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# Initiatives for Sumitomo Forestry Group's Business and ESG

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# Initiatives for Sumitomo Forestry Group's Business and ESG

## Overall Picture of Our Business

### Overall Picture of Our Business

Sumitomo Forestry Group strives in a wide range of business activities centered upon wood.

We have built strengths unique to Sumitomo Forestry Group from the technology and know-how in wood accumulated for the almost 330 years since our founding to the brand cultivated with a network in Japan and overseas that connects us to our customers. We utilize wood as a healthy and environmentally sound natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society.

Value Chain					
Environment and Resources Business		Timber and Building Materials Business		Housing Business Global Housing, Construction and Real Estate Business	Lifestyle Services Business
<b>Forest Management</b> 	<b>Renewable Energy</b> 	<b>Distribution</b> 	<b>Manufacturing</b> 	<b>Housing and Construction</b> 	<b>Regional Revitalization and Welfare</b> 
<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>

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# Initiatives for Sumitomo Forestry Group's Business and ESG

## Timber and Building Materials Business

### Business Overview

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

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

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



### Main Business Figures (FY2022 Result)

Recycling rate at manufacturing plants

Japan: **99.4%**

Overseas: **98.0%**

Sustainability procurement survey implementation  
rate of suppliers of imported timber

**100%**

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## Value Chain of Distribution Business



### Verification of Legal Compliance and Sustainability

The Sumitomo Forestry Group engages in due diligence on its procurement suppliers and 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.



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## Value Chain of Manufacturing Business



Product Development/Raw  
Material Procurement

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



Manufacturing

By operating according to the ISO9001 International quality management system and through management that meets or exceeds JIS/JAS product quality requirements, we manufacture high-quality products and strive to build products with even greater safety. We are also focusing on greater energy and resource savings and recycling in manufacturing processes.

Sumitomo Forestry Group also regards the establishment of a safe, healthy work environment for all employees working in each manufacturing plant as our responsibility, and we therefore continually pursue a goal of zero occupational injuries.



Shipping

We ship and sell processed and manufactured products not only in Japan, but in countries around the world.

We have been moving forward with continual improvements such as redesigning packaging to cut waste, revising delivery methods to provide customers with greater ease of access, and reductions in greenhouse gas emissions.

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

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

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

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

### ESG Initiatives in the Timber and Building Material Business



[Click here for related information](#)

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

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# 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

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## Value Chain of the Housing and Construction Business



Sales/Product Development

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

The Sumitomo Forestry Group pursues better housing performance from a wide range of perspectives, including 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.

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**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](#)



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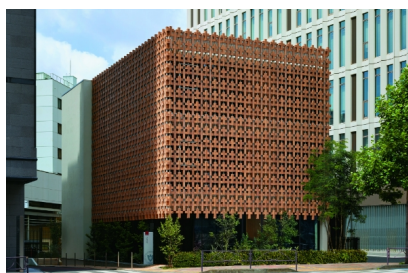
Global Housing, Construction and Real Estate Business - Environment and Resources Business - Lifestyle Services Business - Research &amp; Development

# 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.



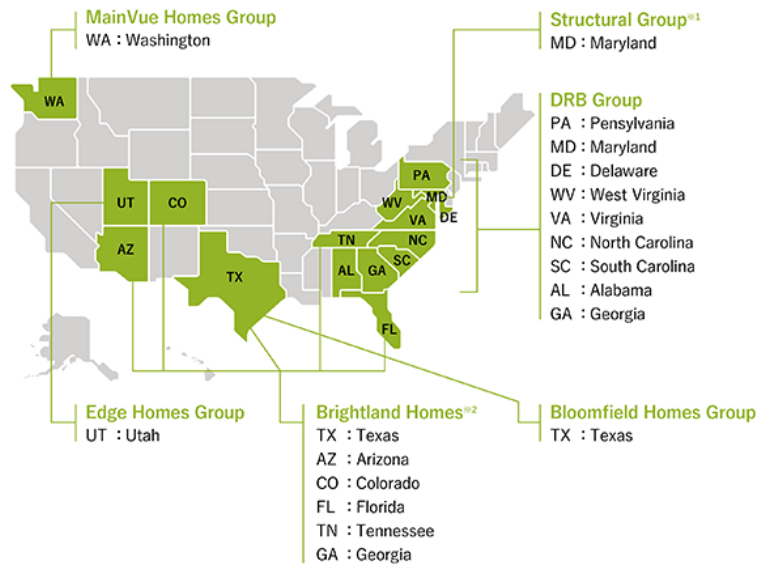
### Main Business Figures (FY2022 Result)

