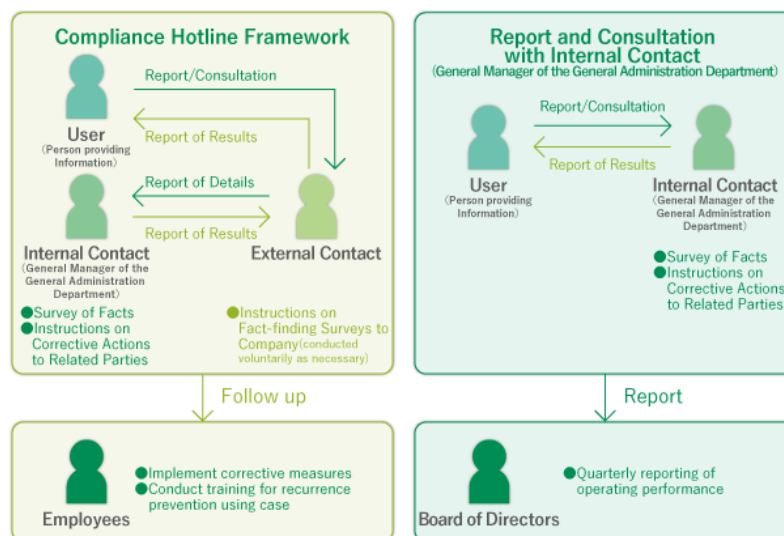
Corporate Governance - Risk Management - **Compliance** - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

### Compliance Hotline Framework

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 while publicizing this information on its intranet. We are also striving to create an environment where everyone can easily use this hotline through measures such as the distribution of leaflets including the contact information—internal and external—for the compliance hotline to all employees including those of Group companies.

When a report is received, an investigation will be carefully conducted. If a compliance violation, etc. is confirmed, necessary corrective measures will be taken. The operating performance of the Compliance Hotline is reported to the Board of Directors quarterly, and case studies of reports are used as learning opportunities in training as needed in an effort to prevent recurrence.

### Compliance Hotline Framework



Click here for related information

➤ [Grievance Desk](#)

### Compliance Auditing

The Sumitomo Forestry Group audits compliance-related matters at each business site through internal audits and follows up with guidance on for corrective actions or improvements for any problems that are found.

Click here for related information

➤ [Internal Audits](#)



Corporate Governance - Risk Management - **Compliance** - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

## 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. However, we continued to identify risks and educate Group employees by conducting online hearings and training on the status of anti-bribery efforts..

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.

Furthermore, there were no reports of bribery, including facilitation payments, taking place in the Sumitomo Forestry Group in fiscal 2022.

## Promotion of Fair Competition and Appropriate Transactions with Subcontractors

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, for the purpose of promoting fair competition. To foster understanding and entrenchment of appropriate subcontracting, every year, we conduct combined inspection of compliance with the Subcontract Act (law for preventing delays in payments to subcontractors) in an effort to improve business and commercial practices.

Furthermore, there were no reports that any breaches or issues related to the Antimonopoly Act and Subcontract Act involving any member of the Sumitomo Forestry Group in fiscal 2022.

[Click here for related information](#)

➤ [Partnership Building Declaration](#)

## 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."





Corporate Governance - Risk Management - **Compliance** - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

## Restriction of Insider Trading

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

Furthermore, there were no reports of breaches or issues related to insider trading in the Sumitomo Forestry Group in fiscal 2022.

## Rejection of Influence from Anti-Social Forces

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

Furthermore, we have requested that all business partners, including existing contracted partners, provide declarations guaranteeing that neither they nor their parent, subsidiary or subcontracting companies are anti-social forces.

## Prevention of Traffic Accidents and Violations

Sumitomo Forestry Group promotes use of a standard Group system for safe driving to manage the risks associated with traffic accidents and violations.

Specifically, Sumitomo Forestry established 10 common items to address, including standardizing accident report forms, acquiring Certified Driving Records\*, and rolling out a Safe Driving Management System which centrally manages basic driver and vehicle information. We have also established systems for ensuring that the fulfillment of statutory obligations and driver instruction are carried out in a timely and appropriate manner, and every year, we conduct combined inspections of compliance under these systems.

We also share the results of analyses on monthly traffic accidents with each business division, which helps in formulating measures to prevent accidents and in educational activities.

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

[Corporate Governance](#) - [Risk Management](#) - **[Compliance](#)** - [Tax](#) - [Business Continuity Management](#) - [Information Security/DX](#) -  
[Intellectual Property Management](#) - [Responsible Advertising/Promotional Efforts](#) - [Return to Shareholders and IR Activities](#)

Moreover, we provide safe driver training throughout the year. This includes uniquely tailored practical driving training and safe driving classes for employees with a higher risk of accidents or infractions due to inexperience or inadequate driving skills (new graduate hires, older employees, and employees who have previously caused an accident or infraction, etc.).

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



[Corporate Governance](#) - [Risk Management](#) - [Compliance](#) - **[Tax](#)** - [Business Continuity Management](#) - [Information Security/DX](#) - [Intellectual Property Management](#) - [Responsible Advertising/Promotional Efforts](#) - [Return to Shareholders and IR Activities](#)

# 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.

[Click here for related information](#)

[➤ Risk Management Framework](#)

[➤ Compliance Hotline](#)



[Corporate Governance](#) - [Risk Management](#) - [Compliance](#) - **[Tax](#)** - [Business Continuity Management](#) - [Information Security/DX](#) -  
[Intellectual Property Management](#) - [Responsible Advertising/Promotional Efforts](#) - [Return to Shareholders and IR Activities](#)

## 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.



Corporate Governance - Risk Management - Compliance - Tax - **Business Continuity Management** - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

# Business Continuity Management

## Business Continuity Management

### Business Continuity Management System

The 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 2022, the BCM Subcommittee met two times. To deepen understanding of decision making required during a disaster and the information that should be collected, we conducted initial response scenario training led by an outside instructor and carried out inspections on the status of business continuity systems of Group companies, and provided commentary on the future direction of these systems based on the inspection results.

