

Part 1

Sumitomo Forestry value creation

Corporate Philosophy

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

Our Values

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

Sumitomo Forestry Group Code of Conduct

Purpose and scope of application

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

Fair and transparent corporate activities

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| 1.Strict adherence to laws and regulations | 8.Relationships with companies we do business with |
| 2.Prevention of corruption | 9.Protection of intellectual property rights |
| 3.Fair business transactions | 10.Protection of personal information |
| 4.Fair accounting procedures | 11.Responsible advertising/promotional efforts |
| 5.Communication with stakeholders | 12.Healthy relationship with the government |
| 6.Maintaining confidentiality | 13.Stance on organized crime |
| 7.Information security | 14.Establishment of a whistleblowing mechanism |

Ethical conduct

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| 15.Avoidance of a conflict of interest | 18.Appropriate gift giving and entertainment |
| 16.Prohibition of misappropriation of company assets | 19.Prohibition of political or religious activities |
| 17.Prohibition of insider trading | |

A respectful, healthy workplace

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|---|-----------------------------------|
| 20.Respect for human rights | 26.Occupational health and safety |
| 21.Prohibition of discrimination and the promotion of diversity | 27.Human resources development |
| 22.Prohibition of forced labor and child labor | 28.Prohibition of harassment |
| 23.Freedom of association and collective bargaining rights | 29.Protection of privacy |
| 24.Appropriate working hours and wages | |
| 25.Work/life balance | |

Business activities that respect society and the environment

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|--------------------------------------|--|
| 30.Customer satisfaction and safety | 32.Contribution to the local community |
| 31.Co-existence with the environment | |

 **Sumitomo Forestry Group Code of Conduct** <https://sfc.jp/english/corporate/philosophy/code.html>

Our sustainable business model draws out the potential of trees

Sumitomo's Business Spirit which started it all, passed down through generations

The *Monjuin Shiigaki* left by Masatomo Sumitomo (1585-1652), founder of the House of Sumitomo. The preamble of this brief explanation of philosophical business rules states, "Do your best prudently and meticulously, not only in business, but in every aspect of your life." He emphasizes that care should be exercised in all matters and everything should be done with consideration and respect.

Sumitomo also left behind writings such as "Value trust and make certainty a principle" advocating the importance of integrity, "Refrain from the pursuit of easy gains" which warns against being blinded by thirst for quick profits, and the concept of *Jiri-rita*, or "Benefit self and benefit others," and *Koushi-ichinyo*, or "Private and public interests are one and the same" with which Sumitomo urges harmony with the public interest - between the individual, the nation and society.

These words through which our predecessors have kept the company marching forward throughout its long history, as well as the thoughts behind them, are devotedly observed as Sumitomo's Business Spirit even in the present day.

1691 Founding of Sumitomo Forestry

Opening of the House of Sumitomo Besshi Copper Mine
Began management of the forest surrounding the copper mine



Picture scroll depicting the Besshi Copper Mine in Iyo Province, present-day Ehime Prefecture (Sumitomo Historical Archives Collection)



Picture scroll depicting the Besshi Copper Mine in Iyo Province, present-day Ehime Prefecture (Sumitomo Historical Archives Collection)

1865

Saihei Hirose appointed manager of Besshi

1882

Rules Governing the House of Sumitomo established

1894

Teigo Iba appointed manager of Besshi
Launched the Large-Scale Reforestation Plan

1899

Masaya Suzuki appointed manager of Besshi
Established the sustainable forestry approach



Teigo Iba (Sumitomo Historical Archives Collection)

1909

House of Sumitomo mountain forestry business transferred to Sumitomo Sohonten upon its establishment

1919

Forestry Section established at Sumitomo Sohonten

1948

Six companies formed (established) from the Forestry Department of Sumitomo under the government's zaibatsu dissolution order. Through two subsequently mergers the six companies form into two, Toho Norin and Shikoku Ringyo

1800s

1900s



Mount Besshi devastated the impact of mining operations during the Meiji era (Sumitomo Historical Archives Collection)



Mountains surrounding Besshi in the present day

Sumitomo Forestry's origin in management of the forest surrounding the Copper Mine

The House of Sumitomo opened the Besshi Copper Mine in present-day Niihama, Ehime Prefecture in 1691. Sumitomo Forestry's origin can be traced back to the management of the forest surrounding the copper mine. Timber for charcoal essential to copper smelting and wood used for tunnel support posts were sourced from the forest, as were building materials for the homes of the workers.

Start of the large-scale reforestation plan and sustainable forestry

In the late 19th century, the forests surrounding the Besshi Copper Mine were in danger of being devastated after a long period of excessive logging and smoke pollution. The then manager of the mine, Teigo Iba, believed "Allowing this land to be degraded while moving forward with business made possible by its fruits runs counter to the proper course of our relationship with nature. We must return all the mountains of Besshi to their verdant state." With this belief, he

launched the Large-Scale Reforestation Plan in 1894 to restore the forests that had been lost. Through a process of trial and error, and by implementing large-scale planting efforts of a maximum of more than two million trees per year, the mountains were eventually returned to a state of rich greenery. This concept of sustainable forestry has been passed on to the present day.