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

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

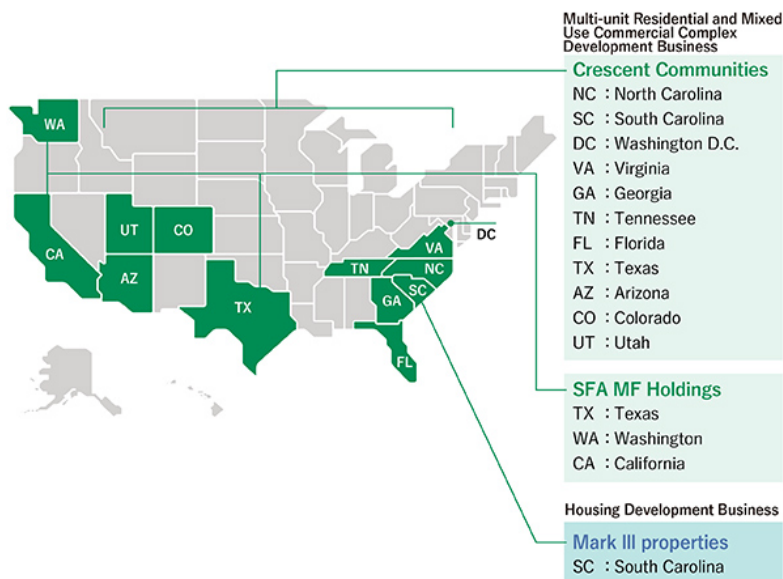
### United States Housing Construction Business Areas



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

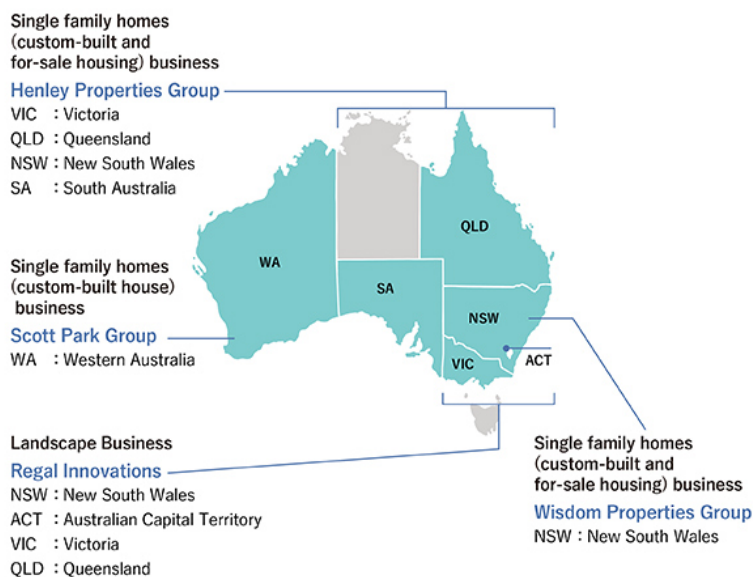
\*\*2 The company name has been changed from Gehan Homes Group in March 2023.

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



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## Australia Single Family Homes and Landscape Business Area



## Asian Business Areas



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### 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](#)

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# Initiatives for Sumitomo Forestry Group's Business and ESG

## Environment and Resources Business

### Business Overview

The Environment and Resources Business is acquiring SGEC and other forest certifications across roughly 48,000 ha (about 1/800 of the national land area) of company-owned forests in Japan while strategically expanding forest management based on a policy of “sustainable forestry (in which new trees are planted to replace harvested timber) ”.

In Indonesia, Papua New Guinea and New Zealand, we own and manage approximately 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.





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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.

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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.

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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.

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## 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](#)

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# 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.