### 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.

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 "Mid-Term Management Plan Sustainability Edition 2021." 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.



Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

Governance

Related  
Information

Corporate Governance - Risk Management - Compliance - Tax - **Business Continuity Management** - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

## Ensuring the safety of employees

The 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 15,505 employees participated in 2022.

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.



Safety Confirmation Manual Summary

## Initiatives for continuity of critical operations

The 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



Corporate Governance - Risk Management - Compliance - Tax - **Business Continuity Management** - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

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.

## Training and Education Activities

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 53 operational managers of different sites in 2022.

## Disaster Prevention and Reduction Countermeasures

In preparation for those who have difficulty returning home in the event of a major earthquake, we have established a minimum common standard disaster prevention stockpile at each workplace at all Group sites in case they are required to stay at the office or walk long distances home. 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.

## Strengthening Supply Chain Business Continuity Plan

In readiness for potential disruption of its 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, if a supplier is affected by an earthquake or other natural disaster or other accident such as fire, we ask the supplier about the extent of damages and make every effort to continue supply. We will now explore ways to reinforce this system, including systemization for more quickly ascertaining the actual situation at the affected suppliers. 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).



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

[Corporate Governance](#) - [Risk Management](#) - [Compliance](#) - [Tax](#) - **[Business Continuity Management](#)** - [Information Security/DX](#) - [Intellectual Property Management](#) - [Responsible Advertising/Promotional Efforts](#) - [Return to Shareholders and IR Activities](#)

We are taking measures to prevent delays in procurement materials caused by the COVID-19 pandemic through ongoing 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 in multiple countries rather than single.

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. (These services entail various consultations including home maintenance/repairs accepted 24 hours a day 365 days a year.)

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.



Corporate Governance - Risk Management - Compliance - Tax - Business Continuity Management - **Information Security/DX** -  
Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

# Governance

## 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.

### Development of Security Operations System

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 developed guideline of the same level for overseas group companies.

### Increasing Employee Knowledge of Security

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. Successful completion of the course is contingent upon passing a test to measure the effectiveness of the course.

Furthermore, in FY2023, we will conduct information security audits in collaboration with the Internal Audit Department in order to investigate on-site compliance with the guidelines and strengthen security measures.

### Strengthening Security Measures

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 VPN<sup>\*1</sup> environment employing strong security measure, which were expanded to all of its Group companies. Additionally, in FY2023, we will develop a support system for overseas Group companies in an effort to speed up the execution of measures for strengthening security measures following the guidelines.

Sumitomo Forestry had no information leaks, cyberattacks or other such issues in fiscal2022.

<sup>\*1</sup> 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.



Corporate Governance - Risk Management - Compliance - Tax - Business Continuity Management - **Information Security/DX** - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

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

Sumitomo Forestry has formulated internal rules to safeguard the personal information of customers, such as the Personal Information Protection Policy and the Personal Information Protection Regulations. In addition, the executive officer responsible for general administration is designated as the chief executive in charge of protection of personal information, the head of each department is assigned as the supervisor and an information security officer is placed in each department. In these ways, the Company has established a protection system that extends from the Head Office through to each office.

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

[Click here for related information](#)

➤ [Personal Information Protection Policy](#)

## Systems for Managing Information Security

### Management System at the Executive Management Level

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.

### Management System On-site

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



Corporate Governance - Risk Management - Compliance - Tax - Business Continuity Management - **Information Security/DX** - Intellectual Property Management - Responsible Advertising/Promotional Efforts - Return to Shareholders and IR Activities

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.

Dalian Sumirin Information Technology Service (ITS) Co., Ltd., which provides housing CAD design both inside and outside the Sumitomo Forestry 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 2023, 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.

### Establishment of CSIRT

Sumitomo Forestry established a CSIRT<sup>\*1</sup> in October 2022 to conduct monitoring for prevention of security incidents and to have an organization in place to implement appropriate response in case of an incident.

In addition, we conducted practical training on response scenarios in case of a security incident.

\*1 Abbreviation for Computer Security Incident Response Team. A dedicated team that addresses incidents considered to pose security threats.

## 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<sup>\*1</sup> and AI-OCR<sup>\*2</sup>.

### 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.

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

[Corporate Governance](#) - [Risk Management](#) - [Compliance](#) - [Tax](#) - [Business Continuity Management](#) - [Information Security/DX](#) -  
[Intellectual Property Management](#) - [Responsible Advertising/Promotional Efforts](#) - [Return to Shareholders and IR Activities](#)

### Digitalization of society and economy

We will promote spread of structural calculation services provided by Home Express Structural Design, 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.



# 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 in the Legal 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 2022, from the perspective of preventing spread of Coronavirus disease (COVID-19), we incorporated group training online, as well as conducting on-site training with a prevention measure against infection in place. We conducted five intellectual property training sessions for persons in charge of research & development, sales planning, advertising and catalog production as well as managers, at the Tsukuba Research Institute, profit centers, 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 and the Legal 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 2022. Furthermore, Sumitomo Forestry holds every other month meetings of the Brand Communication Committee, comprised of advertising personnel from relevant departments and Group companies in Japan, holding study sessions that include prevention of non-compliance in an effort to raise awareness. Through these efforts, Sumitomo Forestry made certain of prior checks, and endeavored to ensure customers were not misled by unreliable information.

