Happiness Grows from Trees

SUMITOMO FORESTRY

Sumitomo Forestry Group CSR Report 2015

CSR Report 2015

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Top Message

324 years of responsibility.
We will strive to further promote CSR management,
pursuing the potential of wood, a renewable natural resource.

Akira Ichikawa
President /
Representative Director

Working to Revitalize Local Economies and Resolve Global Issues

Forests occupy nearly 70 percent of Japan's total land area, and yet without taking full advantage of this rich natural resource, we are faced with the major problem of a waning forestry industry. Furthermore, the world's tropical forests are continuing to decline at a grave pace due to such factors as destructive logging and conversion to agricultural land. Given our Corporate Philosophy of "utilizing timber as a renewable, healthy, and environmentally friendly natural resource, and contributing to a prosperous society through all types of housing-related services," the Sumitomo Forestry Group bears a number of missions to fulfill.

Within Japan, one of our missions is to help in land conservation and regional regeneration through revitalization of local forestry, based on the history and experience of involvement in forestry management since our founding in 1691 when we undertook management of the forests around the newly opened Besshi Copper Mine in Ehime Prefecture. From a global perspective, another of our missions is to continue procuring timber from sustainable forests, and to practice sustainable forest management collaborating with local communities.

Helping to realize a sustainable society based on the spirit of "gratitude for nature's resources" and on the principle of "sustainable forestry," namely planting and nurturing trees and then planting again once they have been felled for use, is precisely the starting point for our businesses and CSR activities. Such a sentiment is incorporated into the Sumitomo Forestry Group's Corporate Philosophy.

Diverse Talent Sharing Values, Striving for Steady Success in CSR Management

The business environment around us is dramatically changing on a day-to-day basis. Our business activities will not be sustainable unless we constantly prepare for change and create new preemptive changes ourselves. As we globally expand our housing related businesses centered around wood, it is vitally important that everyone involved in the Group, including employees, cooperative partners and business partners, share our goals and target directions, and synchronize their course of action in order to progress toward the future that the Sumitomo Forestry Group is aiming for.

Accordingly, in March 2015, we identified new “Sumitomo Forestry Group CSR Material Issues,” referring to the views of our employees and all other stakeholders. Furthermore, we also established basic strategies and objectives aimed at resolving those issues, and in April, we formulated and activated the “Sumitomo Forestry Group Mid-Term CSR Management Plan” to achieve by fiscal 2020. By setting and managing objectives for environmental and social CSR issues, that are integrated with our daily business activities, our aim is to raise CSR awareness within our company and to achieve steady progress.

Moreover, given the increasingly advanced and diverse societal demands on companies, in April 2015, we established a new CSR Department to better focus on striving to instill our CSR initiatives within the Group and on communicating them outside the Group. While actively communicating our Group’s brand message of “Happiness Grows from Trees” to all stakeholders as a shared value, we will engage in Diversity Management, respecting the differences of each individual employee in terms of their values, age, gender, nationality and other characteristics, and harnessing this diversity to lead to innovation.

Realizing a Sustainable Society through Business That Capitalizes on Wood

At the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21), which is to be hosted in Paris in December 2015, the international community will attempt to reach consensus on a new framework for measures to prevent global warming for beyond 2020. Given that trees absorb CO_2 during their growth process and continue to sequester it as carbon even after they have been harvested and used as timber, attention has been drawn to the role played by forests in performing a function of absorbing and storing CO_2. With the Olympic Games Tokyo 2020 imminent, there is also growing interest in timber grown in Japan and in buildings made of wood and feature the plentiful use of wood.

The Sumitomo Forestry Group has fostered a thorough knowledge of wood, and this is the very reason that I feel the expectations of our stakeholders are also growing. When providing rental housing or facilities for the aged which utilize the unique characteristics of wood, and when utilizing stock assets such as in the renovation business, we draw on our unique construction technologies and know-how developed while providing custom-built detached Sumitomo Forestry Home houses, and when it comes to timber around the world, we use the right material in the right place through the global distribution network of the Sumitomo Forestry Group. We will continue to expand the potential of wood across a wide range of areas, such as escalating the active use of Japanese timber, developing our wood biomass power generation business as a renewable energy, preserving satoyama (mountain areas linked to local communities) and urban greening.

The mission of the Sumitomo Forestry Group is to pursue the potential of wood—the one natural capital that is renewable through proper management—and to maximize its added value. With an aim of becoming the world's leading forestry company, we are committed to addressing our CSR through our business activity.

Developing More Ecological Housing

Green Smart for Better Energy Efficiency

Amid growing concern for resources problems and a low-carbon society, Sumitomo Forestry has devised a new housing concept called "Green Smart." Sumitomo Forestry has accumulated know-how on making the most of the unique characteristics of wood and on harnessing the sun, wind, greenery and other blessings of nature. By marrying this know-how together with technology for "reduced energy consumption," such as improved thermal insulation, and with technology for "smart energy use," such as solar power generation and a home energy management system, the Company aims to boost energy efficiency, thereby reducing CO_2 emissions.

In July 2014, Sumitomo Forestry added "Green Smart Solar Z" to its lineup of offerings, a solar power generation system installed across the whole roof surface. This product allows for a large capacity system to be mounted on a limited roof space, enabling a 10kW-plus capacity system to be installed even on a relatively small roof of about 46 square meters, meaning that the customer could sell all generated power at a fixed price for 20 years in Japan.

In January 2015, Sumitomo Forestry launched "Air Dream Hybrid," a central air-conditioning system equipped with an "outside-air cooling function." The proposal is to save energy and reduce electricity costs for heating and cooling, by taking advantage of the outside air temperature in air-conditioning, drawing in outside air when it is at a comfortable temperature.

Stakeholder's Message

Focused on developing means for "energy self-sufficiency"

Sumitomo Forestry Home houses harness the blessings of nature, utilizing wood, a renewable natural resource. By its very nature, wood has a low environmental impact. On this basis, we make recommendations for energy-efficient devices that meet customer needs, and we provide support for reductions in energy consumption. Going forward, in addition to the smart generation and smart use of energy, we plan to further enhance products for the storage of energy, enabling customers to live their lives with a sense of ease even in times of emergency. With a view to the entrenchment of lifestyles that heighten self-sufficiency in energy, we will continue to make proposals for homes that are both healthy and environmentally conscious.

Yasuo Tanaka

Team Manager
Environment Team
Technology Development Group
Technology and Product Development Department
Housing Division

Developing Reliable and Comfortable Housing with Low Environmental Impact

Achieving reliable and comfortable housing—that is one of the most important values sought by customers in housing, the foundation for everyday living.
In recent years, there has also been a growing interest in housing with low environmental impact.
Sumitomo Forestry is actively promoting the development of housing that meets these customer needs.

Developing Stronger Housing

The Evolving Big-Frame (BF) Construction Method

Against the backdrop of amendments to inheritance tax as well as a shift to greater fireproofing and seismic resistance in urban areas with high-density housing, there has been an increase in the demand for houses of at least three stories that are resistant to fire and earthquakes.

Sumitomo Forestry had previously been offering fire-resistant housing products, but following improvements to the resistance of its Big-Frame (BF) construction method to fire and earthquakes, in April 2015, the Company released the "BF-Fireproof" detached housing product and the "Forest Maison BF-Fireproof" rental housing and owner-occupied rental product, enabling the construction of up to four-story houses even in areas with strict fire prevention and fire resistance regulations in Japan. The BF construction method is proprietary to Sumitomo Forestry, and achieves extremely strong structural frameworks and an open comfortable habitat by employing "large columns" and "metal touch joints."

The "BF-Fireproof" and "Forest Maison BF-Fireproof" products also use the new "twin-bolt column," which achieved a structural performance 1.5 times that of the earlier "large column" by increasing the number of metal joints. Including the "double column," which combines two parallel "large columns," Sumitomo Forestry offers three types of columns, and by using the right column in the right place, the Company is able to create comfortable and relaxing living spaces even in densely populated residential areas that present more than a few design constraints. Thus, Sumitomo Forestry is able to offer more varied housing developments with higher degrees of flexibility than ever before.

Stakeholder's Message

Developing new products by bringing together the Group's collective technological strengths

The goal of the development was to enable four-story construction while maintaining an open interior space, one of the features of the BF construction method. During the development process, we repeatedly carried out various verifications and experiments, including building two full-size, four-story experimental houses at our Tsukuba Research Institute. A particularly difficult part was the development of the "twin-bolt column", through which we sought to improve structural performance without changing the size of the large column. It was only possible through a series of trial and error and we managed to guide the process through to commercialization by exercising all of the knowledge and expertize within Sumitomo Forestry. We will continue to challenge the potential of wood and remain committed to developing technologies so that we can offer customers homes where they can live in peace of mind for many years to come.

Junichi Imai

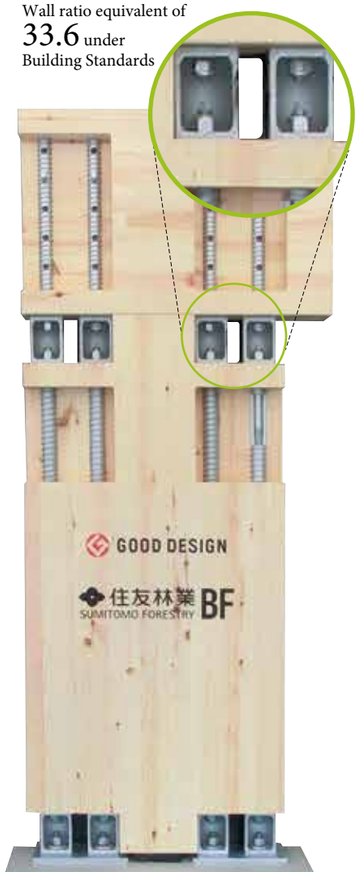
Team Manager
Structures Team
Technology Development Group
Technology and Product Development Department
Hous

Large column

Wall ratio equivalent of **22.4** under Building Standards

Twin-bolt column

Wall ratio equivalent of **33.6** under Building Standards



Double column

(thickness of two large columns)

Wall ratio equivalent of **44.8** under Building Standards

Making the Most of Wood's Appeal and Challenging New Markets

Sumitomo Forestry believes that expanding the use and application of timber and wood product will contribute to the revitalization of the forestry industry. With increasing demand for wooden construction from every area of society, Sumitomo Forestry has been promoting its MOCCA business, driving wooden construction and the use of timber not only in the housing sector but also in fields as diverse as commercial and public facilities.
To lay a path for the next stage of its MOCCA business, the Company has formed business alliances with major general contractors and embarked on the challenge of entering the new markets of medium- and large-scale wooden construction.

Satoshi Iijima

General Manager
MOCCA (Timber Solutions)
Department
Housing Division

The Journey of MOCCA Business in Bringing the Unique Appeal of Timber Construction to Sectors Other Than Housing

With the dual goals of creating a sustainable society that makes the most of wood—a renewable natural resource—as well as revitalizing reforestation and forestry in Japan, we have strived to promote the use of timber. In 2010, the Japanese government enacted the Act for Promotion of Use of Wood in Public Buildings, pushing for a shift to wooden construction. In addition, the Ministry of Land, Infrastructure, Transport and Tourism in Japan aims to achieve a low-carbon society through the use of wooden buildings and is promoting Leading Projects for Wood Construction Technology.

Sumitomo Forestry has always advocated manufacturing that makes the most of the appeal of wood, and in light of such social changes the MOCCA (Timber Solutions) Department was established in April 2011 directly under the president. Based on the concept of "MOCCA, a future society inspired by wood," we promoted our MOCCA business, which aims to drive wooden construction and the use of timber in a diverse array of buildings other than housing. In April 2013, the Company changed the Japanese name of the department in the Housing Division so that it could more actively promote MOCCA businesses.

The initiative proved to be fruitful, and as a result the Company has since accumulated a wealth of accomplishments and expertise when it comes to exploiting the benefits of wood as a natural resource in a diverse range of sectors, including kindergartens, nursing homes, hospitals, stores, and factories.

Entering the New Fields of Medium- and Large-Scale Wooden Construction

Recent years have seen an increasing call for the "warm" and "soothing" nature of wood from all areas of society, and the demands placed on wooden buildings are becoming ever higher. In addition, the use of large wooden facilities throughout the metropolitan area is being considered in preparation for the Olympic Games Tokyo 2020.

Achieving medium- and large-scale wooden construction takes expertise in both the fields of large buildings and timber, and there is a call for a company that has knowledge in both these areas. Seizing upon this "new market devoid of any players" as the next field for our MOCCA business, in December 2014 Sumitomo Forestry formed a business alliance with Sumitomo Mitsui Construction Co., Ltd. in order to establish a business model before any other company.

MOCCA Business Construction Case Studies for Fiscal 2014

Tully's Coffee, Itami

Stakeholder's Message

Located between the Japan Railway Itami Station and the Hankyu Railway Itami Station, Sakagura Street in Itami is the birthplace of refined sake. Lined with historic breweries, temples, shrines, and traditional townhouses, the street has been designated an urban design formation area. It is here that the Company built this single-story wooden café with meticulous attention to detail in terms of both design and the materials used. Customers are immersed in a cozy environment arising from the sense of space created by the vaulted ceiling and wooden spaces that help absorb sound. Enjoying a cup of coffee here is something truly special.

Itami Sangyo Beverage K.K.
President and
Representative Director
Takaichi Ogino

Kiddy Suzukicho Preschool, Kawasaki

Stakeholder's Message

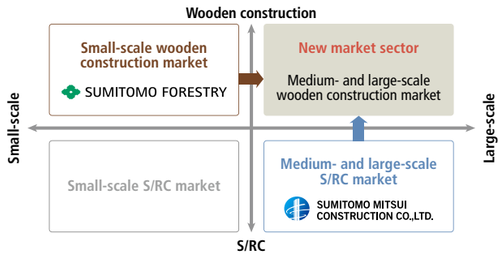
Surrounded by the warmth that is unique to wood, the Kiddy Suzukicho Preschool in Kawasaki City opened in April 2015 and has a maximum capacity of 90 children. A large cherry blossom tree stands beside the entrance and, in the building itself, a sloped ceiling with exposed beams creates a sense of space. Everyone is barefoot so that they can feel the warmth of the wood amid the homely surroundings. People who visit the preschool even remark on how nice the wood smells.

Principal,
Kiddy Suzukicho
Preschool, Kawasaki
Kayoko Iwasawa

By fusing the wooden construction techniques and expertise that the Company has cultivated as well as our unique strength of a stable supply of high-quality timber with Sumitomo Mitsui Construction Co., Ltd.'s experience and knowledge when it comes to large buildings, our two companies complement each other while aiming to become leaders in this new market.

Envisioning medium-rise buildings of between five and 10 stories, we are currently engaged in joint research for the creation of "hybrid" buildings that incorporate wooden construction techniques, reinforced concrete (RC) and steel (S). Our two companies are also establishing systems for sales and promotion activities that aim to make medium and large wooden buildings more widespread.

Business Alliance



The Journey of Mocca Business

■ MOCCA Business Trends ■ Social Trends

Custom-Built Wooden Housing → **Non-Residential Sectors** → **Medium- and Large-scale Architecture**

2010
- Act for Promotion of Use of Wood in Public Buildings is enacted
- Ministry of Land, Infrastructure, Transport and Tourism begins "Promotion of Wooden Homes Initiatives"

2011
- MOCCA (Timber Solutions) Department is established

2012
- "Promotion of Wooden Homes Initiatives" is renamed Leading Projects for Wood Construction Technology

2013
- MOCCA (Timber Solutions) Department is reorganized

2014
- A business collaboration agreement is concluded with Sumitomo Mitsui Construction Co., Ltd.

Sumitomo Forestry's Construction Experience

Sumitomo Forestry Home houses

Wooden café

Wooden manufacturing plant

Wooden nursing home



Plantation Forest Operations in Papua New Guinea

Sustainable Forest Management in Harmony with Local Communities and the Environment

In the Pacific Rim area including Asia, population growth has resulted in an increase in the demand for timber, and destructive logging has also resulted in ongoing deforestation. In order to secure a stable supply of timber resources and to help in the development of rich forests, the Sumitomo Forestry Group promotes plantation forest operations in each region.

In Papua New Guinea, the Sumitomo Forestry Group has advanced a number of initiatives since Open Bay Timber Ltd. (OBT), a company that has been engaged in large-scale forest plantation since the 1970s, was added to the Group in 2007. Based on a long-term business contract with the government, OBT has conducted community-based forest management over a long 18-year cycle from planting to logging, while also giving consideration to the natural environment and to local communities. The company has also earned the solid confidence of the community. In fiscal 2014, OBT planted about 500,000 seedlings on 797 ha of land.

By adding the company to the Sumitomo Forestry Group, the Group further strengthened its organization aimed at sustainable forest management. In 2011, the company acquired FSC™-FM certification*, an international forest certification, the first for a forest plantation project in Papua New Guinea.

Based on ongoing surveys, the company has clearly separated "high conservation value areas" and "areas for the production of timber." By protecting high conservation value forests while systematically following the process of planting, nurturing and harvesting, the company is also working to conserve biodiversity. Based on the forest certification, the company will continue to practice sustainable forest management in harmony with local communities and the environment.

* Certification for forest management granted by the Forest Stewardship Council, an international forest certification scheme.

FSC™ certified timber

Stakeholder's Message

As a representative of the local community, I have witnessed OBT's solid contribution.

OBT has played an active part in the area for over 40 years since its establishment, and has contributed to the development of our forestry industry. I have been involved in OBT's programs as both a local employee and as a land owner, and on behalf of the residents living in the area, I relish that, through its considerate business operations closely related to the lives of local residents, OBT has conducted sustainable operations that will lead not only to expansion of the company, but also to development of the local area with a view to the next generation.

Gerard Lagisa

Public Relation Officer/
Land Owner
Representative

PAPUA NEW GUINEA



Support Project for a Sustainable Forestry Industry in Japan

Development of Forest Resources through Production of "Container Seedlings" in Partnership with Gifu Prefecture

Around 70 percent of Japan's total land area is covered by forest, but given the increasing use of imported timber and the aging forestry workforce, those forests have not been adequately managed. Consequently, there are concerns about the decline in the functions of forests, such as the preservation of ecosystems and the cultivation of water sources. The Sumitomo Forestry Group aims to promote Japan's domestic forestry industry and to help community revitalization by leveraging its extensive experience and carrying out pioneering activities that contribute to the sustainability of forests and forestry.

An example of such initiatives is the production of afforestation seedlings using "container seedlings," a technology in which the Group has conducted independent research and development. "Container seedling" refers to a seedling with soil attached to its roots, grown in a special receptacle containing soil for raising the seedling. Unlike conventional bare seedlings without soil container seedlings allow for year-round planting, and so have been attracting attention as a solution to the nationwide short supply of seedlings. In March 2015, Sumitomo Forestry signed a business agreement with Gifu Prefecture to engage in the large-scale production of seedlings using container seedlings. Gifu Prefecture is one of Japan's foremost forestry prefectures, and is also active in the use of wood. For instance, it is home to a large sawmill and biomass power plant. Any active use of wood or timber requires a stable supply of logs, and seedlings are necessary for reforestation once the mature trees have been felled. The aim of this project therefore is to utilize container seedlings to achieve a stable supply of seedlings and to regenerate forest resources.

Preliminary surveys and site preparations have already begun in the area scheduled for tree breeding. Annual production of approximately 50,000 seedlings will begin before the end of fiscal 2015, and the plan is for production to reach about 200,000 seedlings of diverse varieties after three years. Facilities will continue to be gradually expanded, with an ultimate aim of a system producing one million seedlings. The production of seedlings based on a public-private agreement has attracted attention as being unusual even on a national scale. Drawing on its unique technologies and know-how, Sumitomo Forestry will continue to contribute to the active use of forest resources and to the revitalization of Japan's domestic forestry industry.

Stakeholder's Message

We hope to build a stable seedling supply system that is essential for sustainable foresting.

To achieve our prefecture's goal of "sustainable forestation," it is crucial that we develop a system that ensures a stable supply of seedlings. We invited proposals for projects that would help realize this goal, and after making a comprehensive assessment of technologies and achievements in container seedlings and of each candidate's eagerness for the initiative, we decided to adopt the proposal made by Sumitomo Forestry. Going forward, our hope is to improve production technology and promote forestry throughout the prefecture, by disseminating Sumitomo Forestry's state-of-the-art technology to seedling producers within Gifu.

Shigetaka Segami

Director
Forestry Policy
Department
Gifu Prefecture

JAPAN

Practicing Sustainable Forest Management in Japan and Overseas

Securing sources of timber supply to meet a growing demand has been an issue of recent years in emerging countries in Asia.
On the other hand, in Japan, forests have been left unmanaged as the forest industry wanes, and there are fears that the vitality of forests will diminish.
In light of these issues in Japan and overseas, the Sumitomo Forestry Group has developed its own timber procurement policy as well as programs for bringing that policy to fruition. In addition, in order to pass wood, which is a renewable natural resource, down to the next generation, the Sumitomo Forestry Group has expanded efforts for sustainable forest management in Japan and overseas, drawing on the experience and expertise it has built up.

Expansion of Our Wood Biomass Power Generation Business

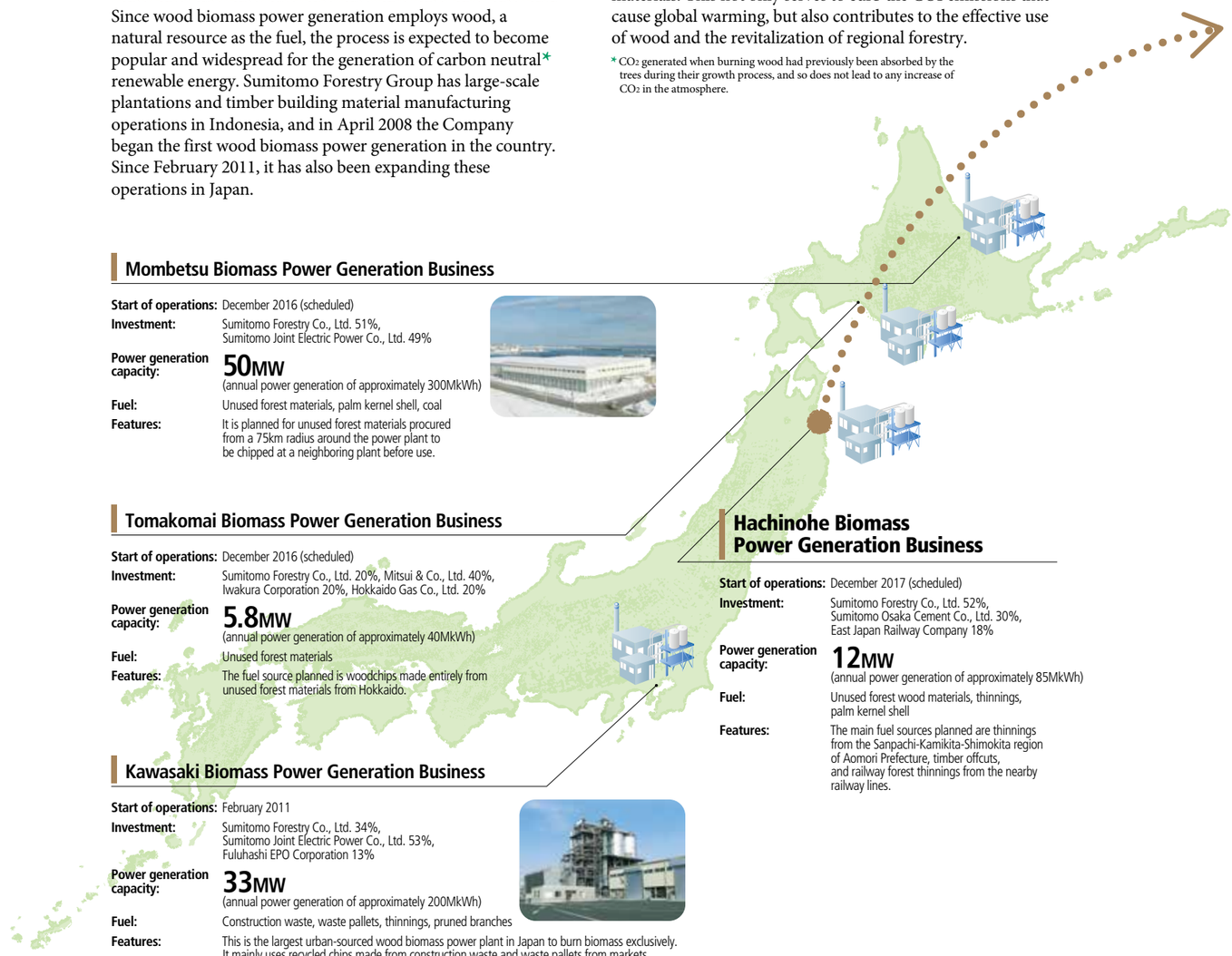
Tackling the global warming caused by increasing CO_2 emissions is a task that faces the whole of society. In light of this challenge, there is an increasing focus on the use of wood biomass to generate energy from this natural resource. Having gained the cooperation of various enterprises and forest owners' cooperatives, the Sumitomo Forestry Group is currently expanding its wood biomass power generation business at locations far and wide.

The Group's Wood Biomass Power Generation Business

Since wood biomass power generation employs wood, a natural resource as the fuel, the process is expected to become popular and widespread for the generation of carbon neutral* renewable energy. Sumitomo Forestry Group has large-scale plantations and timber building material manufacturing operations in Indonesia, and in April 2008 the Company began the first wood biomass power generation in the country. Since February 2011, it has also been expanding these operations in Japan.

The fuel consists of recycled chips made from construction waste wood as well as fuel woodchips made from unused forest materials. This not only serves to curb the CO_2 emissions that cause global warming, but also contributes to the effective use of wood and the revitalization of regional forestry.

* CO_2 generated when burning wood had previously been absorbed by the trees during their growth process, and so does not lead to any increase of CO_2 in the atmosphere.



Mombetsu Biomass Power Generation Business

Start of operations: December 2016 (scheduled)
Investment: Sumitomo Forestry Co., Ltd. 51%, Sumitomo Joint Electric Power Co., Ltd. 49%
Power generation capacity: **50MW** (annual power generation of approximately 300MkWh)
Fuel: Unused forest materials, palm kernel shell, coal
Features: It is planned for unused forest materials procured from a 75km radius around the power plant to be chipped at a neighboring plant before use.

Tomakomai Biomass Power Generation Business

Start of operations: December 2016 (scheduled)
Investment: Sumitomo Forestry Co., Ltd. 20%, Mitsui & Co., Ltd. 40%, Iwakura Corporation 20%, Hokkaido Gas Co., Ltd. 20%
Power generation capacity: **5.8MW** (annual power generation of approximately 40MkWh)
Fuel: Unused forest materials
Features: The fuel source planned is woodchips made entirely from unused forest materials from Hokkaido.

Kawasaki Biomass Power Generation Business

Start of operations: February 2011
Investment: Sumitomo Forestry Co., Ltd. 34%, Sumitomo Joint Electric Power Co., Ltd. 53%, Fuluhashi EPO Corporation 13%
Power generation capacity: **33MW** (annual power generation of approximately 200MkWh)
Fuel: Construction waste, waste pallets, thinnings, pruned branches
Features: This is the largest urban-sourced wood biomass power plant in Japan to burn biomass exclusively. It mainly uses recycled chips made from construction waste and waste pallets from markets. Various environmental protection equipment to meet Kawasaki City's strict environmental criteria.

Hachinohe Biomass Power Generation Business

Start of operations: December 2017 (scheduled)
Investment: Sumitomo Forestry Co., Ltd. 52%, Sumitomo Osaka Cement Co., Ltd. 30%, East Japan Railway Company 18%
Power generation capacity: **12MW** (annual power generation of approximately 85MkWh)
Fuel: Unused forest wood materials, thinnings, palm kernel shell
Features: The main fuel sources planned are thinnings from the Sanpachi-Kamikita-Shimokita region of Aomori Prefecture, timber offcuts, and railway forest thinnings from the nearby railway lines.

PICK UP Potential of the Hachinohe Biomass Power Generation Business

Expanding Business through Synergy with Sumitomo Osaka Cement and East Japan Railway

Since starting operations at our wood biomass power generation facility in Kawasaki City, Kanagawa Prefecture, in February 2011, Sumitomo Forestry is currently engaged in wood biomass power generation business at three locations. We have now selected Hachinohe City in Aomori Prefecture to be the fourth site of operations and established Hachinohe Biomass Power Generation Co. Ltd. in cooperation with Sumitomo Osaka Cement Co., Ltd. and East Japan Railway Company (JR East). We plan to begin operations in December 2017.

Specifically, we will build an approximately 12MW power generation facility on industrial land close to the Port of Hachinohe. Woodchips are the intended fuel source and we plan to supply the electricity generated to power companies via the feed-in tariff scheme for renewable energy.

The woodchips to be used as fuel will mostly originate from unused forest materials from the Sanpachi-Kamikita-Shimokita region of Aomori Prefecture, which will be collected with cooperation from local parties, along with thinnings from the nearby railway forests, which JR East planted to protect their railway lines from natural disasters. Some imported palm kernel shell will also be used.

Forest railway along the JR East Ominato Line

This joint venture has been realized through cooperation among three parties that each bring their own strengths to the table: The Sumitomo Forestry Group, with its various wood biomass power generation operations of various scales and expertise when it comes to accumulating unused forest materials; Sumitomo Osaka Cement Co., Ltd., with an impressive track record in implementing private power generation facilities at its cement factories and the subsidiary Hachinohe Cement Co., Ltd., which possesses detailed local knowledge; and JR East, which is actively introducing renewable energy in the north Tohoku region.

Eastern Aomori Prefecture and the Shimokita peninsula are hives of activity by private-sector material manufacturers and forest owners' cooperatives, and boast high output from both national and privately-owned forests. Having gained full cooperation from Hachinohe City, it is an ideal location for establishing the systems to procure and collect the resources that are vital for our wood biomass power generation business.

In cooperation with various partners, the Sumitomo Forestry Group will continue to actively engage in the wood biomass power generation business, which not only serves to create environmentally conscious energy, but also makes major contributions to the maintenance of local forest environments, the advancement of forestry, and job creation.

Stakeholder's Message

Biomass Power Generation Business: Aiding Recovery from the Great East Japan Earthquake

The challenges faced by the city's forestry policy so far have been those of creating demand for and the effective utilization of local timber. By using local unused wood materials as the main source of fuel for its wood biomass power generation business, Hachinohe Biomass Power Generation Co. Ltd. solves these problems. In addition, the processes of harvesting wood, manufacturing woodchips, and generating power create both jobs and an economic ripple effect, which are expected to aid recovery from the Great East Japan Earthquake as well as help revitalize the local economy. In the run-up to the start of operations in fiscal 2017, I will give my full support, both as mayor of the city and in collaboration with the prefecture at large.

Makoto Kobayashi

Mayor
Hachinohe City, Aomori Prefecture

Promoting Joint Initiatives for the Community and the Environment

JR East is actively promoting the introduction of renewable energy and is engaged in various initiatives that aim to make the north Tohoku region a "renewable energy base." In order to realize our slogan of "Thriving with Communities," we and our partner companies will activlely utilize each of our strengths in this undertaking as we strive to create green energy (cut CO_2) and make a contribution to the local community.

Hitoshi Nakajima

Deputy Director
Electrical & Signal Network System Department
Railway Operations Headquarters
East Japan Railway Company

Product Development That Leverages the Unique Perspective and Creativity of Women

A diversity of perspectives has become ever more important to provide better services and products suited to the ways people live.
The Sumitomo Forestry Group launched the Development through Women's Perspective Project to offer more comfortable and pleasant lifestyle solutions with product development and services that capitalize on women's unique creative power.
A house development is underway.

Eri Makuta
Supervisor
Training & Education Department
Housing Division

What Is the Development through Women's Perspective Project?

With the March 2013 launch of the Development through Women's Perspective Project, we aim to be a company that can earn support and brand loyalty of all women.

The project members consist of 36 female employees from a wide range of divisions, such as the Housing Division, sales branches across Japan, and Group companies. We share ideas in meetings that are held several times each month, and have conducted discussions and engaged in work for the development of specific products.

Project achievements so far include the "comama" living room space proposal and the East Hills Seya spec homes in Ikoma-gun, Nara Prefecture. All nine houses on the East Hills Seya estate were sold within six months after completion.

Leveraging the Unique Perspective and Creativity of Women in Product Development

Building on our achievements so far, February 2015 saw the Tokyo opening of our new "konoka" model house, which was designed to incorporate the opinions of female customers. Sales of the products commenced in April.

In developing "konoka," we wanted to reflect the thoughts not only of those building the house, but also of the people who would live in the house. To achieve this, we collaborated with Shueisha's women's magazine "LEE," whose readers mainly consist of the parenting generation in their 30s and 40s. Employing reader surveys that received over 1,000 responses and group interviews of readers who intend to purchase a home in the next five years, we garnered views and concerns on ideal floor plans and interiors. Through this, we learned that the space of greatest importance to women in a new home is the living room and that many want to live feeling enriched, cherishng their own style. The members empathized with these findings.

Applying our findings to the product development process, we developed concepts and materials that would resonate with customers, and made maximum use of the knowledge and techniques that the members had acquired in our day-to-day work. This was applied throughout every aspect of product development, right down to how customers are treated.

For example, a high proportion of our salespersons are male, but we focused on having them understand how women think and feel before beginning marketing. To achieve this, we strived to promote this concept within the company by utilizing nationwide area meetings in which the members could convey the product development history as well as the way women think to sales managers and exhibition managers.

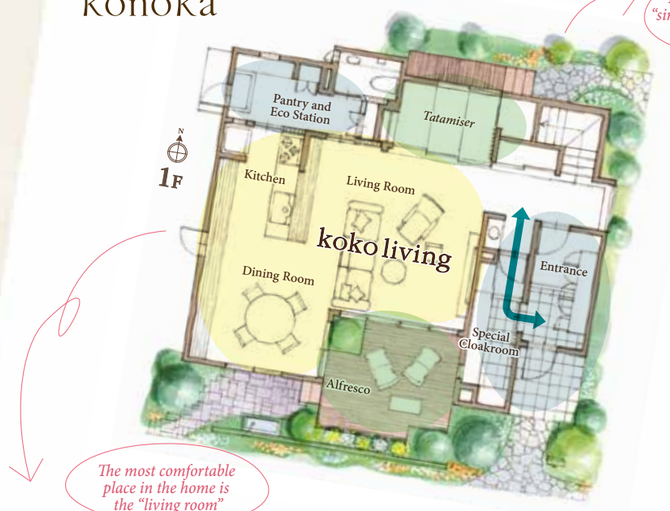
This project has not only made it possible for female employees to cooperate across divisions, but has also allowed us to utilize the experience gained through our day-to-day work and engage in new areas such as product development and product promotion. This has been a valuable experience for all of the members involved.

We will continue to utilize the multiple perspectives cultivated through this project to drive the building of homes that place importance on the viewpoints of the people who will be living in them.

Development through Women's Perspective Project Timeline

Home Building That Incorporates the Voices of Female Customers

konoka



The favorite interior style is a "simple" style that makes the most of natural materials such as wood

The most important part of everyday life is "the happy family circle" and "my own time"

The most comfortable place in the home is the "living room"

Things associated with an affluent lifestyle are "high quality" and "long lasting"

Style

Propose natural interior styles

Garden

Propose a garden style that allows people to enrich every day with flowers and greenery

Living

Home building that focuses on the living room

Accent

Develop fixtures and materials that people become attached to

Voices of Customers

We have received many messages of support for the development of an ideal home that is inspired by female perspectives.

"The thorough care and attention in bringing female feelings to this home give me a sense of affinity with it."

"It's impressive how every area of the house is a place where women can feel relaxed."

"I love the woody feeling from the knots in the wood and the way grain has been used in the flooring."

Initiatives to Promote the Active Involvement of Female Employees

One of the Sumitomo Forestry Group's action guidelines is "Respect for Humanity." Based on this principle, it respects all differences, such as age, gender, nationality, race, religion, disability and so on, and is promoting diversity management that is key to the Groups's competitiveness. As part of this effort, it released the Sumitomo Forestry Group Declaration on Empowering Women in December 2013 and is endeavoring to optimize systems and create an encouraging work environment for the active involvement of female employees.

Main Human Resources Data for Fiscal 2014

Proportion of female employees:	Proportion of female managers:	Number of parental leave users*1:	Number of short working hours system users*1, 2:	Number of telecommuting system users*1:
19.2% (fiscal 2013: 18.4%)	2.6% (fiscal 2013: 2.2%)	40 (fiscal 2013: 41)	32 (fiscal 2013: 29)	19 (fiscal 2013: 21)

*1. Includes men and women
*2. Total of short working hours system users and 4-day work week users

CSR Management of the Sumitomo Forestry Group

"Sumitomo Forestry Group CSR Material Issues and Mid-Term CSR Management Plan"

Contribute to a Sustainable and Prosperous Society through Businesses that Capitalize on Wood
Sumitomo Forestry's CSR Management

Corporate Philosophy and CSR Management of the Sumitomo Forestry Group

Corporate Philosophy and CSR Management of the Sumitomo Forestry Group

Based on its Corporate Philosophy of "utilizing timber as a renewable, healthy, and environmentally friendly natural resource, and contributing to a prosperous society through all types of housing-related services" and its Action Guidelines, the Sumitomo Forestry Group has established such policies as, an Environmental Policy and a Procurement Policy, as well as various guidelines. In addition, the Group has also prescribed "Our Values and Ideals" as a set of ethical guidelines for all Sumitomo Forestry Group employees, and carries out business activities in accordance with these.

Furthermore, based on ISO 26000, the international standard requiring organizations to practice social responsibility, the Sumitomo Forestry Group actively communicates with all stakeholders. Incorporating the Group's shared values into its brand message "Happiness Grows from Trees," it will further promote CSR management, thereby contributing to a sustainable society.

Corporate Philosophy

The Sumitomo Forestry Group utilizes timber as a renewable, healthy, and environmentally friendly natural resource, and contributes to a prosperous society through all types of housing-related services.

Action Guidelines

Sumitomo Spirit
We conduct business that is beneficial to society based on the principles of integrity and sound management.

Respect for Humanity
We work to create an open and inclusive corporate culture that values diversity.

Environmental Responsibility
We are dedicated to effectively addressing environmental issues with the aim of achieving a sustainable society.

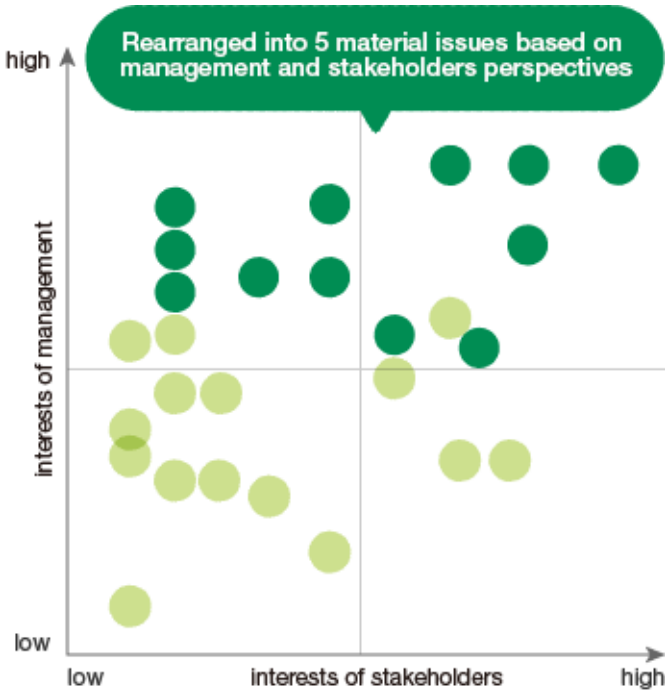
Putting Customers First
We are thoroughly committed to customer satisfaction through the provision of high-quality products and services.

Identifying the Sumitomo Forestry Group CSR Material Issues

Following changes in the economic, environmental and social situation, in March 2015, the Sumitomo Forestry Group identified new CSR material issues to replace the ones specified in 2008.

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

After incorporating management perspectives, the survey results were mapped out against axes of "management" and "stakeholders," before determining the materiality of each issue. 12 of these issues were identified as being highly material, and rearranged into 5 issues for the Sumitomo Forestry Group CSR Material Issues.



the Sumitomo Forestry Group CSR Material Issues

- Continue to procure wood and materials that take sustainability and biodiversity into considerations
- Promote the reduction of the environmental impact of business activities
- Promote the development of workplaces where diverse personnel can work with vigor and enthusiasm, demonstrating their abilities and individuality
- Strengthen and promote risk management and compliance mechanisms
- Promote the development and sale of products and services that are safe, reliable and environmentally conscious

Formulating the Sumitomo Forestry Group Mid-Term CSR Management Plan

In March 2015, the Sumitomo Forestry Group formulated the Sumitomo Forestry Group Mid-Term CSR Management Plan with fiscal 2020 as its target year.

The Plan sets basic strategies and specific targets aimed at resolving the five “Sumitomo Forestry Group CSR Material Issues” which were mapped out based on “management” and “stakeholders” perspectives. Regarding social and environmental issues to be accomplished by fiscal 2020, each Group company and department has commenced initiatives starting in fiscal 2015 aimed at achieving targets segmentalized for each fiscal year.

A PDCA cycle is steadily followed, with progress and attainment of the annual targets based on the Sumitomo Forestry Group Mid-Term CSR Management Plan being regularly checked twice a year by the Executive Committee, which is attended by those directors who also serve as executive officers as well as by senior statutory auditors.

The Sumitomo Forestry Group aims to promote CSR management even further.

Aiming to Enhance CSR Management for Fiscal 2020

"Sumitomo Forestry Group CSR Material Issues and Mid-Term CSR Management Plan"

Key Issue 1

Continue to procure wood and materials that take sustainability and biodiversity into considerations

As the world's forests continue to decrease in size as a consequence of illegal logging, excessive slash-and-burn farming and other practices, various countries are proceeding to introduce laws and strengthen regulations to eliminate illegally logged timber from the market. Meanwhile, in Japan, maintenance of forests, and of planted forests in particular, has halted in part because of an aging and declining forestry workforce, and there are growing concerns about some forests becoming devastated.

Amid this situation, the Sumitomo Forestry Group is engaged in business centered around wood, and is promoting sustainable forest management and sustainable procurement of wood both in Japan and overseas.

Furthermore, since its fields of business are directly linked to forests that nurture biodiversity, the Group has positioned conserving biodiversity as one of its key CSR themes.

Med-Term CSR Management Plan

	Current awareness of issues and basic strategies	FY2020 targeted values (summary)
Environmentally Responsible Society	Increase volume of sustainable wood handled, and utilize sustainable forest resources by verifying legality	Volume of certified timber, plantation timber and Japanese timber handled **783,000 m³** Export of Japanese timber logs **200,000 m³** Volume of certified timber (SGEC*) handled in Japanese timber **85,000 m³** Ratio of Japanese timber used in each construction method in the housing business: Multi-Balance Construction Method **75 %**; Big-Frame Construction Method **55 %** Ratio of certified timber, plantation timber and Japanese timber used in building materials industry: Individual company targets Volume of unused forest materials handled **185,000 t**
	Establish forestry management that enables conservation of biodiversity, and value as natural capital	Forest certification (SGEC) of Company-owned forests **100 %**

Examples of initiatives

Sale of environmentally conscious plywood, *KIKORIN-PLYWOOD*

Monitoring surveys conducted in Company-owned forests

Key Issue 2

Promote the reduction of the environmental impact of business activities

As the impact of climate change becomes more urgent globally, companies are being asked to reduce their emissions of greenhouse gases as a measure to counter global warming.

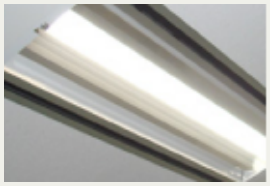
Being engaged in the housing business and in the timber, building materials and sawn wood businesses, the Sumitomo Forestry Group is considerate of its impact on the environment, and is committed to reducing the volume of greenhouse gases emitted from its business activities.

Furthermore, in an effort to reduce its environmental impact and to use resources effectively, the Group promotes the reduction, recycling and reuse of industrial waste.

Med-Term CSR Management Plan

	Current awareness of issues and basic strategies	FY2020 targeted values (summary)
Low-Carbon Society	Reduce CO_2 emissions in Group	Total CO_2 emissions in office segment Reduction in emissions compared to FY2013 **7%** Total CO_2 emissions in non-offices segment, such as manufacturing companies inside and outside Japan **Individual company targets**
Recycling society	Achieve zero emissions	Recycling rate at new housing construction sites **98%**
	Reduce volume of industrial waste generated	Reduction in industrial waste generated by new construction sites compared to FY2013 **30%**

Examples of initiatives



Introduction of environmentally conscious lighting into offices and manufacturing sites

Operation of the Metropolitan Area Recycling Center, capable of undertaking the advanced sorting of waste

Key Issue 3

Promote development of workplaces where diverse personnel can work with vigor and enthusiasm, demonstrating their abilities and individuality

The Sumitomo Forestry Group aims to foster a safe and healthy 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 released the “Sumitomo Forestry Group Declaration on Empowering Women.” It was issued to the entire Group under the name of the President, and has been the basis for subsequent efforts.

Med-Term CSR Management Plan

Current awareness of issues and basic strategies	FY2020 targeted values (summary)		
Promote fair employment and treatment	Female employees in management position At least 5% * Non-consolidated	Female employees At least 20% * Non-consolidated	Disabled employees At least 2% * Achieve statutory ratio
Promote work-life balance	Paid leave usage At least 10 days / year	Overtime working hours No more than 35 hours / month * Adjusted prescribed working hours to 8 hours	
Strengthen occupational health and safety	Number of occupational injuries / Number of injuries resulting in absence from work Zero		

Examples of initiatives

Preliminary meeting for development of products under the Development through Women’s Perspective Project

Safety inspection at a building construction site

Key Issue 4

Strengthen and promote risk management and compliance mechanisms

The Sumitomo Forestry Group is working to reinforce its mechanism for managing business risk—which also encompasses Group companies—by constantly managing prioritized risks through the Risk Management Committee.

Med-Term CSR Management Plan

Current awareness of issues and basic strategies	FY2020 targeted values (summary)
Strengthen risk management framework	Risk management using prioritized risk items set by Risk Management Committee

Key Issue 5

Promote the development and sale of products and services that are safe, reliable and environmentally conscious

Sumitomo Forestry believes that popularizing durable, high-quality houses as social assets plays an important role in creating a prosperous society. In addition, Sumitomo Forestry actively promotes the use of the Excellent Long-term Housing Certification and the Japanese Housing Performance Indication System for customer's peace of mind and safety and in order to enhance property value.

Med-Term CSR Management Plan

Current awareness of issues and basic strategies	FY2020 targeted values (summary)	
Improve safety and quality	Ratio of design performance and construction performance evaluations implemented At least 90%	Ratio of Excellent Long-term Housing certifications acquired At least 90%
	Ratio of leased vehicles fitted with automatic braking systems 70%	
Improve communication with customers	Pass rate for after-sales maintenance advisors and housing inspectors 100% * All persons assigned to Sumitomo Forestry Home Tech Co., Ltd. in charge of maintenance	Ratio of early completion of handing the as-built drawing 90%

Examples of initiatives

Sumitomo Forestry Home houses set the standard specification to meet "Excellent Long-term Housing" standards

Corporate Governance

Management System

Corporate Governance Guidelines

Sumitomo Forestry Co., Ltd. (the “Company”) seeks to ensure management transparency as well as appropriateness and legality of its business and strives to promote expeditious decision-making and business execution under the Sumitomo Forestry Group‘s corporate philosophy of “utilizing timber as a renewable and environmentally friendly natural resource, and contributing to a prosperous society through all types of housing-related services,” following one of our Action Guidelines that requires us to “conduct business that is beneficial to society based on the principles of integrity and sound management.” 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.