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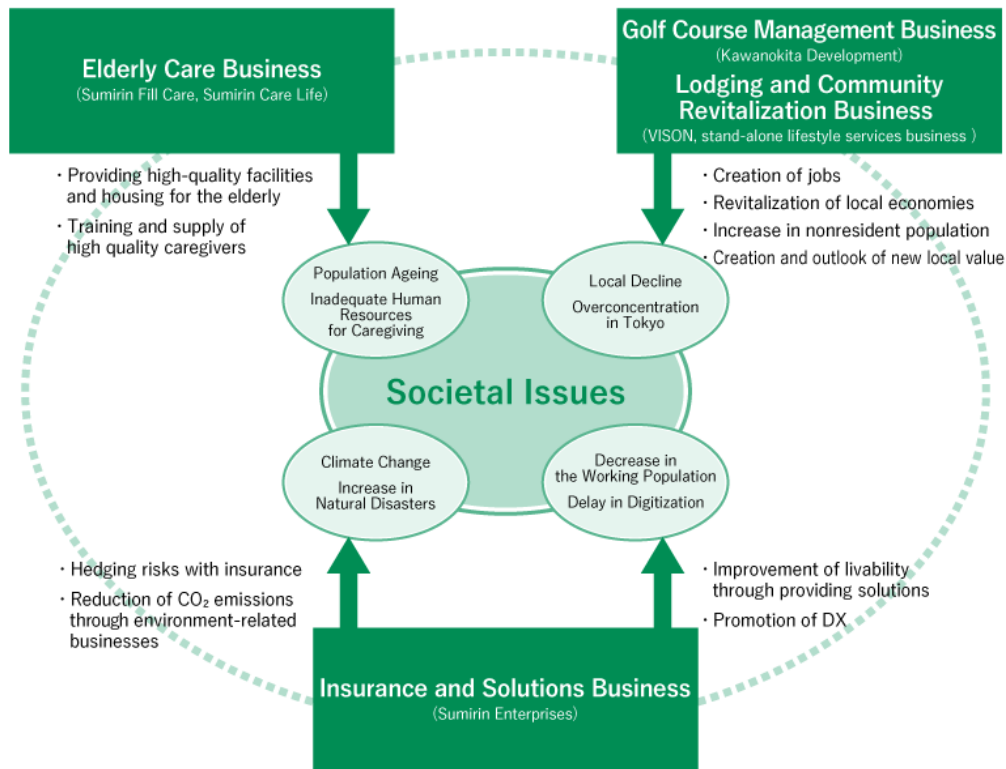
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## Social Issues and Lifestyle Services Business



## 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.

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## 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](#)

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# Initiatives for Sumitomo Forestry Group's Business and ESG

## Research & Development

### Overview

Wood has great potential for both the sustainability of the global environment and the development of our society and economy. Constant technical development is essential to tap into this potential of wood and heighten its value. The Tsukuba Research Institute has been fulfilling the role of realizing this potential of wood by supporting the foundation of the Sumitomo Forestry Group with leading-edge research and technical development capabilities related to wood since its establishment in 1991.



### Main Figures (FY2022 Result)

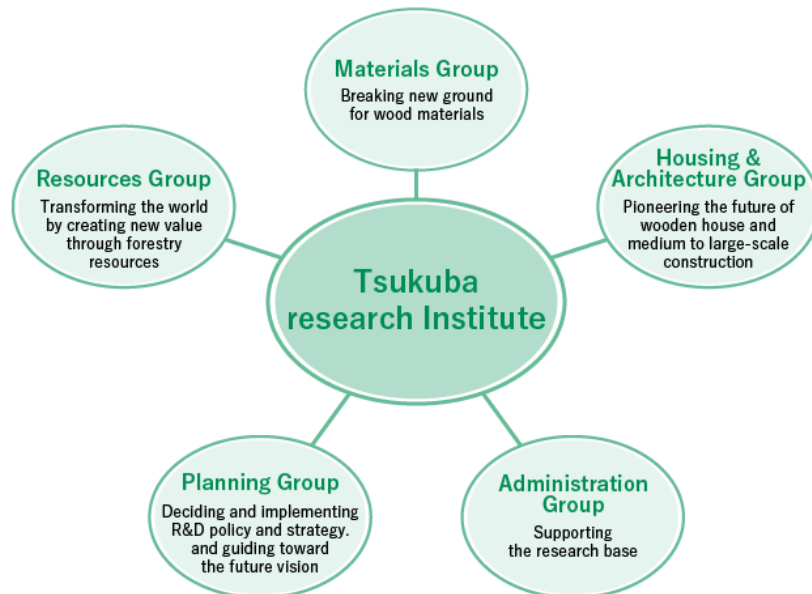
Research and development expenses **2,576** million yen

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## 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)



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## 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.

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