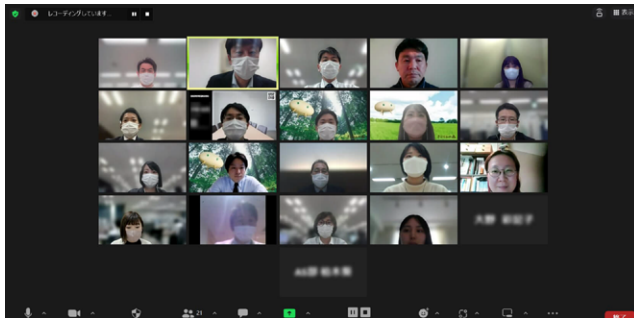
### Initiatives to Improve Company-Internal Literacy

In fiscal 2022, 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.



Corporate Governance - Risk Management - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - 
 **Responsible Advertising/Promotional Efforts** - Return to Shareholders and IR Activities



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.

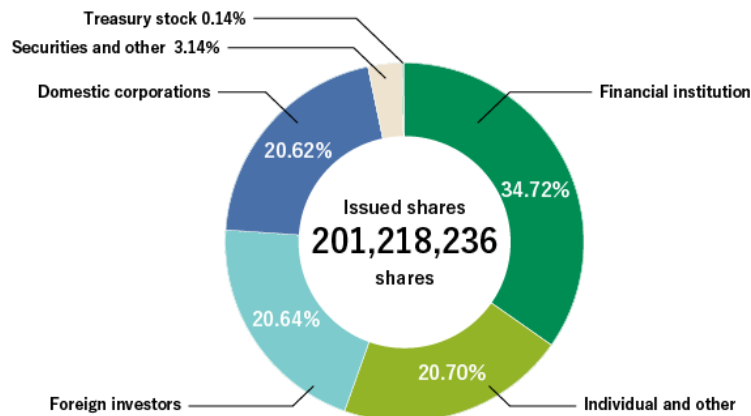
#### Dividends in the Fiscal Year Ended December 31, 2022

In the fiscal year ended December 31, 2022, a year-end dividend of 65 yen per share and an interim dividend of 60 yen per share were issued. This corresponds to a full-year dividend of 125 yen per share.



Corporate Governance - Risk Management - Compliance - Tax - Business Continuity Management - Information Security/DX - Intellectual Property Management - Responsible Advertising/Promotional Efforts - [Return to Shareholders and IR Activities](#)

## Share Distribution by Shareholder Type (As of December 31, 2022)



\* 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 Forestry Group with stakeholders. Sumitomo Forestry published 78 news releases in fiscal 2022.

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.

[Click here for related information](#)

➤ [IR Materials \(Link to IR Information\)](#)

Top  
CommitmentSustainability  
ManagementInitiatives for Sumitomo  
Forestry Group's  
Business and ESG

Environment

Social

**Governance**Related  
Information

Corporate Governance - Risk Management - Compliance - Tax - Business Continuity Management - Information Security/DX -  
Intellectual Property Management - Responsible Advertising/Promotional Efforts - [Return to Shareholders and IR Activities](#)



Integrated Report 2022

Japanese reports for shareholders on business  
activities (Year ended December 31, 2022)

## 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 2022, we conducted a total of 254 consultations in Japan and overseas. Additionally, we held small meetings focused on the Overseas Housing and Real Estate Business and ESG, and three outside directors engaged in direct dialogue with institutional investors in Japan. We will also regularly hold forums such as small meetings and on-site briefings.

### IR Informative Meetings for Individual Investors

Sumitomo Forestry holds regular IR informative meetings for individual investors. In November 2022, we held two IR informative meetings for individual investors online. During these meetings, we explained about the Sumitomo Forestry Group's history and business lines, in addition to our long-term vision. Meetings were concluded with a Q&A session.

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

[Corporate Governance](#) - 
 [Risk Management](#) - 
 [Compliance](#) - 
 [Tax](#) - 
 [Business Continuity Management](#) - 
 [Information Security/DX](#) - 
 [Intellectual Property Management](#) - 
 [Responsible Advertising/Promotional Efforts](#) - 
 [Return to Shareholders and IR Activities](#)

### 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, Asia, and other regions in fiscal 2022, 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. In Europe, we held an overseas roadshow for the first time in three years to exchange ideas in addition to explaining 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"). 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.

Click here for related information

[Second party opinion provided by  
evaluation organization Vigeo  
Eiris](#)



[Environmental benefits: ex-post  
estimates of outputs and impacts](#)



[Initiatives in Sustainable Finance](#)

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

[External Recognition](#) - 
 [Initiatives in Response to the Spread of the Coronavirus Disease \(COVID-19\)](#) - 
 [SASB Content Index](#) - 
 [GRI Content Index \(GRI Standards\)](#) - 
 [Editorial Policy /Independent Assurance Report](#)



# Related Information

528    [External Recognition](#)

535    [Initiatives in Response to the Spread of the Coronavirus Disease \(COVID-19\)](#)

536    [SASB Content Index](#)

538    [GRI Content Index \(GRI Standards\)](#)

553    [Editorial Policy / Independent Assurance Report](#)



**External Recognition** - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - SASB Content Index -  
GRI Content Index (GRI Standards) - Editorial Policy /Independent Assurance Report

# External Recognition

## External Recognition

### Awards and Recognition by Third Parties in fiscal 2022

In recent years, there has been a growing interest in ESG investment which considers not only financial but also Environmental, Social and Governance (ESG) elements as investment criteria. The Sumitomo Forestry Group has been included in the following ESG Indices as of March 2023.