Corporate Governance and Internal Control

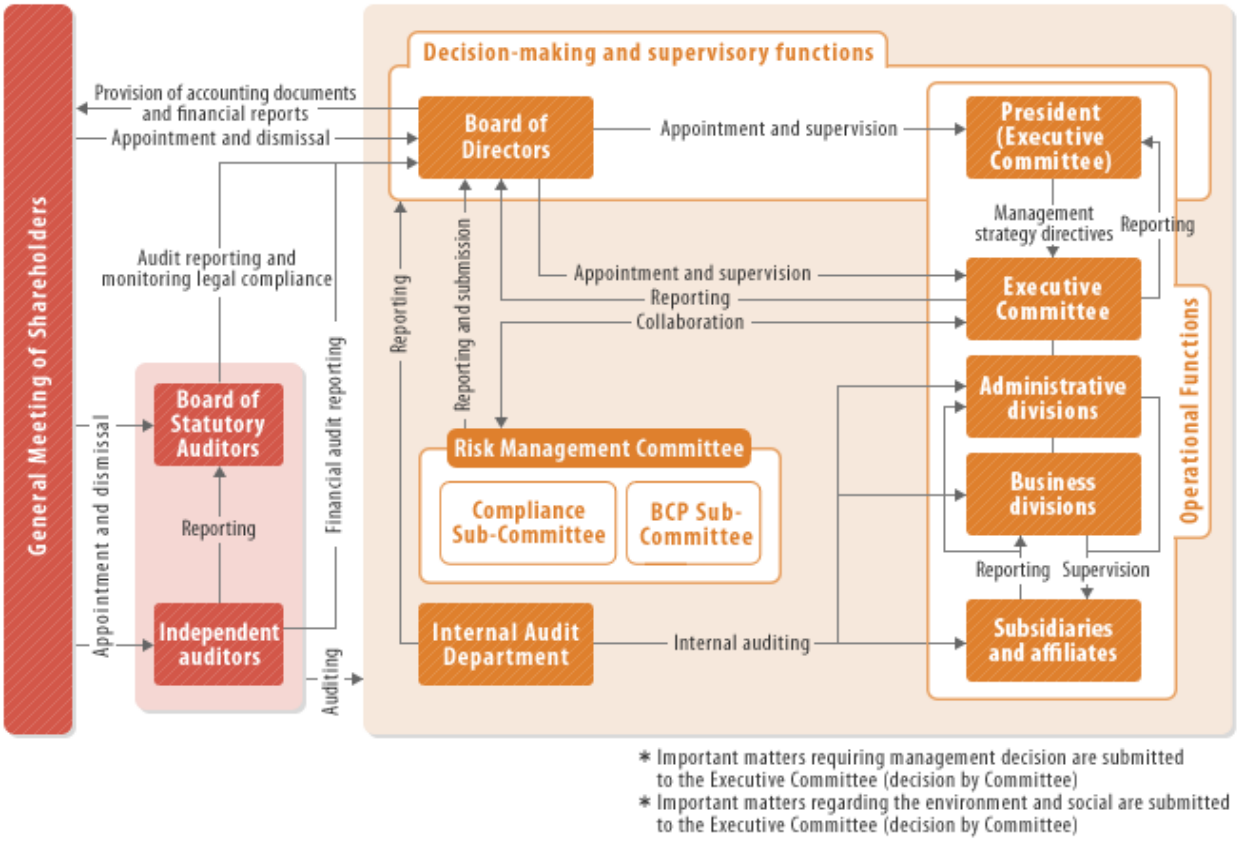
Sumitomo Forestry introduced the executive officer system to separate decision making and management oversight from operational execution functions. Comprised of nine directors (eight male, one female) including one external director (female), the Board of Directors is structured to take quick decisions. 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.

Sumitomo Forestry has a board of company auditors. In addition to attending important meetings within the Company, the 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 June 23, 2015, nine directors (including one external director), five auditors (including three external auditors) and 19 executive officers had been appointed to the Company. The external director (one) and external auditors (three) have been registered as independent officers in accordance with stock exchange regulations.

▸ List of Directors and Executive Officers (link to Corporate Information)

Corporate Governance Structure (as of June 23,2015)



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.

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.

In fiscal 2014, the Board of Directors and the Executive Committee met 15 times and 29 times respectively. Six of the nine directors attended all 15 meetings, and the three directors appointed at the 74th Ordinary General Meeting of Shareholders held on June 20, 2014, attended all meetings thereafter.

Board of Statutory Auditors

The Board of Statutory Auditors meets to discuss and make decisions on important matters regarding audits. The five auditors, including the three external 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 2014.

The Board of Statutory Auditors for the Group is comprised of the full-time auditors from Sumitomo Forestry and the auditors from the Group companies. It meets once every two months to exchange information and improve the effectiveness of the audits undertaken at Group companies.

Attendance of External Auditors at Meetings of the Board Directors and Board of Auditors (FY2014)

Name and area of expertise		Board of Directors		Board of Statutory Auditors	
		No. of meetings attended	% of meetings attended	No. of meetings attended	% of meetings attended
Satoshi Teramoto	Certified Public Accountant	15	100%	14	100%
Shin Nagata	Professor at the Graduate School of Agricultural and Life Sciences at The University of Tokyo	13	87%	13	93%
Katsuhide Kurasaka	Senior Advisor of Sumitomo Electric Industries, Ltd.	12※	100%	11※	100%

1. Katsuhide Kurasaka was appointed as a Statutory Auditor at the 74th Ordinary General Meeting of Shareholders held on June 20, 2014, and attended all meetings of the Board of Directors and of the Board of Statutory Auditors thereafter.

Risk Management Committee

Information concerning the Risk Management Committee appears under “Risk Management Framework.”

Risk Management Framework

Internal Audits

Every year, 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 Sumitomo Forestry Group, and conducts internal audits on them. The business 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 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 auditors, as well as to the manager responsible for the business site and the executive officer or director in charge of the business site. Furthermore, if any indications have been made, the department checks the improvement efforts implemented at the business site, such as by examining documents and conducting quarterly follow-up reviews, and reports on these to the President and to the executive officer in charge of internal audits.

Officer Remuneration

In accordance with laws and regulations, Sumitomo Forestry discloses the remuneration paid to officers (directors and auditors, separated into external and internal) each fiscal year.

Total Remuneration, etc. Paid to Directors and Auditors (FY2014)

Category	Number	Total amount
Directors	10	487 million yen
Auditors	7	76 million yen
Total	17	563 million yen

1. The figures above include one director and two auditors who retired at the conclusion of the 74th Ordinary General Meeting of Shareholders held on June 20, 2014.
2. The total remuneration, etc. paid to directors does not include remuneration as employees nor any compensation paid for the execution of other duties.
3. The total remuneration, etc. paid to directors includes a total of 130 million yen for bonuses to directors, which was resolved at 75th Ordinary General Meeting of Shareholders held on June 23, 2015.
4. At the 74th Ordinary General Meeting of Shareholders held on June 20, 2014, a resolution was passed for the maximum amount of monthly remuneration for directors to be no more than 36 million yen per month (no more than 2.5 million yen per month for the external director).
5. At the 74th Ordinary General Meeting of Shareholders held on June 20, 2014, a resolution was passed for the maximum amount of monthly remuneration for auditors to be no more than 8 million yen per month.

Total Remuneration, etc. Paid to Outside Officers (FY2014)

Number	Total amount
5	37 million yen

1. The figure above includes one auditor who retired at the conclusion of the 74th Ordinary General Meeting of Shareholders held on June 20, 2014.

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.

The Company also established the Risk Management Committee, comprised of the Company president as chairperson, together with all of executive officers. Each executive officer identifies and analyzes the priority risks to be addressed in their respective area of responsibility, including at Group companies, and formulates plans for managing those risks. These are then shared and discussed at quarterly meetings of the Risk Management Committee.

A Compliance Subcommittee and a BCP Subcommittee have also been established under the command of the Risk Management Committee. These are chaired by the general manager of the General Administration Department, and are comprised of the executives in charge of risk management at each Group company. These subcommittees carry out specific activities for increasing effectiveness against “compliance risk” in relation to the Construction Business Act and other core businesses, and against “business interruption risk” such as large-scale disasters, which are both regarded as cross-sectional risks affecting the Group.

A framework has been established whereby reports on these activities are submitted to and reviewed at the Board of Directors, and the outcomes reflected in the execution of business. During fiscal 2014, the Risk Management Committee and the two subcommittees met four times each, and reports were also submitted to the Board of Directors four times.
During fiscal 2015, in order to respond properly to changes in the risks faced by the Sumitomo Forestry Group, the Company will strengthen its risk management framework, by taking stock of its managed risks and by following a PDCA cycle in making continuous improvements with respect to the priority risks selected in fiscal 2014.

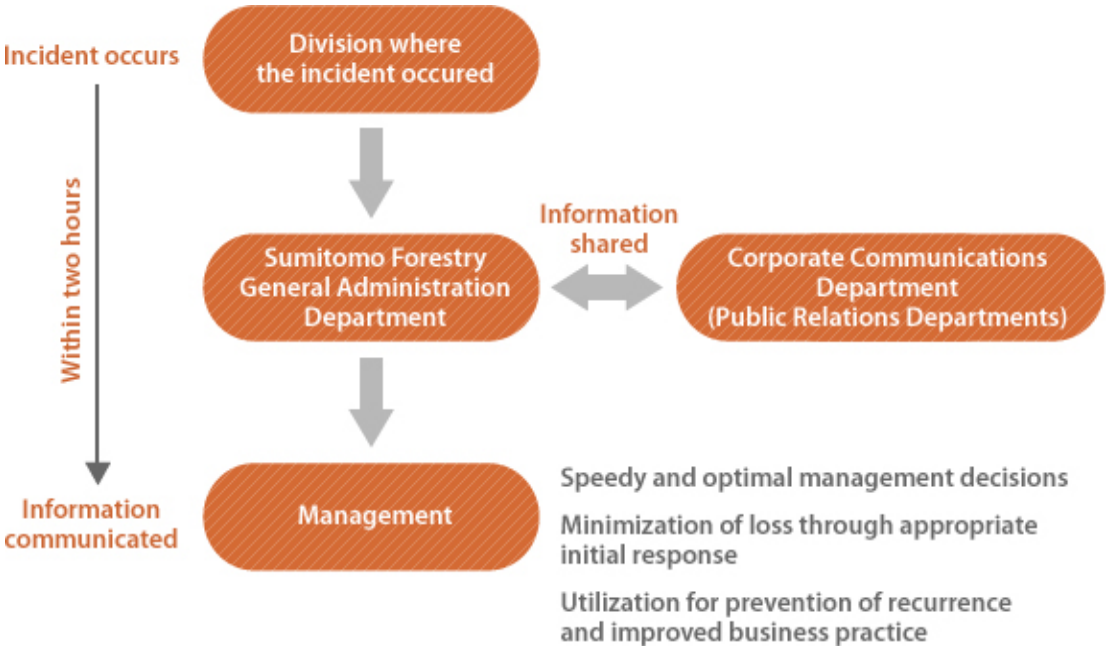
- Securities Reports / Internal Control Reports
- Compliance
- Business Continuity Management

Rapidly Comprehending and Dealing with Risks

The Sumitomo Forestry Group operates a 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 facts are disclosed to stakeholders properly and in a timely manner.

Corporate Communications Department(Public Relations Departments)



Compliance

Compliance Promotion Framework

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 and other laws, for efficient response to compliance risk. During fiscal 2014, the subcommittee met four times, and continuing on with its Group-wide initiatives from the previous fiscal year, it worked to make continuous improvements to its compliance system, such as making a comprehensive examination of risks with respect to legal requirements, such as for business activities requiring government permits and licenses.

In addition, by acquiring the latest knowledge in the field through compliance seminars featuring external expert instructors, the Company endeavors to align the perspectives of those persons throughout the Group who are responsible for compliance, working bottom-up. The seminars also provide an opportunity to build an awareness of dangers that can be shared across the Group.

In addition to making monthly reports on these activities 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 Group Audit Committee. Thus, the Group has developed a system for promoting compliance in its lines of business execution using internal and external approaches.

Compliance Training

In order to heighten awareness among each and every employee about compliance, Sumitomo Forestry conducts compliance training for new employees to promote their understanding about traffic safety, information security and intellectual property. In fiscal 2014, training was delivered to 243 new graduate recruits and 70 mid-career recruits. Compliance training was also provided to groups of employees at specific levels, including “Training for Management” and “Training for New Managers.”

Furthermore, two e-learning courses, “Legal Compliance and Risk Management” and “Information Security” have been set as compulsory courses to be taken by all Group employees, and employees are required to take these courses every year. In addition, each Group company in Japan and overseas also has its own arrangements for training, such as for new employees.

Compliance Counter

The Sumitomo Forestry Group is committed to creating a workplace environment equipped with a self-corrective function for catching any impropriety concealed in day-to-day operations at an early stage. To this end, the Group established the Compliance Counters (advice desks) in 2002.

The Group has two Compliance Counters, one within the Group (general manager of the General Administration Department) and one external to it (lawyer), ready to provide advice and receive reports via telephone or a dedicated email address. The Counters not only assist Group company employees but are available for anyone who works continuously for the Group, such as employees at collaborative workshops. As well as stipulating in the relevant regulations and user manual about the protection of rights for persons seeking advice or making reports, and publishing this on the Sumitomo Forestry intranet, the user manual is also distributed to all Group employees.

In fiscal 2014, the Compliance Counters were contacted 11 times about such topics as the workplace environments and working hours. In cases where the facts were confirmed, in addition to implementing the necessary corrective measures, initiatives were promoted aimed at preventing recurrence including using these examples in training for managers.

Manual for the Compliance Counters

Preventing Corruption

In April 2013, Sumitomo Forestry established its Regulations for Prevention of Bribery of Officials including Public Servants. These are aimed at preventing illegal corruption both in Japan and overseas.

One of the Company's CSR targets is the establishment of separate regulations at consolidated subsidiaries in Japan during fiscal 2014. Furthermore, consolidated subsidiaries overseas will conduct risk analysis, prepare regulations, implement staff training and promote general awareness. Subsidiaries in China have already prepared and implemented regulations.

Promotion of Fair Competition and Appropriate Transactions with Subcontractors

For the purpose of promoting fair competition, Sumitomo Forestry published the Antimonopoly Act Guide Book, and via its intranet website and through training for new general managers, 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.

Given that the Group's business activities are supported by many business partners, every year, Sumitomo Forestry also makes a comprehensive examination of its compliance with the Subcontract Act and the Construction Business Act for the purpose of promoting appropriate transactions with subcontractors. During fiscal 2014, the Company worked on appropriately dealing with risks that change because of legislative changes, such as adding a check item for ensuring that the increase in consumption tax is properly passed on.

Rejection of Influence from Anti-Social Elements

The Sumitomo Forestry Group's basic policy is that the "influence from anti-social elements will be met with a resolute attitude and no compromises will be tolerated."

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 elements, 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 crime syndicates, 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 elements.

To further strengthen its efforts, since fiscal 2013, the Company has requested that all business partners, including its existing contracted partners, provide declarations guaranteeing that neither they nor their parent, subsidiary or subcontracting companies are anti-social elements.

Prevention of Traffic Accidents and Violations

Given that the Sumitomo Forestry Group has a fleet of about 7,000 vehicles used for either work or commuting in Japan, it promotes use of a standard Group system for safe driving to manage the risks associated with traffic accidents and violations.

Specifically, as well as establishing related rules, standardizing accident report forms, and acquiring Certified Driving Records,1 Sumitomo Forestry has rolled out a Safe Driving Management System to each Group company which centrally manages basic driver and vehicle information (licenses, traffic violation histories, vehicle inspections, insurance, etc.), and has established systems for ensuring that the fulfillment of statutory obligations and driver instruction are carried out in a timely and appropriate manner.

Sumitomo Forestry also holds monthly meetings for the Safe Driving Working Group, which is comprised of safe driving coordinators from Head Office and business divisions. The group shares and analyzes the state of traffic accidents and violations, helping in the formulation of prevention measures and awareness-raising activities.

Furthermore, Sumitomo Forestry also conducts driving aptitude assessments authorized by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), targeting new employees who are at a greater risk of accident due to insufficient driving skills and experience, so that they can be aware of their own driving aptitude. Training is also provided to give participants hints on how to avoid traffic accidents and so that they can reaffirm their mental readiness for safe driving.

1. A certificate issued by the Japan Safe Driving Center showing a driver's violations and administrative punishments, etc.

Business Continuity Management

Management System

System for Managing Business Continuity

To counter risks which could significantly impact Head Office functions and are beyond a company's capacity to prevent, such as natural disasters and new strains of influenza, Sumitomo Forestry has established the BCP Subcommittee. The subcommittee sits under the Risk Management Committee, is chaired by the general manager of the General Administration Department and is comprised of the persons responsible for risk management at each Group company. Additionally, the Company promotes initiatives based upon business continuity plans (BCP).Since Sumitomo Forestry Group companies are an integral link in the supply chain of one another's business, each Group company is committed to constantly improving the resilience of the whole Group, and tackling Group-wide issues with the intention of enhancing business continuity.

BCP simulation training

In fiscal 2014, Sumitomo Forestry held meetings of the BCP Subcommittee on four occasions. Estimates for damage sustained in the event of an earthquake centered directly under the Tokyo metropolitan area or some other large-scale disaster had been revised following the Great East Japan Earthquake and were reconfirmed; training of an international standard was held on business continuity management, with instruction provided by an expert invited from outside the Group; and various training programs were planned and implemented.

Measures for Employee Safety and Systems for Business Continuity

Disaster Prevention Cards, Safety Verification System

Disaster Prevention Cards have been distributed to all Group employees, promoting the basic response procedure to take in the event of a disaster. A safety verification system has also been introduced, allowing the safety of employees to be checked quickly in the event of a natural disaster. Drills using this system are conducted every year.

In fiscal 2013, Sumitomo Forestry conducted drills using the safety verification system and the emergency contact network, divided over two occasions in November. Each Group company also conducted safety verification drills.

Disaster Prevention and Damage Minimization Measures

By way of preparation for employees walking long distances back home on foot or those stranded at the office unable to return home in the event of a massive earthquake, Sumitomo Forestry has stipulated a minimum stockpile of common emergency supplies for each workplace, and has had these distributed to all Group bases. In particular, at bases in large metropolitan areas (Tokyo, Osaka, and Nagoya), where it is expected there would be large numbers of stranded employees, enough supplies have been stored for employees to stay at the office for up to three days.

Also, when selecting new offices and other facilities, rather than deciding merely on cost and convenience, the person responsible for disaster prevention at Head Office gets involved, and measures for preventing disasters and reducing damage are implemented, such as measures for preventing office equipment from falling over and multifunction printers on wheels from rolling.
Furthermore, Sumitomo Forestry has also implemented measures from a perspective of data integrity, such as backing up data at locations physically distant from the data center.

BCP Simulation Training

In order to overcome the chaos immediately after a large-scale earthquake strikes and to transition quickly to action for business continuity, it is vitally important that the people in charge can make an initial response and can make decisions according to the situation at hand. For this reason, since fiscal 2011, the Sumitomo Forestry Group has continued to conduct BCP Large Scale Earthquake Countermeasures Simulation Training, targeted at the persons in charge at each Group company. The aim of this training is to get participants to experience a simulated “crisis” in an earthquake and to acquire an awareness of the issues, by getting them to make spur of the moment decisions again and again based on rigorous hypothetical scenarios. During the training, since Group companies from neighboring areas are assembled together in one place, another aim of the exercise is to share an awareness of risks and to strengthen cooperation among them in an emergency. To date, a total of more than 300 people have participated in this training.

Systems have also been developed so that, in situations where employees find getting to work difficult, payment of salaries, payments to business partners and other important business operations can still be carried out from home or other remote locations while maintaining a high level of security. Simulation drills for this have also been conducted every year.

Overseas Representatives

To ensure that employees stationed abroad and accompanying family members can receive appropriate treatment if they suffer an accidental injury or get sick while overseas, the Company has introduced a service for referring employees and their families to medical providers and making necessary arrangements.

Based on the *Overseas Crisis Management Manual*, which prescribes safety management systems for employees overseas, Sumitomo Forestry also carries out an annual review of *Advice for Employees on Business trips or Resident Overseas*, which lists the risks present in each country where Sumitomo Forestry conducts business. Making use of the manual above, the Company also provides guidance to all new representatives being posted overseas.

Disaster Prevention Card

Overseas Emergency Contact Card

Supply Chain Business Continuity Initiatives

In readiness for potential disruption of its housing 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.

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.

Continuity of Customer Service

- In addition to establishing nighttime call centers in Tokyo, Osaka and Fukuoka, thereby facilitating a 24-hour after-sales service, Sumitomo Forestry has also developed a mechanism whereby any call center can back up the functions of another call center in the event it is affected by a disaster.

- By managing information for each base through a unified emergency system, the Company can share damage information pertaining to owners nationwide, enabling us to respond quickly to requests for repairs.

Information Security

Information Security Policy

In order to ensure the confidentiality, integrity and availability of its information systems, the Sumitomo Forestry Group has raised the security level of its systems while maintaining the “regulation” aspects and “technology” aspects of information security in a mutually complementary manner. Based on the recognition that the protection of customer information in particular is of utmost importance, the Group continues to conduct employee training to ensure dissemination of the rules, and verifies their level of awareness.

With respect to the “regulation” aspects of information security, the Group has established the Sumitomo Forestry Group Information Asset Protection Guidelines for Group companies in Japan. At the same time, it has prepared a checklist based on these guidelines, and every year, the person responsible for the department in charge of information systems at each Group company runs a check for the purpose of ascertaining the level of information security. In fiscal 2012, the Group also formulated guidelines for Group companies outside of Japan. As for education on information security, Sumitomo Forestry has made it compulsory for all Group employees with access to its intranet (including temporary and part-time employees) to take an e-learning course on an annual basis.

On the other hand, with respect to the “technology” aspects of information security, the Group has introduced encrypted start-ups and restrictions on writing data from computers that are taken outside the Company.

Systems for Managing Information Security

Under the supervision of the executive officer in charge of information systems, the general manager of the Information Systems Department promotes 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.

Furthermore, the person responsible for each department provides guidance and management for the execution of that department's operations as the information security supervisor, and assigns an information security officer who is the working-level manager for the department's information security.

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 checks the content of the guidelines and promotes the introduction of security systems.

Initiatives to Strengthen Information Security

The Sumitomo Forestry Group has introduced a self-check system provided by an external systems supplier, and performs self-checks once a year Group-wide. During fiscal 2014, 155 employees were reviewed, with a focus on those who are responsible for promoting information security at each base.

In addition, once a year, the Group commissions an assessment from an external IT vendor and carries out a security assessment on the public websites of Sumitomo Forestry and each Group company.

Intellectual Property Management

Management System

Intellectual Property Policy

Imitation and unauthorized use of trademarks and copyrights have become one of the risks for corporate management. The Sumitomo Forestry Group strives to protect the intellectual property it creates, such as by claiming rights for proprietary technology and concealing its know-how.

The Group is also putting effort into preventing rights violations by or to the Group. It is working to raise awareness about compliance among all Group employees, not least those in the research and development departments and in the marketing and planning departments.

Systems for Managing Intellectual Property

Sumitomo Forestry established the Intellectual Property Department and it employs a number of patent lawyers on its department staff. In addition to providing support for creating intellectual property, support for filing applications and preserving rights for intellectual property, and support for concluding various technology-related contracts, the department also raises awareness for intellectual property among employees, conducts internal and external intellectual property trend analysis, and makes recommendations for the direction of research and development.

Furthermore, in order to prevent rights violations from being caused by or to the Group, the Company has also established an Intellectual Property Hotline and promotes this service to employees.

Poster advertising the Intellectual Property Hotline

Initiatives for Intellectual Property

Intellectual Property Education

The Intellectual Property Department conducts classroom training for Sumitomo Forestry Group employees as required, for the purpose of promoting the creation of intellectual property and preventing any conflicts with the rights of other companies. Each year since fiscal 2012, a compliance-focused e-learning program for all Group employees has been conducted using the intranet. In addition, every year, Sumitomo Forestry enlists employees from research and development departments, including at Group companies, and sends them to training provided by external organizations, such as the Japan Intellectual Property Association.

Study session on intellectual property at the Tsukuba Research Institute

In fiscal 2014, the Company held two study sessions on intellectual property at the Tsukuba Research Institute in an effort to ensure thorough compliance and risk management. In addition, training on trademarks was conducted, targeted at employees in product development divisions, to emphasize the importance of trademarks and raise the level of awareness of key points.

Intellectual Property Award

The Intellectual Property Awards are conducted annually by the Group based on an Intellectual Property Award Code to recognize groups and individuals who have contributed to enhancing the Group's business competitiveness through inventions and other notable achievements.

In fiscal 2014, an awards ceremony was held at Head Office and eight employees received awards or commendations.

Education through the Company Intranet

Sumitomo Forestry has set-up a company intranet site called Intellectual Property Farm. The site provides Sumitomo Forestry Group employees with a fundamental grounding in intellectual property as well as a simple explanation about trademark rights that employees ought to understand when promoting business activities. The site also posts information on the latest topics concerning intellectual property.

Front page of the Intellectual Property Farm

With the website being used for employees to acquire knowledge and to educate them about intellectual property, its hit count has increased. The Company plans to continue enhancing the content posted on the site.

CSR Management

Management System

Corporate Policies

The Sumitomo Forestry Group's corporate philosophy advocates utilizing timber as a renewable, healthy, and environmentally friendly natural resource, and contributing to realizing a prosperous society through all types of housing-related services. In order to realize this philosophy and to develop corporate integrity deserving of the trust of society, it is imperative to achieve a balance among the three CSR aspects of economic, social contribution, and environmental activities. In this context, so that each and every employee can consider the significance of their own tasks, behavior, and interaction with society from a CSR perspective, as well as respond to the expectations of society, we have formulated a statement entitled “Our Work and CSR.” As a point of reference for Group employees for what should be considered as most important in relation to their actions, we formulated the statement, “Our Values and Ideals.”

These have been translated into English and Chinese, and have been published on the Company’s website. The Corporate Philosophy has also been translated into Indonesian, with an aim of instilling it among local Group employees.

Corporate Policies of the Sumitomo Forestry Group

- Corporate Philosophy and CSR Management of the Sumitomo Forestry Group

Corporate Philosophy

The Sumitomo Forestry Group utilizes timber as a renewable, healthy, and environmentally friendly natural resource, and contributes to a prosperous society through all types of housing-related services.

Action Guidelines

- **Sumitomo Spirit**

We conduct business that is beneficial to society based on the principles of integrity and sound management.

- **Respect for Humanity**

We work to create an open and inclusive corporate culture that values diversity.

- **Environmental Responsibility**

We are dedicated to effectively addressing environmental issues with the aim of achieving a sustainable society.

- **Putting Customers First**

We are thoroughly committed to customer satisfaction through the provision of high-quality products and services.

Our Work and CSR

By utilizing Sumitomo Forestry's unique expertise on timber and housing, we intend to create “spiral of happiness,” based on the keywords of “utilization,” “development,” and “bringing together,” that will lead to the individual development of employees, customers, local communities and the earth's environment.

Joy in Utilizing Sustainable Resources

1. Utilize Timber
2. Utilize Forests
3. Utilize Traditions

Joy in Development

1. Nurture Families
2. Develop Homes
3. Foster Communities

Joy in Bringing People Together

1. Bring Employees Together
2. Bring Society Together
3. Bring the World Together

Our Values and Ideals

The Group sets great store by the following three ideals: "Inspire Emotion," "Blaze a Trail to the Future," and "Act with Dignity."

1. Inspire Emotion

1. Customer Satisfaction
2. Partnership
3. Independence and Support
4. Freedom and Vigor
5. Reflection and Learning

2. Blaze a Trail to the Future

1. Sustainable Development
2. Respect for Families
3. Accumulation and Creation
4. Giving Back to the Community
5. Environmental Responsibility

3. Act with Dignity

1. Passing on Sumitomo's Business Spirit
2. Legal Compliance
3. Information Handling
4. Respect for Human Rights and Diversity
5. Autonomous Actions

Sumitomo Forestry's Business and CSR

The history of Sumitomo Forestry dates back more than 320 years. At the time, the Besshi Copper Mine in Shikoku in Japan was being constructed, and so wood was in great demand for use as props in mine shafts and as fuel. Sumitomo Forestry's business originates in the management of the forests around the mine. Soon after the beginning of the Meiji era, Sumitomo carried out a large-scale reforestation plan to restore the mountain forests of Besshi which had been devastated due to overharvesting and smoke pollution. Having planted more than one million trees annually in some years, Sumitomo succeeded in returning the mountains surrounding Besshi to their original lush condition we see today. The spirit behind this "sustainable forestry," of continuing to utilize resources while protecting the environment through a pattern of logging followed by planting, is harnessed by Sumitomo Forestry in its current operations.

Society has significantly changed in recent years as a result of the global environmental problems and social issues that have emerged. As a corporate group that conducts forest management and provides timber and homes to customers both within Japan and overseas, Sumitomo Forestry Group believes that it can play a significant role in resolving these problems.

Business of the Sumitomo Forestry Group

Environment and Resources Business

Based on the principle of sustainable forestry, the Sumitomo Forestry Group carries out systematic forest management across about 46,000 hectares of vast Company-owned forests in Japan, and is actively engaged in the supply of timber and the revitalization of the forestry industry. The Group promotes sustainable forest operation overseas, managing some 200,000 hectares of plantation forest. The Group also contributes to the preservation of biodiversity and the development of local communities. Consulting services are also provided in Japan and overseas, meeting the diversifying needs of forestry management.

Environment and Energy Business

The Group is committed to promoting energy businesses that utilize wood resources and natural energy. With wood biomass power generation, the Group is currently participating at four facilities in Japan using construction debris and unused forest materials as fuel, thereby contributing to the supply of environmentally conscious energy and to the effective use of forest resources.

Timber and Building Materials Business

As Japan's leading timber and building materials trading company, the Sumitomo Forestry Group pursues a broad range of operations, from the procurement of timber and building materials, to manufacturing and logistics. The Group also offers logistics systems, that streamline the distribution of home building materials to manufacturers, distributors, housing companies and other businesses. Leveraging its strengths in procurement and functionality proposals which draw on its global network, the Group has achieved a stable supply of high-quality timber and building materials to satisfy a wide variety of needs.

Overseas Manufacturing Business

The Sumitomo Forestry Group has established bases in Indonesia, Australia, New Zealand, Vietnam, Thailand and the United States, and manufactures high-quality environmentally conscious wood building materials. It is reinforcing its capacity to supply, not only to Japan, but also to emerging countries where increased demand is expected in the wake of economic growth.

Overseas Housing and Real Estate Business

The Sumitomo Forestry Group is expanding the scale of its housing and related businesses in the United States and Australia, in cities that expects steady populations growth and demand for housing. In Asia, where a wide range of housing demand is expected to grow, the Group is actively exploring businesses to leverage synergy with its existing businesses.

Housing Business

Sumitomo Forestry Home houses are the leading brand of custom-built wooden houses in Japan, utilizing the unique characteristics of wood and employing advanced construction methods. They enjoy a reputation of being comfortable, safe and secure houses that are environmentally conscious and durable for many years of residence. The Group also supplies apartments, utilizing its design capabilities accumulated in developing custom-built houses to offer refined exteriors, interiors abound with the qualities of wood and a level of comfort only possible with wood.

Housing Stock Business

Amid a changing sense of values toward housing, from flow to stock, the Sumitomo Forestry Group is involved in the remodeling and renovation businesses, raising the value of existing homes. From detached houses to condominiums and shops, the Group provides a variety of services that enable customers to live in their homes and operate stores longer and with more peace of mind.

Greenery Business

The Sumitomo Forestry Group conceptualizes optimal greening initiatives in a variety of areas, including housing, city planning, office buildings, urban spaces and satoyama (mountain areas linked to local communities). From the perspectives of biodiversity and sustainability, support is also provided for the environmental greenification of corporations. Comprehensive support is offered, from consulting, through to planning and design, construction and maintenance.

MOCCA (Timber Solutions) Business

Additional increases in production and consumption of wood has been in the spotlight as one of Japan's national policies. With this in mind, the Group is promoting a shift to the previously less common wood construction of medium to large buildings in non-residential sectors, as well as a greater use of wood qualities in interiors. Through the construction of facilities in fields where there is a strong fondness for wood—namely medicine, education and commerce—the Group aims to create a new wood culture by increasing opportunities for people to be inspired by wood.

Residential Property Development Business

Based on the Group's expertise developed through a wide range of wood-related businesses, it is engaged in a new form of property development unique to Sumitomo Forestry. From space design to planting and designing lifestyles, the Group fully leverages its comprehensive capabilities to produce detached spec homes in harmony with the local natural environment and culture. Through the development of residential property that grows along with its residents, the Group is helping to realize a higher quality of life.

Lifestyle Service Business

Japan is a country faced with a super-aging society, and here, the Sumitomo Forestry Group operates community-based nursing care facilities and day care services for the elderly. In addition, the Group also provides a variety of businesses closely connected to people's lives, including the production and sale of agricultural products. The Group is constantly focused on creating new services that contribute to a higher quality of life.

CSR Management Based on Four Material Issues

Through a process of identifying social issues that are particularly relevant to its business, and, while taking stakeholder feedback into account, narrowing them down to four priority issues for which there are high expectations on the Group, the Sumitomo Forestry Group has stipulated "Four Material Issues."
While keeping a close watch on changes in society and incorporating the suggestions of its stakeholders, the Group constantly reviews the progress and outcomes of its activities as it promotes CSR management with an aim of realizing a sustainable society.

Four Material Issues

- Providing Timber Products and Materials from Sustainable Forests
- Providing Environmentally Friendly Homes
- Promoting Global Warming Countermeasures through Our Business
- Promoting Family-Centered Employee Lifestyles

The Process for Determining the Material Issues

(1) Selection of candidate material issues

Based on discussions with specialist third parties, responses to previous CSR Report, and opinions received through employee workshops, a total of 27 issues were identified as Sumitomo Forestry should tackle.

(2) Understanding the issues that are important to our stakeholders

Total of 143 customers, business partners, analysts, investors, members of the press, employees, and relevant experts were surveyed for these 27 issues, which allowed us to prioritize various expectations held by stakeholders towards Sumitomo Forestry.

(3) Consideration of importance from the perspective of business strategy

Priority levels in the context of Sumitomo Forestry's business activities were clarified based on management level discussions.

Results of Mapping the Identified Issue

(4) Determination of material issues

Sumitomo Forestry management determined the four material issues by selecting the three issues which had scored most highly in the stakeholder survey, and then adding an item which employees felt strongly about.

Participation in the United Nations Global Compact

In December 2008, we 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 labor 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.

Labour
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.

Housing Safety and Quality Control

Social Report

Basic Policy for Product Safety and Quality Control in the Housing Business

Sumitomo Forestry believes that popularizing durable, high-quality houses as social assets plays an important role in creating a prosperous society. Based on this belief, and taking the opportunity of the enforcement of the Excellent Long-Term Housing Promotion Act in Japan in June 2009, the Company formulated a basic policy for product safety and quality control in its housing business in fiscal 2009.

Basic Policy for Product Safety and Quality Control in the Housing Business

1. Make houses more reliable by improving their basic functions
2. Increase future options for layout to accommodate changes in lifestyles
3. Enhance maintenance programs to support long-term upkeep
4. Monitor information on any production faults, and share information on handling faults promptly

Framework for Product Safety and Quality Control in the Housing Business

Sumitomo Forestry sets the standard specifications for its Sumitomo Forestry Home houses to exceed the highest level of Excellent Long-term Housing[1] certification conditions[2] (applying the evaluation under the Japanese Housing Performance Indication System[3]). 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. In addition, the Company is actively promoting the use of the Japanese Housing Performance Indication System for customer peace of mind and safety and in order to enhance property value.

In fiscal 2014, under the Japanese Housing Performance Indication System, Implementation of Design Performance Evaluation reached 97.7%[4] (100.6% in FY2013), Implementation of Construction Performance Evaluation reached 94.9% (95.4% in FY2013), and the acquisition of Excellent Long-term Housing certification reached 91.2% (90.7% in FY2013).

1. Excellent Long-term Housing: A life-long housing certification system 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.
3. The Japanese Housing Performance Indication System: Third-party evaluation of 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. The system comprises 10 evaluation items, including structural stability, fire safety, alleviation of deterioration, and thermal environment.
4. The ratio of the number of applications against the total number of detached houses constructed, including extensions and/or alterations (applications for design and construction performance evaluation, April 1, 2014 – March 31, 2015).

Excellent Long-term Housing Standards and Standard Performance of Sumitomo Forestry Home Houses

The higher the rating value, the better the evaluation.

Certification type		Certification criterion	Standard performance of *Sumitomo Forestry Home* houses
Durability	The house will **last a long time**	Rating of measures against deterioration **Highest level 3 Measures that are able to be inspected periodically**	Equivalent to **highest level 3!**
Seismic resistance	The house is **resistant to earthquakes**	Rating of earthquake resistance **2 or higher**	Equivalent to **highest level 3!**
Ease of maintenance	The house is **easy to maintain**	Rating of measures for maintenance **Highest level 3**	Equivalent to **highest level 3!**
Energy-saving performance	The house is **energy efficient**	Rating of measures for energy conservation **Highest level 4** (Compatible with next-generation energy conservation standards)	Equivalent to **highest level 4!**

Framework for Product Safety and Quality Control

- At meetings held once every two months, the Product Strategy Committee sets themes to tackle and determines its road map based upon information obtained through consumer awareness surveys and owner questionnaires.
- The 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.

The Product Strategy Committee

- Sumitomo Forestry uses a unique system to check design and structure at the time of contracting and through the final design stage.

A dedicated designer responsible for the work

- The Materials Selection Subcommittee, which meets once every month to decide upon all materials, conducts design reviews. All materials are checked to ensure that they meet the acceptance and quality standards set by the Tsukuba Research Institute and the Materials Selection Subcommittee.
- The Quality Improvement Committee, which meets once every two months, shares information on materials that have been newly accepted, and discusses improvements to materials that have already been accepted. During fiscal 2014 they reported and discussed progress relating to 12 themes.

- 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 covering 170 items which are managed using a construction management record. Additionally, the Head Office inspection division checks the status of the inspection and management.

Construction management

- Sumitomo Forestry includes 20 years of regular inspections with its homes. After the 20th year, customers can pay for an inspection once every ten years, although those customers in the 30-year warranty system receive a free inspection in the 25th year if they choose to extend their warranty in the 20th year.
- Sumitomo Forestry has developed a Long-Term Support System that offers renovation and maintenance proposals and manages maintenance records in order to support its customers.

Regular inspection

Renovation

- Based on the Company's own performance evaluation chart, Sumitomo Forestry quantifies the performance grade of existing and planned homes for seismic resistance, thermal insulation and accessibility to indicate to customers the degree to which the performance grade has been enhanced.
- The performance and reliability of Sumitomo Forestry's original materials used in seismic reinforcement and so on are verified at the Tsukuba Research Institute.

The Company's own performance evaluation chart

Renovation (Purchase for Resale)

- In order to make a diagnosis of the seismic resistance and deterioration conditions of a condominium, the original construction drawings and specifications are checked, and construction reviews, reinforcement checks, concrete strength measurements and other inspections are conducted in collaboration with third-party surveyors. Conducting major renovation work properly based on the results of these inspections increases the life-span of the building. In addition, all of the inspection results and descriptions of the renovation work are disclosed at the time of sale.
- Sumitomo Forestry has a number of support programs in place, including issuing its own warranty, providing existing housing home buyer's defect warranty insurance, and offering regular after-sales maintenance checks for the first year.

Pre-renovation

Post-renovation

Improvement of Safety and Comfort in the Housing Business

Sumitomo Forestry offers homes that integrate seismic resistance, fire resistance, thermal insulation, age-deterioration countermeasures and universal design 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.

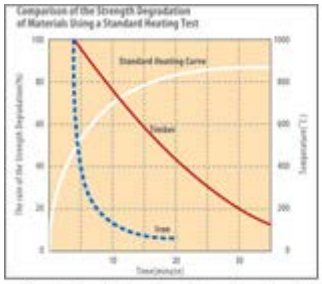
Improved Seismic Resistance and Durability

- For newly constructed homes, standard specifications are set at Level 3—the highest level—for evaluations based on the Japanese Housing Performance Indication System in regards to structural stability (seismic resistance, etc.).

- With renovation, Sumitomo Forestry offers its dual construction method for vibration control and seismic resistance (recipient of a Good Design Award in fiscal 2013), whereby the Sumirin REP construction method (the Company's original seismic resistance technology) is used to help to increase the seismic rating by at least 1.0,1 followed by the fitting of S-shaped vibration dampers.

Ensuring Safety in the Event of a Fire

- Sumitomo Forestry's products ensure fire prevention and resistance while taking advantage of the merits of wood.
- The Company is boosting its lineup of products which offer government-regulated semi-fire-resistant construction[2] as standard specifications.



Results of standard heating test

Char layer on the surface of structural material

Reduced Deterioration and Measures Addressing Operation and Maintenance of Equipment

The Company uses the highest specifications in the Japanese Housing Performance Indication System relating to deterioration alleviation, and maintenance.

Universal Design

Sumitomo Forestry is driving research based on human lifestyle engineering using 3D motion and view-tracking analysis equipment. The Company offers homes which take universal design into consideration.

Improvement of Crime Prevention Capabilities

Based on the "crime prevention" category under the Japanese Housing Performance Indication System, Sumitomo Forestry provides customers with proposals for crime prevention measures from the site survey and design stage.

Comparison of damage caused by breaking glass(Left: Double-glazed security window, Right: Float glass window)

Preserving Air Quality inside Houses

- Sumitomo Forestry is working to reduce emissions of volatile organic compounds (VOCs), which have been identified as a cause of "sick house" syndrome to below the guidelines prescribed by the Ministry of Health, Labour and Welfare, and has separate provisions for prohibited chemical substances.
- In accordance with the standards contained in these guidelines, F☆☆☆☆-rated timber, building materials, insulation and adhesives,—which have the lowest level of formaldehyde emissions—are used in the Company's products. Moreover, F☆☆☆☆-rated furniture, lighting and curtains are recommended in interior design proposals.

1. Seismic rating of 1.0: Level where the building will avoid complete collapse in an earthquake of intensity level 6.
2. Government-regulated semi-fire-resistant construction: A house that meets the standards prescribed by the Japan Housing Finance Agency as being a construction with fire prevention properties corresponding to semi-fire resistance prescribed in the Building Standards Act.

Product Safety and Quality Control of Building Materials

Product Safety and Quality Control in the Manufacture of Wood Building Materials in Japan (Sumitomo Forestry Crest Co., Ltd.)

Basic Policy for Product Safety and Quality Control

Sumitomo Forestry Crest Co., Ltd. has established quality policy for fiscal 2015 based on ISO 9001 as described below. Each plant and division has formulated specific quality targets and action plans in line with this quality policy, and is committed to maintaining safety and improving quality.

In fiscal 2016, the company plans to standardize its quality information management system in an effort to integrate information and improve quality and service.

Sumitomo Forestry Crest Co., Ltd.'s Quality Policy

1. Provide products that always give first priority to customer satisfaction, from product development and manufacture, to distribution and post-construction follow-up.
2. Cooperate with internal and external partners, understand appropriate costs, and manufacture in a way that ensures safety, performance and quality.
3. Establish quality targets, and develop systems that allow all employees to make continual improvements.

Framework for Product Safety and Quality Control

Since October 2010, Sumitomo Forestry Crest Co., Ltd. has been operating with integrated ISO 9001 at its plants nationwide. Having developed a framework for quality control based on the quality policy as well as a strict framework for process control, the company manufactures products of high quality. Furthermore, by utilizing a quality information management system, the company endeavors to reflect market feedback and demands back into the production site.

Internal audits are also carried out twice a year at all plants for the purpose of following the PDCA cycle for the quality management system established under ISO 9001. In addition, in order to build the capacity of employees in quality control, the company also puts effort into education on how audits are conducted and into employees getting qualifications. As of March 31, 2015, a total of 170 employees had been certified as ISO 9001 internal auditors.

Moreover, in an effort to ensure product safety, a system is in place whereby, in the event information is received about a major product fault that could result in a recall, a report will reach the President from whoever is in charge within two hours via the emergency contact network.

Promotion of Quality Improvement Activities Based on Company-Wide Targets

Sumitomo Forestry Crest Co., Ltd. has set quality targets at each plant and division, and is promoting quality improvement activities. During fiscal 2014, a Quality Improvement Committee was launched to undertake a companywide review of control systems at manufacturing locations and to review the control systems at partner plants. In fiscal 2015, the company will maintain the control systems agreed upon by the Quality Improvement Committee, and will continue to improve activities, aimed at achieving a 20% reduction of complaints from fiscal 2014.

Quality check in plan

Product Safety and Quality Control in the Overseas Manufacture of Wood Building Materials (Overseas Companies Manufacturing Wood Building Materials)

Basic Policy and Framework for Product Safety and Quality Control

Group companies engaged in the manufacture of wood building materials overseas have acquired quality certifications such as ISO 9001, Japanese Industrial Standards (JIS) and Japanese Agricultural Standards (JAS). In line with the requirements of these certifications, each company has established policies and standards for quality control, and through education and training, strives to ensure that its employees understand them well. Furthermore, each company has also built systems for production and quality control, and by means of annual audits by external organizations as well as periodic internal audits, they are making ongoing improvements to those systems.

▸ Acquisition of Quality-Related Certification

Standardization of Operations, and Promoting Acquisition of ISO 9001 Certification

Vina Eco Board Co., Ltd. (VECO), which started commercial production of particleboard in Vietnam in May 2012, acquired ISO 9001 certification in April 2014. In conjunction with acquiring ISO certification, the company has proceeded to standardize its manufacturing operations, and has built a production system which allows it to provide products of consistent quality.

Quality control laboratory at VECO

Furthermore, in order to differentiate itself from its competitors, the company attaches the product specifications on the packaging of each product. This practice is still not common in Vietnam, and so by clearly stating the product specifications, the aim is to establish VECO as a high-quality brand.

Acquisition of Quality-Related Certification

Certification of Group Companies

Group Company	Country	Type of Certification	Date Acquired
Sumitomo Forestry Crest Co., Ltd.	Japan	ISO9001	3[1]/1999
Sumitomo Forestry Landscaping Co., Ltd. Environmental Greenification Division	Japan	ISO9001	9/2002
Sumitomo Forestry Home Engineering Co., Ltd.	Japan	ISO9001 JISQ9001	3/2006
Alpine MDF Industries Pty Ltd.	Australia	JIS certification(MDF)	5/2003
		New JIS certification(MDF)	9/2008
		CARB certification[2]	4/2009
Nelson Pine Industries Ltd.	New Zealand	New JIS certification(MDF)	3/2003
		ISO9001（MDF）	7/2003
		ISO9001（LVL）	7/2004
		JAS（LVL）	5/2008
		New JIS certification	5/2008
		CARB certification	10/2008
		ISO9001	9/2011

Group Company	Country	Type of Certification	Date Acquired
PT. Kutai Timber Indonesia	Indonesia	ISO9002	9/1997
		JAS	7/2000
		Q-Mark	6/2010
		ISO9001	8/2010
		CARB certification(PB)	11/2012
		CARB certification (plywood)	12/2012
		CE Marking	12/2012
		JIS certification	2013
PT. Rimba Partikel Indonesia	Indonesia	ISO9001	12/1999
		JIS certification(PB)	3/2007
		CARB certification	2/2009
		SVLK certification[3]	12/2012
PT. Sinar Rimba Pasifik	Indonesia	JAS	3/2012
PT. AST Indonesia	Indonesia	ISO9001	10/2002
		JAS	12/2012
PT. Wana Subur Lestari	Indonesia	Timber Legality Verification	2/2013
Vina Eco Board Co., Ltd.	Vietnam	CARB certification	11/2012
		ISO9001	4/2014
Canyon Creek Cabinet Company	United States	ISO9001	3/2007

1. Acquired first by the Kyushu plant in March 1999 and all other plants subsequently. All plants had acquired integrated certification by October 2010.
2. Air pollution regulation stipulated by the California Air Resources Board in the United States. CARB standards are stricter than federal regulations.
3. Certification under the new timber legality assurance system in Indonesia.