The history of Sumitomo Forestry

1955

Toho Norin Co., Ltd. and Shikoku Ringyo Co., Ltd. merge, with Shikoku Ringyo as the surviving company which eventually became Sumitomo Forestry Co., Ltd.
Nationwide network to procure and sell domestic timber established

1956

Import business for foreign-made materials started



Waterfront at the Port of Vancouver
Sumitomo Forestry employees performing inspections at timber yard facility

1970

Established PT Kutai Timber Indonesia (KTI), and launched full-scale construction materials business mainly for plywood

1975

Started the custom-built wooden housing business

1977

Entry into the landscaping business



Custom-built wooden housing

1991

Tsukuba Research Institute established, unified the R&D organization for building materials, housing, and resources



New research building at Tsukuba Research Institute

2007

Full-scale entry to the elderly care services business



Gran Forest Kobe Mikage

2008

Started housing business in Australia

2018

Started full-scale real estate development business in the United States



Example by Crescent Communities

Unveiling of W350 Plan aimed at realizing "Environmentally-Friendly and Timber-Utilizing Cities"



W350 Plan View of inside

1964

Established a dedicated plywood production company in Japan



NPIL plant

1986

Full-scale operation of MDF production plant by Nelson Pine Industries Ltd. (NPIL) in New Zealand

2003

Started housing business in the United States



Spec homes in Seattle

2005

Developed wooden beam Rahmen structure (the Big-Frame construction method), a first in Japan

2011

Entered timber solutions (MOCCA) business



Example of wood construction (restaurant)

Started renewable energy business



Mombetsu Biomass Power Plant

Evolution into a building materials distributor and manufacturer

In the 1950s with Japan experiencing a high level of economic growth, demand for wood skyrocketed due to explosive growth in the number of new housing starts. However, forestry in Japan at the time was facing market shortages of wood since trees planted shortly after World War II were not fully grown.

Facing these circumstances, Sumitomo Forestry began importing wood produced overseas before other Japanese companies. Establishing a system for production, distribution, and sales of wood materials in Japan and overseas, Sumitomo Forestry became the highest-volume distributor of wood and building materials in Japan.

Housing business expansion in Japan and overseas

Once the 1970s began, housing policy changed emphasis from securing "quantity" to improving "quality" including living environments in accordance with changes in economic and social circumstances.

In order to meet these social needs, Sumitomo Forestry entered the custom-built wooden housing business in 1975. Utilizing a wood materials procurement network inside and outside of Japan to offer high-quality wooden housing, Sumitomo Forestry Home houses grew to become the top brand in custom-built wooden houses.

In 2003, we also entered the housing business in the United States where

wooden housing is mainstream. We then entered the housing market in Australia, where most housing is also made of wood. Forming alliances with local partners who share the same business outlook, we have expanded our business operations in these housing markets where the respective housing cultures are readily apparent.

Entered the elderly care services business

We fully entered the elderly care services business in 2007. As Japan becomes a super-aged society, our private-pay elderly care facilities as well as service-added homes for the elderly and day care business aim to help each tenant live independently while offering them high-quality services tailored to their individual needs.

MOCCA (Timber Solutions) for timber usage in the non-residential field

Since usable forest plantations in Japan have not been sufficiently tended to, there is concern about degradation of the multiple functions that forests serve. It has become imperative that trees can be utilized to maintain forests and revitalize forestry. This led to the Act for Promotion of Use of Wood in Public Buildings which went into effect in 2010.

In order to address these needs, the Sumitomo Forestry Group launched the MOCCA (Timber Solutions) business in 2011 to promote the use of wood in non-residential buildings. MOCCA has since established a solid track record in buildings such as commercial, educational, and social services facilities.

Promoting Renewable Energy Business

In 2011 the Sumitomo Forestry Group refocused on the value of forestry resources, and entered the renewable energy business. We have established multiple wood biomass power plants that burn wood waste from construction and timber left unused in forests, and we aim to build the capacity to generate 300 MW in renewable energy.

The public benefits of the forests, which are sustainable natural capital

Forests are resources that can be used continuously by planting, raising, using and replanting them. Moreover, forests and trees provide more than wood building materials and fuel; they also serve many functions that benefit the public. For example, they preserve biodiversity, cultivate water sources, protect the soil, prevent damage from landslides, and absorb and fix CO₂, the

cause of global warming. The Sumitomo Forestry Group helps to maintain the public benefits provided by forests and trees through its forest management in Japan and overseas while also striving to deploy businesses that leverage the renewable natural capital offered by forests and trees globally and expand their presence.



* Apart from the above, they also create a comfortable environment through climate mitigation and dirt adhesion, and serve cultural functions by, for example, providing beautiful scenery and opportunities to come into contact with nature. Source: "Multiple functions of forests" Forestry Agency.

Absorb CO₂

Through photosynthesis, trees absorb CO₂ and fix it in the form of carbon. The carbon fixing continues even when they are used for buildings or other purposes. Moreover, the carbon released when a tree is burned originates from the CO₂ the tree absorbed as it was growing, which means that the tree's life cycle does not affect the density of CO₂ in the atmosphere, making it carbon neutral.

At present, as the rise in energy demands and the global warming caused by the increase in CO₂ have become problems for the whole world, much hope is being placed on the expansion of wood biomass power generation from construction waste and unused timber from forests.

Cultivate water sources

By storing rain water, the soil levels out the amount of water flowing into rivers and mitigates flooding, stabilizing the flow rate of rivers. Furthermore, when rain water passes through the soil in forests, the water will be purified.

Preserve biodiversity

In Japan, two-thirds of which is covered by forest area, forests make up the foundation of the ecosystem network and support rich biodiversity. The majority of domestic biological species live, breed and grow in forests, so forestry plays a large role in the preservation of biodiversity.