#### 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 December 2022. This is the 15th 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

### Received the Highest Valuation in S&P Global Corporation's Sustainability Rating

Sumitomo Forestry received the highest valuation "Gold Class" in sustainability rating of the S&P Global Inc., a global company responsible for evaluating social responsibility investment (SRI), for the fifth consecutive year. In 2023, we received a score of 83 out of 100, the highest in the housing construction sector. 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 7,800 large-scale enterprises or more worldwide, and publishes the top 15% of these enterprises in each of 61 industries in the "Sustainability Yearbook 2023" as "Company with excellent sustainability". Among these, the top 1%, top 5% and top 10% of companies are selected as particularly excellent. A total of 84 Japanese companies were selected as company with excellent sustainability with just three of these, including Sumitomo Forestry, in the top 1%.

Sumitomo Forestry Co., Ltd.  
Homebuilding

**Top 1%**  
S&P Global ESG Score 2022

**83** /100

As of February 7, 2023.  
Position and Score are industry specific and reflect exclusion screening criteria. Learn more at [spglobal.com/esg/yearbook](https://spglobal.com/esg/yearbook)

S&P Global

Sustainable 1





**External Recognition** - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - SASB Content Index -  
GRI Content Index (GRI Standards) - Editorial Policy /Independent Assurance Report

## Sumitomo Forestry Makes Climate Change A List in CDP 2022

Sumitomo Forestry Co., Ltd. has been selected by "Climate Change A List" as an enterprise in the seventh 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 seventh consecutive year.

\* CDP Forest: A- CDP Water: C



## 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 the ESG indices in July 2017.



FTSE Blossom  
Japan



**External Recognition** - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - SASB Content Index -  
GRI Content Index (GRI Standards) - Editorial Policy /Independent Assurance Report

### 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.

[Click here for related information](#)

[FTSE Blossom Japan Index Series](#)

### MSCI Japan ESG Select Leaders Index

Index for Japanese stocks selected by the Government Pension Investment Fund, Japan (GPIF) as one of the 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.

**2023 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 the 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.

**2023 CONSTITUENT MSCI日本株  
女性活躍指数 (WIN)**

\* The inclusion of Sumitomo Forestry in any MSCI Index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Sumitomo Forestry by MSCI or any of its affiliates. The MSCI Indexes are the exclusive property of MSCI. MSCI and the MSCI Index names and logos are trademarks or service marks of MSCI or its affiliates.

### S&P/JPX Carbon Efficient Index

Discloses the S&P/JPX Carbon Efficient Index, jointly developed as an environmental index by the Japan Exchange Group, the Tokyo Stock Exchange, and the S&P Dow Jones Index.

The Government Pension Investment Fund, Japan (GPIF) selected the S&P/JPX Carbon Efficient Index as a benchmark for ESG investment strategy from fiscal 2018.

**S&P/JPX  
Carbon  
Efficient  
Index**



**External Recognition** - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - SASB Content Index -  
GRI Content Index (GRI Standards) - Editorial Policy /Independent Assurance Report

## Bloomberg Gender-Equality Index

Bloomberg selected Sumitomo Forestry as part of the 2023 Bloomberg Gender-Equality Index (GEI) in January 2023. This is the third 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 485 companies with head offices in 45 countries and regions (15 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.



## Others

### Other Evaluations and Awards

Award/Organiser	Recognition	Scope of Recognition
Forestry Agency	Sumitomo Forestry received an Excellence Award (Forestry Agency Director-General Award) in the "Forests × Decarbonization Challenge 2022."  > <a href="https://sfc.jp/information/news/2022/2022-05-24.html">https://sfc.jp/information/news/2022/2022-05-24.html</a> (in Japanese)	Sumitomo Forestry




**External Recognition** - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - SASB Content Index -  
GRI Content Index (GRI Standards) - Editorial Policy /Independent Assurance Report

Award/Organiser	Recognition	Scope of Recognition
Ministry of the Environment	<p>Sumitomo Forestry was selected for the second consecutive year as an Environmentally Sustainable Company in the Environmentally Sustainable Company Division of the third ESG Finance Award Japan.</p> 	Sumitomo Forestry
Ministry of Economy, Trade and Industry	<p>Sumitomo Forestry was recognized as a Certified Health and Productivity Management Organization 2023 (Large Enterprise Category).</p>  <p>&gt; <a href="https://sfc.jp/information/news/2023/2023-03-13.html">https://sfc.jp/information/news/2023/2023-03-13.html</a> (in Japanese) </p>	Sumitomo Forestry
Tokyo Metropolitan Government	<p>Sumitomo Forestry received an Encouragement Prize at the Wood City TOKYO Model Architecture Award.</p> <p>&gt; <a href="https://sfc.jp/information/news/2023/2023-02-17.html">https://sfc.jp/information/news/2023/2023-02-17.html</a> (in Japanese) </p>	Sumitomo Forestry
Japan Wood Design Association	<p>Sumitomo Forestry received the Japan Wood Design Award for the eighth consecutive year in 2022</p>  <p>&gt; <a href="https://sfc.jp/information/news/2022/2022-10-31.html">https://sfc.jp/information/news/2022/2022-10-31.html</a> (in Japanese) </p>	Sumitomo Forestry









**External Recognition** - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - SASB Content Index -  
GRI Content Index (GRI Standards) - Editorial Policy /Independent Assurance Report