Communication with Our Customers

Social Report

Respect for and Application of Customer Feedback

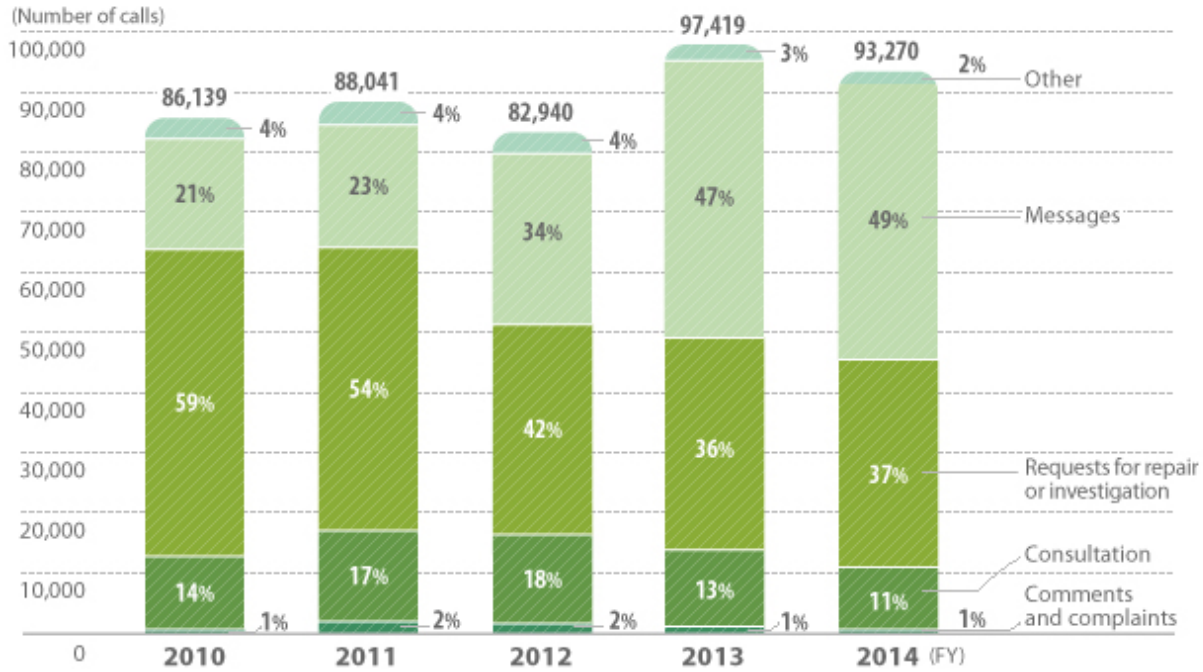
Operation of Sumitomo Forestry Call Centers

In order to enhance customer service, Sumitomo Forestry established an after-hours call center in 1999, providing a prompt response in situations such as when customers need a lifeline in the event of an emergency. Additionally, in 2010, the Company upgraded its call centers into Sumitomo Forestry Call Centers, unified national 24-hour 365-day toll-free call centers dedicated to receiving calls for repairs and maintenance. In order to raise broad awareness of the centers among customers, direct mail was sent to those who had already moved into their homes, magnets with contact details were given to new home owners at handover, and the Company has also featured them on its website and magazine exclusively for home owners.

Presently the centers are located in Tokyo and Fukuoka, and are linked together, shortening wait times for customers who call via the unified national free-dial number. In addition, the system is organized to enable response in emergency situations. The system facilitates prompt response to customer requests and consultations and also strives for improved customer satisfaction.

A Sumitomo Forestry Call Center

Volume of calls to Customer Support Centers and the Sumitomo Forestry Call Center, and breakdown of those calls



Customer Surveys

To accurately assess customer views and customer satisfaction, Sumitomo Forestry distributes a questionnaire three times: once when an owner moves in, and then during the second and tenth year of their residence. The survey questions primarily cover 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. Customers are also given a short questionnaire at the end of any after-sales maintenance visit or inspection, requesting feedback on such subjects as the attitude and behavior of the maintenance contractor, as well as their response speed and repair techniques. In fiscal 2014, the percentage of customers who responded “I would recommend *Sumitomo Forestry Home* houses” was 83.0% in the survey of new owners, and 79.9% in the survey of second-year owners.

Because the benefits of improvements in customer satisfaction will only appear after ongoing efforts, Sumitomo Forestry will continue to improve its efforts, following a cycle of PDCA.

Keeping Customers Informed in the Housing Business

Hosting of Sumai Haku

Sumitomo Forestry has hosted its Sumai Haku housing fair every year since fiscal 1998, focused on metropolitan areas, to comprehensively promote the structural framework, design methods, systems and fixtures of Sumitomo Forestry Home houses. In fiscal 2014, the fair was held in Osaka October 18–November 16, and in Nagoya February 14–15, 2015. Following on from fiscal 2013, the Osaka fair continued for an extended one-month period.

Venue for the “Sumai Haku” (interactive wooden housing fair)

Sumai Haku Visitor Numbers

Location	Period	Visitors
Osaka (Nishi Umeda Square)	October 18 – November 16, 2014	Approximately 7,000 parties
Nagoya (Kinjofuto)	February 14–15, 2015	Approximately 2,700 parties

Hosting Home Building Consultation Meetings at Commercial Facilities

Sumitomo Forestry hosted Home Building Consultation Meetings at a total of 13 stores, including at seven Parco department stores from November 14 to 16, 2014, and at six Daimaru Matsuzakaya department stores from December 5 to 7, 2014. The event provided a forum for people considering new construction, rebuilding, renovation or utilization of land to learn about Sumitomo Forestry’s home building technology, the quality of wooden homes, and the latest technology without having to visit model homes in a casual manner. The Company is considering holding such events again in the future.

Home Building Consultation Meetings event site

Website Operation and Magazine Publication

Sumitomo Forestry operates its Club Forest special website for owners of Sumitomo Forestry Home houses. As of March 2015, about 74,000 owners had registered as members.

Lovely Family is a home and lifestyle magazine sent out twice a year. It also features details about Group company activities such as renovation and utilization of land. Print runs for each issue were about 260,000 in fiscal 2014.

The cover of *Lovely Family*

Sumitomo Forestry Home Tech Co., Ltd. Establishes Century-old Home Club

Sumitomo Forestry Home Tech Co., Ltd. established a Century-old Home Club in July 2013 as part of its safe and reliable renovation ideas. It is a members-only club with an aim of preserving historical family homes for future generations. Members include owners of historic homes (constructed prior to 1950) renovated by the company, people currently living in a historic home, or those who plan to purchase a historic home. In 2014, the club held its first regular social gathering, which included touring a building designated as an important cultural property.

Regular meeting

Appropriate Dissemination of Information and Protection of Personal Information

Observance of Laws, Standards and Norms in Advertising and Publicity

When creating advertisements, Sumitomo Forestry complies with relevant legislation, including the Building Lots and Buildings Transaction Business Act, the Act against Unjustifiable Premiums and Misleading Representations, and the Copyright Act. The Corporate Communications Department, the Intellectual Property Department and the Legal Group in the General Administration Department cooperate to confirm and verify the content of advertisements as required. Furthermore, the Company holds monthly meetings of the Brand Communication Committee, comprised of advertising personnel from relevant departments and relevant Japanese affiliates, and publicizes any matters necessary for preventing non-compliance. Through these efforts, the Company made certain of prior checks, and endeavored to ensure that unreliable information was not communicated and customers not otherwise misled.

The Brand Communication Executive Committee

In fiscal 2014, the Group made efforts to drive a unified sense of branding within the Group. At the same time, internal training was provided on self-regulation and on laws related to advertising and labeling, such as the Act Against Unjustifiable Premiums and Misleading Representations.

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 chief executive in charge of protection of personal information. The Company has also placed an information security officer in each department. In these ways, the Company has established a protection system covering Head Office through to each office.

The Company has also established a help desk for inquiries regarding the handling of personal information within the Customer Service Department. In addition, collective training is provided for the head and general administration representative for each organization. E-learning is provided for all other employees and efforts are made to increase awareness at subcontractors, in order to prevent the leaking of personal information. It is also mandatory for employees at Group companies to undertake the e-learning training.

- Information Security
- Personal Information Protection Policy

Policy and System for Sustainable Procurement of Timber

Thorough Green Procurement

The Sumitomo Forestry Group formulated the Green Procurement Guidelines in 2002. The Guidelines establish standards for procuring products from two perspectives, namely: the supplier's stance toward the environment (corporate activities assessment); and the product's impact on the environment throughout its life cycle (product assessment).

Since timber is essential to the Group's business operations, the Group has also separately established the Timber Procurement Standards, and the legal compliance of timber materials handled is verified by the Timber Procurement Committee. Moreover, in order to conduct procurement that is not only lawfully and environmentally responsible but also socially responsible, in 2012, the Group commenced CSR surveys to check that all suppliers of timber and timber products directly imported from overseas are observing human rights and appropriate labor practices, and the results of these surveys have been used when screening suppliers.

Following the start of the CSR survey, in January 2013, the Group published the Green Procurement Guidelines, Third Edition, in which new items were added for confirming occupational health and safety, considerations for human rights and other CSR initiatives. The Timber Procurement Standards have also been updated.

Green Procurement Guidelines (extract)

(Corporate activities assessment)

1. Acquisition of ISO 14001 certification, and adoption of environmental policies and philosophy.
2. Active in global environmental conservation, such as biodiversity preservation and the prevention of global warming.
3. Committed to CSR in its entirety, such as workplace health and safety and respect for human rights.

(Product assessment)

1. No use of hazardous materials which are likely to have an adverse effect on health and the environment.
2. No leaching of hazardous materials from the product during construction or use.
3. Ability to be reused or recycled after use.
4. Use of processes and materials to lengthen the lifespan of the product.

Timber Procurement Philosophy and Policy

The Sumitomo Forestry Group formulated its Timber Procurement Philosophy and Timber Procurement Policy in 2007, and since then, in cooperation with the Group's business partners, it has endeavored to procure timber from forests that have been verified as legally compliant and are appropriately managed.

Timber Procurement Philosophy

Timber is a renewable, natural resource. Sumitomo Forestry considers forest ecosystems and the blessings from nature provided by forests to be precious assets shared by all of humanity, and in order to realize a sustainable society in which people and forests can live in harmony, it cooperates with its business partners to procure timber that is considerate to the environment and to society.

Timber Procurement Policy

1 To procure legal and sustainable wood

- Observe all relevant laws and regulations and maintain a system for confirming that the timber is legal
- Procure timber from forests that are managed to be sustainable
- While promoting the use of plantation timber, carry out plantation activities that contribute to the maintenance of forest resources

2 To build a highly reliable supply chain

- Cooperate with business partners and work to improve the reliability of traceability measures
- Confirm with business partners that High Conservation Value Forests are being managed appropriately
- Appropriately disclose information to ensure procurement transparency
- Maintain dialogues with business partners to ensure that human rights and the fundamental rights of workers are being protected and to prevent corruption

3 To reduce the environmental burden and effectively use timber resources during their lifecycle

- To contribute to land conservation and the revitalization of the forestry industry by actively using domestic timber
- Utilize thinnings and wood waste, reuse and recycle wood, and develop the technologies to facilitate these actions
- Reduce the environmental impact of procurement, such as by increasing distribution efficiency

4 Together with our stakeholders

- Carry out continuous reforms in cooperation with stakeholders
- Respect biodiversity and the culture, traditions, and economies of regions that live in harmony with forests
- Communicate to stakeholders the importance of timber procurement that is considerate to the environment and society

Systems for Promoting the Sustainable Procurement of Timber

The Sumitomo Forestry Group established the Timber Procurement Committee as an organization for promoting sustainable timber procurement. The committee is chaired by the General Manager of the Environmental Management Department. The Environmental Management Department serves as its secretariat, and its members are comprised primarily of working-level managers in departments related to the procurement of timber.

The committee meets three times a year, and in addition to confirming how the Action Plan for Timber Procurement is progressing, it discusses such topics as measures for promoting activities for achieving the goals and measures for dealing with overseas timber regulations. The committee also examines the legal compliance of timber procured from each supplier based on documents certifying legality, which are submitted by the timber supplier, and on the field survey reports submitted by the Group's representatives.

In addition, given the increasingly diverse and sophisticated societal demands in relation to procurement, Sumitomo Forestry reorganized and expanded the content and scope of its Timber Procurement Philosophy and Timber Procurement Policy, and in a positive move, collectively renamed them the Procurement Policy in July 2015.

- Sumitomo Forestry Group Procurement Policy (link to Corporate Information)
- Corporate Philosophy and CSR Management of the Sumitomo Forestry Group

Sustainable Procurement of Timber

Social Report

Action Plan for Timber Procurement

As the world's forests continue to vanish as a consequence of illegal logging, excessive slash-and-burn farming and other practices, countries around the world are proceeding to strengthen their laws and regulations to eliminate illegally logged timber from the market. Meanwhile, in Japan, development of forests, and of plantations in particular, has halted in part because of an aging and declining forestry workforce, and there are growing concerns about some forests becoming devastated.

Being engaged in business centered around wood, the Sumitomo Forestry Group promotes the procurement of sustainable timber, including along its supply chain. The Group established a philosophy and policy on timber procurement, and once every three years, it formulates an Action Plan for Timber Procurement with specific action targets based on these guiding principles.

The Third Action Plan for Timber Procurement, which covers fiscal 2013–2015, strengthens the initiatives advanced through the first and second action plans. For instance, it promotes verifying the legal compliance of procured timber, as well as procuring and using certified timber, plantation timber and Japanese timber. It also involves the effective use of timber resources, such as increasing the volume of fuel wood chips handled and utilizing wood left over from logging, as well as activities to spread awareness among stakeholders.

▸ Policy and System for Sustainable Procurement of Timber

Evolution of Action Plans for Timber Procurement

Procurement of timber that satisfies quality, price and delivery standards →

▼Establishment of the Timber Procurement Philosophy and Policy (June 2007)

1st Action Plan (FY2007–FY2009)	2nd Action Plan (FY2010–FY2012)	3rd Action Plan (FY2013–FY2015)

- Verification of the legal compliance of all suppliers of timber and timber products (mainly for directly imported timber) →
- Procurement of timber from sustainable forests →
- Confirmation of social initiatives by suppliers →
- Effective use of timber resources →
- Activities to spread awareness among stakeholders →

Objectives of the Third Action Plan for Timber Procurement

- Improve accuracy of verifying legal compliance
- Confirmation of environmental and social initiatives (human rights, labor practices, etc.) by suppliers
- Procurement of timber from sustainable forests (promote procurement of certified timber, plantation timber and Japanese timber)
- Effective use of timber resources (increase the volume of fuel wood chips handled and promote the use of wood left over from logging)
- Promotion of activities to spread awareness among stakeholders

Procuring Timber with Verified Legal Compliance

Targets based on the Third Action Plan for Timber Procurement and FY2014 results

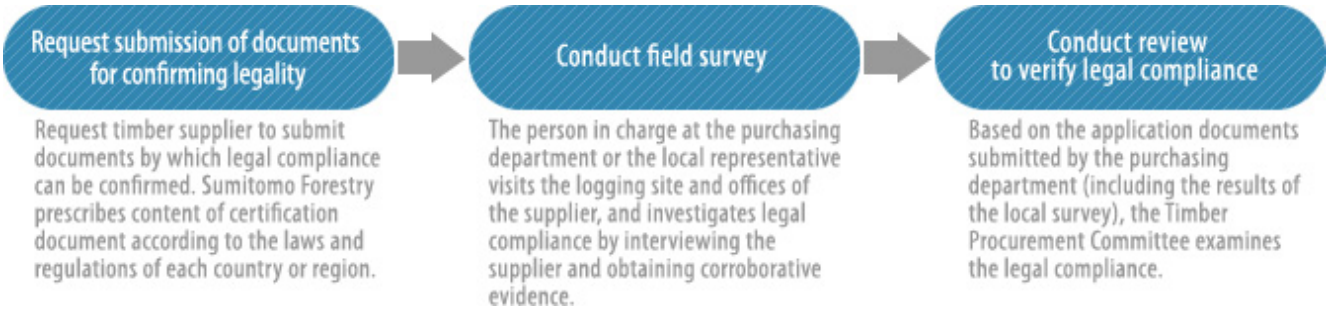
FY2015 target	FY2014 result
Maintain 100% verified legality[1] for timber and timber products handled	100%
Verify the CSR management situation (environmental and social considerations) of suppliers	Continued to survey suppliers

1. Inspect all suppliers of timber and timber products in order to verify their legal compliance

To prevent deforestation and forest degradation, countries around the world are proceeding to prepare legal frameworks aimed at eliminating illegal timber. At the Sumitomo Forestry Group, based on documents certifying legality which are submitted by the supplier, and on the field survey reports which are submitted by the Group's representatives, the Timber Procurement Committee verifies whether the timber handled by the Group has been properly managed and harvested in accordance with the regulatory systems of each country and region.

In fiscal 2014, reviews to confirm legal compliance were carried out at the three meetings of the Timber Procurement Committee. Also, at the time of the survey, the Group has used a questionnaire to interview suppliers in order to confirm their CSR management situation. In continuing these activities, the Group remains committed to the procurement of sustainable timber and timber products.

System for Verifying Legality Based on the Timber Procurement Standards



Conducting Field Surveys on the Traceability of Timber

Continuing on from the field survey conducted in the Malaysian state of Sarawak in fiscal 2012, the Sumitomo Forestry Group conducted individual traceability survey for the purpose of understanding the legal framework and flow of timber and to review the way it verifies legal compliance, first in December 2013 in China, and then again in April 2015 in the Malaysian state of Sarawak. An officer of the Environmental Management Department, which serves as the secretariat of the Timber Procurement Committee, visited the afforestation areas, logging and transportation sites and processing facilities used by the suppliers to conduct surveys, and reported the results of those surveys to the relevant divisions via the Timber Procurement Committee. In addition, the results have also been used to revise the evidence documents obtained for the purpose of verifying legal compliance.

Field Survey in Malaysia

Production of seedlings

Transport

Delivery of logs

Procuring Timber from Sustainable Forests

The Sumitomo Forestry Group regards certified timber that has been verified as sustainable by means of certification audit, plantation timber that has been planted and harvested in a systematic manner, and Japanese timber that will lead to revitalization of the Japanese forestry industry as sustainable timber, and is increasing the amount of this timber it uses and handles. Furthermore, based on this policy, companies, divisions and departments within the Group are also proceeding to obtain forest certification.

FSC
www.fsc.org
FSC™ C113957
The mark of responsible forestry

PEFC
PEFC/31-31-86

Forest Certification (as of April 1, 2015)

Type of Forestry Certification		Name of Certified Division or Company
SGEC[1]	Forestry certification	Forestry Department, Environment and Resources Division (Company-owned forests)
	CoC certification[4] (Group-wide certification)	International Marketing Department, Timber & Building Materials Division (pre-cut materials); Housing Division (pre-cut materials)
	CoC certification	Sumitomo Forestry Wood Products Co., Ltd., and Sumitomo Forestry Crest Co., Ltd.
FSC™ [2]	FM certification	PT. Kutai Timber Indonesia (reforestation cooperative), Open Bay Timber Ltd.
	CoC certification	International Marketing Department and Domestic Marketing Department, Timber & Building Materials Division; Sumitomo Forestry Crest Co., Ltd.; Alpine MDF Industries Pty. Ltd.; PT. Kutai Timber Indonesia; Sumitomo Forestry (Singapore) Ltd.; Nelson Pine Industries Ltd.; Open Bay Timber Ltd. PT. Rimba Partikel Indonesia; PT. Sumitomo Forestry Indonesia
PEFC[3]	CoC certification	International Marketing Department and Timber & Building Materials Department, Timber & Building Materials Division; Sumitomo Forestry (Dalian) Ltd.; Alpine MDF Industries Pty Ltd.

1. The Sustainable Green Ecosystem Council (SGEC) is Japan's own forestry certification system through which forest management is verified as sustainable by a certification audit agency. Certification is based on seven criteria that include the preservation of biodiversity and the conservation and maintenance of soil and water resources.
2. The Forest Stewardship Council (FSC™) is a global forestry certification system. Its Forest Management (FM) certification authenticates forest management, while FSC Chain of Custody (CoC) certification confirms that forest products from certified forests are appropriately separated and marked in the storage, processing and distribution processes.
3. Abbreviation of the Programme for the Endorsement of Forest Certification Schemes. It is implemented by the international supervisory organization that inspects forest certification schemes independently created in various countries and promotes mutual recognition between these schemes.
4. Certification by a third-party organization that the operator is appropriately separating and labeling timber from certified forests during storage, processing and distribution.

▸ CSR Highlight3-Practicing Sustainable Forest Management in Japan and Overseas

Increasing the Percentage of "Directly Imported Timber" That Is Certified Timber or Plantation Timber

Targets based on the Third Action Plan for Timber Procurement and FY2014 results

FY2015 target	FY2014 result
Increase the percentage of directly imported timber[1], including both certified timber and plantation timber, to 68% by fiscal 2015	62%

1. Timber and timber products directly imported into Japan

Sumitomo Forestry aims to increase the ratio of certified timber and plantation timber to directly imported timber to 68% by fiscal 2015. In fiscal 2014, the percentage of certified timber and plantation timber used as a raw material in medium density fiberboard (MDF) was 99%, but the substantial rise in the price of falcata plantation timber (one of the raw materials in plywood) led to a decrease in the volume of falcata handled, and as a result the percentage of all directly imported timber, including both certified timber and plantation timber, was 62%. In fiscal 2015, the Company will increase the proportional volume of certified timber and plantation timber it handles by developing and increasing sales of new plywood products that are made with these types of timber.

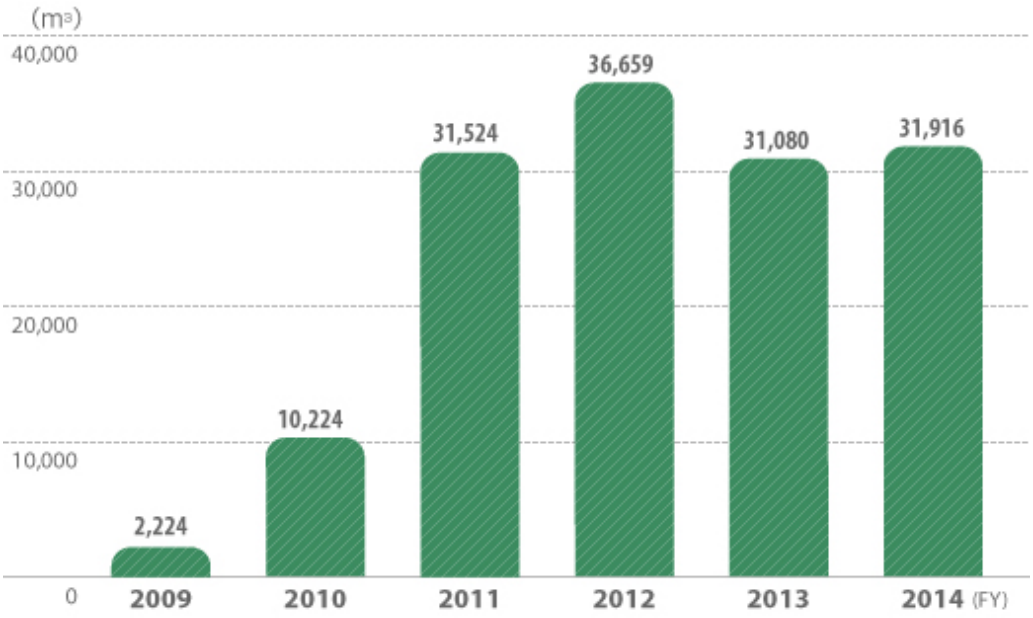
Sales of Environmentally Sound Plywood *KIKORIN-PLYWOOD*

Sumitomo Forestry sells *KIKORIN-PLYWOOD*, an environmentally sound plywood manufactured using certified timber and plantation timber for more than 50% of the raw materials. In fiscal 2014, the volume of *KIKORIN-PLYWOOD* sold was 31,916 m^3.

Part of the proceeds from this product is used for reforestation expenses in regenerating forests, such as in the degraded forests of Indonesia. In fiscal 2014, the area of land reforested in line with the sales of *KIKORIN-PLYWOOD* was approximately 12.3 hectares, bringing the cumulative total since the initiative began in fiscal 2009 to approximately 54.6 hectares. The Company will continue putting effort into increasing the volume of *KIKORIN-PLYWOOD* sold.

KIKORIN-PLYWOOD

Sales Volume of *KIKORIN-PLYWOOD*



Increasing the Percentage of Japanese Timber Handled in the Timber Distribution Business

Targets based on the Third Action Plan for Timber Procurement and FY2014 results

FY2015 target

By fiscal 2015, increase the percentage of Japanese timber handled in the timber distribution business by 71% compared to fiscal 2011

FY2014 result

13.5% increase

Sumitomo Forestry Wood Products Co., Ltd. is engaged in the timber distribution business. It aims to increase the percentage of Japanese timber it handles by 71% compared to a base year of fiscal 2011.

In fiscal 2014, despite a nationwide fall in the production of Japanese timber as a consequence of the increase in consumption tax, as a result of having focused on expanding sales to exporters, there was a 9% increase compared to fiscal 2011. In fiscal 2015, Sumitomo Forestry Wood Products will aim to increase the volume of Japanese timber it handles by expanding its yarding area, cultivating new suppliers, and expanding the business of purchasing standing trees based on the condition of reforestation.

Increasing the Percentage of Certified Timber, Plantation Timber and Japanese Timber Used by Domestic Manufacturers of Building Materials

Targets based on the Third Action Plan for Timber Procurement and FY2014 results

FY2015 target	FY2014 result
Increase the percentage of certified timber, plantation timber and Japanese timber used by domestic manufacturers of building materials to 64% by fiscal 2015	65%

Sumitomo Forestry Crest Co., Ltd. is engaged in the domestic manufacture of building materials. It aims to increase the percentage of certified timber, plantation timber and Japanese timber it uses to 64% by fiscal 2015.

In fiscal 2014, in addition to increasing the percentage of plantation timber used in the core of doors and other fittings and in the base of wood flooring, as a result of promoting the use of new products made from Japanese timber, the percentage of certified timber, plantation timber and Japanese timber reached 65%.

Increasing the Percentage of Japanese Timber Used in the Housing Business

Targets based on the Third Action Plan for Timber Procurement and FY2014 results

FY2015 target	FY2014 result
Increase the percentage of Japanese timber used in the Housing Business to 60% by fiscal 2015	Reached 58%

Sumitomo Forestry has set a target for the Housing Business to increase the percentage of Japanese timber used for structural and non-structural timber in houses to 60% by fiscal 2015.

In fiscal 2014, the Company promoted the use of Japanese timber, such as using “lattice panels,” a load-bearing wall panel made from Japanese cedar and other timber grown in Japan, in one of its methods for constructing homes, the Big-Frame Construction Method. However, as a consequence of a relative increase in the use of construction methods using a lower percentage of Japanese timber, the Company’s overall ratio of Japanese timber used remained at 58%.

Supplying Homes that Actively Use Local Materials

In Hokkaido, Sumitomo Forestry offers 100% “made in Hokkaido homes” that use only locally grown Japanese larch and Sakhalin fir. The Company also offers homes in Nara, Wakayama, Yamaguchi and Oita prefectures using some locally produced timber. Given the limited area from which raw materials can be harvested, the challenge with local materials is how to procure a stable volume. The Company will continue to be actively involved in areas where a certain volume of timber can be supplied.

Selling Homes that Use Certified Timber

Sumitomo Forestry has been marketing houses built using SGEC-certified timber since 2008 in Hokkaido, where certified timber can be procured on a stable basis throughout the year, and since April 2011 in Miyagi Prefecture.

In fiscal 2014, the Company used 510 m^3 of certified timber in its houses. From fiscal 2015, the Company will work to increase its use of certified timber by maintaining its endeavors in the Hokkaido area.

Effective Use of Timber Resources

Increasing the Volume of Fuel Wood Chips Handled

Targets based on the Third Action Plan for Timber Procurement and FY2014 results

FY2015 target	FY2014 result
Increase the volume of wood chips handled as fuel, including for biomass power generation by 10% compared to fiscal 2011	**7.8%** decrease

Sumitomo Forestry contributes to resource recycling through its wood chip operations, whereby offcuts generated during the timber milling process and wood waste from new housing construction and demolition sites are turned into wood chips to be used as a raw material for products such as paper and particle board, and also as a fuel for power-generating boilers or other equipment.

During fiscal 2014, despite the steady operations of large biomass power plants, the volume of fuel wood chips handled by the Company decreased by 12% compared to a base year of fiscal 2011 due to a shortage of building demolition materials in the wake of the increase in consumption tax. In fiscal 2015, the Company will aim to handle a greater volume, such as by establishing new sales routes.

- Recycling of Wood Resources into Chips

Promoting the Use of Unused Wood Materials

Targets based on the Third Action Plan for Timber Procurement and FY2014 results

FY2015 target	FY2014 result
Increase the handling of wood leftover from logging and other unused wood materials by 240% compared to fiscal 2011	**372%** increase

In fiscal 2014, Sumitomo Forestry Wood Products Co., Ltd. supplied approximately 111,000 m^3 of unused wood materials, primarily to power producers. Broadening the use of wood leftover from logging and other previously underutilized wood materials will lead to revitalization of the Japanese forestry industry, and also to the public functions of forests being maintained and enhanced.

In fiscal 2014, Sumitomo Forestry Wood Products began collecting unused wood materials to be utilized as logs for producing fuel wood chips in the wood biomass power generation business being advanced by the Sumitomo Forestry Group in Mombetsu City, Hokkaido, and as a consequence, the handling of unused wood materials increased by 372% compared to a base year of fiscal 2011.

In fiscal 2015, Sumitomo Forestry Wood Products plans to increase the volume of unused wood materials it handles, such as by increasing the volume supplied to the wood biomass power generation business in Mombetsu, and by also increasing the supply to biomass power generation plants operated by other corporations.

- Wood Biomass Power Generation Business
- CSR Highlight4-Expansion of Our Wood Biomass Power Generation Business

Activities to Spread Awareness among Stakeholders

Sumitomo Forestry believes that getting stakeholders to appreciate the importance of procuring timber in a way that takes environmental and social considerations into account is also an important activity for putting sustainable timber procurement into practice. For this reason, the Company continually holds in-house seminars and disseminates information through CSR reports.

Communication with Our Business Partners

Communication with Sumitomo Forestry's Business Partners

Sumitomo Forestry's housing-business worksites are found in every region of the country, and they rely on the many supporting partner companies that the Sumitomo Forestry Group collaborates with. The Company considers communication with these companies to be vital in order to share with them its philosophy of improving the quality of homes while protecting the environment.

Main Communication Activities with the Business Partners of Sumitomo Forestry Landscaping Co., Ltd.

Name / scale	Description
Evaluation and feedback based on the Supplier Evaluation Standards Response rate: 100% of main business partners (2014)	Every year, the Company evaluates its main business partners in the housing business after visiting their manufacturing plants. Feedback is then provided to them for the future improvement of their operations.
Annual Survey on Production Systems and CSR Response rate: Approximately 70% of all contractors (2014)	This survey is useful for detached housing building contractors to improve their operational viability, safety and technical capabilities, and as an opportunity to familiarize their employees with the concepts underlying corporate social responsibility (CSR), such as compliance, environmental protection, respect for human rights, and contributions to local communities. The results of the surveys and the associated trends are provided as feedback to the Association of Sumitomo Forestry Safe Building Contractors and to the Matsu Association of Building Contractors, an annual social gathering of superior building contractor partners.

Communication with Our Timber and Building Materials Business Partners

In the Timber and Building Materials Business, given that it is characterized as being a regional industry, Sumitomo Forestry maintains close communication with the supplier and purchasers of timber and building materials in each region.

Main Communication Activities with the Business Partners of the Timber & Building Materials Division

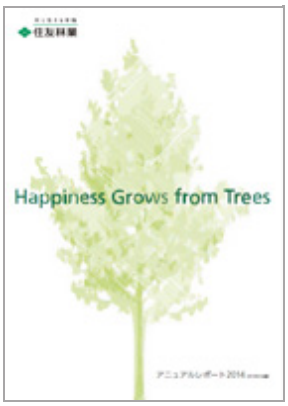
Name / scale	Description
***The Sumirin club* –a membership organization to communicate with regional suppliers of timber and building materials** **853 people nationwide (as of February 2015)**	Established in different regions around Japan as a forum for communication with business partners of timber and building materials. Training sessions and information 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 and building materials from a distinctive perspective unique to Sumitomo Forestry. Each month, the magazine focuses on a special theme, and in fiscal 2014, these included: remodeling and renovation; the issue of unoccupied houses; and reducing energy consumption in the home.

Information Disclosure and Communication

Social Report

Basic Policy on Information Disclosure and Communication

In the interest of greater management transparency, Sumitomo Forestry takes a proactive approach to information disclosure. At the Ordinary General Meeting of Shareholders held every June, the Company presents reports and information as clearly as possible and publishes printed and online versions of its Annual Report in both English and Japanese, as well as Japanese reports for shareholders on business activities. It also discloses a range of other IR information on its English and Japanese websites, including financial information such as the short financial statements, summary of financial results and forecasts, and also information on monthly orders. Moreover, the Company publishes notifications of its Ordinary General Meeting of Shareholders in both English and Japanese, in these and other ways creating opportunities to communicate with its stakeholders.



Annual Report 2014

Japanese reports for shareholders on business activities (Year ended March 31, 2015)

The Company will continue to communicate the business operations, corporate stance and future vision of the Sumitomo Forestry Group to all investors, whether shareholders or institutional or individual investors in Japan and overseas, in a fair and appropriate manner, and it will conduct IR activities that are recognized fairly in stock markets.

▸ Investor Relations

Two-Way Communication with Shareholders and Investors

General Meeting of Shareholders

Sumitomo Forestry holds its Ordinary General Meeting of Shareholders every June. Through various initiatives, the Company endeavors to get as many shareholders as possible to participate at the meeting and exercise their right to vote. These initiatives include sending out and posting online convocation notices (in Japanese and English) earlier than legally required, scheduling the meeting to avoid the date when most other shareholder meetings are held, and accommodating shareholders who wish to cast their votes online or via their mobile phones.

Explaining Business Performance and Conference Calls

In its efforts to continue gaining greater trust from shareholders and investors, Sumitomo Forestry holds earnings briefings and individual meetings to explain its business performance to institutional investors and analysts following the announcement of interim and year-end results, as well as conference calls following the release of Q1 and Q3 results.

Individual Meetings

Sumitomo Forestry holds individual meetings for institutional investors following the announcement of its quarterly results. In fiscal 2014, the Company held about 130 of these individual meetings both inside and outside of Japan.

IR Meetings for Individual Investors

Sumitomo Forestry holds regular IR meetings for individual investors. During fiscal 2014, it held one each in Tokyo and Osaka, and these were attended by about 270 investors at the Tokyo meeting and by about 110 investors at the Osaka meeting. At the meetings, in addition to presenting on the business operations of the Sumitomo Forestry Group, the Company explained about the Group’s growth strategy.

IR Activities for Overseas Institutional Investors and Shareholders

Sumitomo Forestry distributes English versions of financial documents to institutional investors and shareholders residing overseas. In addition, in fiscal 2014, senior management visited institutional investors and shareholders in Europe, North America, and Singapore, to present the Company's business results and strategies and to exchange opinions.

Returns to Shareholders

Social Report

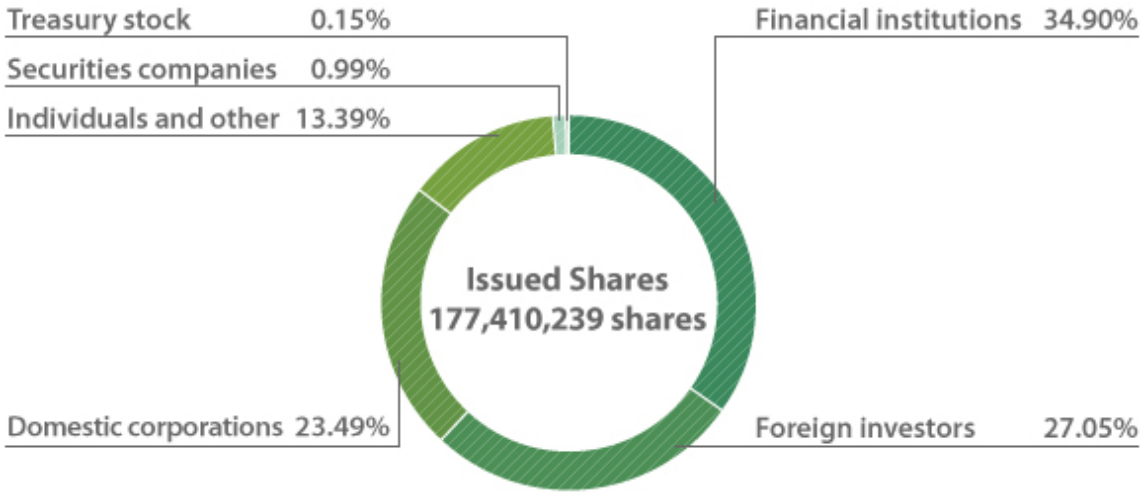
Basic Policy on Returns to Shareholders and Retained Earnings

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, 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 Fiscal 2014

In fiscal 2014 (the year to March 31, 2015), a year-end dividend of 12 yen per share and an interim dividend of 9.5 yen per share were issued. This corresponds to a full-year dividend of 21.5 yen per share.

Share Distribution by Shareholder Type



Fair Employment and Treatment

Basic Policy on the Employment and Treatment of Employees

Sumitomo Forestry aims to be a “truly excellent company” in housing and wood products businesses, by making efforts to put in place effective personnel systems, carrying out appropriate and efficient placement of “human assets,” developing and training personnel, and building a group of employees who are always willing to take up challenges, all in accordance with one of the Company’s action guidelines: “Respect for Humanity—We work to create an open and inclusive corporate culture that values diversity.”

With respect to the employment and treatment of employees, in addition to respecting equal opportunity and diversity, the Company has prescribed in “Our Values and Ideals,” a set of guidelines on ethical conduct, that it will not discriminate on a basis of gender, age, nationality, race, religion or disability. In its recruitment activities too, the Company emphasizes the ambition and volition of the applicant, and does not differentiate 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. Unfair dismissals are not allowed.

In recent years, securing human resources has become a major management issue in Japan in view of social changes such as the falling birth rate and aging population. The Company has adopted this policy in its employment activities, and is communicating the policy extensively. At the same time, it is expanding systems that support various workstyles and participation of women in order to ensure the presence of talented human resources for the Company in the future.

▸ Our Values and Ideals (link to Corporate Information)

Promoting the Active Involvement of Female Employees

The Sumitomo Forestry Group is committed to a workplace environment where motivated employees can be actively involved irrespective of gender, age, nationality, race, religion or disability. In an endeavor to actively engage female employees in particular, the Group has sought to improve its systems relating to childcare, education and training, and at the same time, has taken a proactive stance on promoting the use of these systems.

During fiscal 2013, the Group surveyed the attitude and needs of employees with respect to: work and careers; promoting the active involvement of female employees; and childbirth and parenting. A survey was conducted to gauge the awareness of all female employees at Sumitomo Forestry to assist the Group in promoting the active involvement of female employees and in supporting the workstyles of employees currently raising children. In December 2013, the Group released the “Sumitomo Forestry Group Declaration on Empowering Women.” It was issued to the entire Group under the name of the President, and formally summarizes the significance of promoting the active involvement of female employees into three policies. The Group is actively engaged in activities under the policy described in the Declaration.

In December 2014, numerical targets for appointment of women to managerial posts have been set in order to foster further participation of female employees. The Company has publicly announced its goal of raising female managers to more than 5% by 2020 (2.6% as of April 1, 2015), and is working to achieve this goal.

▸ Support for Childcare

Sumitomo Forestry Group’s 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 Guideline. 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
2. We will leverage women’s unique creative powers
3. We will spur innovation through the participation of women

Main Initiatives Aimed at Increasing the Motivation of Female Employees

	Name of seminar	Date	Main participants
Sales training	Knowledge-Based Training for Female Sales Staff	August 2014	46 female sales staff in at least their 2nd year of employment
	Networking Event for Female Housing Sales Staff: Joint Program by Nine Housing Builders	November 2014	5 female sales staff
	Networking Event for Female Engineering Staff: Joint Program by Nine Housing Builders	November 2014	2 female housing design staff
	Talk by High-Achiever Female Sales Staff	February 2015	22
Production training	Production Training for Female Employees	August 2014	9
Management training	Training for Female Managers	June–July 2014	3
	Training for Female Managerial Candidates	December 2014–February 2015	3
	Joint Cross-Industry Business Skills Training	February 2014	3

Promoting the Employment of People 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. During fiscal 2014, the Company employed two new people with disabilities, and the ratio of disabled employees as of March 1, 2015 was 2.23 %. 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.

Re-Employment of Retired Employees

Sumitomo Forestry has a system in place whereby it re-employs personnel, who retired at 60, on temporary contracts until they turn 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. The Company re-employed 33 people in fiscal 2012, 28 in fiscal 2013, and 43 in fiscal 2014. They are all actively involved in the Company, making the most of their abilities and experience.

Over the past three years, Sumitomo Forestry has re-employed 76% of employees who retired, and 90% of those who sought re-employment. As an interim measure following revision of the Act on Stabilization of Employment of Elderly Persons on April 1, 2013, the Company re-employs all workers who wish to return to work.

Return to Work Application System

Sumitomo Forestry has operated the Return to Work Application System since fiscal 2008. The aims of the system are to meet the re-employment needs of workers to secure talented personnel who retire due to unavoidable circumstances such as caring for children or other family members. Employees register their wish to return to work at the time they retire, and applicants must have worked for three or more consecutive years.

When the company receives an application for return to work from a registrant after they have retired, it goes through a selection process based on the employment needs of the Company and the skills of the applicant. Moreover, applicants hired within three years of leaving are able to return to the same grade as their former position. As of March 31, 2015, 75 people are registered under the system.

Direct Employment of Non-Permanent Employees

In recent years, regulations for dispatched employees have been strengthened to correct disparities arising out of different forms of employment. In response, Sumitomo Forestry reviewed its personnel systems from a compliance perspective, and in April 2011, changed the status of its dispatched employees to directly employed fixed-term employees, referred to as “partner employees.” The Company also operates a system for promoting partner employees to permanent status. It promoted 18 workers to permanent employee status in fiscal 2012, 38 in fiscal 2013, and 19 in fiscal 2014.

Respect for Human Rights

Social Report

Basic Policy on Respect for Human Rights

The Sumitomo Forestry Group states in Our Values and Ideals, a set of guidelines on ethical conduct, that everyone belonging to the Group shall respect people in terms of diversity such as gender, age, nationality, race, religion and disability and acknowledge that everyone is equal, and that no discrimination whatsoever will be tolerated. The Group makes efforts to raise awareness of these matters, for example through training. Our Values and Ideals is available for viewing on the Sumitomo Forestry website in Japanese, English and Chinese and therefore accessible to a large number of stakeholders.

▸ Our Values and Ideals (link to Corporate Information)

Measures against Human Rights Risks

Since fiscal 2011, Sumitomo Forestry has carried out a survey on the CSR initiatives at each Group company. In doing so, it also verifies each Group company's efforts with respect to human rights.

Furthermore, the Sumitomo Forestry Group is a signatory to the United Nations (UN) Global Compact, and has posted this on the Company's website in both Japanese and English. For the purpose of more widely disseminating the Global Compact's ten principles in four areas (human rights, labor, the environment and anti-corruption), in April 2014, the Company also prepared a poster in English, Chinese and Indonesian, and has distributed it for display to all Group companies overseas.

A poster promoting the UN Global Compact

Basic Policy on Respect for Human Rights

In order to ensure that everyone respects human rights and works to create workplaces free of discrimination, since fiscal 2011, the Sumitomo Forestry Group has made it compulsory for all Group employees in Japan with access to its intranet to take the "Work + Human Rights" e-learning course on an annual basis. In fiscal 2014, 9,888 employees took the course. The Company will continue to utilize e-learning to further raise human rights awareness among employees.

Prevention of Sexual Harassment and Workplace Bullying

Sumitomo Forestry makes its policy on sexual and power harassment in the workplace 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. “Our Values and Ideals,” a set of guidelines on ethical conduct, also prohibits all forms of harassment and this is communicated via the in-house Web and pamphlets. In addition, awareness within the Company is fostered by providing information with case examples and implementing regular awareness promotion notices, through human rights and ethics training and other activities.

Furthermore, a framework for appropriately handling of inquiries and complaints was put in place in fiscal 2000 with the establishment of the Sexual Harassment and Power Harassment Consultation Hotline within the Personnel Department and Compliance Hotlines both inside and outside the Company. When handling a case of harassment, the Sexual Harassment and Power Harassment Consultation Hotline promptly and appropriately verifies the facts and gathers information with the accused, the complainant, and third parties, and then takes the necessary procedures with those concerned. The privacy of all those involved is protected and every effort is made to ensure that neither the complainant nor those cooperating are treated detrimentally.

▸ Our Values and Ideals (link to Corporate Information)

Occupational Health and Safety

Basic Policy on Occupational Health and Safety

Sumitomo Forestry has established Rules for OHS Management with an aim of fostering a workplace environment in which employees can perform their jobs in a safe and healthy manner. The rules prescribe that a general OHS manager is to be stationed at each place of business regardless of how big it is, and every year, the Company checks on the status of the officer and OHS committee meetings.

With an aim of preventing accidents at construction sites and maintaining the health of their workers, each division, such as the Environment and Resources Division and the Housing Division, has also established separate OHS management policies and manuals in view of the distinctive characteristics of their respective businesses.

Occupational Health and Safety Management System

In addition to developing occupational safety and health management systems in accordance with the laws and regulations of the respective country, each Sumitomo Forestry Group company also promotes acquisition of certifications such as OHSAS[1].

1. Occupational Health and Safety Assessment Series (OHSAS): An international standard developed for the purpose of reducing occupational health and safety risks and clarifying where responsibilities lie.

Acquisition of Occupational Safety-Related Certification

Company	Country	Type of certification	Date acquired
Sumitomo Forestry Crest Co., Ltd.	Japan	OHSAS18001	February 2013
PT. Rimba Partikel Indonesia	Indonesia	OHSAS18001	March 2013
PT. Kutai Timber Indonesia	Indonesia	OHSAS18001	October 2013
Nelson Pine Industries Ltd.	New Zealand	AS/NZS4801	December 2012
		ACC WSMP Tertiary	November 2009
Alpine MDF Industries Pty. Ltd.	Australia	AS/NZS4801	August 2010

Initiatives in the Forestry & Environment Business

In Japan, Sumitomo Forestry Group manages 46,247 hectares of Company-owned forests and 698 hectares of forests contracted for management. Contractors conduct planting, weeding, improvement cutting, thinning and clear cutting operations. For the purpose of preventing occupational injuries to these contractors, the Group conducts safety patrols and holds Workplace Safety Conferences at each forestry office once every half year.

A safety patrol

In fiscal 2014, there were two occupational injuries[1] involving contractors at forestry work sites in Company-owned forests. In response, measures to prevent recurrence were studied and confirmed with the contractors involved. Additionally, warnings were issued to other contractors through the Workplace Safety Conferences.

1. Indicates the number of injuries eligible for compensation benefits for a temporary absence from work under the Industrial Accident Compensation Insurance Act of Japan.

Lectures Given by External Experts

The Sumitomo Forestry Group in Japan has enhanced awareness-raising activities at its Workplace Safety Conferences, including occupational safety education using examples of common forestry accidents, as well as environmental education, lectures given by experts on such topics as emergency first aid, and on-site safety guidance. Furthermore, so as to prevent lack of concentration when performing dangerous work by becoming accustomed to the work, the Group conducts safety education repeatedly.

On-site guidance by experts (Hyuga Forestry Office)

At the Workplace Safety Conferences held at various forestry offices in fiscal 2014, experts have been invited from the Forestry and Timber Manufacturing Safety & Health Association to hold lectures on accident prevention measures based on analysis of causes of recent forestry occupational injuries, and on-site work safety guidance was conducted.

Initiatives in the Manufacture of Wood Building Materials

Sumitomo Forestry Crest Co., Ltd.'s basic policy is to move "from zero accidents to zero danger." Its goal is to achieve zero occupational injuries by nipping danger in the bud. To achieve this, Sumitomo Forestry Crest began operating an Occupational Health and Safety Management System (OHSMS) in July 2012, and acquired OHSAS 18001 certification in February 2013.