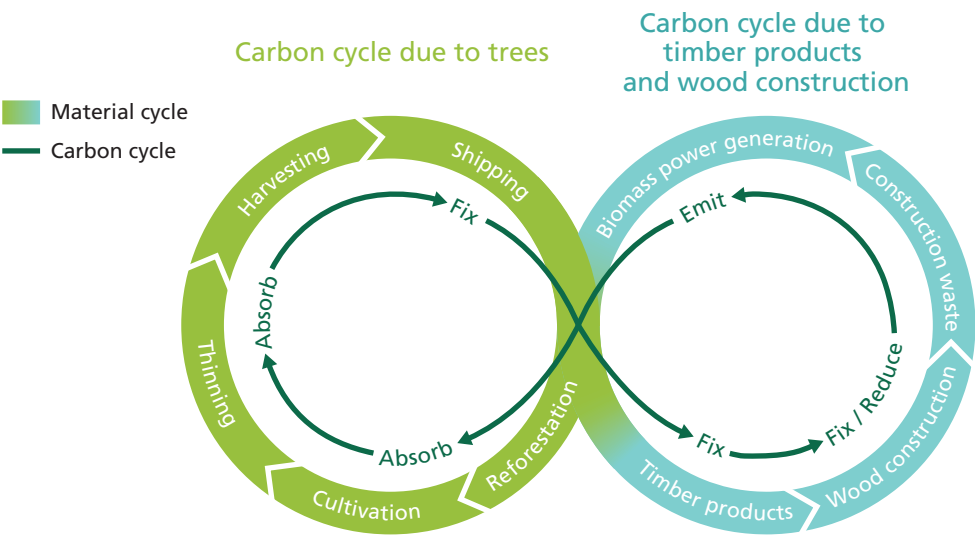
Prevent damage from landslides / Protect soil

Forest top soil is covered in fallen leaves and branches. This prevents the rain from touching the soil directly during heavy rain, protecting the surface of the ground from erosion. Moreover, the spreading roots of trees and shrubs prevent landslides.

Health / Recreation

A wide variety of plants and animals inhabit forests, and they play an important role as locations for mountain climbing, camping, recreational activities involving contact with nature, and environmental education.

Carbon cycle of forests and trees that support circular society

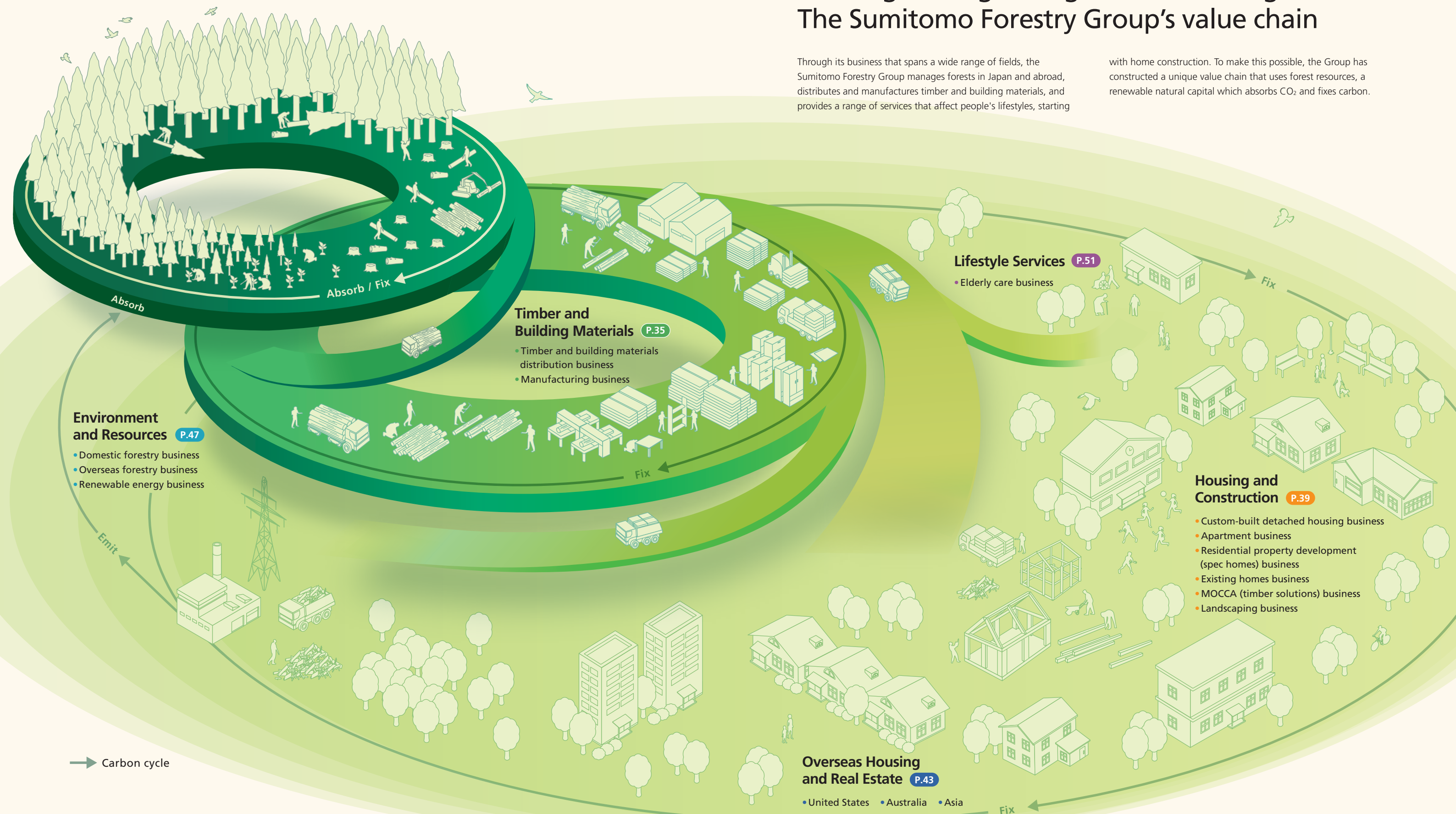


As trees grow, they "absorb" CO₂ and emit oxygen. The CO₂ continues to be "fixed" as carbon even when the trees are harvested and used in timber products and wood construction. Using timber products instead of materials that emit large amounts of greenhouse gases during the process of procuring raw materials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

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

Through its business that spans a wide range of fields, the Sumitomo Forestry Group manages forests in Japan and abroad, distributes and manufactures timber and building materials, and provides a range of services that affect people's lifestyles, starting