Award/Organiser	Recognition	Scope of Recognition
Japan Wood Design Association	Sumitomo Forestry took home the Encouragement Award (Review Committee Chair Award) at the Japan Wood Design Award 2022, which was announced in October 2022. > <a href="https://sfc.jp/information/news/2022/2022-12-08.html">https://sfc.jp/information/news/2022/2022-12-08.html</a> (in Japanese)	Sumitomo Forestry
Kids Design Association	“Home in a Home” received the 16th Kids Design Award.  KIDS DESIGN AWARD 2022 > <a href="https://sfc.jp/information/news/2022/2022-08-25.html">https://sfc.jp/information/news/2022/2022-08-25.html</a> (in Japanese)	Sumitomo Forestry
Nikkei Inc.	Sumitomo Forestry received the Best Prize in the 71st Nikkei Advertising Awards. > <a href="https://sfc.jp/information/news/2022/2022-10-26.html">https://sfc.jp/information/news/2022/2022-10-26.html</a> (in Japanese)	Sumitomo Forestry
The Mainichi Newspapers Co., Ltd	Sumitomo Forestry received an Excellence Award at the 89th Mainichi Advertising Design Award. > <a href="https://sfc.jp/information/news/2022/2022-04-08.html">https://sfc.jp/information/news/2022/2022-04-08.html</a> (in Japanese)	Sumitomo Forestry
Japan Federation of Printing Industries and Sankei Shimbun Co., Ltd.	Sumitomo Forestry took home the Gold Prize and Special Prize at the 74th National Calendar Exhibition for its original 2023 calendar called “Forests of Sumitomo Forestry.” > <a href="https://sfc.jp/information/news/2022/2022-12-26.html">https://sfc.jp/information/news/2022/2022-12-26.html</a> (in Japanese)	Sumitomo Forestry
Mokuseiren	Toho Gakuen Munetsugu Hall, which was designed and constructed by Sumitomo Forestry Co., Ltd. in a joint venture (JV) with MAEDA CORPORATION, received the Mokuseiren Chairman's Award at the 25th Wood Utilization Excellent Facility Contest. > <a href="https://sfc.jp/information/news/2022/2022-05-13.html">https://sfc.jp/information/news/2022/2022-05-13.html</a> (in Japanese)	Sumitomo Forestry



**External Recognition** - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - SASB Content Index -  
GRI Content Index (GRI Standards) - Editorial Policy /Independent Assurance Report

Award/Organiser	Recognition	Scope of Recognition
Oricon ME Inc.	<p>Sumitomo Forestry was selected as the top ranking of Oricon Customer Satisfaction for 2022, in two rankings of real estate brokerage, "Sold Condominiums," and "Sold Detached Houses."</p>  <p>&lt;2022年 オリコン顧客満足度調査 不動産仲介 売却 マンション／売却 戸建て 第1位&gt;</p> <p>&gt; <a href="https://sfc.jp/information/news/2022/2022-09-01.html">https://sfc.jp/information/news/2022/2022-09-01.html</a> (in Japanese) </p>	Sumitomo Forestry Home Service
work with Pride (Private Organization)	<p>Sumitomo Forestry received gold certification, the highest ranking, in the Pride Index 2022 which evaluates companies' engagement with the LGBTQ community.</p>  <p>&gt; <a href="https://sfc.jp/information/news/2022/2022-11-11-01.html">https://sfc.jp/information/news/2022/2022-11-11-01.html</a> (in Japanese) </p>	Sumitomo Forestry
Japan Vocational Ability Development Association	<p>Participants from Sumitomo Forestry received a Gold Medal, Silver Medal, Bronze Medal, and Fighting Spirit Award at the 60th National Skills Competition in the Carpentry Category and Plastering Category.</p> <p>&gt; <a href="https://sfc.jp/information/news/2022/2022-11-11-02.html">https://sfc.jp/information/news/2022/2022-11-11-02.html</a> (in Japanese) </p>	Sumitomo Forestry Home Engineering
National Association of Home Builders (U.S.)	<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>&gt; <a href="https://sfc.jp/english/news/pdf/20220228_01.pdf">https://sfc.jp/english/news/pdf/20220228_01.pdf</a> </p>	Crescent

\* Results for the period from January 2022 to March 13, 2023.



External Recognition - [Initiatives in Response to the Spread of the Coronavirus Disease \(COVID-19\)](#) - SASB Content Index -  
GRI Content Index (GRI Standards) - Editorial Policy /Independent Assurance Report

## Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19)

The 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

> Model Homes/Showrooms

> Communication with Suppliers and Partner  
Evaluation

### Community Support

Click here for related information

> Building Social Infrastructure and Medical  
Support

### 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

> Occupational Health and Safety on  
Construction Sites

> Telework Initiatives

> Information Security Policy

### Impact on the Sumitomo Forestry Group

Click here for related information

> Strengthening Supply Chain Business  
Continuity Plan

> Understanding and Responding to  
Environmental Risks





External Recognition - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - [SASB Content Index](#) -  
GRI Content Index (GRI Standards) - Editorial Policy /Independent Assurance Report

# 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	LOCATION
Ecosystem Services & Impacts	Area of forestland certified to a third-party forest management standard, percentage certified to each standard	RR-FM-160a.1	<a href="#">Area of Forest Managed and Owned by the Sumitomo Forestry Group</a> <a href="#">Overseas Managed Afforestation Area</a>
	Area of forestland with protected conservation status	RR-FM-160a.2	<a href="#">Commitment to Protected Areas</a>
	Area of forestland in endangered species habitat	RR-FM-160a.3	<a href="#">Commitment to Protected Areas</a> <a href="#">Biodiversity Conservation in Company-Owned Forests in Japan and Planted Forests Overseas</a>
	Description of approach to optimizing opportunities from ecosystem services provided by forestlands	RR-FM-160a.4	<a href="#">Utilization of Sustainable Forest Resources</a>
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	<a href="#">Identifying and Managing Human Rights Risks</a> <a href="#">Consideration for Biodiversity Conservation, Labor Practices and Human Rights, and Local Communities</a>
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	<a href="#">Responding to TCFD</a>

[External Recognition](#) - [Initiatives in Response to the Spread of the Coronavirus Disease \(COVID-19\)](#) - [SASB Content Index](#) -[GRI Content Index \(GRI Standards\)](#) - [Editorial Policy /Independent Assurance Report](#)

## Activity Metrics

ACTIVITY METRIC	CODE	LOCATION
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	> Overseas Managed Afforestation Area > Balance of Input & Output



External Recognition - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - SASB Content Index -

**GRI Content Index (GRI Standards)** - Editorial Policy /Independent Assurance Report



## GRI Content Index (GRI Standards)

### GRI Content Index (GRI Standards)

#### GRI Content Index (GRI Standards)

Sumitomo Forestry Group references the GRI Standards, and reports the information listed in the content index for the period from January 2022, to December 2022.