Through repeating the PDCA management cycle with near-miss incident reports submitted voluntarily employees and sharing opinions through small-circle activities at each workplace, efforts are being made to reduce risks while engaging in production. There were no occupational injuries in fiscal 2014.[1]

1. Indicates the number of injuries eligible for compensation benefits for a temporary absence from work under the Industrial Accident Compensation Insurance Act of Japan.

Safety Patrols and Risk Assessments

With an aim of "zero danger," Sumitomo Forestry Crest Co., Ltd. conducts regular workplace safety patrols at each of its plants. If any burgeoning risks are discovered during a patrol, safety measures are promptly implemented to prevent the risk from being realized.

A safety patrol

Furthermore, the Company is committed to ensuring the safety of its workplaces, by identifying operations and facilities at risk, such as of workers getting caught in machinery, and by focusing on reducing those risks.

Initiatives in the Housing Business

At the beginning of every fiscal year, a notice on the OHS Management Policy is sent to all branches under the name of the Housing Division head. Based on this, each branch sets specific targets for reducing the risk of occupational injury, and promotes activities for enhancing awareness for the prevention of occupational injuries and for reducing risk. Subcontractors are also advised about these branch-specific targets, and they are requested to manage the targets and prevent accidents. Furthermore, the results of each branch's activities are verified at monthly OHS meetings, and efforts are made to reinforce the activities by reviewing them every month.

Safety check at construction site

At the same time, flow charts of emergency contacts have also been prepared in case of an accident, and systems have been developed so that quick action can be taken 24 hours a day in case of an emergency. In addition, a Worksite Access Control System has been introduced for all construction sites, and the certainty of on-site management has also been enhanced, such as checking the safety of workers and allocating qualified workers appropriately. In the unlikely event an accident occurs, an OHS meeting for accident countermeasures is held, at which an investigation is conducted to determine the cause of the accident and to consider countermeasures from the perspectives of people, objects and management, and the findings of this investigation are shared with all branches.

During fiscal 2014, there were 11 occupational injuries[1] involving contractors at housing construction worksites. Sumitomo Forestry will continue to use onsite guidance to lead to a reduction in occupational injuries, and will strive to improve both health and safety and quality by continually holding training sessions.

1. Indicates the number of injuries eligible for compensation benefits for a temporary absence from work under the Industrial Accident Compensation Insurance Act of Japan.

Lost-time injury frequency rate for contractors on housing construction sites

	FY2010	FY2011	FY2012	FY2013	FY2014
Lost-time injury frequency rate[1,2]	2.75	2.34	2.16	1.98	3.63

1. 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
2. After review into housing construction-related working hours in fiscal 2014, the total working hours have been reduced in comparison to fiscal 2013 and earlier.
   The lost-time injury frequency rate for working hours in fiscal 2014 prior to the review was calculated to be 2.74.

▸ About symbol for third party assurance (link to Third Party Assurance Report)

Training Designed to Improve Awareness for Occupational Health And Safety

Based on the results of the monthly safety patrols and worksite surveys, the Housing Division organizes training programs with specific cases promoting health and safety, targeting the OHS managers of each branch or region, as well as the leaders (subcontractors) in each job category on construction sites. In addition, training is provided for branches nationwide, designed for maintaining safety such as when workers use grinders, which are fraught with great hazard, and when they work with circular saws, which are susceptible to accidents due to misuse despite being simple and easy to use.

Training for circular saw work

Human Resources Development

Social Report

Basic Policy on Human Resources Education

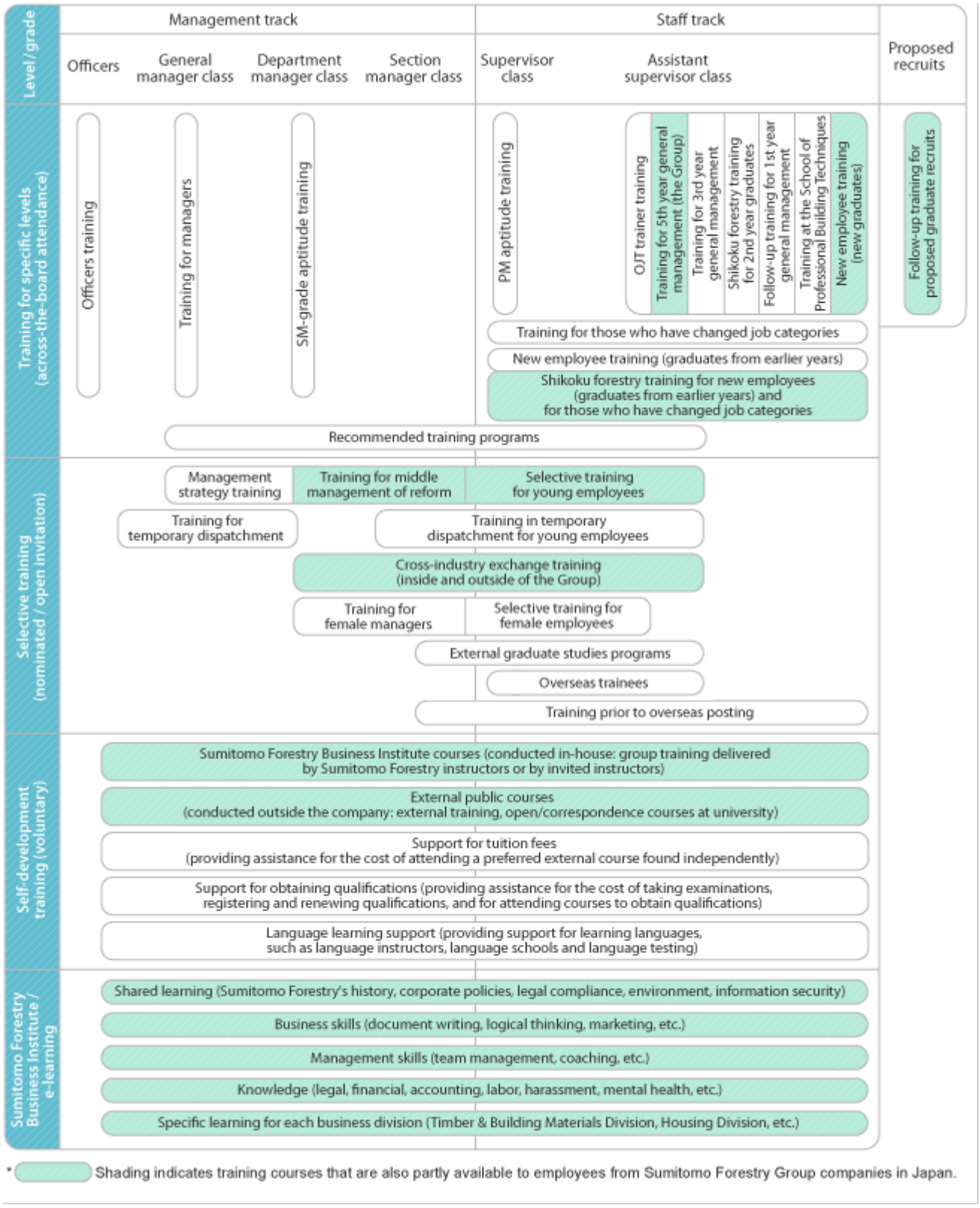
Guided by the policy for human resources development of “autonomy” and “support,” Sumitomo Forestry aims to realize its Corporate Philosophy by developing employees with a strong sense of pride and motivation, and by creating a culture that is open and inclusive.

Development of the Sumitomo Forestry Business Institute

In an effort to strengthen the Sumitomo Forestry Group's development of human resources, the Group has been improving and expanding the Sumitomo Forestry Business Institute since fiscal 2011 as a common Group platform for human resources development. Under a theme of “Supporting Motivated People,” since its establishment, the Institute has shifted emphasis, from “training for each level,” which had previously been advocated across-the-board, to more “self-development” and “selective” training, and the content of e-learning has been expanded.

Since fiscal 2013, a Skills Development Sheet has been utilized in the goal-setting interview conducted every half year in an effort for supervisors to strengthen their educational support, and for employees to improve themselves. In addition, the Group is focusing on providing training programs available to Group company employees in Japan. The Group aims to continue improving its overall capacity for human resources development.

Sumitomo Forestry Business Institute Training Structure and Training Program (Fiscal 2014)



* Shading indicates training courses that are also partly available to employees from Sumitomo Forestry Group companies in Japan.

Number of Employees Attending Main Training Programs (Fiscal 2014)

Training program	Number of people attending (non-consolidated)	Number of people attending (Group companies)
Follow-up training for management (6 courses)	25	46
Training for specific levels (6 courses)	958	158
Selective training (6 courses)	73	31
Self-development training (27 courses)	717	61
e-learning (6 mandatory courses only)	5,151	4,156

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 preparation costs, examination fees, registration costs, renewal costs and transportation costs for each qualification.

As for using external educational institutions approved by the Company, in addition to contributing up to 50,000 yen per person each fiscal year, the regulations also state that the Company will bear the costs of admission fees and tuition fees incurred by an employee who enrolls into a graduate school while continuing to work their scheduled working hours. Furthermore, the Group has also established Regulations for External Study Opportunities for cases when an employee remains employed, but leaves their workplace to enroll in a graduate school in Japan or overseas. In fiscal 2014, one employee used this system to study at graduate school.

New Business Proposition Program—Power for the Future Project

Sumitomo Forestry has established the Power for the Future Project, a program for soliciting new business proposals, harnessing the ambitions and skills of employees to create new businesses. The project enables everyone who works in the Sumitomo Forestry Group in Japan to make new businesses proposals based on their own ideas. Four programs have been organized since the inaugural program in fiscal 2006. Up until fiscal 2014, there have been six projects, including a day care service project, started.

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. 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 7–10 days of training in Japanese rooms[1] and in a preparatory course for acquiring certification as a certified specialist.

In fiscal 2014, there were 58 new enrolments and 56 graduates. In fiscal 2015, the school welcomed another 64 new enrolments, including carpenters employed at partner firms outside the Company.

1. Training designed to hand down time-honored techniques used around the tokonoma alcove, from generation to generation. Studies include fitting cedar posts and cross-pieces.


Practical training in building

Work-Life Balance

Social Report

Basic Policy on Employee Work Styles

Sumitomo Forestry recognizes employees' diverse work styles and strives to create a workplace where they can be motivated in their jobs, and still enjoy a fulfilling private life. Reflecting these aims, the Company has worked on such initiatives as providing childcare and family care programs, promoting greater participation by women, and reducing overtime.

In fiscal 2013, the Workstyle Diversification Department was established within the Personnel Department, bringing together support desk functions relating to work styles and careers, including childcare and family care, career support, mental health and post-retirement re-employment. In developing a counseling system which is easier for employees to access, the Company supports diverse work styles.

Supporting the Workstyles of Employees Currently Raising Children

Sumitomo Forestry has put in place a number of support programs that allow employees to work while also raising children.

For example, interviews are arranged for employees who are planning to take childcare leave, allowing them to discuss with their supervisors and Personnel Department staff about childcare leave programs and work style options when returning to work, as well as to hear about the experiences of other employees who are balancing both work and parenting.

Working Group on Balancing Work and Parenting

During fiscal 2014, Sumitomo Forestry established a working group on balancing work and parenting targeting those personnel raising children. Meetings with customers may start after work hours, and it is difficult for those personnel working at the branch offices of Housing Division to control their own work hours. The working group discussed issues and areas for improvement related to the working hours and styles for those personnel to play more active roles.

In fiscal 2015, the Company will continue this discussion through the working group, and will proceed to develop a workplace environment that better facilitates employees who are raising children.

Family Open Day

In July 2014, Sumitomo Forestry held a “Family Open Day,” an event for the families of employees to visit the Sendai Branch of the Housing Division. The aim of this event is for the Company to express its appreciation for the support which families provide, to facilitate their better understanding of the work, and to deepen mutual understanding between employees themselves.


House modeling

The day was attended by a total of 28 people —compromised of eight Sendai Branch staff and their family members, including children ranging from pre-school age through to first year junior high school. The children took part in the morning briefing, exchanged “business cards,” and interviewed employees about their work. They also toured the showroom and experienced 3D house modeling. Sumitomo Forestry plans to continue this initiative in 2015, expanding it to multiple branches.

The 5th Next Generation Law Action Plan (for Fiscal 2013 to 2014)

Sumitomo Forestry formulates and implements action plans for supporting employees who are raising families, in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children (Next Generation Law). From fiscal 2013, the Company acted based on the three goals set forth in its 5th Action Plan (for fiscal 2013 to 2014): create new intranet content encouraging employees to take paid leave; establish a new childcare grant program to support employees who are raising children; and create workplace environments that facilitate employees in using childcare support programs.

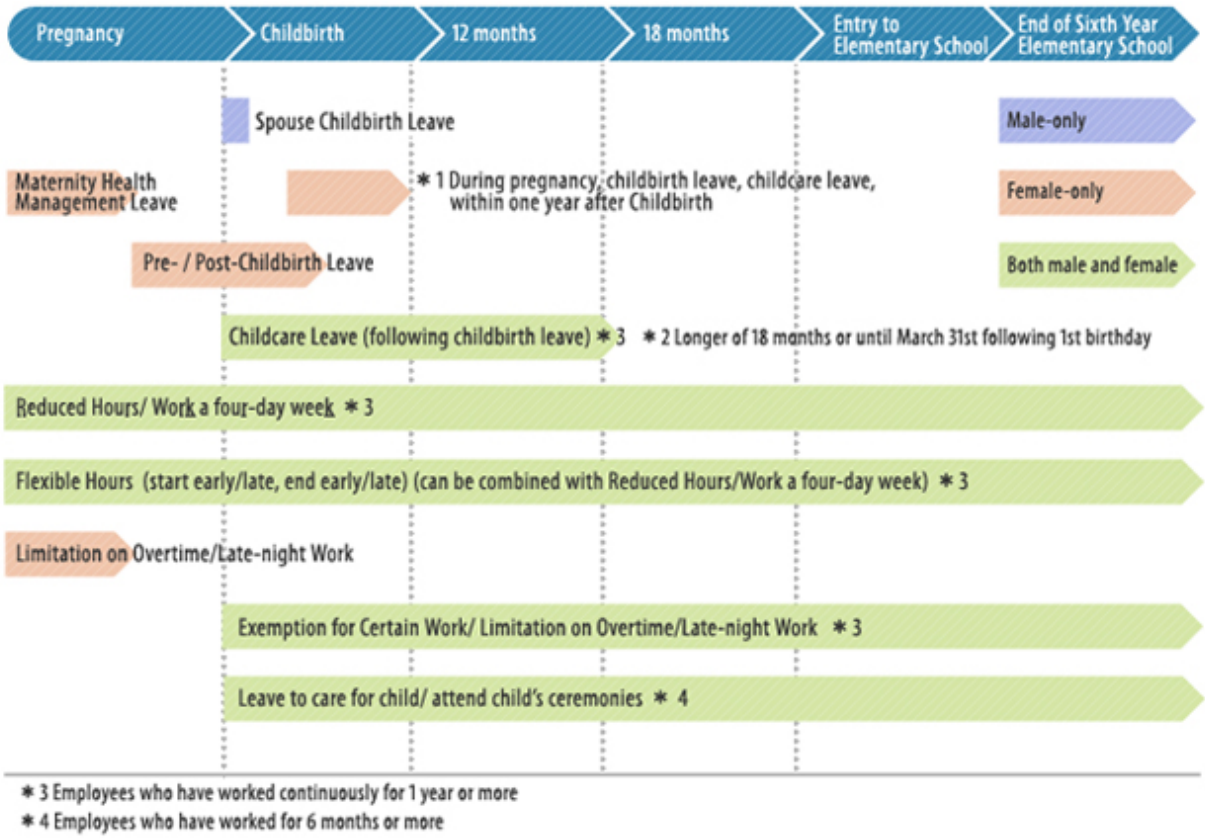
The *Kurumin* mark of certification

Based on this action plan, during fiscal 2013, the Company redesigned its intranet, and created a lump-sum childcare assistance program.

Furthermore, in fiscal 2014, with an aim of “creating workplace environments that facilitate employees in using childcare support programs,” the Company held a Family Open Day at the Sendai Branch of the Housing Division. Sumitomo Forestry has also formulated its 6th Action Plan (for fiscal 2015 to 2016), and is continuing these measures.

Main Childcare Support Programs and Usage (FY2014) (Non-Consolidated)

Program	Description	Usage in FY2014
Childcare leave	Childcare leave may be taken by employees for the longer of the first 18 months of the child's life or until March 31st immediately following the child's first birthday.	• No. of female employees giving birth who took childcare leave: 33 (100%) • No. of male employees who took childcare leave: 7
Shorter working hours	Until the child completes the sixth grade of elementary school, employees may begin or end work earlier or later, work shorter hours, or work a four-day week, and be exempted from overtime work.	
Leave to care for child and attend special events	Employees may take the equivalent of ten days a year in one-hour 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 children. Employees with two or more children are granted an additional five days.	



Supporting Workstyles for Employees Caring for Family Members

Sumitomo Forestry provides support to employees who are working while also nursing family members. In fiscal 2010, family care leave was revised so that employees may take up to 365 days of leave per applicable family member, and provisions were introduced enabling employees to begin and end work earlier or later, work shorter hours, or work a four-day week. The Company has also established family illness and injury leave, enabling employees to take up to 10 days of leave each year in hourly increments.

Main Family Care Support Programs and Usage (FY2014)

Program	Description	Usage in FY2014
Family care leave	This system allows up to 365 cumulative days of leave per family member requiring care, and is available to employees and contract employees.	• No. of family care support program users: 2 (earlier starting and finishing times; reduced overtime) • No. of employees who took family care leave: 1
Shorter working hours	Participants may also begin and end work earlier or later, work shorter hours, or work a four-day week.	
Family illness and injury:	Regular and contract employees may take the equivalent of ten days a year (measured by the hour) to care for their family. Five of the days annually may be used to care for family members who are ill or injured. Employees with two or more family members requiring care are granted an additional five days.	

Refresh Leave and Family Friendly Day Leave

So that employees can engage energetically in their jobs with healthy body and mind, Sumitomo Forestry is developing workplace environments that allow employees to take leave as they wish. As part of those efforts, employees are encouraged to take consecutive days of “refresh leave” at a time that suits them in addition to the summer and New Year holiday periods. Each workplace is required to draw up refresh leave schedules for individual employees, and ratios showing the percentage of schedules formulated and the percentage of employees who take refresh leave are tabulated for each department and posted to the in-house Web. This has created an environment making it easy for employees to take leave.

At housing business branches, which are regularly closed on Tuesdays and Wednesdays, employees often meet with customers on the weekends, which sometimes makes it hard to take time off to participate in family events and other private occasions. This has been addressed with the introduction of Family Friendly Day leave, which allows employees to take either one Saturday or one Sunday off each month to spend with family or on a chosen pursuit. Branch employees are encouraged to cooperate on adjustment of job responsibilities and meeting schedules, thereby helping to create a workplace environment that makes it easy to take leave on the weekends.

The percentage of employees who made use of refresh vacation was 42% in fiscal 2013 and 50% in fiscal 2014, and the percentage of employees who made use of Family Friendly Day leave was 26% in fiscal 2013 and 29.5% in fiscal 2014.

Encouraging Employees to Take Paid Leave

Sumitomo Forestry encourages employees to take at least 10 days of planned paid leave each year, inclusive of refresh leave and the summer holiday period. Each business site draws up an Annual Vacation Schedule every January, and periodically reports to the Personnel Department on how much paid leave has actually been taken. Based on this, the results for each site are published on the intranet to encourage employees to take their paid leave.

The percentage of paid leave taken was 31.6% in fiscal 2013 and 35.2% in fiscal 2014.

The Company has listed “take at least 10 days of paid leave” in its Mid-Term CSR Management Plan, and will continue to further promote this initiative during fiscal 2015.

Mental Health Care

Based on the Guidelines for Maintaining and Improving Workers' Mental Health formulated by the Ministry of Health, Labour and Welfare in August 2000, 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.

Mental health education for management

In April 2013, the Company established the Workstyle Diversification Department within the Personnel Department. It is responsible for providing support related to childcare and family care, career support and support for mental health. In order to further enhance mental health care, the Company put effort into providing mentally ill individuals with follow-up support and help in returning to work. The Company assigned an employee, who is a qualified clinical psychologist, to the Workstyle Diversification Department, and it worked in close cooperation with Medical Consultation and Treatment for Mind and Body, an external provider of the employee assistance program (EAP).[1]

Furthermore, since fiscal 2013, as part of its prevention of mental health disorders, the Company has offered an online Mental Health Checkup (Self-Check) to employees covered by health insurance (excluding those employees on long-term leave, such as maternity leave or convalescence leave). The percentage of eligible employees who took the checkup was 85.8% in fiscal 2013 and 92.8% in fiscal 2014. The Company has also provided an education program for managers run by the company counselor (clinical psychologist). The aim of this program is for those employees in managerial positions to appreciate the importance of mental healthcare and to implement appropriate prevention measures in their respective workplaces. 187 managers participated in the program in fiscal 2014. In fiscal 2015, the Company plans to continue with the Mental Health Checkup (Self-Check) and with the mental health education program for management.

1. Employee assistance program (EAP): A workplace mental health service

Telework Program

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.

The program is limited to employees who are paid based on a deemed number of working hours and excludes managers and supervisors, but there is no limit to the length of the period of use. The program was used by 15 employees in fiscal 2012, 21 in fiscal 2013, and 19 in fiscal 2014. In fiscal 2015, in order to promote diverse workstyles further, the Company will again work to expand use of the program, such as by explaining the program details and recommending its use to employees on an individual basis when they appear for childcare interviews or work style consultations.

Transfer Request Application Systems (Spouse Relocation / Family Care)

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.

Again during fiscal 2014, a new system was 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 family care.

To date, a total 22 employees have made use of these programs to transfer to a different location.

Communication with Employees

Social Report

Basic Policy on Communication with Employees

Sumitomo Forestry strives to create an environment that facilitates free and vigorous expression and exchange of opinions by employees, where they can perform their responsibilities with vigor, integrity and consideration for others. The Company wants each and every employee to grow within a corporate culture of respect for individual employees, and fair evaluation of accomplishments and efforts.

Communication in Employee Evaluation and Job Execution

Sumitomo Forestry has a policy of providing all employees feedback on their evaluation results, with the main objective of nurturing and developing human resources through employee evaluations. Meetings between individual employees and supervisors must be held once every six months, providing an opportunity to set targets and receive an explanation of evaluation results. In 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.

Open Discussions

Open Discussions have been held on a regular basis since 2007 as a platform for discussion between the President and employees, with an aim of facilitating new ideas for the Sumitomo Forestry Group. In two discussions held during 2014, dialogue on a wide range of subjects unfolded on a theme of “How can we make Sumitomo Forestry better?” As an opportunity for face-to-face dialogue between management and employees, discussions will be organized again in 2015.

An open informal discussion

Employee Satisfaction Survey

In July 2013, Sumitomo Forestry conducted its sixth Employee Satisfaction Survey, targeting 4,814 employees. The response rate was 90.6%. The level of employee satisfaction was 79.1%, marking the second consecutive increase in satisfaction.

In light of the survey results, the “Skills Development Sheet,” which is designed for personnel development, was partially revised, and the Company has also promoted self-development efforts and supervisor-led support. In addition, the Workstyle Improvement Committee was established within the Housing Division to work on reducing long working hours. The next survey will be conducted in July 2015.

Relations with the Labor Union

As of April 1, 2015, all 3,466 employees eligible under the collective labor agreement to join the Sumitomo Forestry Labor Union had done so. 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 an OHS Committee comprised of both labor and management members.

In 2014, joint labor-management discussions were held on 17 occasions, and following on from last year, consideration was given to measures aimed at reducing long working hours. With an aim of further improving the Company, views were also exchanged at regular meetings and other forums on revising the various employee programs.

Employee Data

Employee Data Trends

Number of Employees

	FY2010	FY2011	FY2012	FY2013	FY2014
Non-consolidated	4,470	4,452	4,416	4,486	4,499
Consolidated	13,778	14,736	14,890	17,413	18,137

Employee Breakdown (Non-Consolidated)

	FY2014
Management level	2,047
Non-management level	2,297
Contract employees (interior coordinators)	1
Contract employees (non-interior coordinators)	124
Hosted from other companies	30
Total	4,499

Employee Breakdown (By Age, Non-Consolidated)

	FY2014
Younger than 30	707
30-50	2,881
Older than 50	911

Number of New Employees — New Graduates[1] (Non-Consolidated)

		FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Housing sales	Male	71	56	55	55	60	73
	Female	16	15	15	16	13	17
Housing engineering	Male	22	16	19	22	23	22
	Female	7	4	6	7	8	13
General management	Male	21	20	14	20	14	17
	Female	9	5	6	7	6	5
Clerical	Male	0	0	0	0	0	0
	Female	1	6	1	0	13	6
Total		147	122	116	127	136	153

1. Calculated based on the number of new graduate recruits as of April 1 each fiscal year.

Employment and Promotion of Women [1](Non-Consolidated)

	FY2011	FY2012	FY2013	FY2014	FY2015
Female employees including contract employees (%)	16.8	17.2	17.7	18.4	19.2
Female employees in management positions (%)	1.4	1.5	1.8	2.2	2.6
Female new graduates[1] (%)	24.6	24.1	23.6	28.7	26.8

1. Calculated based on the number of new employees joining on April 1 the following year.

About symbol for third party assurance (link to Third Party Assurance Report)

Average Length of Service (Non-Consolidated)

	FY2010	FY2011	FY2012	FY2013	FY2014
Average length of service	12 years and 8 months	13 years and 6 months	14 years and 0 months	14 years and 3 months	14 years and 6 months

Job Separation Rate[1] (Non-Consolidated)

	FY2010	FY2011	FY2012	FY2013	FY2014
Voluntary separation rate (%)	3.0	3.4	3.3	2.3	2.6
Separation rate[2] (%)	4.6	4.2	4.2	2.9	3.2

1. Calculated by dividing the number of people who left during the year by the number of employees at the beginning of the year.
2. The separation rate includes voluntary separations.

Employment of People with Disabilities (Non-Consolidated)

	FY2010	FY2011	FY2012	FY2013	FY2014
Ratio of Disabled Employees (%)	2.04	1.93	1.95	2.18	2.24

Rate of Local Employment in Group Companies Outside Japan[1]

	FY2010	FY2011	FY2012	FY2013	FY2014
Rate of local employment in Group companies outside Japan (%)	99.2	99.3	99.3	99.2	99.3

1. 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.

Hours of Training and Expenditure on Training (Non-Consolidated)

	FY2010	FY2011	FY2012	FY2013	FY2014
Hours of training received per employee	2.6	4.7	6.9	7.5	6.8
Expenditure on training per employee (yen)	98,000	105,000	103,000	91,000	91,000

Work-Life Balance Program Usage (Non-Consolidated)

		FY2010	FY2011	FY2012	FY2013	FY2014
No. of childcare leave users	Male	20	15	6	12	7
	Female	20	20	15	29	33
No. of reduced hours program users[1]		18	24	29	29	32
No. of telework program users		10	12	15	21	19

1. Calculated by adding the number of reduced hours program users and the number of four-day week program users.

Paid Leave Usage Ratio (Non-Consolidated)

	FY2010	FY2011	FY2012	FY2013	FY2014
Paid leave usage ratio[1] (%)	32.4	30.7	30.4	31.6	35.2

1. Paid leave entitlements are issued each year in January, therefore the table shows figures for December 31. Calculated by dividing the number of days of paid leave taken by the number of days of paid leave issued.

Occupational Injuries (Non-Consolidated)[1]

	FY2010	FY2011	FY2012	FY2013	FY2014
No. of work-related accidents[2]	3	6	0	6	1
Lost-time injury frequency rate[3]	0.45	0.80	0	0.28	0.19

1. No work-related accidents resulting in death occurred during the reporting years shown.
2. The number of work-related accidents resulting in payment of compensation benefits for absence from work in accordance with the Industrial Accident Compensation Insurance Act is disclosed.
3. Lost-time injury frequency rate = Number of occupational fatalities or injuries resulting in an absence from work of at least one day ÷ Total number of working hours × 1,000,000
   The frequency of occupational diseases during the above reporting year was 0

Labor Union Membership (Non-Consolidated)[1]

	FY2010	FY2011	FY2012	FY2013	FY2014
Labor union membership rate (%)	100	100	100	100	100

1. The scope of eligibility for labor union membership is stipulated in the labor agreement.

Promotion of Social Contribution Activities

Policy on Social Contribution Activities

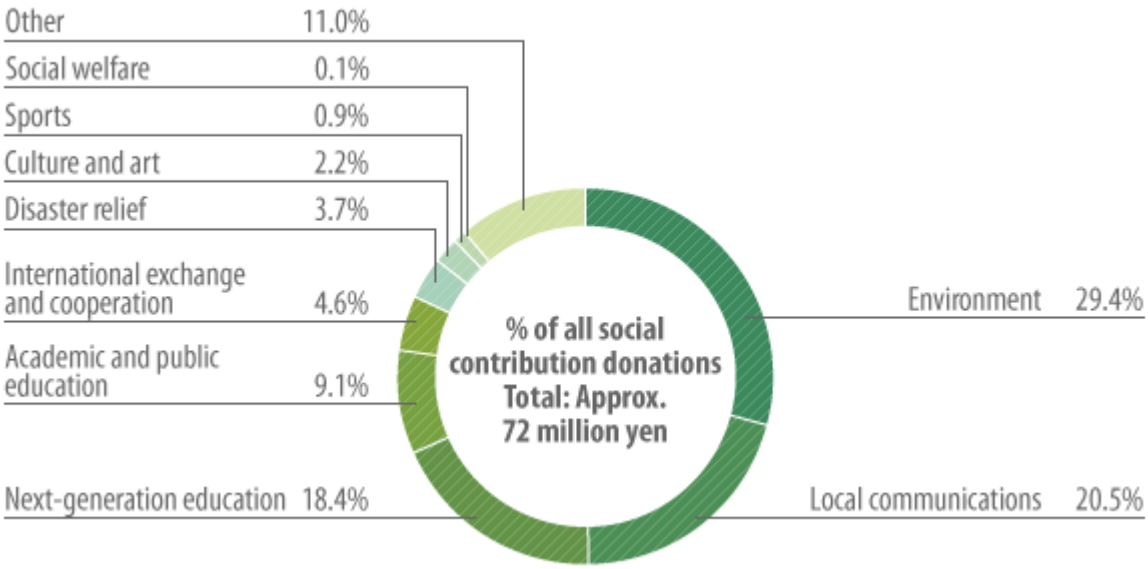
The Sumitomo Forestry Group advances a wide range of social contribution activities to protect abundant forests into the future and to contribute to sustainable use of wood resources and local community development. Fostering greater understanding about forests over a large section of society is particularly important for forest conservation. This motivates Sumitomo Forestry to dedicate itself to environmental education for elementary and junior high school students, such as lectures and hands-on learning in forests. The Company is also actively involved in activities which make a contribution to the wider society, such as the restoration of forests damaged by disaster. 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.

Introducing a 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. Moreover, the Company provided special support for volunteer activities for the Great East Japan Earthquake, for a specific time period, it paid the travel expenses and volunteer insurance premiums of employees who wanted to help. In fiscal 2012, 2013 and 2014, the number of employees who took leave to participate was 2, 6 and 9 respectively.

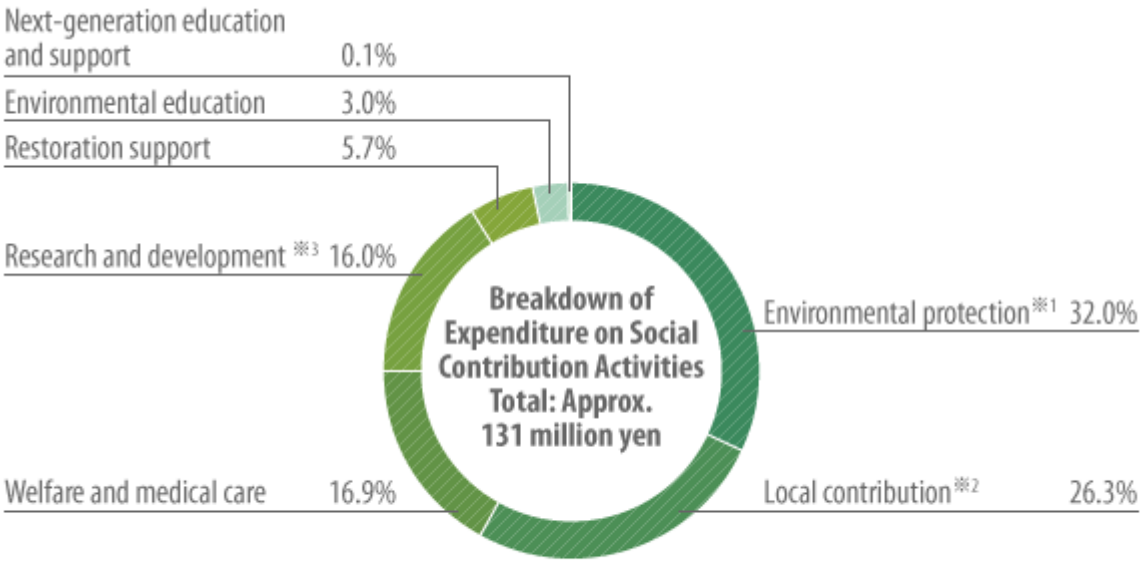
Social Contribution Donations

Breakdown of Social Contribution Donations by Category (FY2014)



Expenditure on Social Contribution Activities

Breakdown of Expenditure on Social Contribution Activities (FY2014)



※1.Manabi no Mori operation costs
※2.Includes local clean-up activities and Forester House operational costs
※3.Research and development costs for heritage and precious trees

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.

Main Public Policy Contributions in FY2014

Name of organization	Position	Name
Wooden Home Builders Association of Japan	Chairperson	Ryu Yano, Chairman of the Board
Japan Federation of Housing Organizations	Vice-chairperson	Ryu Yano, Chairman of the Board
The Building & Housing Center of Japan	Outside director	Ryu Yano, Chairman of the Board
The Machinami Foundation	Director	
Japan 2x4 Home Builders Association	Director	
Japan-China Association for Building and Housing Industry	Director	
Serviced Housing for the Elderly Association	Auditor	
Japan-Myanmar Association for Industry of Housing and Urban Development	Chairperson	Ryu Yano, Chairman of the Board
Organization for Landscape and Urban Green Infrastructure	Chairperson	Ryu Yano, Chairman of the Board
Greenery by Golf Group	Chairperson	Ryu Yano, Chairman of the Board
Japan Greenery Research and Development Center	Director	
National Land Afforestation Promotion Organization	Director	
National Conference for Promoting Forestry Revival and Reforestation	Vice-chairperson	Ryu Yano, Chairman of the Board
Keidanren Committee on Nature Conservation	Vice-chairperson	Akira Ichikawa, President/Director
Japan Federation of Housing Organizations – Environment Committee	Committee chairperson	Hideki Nose, Adviser

Name of organization	Position	Name
Forest Management Association of Japan	Vice-chairperson	Shigehiko Shiozaki, Adviser
Sustainable Green Ecosystem Council	Director	
The Forest Culture Associaton	Director	
Institute for Building Environment and Energy Conservation	Director	
Japan Overseas Plantation Center for Pulpwood	Director	
Japan Lumber Importers' Association	Vice-chairperson	Akira Sekimoto,Executive Officers
Japan Southsea Lumber Conference	Chairperson	Akira Sekimoto,Executive Officers
Central Japan Plywood Manufacturers' Association	Chairperson	
Japan Composite Flooring Industry Association	Director	
Japan Printed & Colored Plywood Industry Association	Director	
Keidanren (Japan Business Federation)	Permanent member・Director	
Japan Association of Corporate Executives, Project team for Communities, People & Jobs Rebirth	Committee chairperson	Akira Ichikawa, President/Director
Japan Association for the World Food Programme	Council member	
The Japan Chamber of Commerce and Industry	Special adviser	
The Tokyo Chamber of Commerce and Industry	Special adviser・Council member	

Name of organization	Position	Name
The Tokyo Chamber of Commerce and Industry – Japan Committee for the Japan-New Zealand Business Council	Vice-chairperson	Akira Ichikawa, President/Director

Examples of Social Contribution Activities in Japan

Social Report

Mt. Fuji Manabi no Mori Project

National forest cloaking the foothills of Mt. Fuji was extensively damaged when a typhoon struck southern parts of the Kanto region in 1996. In 1998, setting out to restore the vitality of the original forest, Sumitomo Forestry launched a natural forest restoration project to commemorate the 50th anniversary of the Company's establishment; encompassing around 90 hectares of the damaged forest named *Mt. Fuji Manabi no Mori*.

The *Mt. Fuji Manabi no Mori* is opened up not only for the volunteer activities and environmental education programs, but also for NPOs and other organizations. Between the start of activities in 1998 and the end of fiscal 2014, a total of 22,428 people had visited the *Mt. Fuji Manabi no Mori*; in fiscal 2014, a total of 1,880 people from both inside and outside the Company visited the *Mt. Fuji Manabi no Mori*.

Volunteer Activities (Planting, Underbrush Clearing, Thinning, Etc.)

Tree-planting activities carried out by many volunteers from both inside and outside the Company since the start of the project in 1998 have already been completed and the project is now in the cultivation stage. Cultivation activities such as underbrush clearing, pruning and thinning will be continued.

Volunteer activities were implemented on 12 occasions in fiscal 2014, with participation by a total of 538 visitors.

Underbrush clearing

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 and games incorporating the five senses. The aim of these opportunities to rediscover the natural world is for the students to learn about the importance of nature and encourage them to consider new ways in which people can coexist with nature in the future. In fiscal 2014, a total of 769 students participated in the program.

Since fiscal 2007, Sumitomo Forestry has also supported an Environmental Education Program for children living in children's home, and in fiscal 2014, 18 children participated in the program.

Environmental Education Program

Vegetation Monitoring and Wildlife Censuses

Experts have been carrying out surveys, including vegetation monitoring and wildlife censuses, since fiscal 2000, providing valuable data for understanding the biodiversity of the region.

Cultivating a forest is a never-ending job and *Mt. Fuji Manabi no Mori*, too, is a 100-year project. To ensure that the project is still running 100 years from now, forest management and environmental activities will be continued as a way to communicate the importance of nature to as many people as possible.

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.

Gunma Manabi no Mori

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. During fiscal 2014, Sumitomo Forestry held *Gunma Manabi no Mori* forest maintenance activities twice, in July and October. Around 100 people participated, including Sumitomo Forestry Home houses owners, employees of Sumitomo Forestry and partner building contractors, and their families, and with guidance from the local forestry cooperative, they planted Japanese cypress seedlings. Maintaining and conserving forests requires ongoing care, and so two activities are planned again for fiscal 2015.

Development of Technologies to Ensure the Survival of Heritage and Precious Trees

To help ensure the survival of heritage trees and precious trees into the future, Sumitomo Forestry is directing efforts into the development of cloning techniques that enable the qualities of trees to be passed down as-is.

Sumitomo Forestry is working toward propagation of historically and culturally important trees around Japan, particularly cherry trees using the latest clone propagation technique, plant tissue culture, in addition to cloning techniques already acquired, such as cutting and grafting. The Company is also working with the Forestry and Forest Products Research Institute (FFPRI, an incorporated administrative agency), the National Institute of Genetics (NIG, an inter-university research institute corporation) and the Association for Propagation of the Knowledge of Genetics (a public interest incorporated foundation) to build a DNA database for cherry trees and advancing a sophisticated program to identify individual varieties. A proper understanding of individual varieties, species diversity, history and other aspects can be used to preserve precious trees for future generations.

Omurozakura Research Project—First Blooming of Cloned *Omurozakura* following Their Return to Ninna-ji Temple

The *Omurozakura* Research Project, commenced in January 2007, is a collaboration among Sumitomo Forestry, Chiba University and Ninna-ji temple, headquarters of the Omuro school of the Buddhist Shingon Sect and a UNESCO World Heritage Site, under the guidance from the Municipality of Kyoto Cultural Properties Protection Section. The biology of the *Omurozakura* variety of cherry only grows on the temple grounds. The variety hides many secrets. Compared with other varieties, they are late blooming, and shorter, growing to the height of an adult human. But to ensure their survival for future generations, it was necessary to develop management technology rooted in scientific knowledge.

The first *Omurozakura* cultivated from tissue culture and planted on the grounds of Ninna-ji temple

In February 2012, the Sumitomo Forestry Tsukuba Research Institute successfully used tissue culture to clone *Omurozakura*, returning the first trees to Ninna-ji temple, and in April 2014, the trees produced their characteristic multi-layered blossoms. The blooming of these tissue-culture seedlings not only significantly contributes to the preservation of the renowned *Omurozakura*, which are aged 360 years old or more, but also to maintaining the scenery of Kyoto and the transmission of culture. Sumitomo Forestry believes the project to hold social significance, and will continue in its investigations and research.

Support for "Kyo-no-Mori Project—Cherry Trees Linking People Together.

The "Kyo-no-Mori Project—cherry trees linking people together," is run by Sumitomo Forestry in collaboration with Daigoji Temple, the head temple for the Daigo school of Shingon Buddhism. In March 2014, a tree-planting ceremony was held to donate Taiko weeping cherry tree clone saplings, which had been reared for a year by students at Daigo Elementary School, Kyoto, to Sakiyama Elementary School in Miyako City, Iwate Prefecture, an area devastated by the 2011 Great East Japan Earthquake. The project aims to make effective use of fallen leaves, which are in abundance at temples and shrines in Kyoto. The children of the Daigo Elementary School are in charge of gathering fallen leaves, producing fertilizer, and raising the cherry trees. Once the trees have grown, the Daigoji temple sends them to the elementary school in Miyako City, Iwate Prefecture, with which the temple shares ties. The project has been underway since November 2012.

Tree-planting ceremony

Sumitomo Forestry has support the Daigo Elementary School students in their efforts to raise the cherry trees, such as by getting employees to participate in leaf collection, donating two pots of

Taiko weeping tree seedlings, organizing environmental workshops run by employees, and through activities to promote the project on the radio. In March 2015, four student representatives from Daigo Elementary School accompanied monks from Daigoji temple, visiting Miyako City. They joined the students of Miyako Elementary School in disaster prevention education, a memorial service for victims of the 2011 disaster, and a tree-planting ceremony for the cherry tree. The Company intends to continue supporting exchange between the elementary school students from Kyoto and Miyako cities, through assisting with raising the donated trees.

Success in Propagating a Sapling Using Tissue Culture from a "Sacred Plum Tree" in front of the Kitano Tenmangu Main Shrine

Sumitomo Forestry has conducted research and development in relation to the breeding of saplings for the purpose of protecting and preserving the plum trees in front of the Kitano Tenmangu Honden (Main Shrine) in Kyoto that are worshipped as sacred trees. In February 2015, the Company succeeded in using tissue culture, a biotechnological technique, to propagate saplings that will ensure this valuable plum tree is passed down to future generations. This successful propagation from old plum trees and the research and development envisaging seedling production and other practical applications are world firsts.[1]

Sacred plum tree

The "sacred plum tree" from which tissue culture was used to propagate seedlings is estimated to be more than 300 years old. Besides protecting and preserving this tree, it is hoped that the seedlings will contribute significantly to maintaining the Kyoto landscape and carrying on its culture. In addition to conducting studies of plant varieties through DNA identification, the Company will also promote the use of tissue culture technologies to protect and preserve other plum trees at the shrine.

1. Search of sites providing access to academic materials: Web of Science / Google Scholar / J Dream III

Examples of Overseas Community Development and Regional Contribution Activities

Social Report

Contributing to Communities Where Sumitomo Forestry Operates

Sumitomo Forestry aims to contribute to sustainable local development through its operations. When starting new businesses or expanding its overseas business sites, the Company's policy is to consider the environment, revitalize local economies and promote employment and thereby operate in harmony with local communities.

Activities Which Contribute to Local Communities in Indonesia

Support for Children Through the KTI Educational Foundation

To commemorate the 30th anniversary of its founding, Sumitomo Forestry Group company PT. Kutai Timber Indonesia (KTI) established the KTI Educational Foundation in 2000 to provide scholarships to elementary and middle school students living in the vicinity of the KTI plant and plantation forests. The Foundation also provides relief donations for natural disasters such as earthquakes and floods.

In fiscal 2014, the Foundation provided 330,000 yen to 31 elementary, middle, and high school students.

Children at a kindergarten that received desks and other items donated by the KTI Educational Foundation

Community Development through Project EARTH Initiatives

Sumitomo Forestry has implemented its Project EARTH carbon-offset initiative in Indonesia since 2009, involving reforestation work in collaboration with local residents. The project also encompasses activities leading to enhanced regional infrastructure, such as the preparation of roads necessary for the reforestation work, thereby contributing to improvement of the livelihoods of residents. The project also regularly donates study tools to local elementary schools and kindergartens.

Kindergarten at the town of Supit Ulan, which has commenced reforestation

- News Release “Sumitomo Forestry ’Project EARTH’ Environmental Initiative Three Year Extension”

Contributing to the Community through Free Seedling Distribution and Support for Infrastructure Provision

PT. Rimba Partikel Indonesia, which conducts the manufacture and sales of particle board, distributes free seedlings to local residents and purchases the mature trees to use as raw material, which helps the community economically and in terms of greening. In addition, the company continues to support mosque repair work and in road surfacing, making use of donated roadbed materials.

Donation of saplings to the local Kendal Regency

Provision of Infrastructure and Opening a Hospital at an Business Site

PT. Wana Subur Lestari, which conducts large-scale forest plantation, cooperates with local communities in the conduct of sustainable business. To this end, they provide assistance for construction of kindergartens, schools and roads in areas with insufficient infrastructure. In addition, they opened the hospital at their afforestation business site for local residents. During fiscal 2014, other activities included construction of a church and construction of a poultry and fish farm to help improve the livelihood of local residents.

Church

Constructed fish farm

Constructed poultry farm

Exhibition as Part of a Green Forestry Expo in Indonesia

In April 2015, five Sumitomo Forestry Group companies[1] based in Indonesia collaborated to exhibit at the IndoGreen Forestry Expo. They were awarded third prize in the private industry category of a competition for exhibitors.

At the exhibition, panels of photographs were used to introduce visitors to how the Group is developing a sustainable forestry industry in Indonesia of "harvesting, using and replanting," which contributes to the environment and society. Topics included social contribution through afforestation, manufacturing business and zero emission efforts.

Visitors to the exhibition were given seedlings of Acacia, Gmelina and fruit trees. In addition, local children, Environment and Forestry Minister Dr. Siti Nurbaya and other visitors were given the opportunity to feel the timber for themselves, in the form of blocks made of balsa. It was a valuable forum to deepen people's understanding of reforestation and timber and engage their interest in the Sumitomo Forestry Group.

Environment and Forestry Minister Dr. Siti Nurbaya making an inspection of the booth

Children playing with balsa blocks at the exhibition

1. Five companies: PT. Kutai Timber Indonesia, PT. Rimba Partikel Indonesia, PT. Sumitomo Forestry Indonesia, PT. Wana Subur Lestari, and PT. Mayangkara Tanaman Industries

Sumitomo Forestry Participates as Main Sponsor at the Jakarta "Kizuna" Ekiden Promoting Friendly Relations between Indonesia and Japan

On May 31, 2015, the Jakarta "Kizuna" Ekiden was run on the streets of Jakarta, Indonesia, with an aim of promoting friendly relations between Indonesia and Japan. The Jakarta "Kizuna" Ekiden is a running race competed by mixed teams of four, made up of Japanese and Indonesian nationals such as those working at Japanese companies or organizations. Having a large number of Group companies in Indonesia, Sumitomo Forestry has supported the race as a main sponsor since fiscal 2014. This year, the Sumitomo Forestry Group was represented by 44 employees in 11 teams, with a team from PT. Kutai Timber Indonesia running superbly to take out fourth place.