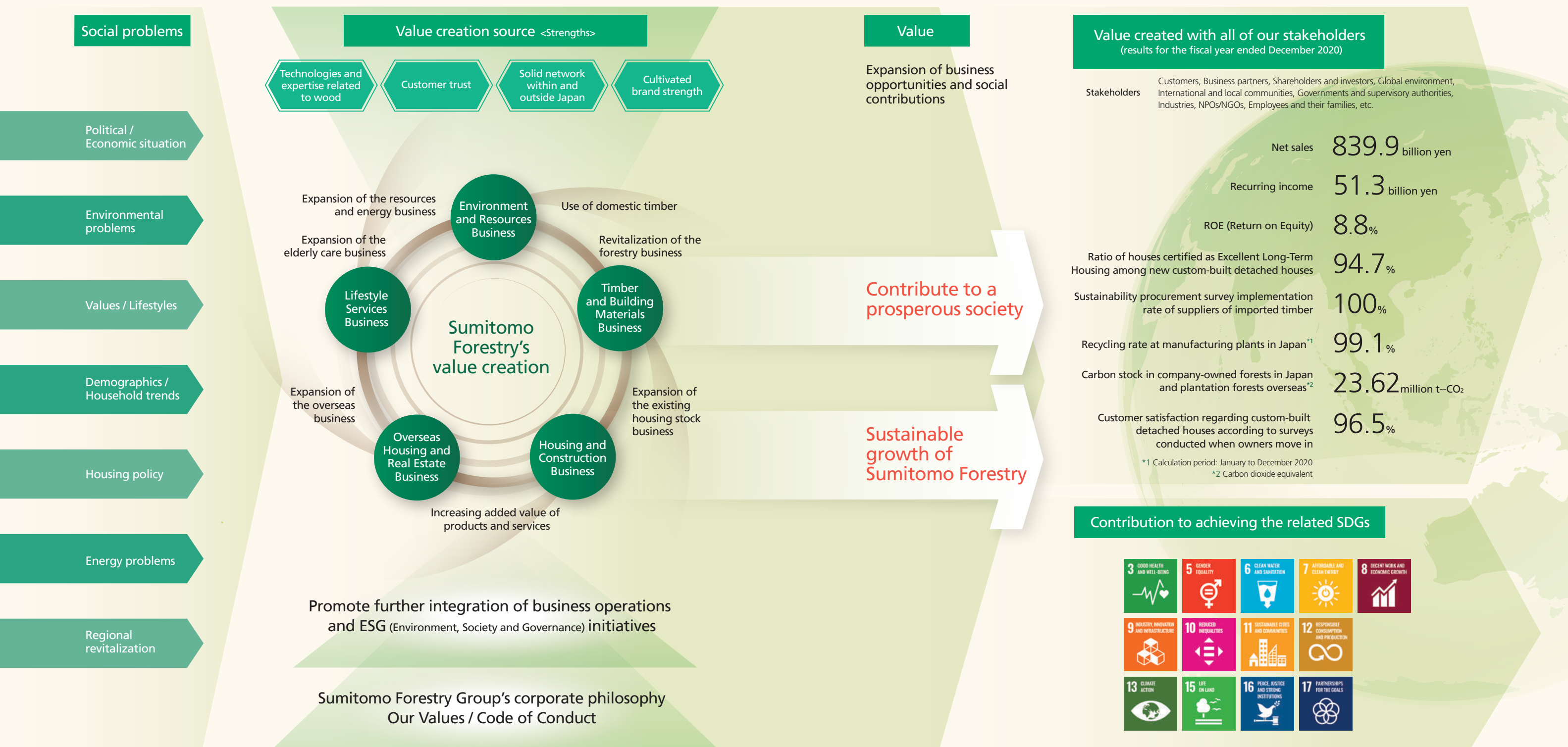
with home construction. To make this possible, the Group has constructed a unique value chain that uses forest resources, a renewable natural capital which absorbs CO₂ and fixes carbon.