Below Content Index includes related information available on Sustainability Report.

Disclosures		ISO26000 Disclosure	Location
GRI Content Index (GRI Standards)			
1. The organization and its reporting practices			
2-1	Organizational details		<a href="#">Corporate Profile</a> <a href="#">List of Sumitomo Forestry Group Companies</a>
2-2	Entities included in the organization's sustainability reporting		<a href="#">Editorial Policy</a> <a href="#">Securities Reports (in Japanese)</a>
2-3	Reporting period, frequency and contact point		<a href="#">Editorial Policy</a> <a href="#">Questionnaire</a>
2-4	Restatements of information		<a href="#">Greenhouse Gas Emissions from Business Activities</a>
2-5	External assurance		<a href="#">Independent Assurance Report</a> 
2. Activities and workers			
2-6	Activities, value chain, and other business relationships		<a href="#">Corporate Profile</a> <a href="#">Home</a> <a href="#">Our Business</a> <a href="#">Overall Picture of Our Business</a> <a href="#">Global Housing, Construction and Real Estate Business</a>
2-7	Employees		<a href="#">Social Data</a>
2-8	Workers who are not employees		—
3. Governance			
2-9	Governance structure and composition		<a href="#">Securities Reports (in Japanese)</a> <a href="#">Corporate Governance report</a>  <a href="#">Environmental Management Structure</a>



External Recognition - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - SASB Content Index -

GRI Content Index (GRI Standards) - Editorial Policy /Independent Assurance Report

Disclosures		ISO26000 Disclosure	Location
2-10	Nomination and selection of the highest governance body		> Corporate Governance
2-11	Chair of the highest governance body		> Corporate Governance
2-12	Role of the highest governance body in overseeing the management of impacts		> Mid-Term Sustainability Targets and Material Issues > Environmental Management Structure > Risk Management
2-13	Delegation of responsibility for managing impacts		> Corporate Governance > Risk Management > Environmental Management Structure > Communication with Employees
2-14	Role of the highest governance body in sustainability reporting		> Corporate Governance > Mid-Term Sustainability Targets and Material Issues
2-15	Conflicts of interest		> Basic Philosophy on Corporate Governance 
2-16	Communication of critical concerns		> Compliance
2-17	Collective knowledge of the highest governance body		> Basic Philosophy on Corporate Governance 
2-18	Evaluation of the performance of the highest governance body		> Corporate Governance
2-19	Remuneration policies		> Corporate Governance
2-20	Process to determine remuneration		> Corporate Governance
2-21	Annual total compensation ratio		> Social Data
4. Strategy, policies and practices			
2-22	Statement on sustainable development strategy		> Top Commitment
2-23	Policy commitments		> Human Rights Initiatives > Corporate Philosophy and Sustainability Management
2-24	Embedding policy commitments		> Corporate Philosophy and Sustainability Management
2-25	Processes to remediate negative impacts		> Stakeholder Engagement > Compliance > Risk Management > Human Rights Initiatives
2-26	Mechanisms for seeking advice and raising concerns		> Intellectual Property Management > Compliance



External Recognition - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - SASB Content Index -

GRI Content Index (GRI Standards) - Editorial Policy /Independent Assurance Report

Disclosures		ISO26000 Disclosure	Location
2-27	Compliance with laws and regulations		<ul style="list-style-type: none"> <li>Environmental Risk Management</li> <li>Information Security/DX</li> <li>Compliance</li> </ul>
2-28	Membership associations		<ul style="list-style-type: none"> <li>Promotion of Social Contribution Activities</li> <li>Contributions to Public Policy</li> </ul>
5. Stakeholder engagement			
2-29	Approach to stakeholder engagement		<ul style="list-style-type: none"> <li>Stakeholder Engagement</li> </ul>
2-30	Collective bargaining agreements		—

Disclosures		ISO26000 Disclosure	Location
GRI 3: Material Topics 2021			
3-1	Process to determine material topics		<ul style="list-style-type: none"> <li>Mid-Term Sustainability Targets and Material Issues</li> </ul>
3-2	List of material topics		<ul style="list-style-type: none"> <li>Mid-Term Sustainability Targets and Material Issues</li> </ul>
3-3	Management of material topics		<ul style="list-style-type: none"> <li>Top Commitment</li> <li>Sustainability-related Policies and Philosophy</li> <li>Mid-Term Sustainability Targets and Material Issues</li> <li>Material Issue 1</li> <li>Material Issue 2</li> <li>Material Issue 3</li> <li>Material Issue 4</li> <li>Material Issue 5</li> <li>Material Issue 6</li> <li>Material Issue 7</li> <li>Material Issue 8</li> <li>Material Issue 9</li> </ul>

Disclosures		ISO26000 Disclosure	Location
Economic Performance 2016			
201-1	Direct economic value generated and distributed	6.8.1 6.8.2 6.8.3 6.8.7 6.8.9	<ul style="list-style-type: none"> <li>Return to Shareholders and IR Activities</li> <li>Corporate Profile</li> <li>Securities Reports (in Japanese)</li> <li>Financial Results/Other Financial Information</li> </ul>



External Recognition - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - SASB Content Index -

GRI Content Index (GRI Standards) - Editorial Policy /Independent Assurance Report