Athletes from the Sumitomo Forestry Group all wearing the same uniform

Improving Social Infrastructure in Papua New Guinea

Open Bay Timber Ltd. (OBT), which is engaged in plantation forestry in Papua New Guinea, started plantation forestry operations in 1984 and has made significant contributions to the economic development of the local community. OBT became a member of the Sumitomo Forestry Group in April 2007 and continues to develop plantation timber resources in a responsible manner and to use those resources effectively.

OBT also runs a medical center, a kindergarten and a supermarket for use by employees and local children to supplement government-provided social infrastructure. In addition, OBT nurses make regular monthly rounds at nine villages located in the vicinity of the plantation forests, performing infant health checkups and providing advice to the sick.

Children at the kindergarten operated by OBT

On World Environment Day on June 5, 2014, OBT also participated in cleanup activities together with local elementary school students, at the public market area and around coastal areas.

Support for Children's Hospitals in Australia and the United States

The Henley Properties Group builds and sells detached and multi-unit housing and spec homes in Australia and the United States. The Group's social contribution activities include the Good Friday Charity Auction, whereby the auctioning of a spec home, built with residential land developer, materials supplier and other business partner cooperation, raises money which is donated to children's hospitals and other facilities.

Combined with business partners, more than 200 people participate in this activity, for example through the provision of land, cost estimation, manufacturing and procurement of materials, work management and construction. The total value of donations made since the activity began in 1993 now amounts to more than 2 million Australian dollars. A proportion of the donations go toward coverage of medical costs for children suffering from intractable diseases. In 2015, the 22nd year of the activity, a two-story house in Mickleham in northern Melbourne, Victoria, Australia, was auctioned in March, raising 646,000 Australian dollars.

Detached house auction

Support for the Next Generation in the United States Through Joint Efforts with Local Residents

The Canyon Creek Cabinet Company, which manufactures and sells cabinets in the United States, is actively supporting students in its local area. It provides scrap timber to local boy scouts to help them practice and improve their carpentry skills.

In addition, on facility tours, local students perform tasks together with factory employees, giving the students a better understanding of the work. Canyon Creek Cabinet Company also supports young people to learn business skills through the regional Business Week program, for which it offers bursaries. In addition, it also provides offcuts to a local toy manufacturer which uses them to make wooden toys and puzzles to donate to a local childcare facility and a children's hospital.

A facility tour for local students

Construction of Monastic Schools in Myanmar

Sumitomo Forestry is involved in the Myanmar Monastic School Support Team, a body which it established to support the construction of monastic school-style community schools in Myanmar. At the end of October 2014, the first monastic school was completed through the generosity of 18 companies and four individuals who endorsed the aim of the initiative. The three-story building, constructed in the Mingaladon district in northern Yangon, is presently attended by around 260 eager students, ranging in age from 5 to 16 years old. The building can also act as a refuge for members of the local community during heavy rains.

In March 2015, a ceremony to open the school was held, and an opportunity was provided for 20 representatives from 12 of the supporting businesses to visit the monastic school and mingle with the children. Moving forward, the Myanmar Monastic School Support Team will continue to provide support with a goal of building one school per year.

The monastic school completed
in the Mingaladon district

Ceremony to open the monastic school

Environmental Philosophy and Environmental Policies

Environmental Management of the Sumitomo Forestry Group

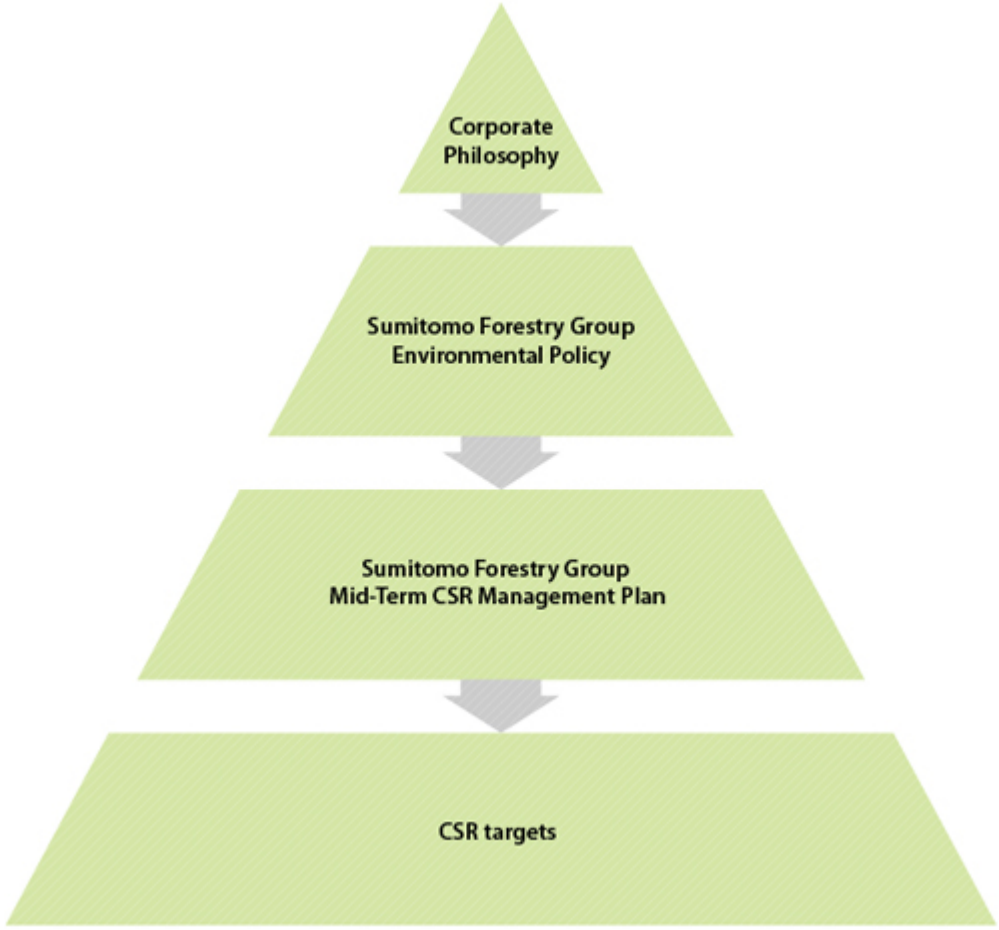
The Sumitomo Forestry Group lists “Environmental Responsibility” as one of the Action Guidelines of its Corporate Philosophy and states, “We are dedicated to effectively addressing environmental issues with the aim of achieving a sustainable society.” The Group established its Environmental Philosophy in December 1994 and Group-wide Environmental Policies in October 2000.

In fiscal 2009, the Group formulated a Medium-Term Environmental Management Plan setting out medium-term environmental targets. The plan is incorporated into environmental budgets as numerical targets for each fiscal year and environmental activities are steadily enhanced through implementation of the PDCA (plan-do-check-act) cycle at each organization.To share and raise awareness of the Environmental Philosophy and Environmental Policies among Group employees, they are printed in employee handbooks. Opportunities to read through and discuss them are also arranged, for example as part of new employee training, ISO 14001 internal environmental auditor training courses or departmental meetings.

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.

- Sumitomo Forestry Group Environmental Policy(link to Corporate Information)
- Corporate Philosophy and CSR Management of the Sumitomo Forestry Group

Sumitomo Forestry Group Environmental Philosophy Framework (in operation since July 2015)



Environmental Management Structure

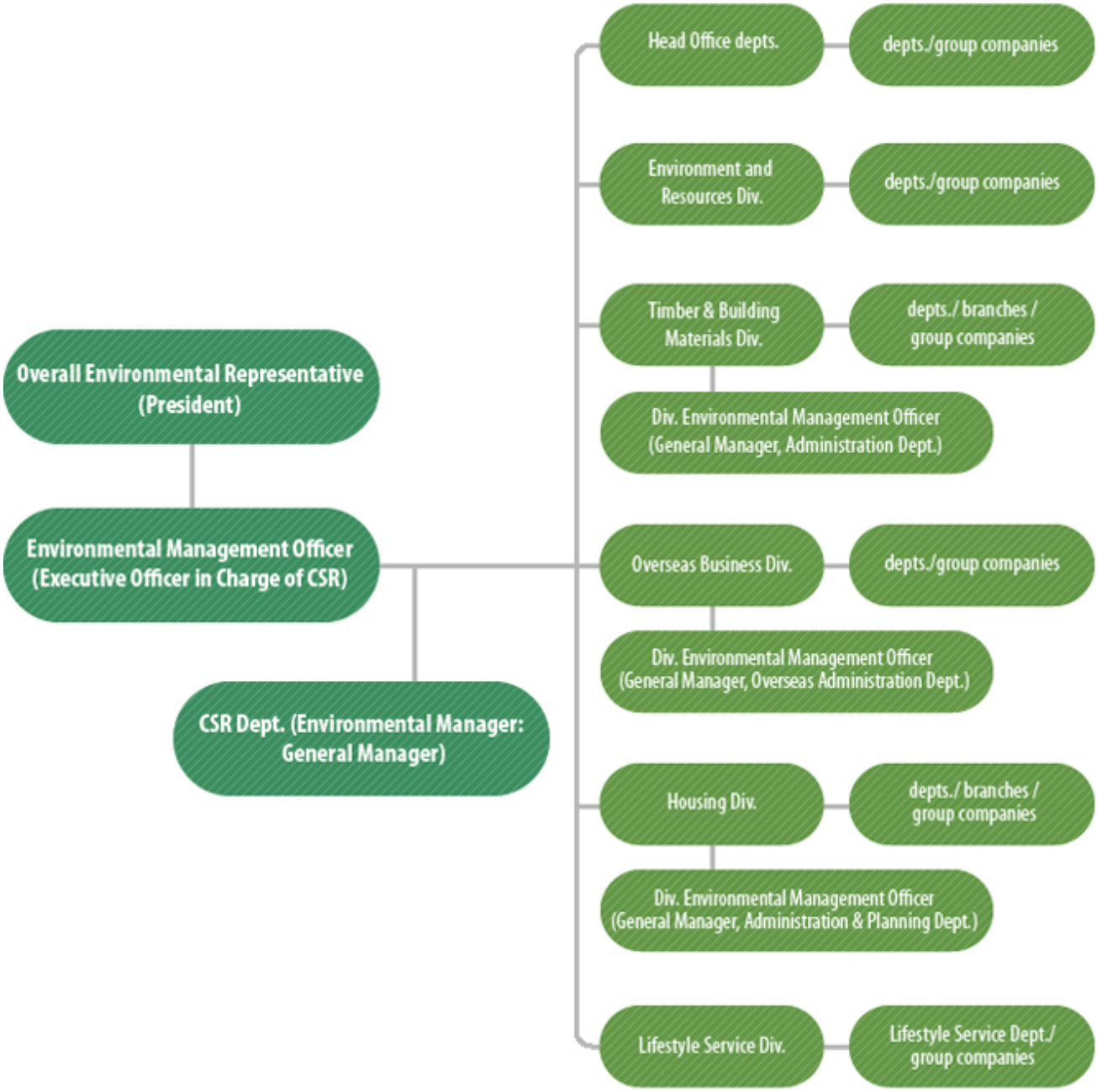
Environmental Management Structure

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

Beneath the President are the Executive Officer in Charge of CSR and the General Manager of the CSR Department.[1] Regular checks on the progress of environmental activities advanced by divisions and departments within the Group and related issues are conducted against the "environment budget," which sets forth numerical targets for each fiscal year, to raise the effectiveness of those activities.

1. The new CSR Department was established on April 1, 2015 as a result of integrating the Environmental Management Department together with the CSR Group within the Corporate Communication Department.

Environmental Management Structure (as of April 2015)



Roles of Environmental Management Personnel

- Group Overall Environmental Representative: President
- Group Environmental Management Officer: Executive Officer in Charge of CSR
- Group Environmental Manager: General Manager, CSR Dept.
- Division Environmental Management Officers: General Manager, Administration Dept. (Timber & Building Materials Div.); General Manager, Administration & Planning Dept. (Housing Div.); General Manager, Overseas Administration Dept. (Overseas Business Div.)
- Department Environmental Managers: General managers,presidents of group company,etc.
- Environmental activity personnel: Environmental promotion personnel

ISO 14001 Certification

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

Integrated certification is also being extended to Group companies, and in August 2014, the Japan Bio Energy Co., Ltd. was added into the scope of certification. As a consequence, now, Sumitomo Forestry and five Group companies in Japan have gained certification. Progress is also being made on certification of overseas Group companies, focused on manufacturing companies, with six companies having acquired certification.

As of March 2015, the certification rate for consolidated organizations was 74.3% (based on sales).

Sumitomo Forestry Group ISO 14001 Certification

Company	Date acquired
Sumitomo Forestry Co., Ltd. (excl. overseas operations)	August 2002[1]
Sumitomo Forestry Landscaping Co., Ltd.	November 2002[2]
Sumitomo Forestry Home Service Co., Ltd.	November 2002[2]
Sumitomo Forestry Crest Co., Ltd.	September 2003[2]
Sumitomo Forestry Home Tech Co., Ltd.	March 2013[2]
Japan Bio Energy Co., Ltd.	August 2014[2]
PT. Kutai Timber Indonesia (KTI)	July 2001
Nelson Pine Industries Ltd. (NPIL)	July 2003
PT. Rimba Partikel Indonesia (RPI)	October 2005
PT. AST Indonesia (ASTI)	January 2007
Alpine MDF Industries Pty Ltd. (Alpine)	February 2007
Vina Eco Board Co., Ltd. (VECO)	March 2014

1. Certification was acquired by individual departments and divisions from 1997 before integrated certification was acquired for the entire Company.
2. Acquired by inclusion in Sumitomo Forestry's integrated certification

Audits by External Certification Bodies

Companies covered by the integrated ISO 14001 certification in Japan undergo routine reviews conducted once a year by certification body JIC Quality Assurance Ltd. In fiscal 2014, 44 departments of five companies underwent routine reviews (surveillance reviews) between June and July.

The reviews recommended 33 improvements, but found no irregularities. In addition to examining methods of improvement and taking action for each of the recommendations, notices were issued by the CSR Department to share information on any issues common to the Group companies, and internal environmental audits were conducted to check the implementation of preventive measures.

Internal Environmental Audits

In addition to reviews conducted by external certification bodies, companies covered by the integrated 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 to become internal environmental auditors.

In fiscal 2014, internal environmental auditors evaluated initiatives, recommended improvements and checked compliance systems for 96 departments. No major irregularities were discovered. In regard to minor irregularities and improvement recommendations, audited departments took corrective action and submitted reports on those actions to the audit department. Audit results were reported to management by the General Manager of the CSR Department and a review was conducted.

Also in fiscal 2014, internal environmental auditor training courses were held on three occasions, with 85 employees completing the program. A total 1,441 employees (including 529 Group company employees) had completed the course as of the end of fiscal 2014.

Environmental Risk Management

Environmental Report

Environmental Risk Countermeasures

The Sumitomo Forestry Group is striving to reduce and to prevent the manifestation of the risks and impact which business activities have upon the global environment and society such as the disposal of industrial waste, soil and water pollution caused by toxic substances, noise and vibration.
In fiscal 2014, there were no significant violations of any environment-related laws or ordinances.

Processing of Industrial Waste

It is said that around 77% of illegally dumped industrial waste in Japan 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, the Group complies with the Waste Management and Public Cleansing Act and other related laws and regulations and has established a set of industrial waste management regulations covering appropriate disposal, reduction, recycling and reuse of industrial waste. In keeping with these regulations, voluntary audits of waste manifests and terms of outsourcing agreements with waste processors are carried out twice a year for each Group company office in Japan emitting industrial waste. If an audit concludes that corrective action is required, appropriate action is taken and it is subsequently confirmed through reports submitted in line with the industrial waste management system that waste is being properly treated.

In addition, industrial waste managers at each office conduct site checks of contractors' waste treatment plants at least once a year. In fiscal 2014, personnel from the Housing Division carried out site checks of around 550 waste treatment plants across Japan. Divisions other than the Housing Division and offices of Group companies are being instructed to continue using waste treatment plants which the Housing Division has already inspected.

To be able to determine whether industrial waste is being processed in an appropriate manner, the Group asks waste treatment contractors to employ electronic manifests. All branches of the Housing Division and all contractors accepting industrial waste from new housing construction sites have already introduced electronic manifests. In fiscal 2014, 99.9% 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 2014, a total of 81 people participated in the training, including newly appointed personnel in charge of industrial waste processing at Group companies as well as trainees from the Sumitomo Forestry School of Professional Building Techniques.

▸ Reduction, Recycling and Appropriate Disposal of Waste

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 condominiums business.

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. The No. 2 Kyushu Plant of Sumitomo Forestry Crest Co., Ltd., which is a specified office under the amended Water Pollution Control Act of Japan, performs its own water quality inspections twice a week on wastewater emitted by the plant's wastewater treatment facility and has a third-party organization conduct inspections twice a month. Inspection results are reported to local government authorities every six months. Water is also sampled and inspected by the prefecture once a year and by the city three times a year. In fiscal 2014, all inspections found the level of water pollution to be within the statutory limit for wastewater. Leak response drills are also carried out as part of annual emergency response training.

The Tsukuba Research Institute is also a specified office under the amended Water Pollution Control Act of Japan. As well as replacing some laboratory equipment pertaining to the act, in June 2015, the institute submitted a notice of disuse to the Tsukuba City Hall for some old equipment that was no longer required.

Management of Hazardous Chemical Substances

Contamination by Hazardous Chemicals

Contamination caused by hazardous chemicals leads to risks of a major impact on human health or the environment and the risk of a disaster. The Sumitomo Forestry Group ascertains the amount of hazardous chemicals it uses and emits and makes an effort to manage such chemicals appropriately and reduce usage.

The Group also takes appropriate action in response to the Air Pollution Control Act. The Niihama and Kyushu Plants of Sumitomo Forestry Crest Co., Ltd., which are both equipped with boilers, comply with the law by regularly measuring emission volumes and concentrations of NOx, SOx and soot and dust and confirming that they are less than the statutory limits.

Management of Hazardous Chemical Substances

Noise and Vibrations

Sumitomo Forestry makes an effort to prevent noise and vibrations during housing construction. When complaints about noise or vibrations are received, the circumstances are recorded and the information is shared with the rest of Group to prevent the occurrence of similar incidents.

Sumitomo Forestry Crest Co., Ltd. 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 2014.

Global Warming (Addressing the Amended CFC Act)

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.

In most cases, the Sumitomo Forestry Group leases its offices in buildings, and since the Group is primarily engaged in the construction and sale of housing and the manufacture and distribution of processed wood products, it does not own (or manage) that much commercial refrigeration and air conditioning equipment (air-conditioners, refrigerators, etc.). Nevertheless, following enforcement of the law, the Group has held seminars to explain the gist of the law and regulations to those divisions that might possibly own (or manage) such equipment that uses chlorofluorocarbons as a refrigerant. The Group has also compiled a list of relevant equipment. Going forward, the Group will carry out simple inspections for commercial refrigeration and air conditioning equipment, and will carry out both simple inspections and periodic inspections for any equipment comprising a compressor with a rated output of 7.5 kW or greater.

Understanding 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. The Group analyzes the information as required for the purpose of assessing business risks.

Risks Related to Climate Change

Natural Disasters

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

Establishment of Emission Reduction Obligations

As the move towards reduction of greenhouse gases takes shape 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 Japan too, future changes in new international frameworks could result in adjustments to domestic systems, which could influence business activities and costs.

Environmental Adaptation of Products and Services

With the revision of Japan's energy efficiency standards in fiscal 2013 (from fiscal 2020, houses will be required to comply with energy efficiency standards), it is expected that demand will grow for life cycle carbon minus (LCCM) housing. If the Sumitomo Forestry Group does not respond swiftly, we risk losing market share. There is also a risk that, if significant climate change occurs, we will be expected to change housing specifications or provide after service to adapt to these changes.

Changes to Suppliers and the Impact upon Operation of Company-owned Forests

Because Sumitomo Forestry positions timber as its principal material and product, the risk exists of having to change suppliers in the event of limitations being imposed due to the depletion of timber resources or changes to habitats resulting from climate change. Climate changes, including average temperature or annual rainfall, damage due to storm or flood, and ecosystem changes also pose risks to company-owned forests by impacting upon forest preservation, tree growth and upon vegetation.

Energy Supply Shortages

In countries like New Zealand, where hydroelectric power is used, there is a risk that a change in the amount of rainfall will cause dam levels to fall and lead to a disruption of supply from hydroelectric power stations, forcing Sumitomo Forestry Group sites in those countries to suspend plant operations.

Risks Related to Biodiversity Change

Changes in Timber Quality and Volume

The Sumitomo Forestry Group is among the top Japanese procurers of forest timber by volume. Trees represent the blessing of biodiversity which, if lost, poses a risk to the foundation of our business. Furthermore, should the quality or volume change, The required response may lead to significant cost increases.

Strengthening of Related Laws and Regulations

The establishment and strengthening of laws and regulations for preventing loss of biodiversity continues, typified by the Nagoya Protocol. Anticipated risks include effects on operation of Company-owned forests, having to adapt timber procurement in terms of regions, tree species and volume, and having to adapt housing construction business in terms of regions, scale and greening. Should the Group fail to deal with the associated laws and regulations, compliance risks will emerge.

Corporate Image Deterioration

Any mistake in addressing biodiversity may be detrimental to the corporate image, directly affecting sales and other performance indicators.

Impact upon Fund Procurement

Financial institutions and similar organizations are making the implementation of environmental assessments and biodiversity initiatives a condition of lending. Corporate credit rating agencies and investors, too, are adopting increasingly detailed assessment criteria for credit rating and socially responsible investment (SRI), including biodiversity initiatives as an assessment category. These growing trends may potentially affect funds procurement.

Risks Associated with Illegal Logging

Strengthening of Related Laws and Regulations

Illegal logging of forests 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. If the Sumitomo Forestry Group does not respond appropriately to such laws and regulations in its harvesting and procurement, there is the potential of compliance risk arising or indemnity being incurred.

Corporate Image Deterioration

Should the Sumitomo Forestry Group deal in illegally logged timber due to a neglect to exercise the appropriate duty of care, there is the potential of damage to our corporate image which could have a direct impact upon sales and other business results.

Environmental Impact of Business Activities

Environmental Report

Balance of Input and Output

All business activities

INPUT

Energy ····· 3,567,836GJ ※1

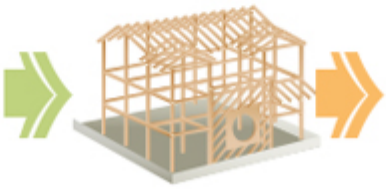
Gasoline	8,415,293 L
Light oil	5,315,396 L
Kerosene	110,482 L
Heavy oil A	1,119,704 L
LPG	244,194 kg
Processed natural gas	423,494 ㎥
Natural gas	3,271,948 ㎥
Electricity	285,772,856 kWh
Heat	4,102,125 MJ

Raw materials ·· 2,424,642 t

Timber	1,743,479 t
Metal	24,352 t
Plastic	13,005 t
Paper/Fiber	4,412 t
Concrete	405,998 t
Glass/Ceramic/non-combustible building materials	121,267 t
Paint/Adhesives	85,600 t
Other	26,529 t

Water ····· 1,394,480 ㎥

Manufacturing / Domestic / Overseas



Housing design, construction and sales

Offices / Other

OUTPUT

CO_2 ····· 182,087t-CO_2

Scope 1	48,126 t-CO_2 ※2
Scope 2	133,961 t-CO_2 ※2

Waste ····· 316,486t

Plastic	5,869 t
Paper	6,253 t
Wood	145,721 t
Fiber	1,243 t
Metal	6,153 t
Glass/Ceramic	15,985 t
Rubble	37,493 t
(Asbestos-containing material)	553 t
Gypsum board	11,857 t
Composit (Inert)	4,255 t
Composit (controlled)	13,169 t
Cinder	4,284 t
Soot and dust	654 t
Sludge	547 t
Oil	80 t
Waste acid	34 t
Concrete	57,768 t
Asphalt concrete	1,385 t
Other	3,182 t

Waste water ·· 692,651 ㎥

※1. Includes 6,652 GJ of energy (electricity) from wood biomass power generation used at Japan Bio Energy Co., Ltd.
※2. Scope1 : Direct GHG emissions of a company, including emissions from fuel consumption (including CH_4 and N_2O)
E.g. CO_2 emissions from the use of gasoline for company vehicles
Scope2 : Indirect GHG emissions from the generation of purchased electricity and heating
E.g. CO_2 emissions associated with use of electricity by offices

▸ About symbol for third party assurance (link to Third Party Assurance Report)

According to the active conduct of business

Manufacturing in Japan

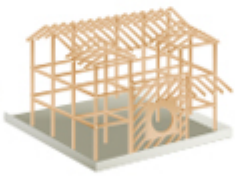
INPUT		OUTPUT	
Energy	170,551 GJ	CO_2	9,619 t-CO_2
Raw materials	94,260 t	Waste	9,310 t
Water	196,161 ㎥	Waste water	177,729 ㎥

Manufacturing overseas

INPUT		OUTPUT	
Energy	2,709,308 GJ	CO_2	130,229 t-CO_2
Raw materials	1,641,811 t	Waste	94,193 t
Water	1,021,798 ㎥	Waste water	514,922 ㎥

Housing design, construction and sales

INPUT		OUTPUT	
Energy	433,217 GJ	CO_2	26,646 t-CO_2
Raw materials	688,572 t	Waste	199,631 t
Water	11,100 ㎥		



Offices / Other

INPUT		OUTPUT	
Energy	248,109 GJ	CO_2	15,593 t-CO_2
Water	165,421 ㎥	Waste	13,353 t

▸ Scope and Method of Data Aggregation

Environmental Impact from the Construction of a New House

INPUT

Energy ..... 25,195 MJ

Electricity 282.1kWh
Gasoline 415.6L
Light oil 213.7L

Raw materials ..... 75.43 t

Timber ..... 13.76 t
Metal ..... 2.49 t
Plastic ..... 1.08 t
Paper/fiber ..... 0.15 t
Concrete ..... 44.75 t
Glass/ceramic/noncombustible building material ..... 13.18 t

OUTPUT

CO_2 ..... 1,674kg-CO_2

Waste from new housing construction ..... 4.74 t

Plastic ..... 0.38 t
Paper ..... 0.57 t
Wood ..... 1.08 t
Metal ..... 0.10 t
Glass/Ceramic ..... 0.48 t
Rubble ..... 0.78 t
Gypsum boad ..... 0.82 t
Composite(inert) ..... 0.19 t
Composite(controlled) ..... 0.32 t

Implementation of Life Cycle Assessments

In fiscal 2006, the Sumitomo Forestry Group carried out life cycle assessments (LCA)[1] at each of its businesses with the help of the Tokyo University of Agriculture and Technology (TUAT) to ascertain the environmental impact of its products. Since then, the Group has introduced carbon footprint (CFP)[2] labels for individual products and carried out life cycle assessments of detached housing among other initiatives. For example, Group company PT. Rimba Partikel Indonesia (RPI) conducts LCAs of particle board (PB) that it manufactures and sells, covering the production and transportation of the raw materials through to manufacturing of the products. The company also voluntarily displays CFP labels on PB products based on LCA results.

RPI started displaying CFP labels on PB products in 2009 (a first for an Indonesian company in the timber products market)

During fiscal 2014, the Group carried out LCA on the recycling of waste generated during construction and demolition. The effects of an improved recycling ratio when constructing new houses as a consequence of Sumitomo Forestry's Metropolitan Area Recycling Center beginning full-scale operation, and the effects of recycling at demolition sites in Tokyo when demolishing houses were measured, and each was compared against disposing the whole amount of waste to landfill. The results of these comparisons showed that the Group's environmental impact has been significantly reduced. In fiscal 2015, the Group plans to conduct LCA on renovated properties.

▸ Saving of Energy and Reduction of Greenhouse Gas Emissions During Residence Period

1. A method of evaluating the overall environmental impact of a product throughout its life cycle (all stages, including raw material procurement, manufacturing, transportation, sale, use, reuse and disposal).
2. A measure indicating of the amount of greenhouse gases emitted over the entire life cycle of a product or service converted into CO_2.

Scope and Method of Data Aggregation

Environmental Report

1. Boundaries (range of organizations included in aggregate)

Disclosure classification		Boundary
All business activities		All Sumitomo Forestry Group companies*
Segment	Manufacturing in Japan	Sumitomo Forestry Crest Co., Ltd. [Kashima Plant, Shizuoka Plant, Nagoya Plant, Niihama Plant, Kyushu Plant, No. 2 Kyushu Plant], Sumirin Agro-Products Co., Ltd. [Sakura Plant,* Shinshiro Plant, Tobishima Plant] 1. Based on shipment data until end of April 2014, and on energy consumption for restoring site to original condition in May. Complete withdrawal from site on May 28, 2014.
	Manufacturing overseas	PT. Rimba Partikel Indonesia, Alpine MDF Industries Pty Ltd., PT. AST Indonesia, PT. Kutai Timber Indonesia, Nelson Pine Industries Ltd., Vina Eco Board Co., Ltd.
	Housing design, construction and sale	Sumitomo Forestry Co., Ltd. [Housing Division], Sumitomo Forestry Residential Co., Ltd., Sumitomo Forestry Home Service Co., Ltd., Sumitomo Forestry Home Tech Co., Ltd., Sumitomo Forestry Home Engineering Co., Ltd., Sumitomo Forestry Landscaping Co., Ltd., Sumitomo Forestry Archi Techno Co., Ltd.
	Offices and other	Divisions of Sumitomo Forestry Co., Ltd. and other Group companies not listed above

▸ Sumitomo Forestry Group (link to list of Group companies)

2. Assumptions

Disclosure classification	Assumptions	
Manufacturing in Japan	Energy CO_2	Energy consumption and CO_2 emissions at each plant
	Raw materials	Raw materials used in building materials and potting mix, etc.
	Water	Water usage in the production of building materials and potting mix, etc.
	Waste	Waste generated in the production of building materials and potting mix, etc.
Manufacturing overseas	Energy CO_2	Energy consumption and CO_2 emissions at each plant
	Raw materials	Raw materials used in timber products, etc.
	Water	Water usage in the production of timber products, etc.
	Waste	Waste generated in the production of timber products, etc.
Housing design, construction and sale	Energy CO_2	Energy consumption and CO_2 emissions at offices related to the housing business (including model homes)
	Raw materials	Materials committed to housing construction
	Water	Water usage at offices related to the housing business
	Waste	Waste generated during housing construction (including renovations) and demolition

Disclosure classification	Assumptions	
Offices and other	Energy CO_2	Energy consumption and CO_2 emissions at offices of Sumitomo Forestry and other Group companies not involved in manufacturing in Japan or overseas, or in housing design construction and sale
	Water	Water usage at offices of Sumitomo Forestry and other Group companies not involved in manufacturing in Japan or overseas, or in housing design construction and sale
	Waste	Waste generated at offices of Sumitomo Forestry and other Group companies not involved in manufacturing in Japan or overseas, or in housing design construction and sale

3. Method of Aggregation

CO_2 : See webpage below

▸ Boundaries and Methods of CO_2 Emissions Calculation

Waste: Emissions calculated based on data collected from manifests

Medium-Term Environmental Management Plan

Positioning of the Medium-Term Environmental Management Plan

In December 2009, the Sumitomo Forestry Group set out its environmental management targets in the Medium-Term Environmental Management Plan, replacing the Medium-Term Environmental Management Policy established in December 2005. Having determined where the Group should be in five years' time, the plan, unlike the earlier “policy,” specified targets that the Group as a whole, Sumitomo Forestry individual divisions and the main Group companies needed to achieve.

In fiscal 2014, the Medium-Term Environmental Management Plan concluded, and the Group achieved many of its targets. From fiscal 2015, the Group will promote initiatives in accordance with the Sumitomo Forestry Group Mid-Term CSR Management Plan, which sets targets to achieve by fiscal 2020.

- Corporate Philosophy and CSR Management of the Sumitomo Forestry Group
- Sumitomo Forestry Group CSR Material Issues and Mid-Term CSR Management Plan

Medium-Term Environmental Management Plan (Excerpt of Major Objectives)

Sumitomo Forestry Group(shared targets)							
Responsibility	Area of Environ-mental Impact	Basic Strategy (Objectives)	Evaluation Metrics / Targeted Values	FY2014 Results	FY2014 Targeted Values	5-year actual average	Perfor-mance measure
Environmental Management Department	Global warming	Reduction of CO_2 emissions (Offices; excluding manufacturing companies)	Percentage of reduction of total CO_2 emissions compared with FY2006 (%)	-19.2%	-12% (2010 target value continues)	-12.6%	○
		Reduction of CO_2 emissions (manufacturing companies in Japan)	Percentage of reduction of total CO_2 emissions compared with FY2006 (%): All manufacturing companies in Japan, including offices	-19.8%	-12%	-13.4%	○
		Reduction of CO_2 emissions (manufacturing companies outside Japan)	Set for each company in consideration of national policy on CO_2 reduction targets, etc., in each country.	-	-	-	-
Environmental Management Department	Resource consumption, resource recycling, and industrial waste	Achieve zero emissions	Achieve zero emissions [1,2]	92.4%	Achieve zero emissions	-	×

1. Definition: No incineration or landfill of industrial waste generated by domestic manufacturing facilities and new construction sites.
2. Target units: Housing Division, Sumitomo Forestry Landscaping Co., Ltd. (residential greening), Sumirin Sash Co., Ltd., Sumikyo Co., Ltd, Sumikyo Wintec Co., Ltd., Sumitomo Forestry Crest Co., Ltd., Sumirin Agro-Products Co., Ltd., Sumitomo Forestry Home Engineering Co., Ltd.

▸ About symbol for third party assurance (link to Third Party Assurance Report)

Results of Efforts to Reduce CO_2 Emissions

Targets were achieved at both offices and manufacturing companies in Japan.

- At offices, CO_2 emissions were reduced by 12.6% compared to the base year on a 5-year actual average basis. This was partly the result of power-saving measures following the great earthquake of 2011, as well as a switch in vehicles used in the housing business to ecocars.
- At manufacturing companies in Japan, CO_2 emissions were reduced by 13.4% compared to the base year on a 5-year actual average basis. This was partly the result of introducing highly energy-efficient equipment and improving production efficiency at Sumitomo Forestry Crest Co., Ltd.

Results of Promoting a Zero-Emissions Policy

The recycling rate was 92.4%, meaning that the target for zero emissions was not achieved within the defined range.

- Within the defined range, zero emissions was achieved for industrial waste generated at new housing construction sites in the Tokyo metropolitan area in November 2012 due to operations commencing at the Metropolitan Area Recycling Center. Subsequently, efforts for waste recovery utilizing certification under the National Permit System were widened, but the recycling rate for all new housing construction sites remained at 91.4%, and the target for zero emissions was not achieved. On the other hand, at manufacturing plants in Japan, zero emissions was achieved in fiscal 2009 and has since been maintained.

Environment and Resources Division

Responsibility	Area of Environmental Impact	Basic Strategy (Objectives)	Evaluation Metrics / Targeted Values	FY2014 Results	FY2014 Targeted Values	Performance measure
Forestry Department	Resource consumption, resource recycling, biodiversity, and others	Promotion and expansion of sustainable forests	Percentage of certified forests in newly acquired forests managed by the Group	100%	100%	○
	Biodiversity, and others	Establishment of forestry management that enables both preservation and conservation of biodiversity and forestry businesses	Implement monitoring surveys in Company-owned forests (Collect and review fundamental materials: 2008-2011)From 2012, set specific numeric targets by region based on comparative analysis of data collected.	• Monitoring was carried out in 4 out of 4 locations until fiscal 2014 (Mombetsu Forest in fiscal 2014) • Since 2012, numeric targets have been set for 3 of the monitored locations	4 out of 4 locations Set specific numeric targets from 2012.	○

Timber & Building Materials Division and Major Affiliated Companies

Responsibility	Area of Environmental Impact	Basic Strategy (Objectives)	Evaluation Metrics / Targeted Values	FY2014 Results	FY 2014 Targeted Values	Performance measure
International Marketing Department	Resource consumption, and biodiversity	Increase sustainable timber handled[1]	Percentage of certified timber handled and percentage of plantation timber handled.	All directly imported timber: 62.0%	All directly imported timber: 68% (FY2015)	-
				Logs: 64.3%	Logs: 80% (FY2015)	-
				Products: 72.9%	Products: 70% (FY2015)	-
				Imported plywood: 30.9%	Imported plywood: 50% (FY2015)	-
				MDF (plantation timber): 98.5%	MDF: 97% (FY2015)	-
	Resource consumption	Make effective use of wood resources[1]	Volume of wood chips handled as fuel, including for biomass power generation (compared to FY2011)	-7.8%	10% increase (FY2015)	-
Timber & Building Materials Department	Global warming, resource consumption, and resource recycling	Increase environmentally sound building materials handled	Volume of environmentally sound building materials handled	2,254 EcoCute units	6,000 EcoCute units	×
Sumitomo Forestry Wood Products Co., Ltd.	Resource consumption, and global warming	Promote use of Japanese timber[1]	Volume of Japanese timber handled	13.5% increase	71% increase (FY2015)	-
Sumitomo Forestry Crest Co., Ltd.	Global warming, resource consumption	Promote use of sustainable timber[1]	Percentage of plantation timber, certified timber and Japanese timber used	64.7%	64% (FY2015)	-

1. The year for achieving targets for these strategies is fiscal 2015 as they are the same as under the 3rd Action Plan for Timber Procurement.

Overseas Business Division and Major Affiliated Companies

Responsibility	Area of Environmental Impact	Basic Strategy (Objectives)	Evaluation Metrics / Targeted Values	FY2014 Results	FY2014 Targeted Values	Performance measure
Overseas Resources & Manufacturing Department	Resource consumption, resource recycling, and biodiversity	Expand use of sustainable raw materials 1. Sustainable raw materials: plantation timber, certified timber, and waste wood	Percentage of sustainable timber used for wooden raw materials[1] (total for NPIL, Alpine, RPI, VECO)	99%	100%	△
Overseas Housing & Real Estate Department	Resource consumption, resource recycling, and living environments (others)	Promote environmentally friendly housing	Percentage of houses sold that meet certain environmental standards (total for SFC Homes, Paragon, Henley) 2. Certain environmental standards: North America, Australia: Standards in each country China: Company's own standards	99.9%	90%	○

1. Boards such as particle board and MDF

Housing Division and Major Affiliated Companies

Responsibility	Area of Environmental Impact	Basic Strategy (Objectives)	Evaluation Metrics / Targeted Values	FY2014 Results	FY2014 Targeted Values	Performance measure
Building Materials Procurement & Logistics Department Marketing Strategy Department Product Development Department	Global warming, resource consumption, resource recycling, and others	Promote and expand the use of Japanese timber[1]	Percentage of Japanese timber used in all products (based on the total volume of timber used) Scope: Timber used for custom-built detached housing (structural members+posts)	58%	60% (FY2015)	-
Residential Property Development Department	Resource consumption, resource recycling, and global warming	Promotion of environmentally symbiotic residential property development	Percentage of housing units using next-generation energy-conservation standards (Base: construction starts)	100% (244 out of 244 houses)	100%	○
Sumitomo Forestry Landscaping Co., Ltd.	Biodiversity, and living environments (residential greening)	Promotion of residential greening conscious of biodiversity	Number of garden vegetation trees of native species in the region	36,847 trees	35,000 trees	○
Sumitomo Forestry Home Service Co., Ltd.	Resource consumption, resource recycling, and industrial waste	Promotion of re-use of housing	Number of SumStock house transactions	15 units	12 units	○

1. The year for achieving targets for these strategies is fiscal 2015 as they are the same as under the 3rd Action Plan for Timber Procurement.

◆ Performance measures

・For each initiative, ○ = target achieved, △ = at least 70% of target achieved, × = less than 70% of target achieved
・Targets based on the 3rd Action Plan for Timber Procurement are FY2015 targets, and so have been indicated as "-."

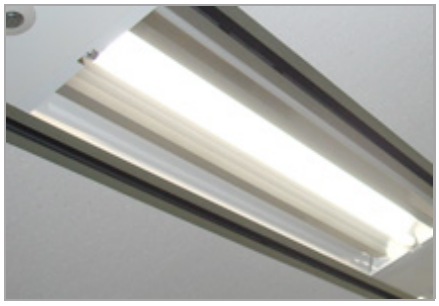
Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities

Environmental Report

Reducing CO_2 Emissions from Offices

At offices (non-manufacturing Group companies inside and outside Japan), CO_2 emissions in fiscal 2014 were 29,771 t-CO_2 , a 19.2% reduction compared to the base year.

At offices, CO_2 emissions attributable to gasoline used in business vehicles and so on account for about 58% of total emissions. Therefore, in addition to proceeding to introduce fuel-efficient vehicles, the Group has encouraged employees who drive on the job at offices and business sites of Group companies in Japan to participate in the Eco Training course run by the Japan Automobile Federation (JAF). 91.3% of the company-owned vehicles replaced during fiscal 2014 were replaced with fuel-efficient vehicles, and CO_2 emissions attributable to using gasoline decreased by 4.5% compared to the previous fiscal year.



Environmentally conscious lighting

The Group has also worked to reduce power consumption. In the Housing 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 CO_2 emissions, such as by implementing eco-drive programs to raise awareness among employees.

Emissions at offices (t-CO_2)

FY2006 (base year)	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
36,855	37,302 (+1.2%)	35,266 (-4.3%)	33,556 (-9.0%)	34,265 (-7.0%)	32,672 (-11.4%)	32,343 (-12.2%)	31,935 (-13.4%)	29,771 (-19.2%)

1. Figures in parentheses indicate the percentage change compared with FY2006.
2. Figures are aligned with organizations in the base year (FY2006).

▸ Medium-Term Environmental Management Plan

Reducing CO_2 Emissions from Manufacturing Companies in Japan

In fiscal 2014, CO_2 emissions from manufacturing companies in Japan (Sumitomo Forestry Crest Co., Ltd. and Sumirin Agro-Products Co., Ltd.) decreased by 19.8% relative to the base year. Manufacturing companies in Japan have worked hard to reduce CO_2 emissions, such as through upgrading production facilities with highly energy-efficient equipment and improving production efficiency. Sumitomo Forestry Crest also managed to reduce its CO_2 emissions by 19.2% relative to the base year, by switching to environmentally friendly lighting and by promoting efficient production schedules. Sumirin Agro-Products achieved a 29.0% reduction in CO_2 emissions relative to the base year as it revised its manufacturing processes.

CO_2 emissions at manufacturing companies in Japan (t-CO_2)

FY2006 (base year)	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
9,701	9,419 (-2.9%)	8,867 (-8.6%)	8,097 (-16.5%)	8,412 (-13.3%)	8,344 (-14.0%)	8,385 (-13.6%)	9,064 (-6.6%)	7,784 (-19.8%)

1. Figures in parentheses indicate the percentage change compared with FY2006.

Medium-Term Environmental Management Plan

Reducing CO_2 Emissions from Manufacturing Companies outside Japan

At manufacturing companies outside Japan,[1] each company has set its own reduction targets in accordance with the relevant country's targets for reducing CO_2 emissions.
At Alpine MDF Industries Pty Ltd. in Australia, CO_2 emissions in fiscal 2014 decreased by 7.9% compared to the previous fiscal year, following an improvement in production efficiency as a result of changing its production schedule for presswork in October 2013, from a conventional "5-day workweek" to a "20 days on, 10 days off" rotation.

At Nelson Pine Industries Ltd. in New Zealand, CO_2 emissions in fiscal 2014 decreased by 3.8% compared to the previous fiscal year, following an improvement in energy efficiency attributable to using fan motors more efficiently in the process of drying medium density fiberboard (MDF), and as a result of switching to LED lights in its plants.

1. PT. Rimba Partikel Indonesia, Alpine MDF Industries Pty Ltd., PT. AST Indonesia, PT. Kutai Timber Indonesia, Nelson Pine Industries Ltd., Vina Eco Board Co.,Ltd.

Reducing CO_2 Emissions from Transportation

Under the revised Act on the Rational Use of Energy in Japan, consigners 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 and Sumitomo Forestry Crest Co., Ltd. fall under the category of “specified consigner” (annual freight transportation volume is 30 million ton-kilometers[1] 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[2] in transportation by 1% or more compared to the previous year. Sumitomo Forestry Crest also sets targets to reduce per-unit energy consumption compared to the previous year.

In fiscal 2014, Sumitomo Forestry's per-unit energy consumption was 93.4% compared to the previous year and Sumitomo Forestry Crest's was 95.2%.

Ongoing efforts will be made to reduce CO_2 emissions through cooperation with transportation partners on such measures as improving loading efficiency, shifting from land to sea transportation, and utilizing the return leg of construction material deliveries to transport waste. Efforts will also be made in ascertaining CO_2 emissions across the entire supply chain, which includes both domestic and international transportation.

1. Freight transportation volume (ton-kilometers) = freight weight (tons) × distance travelled (km)
2. Sumitomo Forestry measures energy consumption per unit of volume handled. Sumitomo Forestry Crest measures energy consumption per unit of net sales.

Energy consumption from transportation, CO_2 emissions and per-unit energy consumption (FY2014 Results)

	Energy consumption (crude oil equivalent)	CO_2 emissions	Per-unit energy consumption
Sumitomo Forestry Co., Ltd.	2,602kL	6,945t-CO_2	0.00196kL/m^3 (6.6% decrease from FY2013)
Sumitomo Forestry Crest Co., Ltd.	2,302kL	6,117t-CO_2	0.0000614kL/1,000 yen (4.8% decrease from FY2013)

Establishment of an Efficient Delivery

In 2007, Sumitomo Forestry made improvements to the system it uses to deliver materials for Sumitomo Forestry Home houses respectively from the manufacturer to individual construction sites. Seeking to reduce the amount of CO_2 emitted during transportation, the Company established a system whereby materials from multiple manufacturers would first be gathered at relay centers, of which there are 30 nationwide, and then delivered together in mixed loads.

In April 2010, the Company established Home Eco Logistics Co., Ltd., leveraging the distribution efficiency know-how it had acquired over the years. Home Eco Logistics takes on logistics operations for the Sumitomo Forestry Group's housing business and also actively puts forward proposals for efficient logistics operations to material manufacturers, housing manufacturers, housing construction companies and building material distributors.

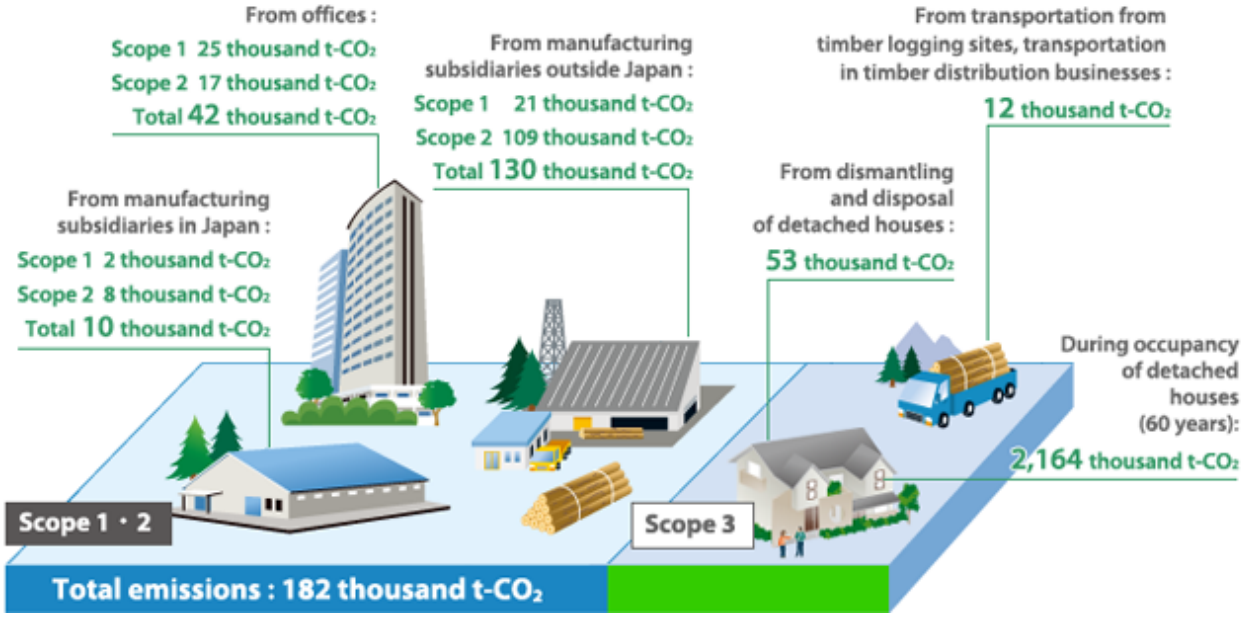
As of March 2015, Home Eco Logistics provided logistics operations to more than 40 companies. The company will continue to actively put forward proposals aiming for standardization of logistics functions in the industry, while at the same time contributing to further reductions in CO_2 emissions through improved efficiencies in transportation.