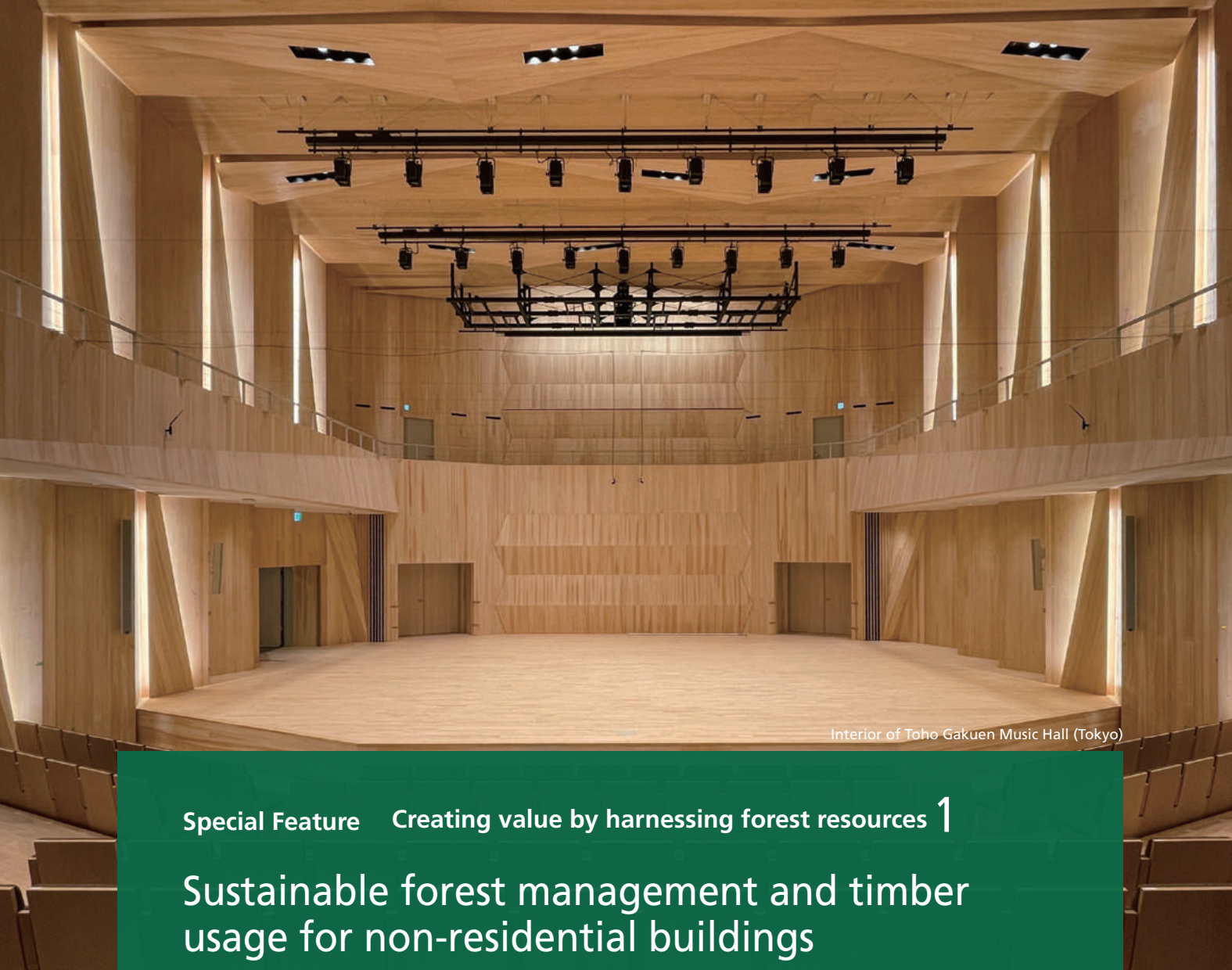


Harnessing forest resources and contributing to sustained growth and a prosperous society

The Sumitomo Forestry Group has accumulated technologies and expertise related to wood through forest management since our establishment in 1691. We have used these together with the Group's unique strengths, namely our connections to customers, a network within and outside Japan and cultivated brand

strength, to expand our business areas by resolving societal issues. We will continue using the renewable natural capital represented by forest resources and timber to create shared benefit from environmental value and social value and thereby contribute to the creation of a prosperous and sustainable society.



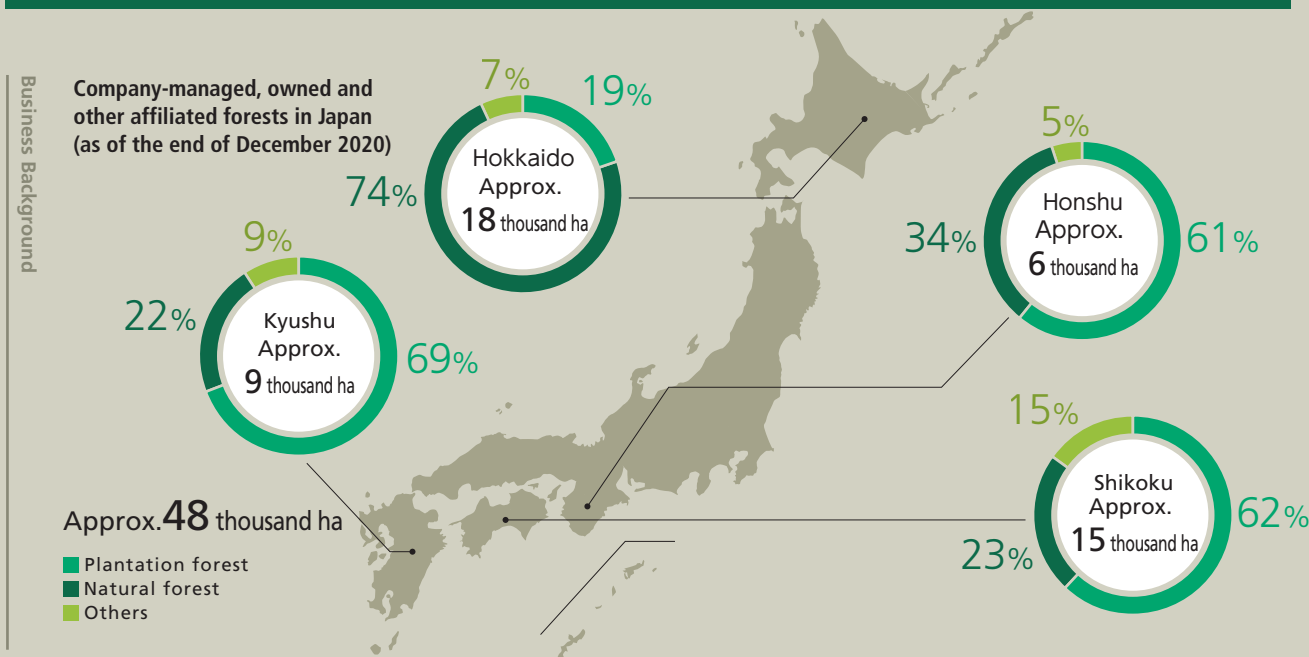


Interior of Toho Gakuen Music Hall (Tokyo)

Special Feature Creating value by harnessing forest resources 1

Sustainable forest management and timber usage for non-residential buildings

Based on our roughly 330-year history working with trees since the time of our founding, the Sumitomo Forestry Group has been practicing sustainable forest management in its vast areas of company-owned forests throughout Japan. Additionally, we have been operating the MOCCA (Timber Solutions) business in recent years to promote the use of wood mainly in non-residential buildings. Through this business we have been drawing out the attractiveness and potential of wood, while also contributing to forest restoration and development in Japan - which are National policy priorities as well.



Expanding company-owned forests with “sustainable forestry” as a philosophy

Japan is a land of trees, with forests covering approximately 70% of its soil. In addition to usage for buildings and paper, people receive a variety of other benefits from trees such as cultivating water sources and preventing damage from landslides.