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"> <li>Responding to TCFD</li> <li>Mitigation of Climate Change</li> <li>Adaption to Climate Change</li> <li>Greenhouse Gas Emissions from Business Activities</li> </ul>
201-3	Defined benefit plan obligations and other retirement plans	6.8.7	<ul style="list-style-type: none"> <li>Securities Reports (in Japanese)</li> </ul>
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"> <li>Sustainable Forest Management</li> <li>Promotion of Social Contribution Activities</li> </ul>
203-2	Significant indirect economic impacts	6.3.9 6.6.6 6.6.7 6.7.8 6.8.1 6.8.2 6.8.5 6.8.6 6.8.7 6.8.9	<ul style="list-style-type: none"> <li>Risk Management</li> <li>Environmental Risk Management</li> <li>Responding to TCFD</li> </ul>



External Recognition - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - SASB Content Index -

GRI Content Index (GRI Standards) - Editorial Policy /Independent Assurance Report

Disclosures		ISO26000 Disclosure	Location
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	—
205-2	Communication and training about anti-corruption policies and procedures	6.6.1 6.6.2 6.6.3 6.6.6	> Compliance
205-3	Confirmed incidents of corruption and actions taken	6.6.1 6.6.2 6.6.3	> Compliance
Anti-competitive Behavior 2016			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	6.6.1 6.6.2 6.6.5 6.6.7	> Compliance
Tax 2019			
207-1	Approach to tax	6.2	> Tax
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





External Recognition - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - SASB Content Index -

GRI Content Index (GRI Standards) - Editorial Policy /Independent Assurance Report

Disclosures		ISO26000 Disclosure	Location
301-2	Recycled input materials used	6.5.1 6.5.2 6.5.4	> Waste Reduction and Recycling > Manufacturing Business Initiatives > Power Generation Business Initiatives
301-3	Reclaimed products and their packaging materials	6.5.1 6.5.2 6.5.4	> Waste Reduction and Recycling > Housing Business Initiatives
Energy 2016			
302-1	Energy consumption within the organization	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	Energy consumption outside of the organization	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
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 2018			
303-1	Interactions with water as a shared resource		> Efficient Use of Water Resources
303-2	Management of water discharge-related impacts		> Pollution Prevention
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		> Environmental Related Data



External Recognition - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - SASB Content Index -

[GRI Content Index \(GRI Standards\)](#) - Editorial Policy /Independent Assurance Report

Disclosures		ISO26000 Disclosure	Location
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	> 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
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 (Scope1) GHG emissions	6.5.1 6.5.2 6.5.5	> Greenhouse Gas Emissions from Business Activities > Boundaries and Methods of Greenhouse Gas Emissions Calculation > Balance of Input & Output
305-2	Energy indirect (Scope 2) GHG emissions	6.5.1 6.5.2 6.5.5	> Greenhouse Gas Emissions from Business Activities > Boundaries and Methods of Greenhouse Gas Emissions Calculation > Balance of Input & Output
305-3	Other indirect (Scope3) GHG emissions	6.5.1 6.5.2 6.5.5	> Greenhouse Gas Emissions from Business Activities > Boundaries and Methods of Greenhouse Gas Emissions Calculation > Balance of Input & Output
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



External Recognition - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - SASB Content Index -

GRI Content Index (GRI Standards) - Editorial Policy /Independent Assurance Report

Disclosures		ISO26000 Disclosure	Location
305-6	Emissions of ozone-depleting substances (ODS)	6.5.1 6.5.2 6.5.3 6.5.5	> Environmental Risk Management
WASTE 2020			
306-1	Waste generation and significant waste-related impacts		> Waste Reduction and Recycling
306-2	Management of significant waste-related impacts		> Waste Reduction and Recycling
306-3	Waste generated		> Balance of Input & Output > Waste Reduction and Recycling
306-4	Waste diverted from disposal		> Waste Reduction and Recycling
306-5	Waste directed to disposal		> Balance of Input & Output
Environmental Compliance 2016			
307-1	Non-compliance with environmental laws and regulations	6.5.1 6.5.2 4.6	> Environmental Risk Management
Supplier Environmental Assessment 2016			
308-1	New suppliers that were screened using environmental criteria	6.3.5 6.5.1 6.5.2 6.6.6 7.3.1	> Distribution Business Initiatives
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	> Distribution Business Initiatives > Manufacturing Business Initiatives > Housing Business Initiatives
Employment 2016			
401-1	New employee hires and employee turnover	6.4.1 6.4.2 6.4.3	> Social Data



External Recognition - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - SASB Content Index -

GRI Content Index (GRI Standards) - Editorial Policy /Independent Assurance Report

Disclosures		ISO26000 Disclosure	Location
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	> Work-Life Balance
401-3	Parental leave	6.4.1 6.4.2 6.4.4	> Social Data
Labor/Management Relations 2016			
402-1	Minimum notice periods regarding operational changes	6.4.1 6.4.2 6.4.3 6.4.5	—
Occupational Health and Safety 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 > Occupational Health and Safety in the Environmental Energy Business > Occupational Health and Safety in the Manufacturing Business
403-3	Occupational health services		> Promotion of Health Management > 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 > Occupational Health and Safety in the Forestry Business



External Recognition - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - SASB Content Index -

GRI Content Index (GRI Standards) - Editorial Policy /Independent Assurance Report