Greenhouse Gas Emissions Per Scope Based on the GHG Protocol

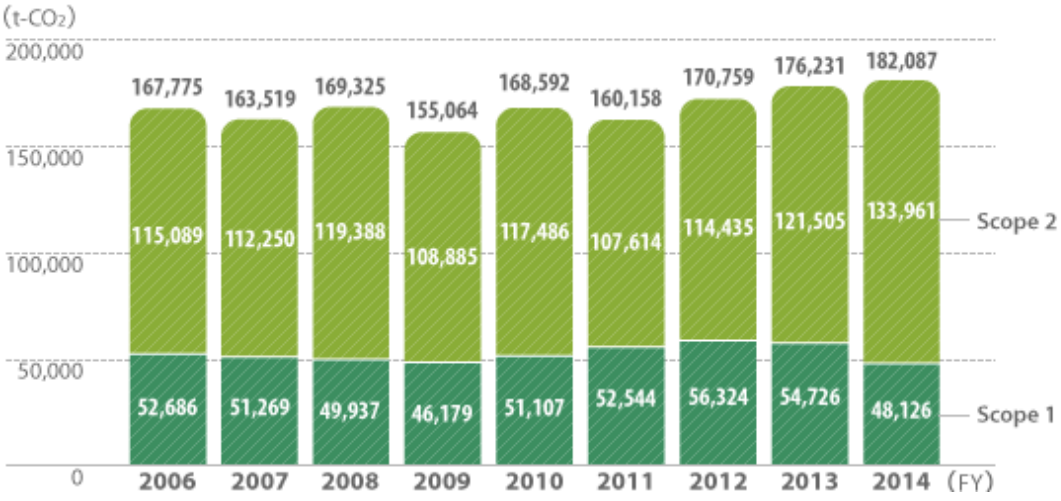
Since fiscal 2012, the Sumitomo Forestry Group has ascertained the volume of its CO_2 emissions according to different scopes[1] based on the GHG Protocol, a set of widely used international accounting tools for quantifying GHG emissions. The Group plans to gradually expand what is included in the calculation for Scope 3, that is, CO_2 emissions occurring in the supply chain.

1. 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. CO_2 emissions from the use of gasoline for company vehicles.
   Scope 2: Indirect GHG emissions from the generation of purchased electricity and heating. E.g. CO_2 emissions from the use of electricity by offices.
   Scope 3: GHG emissions occurring in the supply chain. E.g. CO_2 emissions generated during the use of products sold.

Sumitomo Forestry Group CO_2 Emissions (Fiscal 2014)



Scope 1 and Scope 2 CO_2 Emission Trends



1. The Sumitomo Forestry Group offsets its CO_2 emissions from model homes, which were 1,590 tons in FY2010, 2,542 tons in FY2011 and 3,056 tons in FY2012 and 2,835 tons in FY2013, using forest sink credits issued under the Offset Credit (J-VER) Scheme.

▸ About symbol for third party assurance (link to Third Party Assurance Report)

Scope 3 Emissions by Category (Fiscal 2014)

Category	Scope of calculation for the Company	Emissions
Category 4 (Upstream transportation and distribution)	Transportation from timber logging sites and transportation in timber distribution businesses at Sumitomo Forestry; and transportation of lumber to plants and transportation of products to customers at Sumitomo Forestry Crest	11,604t-CO_2
Category 11 (Use of sold products)	During occupancy of detached houses (60 years)	2,163,805t-CO_2
Category 12 (End-of-life treatment of sold products)	Dismantling and disposal of detached houses	53,416t-CO_2

1. Of the 15 categories of Scope 3 emissions, the Sumitomo Forestry Group has, to begin with, commenced calculation of categories with the greatest relevance to the Group's business.

▸ Boundaries and Methods of CO_2 Emissions Calculation

Boundaries and Methods of CO_2 Emissions Calculation

Environmental Report

1. Boundaries relating to CO_2 emissions (range of organizations included in aggregate)

Except where special explanatory notes are added, all Group companies both in Japan and overseas are included in the aggregates for CO_2 emissions stated in this report.
The range of applicable organizations and the bounds of the calculation for each scope are as described below.

- Scopes 1 and 2
  All Group companies, including affiliates in Japan and overseas
- Scope 3
  Category 4: Transportation of harvested wood from company-owned forests to purchasers, etc. and transportation of imported timber from storage to purchasers, etc. at Sumitomo Forestry; and transportation of lumber to plants and transportation of products to customers at Sumitomo Forestry Crest
  Categories 11 and 12: During residence period and during the demolition and disposal of detached wooden houses sold by Sumitomo Forestry's Housing Division (see 4. for further details)

▸ List of applicable companies (link to list of Group companies)

2. Scope 1 CO_2 Emissions

CO_2 emissions inside and outside Japan are calculated using the calorie conversion factors and the carbon emission factors prescribed in the Act on Promotion of Global Warming Countermeasures.

3. Scope 2 CO_2 Emissions

CO_2 emissions from using purchased electricity in Japan are calculated using the emission factor for each power company in each fiscal year as prescribed in the Act on Promotion of Global Warming Countermeasures (using the actual emission factor for fiscal 2008 and earlier, and using the adjusted emission factor for fiscal 2009 and later).

CO_2 emissions from using purchased heat are calculated using the CO_2 emission factor prescribed in the Act on Promotion of Global Warming Countermeasures.
CO_2 emissions in fiscal 2014 from using purchased electricity overseas are calculated using the following CO_2 emission factors for each country.

Australia: 0.749kgCO_2/kWh, United States: 0.446kgCO_2/kWh, China: 0.703kgCO_2/kWh, Indonesia: 0.767kgCO_2/kWh, Vietnam: 0.326kgCO_2/kWh, New Zealand: 0.147kgCO_2/kWh, Singapore: 0.405kgCO_2/kWh, Malaysia:0.639kgCO_2/kWh

4. Calculation of Scope 3 "CO_2 emissions during occupancy and during demolition for houses sold in fiscal 2014"

CO_2 emissions during occupancy

Σ(Annual energy usage per house × CO_2 emission factor for each type of energy) × Years of residence period × Number of houses completed in FY2014

1. Regarding the amount of emissions during occupancy, emissions related to "renovation" have been excluded since some of the Scope 1 and 2 emissions of the affiliates engaged in the business of renovations (Sumitomo Forestry Home Tech Co., Ltd.) could be double-counted.

【Conditions and details】

- Energy (electricity and city gas) usage per house:
  Calculated using the Building Research Institute's Program for Calculating Primary Energy Consumption (Residential) according to the following conditions.
  Plan: Sumitomo Forestry standard plan (total floor area 147m^2)
  1. Slightly larger than Sumitomo Forestry's average total floor area (134m^2)

  Specifications: Standard MyForest specifications for 2010 ※ Sumitomo Forestry's main product

  Structure: Multi-Balance Construction Method, Big-Frame Construction Method, Two-by-Four Construction Method

  Building site: Tokyo

  1. According to a survey conducted by the Architectural Institute of Japan on actual energy consumption, the figures for Tokyo are almost the same as the national average

  Heat loss coefficient (Q-value): 1.93W/m^2K for the Multi-Balance Construction Method, 2.01 W/m^2K for the Big-Frame Construction Method, and 1.80 W/m^2K for the Two-by-Four Construction Method

1. Calculated separately using the Heat Loss Coefficient Calculation Chart.
2. For the basic unit of emissions, reference was made to the LCA database "IDEA" published by the Japan Environmental Management Association for Industry and to data published by the Ministry of the Environment.

- CO_2 emission factor

  Electricity: Calculated using the weighted average of the electricity sales of nine power companies, excluding the Okinawa Electric Power Company which does not service the areas where any Sumitomo Forestry Group business sites are located, based on the FY2013 Emission Factors for Electricity Power Companies (Adjusted Emission Factors) published by the Ministry of the Environment.

  City gas: 2.23kgCO_2/m^3

1. Source: *Manual for Calculating and Reporting Greenhouse Gas Emissions (Ver. 3.5)*, Ministry of the Environment and Ministry of Economy, Trade and Industry

- Years of occupancy: 60 years

2. Sumitomo Forestry uses its 60-Year Support Program as standard, and assumes houses will be occupied for 60 years.

- Number of houses completed in fiscal 2014: 8,720 (number of houses completed, excluding 20 non-wooden properties)

CO_2 emissions during demolition

Σ (Fuel usage during demolition per house × CO_2 emission factor for each type of fuel) × Number of houses completed in FY2014

【Details】

- Fuel usage during demolition per house (diesel, gasoline):

  Fuel usage for demolition of Sumitomo Forestry model home (Estimates calculated from standard plan and floor area and based on 2006 survey of use of heavy equipment in demolition (diesel) and vehicles for transport of workers (gasoline).

- CO_2 emission factor:

  Diesel　2.58kgCO_2/L

  Gasoline　2.32kgCO_2/L

1. Source: *Manual for Calculating and Reporting Greenhouse Gas Emissions (Ver. 3.5)*, Ministry of the Environment and Ministry of Economy, Trade and Industry

- Number of houses completed in fiscal 2014: 8,720 (number of houses completed, excluding 20 non-wooden properties)

CO_2 emissions during disposal (including transportation)

Σ (Amount of waste generated during demolition per house × Reduction ratio / final disposal ratio / recycling ratio for each type of waste × GHG emission factor for each type of waste and for each method of disposal) × Number of houses completed in FY2014

【Details】

- Amount of waste generated during demolition per house:
  Calculated by estimating an average value per unit of area based on the annual amount of waste generated during demolition by Sumitomo Forestry in fiscal 2006, and converting it to a building weight equivalent for the Sumitomo Forestry standard plan (floor area: 147m^2) in fiscal 2010.

Reduction ratio / final disposal ratio / recycling ratio for each type of waste:

Type of waste	Reduction ratio	final disposal ratio	recycling ratio for each type of waste
Glass/ceramic	4.6%	24.8%	70.6%
Concrete rubble[1]	0.0%	0.0%	100.0%
Metal waste	1.0%	2.3%	96.7%
Paper waste	40.8%	4.3%	54.9%
Wood waste[1]	0.0%	0.0%	100.0%
Waste fiber	33.5%	12.0%	54.5%
Composite waste[2]	0.0%	100.0%	0.0%
Waste gypsum[3]	4.6%	24.8%	70.6%
Waste plastic	27.9%	17.0%	55.1%
Sludge	86.0%	3.0%	11.0%

Source: *Emission and Processing of Industrial Waste, etc. (Actual Results for FY2012)*, Ministry of the Environment
1. Recycling ratio was assumed to be 100% since subject to the Construction Material Recycling Act.
2. Composite waste, such as swept up refuse, comprises a mixture of items that cannot be individually separated. Assumed to be 100% because it eventually ends up in landfill.
3. Assumed to be same value as “glass/ceramic.”

GHG emission factor for each type of waste and for each method of disposal (tCO_2/t):

Type of waste	Incineration	Landfill	Recycling[1]
Glass/ceramic	0.0806	0.0851	0.05628
Concrete rubble[2]	0.0806	0.0851	0.05628
Metal waste	0.0806	0.0851	0.05628
Paper waste	0.0837	2.5127	0.05628
Wood waste	0.0837	1.8292	0.05628
Waste fiber	0.0837	2.7626	0.0390
Composite waste[2]	0.0806	0.0851	0.05628
Waste gypsum[2]	0.0806	0.0851	0.05628
Waste plastic	2.6833	0.0851	0.246
Sludge	0.2203	0.7275	0.0130

Source: Database of GHG emission factor for Calculating an Organization's Greenhouse Gas Emissions through the Supply Chain, Ver. 2.2 complied by the Ministry of the Environment

1. Regarding the GHG emission factor in the Ministry of the Environment database for the transportation stage only (namely, "0.0472 tCO_2/t"), which does not include emissions during the recycling preparation stage, this has been used by adding the basic unit "0.00908 tCO_2/t" for crushing contained in the Carbon Footprint (CFP) Communication Program, Basic Database Ver. 1.01 (Japan data) published by the Japan Environmental Management Association for Industry (JEMAI).
2. Applied the same factors such as "glass/ceramic" and "rubble" which have similar properties.

- Number of houses completed in FY2014: 8,720 (excluding 20 non-wooden properties)

Saving of Energy and Reduction of Greenhouse Gas Emissions During Residence Period

Environmental Report

Green Smart Proposals

With CO_2 emissions in Japan's household sector increasing year by year, the Japanese Government revised[1] the energy efficiency standards for housing and other buildings in October 2013, and these have been in full force since April 1, 2015. Compliance with the energy efficiency standards will gradually be made compulsory for all new houses and buildings by 2020.

In response, as a provider of about 9,000 custom-built detached houses a year to the Japanese market, Sumitomo Forestry offers "Green Smart," a housing development concept that meets these new standards.

Wood is a renewable natural resource that absorbs and stores CO_2 during its growth process. As well as using wood for its principal structural members, Sumitomo Forestry has offered housing proposals where residents can live comfortably all year round by incorporating its Ryouonbou design , which takes advantage of natural blessings such as the wind and sun. "Green Smart" fuses 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) and its technologies for the "smart use of energy" (such as equipment for generating and storing energy, and HEMS[2]). By boosting energy efficiency in the house, the Company seeks to reduce CO_2 emissions during occupancy.

1. As a consequence of the revisions, the evaluation now covers comprehensive energy efficiency, including thermal insulation, the use of natural energy and installation of energy-efficient devices.
2. Home Energy Management System—a system whereby residents can visualize the amounts of energy they generate and use.

Features of Green Smart

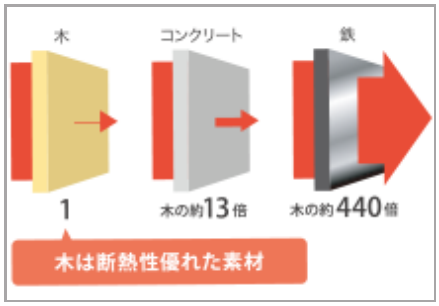
Reduction of Energy Consumption

- Improves the thermal insulation performance of ceilings, external walls, floors, windows, etc.
- Uses low-emissivity (low-E) double glazing filled with argon gas for large windows where the greatest heat is lost

Thermal insulation using low-E glass

Wooden House

- Uses wood, which has lower CO_2 emissions during the processing stage, and which has better thermal insulation compared to iron and concrete
- The *Ryouonbou* design utilizes a sense of comfort brought about by nature



Thermal conductivity of different materials

Smart Use of Energy

- Installs solar power generation systems and residential fuel cell units (Ene-Farm)
- Also installs household storage batteries and HEMS, which allows residents to visually gauge their energy usage

The HEMS screen

- Link to the *Ryouonbou* design
- Link to the Green Smart website
- News release：Full Roof-Mounted Large 10kW-plus Capacity Solar Power Generation System Sumitomo Forestry Launches Green Smart Solar Z
- CSR Highlight1-Developing Reliable and Comfortable Housing with Low Environmental Impact

Solar Power Generation System and Ene-Farm Installation Rate Trends (for New Orders)

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Solar power generation systems	22%	28%	36%	45%	51%	43%
Ene-Farm units	3%	11%	30%	41%	53%	51%
Environmentally friendly equipment installation rate	23%	34%	51%	62%	72%	66%

Overseas Development of Energy-Efficient Housing

In April 2010, Henley Properties (QLD) Pty Ltd. a Group company of Australia became the first company in Australia to make available a zero-emissions demonstration house that is expected to achieve energy-saving benefits of more than 70% compared to existing homes of a similar size. In March 2012, the company constructed a community place, under a zero-emissions model, in a residential lot in Southeast Melbourne in cooperation with local government. The building features a solar power generation system, a solar hot water heater, a 6,000-liter rainwater tank, and a home energy management system (HEMS). Combined with double-glazed windows and a concrete slab and walls providing excellent thermal insulation, the building has earned an eight-star energy rating[1]. In December 2012, the company completed a house for a general customer with a nine-star energy rating.

Community place based on the zero-emissions model

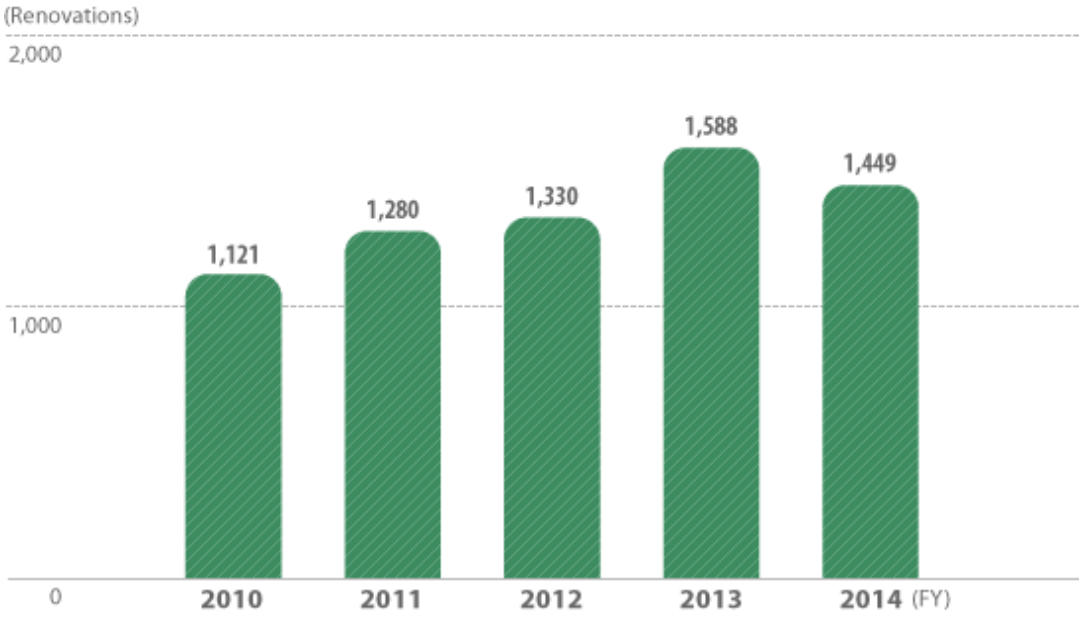
With environmental awareness increasing, the need for energy efficiency in Australia is mounting. Henley Properties is working to promote the widespread adoption of these homes.

1. An evaluation 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 factors. The highest rating of 10 stars indicates that no heating or cooling whatsoever is needed to maintain a comfortable indoor living environment. Five stars indicates that the building has high insulation performance, but that a minimum of energy is required for heating and cooling.

Proposals for Energy-Saving/Environmental Renovations

Sumitomo Forestry Home Tech Co., Ltd. promotes renovations from an energy-saving and environmental point of view. It provides customers with renovation proposals for reducing their environmental impact during occupancy by drawing up a “performance evaluation chart” at the planning stage which allows customers to easily and visually gauge performance improvements relating to earthquake resistance, energy efficiency, barrier-free design and other parameters.

Number of energy-saving/environmental renovations[1]



1 Number of renovated properties with a contract price of at least 8 million yen

Research and Development of Life Cycle Carbon Minus (LCCM) Housing

Sumitomo Forestry is engaged in the development of Life Cycle Carbon Minus (LCCM) housing to achieve negative CO_2 emissions across the entire life cycle of a home—from construction, occupation and renovation through to demolition and disposal—by using environmental sound equipment such as solar power systems.

In fiscal 2014, the Company used its experimental house completed in 2013 to check the energy-saving effects of various types of technology during winter and summer. The experimental house was also fitted with internal and external sensors. By measuring changes in temperature, humidity, luminance and other parameters, the Company proceeded to develop and verify ways of using air-conditioning and lighting equipment more efficiently, as well as technologies for controlling these automatically. Some of the findings of this empirical research have already been turned into commercial products. Sumitomo Forestry will continue to work on developing new technologies with an aim of realizing LCCM housing.

- Environmental Impact of Business Activities

Offsetting CO_2 through Project EARTH

The volume of CO_2 emitted during the process of harvesting timber used for principal structural members through to the processing, transportation and construction of Sumitomo Forestry Home houses is around six tons per home. Sumitomo Forestry is implementing an initiative called “Project EARTH” in which this CO_2 is offset through reforestation activities. The initiative will offset CO_2 emissions for all custom-built and spec homes sold between fiscal 2009 and fiscal 2016, and involves planting around 4.8 million trees on a total 2,400 hectares of land and managing cultivation of those trees for 10 years after planting. Reforestation will take two forms—environmental reforestation aiming to revive ecosystems on degraded land, and industrial reforestation to be advanced together with the community to both realize sustainable forest management and contribute to the region.

- News release: Sumitomo Forestry “Project EARTH” Environmental Initiative Three Year Extension

Environmental Reforestation in an Indonesian National Park

Since fiscal 2009, Sumitomo Forestry has been carrying out an environmental reforestation project on degraded land in Bromo Tengger Semeru National Park, located in East Java, Indonesia. This had involved developing a 6-meter firebreak in the plantation forest stretching a total length of 12 km, as well as improving firefighting equipment and conducting patrols. However, in October and November 2014, fires broke out in areas outside the plantation forest. The fires spread, affecting about 400 hectares of previously afforested land, and the situation was that about half of the planted trees would wither and die.

Site of the environmental reforestation project in Bromo Tengger Semeru National Park

A decision was made to reforest all of the planted trees that had withered, and this operation is underway. Going forward, Sumitomo Forestry plans to apply the lessons learned from the fires, and with the cooperation of officials from the Indonesian government, aims to establish a fire-prevention / fire-fighting system to combat the risks of forest fires that are caused by abnormal weather which would otherwise be largely difficult to project.

- News release: Project EARTH Update on Plantation

Industrial Reforestation in East Java, Indonesia

Since fiscal 2010, Sumitomo Forestry has been carrying out an industrial reforestation project in collaboration with the community, centered on Supiturang village at the foot of Mt. Semeru in Lumajang Regency, East Java, Indonesia. This is a sustainable forestry project whereby part of the profits from harvesting matured trees will be distributed to improve the livelihoods of community residents, while the remainder is used to cover the costs of replanting and cultivation and other expenses. By fiscal 2014, a total 1,370 hectares of forest had been planted.

Site of the industrial reforestation project in Lumajang Regency

Contributing to the Reduction of Greenhouse Gases through Our Business

Environmental Report

Wood Biomass Power Generation Business

The Sumitomo Forestry Group operates wood biomass power generation facilities which are fueled by recycled chips made by using scrap timber primarily left over from construction and woodchips made by using previously unutilized wood left over from logging.

The CO_2 released as a consequence of burning the woodchips had previously been absorbed from the atmosphere via photosynthesis as the trees grew. Therefore, when viewed over the entire life cycle of the trees, combusting the woodchips does not result in an increase in CO_2 in the atmosphere. For this reason, the Group has been engaged in wood biomass power generation as a new type of business that contributes greatly to the advancement of forestry, such as the effective use of wood, reductions in CO_2 emissions and the maintenance of local forest environments.

Facilities at the Kawasaki Biomass Power Plant

During fiscal 2014, the Group decided to invest in biomass power generation companies in Hachinohe City, Aomori Prefecture and in Tomakomai City, Hokkaido. Together with its already operational Kawasaki Biomass Power Plant and its planned Mombetsu Biomass Power Plant, this brings to four the number of wood biomass power generation businesses in which the Group participates in Japan. Drawing on its past experience in the wood biomass power generation business, the Group will continue to expand business operations utilizing renewable energy suited to local conditions and other requirements.

The Group's Wood Biomass Power Generation Business

Business	Location	Power generation capacity	tart of operations	Main features
Kawasaki Biomass Power Generation Business (Joint investment with Sumitomo Joint Electric Power Co., Ltd. and Fuluhashi EPO Corporation)	Kawasaki City, Kanagawa Prefecture	33MW annual power generation of approximately 200,000MWh	February 2011	• Largest power generation facility in Japan to burn biomass exclusively • Utilizes recycled chips produced by using construction debris and waste pallets from Tokyo and surrounding suburbs, as well as thinnings and pruned branches • Equipped with environmental mechanisms, such as flue gas desulfurization equipment, an exhaust gas denitrizer and a bag filter, the urban-oriented biomass power generation facility clears Kawasaki City's strict environmental standards

Business	Location	Power generation capacity	tart of operations	Main features
Mombetsu Biomass Power Generation Business (Joint investment with Sumitomo Joint Electric Power Co., Ltd.)	Mombetsu City, Hokkaido	50MW annual power generation of approximately 300,000MWh	December 2016 (scheduled)	• Thinnings, wood left over from logging and other materials are procured from within a 75km radius of the power plant and turned into chips at an adjacent plant before being used as fuel • Will also use palm kernel shell, plus some coal as an auxiliary fuel
Tomakomai Biomass Power Generation Business (Joint investment with Mitsui & Co., Ltd., Iwakura Corporation and Hokkaido Gas Co., Ltd.)	Tomakomai City, Hokkaido	5.8MW annual power generation of approximately 40,000MWh	December 2016 (scheduled)	• Will use 100% of unused forest materials from Hokkaido in wood chips
Hachinohe Biomass Power Generation Business (Joint investment with Sumitomo Osaka Cement Co., Ltd. and East Japan Railway Company)	Hachinohe City, Aomori Prefecture	12MW annual power generation of approximately 85,000MWh	December 2017 (scheduled)	• Thinnings from the Sanpachi-Kamikita-Shimokita region of Aomori Prefecture, timber offcuts, and railway forest thinnings from the nearby railway lines. are gathered and used as the main source of fuel • Will also use some palm kernel shell

- News release: "Equity Participation in Wood Biomass Power Generation Business in Tomakomai City, Hokkaido"
- News release: "Equity Participation in Biomass Power Generation Business in Hachinohe City, Aomori Prefecture"
- CSR Highlight4-Expansion of Our Wood Biomass Power Generation Business

Solar Power Generation Business

In November 2013, Sumitomo Forestry launched operations at an 876 kW solar power generation facility that it had constructed in Kashima City, Ibaraki Prefecture. In fiscal 2014, the facility generated about 1,260MWh.

Consideration has been given to reducing the environmental impact of the power generation facility, with some of the frames that hold the solar panels being wooden frames using mainly domestically produced Japanese cedar.
In fiscal 2015, there are plans to extend the power generation facilities.

Solar panels and environmentally friendly wooden frames

Contributing to Reductions in Greenhouse Gas Emissions by Utilizing Forest Management and Reforestation Know-How

The Sumitomo Forestry Group applies its expertise in areas such as sustainable forest management and reforestation to projects that contribute to the reduction or absorption of greenhouse gas (GHG) emissions. The Group will make positive efforts to advancing projects that comply with new systems, such as REDD+,[1] which is currently under consideration by the United Nations, and the Joint Crediting Mechanism (JCM), which is being proposed for introduction by the Japanese Government, as well as to gathering knowledge required for those projects.

1. The developed version of REDD, Reduced Emissions from Deforestation and forest Degradation. The concept "REDD+" includes, besides that of REDD, the positive emission reduction of GHGs through sustainable management and conservation of forest and enhancement of forest carbon stocks.

Feasibility Studies for Overseas Projects to Regenerate Forests and Reduce Greenhouse Gas Emissions

Sumitomo Forestry is conducting feasibility studies of projects designed to reduce and inhibit GHG emissions through the preservation and regeneration of forests that are facing devastation and annihilation in Vietnam and Indonesia. These are highly promising projects that should contribute to ongoing deliberation of REDD+ and the Joint Crediting Mechanism (JCM).

Investigating New Mechanisms for Regeneration of Forests and Biomass Power Generation in Vietnam

Japan's Ministry of the Environment has contracted the Global Environment Centre Foundation (GEC) to implement a Joint Crediting Mechanism (JCM) feasibility study program, and in fiscal 2013, Sumitomo Forestry was awarded a contract to conduct a study. Since then, the Company has conducted a feasibility study for a project in Dien Bien Province, northwestern Vietnam that would preserve and regenerate forests that had been degraded due to slash-and-burn cultivation, improve the livelihoods of local residents, and reduce GHG emissions through biomass power generation using timber supplied from those sustainable forests.

Study being conducted in Vietnam

The region is vital as a water source with the area being home to a number of dams used for power generation. It is also one of Vietnam's poorest regions. The project will contribute to environmental conservation and sustainable community development, and will also lead to establishment of a bilateral credit mechanism whereby any reductions achieved through the business are counted as Japan's reductions. The Company will continue to conduct studies while coordinating and cooperating with Japanese Government officials, government authorities in Vietnam, Vietnam Forestry University, the Japan International Cooperation Agency (JICA), ASKUL Corporation, and Yanmar Co., Ltd.

Measures to Regenerate Forests in Indonesian Peatlands

Indonesia has much peatland, where large volumes of carbon have accumulated. However, as the land dries due to drainage of water to develop the land for agriculture, decomposition by micro-organisms progresses and releases the stored carbon into the atmosphere as CO_2. The risk of dried peatland catching fire is high, and if a fire did break out, it would result in a large volume of CO_2 emissions.
On the other hand, if degraded peatland especially in the vicinity of villages can be turned into agroforests or otherwise used properly, it is likely that this could inhibit fires from breaking out, and consequently prevent any emissions of CO_2 attributable to fire.

Revegetation study in Indonesia

Therefore, since fiscal 2012, in the degraded peatlands of Central Kalimantan, in collaboration with Hokkaido University and the local University of Palangka Raya, Sumitomo Forestry has been engaged in developing revegetation methods that incorporate considerations for local residents and the local economy. In cooperation with the Mitsubishi Research Institute, this project to establish new mechanisms that contribute to global warming mitigation through the preservation and appropriate use of peatland has been selected in the FY2014 Program to Reduce Global Warming Emissions from Non-Energy Related Activity Overseas, which is organized by the Ministry of Economy, Trade and Industry (METI).

Participation in the Japan Public-Private Platform for REDD+

The Japan Public-Private Platform for REDD+ was established in November 2014 by the Japan International Cooperation Agency (JICA) and the Forestry and Forest Products Research Institute, an independent administrative corporation. Sumitomo Forestry joined the platform as a member of the Executive Committee, in a move to conserve forests in developing nations and to contribute to sustainable development such as mitigating climate change, preserving biodiversity and reducing poverty. The aim of the platform is to promote REDD+ activities, and moving forward, by expanding its circle of activities, it will contribute to global warming countermeasures through public-private collaboration.

- News release:" Participation in the Japan Public-Private Platform for REDD+ "

Reduction, Recycling and Appropriate Disposal of Waste

Environmental Report

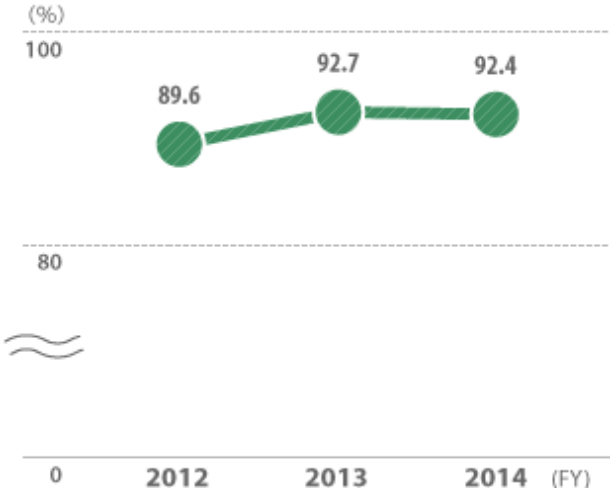
Zero Emissions at Domestic Manufacturing Facilities and at New Construction Sites

Aiming to reduce its environmental impact and to use resources effectively, the Sumitomo Forestry Group promotes zero emissions initiatives based on the reduction, recycling and reuse of industrial waste. The Group's Medium-Term Environmental Management Plan defines "zero emissions" as no incineration or landfill of industrial waste generated by domestic manufacturing facilities and new construction sites.

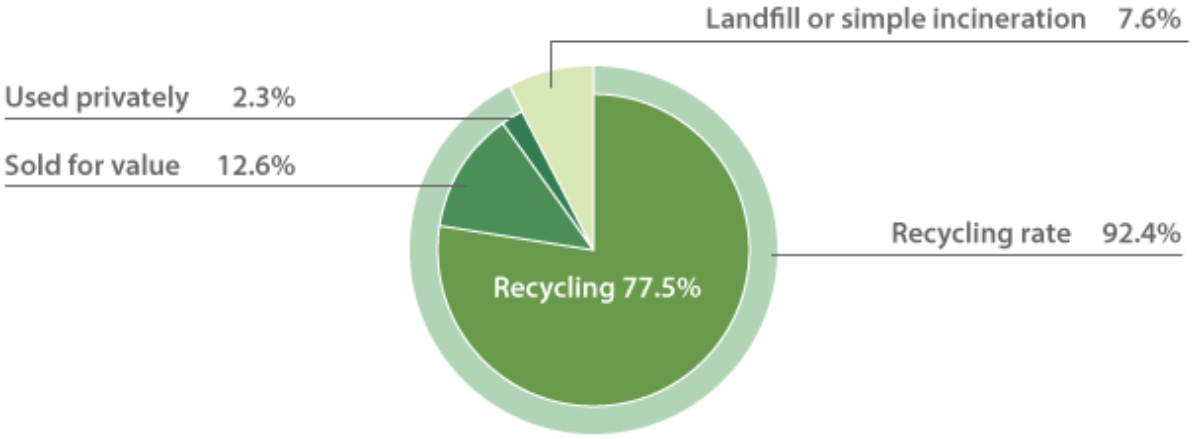
Based on this definition, the Group achieved zero emissions at domestic manufacturing facilities in fiscal 2009. As for new construction sites, including exterior greening, the Group achieved zero emissions in the Tokyo metropolitan area in fiscal 2012.

Going forward, in addition to maintaining zero emissions at domestic manufacturing facilities, with regard to new construction sites, the Group will analyze the content of the generated waste and the extent to which it is being recycled, and continue striving for zero emissions, such as by developing environmentally conscious products, adopting rational design techniques and ensuring that waste is thoroughly sorted at production sites.

Recycling Rate Trends Under the Sumitomo Forestry Group's Definition of Zero Emissions



How Waste, etc. is Processed under the Sumitomo Forestry Group's Definition of Zero Emissions (FY2014)

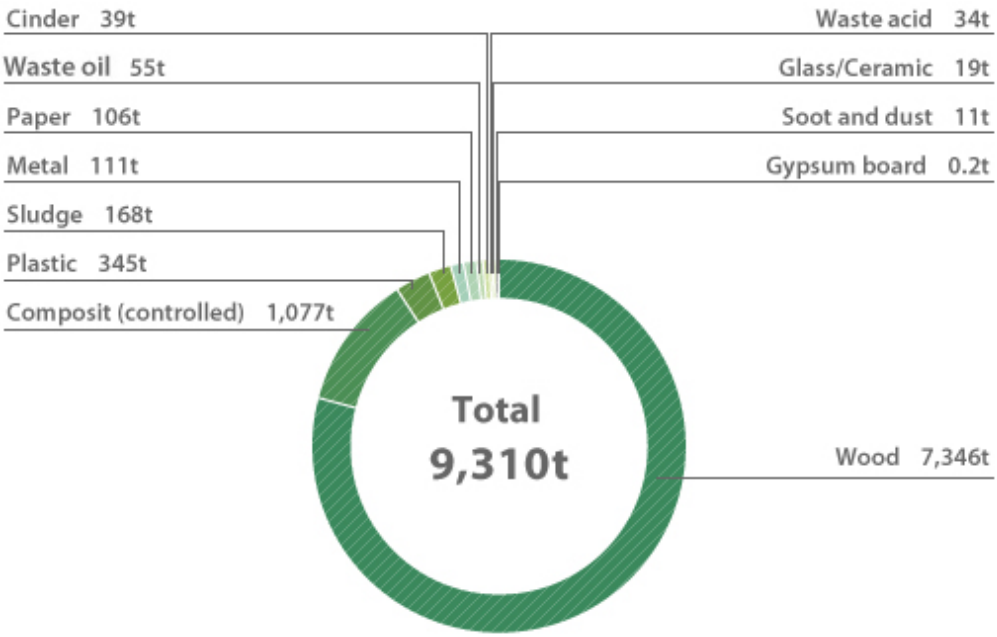


▸ Medium-Term Environmental Management Plan

Initiatives at Domestic Manufacturing Facilities

Sumitomo Forestry Crest Co., Ltd. and Sumirin Agro-Products Co., Ltd. managed to achieve zero emissions again at all plants in fiscal 2014 as a result of each plant continuing with efforts to reduce waste emissions, for example by tightening the sorting of industrial waste and selling it for a profit.

Volume of Waste etc. from Plants (FY2014)

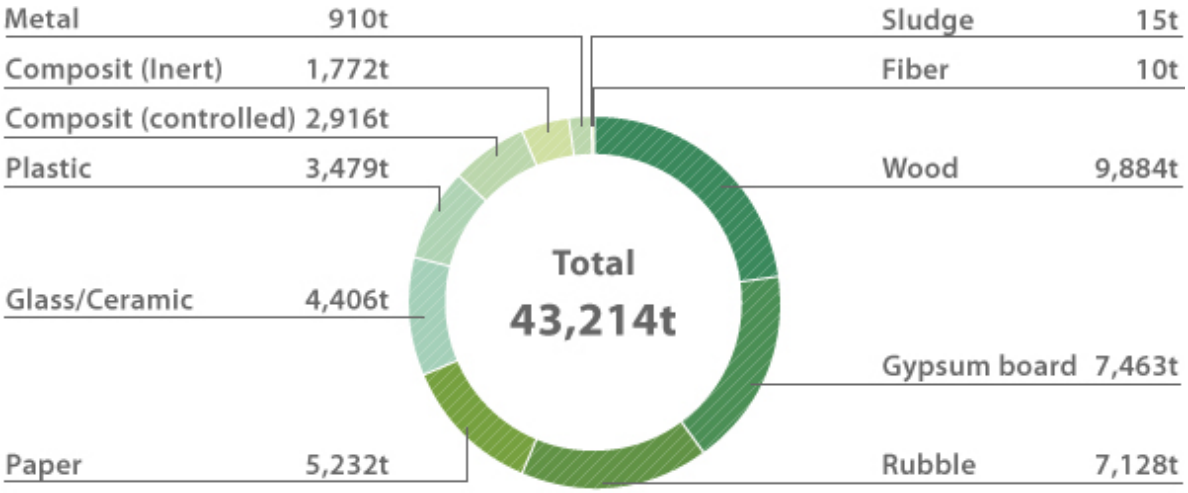


▸ About symbol for third party assurance (link to Third Party Assurance Report)

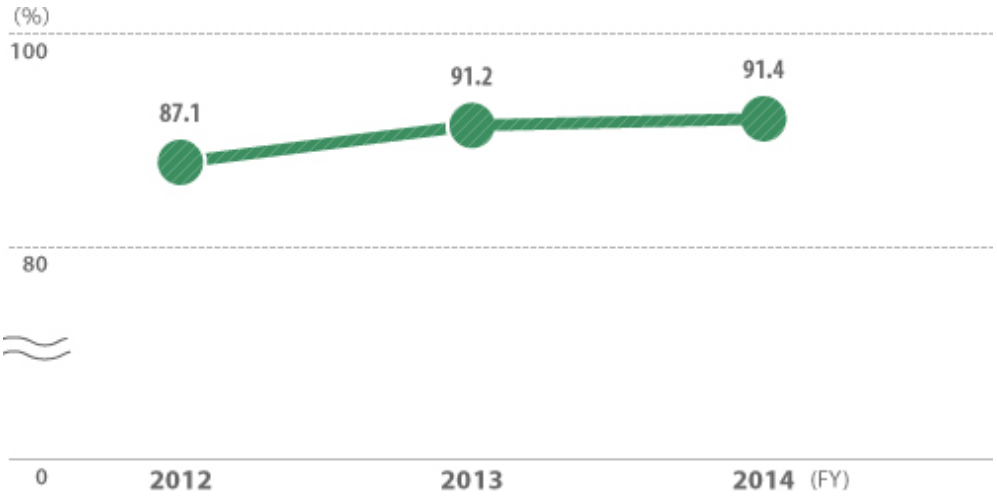
Initiatives at New Construction Sites

Although emissions of industrial waste generated at new construction sites have decreased as a consequence of a fall in the number of completed buildings, the recycling rate has been improving year by year. Moving forward, the Group will proceed with initiatives to reduce the volume of industrial waste per building.

Volume of Waste etc. from New Detached Housing construction sites (FY2014)



Recycling Rate for New Housing Construction Sites



Operations at the Metropolitan Area Recycling Center

In December 2010, Sumitomo Forestry obtained the National Permit System for waste processing[1] from the Ministry of the Environment. This made it possible to use the return journey of trucks transporting materials to new housing construction sites to recover waste and collect it at relay centers registered as collection points under the National Permit System.

The Metropolitan Area Recycling Center

The Company took advantage of the system to establish the Metropolitan Area Recycling Center with capability for advanced sorting of waste in Kazo, Saitama Prefecture. The center started operating in fiscal 2012 and covers all areas of the seven prefectures of Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Tochigi and Gunma. The recycling center's establishment makes it possible to collect and analyze waste-related data. Data, including information on the amount of waste generated according to the product, specifications or contractor, are provided to departments of product development, materials, design, production and logistics to promote the reduction of waste emissions.

Since fiscal 2014, the Group has expanded its efforts for waste recovery under the National Permit System to 16 branches in 14 prefectures outside the Tokyo metropolitan area.

1. A special system under the Waste Management and Public Cleansing Act, removing the need for manufacturers to have a permit for waste collection and haulage if they are collecting waste across a wide area for the purpose of recycling.

Flow of materials distribution and collection of industrial waste

Initiatives for Zero Emissions at Overseas Manufacturing Facilities

The five main manufacturing companies outside Japan[1], besides complying with local laws, are advancing initiatives based on the Sumitomo Forestry Group's definition of zero emissions. For example, in Indonesia, PT. Kutai Timber Indonesia collects wood waste generated during the particle board manufacturing process and reuses it as boiler fuel or in wood building materials.

In fiscal 2014, three of the five companies—PT.Kutai Timber Indonesia, PT. Rimba Partikel Indonesia and Alpine MDF Industries Pty Ltd.—achieved zero emissions. The other two companies, PT. AST Indonesia and Nelson Pine Industries Ltd., will make additional efforts to reduce waste emissions, reuse materials and ensure thorough sorting and collection.

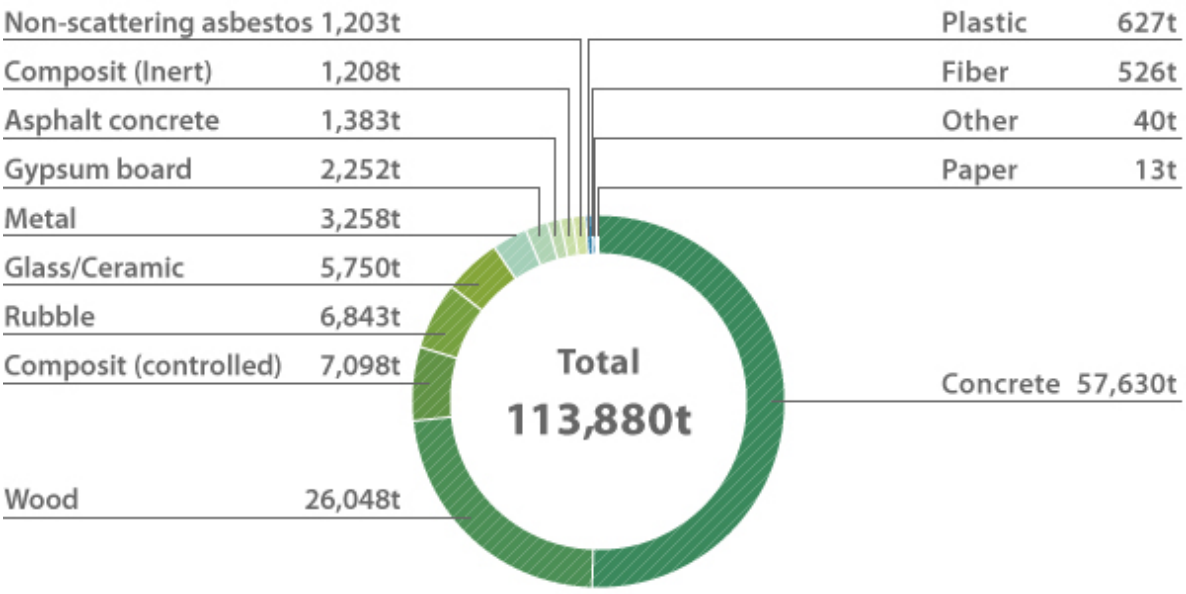
1. Indonesia: PT. Kutai Timber Indonesia, Rimba Partikel Indonesia, PT. AST Indonesia
   Australia: Alpine MDF Industries Pty Ltd.
   New Zealand: Nelson Pine Industries Ltd.

Proper Disposal of Demolition Waste

Sumitomo Forestry was promoting resource recycling even before the enactment of the Construction Material Recycling Act 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 Act (wood waste, concrete, etc.), sorting them at the sites where the waste is generated.

The recycling rate for concrete and metal waste was almost 100% in fiscal 2014, as it was the previous year. A 100% recycling rate was achieved for wood waste through measures including the thorough removal of extraneous matter. Efforts will now be made to develop recycling routes for roofing tiles, glass, ceramics, gypsum board and other composite waste for even further improvement of recycling rates.

Volume and Breakdown of Demolition Waste (FY2014)



Strengthening Waste Management through Construction Process Management Systems

Sumitomo Forestry has built a system whereby the emission of waste at sites and the delivery status of waste to waste treatment plants can be confirmed on a mobile phone. By checking the images collected in the system against the categories and volumes of demolition waste lodged by waste processors based on electronic manifests, the Company has strengthened its system for managing demolition waste.

By the end of fiscal 2013, introduction of this system had been completed for almost all demolition contractors, allowing the Company to check that waste emitted from the Company's sites is being taken properly to waste treatment plants.

Recycling wood waste materials from renovation sites

In fiscal 2014, Sumitomo Forestry Home Tech Co.,Ltd. began recycling wood waste materials generated at its renovation sites.The recycled wood waste is used as a raw materials for particle board, and is processed into wall surfaces, entrance hall storage areas and other products at the Sumitomo Forestry Crest Co., Ltd. manufacturing site. These interior materials are then used at the renovation sites.

Particle board used recycled wood waste from renovation sites at the Sumitomo Forestry Home Tech Co., Ltd.