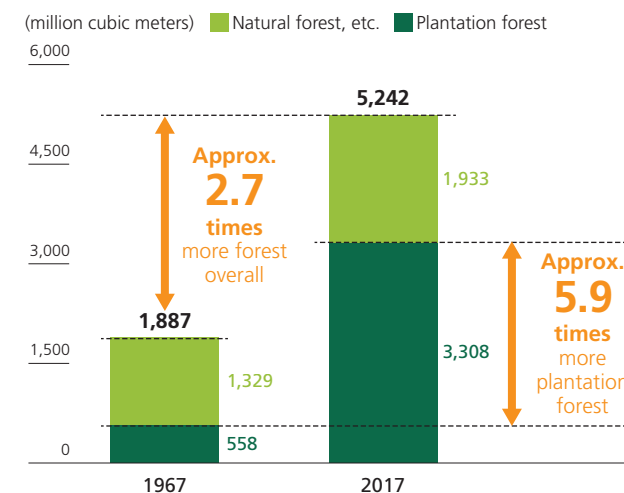
The Sumitomo Forestry Group practices sustainable forestry in Japan and abroad, aiming to keep these great benefits of trees sustainable while continuously being able to utilize timber resources over the long haul.

Our forest management is rooted in the philosophy of “sustainable forestry” of planting, growing, cutting, utilizing trees and then replanting trees. Based on this philosophy we have been expanding our company-owned forests in areas throughout Japan. Currently we own a total of approximately 48,000 hectares of forest in Japan, a vast area equivalent to roughly one eight-hundredth of Japan as a whole. These company-owned forests have been granted forest certification. We practice sustainable forest management through systematic afforestation and logging, while striving to be eco-friendly including considerations for the surrounding ecosystems.

Increasing accumulation of carbon in Japan’s forests

Total forest area has hardly changed at all over the past 50 years, but forest accumulation is increasing each year. Nearly all of the increase is from plantation forests of trees planted for the purpose of timber production. The total area of plantation forests in Japan today is a staggering 5.9 times greater than 50 years ago.

Forest accumulation in Japan



Source: Forestry Agency, State of Forest Resources

One major reason why plantation forests accumulation has increased was a wave of tree plantings all at once, which was promoted after the end of World War II. Many of the plantation forests in Japan were planted at least 50 years ago, and have now reached the “harvest period” to be logged, used, and replanted for the next generation. However, due to the combined factors of decreasing demand for domestic timber, the falling and aging population of foresters, and lagging mechanization of forestry, little progress has been made in tree thinning and regeneration cutting.

If trees that can be used as resources are not logged and replanted for the next generation, forest resources run the risk of excessive aging in the future. Additionally, forests could be devastated if they are not properly managed (cared for), including systematic logging. This is said to be a possible precursor to various environmental problems such as declining carbon dioxide absorption and capture, and an increase in landslides.

Japanese government measures for use of domestic timber

The government has introduced a variety of measures to tackle these problems concerning Japan’s forests and forestry.

The Forest and Forestry Revitalization Plan was formulated in 2009, setting out the goal of raising Japan’s timber self-sufficiency rate to at least 50% as a metric for the revitalization of the country’s forests and forestry. Then the next year in 2010, the government took the initiative by announcing a basic policy for tackling timber usage with the Act for Promotion of Use of Wood in Public Buildings, etc. Then in 2018, part of the Building Standards Act was revised to loosen regulations on which wooden buildings must be built to be fire-resistant.

Government measures for use of domestic timber

Laws and regulations to promote forest development and more active timber usage	
2009	Forest and Forestry Revitalization Plan formulated
2019	Forest Management Act takes effect
2019	Act on Forest Environment Taxes and Transfer Taxes takes effect
2020	Tree Harvesting Rights System (Revision of National Forestry Management and Administration Act) begins
Laws promoting use of wood in buildings	
2010	Act for Promotion of Use of Wood in Public Buildings, etc. takes effect
2018	Partial revision of Building Standards Act (regulatory easing)

Thanks to these supportive efforts by the government, usage of domestic timber has been gradually increasing - mainly in the sector of non-residential buildings. Wood buildings still comprise only around 10% of all non-residential buildings, but recently there have been many more diverse types of large wooden buildings constructed, including public facilities such as elementary schools and community centers, in addition to commercial facilities. This increase in the use of wood construction in the non-residential sector is also expected to result in greater usage of domestic timber.

MOCCA aims to increase use of domestic timber

In order to increase the use of domestic timber, we launched the MOCCA (Timber Solutions) business in 2011 which promotes the use of wood in the non-residential buildings sector.

In addition to public buildings such as administration buildings for local governments and community educational facilities, MOCCA has produced proposals in a broader range of sectors including commercial facilities, offices, care facilities, nursing homes, and nursery schools. For example, using wood as the materials for the floors of nursing homes can reduce physical strain on occupants and health care workers from walking about the building. Actively incorporating timber and wood building materials into office spaces and school classrooms has also been reported to raise people's productivity according to the results of surveys. Our MOCCA business has been steadily establishing a



Interior of Senri Rehabilitation Hospital (Osaka Prefecture)



Exterior of Senri Rehabilitation Hospital (Osaka Prefecture)



Interior of Tully's Coffee in Itami (Hyogo Prefecture)



Illustration of Exterior of Sophia University Building 15 (Tokyo)

track record by proposing new wood usages such as these to a variety of customers.

In 2017, we also established a business and capital alliance with construction company Kumagai Gumi Co., Ltd., and we are forming an organizational structure to collaborate with them on business that leverages trees and greenery. Together with Kumagai Gumi, we have a shared recognition of issues pertaining to forest resources and a common vision for how to utilize them. Our aim is to drive the effective utilization of timber in the civil works and construction sectors and energize the forestry industry, while also helping to conserve national land and the earth's environment.