Disclosures		ISO26000 Disclosure	Location
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		<ul style="list-style-type: none"> <li>&gt; Occupational Health and Safety</li> <li>&gt; Occupational Health and Safety in the Forestry Business</li> <li>&gt; Occupational Health and Safety in the Environmental Energy Business</li> <li>&gt; Occupational Health and Safety on Construction Sites</li> <li>&gt; Occupational Health and Safety in the Lifestyle Services Business</li> <li>&gt; Promotion of Health Management</li> </ul>
403-8	Workers covered by an occupational health and safety management system		<ul style="list-style-type: none"> <li>&gt; Occupational Health and Safety</li> </ul>
403-9	Work-related injuries		<ul style="list-style-type: none"> <li>&gt; Material Issue 6</li> <li>&gt; Occupational Health and Safety Management</li> <li>&gt; Social Data</li> </ul>
403-10	Work-related ill health		<ul style="list-style-type: none"> <li>&gt; Material Issue 6</li> <li>&gt; Occupational Health and Safety Management</li> <li>&gt; Social Data</li> </ul>
Training and Education 2016			
404-1	Average hours of training per year per employee	6.4.1 6.4.2 6.4.7	<ul style="list-style-type: none"> <li>&gt; Human Resources Development</li> <li>&gt; Social Data</li> </ul>
404-2	Programs for upgrading employee skills and transition assistance programs	6.4.1 6.4.2 6.4.7 6.8.5	<ul style="list-style-type: none"> <li>&gt; Diversity and Inclusion</li> <li>&gt; Human Resources Development</li> </ul>
404-3	Percentage of employees receiving regular performance and career development reviews	6.4.1 6.4.2 6.4.7	<ul style="list-style-type: none"> <li>&gt; Human Resources Development</li> <li>&gt; Communication with Employees</li> </ul>
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	<ul style="list-style-type: none"> <li>&gt; Corporate Governance</li> <li>&gt; Social Data</li> </ul>



External Recognition - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - SASB Content Index -

**GRI Content Index (GRI Standards)** - Editorial Policy /Independent Assurance Report

Disclosures		ISO26000 Disclosure	Location
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	> Social Data
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
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
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	> Distribution Business Initiatives > Manufacturing Business Initiatives > Housing Business Initiatives > Human Rights Initiatives



External Recognition - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - SASB Content Index -

[GRI Content Index \(GRI Standards\)](#) - Editorial Policy /Independent Assurance Report

Disclosures		ISO26000 Disclosure	Location
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	> Distribution Business Initiatives > Manufacturing Business Initiatives > Housing Business Initiatives > Human Rights Initiatives
Security Practices 2016			
410-1	Security personnel trained in human rights policies or procedures	4.8 6.3.1 6.3.2 6.3.4 6.3.5 6.6.6	—
Rights of Indigenous Peoples 2016			
411-1	Incidents of violations involving rights of indigenous peoples	4.8 6.3.1 6.3.2 6.3.4 6.3.6 6.3.7 6.3.8 6.6.7 6.8.3	> Human Rights 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





External Recognition - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - SASB Content Index -

GRI Content Index (GRI Standards) - Editorial Policy /Independent Assurance Report

Disclosures		ISO26000 Disclosure	Location
412-2	Employee training on human rights policies or procedures	4.8 6.3.1 6.3.2 6.3.5	> Human Rights Initiatives
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	4.8 6.3.1 6.3.2 6.3.3 6.3.5 6.6.6	> Distribution Business Initiatives > Human Rights Initiatives
Local Communities 2016			
413-1	Operations with local community engagement, impact assessments, and development programs	6.3.9 6.5.1 6.5.2 6.5.3 6.8	> Protecting Domestic Forest Resources > Afforestation Consultancy > Reforestation Activities Contributing to the Society > Examples of Social Contribution Activities in Japan > Examples of Regional Contribution Activities Overseas > 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	> Distribution Business Initiatives
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	> Distribution Business Initiatives > Manufacturing Business Initiatives > Housing Business Initiatives > Human Rights Initiatives



External Recognition - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - SASB Content Index -

GRI Content Index (GRI Standards) - Editorial Policy /Independent Assurance Report

Disclosures		ISO26000 Disclosure	Location
Public Policy 2016			
415-1	Political contributions	6.6.1 6.6.2 6.6.4	> Promotion of Social Contribution Activities > Compliance
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 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	> Distribution 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

[External Recognition](#) - [Initiatives in Response to the Spread of the Coronavirus Disease \(COVID-19\)](#) - [SASB Content Index](#) - [GRI Content Index \(GRI Standards\)](#) - [Editorial Policy /Independent Assurance Report](#)

Disclosures		ISO26000 Disclosure	Location
Customer Privacy 2016			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	6.7.1	> Information Security/DX
		6.7.2	
		6.7.7	



External Recognition - Initiatives in Response to the Spread of the Coronavirus Disease (COVID-19) - SASB Content Index -  
GRI Content Index (GRI Standards) - [Editorial Policy /Independent Assurance Report](#)

# Editorial Policy/Independent Assurance Report

## Editorial Policy/Independent Assurance Report

### 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 (Environment) 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

Click here for related information

[List of Sumitomo Forestry Group Companies](#)

[Boundaries and Method of Environmental  
Data Aggregation \(Balance of Input and  
Output\)](#)

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

[External Recognition](#) - [Initiatives in Response to the Spread of the Coronavirus Disease \(COVID-19\)](#) - [SASB Content Index](#) -  
[GRI Content Index \(GRI Standards\)](#) - [Editorial Policy /Independent Assurance Report](#)

**Published: September 2023 (date of the most recent previous report: September 2022)**

**Reporting Period: January 2022 to December 2022 (Japan and Overseas)**

\* Some activities in Japan and overseas started before the period and after December 2022, 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.


## Independent Assurance Report

[Independent Assurance Report](#) 



## Independent Assurance Report

To the Representative Director, President and Executive Officer 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, 2022 to December 31, 2022 included in its Sustainability Report 2023 (PDF version) (the “Report”) for the fiscal year ended December 31, 2022.

### The Company’s Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Report.

### Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’ and the ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’ issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company’s responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and recalculating the Indicators.
- Visiting PT. AST Indonesia selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

### Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company’s reporting criteria as described in the Report.

### Our Independence and Quality Management

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 Management 1, we design, implement and operate a system of quality management including policies or 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 13, 2023