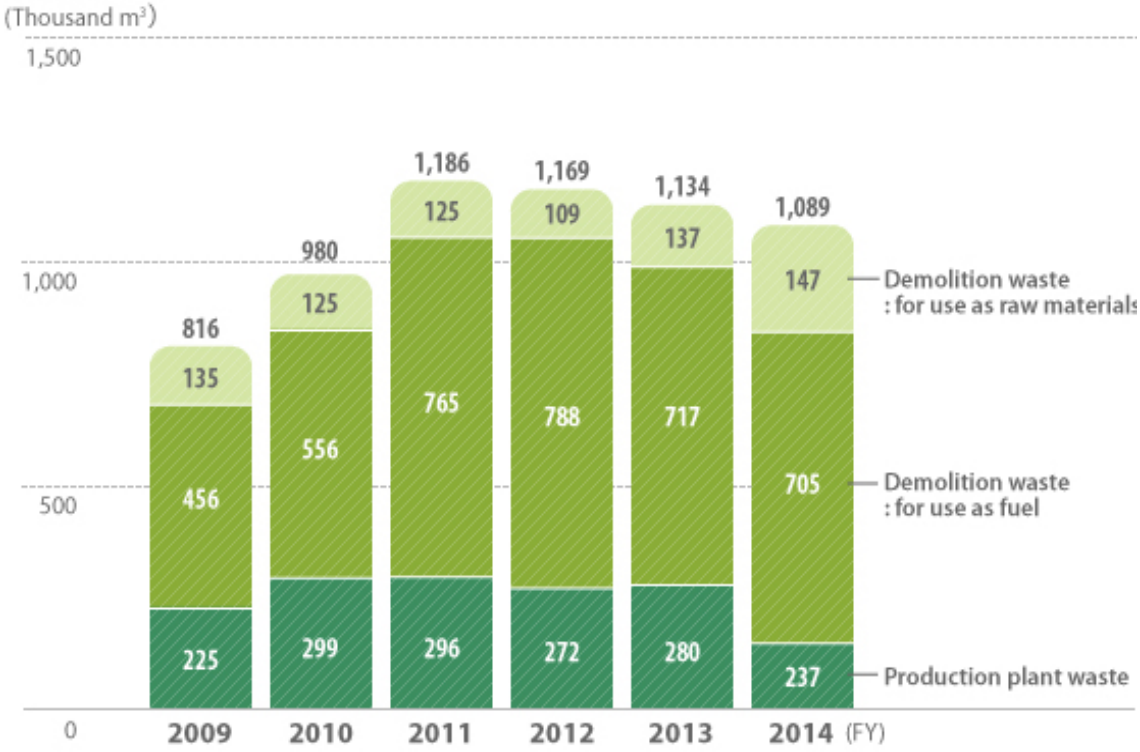
Recycling of Wood Resources into Chips

The Sumitomo Forestry Group contributes to resource recycling through its wood chip operations, whereby offcuts generated during the timber milling process and wood waste from new housing construction and demolition sites are turned into wood chips to be used as a raw material for products such as paper and particle board, and also as a fuel for power-generating boilers or other equipment.

Looking at the volume of wood chips handled in fiscal 2014, the Group began dealing in wood chips for export and so there was an increase in the volume of wood chips used as raw material (from demolition waste) compared to the previous fiscal year. On the other hand, the amount of raw materials declined as a backlash from the last-minute surge in demand prior to the consumption tax increase, and so the volume of wood chips for use as fuel (from demolition waste) also decreased.

In fiscal 2015, the Group expects to handle the same volume of wood chips used as a raw material for paper and particle board as in fiscal 2014. In addition, the Group expects that the volume of wood chips it handles for use as fuel will further increase through meeting the growing demand for fuel used in biomass power generation.

Volume of Wood Chips Handled



Effective Utilization of Used Activated Carbon from Water Purification Plants

The Tokyo Metropolitan Government (TMG) Bureau of Waterworks uses an advanced water treatment system combining ozonation and the use of biological activated carbon. The system used as much as around 7,800m^3 of activated carbon in fiscal 2014 for reduction of organic matter and deodorization.

Group company Sumirin Agro-Products Co., Ltd. is making effective use of this used activated carbon to develop and market potting media for agriculture and horticulture and a soil improvement agent for greening. Joint research conducted with the TMG found that these items were effective in promoting plant growth, and the two parties applied for a joint patent based on the research results.
In fiscal 2014, as a result of increasing sales especially of potting mix products which utilize used activated carbon, some 2,697m^3 of used activated carbon was put to good use, a 22% increase compared to fiscal 2014. In fiscal 2015, this volume is expected to reach 2,750m^3 , or a 2% increase compared to fiscal 2014.

(Top) Used activated carbon
(Bottom) Farming and garden products made from it

Sustainable Forest Management

Environmental Report

Sustainable Forest Management

Forests perform a variety of functions for the public good, such as storing and purifying water, preventing floods and landslides, absorbing and retaining CO_2 which is linked to global warming, and preserving biodiversity.

On a basis of appropriate management, the Sumitomo Forestry Group advances sustainable forest management both in Japan and overseas to ensure that timber resources will be available in perpetuity while preserving the public functions of forests.

Forest Management and Timber Usage

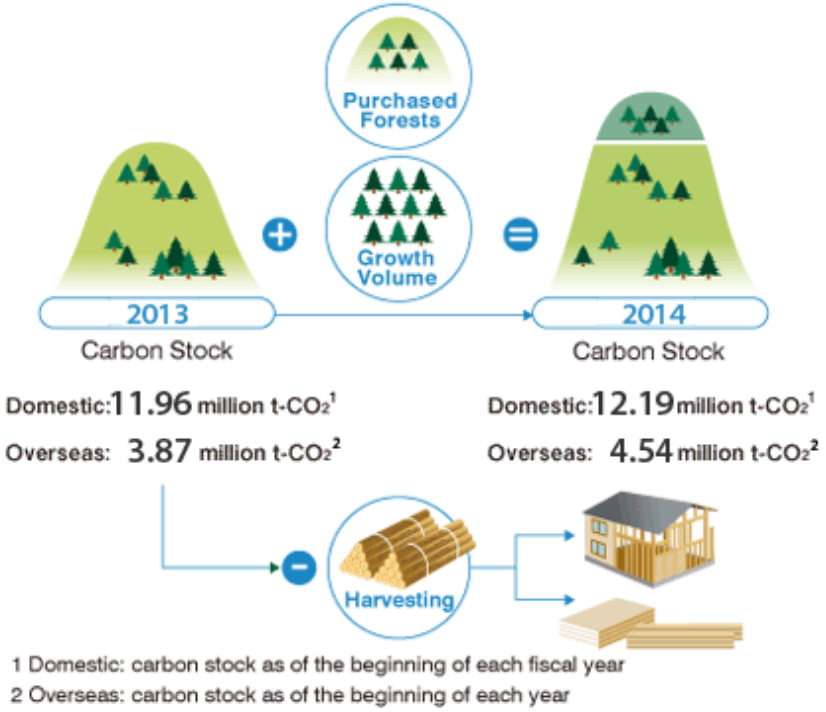
Cultivation
—Preserving the Public Functions of Forests Through Appropriate Management

The Sumitomo Forestry Group manages a total 46,247 hectares of its own forests in Japan and a total of around 200,000 hectares of plantation forests overseas. The Group works to maintain and enhance the public functions of these forests by carrying out underbrush clearing, pruning, thinning and other appropriate management required for them to grow.

Carbon stocks[1] of the Group's forests in Japan were 12.19 million t-CO_2 in fiscal 2014, and that of overseas plantations were 4.54 million t-CO_2.

1. The amount of CO_2 absorbed by forests and stored as carbon

Carbon Stock of Forests in Japan and Overseas



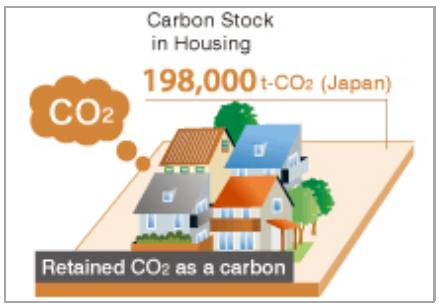
1 Domestic: carbon stock as of the beginning of each fiscal year
2 Overseas: carbon stock as of the beginning of each year

Harvesting
—Supplying Timber Products Through Systematic Harvesting

In fiscal 2014, the Sumitomo Forestry Group harvested 39,014 m^3 of trees in Japan and 328,098 m^3 of trees overseas based on medium- to long-term harvesting plans. Harvested trees are milled and processed before finally reaching the market as products such as housing and furniture. In the case of timber turned into structural members for housing, the products are used for several decades.

Trees retain CO_2 as carbon even after they are turned into products. Using timber products and constructing wooden houses can therefore be likened to building forests in the city.

The Sumitomo Forestry Group helps to increase carbon stocks even in cities by advancing MOCCA (wood use integration)[1] activities, thereby contributing to global warming prevention efforts.



Carbon stock of the timber used in the construction of houses in fiscal 2014

1. A collective term for Sumitomo Forestry Group activities that aim to expand the use of timber resources through the promotion of wood construction and wood materials in residential and non-residential buildings and structures.

Usage
—Wood Can Be Reused and Does Not Increase CO_2

Even after being dismantled or at the end of their product life, wooden houses and timber products can be reused as fiberboard or other wood materials in construction or as raw material for making paper, and all that time it will continue to retain CO_2. The CO_2 released when timber is ultimately burned as a wood fuel is what has been absorbed from the atmosphere as trees grow, and therefore it does not represent an increase in CO_2 in the atmosphere over the life cycle of the tree.

Planting–Preparing for the Next Cycle

Harvesting and using timber alone will lead to a diminishing of forest resources. The Sumitomo Forestry Group therefore promotes sustainable forest management by always planting new trees after harvesting.

In fiscal 2014, the Group planted approximately 101 hectares of forests in Japan and around 5,745 hectares overseas. The newly planted trees will absorb CO_2 during their growth and retain it as carbon.

Forest Management in Japan

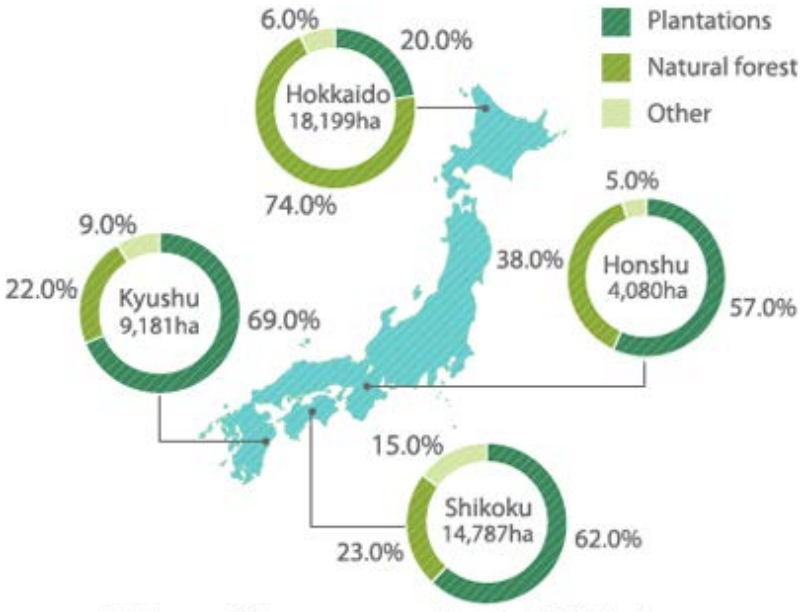
Environmental Report

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

Sumitomo Forestry owns a total 46,247 hectares of forest in Japan (around 1/900 of the country's land area). Company-owned forests are categorized as either "commercial forests," where the production of timber is the priority, or "environmental forests," where conservation of the environment is the focus.

Sumitomo Forestry acquired 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.

Distribution and Area of Company-Owned Forests (as of March 31, 2015)



Total area of Company-owned forests: 46,247hectares
(about 1/900 of Japan's land area)

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 operations 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.
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.

Forest Management Consulting Business in Japan

Sumitomo Forestry helps promote Japan's domestic forestry industry by developing its consulting business for forestry management in Japan, applying know-how acquired through management of its own forests.

Consulting in Kyotamba, Kyoto

During fiscal 2014, Sumitomo Forestry was contracted by Kyotamba Town, Kyoto Prefecture, to build a geographic information system (GIS)[1] for use in forestry management. The objective is to develop a "quantitative analysis system for forestry resources" which uses conventional analog aerial photographs and digital aerial photographs as well as next-generation survey technologies, such as aerial laser survey,[2] to acquire, manage and analyze highly accurate data on the dynamic changes, density, topography and other aspects of forest resources. Through these consulting activities, the Company will continue to support the efforts of governments aspiring to manage and utilize forest resources efficiently and effectively.

1. A system independently developed by Sumitomo Forestry, enabling the integrated management of numeric data and mapping data for forests, such as tree species, age, height, density and management history
2. A survey method whereby a laser beam is sent from an aircraft to the ground enabling the precise survey of elevation and forest conditions

Image produced by the quantitative analysis system for forestry resources

Aerial photograph
Classify forest type based on forest physiognomy criteria

Aerial laser survey
Use tree top data to calculate tree height and population

Build a new unique database on current forest conditions

Consulting in Totsukawa, Nara

Totsukawa Village in Nara Prefecture has some 64,000 hectares of forest, corresponding to 96% of its total land area. Typifying low uplands in Japan, the mountainous region is remote and beset with steep terrain. Consequently, developing road networks has been difficult and the village had been unable to take full advantage of its plentiful forest resources. In response, the village administration and forest owners' cooperatives have partnered together to promote various initiatives, including development of a processing and distribution hub for timber, based on a vision of "moving the forestry and wood industry to a sixth-order industry."[1]

Building road networks in steep terrain

Onsite seminar on yarding wood with a tower yarder

Sumitomo Forestry has provided consultation to Totsukawa Village on using forest resources to revitalize the local economy since fiscal 2011. Particularly with respect to the production of timber, the Company has worked on proposals that make full use of its own unique expertise and technologies. This has included introducing the "in-vehicle-type tower yarder," developed to improve the efficiency of harvesting wood on sloping terrain, as well as providing support for the development of the road network infrastructure in order to make good use of the yarder. The in-vehicle-type tower yarder is the outcome of the Sumitomo Forestry taking a tower yarder made by Austrian company, Konrad, and modifying it to suit Japan's steep, hard-to-access forests. It demonstrates that the Company is also utilizing the technologies gained from its Company-owned forests in Kyushu in promoting the forestry industry in other regions, including in Totsukawa.

In November 2014, together with the Japan Forest Engineering Society and the Forest Production System Study Group, Sumitomo Forestry jointly hosted the 19th Workshop on Forest Production Systems in Totsukawa. Topics for the workshop included the development of forest road networks using tower yarders and other heavy machinery as a means for the competitive production of materials in remote, mountainous locations. The program included onsite seminars and meetings to exchange opinions, and was attended by 154 participants from all around Japan.

1. Sixth-order industry: The shift by businesses operating in the primary industry, such as agricultural producers and forestry operators, to also branch out into the secondary industry (processing, manufacture, etc.) and tertiary industry (distribution, sales, etc.)

Low-Density Reforestation Using Tree Shelters

Sumitomo Forestry is developing a new approach to forestry called “low-density reforestation” which involves the use of tree shelters whereby seedlings are covered by plastic tubes. Damage caused to seedlings by deer feeding on them has become a problem in recent years, but this new type of afforestation using tree shelters will prevent such damage without having to remove the deer from their habitat. As a result, even assuming the same production of timber, it will be possible to reduce the number of trees planted per unit area of land compared to conventional methods, and given this, there is potential for a reduction in forestry labor, such as for cutting and thinning.

Tree shelters employed in a privately-owned forest in Sukumo City, Kochi Prefecture

In fiscal 2013, Sumitomo Forestry Wood Products Co., Ltd., which is responsible for managing forests owned by the Company, commenced full-scale external sales of Height Shelter S, a tree shelter developed in cooperation with Sumitomo Forestry and Phytoculture Control Co., Ltd.
As a result of presenting product proposals, such as to the companies supplying logs to Sumitomo Forestry Wood Products and to forestry cooperatives struggling with the damage caused by deer, sales of the product reached 35,000 in fiscal 2014. In fiscal 2015, Sumitomo Forestry Wood Products aims to increase sales to over 168,000, thereby helping to make forestry labor more efficient.

Agreement Concluded with Gifu Prefecture on the Supply of Seedlings

In March 2015, Sumitomo Forestry signed a “Business Agreement Concerning the Gifu Prefecture Project for the Development of Seedling Supply System” with Gifu Prefecture. Amid calls nationwide for increased log production, there is currently a severe shortfall of seedlings needed for replanting after the logs are harvested. Leveraging the technologies for producing container seedlings,[1] which were developed independently by Sumitomo Forestry, the Company will contribute to revitalizing the domestic forestry industry and to the sustainable and active production of forest resources.

1. A container seedling is a seedling with soil attached to its roots, grown in a special receptacle containing soil for raising the seedling. This makes year-round planting possible, in contrast to conventional bare seedlings without soil. Moreover, by setting several seedlings into a single tray, it reduces the effort required to transport them

Container seedlings to be produced

Guidance by Sumitomo Forestry’s seedlings specialist

- News release: "Agreement Concluded with Gifu Prefecture on the Supply of Seedlings"
- CSR Higlight3-Practicing Sustainable Forest Management in Japan and Overseas

Forest Management Overseas

Environmental Report

Sustainable Plantation Forest Operations Overseas

As populations increase and standards of living improve in Southeast Asia and in emerging countries across wider Asia, demand for wood as a raw material for building materials and paper and as a biomass fuel is increasing, and securing sources of supply is a global challenge. In many cases, land suited for forest plantation is in competition with food production, and therefore not enough plantation forests have been developed to satisfy global demand.

In order to ensure a stable supply of raw materials for wood products, such as lumber, wood panels and pulp, while still taking the environment into consideration, the Sumitomo Forestry Group has been increasing its use of plantation timber to reduce its procurement of raw materials from natural forests. In addition, the Group has been promoting sustainable forest plantation operations, especially in such countries as Indonesia and Papua New Guinea. During fiscal 2014, overseas Group companies planted a total area of 5,745 hectares.

Reforestation Results

Reforested Area

Company Name	Country	Total Management Area	Reforested Area	
			FY2013	FY2014
Kutai Timber Indonesia (KTI)	Indonesia	5,536ha	1,863ha	1,900ha
Rimba Partikel Indonesia (RPI)	Indonesia	3,669ha	711ha	638ha
Nelson Pine Industries (NPIL)	New Zealand	5,134ha	92ha	134ha
Open Bay Timber (OBT)	Papua New Guinea	31,260ha	734ha	797ha
PT. Wana Subur Lestari (WSL)	Indonesia	40,040ha	4,254ha	542ha
PT. Mayangkara Tanaman Industri (MTI)	Indonesia	74,870ha	4,482ha	1,362ha

CSR Higlight3-Practicing Sustainable Forest Management in Japan and Overseas

3 Approaches to Plantation Forest Operations

The Sumitomo Forestry Group has taken three approaches to conducting plantation forest operations. The purpose of “industrial plantation” is to produce wood and increase the supply of plantation timber (raw material). By zoning its managed land appropriately, the Group aims to achieve both the conservation of valuable ecosystems and the development of local communities through plantation forest operations.

In addition, the Group also conducts “environmental reforestation,” aimed at planting trees for the environmental conservation. It aims to contribute to environmental conservation through the expansion of forested areas and the fulfillment of the ecosystem services function of forests, by actively planting trees on land where natural regeneration would otherwise be difficult. The Group has also been engaged in “social forestry” which shares the economic benefits of forest plantation with local communities while enlisting the cooperation of local residents.

Acquisition of Forestry Certification in Collaboration with Local Residents

Kutai Timber Indonesia (KTI) formed a reforestation cooperative together with local residents in fiscal 2007, and acquired FSC™-FM certification for 152 hectares of plantation forest in December 2008. Certification was obtained for an additional 179 hectares of plantation forest in 2011 and 673 hectares in 2012, taking the total area of certified plantation forest to 1,005 hectares.

Large-Scale Commercial Forest Plantation Business in Collaboration with ALAS Kusuma Group

Since 2010, under the license from Indonesia's Ministry of Forestry permitting utilization of timber from commercial forests,[1] Sumitomo Forestry has been committed to a large-scale forest plantation business conducted in cooperation with the ALAS Kusuma Group, a company involved in forestry management and plywood manufacturing in Indonesia. Even though illegal logging and slash-and-burn farming practices have persisted, effective countermeasures have not been implemented in the lands earmarked for this business. As a consequence, this area is at risk of losing natural forest and many invaluable plant and animal species that should be protected and conserved. In order to stop any further loss of natural forests to illegal logging or excessive slash-and-burn farming, it is crucial to provide local residents with an economic basis so as to prevent such behavior.

The aim of the Company's industrial plantation is to provide local residents with employment opportunities by getting them to participate in sustainable forestry management, and to reduce the burden of human activity on precious natural forests. This project classifies and manages degraded forests (some of which contain degraded peat-swamp forests[2]) devastated by illegal logging, slash-and-burn farming and the ensuing forest fires into three areas: (1) forest conservation zones, (2) buffer zones, and (3) plantation zones. With respect to the (1) forest conservation zones, in addition to setting (2) buffer zones to prevent any direct impact of plantations, the project also preserves corridors so that the conservation zones do not become isolated. As for the (3) plantation zones, based on the long-held philosophy that there is a “right tree for the right site,” the project aims to plant numerous species of trees that are suited to each location by considering the differences in environmental factors, such as soil composition and moisture content. At the same time, the project also actively contributes to preventing deforestation caused by illegal logging and disorderly slash-and-burn farming practices and to controlling the emission of greenhouse gases. The planted seedlings are produced, planted, nurtured, felled and replanted using the Company's technologies, allowing for sustainable forest management to be conducted.

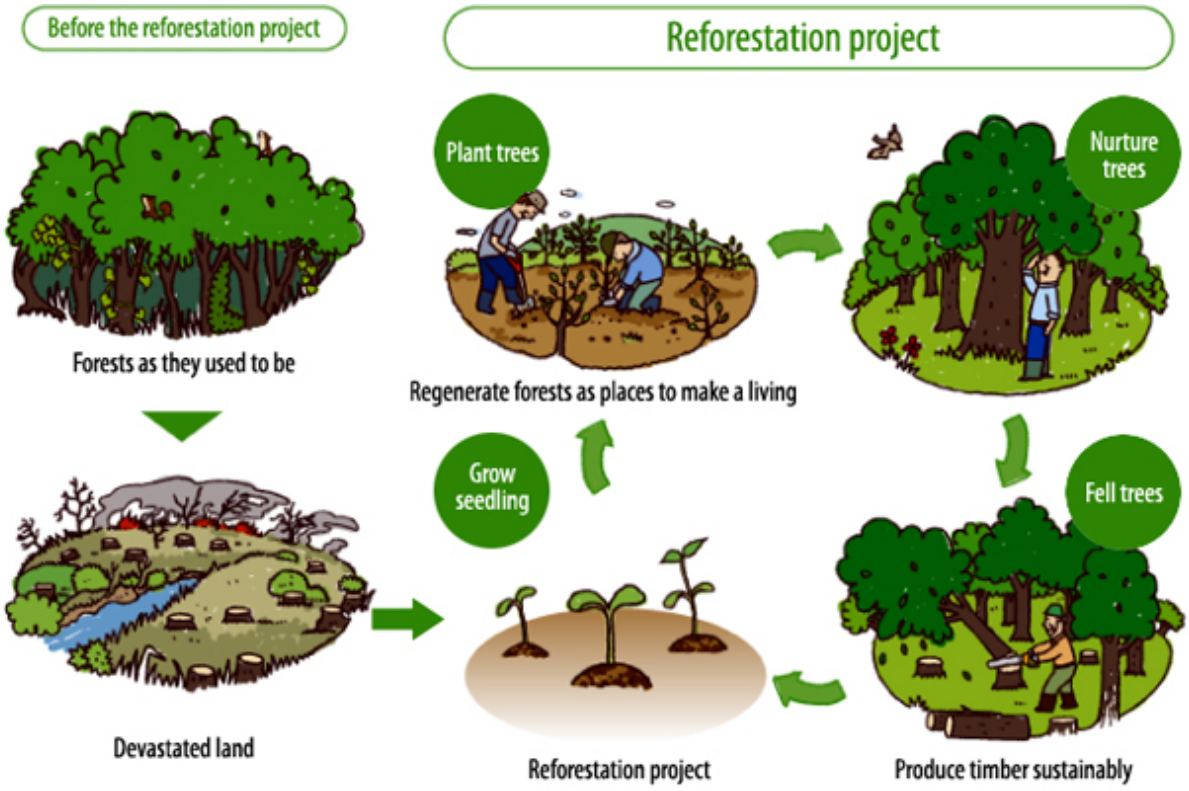
In fiscal 2012, the project concluded an advisory agreement with the International Finance Corporation (IFC), which is part of the World Bank Group. With a view to realizing plantation forest operations that are further conscious of the natural and social environment, the Company conducted a joint survey of the project site together with the IFC in accordance with the “high conservation value forest” (HCVF) approach,[3] on which there has been an emergent emphasis in recent years. The survey investigated whether the project site's land-use plan is being implemented appropriately and whether sufficient considerations have been given to biodiversity conservation and to the livelihoods of community residents. In September 2013, a local public consultation meeting was convened inviting various stakeholders (local residents, nearby businesses, academic experts, NGOs and government officials) to share the survey outline and results. The survey report has also been reviewed by a third-party organization, and future plans will be updated to reflect this review plus the valuable comments provided by the stakeholders.

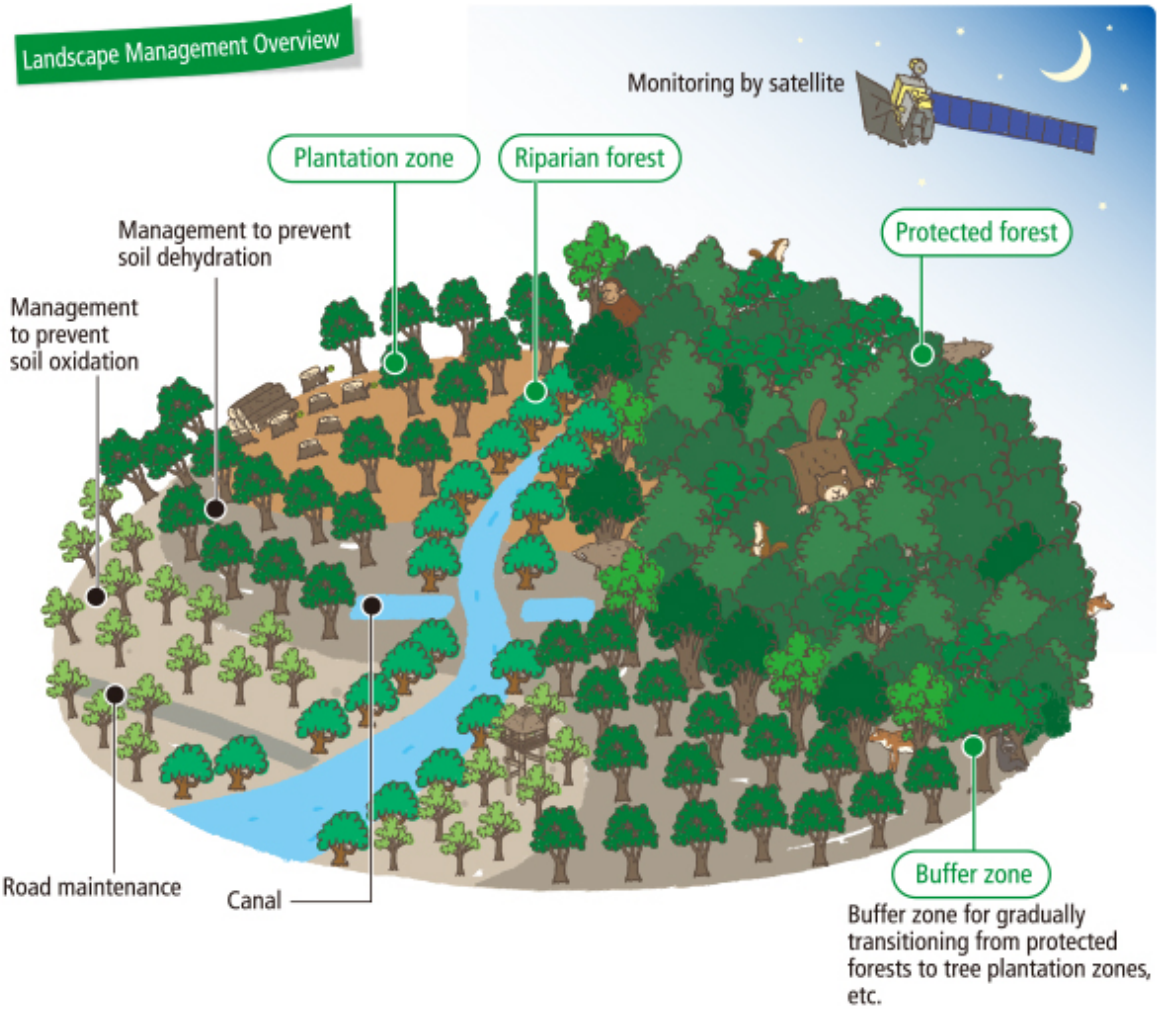
In addition, during fiscal 2013, the Group also acquired PHPL (Sertifikat Pengelolaan Hutan Produksi Lestari), a certification of the Ministry of Forestry of Indonesia for sustainable forest management.

In collaboration with relevant stakeholders, the project will continue to conduct monitoring and surveys on the project based on the most up-to-date knowledge and information, and armed with this, will make improvements to its plantation management plans as required.

1. Issued by the Indonesian government, this is a business license to engage in industrial timber plantation operations in Indonesia. The license is valid for 100 years.
2. Peat soil is one of the defining attributes of peat swamps. It is known for releasing large quantities of greenhouse gases (carbon dioxide, methane, etc.) into the atmosphere if such areas are improperly developed or exploited. Through joint research with academic institutions in Japan and Indonesia, the project gives careful attention to minimizing the decomposition of peat due to development and the resultant release of greenhouse gases.
3. An approach used when considering the value of forests which goes beyond merely their value as a carbon sink for greenhouse gases. It takes into account the multifaceted value of forests, such as containing habitats for rare, endangered species, providing basic services of nature including watershed protection and erosion control, and being important for the traditional cultural identity of local communities.

Reforestation project in collaboration with the ALAS Kusuma Group





Past method of tree planting on peat swamps have started with establishing many water drainage canals, and drying-out the land. However, land drying-out results in the decomposition of underground organic matters that leads to releasing greenhouse gases and to global warming. Dried peat, once ignited, is very difficult to extinguish, creating the risk of large-scale forest fires.

In order to sustain the water level even to keep the soil wet, it is important to conduct appropriate control and monitoring of groundwater level.

Therefore, when drawing up forestation plans, the project uses the advanced satellite information technology acquired through joint research under the Space Open Lab program provided by the Japan Aerospace Exploration Agency (JAXA) to establish appropriate reserves, including (1) forest conservation zones and (2) buffer zones, before identifying (3) lands suited to plantation. In the plantation area within peat swamps, water routes have functions of timber transportation, water level regulation, and firebreaking. The water routes are kept disconnected with rivers in order to prevent water drainage which causes emission of greenhouse gases.

Contribution to Local Communities through Social Forestry

In Indonesia, Sumitomo Forestry has been conducting social forestry since 2000, whereby seedlings are distributed free of charge to local residents to plant, and then PT. Kutai Timber Indonesia (KTI) and PT. Rimba Partikel Indonesia (RPI) promise to buy back the grown trees in six to seven years, when the trees are ready for harvesting. As well as being a venture to support the self-reliance of local residents, social forestry also fosters communication to build strong relationships with local communities.

Forest Management Consulting Business Overseas

Corporate needs for forest management are diverse. In recent years, there has been a considerable number of companies conducting forest conservation activities and planting activities in developing countries, for the purpose of mitigating the impact on forests in overseas countries and regions where they are doing business, or for the purpose of fulfilling their corporate social responsibility.

Drawing on its knowledge of forest management in Japan and overseas, Sumitomo Forestry implements its consulting business for 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.

The Company plans to enhance the value of existing projects in cooperation with local governments and relevant organizations, and to promote the proposal of new mechanisms such as REDD+ as well as ongoing projects that contribute to local economies through forest management and agricultural production.

Mitsui Sumitomo Insurance Co., Ltd.'s Project for the Rehabilitation and Regeneration of the Paliyan Wildlife Sanctuary

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

Residents receiving agricultural guidance

During the first phase of activities to March 2011, around 300,000 trees were planted on 350 hectares of land. Since April 2011, with a goal of creating a framework for local people to voluntarily protect their abundant forest areas, Sumitomo Forestry has provided 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. In fiscal 2014, the resident groups that had received support through this project in gaining registration as agricultural cooperatives obtained regency approval.

As part of this project, the Company has also opened the doors to its plantation forests, seminar house and other related facilities in a positive effort to make information on its experiences and know-how on forest restoration available to the public. These have been well attended by local elementary and middle school students, by Indonesian and foreign university students and experts in such fields as forestry, the environment and education, as well as by many government officials.

Revegetation Project in Gunung Merapi National Park in Cooperation with JICA

Mitsui Sumitomo Insurance Co., Ltd. and PT. TS Tech Indonesia have been running a project for the restoration of ecosystems in Indonesia's Gunung Merapi National Park (Central Java) since fiscal 2012. Sumitomo Forestry has teamed up with the Japan International Cooperation Agency (JICA) to provide support for implementation of the project.

Plantation forest in the Gunung Merapi National Park

Two of the aims of the project are to regenerate the national park forests that were devastated by illegal digging for gravel, and to contribute to the capacity building of national park personnel through practical revegetation activities. The knowledge gained through Mitsui Sumitomo Insurance's project for the rehabilitation and regeneration of the Paliyan Wildlife Sanctuary has also been applied to forest regeneration in this project.

During fiscal 2014, the project activities included managing the planted trees, such as clearing away underbrush and applying fertilizer, as well as conducting patrols to prevent illegal digging for gravel and other activities. Moving forward, efforts will be undertaken in cooperation with the national park so that the plantation forest can be properly managed.

Procuring Timber from Sustainable Forests in Accordance with the Action Plan for Timber Procurement

These initiatives are reported under Sustainable procurement of timber.

Sustainable Procurement of Timber

Policies and Targets for Biodiversity Conservation

Environmental Report

Declaration of Biodiversity and Biodiversity Action Guidelines

Sumitomo Forestry established its Policy on Biodiversity Conservation in Company-owned Forests in Japan in fiscal 2006, and its Timber Procurement Philosophy and Policy in fiscal 2007. The Company also revised its Environmental Policies in fiscal 2007 to incorporate biodiversity considerations. Then in March 2012, the Sumitomo Forestry Group established its Declaration of Biodiversity, setting out the Sumitomo Forestry Group's understanding of and stance on biodiversity; Biodiversity Action Guidelines, specifying an internal set of guidelines; and Biodiversity Long-Term Targets as specific goals of activity.

In July 2015, the Group initiate 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.

▸ Sumitomo Forestry Group Environmental Policy(link to Corporate Information)

The Sumitomo Forestry Group Declaration of Biodiversity

The forefather to the Sumitomo Forestry Group was founded more than three centuries ago, and since then we have developed our businesses while conserving forests, whose clear water, air, and soil are the source of life for many living creatures. Going forward, we at Sumitomo Forestry will continue to place the greatest importance on preserving biodiversity through our forestry business for providing timber, which is a renewable and natural material, and for managing forests, which support diverse ecosystems. We shall also strive to help realize a sustainable society that exists in harmony with nature.

The Sumitomo Forestry Group's Declaration of Action Guidelines

1. Position biodiversity as a key issue with the goal of coexisting with the environment and, together with its stakeholders, pursue initiatives to protect and promote biodiversity.
2. Ensure that each and every employee in the Group understands the importance of biodiversity and acts while considering both the direct and indirect consequences of their actions on biodiversity.
3. Minimize the impact of all Group activities on biodiversity.
4. Through its timber and forest-related businesses, provide to society the gifts acquired from forest ecosystems and contribute to the improvement of people's lives.

▸ News release: "Sumitomo Forestry Group Announces Declaration of Biodiversity"

Biodiversity Long-Term Targets

As well as advancing biodiversity preservation initiatives, the Group established the Biodiversity Long-Term Targets in March 2012 as a way of contributing to the international community in respect to attainment of the Aichi Biodiversity Targets adopted at the 10th Conference of Parties to the Convention on Biological Diversity (COP10) in 2010. Rough schedules for achieving each of the long-term targets were put in place covering the period up until 2020 and serve as a guideline for advancing initiatives.

The Sumitomo Forestry Group's Biodiversity Long-term Targets: Summary

Group-wide targets

1 (Aim to achieve sustainable forests)

In all timber-related businesses, from upstream to downstream, work to prevent any reduction in forest areas and aim to achieve sustainable forests.

- Regenerate forests through reforestation and the recharging of natural resources and maintain logging to less than grown volume of the forest.
- Increase the procurement and use of sustainable timber, including forest certified timber, plantation forest timber, and Japanese timber.
- Promote the efficient use of timber and, recycle, and reuse timber.

2 (Increase the amount of CO_2 absorbed by and sequestered in forests and timber)

In order to increase the amount of CO_2 absorbed by and sequestered in forests and timber, promote the use of timber by cultivating healthy forests and encouraging the use of timber construction materials and the construction of wooden buildings. In this way, contribute to the protection of biodiversity and help alleviate climate change.

Individual targets

3 (Forests)

Promote forest management that regenerates, maintains, and increases biodiversity

- Carry out zoning that protects ecosystems and the habitats of living creatures.
- Maintain to 20% or above the percentage of the environment protection priority forests area of Company-owned forests in Japan.

- Maintain to 100% the percentage of Company-owned forests in Japan that are forest certified.
- Establish targets for protecting endangered species based on the results of the biodiversity monitoring conducted within Company-owned forests in Japan starting 2012.
- Conduct operations at plantation forests overseas while considering how best to contribute to local communities, economies and education.

4 (Products)

Provide products and services that are considerate to biodiversity, such as forest-certified timber and products and services that have received an environmental assessment.

5 (Construction)

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

6 (Design)

Manage and minimize the generation of waste through promoting a zero-emissions policy in construction operations.

7 (Greening)

Be considerate to the surrounding ecosystems and tree species and actively cultivate native species.

8 (Plants)

Manage and minimize the generation of pollutants, waste, and noise pollution, and reduce their impact on biodiversity.

9 (Public relations)

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

10 (Research)

Collect the latest information and develop conservation technologies in order to implement measures to protect biodiversity.

11 (Social contribution)

Protect those trees that are historically and culturally important and also preserve their genetic material.

Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas

Environmental Report

Biodiversity Conservation in Company-Owned Forests in Japan

The Policy on Biodiversity Conservation for Company-owned forests in Japan calls for efforts to promote diversity of ecosystems, through proper management of protected areas and consideration toward the continuity of forests; diversity of species, through protection of rare flora and fauna; and genetic diversity, through the maintenance of populations.

In keeping with these policies, forests are subject to appropriate zoning and management according to certain criteria, such as the increment of trees. Sumitomo Forestry is also making efforts to create endangered species lists and manuals, conduct surveys to monitor wildlife, and develop materials for protecting saplings.

Policy on Biodiversity Conservation in Company-Owned Forests in Japan (Excerpt) (Formulated June 2006)

1. Diversity of ecosystems

We will properly manage strictly protected areas designated under the Natural Parks Law and other legislation in a manner stipulated by the law. In other areas, we will ensure continuity of forests by limiting the area of forest harvested, particularly when clear cutting is conducted.

2. Diversity of species

We will work to prevent a decline in the number of species existing in natural forests by refraining from expansive planting projects and other extreme activities involving the replacement of species that would have a major impact on existing ecosystems. We will also give the utmost consideration to the protection of rare flora and fauna in all operations, making reference to the Sumitomo Forestry Red Data Book.

3. Genetic diversity

Genetic variation and the maintenance of populations to support them will become issues in the future. However, analysis is complicated and therefore we will closely watch monitoring activities carried out by government and public institutions and their findings.

Red Data Book and Riparian Forest Management Manual

Sumitomo Forestry creates a 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.

Sumitomo Forestry's Red Data Book

The Company has also created the Riparian Forest Management Manual to ensure the appropriate management and preservation of areas around bodies of water that are rich in biodiversity. The Red Data Book and Riparian Forest Management Manual are reviewed and updated as required.

Wildlife Monitoring Surveys

Sumitomo Forestry monitors wildlife inhabiting Company-owned forests. Every year, surveys are conducted in one of four areas— Mombetsu (Hokkaido), Niihama (Shikoku), Hyuga (Kyushu) and Wakayama. Data for each area is therefore accumulated in four-year cycles. This is used to create basic reference materials relating to biodiversity and to ascertain the impact of forestry on the surrounding environment over the long-term.

In fiscal 2014, monitoring surveys were conducted in Company-owned forests in Hokkaido. They included surveys of mammals and birds and fixed-point photography.

Species of mammals and birds confirmed by past surveys

Surveyed forest	Mammals	Birds	Year
Niihama Forest	14	31	2008
Hyuga Forest	11	33	2009
Mombetsu Forest	10	38	2010
Wakayama Forest	12	25	2011
Niihama Forest(2nd survey)	11	34	2012
Hyuga Forest(2nd survey)	12	29	2013
Mombetsu Forest(2nd survey)	9	40	2014

Value of Ecosystem Services Generated by Company-Owned Forests

Using data on forest registers[1] and maps stored in the Company's own independent forest management system, Sumitomo Forestry is working to quantify[2] the diverse ecosystem services[3] provided by its company-owned forests, and to render a visual representation of the environmental value of managing those forests.

Through quantifying the ecosystem services and calculating the economic value, the Company will contribute to the establishment of forest management techniques that enhance ecosystem services, and to the development of techniques for evaluating ecosystem services in forests.

1. A register on the forest resources of privately-owned forests. Each register records the species and ages of trees, as well as the size of the forest and its management history.
2. Of the different categories of ecosystem services, quantification of the regulating services (purification of water, climate regulation, protection from natural disasters, etc.).
3. All of the functions derived from ecosystems that are of benefit to humankind. There are a variety of functions, from the production of food and wood, to purification of air and water, the water cycle, and the conservation of biodiversity.

Topics: President Ichikawa Attends COP12

The 12th meeting of the Conference of the Parties to the Convention on Biological Diversity (COP 12) was held in Pyeongchang in the Republic of Korea, October 6–17, 2014. It was attended by more than 3,000 representatives from the governments of the world, relevant international organizations, private enterprises and NGOs. The Keidanren Committee on Nature Conservation, which is an organization associated with the Japan Business Federation, sent a business mission comprised of three corporate members (12 people in total) which included Sumitomo Forestry. Akira Ichikawa, President of Sumitomo Forestry, served as the mission leader. President Ichikawa took the rostrum at the Business and Biodiversity Forum, and spoke of how Japanese companies have incorporated the conservation of biodiversity into their management policies and environmental policies, and how they are actively engaged in conservation activities.

▸ Keidanren Committee on Nature Conservation

Biodiversity Conservation in Plantation Forests Overseas

Indonesia has the third largest area of rainforest in the world, however, it is said that around 700,000 hectares of forest are lost each year due to such factors as forest fires, illegal logging and slash-and-burn farming. The Sumitomo Forestry Group runs a large-scale plantation in West Kalimantan, Indonesia. The forests are planted and managed using methods suited to each area based on appropriate zoning that takes into account biodiversity considerations.

In fiscal 2012, for the purpose of objectively reviewing the methods used for selecting and managing protected areas set up within the boundary of the plantation site, the Group entered into an advisory agreement with the International Finance Cooperation (IFC), an independent organization and member of the World Bank Group, and in fiscal 2013, identified high conservation value forests (HCVF) areas within the site. The results of this review will be reflected in future business plans. Also in fiscal 2013, the Group acquired PHPL (Sertifikat Pengelolaan Hutan Produksi Lestari), a certification of the Ministry of Forestry of Indonesia for sustainable forest management.

Forest Management Overseas

Conservation of Biodiversity through Business and Services

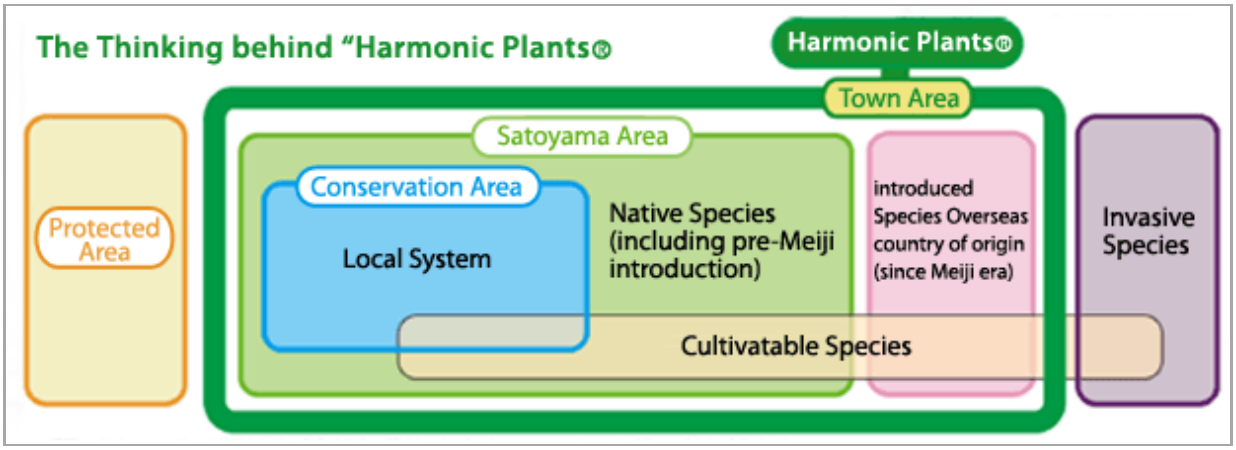
Environmental Report

Conservation of Biodiversity through the Greening Business

Sumitomo Forestry Landscaping Co., Ltd. makes comprehensive proposals for the landscaping and greening of many different environments, from houses, parks and residential property development through to regeneration of the natural environment. Areas designated for planting are categorized into four areas according to their conservation level—protected areas, conservation areas, satoyama areas (countryside close to rural communities) and town areas and local seeds, seedlings and saplings, native plants, and cultivars are planted after considering their effect on ecosystems. In a conservation area such as a nature park, for example, only local seeds, seedlings or saplings are used. In the landscaping of residential gardens in town areas, consideration is also given to color in the space by planting not only native species, but also cultivars and certain introduced species (introduced since the Meiji era) which have no effect on the local ecosystem. The Group actively promotes use of these plants for landscaping and greening as Harmonic Plants® that are chosen based on biodiversity considerations. The Group also has in place a policy of not using species that clearly have an adverse impact on local ecosystems[1] and a division responsible for coordinating technology at Sumitomo Forestry Landscaping Co., Ltd. checks that such species are not used.

1. Specified alien species and alien species requiring caution as stipulated by the Invasive Alien Species Act

The Thinking behind "Harmonic Plants"®

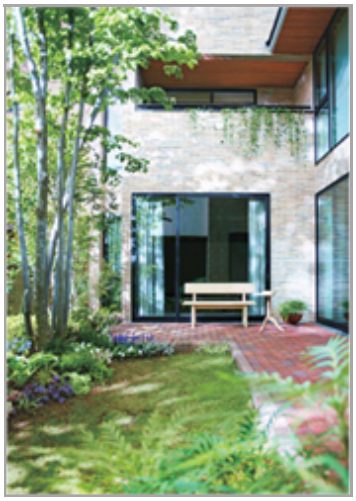


Approach to Planting Areas

① Protected Area (area in which the genetic constitution is protected): Area in which the artificial transplanting or introduction of plants is not permitted for scientific reasons, such as an area of primordial nature.	
② Conservation Area (area of systems conservation): An area in which nature is protected, such as islands, high-mountain, or wetlands. Local seedlings are used for greenification.	Local Seedlings
③ *Satoyama Area* (area of species conservation): A region of secondary nature that is impacted by human activity, such as a mid-mountainous area or *Satoyama Area*. Native species, including cultivatable species, are used for greenification.	Native Species
④ City Area (area in which introduced species are managed): An area removed from a natural ecosystem that can be managed. Non-invasive cultivatable species can also be used.	Cultivatable Species

Efforts for the Entrenched Widespread Use of Harmonic Plants®

Sumitomo Forestry Landscaping Co., Ltd. has adopted a biodiverse approach to tree-planting for Sumitomo Forestry custom-built detached houses and subdivision homes. For instance, it used Harmonic Plants® in the exterior landscaping for all 621 subdivision homes completed during fiscal 2014. It also used Harmonic Plants® in landscaping at all 35 Sumitomo Forestry model homes that opened during fiscal 2014, in an effort not only for Harmonic Plants® to be incorporated into planting proposals for customers, but also to raise awareness among employees.



"Sumitomo Forestry Gardens"

Furthermore, in October 2014, in conjunction with Sumitomo Forestry, the Company launched a new concept of complete garden proposals called "Sumitomo Forestry Gardens." The proposals, which integrate home and garden design, include plans for planting that take biodiversity into account based on Harmonic Plants®.