Contributions to the SDGs through wooden buildings

Wooden buildings not only emit little carbon dioxide during construction, but the timber used as construction material can help reduce carbon dioxide through continuous carbon fixation of carbon dioxide in the air. Additionally, once the buildings are no longer in use and dismantled, the discarded materials can be reused as fuel for wood biomass power generation. Since wooden buildings contribute in these ways to reductions in environmental impact throughout the product life cycle, we consider the expansion of our MOCCA business to be part of our activities toward achieving the SDGs.

Wood is a renewable natural resource. Using wood in various buildings where people spend time can create comfortable spaces that add calm to our lives. Through forest management balanced with environmental conservation, and by drawing out the maximum potential of wood through sustainable use of forest

resource, the Sumitomo Forestry Group will continue contributing to the development of forestry in Japan and the creation of a bright future.

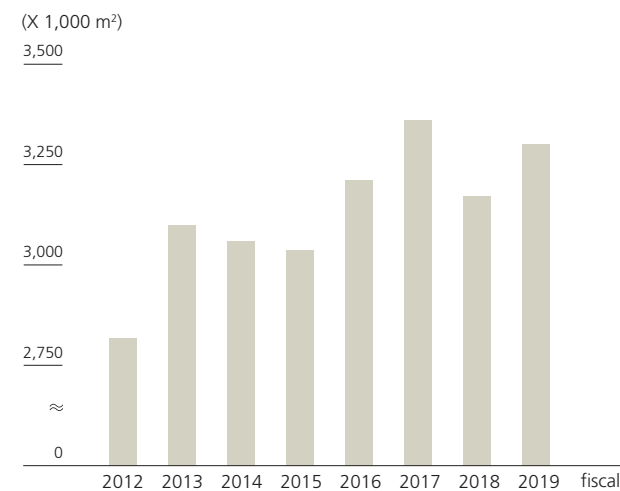
MOCCA business and contributions to the SDGs



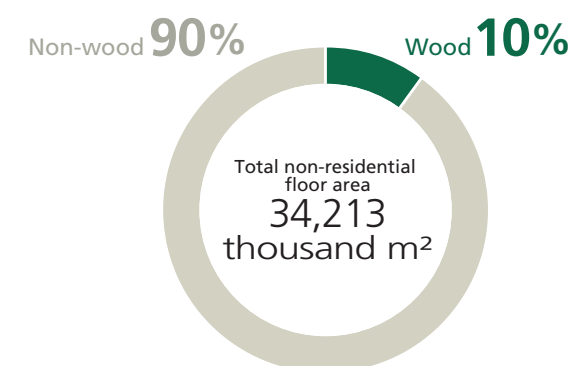
Goals related to achieving the SDGs (excerpts)

- Increase carbon fixation by making wooden buildings more prevalent
- Increase recycling rates at building sites

Wooden non-residential buildings total floor area



Non-residential buildings by structure type total floor area



Source: Compiled from MLIT Survey of Building Construction Work Started (Statistical, fiscal 2019)

Topics

Doubling efforts to promote wood usage in non-residential together with COHNAN KENSETSU INC.

In January 2021 Sumitomo Forestry acquired 100% of the shares of "Koue Kousan K.K." which owns a 53.59% stake in COHNAN KENSETSU INC. making adding it to the Sumitomo Forestry group. COHNAN KENSETSU is a general construction company that was established in 1948, and is based in both Osaka Prefecture and in Tokyo. They have large numbers of highly experienced technicians on staff. Leveraging their strength in handing everything from planning and proposals to design, construction, and maintenance afterward in a streamlined manner, COHNAN KENSETSU has

an extensive track record in construction. This includes multi-family housing, commercial and educational facilities, care facilities, facilities for research and production activities.

Combining the steel frame and reinforced concrete building sales capabilities and construction management expertise of COHNAN KENSETSU with our wood building and interior/exterior wood materials technology, together we will push forward with projects in both mixed structures and wood construction while pioneering new markets for wooden building construction.



New Zealand plantation forests

Special Feature Creating value by harnessing forest resources 2

Using our forest management know-how for forest conservation in Asia and Oceania

Forests are more than simply sources of the precious and renewable resource known as wood. They also provide many functions that benefit the world. They absorb and fix CO₂, the main cause of climate change, preserve biodiversity, prevent landslide disasters and recharge water sources. The Sumitomo Forestry Group uses the forestry management know-how it has cultivated over long years in Japan to protect and renew forests in Indonesia, New Zealand and Papua New Guinea.

Business Background



Reductions in worldwide forest area and the primary causes

The total amount of forest area in the world is approximately 4 billion hectares. They make up 31% of all land area on earth. However, at present the world's forest areas are continually shrinking. In the 30-year span from 1990 to the present, approximately 180 million hectares of forest are believed to have disappeared from the planet. This is nearly equal to 4.7 times the land area of Japan.

In recent years, although some countries appear to be reducing the speed of forest area decline, the area of new forest planted is also declining, and the amount of forest area in the world has reduced by approximately 5 million hectares a year in the past ten years.

There are several reasons for deforestation, including massive forest fires, drought and illegal logging, but the greatest factor is the conversion of forests into farmland such as large-scale plantations. Demand for food is rising rapidly as the population of the world grows. Thus large forests are being developed and turned into farmland, and the development of forests has a major effect on the lives of people in the region. To create a sustainable society, in addition to securing food on a global scale and working toward the economic development of various local communities, forest conservation should also be carried out with a long-term view in mind.

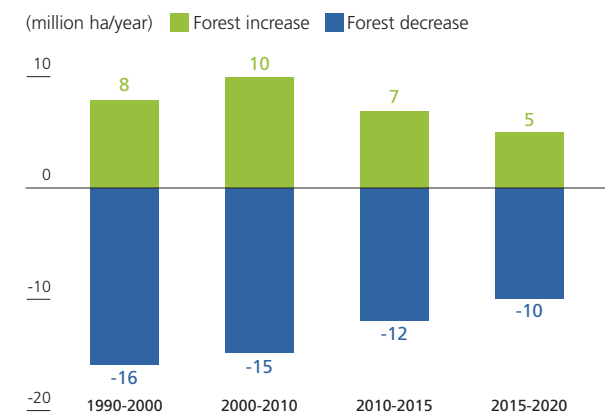
Overseas forest management and contributions to the SDGs

As deforestation continues worldwide, the Sumitomo Forestry Group has endeavored to expand its forestry management both in Japan and overseas in order to secure raw materials sustainably. Currently we hold and manage forests in three countries, namely Indonesia, New Zealand and Papua New Guinea. We have obtained FSC® and other forest certifications* and established a sustainable system where harvesting and reforestation are carried out in a regular cycle. The Group holds and controls a forest area of approximately 231 thousand hectares in three countries, and the timber produced in those forests is used for furniture, as building material, as pulp raw material for paper-making and for a host of other applications in markets all over the world.

When conducting this kind of forest management overseas, we proceed with activities systematically after establishing numerical targets concerning topics such as "maintaining forest certification," "expanding the area managed" and "forest carbon stock." At the same time, we are also committed to SDG-conscious initiatives such as those that preserve biodiversity and foster coexistence with local residents.

* Forest certification: An environmental labeling system from private-sector entities whereby independent third-party organizations certify that forest management and the distribution of timber and timber products is being carried out appropriately based on certain standards.
(FSC® license code: FSC-C113957)

Fluctuations in worldwide forest area



Source : FAO Global Forest Resources Assessment 2020

Causes of forest decrease

Change in land use
Spread of fire from slash-and-burn agriculture
Excessive timber logging

Forest management business and contributions to the SDGs



Goals related to achieving the SDGs (excerpts)

- Maintain and expand certified forest area
- Increase number of seedlings supplied
- Display carbon stock (forests)



Grown and felled timber



Donated seedlings



Free distribution of seedlings and guarantee to purchase logs



Monitoring peatland water levels

Helping regional communities through "social forestry"

When we manage forests overseas, in addition to "industrial reforestation" that targets the sustainable production of timber and "environmental reforestation" aimed at environmental conservation, we also actively engage in "social forestry" which affects the economies of local communities while earning us the cooperation of residents in the surrounding area. For example, in Indonesia, PT. Kutai Timber Indonesia (KTI), a Group company, has been carrying out an initiative for the past 20 years where it distributes seedlings it has raised to local farming families for free. When the trees grow, KTI purchases them at market price and uses them as raw material in factories that produce plywood and building material.

This has the benefit of not only securing a stable supply of raw materials for the Group on one hand but also allowing local farming families to increase their cash incomes by growing the seedlings on land not suitable for farming, thus improving their livelihoods. This initiative received an award from Indonesia's Ministry of Environment and Forestry in recognition of its contribution to environmental conservation through reforestation.

Establishing a management model for peatland

We have been carrying out large-scale industrial reforestation in the West Kalimantan province of Indonesia since 2010. The forest in the target area of this business was devastated by industrial

logging between the sixties and early nineties as well as by repeated illegal logging and slash-and-burn farming. The objective of the project is to revive this land as a reforestation area while at the same time preventing the further deterioration of the forest by coexisting with the local residents.

The whole project area is peatland, made up of an accumulation of withered vegetation that has barely decomposed over thousands of years. Peatland contains precious ecosystems and plays a major role in storing carbon and in the water cycle. However, when it dries up, the organic matter in the ground decomposes and releases greenhouse gases while also potentially triggering huge forest fires. This makes appropriate management of the water level essential.

That is why the Sumitomo Forestry Group first performed a thorough topographical survey as well as a boring survey to understand the density and distribution of the peat. Based on the detailed data obtained through the survey, we created waterways with the function of regulating the water level throughout the project area, thereby establishing a globally unprecedented management model capable of keeping the groundwater level stable even during the dry season. This management model has come to the attention of other countries with large areas of peatland. Therefore, in the future we will be able to help alleviate global environmental problems and promote sustainable development by deploying and popularizing the know-how cultivated in Indonesia.

Developing new uses for timber and building material

Sumitomo Forestry runs timber and building material manufacturing businesses in different countries around the world, but our businesses in Indonesia are the largest in terms of scale and the oldest in terms of history. The oldest manufacturing base there celebrated its 50th anniversary of founding in 2020. The manufacturing bases in Indonesia produce not only products close to raw materials such as plywood and particleboard but also highly processed items like musical instruments and interior finish material for construction.

Timber is the key material for such products, making up a high percentage of the manufacturing cost. This makes securing a

stable supply of raw material an extremely important undertaking. For those reasons, all Group companies in Indonesia endeavor to expand their reforestation activities, planting especially fast-growing tropical trees which can be used as raw material in a short period of four to seven years.

All the companies are also focusing their efforts on developing products and technologies aimed at increasing the number of uses for timber. One example is a species of tree called balsa. It produces the lightest timber and is used for building and modeling because it is easy to process. Due to these special qualities, as demand for renewable energy has increased in recent years, its range of uses has increased to include the cores of wind power turbine blades.



Field of seedlings for reforestation



Balsa

Topics

Expanding reforestation activities on Kalimantan Island, Indonesia

In December 2020, PT. Kubu Mulia Forestry, a member of the Sumitomo Forestry Group, obtained the business rights to the industrial reforestation asset bordering the Group's project area in West Kalimantan in Indonesia. This has expanded the total area managed by the Group in that area to from roughly 145 thousand hectares to approximately 155 thousand hectares. After a thorough survey of the plants and animals was conducted, the whole project area was strictly divided into the area for protection and the area for use, and a net was installed in the area for protection to prevent the isolation of rare animals. This expansion of the project area has made it possible to conserve the ecosystems of an even wider area. Additionally, through the unification of water level management, we will further promote the sustainable use of peatland and the reduction in the emission of CO₂. Going forward, we will further refine our sustainable peatland management model which combines economic efficiency with environmental conservation and endeavor to deploy and popularize it overseas.