Native species are one class of Harmonic Plants®. Targets for the number of native species planted have been established in the Medium-Term Environmental Management Plan, and in fiscal 2014, 36,847 native species were planted at Sumitomo Forestry's custom-built detached houses and subdivision homes.

▸ Medium-Term Environmental Management Plan

Biodiversity Consulting Business

Sumitomo Forestry Landscaping Co., Ltd. set up a biodiversity consulting team, the Eco-Asset™ Consortium, with InterRisk Research Institute & Consulting, Inc. and Regional Environmental Planning Inc. Sumitomo Forestry joined the consortium in 2011 and engages in consulting services regarding the incorporation of biodiversity considerations into urban regeneration projects, upgrading of existing green zones, satoyama regeneration and other projects.

Biodiversity conservation-related needs are expected to climb and the Sumitomo Forestry Group plans to utilize expertise from achieving coexistence of forests with the environment in providing a particular kind of consulting service that is unique to the Group, thereby expanding environmental business and contributing to the coexistence of communities and corporations with the natural environment.

Park Renovation Project at Kyukamura Irako, Aichi Prefecture

Sumitomo Forestry Landscaping Co., Ltd. was awarded a contract from the Aichi Prefectural Government in September 2013 for a renovation project at Kyukamura Irako in collaboration with the participants of the Eco-Asset™ Consortium.

Illustration of the renovated park at Kyukamura Irako

The Kyukamura Irako hotel is located in the city of Tahara, Aichi Prefecture. As a lodging facility operated by the prefectural government, it contributed to the expansion of tourism and recreation for the public, but it faced various challenges, including a fall in tourist numbers. At the same time, the neighboring beach plays an important role in the ecosystem network, including serving as a spawning ground for green sea turtles and as a migratory point for hawks such as the gray-faced buzzard and the honey buzzard.

In addition to removing the pool and other outdated facilities, the project involves developing the Irago Salala Park, Japan's first garden for observing coastal flora. In October 2014, approximately 2.5 hectares of the total 5 hectares were opened for the sightseeing area which will be the main facility. In promoting this project, various methods have been adopted for regenerating the vegetation, for instance attempting to restore the coastal vegetation that had originally been there by turning the soil over and reviving the buried seeds that had been dormant underground. The park is scheduled for completion in fiscal 2017.

Management of Hazardous Chemical Substances

Environmental Report

Management of Chemical Substances at Research Institute and Plants

Although chemical substances are used in laboratory work and production at the Sumitomo Forestry Tsukuba Research Institute and at Sumitomo Forestry Crest Co., Ltd. plants, the Group complies with revised laws and endeavors to identify and properly manage any hazardous chemical substances.

Management of chemical substances at the Tsukuba Research Institute

At the Tsukuba Research Institute, the *Chemical Substances Handling Manual* prescribes procedures from the receipt to disposal of chemical substances, and the *Manual for Responding to Disasters Involving Chemical Substances* prescribes procedures for preventing and dealing with accidents in the event of a disaster. Based on these two manuals, the institute is committed to the safe handling of chemical substances, and twice a year, it takes an inventory for the purpose of identifying the chemical substances in its possession and disposing of any unnecessary stock. Particularly with regard to hazardous chemical substances, the institute has implemented various measures in preparation of a disaster, such as installing dedicated storage lockers and keeping the substances under lock and key, as well as installing partitions where liquid substances are stored to prevent them from tipping over.

Management of chemical substances at Sumitomo Forestry Crest Co., Ltd.

At Sumitomo Forestry Crest Co., Ltd. plants, environment-related work manuals and regulations have been established to prevent chemical leaks and other environmental accidents. In accordance with these provisions, the plants regularly measure the concentrations of air pollutants, water pollutants and organic solvents in exhaust gas to check that there are no problems.

At the No. 2 Kyushu Plant, where a large amount of chemical substances are handled, leak response equipment is always on hand and emergency training is practiced as measures for preventing spills.

PRTR Substances (Data covers Sumitomo Forestry Crest Co., Ltd.)

Unit: kg (excluding dioxins, which is shown in mg-TEQ)

Designated chemical substance #	Designated chemical substance	Total releases	Releases to air	Releases to public sewage system	Releases to soil at relevant business site	On-site landfill	Total transfers	Transfers to sewage	Transfer as waste
4	Acrylic acid and its water-soluble salts	22.0	0.0	22.0	0.0	0.0	0.0	0.0	0.0
7	n-Butyl acrylate	0.0	0.0	0.0	0.0	0.0	33.0	0.0	33.0
84	Glyoxal	0.0	0.0	0.0	0.0	0.0	5.2	0.0	5.2
134	Vinyl acetate	2,289.0	2,200.0	89.0	0.0	0.0	23.0	0.0	23.0
186	Methylene chloride	65,000.0	65,000.0	0.0	0.0	0.0	4,290.6	0.0	4,290.6
243	Dioxins	114.4	114.4	0.0	0.0	0.0	1.0	0.0	1.0
349	Phenol	1.0	0.0	1.0	0.0	0.0	590.0	0.0	590.0
392	n-hexane	500.0	500.0	0.0	0.0	0.0	0.0	0.0	0.0
395	The water-soluble salts of peroxydisulfuric acid	0.0	0.0	0.0	0.0	0.0	7.0	0.0	7.0
407	POAE (C=12～15)[1]	14.0	0.0	14.0	0.0	0.0	5.2	0.0	5.2
411	Formaldehyde	49.0	49.0	0.0	0.0	0.0	780.0	0.0	780.0
415	Methacrylic acid	4.7	0.0	4.7	0.0	0.0	0.0	0.0	0.0
448	Methylenebis (4,1- phenylene) diisocyanate	0.0	0.0	0.0	0.0	0.0	121.0	0.0	121.0

1. Polyoxyethylene alkyl ether (limited to where the carbon number of the alkyl group is between 12 and 15, and compounds thereof).

▸ About symbol for third party assurance (link to Third Party Assurance Report)

Emissions of NOx and SOx (Sumitomo Forestry Crest Co., Ltd.,)

Substance	Emissions(Unit: kg)
SOx (Sulfur oxide)	2,609
NOx (Nitrogen oxide)	2,001
Soot and dust	1,397

Effluent Water Quality Survey Results (No.2 Kyushu Plant)

Item[1]	Unit	Measured	Effluent Standards[2]
pH	-	7.5	5.0～9.0
COD	mg/L	28.6	40
SS	mg/L	4.0	50
TN	mg/L	1.7	60
TP	mg/L	0.02	8

Effluent Water Quality Survey Results (Tsukuba Research Institute)

Item	Unit	Measured	Effluent Standards[3]
pH	-	7.9	5.8～8.6
BOD[4]	mg/L	13.0	160
SS	mg/L	7.0	200
Total n-hexane extract substances (total mineral oils)	mg/L	Less than 1	5
Total n-hexane extract substances (total plant and animal fats/oils)	mg/L	1.0	30
Total Phenols	mg/L	Less than 0.025	0.5 or less

1. pH = concentration of hydronium ions, COD = Chemical Oxygen Demand, SS = Suspended Solids, T-N = Total Nitrogen, T-P = Total Phosphorous
2. Effluent Standards uses values stipulated by prefectural ordinance.
3. Effluent Standards uses values stipulated by the Water Pollution Control Act. Total Phenols uses standards required by the Tsukuba City Pollution Prevention Agreement.
4. BOD = Biological Oxygen Demand

Proper Treatment of Building Materials Containing Asbestos

The Sumitomo Forestry Group has secured appropriate disposal routes for asbestos. At Sumitomo Forestry, a *Guide for Appropriate Measures during Demolition Work* has been formulated, and it endeavors to prevent asbestos being released into the air during home demolition work.

At each of Sumitomo Forestry's office buildings as well, any asbestos is disposed of properly in accordance with the law.

Storage and Proper Treatment of Polychlorinated Biphenyls (PCBs)

At Sumitomo Forestry Crest Co., Ltd., polychlorinated biphenyl (PCB) waste, such as that contained in used high-voltage capacitors, is properly managed and disposed of in accordance with the PCB Special Measures Law.

Disposal of PCB Waste

FY2013	FY2014	Change
235 Units	225 Units	Decrease of 10 units (4,307 kg)

Project for Soil Purification Technology and Environmental Remediation Aided by Plants

An issue in re-using the site of an old factory is the environmental impact associated with soil contamination and the cost burden of any remedial measures. For example, under the revised Fire Service Act of Japan, gasoline stations are now obliged to repair any underground tanks that have laid under the ground for more than 40 years, and as a consequence of this, it is expected that between 1,000 and 2,000 stations will close down each year.

Grass laid on the site where a gasoline station once stood

In order to meet the demand for environmental remediation and measures dealing with soil contamination, the Sumitomo Forestry Group has been working on cleansing contaminated soil by using the functions of plants (phytoremediation). As part of this, during fiscal 2012, in collaboration with JX Nippon Oil & Energy Corporation, the Group developed a method for purifying soil contaminated with oil using Burning Field, a variety of Japanese lawn-grass independently registered by the Group.

One of the functions possessed by the variety of Japanese lawn-grass used in this method is that the nutrients transpiring from its roots activate microorganisms in the soil, and the upshot of this is that it has the potential to inexpensively reduce the oil content in polluted soil. This method has been adopted at nine sites so far to purify areas where gasoline stands or oil depots once stood, with purification at three sites now complete.

In fiscal 2013 and 2014, the Ministry of the Environment conducted a study on low-cost, low-impact technologies for surveying and for counteracting contaminated soil. 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.
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.

- News release: Development of technique to cleanse contaminated soil using phytoremediation Received the FY2012 Environment Minister Award for the Model Initiatives on Environment Measures

Efficient Use of Water Resources

Environmental Report

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.

Previously, the Sumitomo Forestry Group had gauged water consumption at its plants inside and outside Japan, but in fiscal 2012, the Group began examining the consumption and the associated sources at bases where actual water usage is measurable, such as at buildings owned by the Sumitomo Forestry Group.

Plants in Japan primarily manufacture processed wood products, such as interior materials for housing, and thus do not use large amounts of water. Nevertheless, in order to use water resources as effectively as possible, the Group employs water-saving initiatives at each plant.

Water Consumed by Group Companies in Japan[1] (FY2014)

	Offices in Japan	Manufacturing companies in Japan	Total Figures in parentheses indicate percentage change since FY2013
Clean water	64,064m^3	22,492m^3	86,556m^3 (-8.6%)
Groundwater	2,970m^3	201m^3	3,171m^3 (+10.5%)
Industrial water	109,500m^3 [2]	173,468m^3	282,968m^3 (-10.3%)
Total	176,534m^3	196,161m^3	372,695m^3 (-9.7%)

1. Covers bases where actual water usage is measurable, such as at buildings owned by the Sumitomo Forestry Group.
2. Used by Kawanokita Development Co., Ltd. at a golf course it manages for watering the turf and otherwise maintaining the course.

▸ About symbol for third party assurance (link to Third Party Assurance Report)

Efforts at Sumitomo Forestry Crest Co., Ltd.

Sumitomo Forestry Crest Co., Ltd.'s No. 2 Kyushu Plant manufactures synthetic resin adhesives and other products. It primarily promotes three measures for reducing water usage. First, it uses industrial water to cool manufacturing equipment. Then, it reuses the water to dilute plant effluent. In fiscal 2014, the volume of industrial water used decreased by 6% compared with the previous fiscal year.

Measuring the COD of effluent

Measures Used at the Sumitomo Forestry Crest Co., Ltd.'s No. 2 Kyushu Plant for Saving Water

1. Collect some of the water used for washing equipment, and reuse it as a raw material.
2. Improve the proportion of rainwater used, such as by upgrading the pumps used for collecting rainwater.
3. Maintain water-quality control by measuring COD[1] and treat wastewater using only the minimum amount of water necessary.

1. 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.

Environmental Accounting

Tabulated Results for Fiscal 2014

Sumitomo Forestry calculates and publicizes the costs and benefits of its environmental conservation activities to promote environmentally sound management.

Note: The basis of calculation includes Sumitomo Forestry on a non-consolidated basis and certain group companies.

Environmental Preservation Costs

Cost Category		Main Activities	Cost (Million Yen)
Costs within operational area	Global environmental protection costs[1]	Sustainable forestry cultivation	658
		Environment-related business (overseas consulting, REDD+ business, etc)	241
		Carbon offset	94
	Resource recycling costs[2]	Promotion of appropriate treatment, reduction, and recycling of industrial waste	5,212
		Waste wood chip distribution operations	199
		Potting mix business	459
Upstream/Downstream costs[3]		Green purchasing	75
Management activity costs[4]		Operation and promotion of environmental management (ISO14001 certification,environmenral education,LCA surveys, etc.)	112
		Observation of environmental burdens	2
		Disclosure and administration of environmental information (CSR Report, environment-related advertising, environment-related exhibitions, etc.)	25
R&D costs[5]		R&D activities related to environmental conservation	311
Social contribution costs[6]		Management and operation of *Mt. Fuji Manabi no Mori*	26
		Management and operation of *Forester House*	8
		Other social contribution activities	3
		Donations to the Keidanren Nature Conservation Fund	2
Total			7,427

Link to the Keidanren Committee on Nature Conservation

1. Global environmental protection costs : Expenditures for preservation and management of Company-owned forests to foster sustainable forestry, expenditures in Japan and overseas relating to the environmental business, and overseas reforestation expenses for implementing carbon offset.
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 potting mix business.
3. Upstream/Downstream costs : Expenditures for green purchasing.
4. Management activity costs : Office expenses and auditing costs relating to maintenance of ISO 14001 certification; expenditures relating to disclosure of environmental information through advertising, environment-related exhibitions and the CSR Reports; expenditures relating to lectures on environmental education; and costs for life cycle assessment inspections.
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.

Environmental Benefits

Category	Description	Results
Benefits from costs within operational area	Volume of recycled waste wood from distribution operations(converted into chip equivalents) (1,000 m^3)	1,089
	Volume sold of potting mix using recycled sediment from water purification (1,000 ton)	22
Benefits from Upstream/Downstream costs	Green procurement ratio	69.8
Benefits from management activity costs	Employees designated as internal environmental auditors	85
Benefits from R&D costs	Release of “Green Smart Solar Z,” a full roof-mounted 10kW-plus capacity solar power generation system	-
	Solar power generation systems also installed on carports as a variation on the environmentally conscious housing concept, Green Smart	-
	Sales launched for “Air Dream Hybrid” a central air-conditioning system equipped with an “outside-air cooling” function	-
	Participation in the Japan Public-Private Platform for REDD+	-
	Cherry tree cultivated from tissue culture of the renowned Omurozakura cherry at the Ninna-Ji Temple in Kyoto comes into bloom	-
	Succeed in propagating a sapling using tissue culture from a “Sacred Plum Tree” in front of the Kitano Tenmangu Main Shrine in Kyoto	-
	Conclude agreement with Gifu Prefecture on the supply of seedlings	-
	Phytoremediation of soil contaminated with oil, by means of Japanese lawn-grass Selected as sponsored technology under the Ministry of the Environment’s study on low-cost, low-impact technologies for surveying and for counteracting contaminated soil Benefits of social contribution costs	-
Benefits of social contribution costs	Volunteers who participated in *Mt. Fuji Manabi no Mori* project	538
	Children participating in the Environmental Education Program at *Mt. Fuji Manabi no Mori* project	789
	Visitors to *Forester House*	3,360

Environmental Data for Group Companies

Environmental Data for Group Companies in Japan

Data for manufacturing companies in Japan shows the environmental impact per company and per plant.

Sumitomo Forestry Crest Co., Ltd.

Item (unit)		Kashima Plant	Shizuoka Plant	Nagoya Plant	Niihama Plant	Kyushu Plant	No. 2 Kyushu Plant	Total
Energy input (GJ)		31,392	25,984	29,229	22,219	30,348	14,991	154,164
Raw material input (t)		13,409	36,133	6,894	4,195	8,939	6,334	75,904
Water resource consumption (m^3)								
	Clean water	4,715	4,598	3,979	-	6,431	61	19,784
	Main water source	Lakes-Kasumigaura/Kitaura (Protected area: partly in Suigo-Tsukuba Quasi-National Park)	Groundwater-Oi River basin	Rivers-Kiso River basin (Protected areas: N/A)	-	Ponds-Tashiro Pond (partly in protected forest)	Reservoirs	-
	Industrial water	-	-	-	5,799	18,250	149,640	173,689
	Main water source	-	-	-	Groundwater (Niihama City Bureau of Waterworks)	Rivers-Arita River basin (partly in Kurokamizan Wildlife Preserve)	Rivers-Arita River basin (partly in Kurokamizan Wildlife Preserve)	-

Item (unit)	Kashima Plant	Shizuoka Plant	Nagoya Plant	Niihama Plant	Kyushu Plant	No. 2 Kyushu Plant	Total
Greenhouse gas emissions (t-CO_2)							
CO_2 (Carbon dioxide)	1,300	1,364	1,517	1,548	1,884	977	8,590
CH_4 (Methane)[1]	-	6	-	5	8	-	19
N_2O (Dinitrogen monoxide)[1]	-	0.7	-	0.6	1	-	2
Volume of waste (t)	2,797	1,865	1,868	873	1,573	260	9,236
Total water discharge (m^3)							
Sewage	3,612	-	-	5,799	-	-	9,411
Ocean area	-	-	3,979	-	-	-	3,979
Rivers	-	4,598	-	-	-	-	4,598
Lakes	-	-	-	-	24,681	132,772	157,453
Emissions into air (kg)							
Sox (Sulfur oxide)	-	-	-	408	67	1,691	2,165
NOx (Nitrogen oxide)	-	-	-	680	1,321	-	2,001
Soot and dust	-	-	-	624	773	-	1,397

1. Methane and dinitrogen monoxide have been converted to carbon dioxide equivalents.

Sumirin Agro-Products Co., Ltd.

Item (unit)		Sakura Plant[1]	Shinshiro Plant	Tobishima Plant	Total
Energy input (GJ)		132	3,325	2,760	6,217
Raw material input (t)		-	3,853	14,503	18,356
Water resource consumption (m^3)					
	Clean water	-	1,592	1,116	2,708
	Main water source	-	Rivers-Ure River basin (Protected area: partly in Tenryu-Okumikawa Quasi-National Park and Hourai Wildlife Preserve)	Rivers-Kiso River basin (Protected area: N/A)	-
	Ground water	-	-	-	-
Greenhouse gas emissions (t-CO_2)					
	CO_2 (Carbon dioxide)	8	208	166	382
Volume of waste (t)		5	23	46	73
Total water discharge (m^3)					
	Ocean area	-	-	996	996
	Rivers	-	1,292	-	1,292
	Lakes	-	-	-	-
	Others	-	-	-	-

1. May, 2014 complete evacuation. The results of "the Energy input" (GJ) are things by the restitutio in integrum.

Environmental Data for Group Companies outside Japan

Data for manufacturing companies outside Japan shows the environmental impact per company.

Item (unit)	PT. Rimba Partikel Indonesia	Alpine MDF Industries Pty Ltd.	PT. AST Indonesia	PT. Kutai Timber Indonesia	Nelson Pine Industries Ltd.	Vina Eco Board Co., Ltd.
Energy input (GJ)	211,527	372,095	67,603	696,004	995,265	299,070
Raw material input (t)	167,299	170,733	25,836	388,354	707,046	182,543
Water resource consumption (m^3)						
Clean water	-	80,596	-	-	342,476	52,084
Industrial water	-	-	-	201,774	-	-
Ground water	207,821	-	29,939	107,109	-	-
Greenhouse gas emissions ($t\text{-}CO_2$)						
CO_2 (Carbon oxide)	14,904	27,790	5,160	50,617	15,188	10,210
CH_4 (Methane)[1]	1,053	847	-	331	-	118
N_2O (Dinitrogen monoxide)[1]	121	98	-	38	-	14
Volume of waste	16,011	37,807	1,813	34,855	3,708	-
Total water discharge (m^3)						
Sewage	-	28,602	4,450	-	283,529	13,083
Ocean area	-	-	-	115,605	-	-
Rivers	5,503	-	25,149	-	-	39,001

1. Methane and dinitrogen monoxide have been converted to carbon dioxide equivalents.

Corporate Profile

Sumitomo Forestry Profile

Company Name	Sumitomo Forestry Co., Ltd.
Address of Headquarters	Keidanren Kaikan, 3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8270, Japan
Paid-in Capital	¥27,672 million
Incorporated	February 20, 1948
Founded	1691
Number of employees	Unconsolidated: 4,499; Consolidated: 18,137 (as of March 31, 2015)
Business scope	**Environment and Resources Business** Management of forests; development of new forestry and environment-related business; management of biomass power generation business and other environmental energy business, as well as plantation forest operations overseas; consulting on the reduction of greenhouse gas emissions in Japan and overseas **Timber & Building Materials Businesses** Purchase, manufacture, secondary processing and sales of timber (logs, wood chips, processed timber, engineered wood, etc.) and building materials (plywood, fiberboard, processed wood materials, concrete and ceramic building materials, metal building materials, housing systems and fixtures, etc.) **Overseas Businesses** Manufacture and sales of timber and building materials; contract construction and sales of detached houses, etc. overseas. **Housing Businesses** Contract construction, after-sales maintenance and renovation of detached houses and multi-unit residences; sales of spec homes; sales of interior products; rental, management, sales, and brokerage of property; contract work for housing exteriors, garden landscaping and urban greening; CAD work and site surveys, etc.

Lifestyle Services

Operation of private-pay elderly care facilities; equipment leasing; insurance agency; manufacture and sales of gardening products; development of information systems; temporary staffing, etc.

Company-owned forest	46,247 ha (As of March 31, 2015)

Key Financial Data

Consolidate Net Sales, Operating Income, Recurring Income and Net Income

	FY2010	FY2011	FY2012	FY2013	FY2014
Net Sales (Billions of yen)	7,975	8,319	8,452	9,730	9,973
Operating Income (Billions of yen)	142 (1.8%)	192 (2.3%)	253 (3.0%)	334 (3.4%)	340
Recurring Income (Billions of yen)	142 (1.8%)	207 (2.5%)	270 (3.2%)	336 (3.4%)	364
Net Income (Billions of yen)	52 (0.6%)	93 (1.1%)	159 (1.9%)	225 (2.3%)	186

1. Percentages indicate the ratio to net sales.

Consolidated Net Sales and Ratio of Net Sales by Segment (FY2014)

	Timber and Building Material Business	Housing Businesses	Overseas Business	Other Businesses
Net Sales (million yen)	423,020	453,940	147,024	16,565
Ratio of Net Sales (%)	40.7	43.6	14.1	1.6

1. Percentages indicate the ratio to net sales.
2. Net sales for each segment include intersegment sales and transfers. The aggregate of each segment's net sales does not match the consolidated net sales (997.3 billion yen).

▸ Performance Highlights (link to Investor Relations)

Editorial Policy for CSR Report 2015

Purpose of Disclosing CSR Information

The Sumitomo Forestry Group regards the CSR Report as an important tool for communicating with all stakeholders, and as such, publishes the report every year on its website.

The CSR Report 2015 includes a section on “Top Message,” and the rest is then divided into three parts: Management System, Social Report and Environmental Report, which report the Group's philosophy and policies on CSR as well as its specific activities. The Group also formulated the Mid-Term CSR Management Plan in March 2015, identifying a number of Key CSR Issues. This plan has been operational since fiscal 2015. The report also has a section on “CSR Activity Highlights,” showcasing the Group's distinctive initiatives centered around wood, which aim to contribute to the realization of a sustainable enterprise and a sustainable society.

The website from where the CSR Report is available also includes detailed content on the Group’s activities such as forest conservation, biodiversity preservation and social contribution. Please visit the webpages on the Group’s diverse initiatives and feel free to provide us with your feedback.

Reliability of Report Content

The respective departments of the Sumitomo Forestry Group have endeavored to ensure accuracy by using appropriate measurement and data collection methods for the initiatives and results reported in the *CSR Report*. These methods are also disclosed when relevant. Furthermore, the environmental and social indicators in the report has been assured by KPMG AZSA Sustainability Co., Ltd., as marked with a mark.

Reference Guidelines

- Sustainability Reporting Guidelines (Edition G3.1 and G4), Global Reporting Initiative (GRI)
- Environmental Reporting Guidelines (2012 Edition), Japanese Ministry of the Environment
- ISO 26000:2010 Guidance on Social Responsibility, International Organization for Standardization

Reporting Period

April 2014 to March 2015
(The period also includes some activities from April 2015, as well as future expectations.)

Companies Covered in the Report

Although this report focuses mainly on Sumitomo Forestry Co., Ltd., the Company considers it important to cover activities of the entire Sumitomo Forestry Group, and has been expanding its reporting scope.

Link to Related Website: “List of Sumitomo Forestry Group Companies”

Main Changes during the Reporting Period

The following companies have been included in the scope of consolidation since the 2014 consolidated fiscal year.

Equity interest was acquired in PAN ASIA PACKING LTD. and in the Gehan Homes Group (Gehan Homes Ltd. and 6 other companies), and the following new companies were established: Hachinohe Biomass Electric Power Co., Ltd., Michinoku Bio Energy Co., Ltd., SFA Land Developments Unit Trust, SFA Land Developments Pty Ltd., and SF Holdings (Thailand) Co., Ltd.

This brings the number of consolidated subsidiaries to 72 as of March 31, 2015.

Publication Date

The end of October 2015 (Previous: October 2014; Next: October 2016)

Publication Team

Sumitomo Forestry Co., Ltd.
Keidanren Kaikan,3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo, 100-8270, Japan
CSR Department

GRI G4 Content Index

General Standard 5ÍăÖf2ădzWŜă

G4 Disclosure		ISO26000 Disclosure	Location
Strategy and Analysis			
G4-1	a. Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	6.2	>Top Message
G4-2	a. Provide a description of key impacts, risks, and opportunities. The organization should provide two concise narrative sections on key impacts, risks, and opportunities.	6.2	>Top Message >Risk Management >CSR Management >Environmental Risk Management >IR Library
Organizational Profile			
G4-3*	a. Report the name of the organization.		>Corporate Profile
G4-4*	a. Report the primary brands, products, and services.		>Corporate Profile >CSR Management >Our Business
G4-5*	a. Report the location of the organization's headquarters.		>Corporate Profile
G4-6*	a. Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.		>Sumitomo Forestry Group
G4-7*	a. Report the nature of ownership and legal form.		>Corporate Profile
G4-8*	a. Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).		>Corporate Profile >Sumitomo Forestry Group
G4-9*	a. Report the scale of the organization, including: ・Total number of employees ・Total number of operations ・Net sales (for private sector organizations) or net revenues (for public sector organizations) ・Total capitalization broken down in terms of debt and equity (for private sector organizations) ・Quantity of products or services provided		>Corporate Profile >Performance Highlights
G4-10*	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	6.4 6.4.3	>Employee Data
G4-11*	a. Report the percentage of total employees covered by collective bargaining agreements.	6.4 6.4.3 6.4.4 6.4.5 6.3.10	>Employee Data
G4-12*	a. Describe the organization's supply chain.		

G4-13*	a. Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply ・Changes in the location of, or changes in, operations, including facility openings, closings, and expansions ・Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector ・Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination		＞Corporate Profile ＞Performance Highlights
Commitments to External Initiatives			
G4-14*	a. Report whether and how the precautionary approach or principle is addressed by the organization.	6.2	＞Risk Management ＞Housing Safety and Quality Control ＞Product Safety and Quality Control of Building Materials ＞Policy and System for Sustainable Procurement of Timber ＞Occupational Health and Safety ＞Environmental Management Structure ＞Environmental Risk Management
G4-15*	a. List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	6.2	＞CSR Management
G4-16*	a. List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: ・Holds a position on the governance body ・Participates in projects or committees ・Provides substantive funding beyond routine membership dues ・Views membership as strategic	6.2	＞Promotion of Social Contribution Activities
Identified Material Aspects and Boundaries			
G4-17*	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	6.2	＞CSR Management ＞Our Business
G4-18*	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.		＞Editorial Policy for CSR Report 2014
G4-19*	a. List all the material Aspects identified in the process for defining report content.		＞Corporate Philosophy and CSR Management of the Sumitomo Forestry Group ＞Sumitomo Forestry Group CSR Material Issues and Mid-Term CSR Management Plan
G4-20*	a. For each material Aspect, report the Aspect Boundary within the organization, as follows: ・Report whether the Aspect is material within the organization ・ If the Aspect is not material for all entities within the organization (as described in G4-17), select one of the following two approaches and report either: —The list of entities or groups of entities included in G4-17 for which the Aspect is not material or —The list of entities or groups of entities included in G4-17 for which the Aspects is material ・Report any specific limitation regarding the Aspect Boundary within the organization		＞Corporate Philosophy and CSR Management of the Sumitomo Forestry Group ＞Sumitomo Forestry Group CSR Material Issues and Mid-Term CSR Management Plan
G4-21*	a. For each material Aspect, report the Aspect Boundary outside the organization, as follows: ・Report whether the Aspect is material outside of the organization ・ If the Aspect is material outside of the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified ・Report any specific limitation regarding the Aspect Boundary outside the organization		＞Editorial Policy for CSR Report 2014
G4-22*	a. Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.		
G4-23*	a. Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.		＞Boundaries and Methods of CO^2 Emissions Calculation
Stakeholder Engagement			
G4-24*	a. Provide a list of stakeholder groups engaged by the organization.	6.2	

G4-25*	a. Report the basis for identification and selection of stakeholders with whom to engage.	6.2	
G4-26*	a. Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	6.2	
G4-27*	a. Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	6.2	>Together with Our Customers >Together with Our Business Partners >Together with Our Shareholders and Investors >Together with Our Employees >Together with Local Communities
Report Profile			
G4-28*	a. Reporting period (such as fiscal or calendar year) for information provided.		>Editorial Policy for CSR Report 2014
G4-29*	a. Date of most recent previous report (if any).		>Editorial Policy for CSR Report 2014
G4-30*	a. Reporting cycle (such as annual, biennial).		>Editorial Policy for CSR Report 2014
G4-31*	a. Provide the contact point for questions regarding the report or its contents.		>Editorial Policy for CSR Report 2014
GRI Content Index			
G4-32*	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option (see tables below). c. Report the reference to the External Assurance Report, if the report has been externally assured. (GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.)		GRI G4 Content Index
Assurance			
G4-33*	a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization ' s sustainability report.	7.5.3	>Third Party Assurance Report
Governance			
Governance Structure and Composition			
G4-34*	a. Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.		>Corporate Governance
G4-35	a. Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.		>Corporate Governance
G4-36	a. Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.		>Corporate Governance
G4-37	a. Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.		>Corporate Governance >Information Disclosure and Communication >Communication with Employees
G4-38	a. Report the composition of the highest governance body and its ・Executive or non-executive Independence ・Tenure on the governance body ・Number of each individual ' s other significant positions and commitments, and the nature of the commitments ・Gender ・Membership of under-represented social groups ・Competences relating to economic, environmental and social ・Stakeholder representation		>Corporate Governance
G4-39	a. Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).		>Corporate Governance

G4-40	a. Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, ・Whether and how diversity is considered ・Whether and how independence is considered ・Whether and how expertise and experience relating to economic, environmental and social topics are considered ・Whether and how stakeholders (including shareholders) are involved		
G4-41	a. Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders, including, as a ・Cross-board membership ・Cross-shareholding with suppliers and other stakeholders ・Existence of controlling shareholder ・Related party disclosures		
Highest Governance Body's Role in Setting Purpose, Values, and Strategy			
G4-42	a. Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.		＞Corporate Governance
Highest Governance Body's Competencies and Performance Evaluation			
G4-43	a. Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.		
G4-44	a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.		＞Corporate Governance
Highest Governance Body's Role in Risk Management			
G4-45	a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	6.2	＞Corporate Governance ＞Risk Management ＞CSR Management ＞Policy and System for Sustainable Procurement of Timber ＞Environmental Management Structure
G4-46	a. Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.		＞Risk Management
G4-47	a. Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	6.2	＞Corporate Governance ＞Risk Management ＞CSR Management ＞Policy and System for Sustainable Procurement of Timber ＞Environmental Management Structure
Highest Governance Body's Role in Sustainability Reporting			
G4-48	a. Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.		
Highest Governance Body's Role in Evaluating Economic, Environmental and Social Performance			
G4-49	a. Report the process for communicating critical concerns to the highest governance body.	6.2	＞Corporate Governance ＞Information Disclosure and Communication ＞Communication with Employees
G4-50	a. Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.		

Remuneration and Incentives			
G4-51	a. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration: ・Fixed pay and variable pay: —Performance-based pay —Equity-based pay —Bonuses —Deferred or vested shares ・Sign-on bonuses or recruitment incentive payments ・Termination payments ・Clawbacks ・Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	6.2	>Corporate Governance
G4-52	a. Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.		
G4-53	a. Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	6.2	>Corporate Governance >Information Disclosure and Communication >Communication with Employees
G4-54	a. Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.		
G4-55	a. Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.		
Ethics and Integrity			
G4-56*	a. Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	4.4	>Corporate Policies
G4-57	a. Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.		>Intellectual Property Management
G4-58	a. Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.		>Intellectual Property Management

* Core Indicator

Specific Standard 5ĺăÖf2ădzWŜă

G4 Disclosure		ISO26000 Disclosure	Location
Economic			
Aspect: Economic Performance			
G4-EC1	Direct economic value generated and distributed	6.8.1 6.8.2 6.8.3 6.8.7 6.8.9	>Returns to Shareholders >Promotion of Social Contribution Activities >Corporate Profile >Financial Results (PDF500KB)
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	6.5.5	>Environmental Risk Management
G4-EC3	Coverage of the organization's defined benefit plan obligations	6.8.7	>IR Library
G4-EC4	Financial assistance received from government		
Aspect: Market Presence			
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	6.3.7 6.3.10 6.4.3 6.4.4 6.8.1 6.8.2	
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	6.4.3 6.8.1 6.8.2 6.8.5 6.8.7	>Fair Employment and Treatment >Employee Data

Aspect: Indirect Economic Impacts			
G4-EC7	Development and impact of infrastructure investments and services supported	6.3.9 6.8.1 6.8.2 6.8.7 6.8.9	>Examples of Overseas Community Development and Regional Contribution Activities >Sustainable Procurement of Timber >Together with Local Communities >Saving of Energy and Reduction of Greenhouse Gas Emissions During Residence Period >Contributing to the Reduction of Greenhouse Gases through Our Business >Forest Management in Japan >Forest Management Overseas >Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas >Conservation of Biodiversity through Business and Services
G4-EC8	Significant indirect economic impacts, including the extent of impacts	6.3.9 6.6.6 6.6.7 6.7.8 6.8.1 6.8.2 6.8.5 6.8.6 6.8.7 6.8.9	>Risk Management >Environmental Risk Management
Aspect: Procurement Practices			
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	6.4.3 6.6.6 6.8.1 6.8.2 6.8.7	
Environmental			
Aspect: Materials			
G4-EN1	Materials used by weight or volume	6.5.1 6.5.2 6.5.4	>Environmental Impact of Business Activities
G4-EN2	Percentage of materials used that are recycled input materials	6.5.1 6.5.2 6.5.4	
Aspect: Energy			
G4-EN3	Energy consumption within the organization	6.5.1 6.5.2 6.5.4	>Environmental Impact of Business Activities >Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
G4-EN4	Energy consumption outside of the organization	6.5.1 6.5.2 6.5.4	
G4-EN5	Energy intensity	6.5.1 6.5.2 6.5.4	>Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
G4-EN6	Reduction of energy consumption	6.5.1 6.5.2 6.5.4 6.5.5	>Saving of Energy and Reduction of Greenhouse Gas Emissions During Residence Period >Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
G4-EN7	Reductions in energy requirements of products and services	6.5.1 6.5.2 6.5.4 6.5.5	>Contributing to the Reduction of Greenhouse Gases through Our Business
Aspect: Water			
G4-EN8	Total water withdrawal by source	6.5.1 6.5.2 6.5.4	>Environmental Impact of Business Activities >Efficient Use of Water Resources
G4-EN9	Water sources significantly affected by withdrawal of water	6.5.1 6.5.2 6.5.4	>Environmental Data for Group Companies
G4-EN10	Percentage and total volume of water recycled and reused	6.5.1 6.5.2 6.5.4	>Efficient Use of Water Resources
Aspect: Biodiversity			
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	6.5.1 6.5.2 6.5.6	>Policies and Targets for Biodiversity Conservation >Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas >Conservation of Biodiversity through Business and Services

G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	6.5.1 6.5.2 6.5.6	>Examples of Social Contribution Activities in Japan >Environmental Risk Management >Policies and Targets for Biodiversity Conservation >Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas >Conservation of Biodiversity through Business and Services
G4-EN13	Habitats protected or restored	6.5.1 6.5.2 6.5.6	>Examples of Social Contribution Activities in Japan >Policies and Targets for Biodiversity Conservation >Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas >Conservation of Biodiversity through Business and Services
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	6.5.1 6.5.2 6.5.6	>Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas
Aspect: Emissions			
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	6.5.1 6.5.2 6.5.5	>Environmental Impact of Business Activities >Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	6.5.1 6.5.2 6.5.5	>Environmental Impact of Business Activities >Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	6.5.1 6.5.2 6.5.5	>Environmental Impact of Business Activities >Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
G4-EN18	Greenhouse gas (GHG) emissions intensity	6.5.1 6.5.2 6.5.5	>Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities
G4-EN19	Reduction of greenhouse gas (GHG) emissions	6.5.1 6.5.2 6.5.5	>Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities >Saving of Energy and Reduction of Greenhouse Gas Emissions During Residence Period >Contributing to the Reduction of Greenhouse Gases through Our Business >Sustainable Forest Management >Forest Management in Japan >Forest Management Overseas
G4-EN20	Emissions of ozone-depleting substances (ODS)	6.5.1 6.5.2 6.5.3 6.5.5	
G4-EN21	NOX, SOX, and other significant air emissions	6.5.1 6.5.2 6.5.3	>Management of Hazardous Chemical Substances
Aspect: Effluents and Waste			
G4-EN22	Total water discharge by quality and destination	6.5.1 6.5.2 6.5.3	>Management of Hazardous Chemical Substances >Environmental Impact of Business Activities
G4-EN23	Total weight of waste by type and disposal method	6.5 6.5.3	>Environmental Impact of Business Activities >Reduction, Recycling and Appropriate Disposal of Waste
G4-EN24	Total number and volume of significant spills	6.5.1 6.5.2 6.5.3	
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention2 Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	6.5.1 6.5.2 6.5.3	
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	6.5.1 6.5.2 6.5.3 6.5.4 6.5.6	

Aspect: Products and Services			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	6.5.1 6.5.2 6.5.3 6.5.4 6.5.5 6.7.5	>Environmental Impact of Business Activities >Saving of Energy and Reduction of Greenhouse Gas Emissions During Residence Period >Contributing to the Reduction of Greenhouse Gases through Our Business >Forest Management in Japan >Forest Management Overseas >Biodiversity Conservation in Company-Owned Forests in Japan and Plantation Forests Overseas >Conservation of Biodiversity through Business and Services
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category a. Report the percentage of reclaimed products and their packaging materials for each product category. b. Report how the data for this Indicator has been collected.	6.5.1 6.5.2 6.5.3 6.5.4 6.7.5	
Aspect: Compliance			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	6.5.1 6.5.2 4.6	
Aspect: Transport			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	6.5.1 6.5.2 6.5.4 6.6.6	>Environmental Impact of Business Activities >Saving of Energy and Reduction of Greenhouse Gas Emissions from Business Activities >Saving of Energy and Reduction of Greenhouse Gas Emissions During Residence Period >Contributing to the Reduction of Greenhouse Gases through Our Business
Aspect: Overall			
G4-EN31	Total environmental protection expenditures and investments by type	6.5.1 6.5.2	>Environmental Accounting
Aspect: Supplier Environmental Assessment			
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	6.3.5 6.5.1 6.5.2 6.6.6 7.3.1	
G4-EN33	Significant actual and potential 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	
Aspect: Environmental Grievance Mechanisms			
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	6.3.6 6.5.1 6.5.2	
Social			
Labor practices and decent work			
Aspect: Employment			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	6.4.1 6.4.2 6.4.3	>Employee Data
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	6.4.1 6.4.2 6.4.4 6.8.7	
G4-LA3	Return to work and retention rates after parental leave, by gender	6.4.1 6.4.2 6.4.4	>Employee Data
Aspect: Labor/Management Relations			
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	6.4.1 6.4.2 6.4.3 6.4.5	
Aspect: Occupational Health and Safety			
G4-LA5	Percentage of total workforce represented in formal joint management – worker health and safety committees that help monitor and advise on occupational health and safety programs	6.4.1 6.4.2 6.4.6	

G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	6.4.1 6.4.2 6.4.6 6.8.8	>Employee Data
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	6.4.1 6.4.2 6.4.6 6.8 6.8.3 6.8.4 6.8.8	>Occupational Health and Safety
G4-LA8	Health and safety topics covered in formal agreements with trade unions	6.4.1 6.4.2 6.4.6	>Communication with Employees
Aspect: Training and Education			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	6.4.1 6.4.2 6.4.7	>Employee Data
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	6.4.1 6.4.2 6.4.7 6.8.5	>Human Resources Development
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	6.4.1 6.4.2 6.4.7	>Human Resources Development
Aspect: Diversity and Equal Opportunity			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	6.2.3 6.3.7 6.3.10 6.4.1 6.4.2 6.4.3	>Employee Data
Aspect: Equal Remuneration for Women and Men			
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	6.3.7 6.3.10 6.4.1 6.4.2 6.4.3 6.4.4	
Aspect: Supplier Assessment for Labor Practices			
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria a. Report the percentage of new suppliers that were screened using labor practices criteria.	6.3.5 6.4.1 6.4.2 6.4.3 6.6.6 7.3.1	
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	6.3.5 6.4.1 6.4.2 6.4.3 6.6.6 7.3.1	
Aspect: Labor Practices Grievance Mechanisms			
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	6.3.6 6.4.1 6.4.2	
Human Rights			
Aspect: Investment			
G4-HR1	Total number and percentage of 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	
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	4.8 6.3.1 6.3.2 6.3.5	>Respect for Human Rights
Aspect: Non-discrimination			
G4-HR3	Total number of 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	
Aspect: Freedom of Association and Collective Bargaining			

G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	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	
Aspect: Child Labor			
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition 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	＞Policy and System for Sustainable Procurement of Timber ＞Sustainable Procurement of Timber ＞Communication with Our Business Partners
Aspect: Forced or Compulsory Labor			
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms 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	＞Policy and System for Sustainable Procurement of Timber ＞Sustainable Procurement of Timber ＞Communication with Our Business Partners
Aspect: Security Practices			
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	4.8 6.3.1 6.3.2 6.3.4 6.3.5 6.6.6	
Aspect: Indigenous Rights			
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	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	
Aspect: Assessment			
G4-HR9	Total number and percentage of 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	
Aspect: Supplier Human Rights Assessment			
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.6.6	＞Communication with Our Business Partners
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	4.8 6.3.1 6.3.2 6.3.3 6.3.4 6.3.5 6.6.6	
Aspect: Human Rights Grievance Mechanisms			
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	4.8 6.3.1 6.3.2 6.3.6	
Society			
Aspect: Local Communities			

G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	6.3.9 6.5.1 6.5.2 6.5.3 6.8	＞Examples of Social Contribution Activities in Japan ＞Examples of Overseas Community Development and Regional Contribution Activities ＞Forest Management in Japan ＞Forest Management Overseas
G4-SO2	Operations with significant actual or potential negative impacts on local communities	6.3.9 6.5.3 6.8	
Aspect: Anti-corruption			
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	6.6.1 6.6.2 6.6.3	＞Risk Management
G4-SO4	Communication and training on anti-corruption policies and procedures	6.6.1 6.6.2 6.6.3 6.6.6	＞Risk Management
G4-SO5	Confirmed incidents of corruption and actions taken	6.6.1 6.6.2 6.6.3	＞Business Continuity Management
Aspect: Public Policy			
G4-SO6	Total value of political contributions by country and recipient/beneficiary	6.6.1 6.6.2 6.6.4	
Aspect: Anti-competitive Behavior			
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	6.6.1 6.6.2 6.6.5 6.6.7	
Aspect: Compliance			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	4.6 6.6.1 6.6.2	
Aspect: Supplier Assessment for Impacts on Society			
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	6.3.5 6.6.1 6.6.2 6.6.6 6.8.1 6.8.2 7.3.1	
G4-SO10	Significant actual and potential negative impacts on society 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	
Aspect: Grievance Mechanisms for Impacts on Society			
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	6.3.6 6.6.1 6.6.2 6.8.1 6.8.2	
Product Responsibility			
Aspect: Customer Health and Safety			
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	6.7.1 6.7.2 6.7.4 6.7.5 6.8.8	＞Housing Safety and Quality Control ＞Product Safety and Quality Control of Building Materials
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	4.6 6.7.1 6.7.2 6.7.4 6.7.5 6.8.8	
Aspect: Product and Service Labeling			
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	6.7.1 6.7.2 6.7.3 6.7.4 6.7.5 6.7.9	＞Housing Safety and Quality Control ＞Product Safety and Quality Control of Building Materials

G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	4.6 6.7.1 6.7.2 6.7.3 6.7.4 6.7.5 6.7.9	
G4-PR5	Results of surveys measuring customer satisfaction	6.7.1 6.7.2 6.7.6	>Housing Safety and Quality Control >Communication with Our Customers
Aspect: Marketing Communications			
G4-PR6	Sale of banned or disputed products		
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	4.6 6.7.1 6.7.2 6.7.3	
Aspect: Customer Privacy			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	6.7.1 6.7.2 6.7.7	
Aspect: Compliance			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	4.6 6.7.1 6.7.2 6.7.6	

External Recognition

Inclusion in Socially Responsible Investment (SRI) Indices (as of April 2015)

Sumitomo Forestry has been continuously included in the Dow Jones Sustainability Indices since 2005.

Sumitomo Forestry has been included in the FTSE4Good Global Index every year since 2004.

Sumitomo Forestry has been consecutively included in the Morningstar Socially Responsible Investment Index (MS-SRI) since 2008.

Awards and Recognition by Third Parties in Fiscal 2014

Date	Awards	Recognition	Scope of Recognition
April 2014	The 31st Japan Urban Greenery Shizuoka Festival Hamanako Flower Expo 2014 Shizuoka Prefecture, Hamamatsu City, Organization for Landscape and Urban Green Infrastructure	In the Exhibited Gardens Contest, the “Wellspring of the Future” garden based on a theme of “a garden full of creativity connecting to the next generation” received the Minister of Land, Infrastructure, Transport and Tourism Award (grand prize).	Sumitomo Forestry Landscaping Co., Ltd.
July 2014	8th Kids Design Award Kids Design Association	“Wall corners with collision safety specifications” received a Kids Design Award in the general category of child safety and security design.	Sumitomo Forestry
October 2014	FY2014 Good Design Awards Japan Institute of Design Promotion	*Forest Haven HYOTANYAMA*, Remodeled Apartment Complex, where residents can rest and build bonds with each other in a lush green courtyard, received an award at the Good Design Award 2014. (News Release: http://sfc.jp/english/pdf/20141003.pdf)	Sumitomo Forestry

Date	Awards	Recognition	Scope of Recognition
October 2014	FY2014 Good Design Awards Japan Institute of Design Promotion	*Renovation of Historic Homes, Living in a Post Office*, in which a building that had been used as a post office from around the 1930s was restored as a place to live, received an award at the Good Design Award 2014. GOOD DESIGN AWARD 2014 (News Release: http://sfc.jp/english/pdf/20141003.pdf)	Sumitomo Forestry Home Tech Co., Ltd.
October 2014	FY2014 Good Design Awards Japan Institute of Design Promotion	Ultra-low Floor Solid S Construction Method, which enables the renovation of solid flooring in condominiums in which floors have been constructed using the direct application construction method, received an award at the Good Design Award 2014. GOOD DESIGN AWARD 2014 (News Release: http://sfc.jp/english/pdf/20141003.pdf)	Sumitomo Forestry Home Tech Co., Ltd.
October 2014	Selected for listing on the CDP Climate Change 2013 CDLI as a leading company in climate disclosure CDP	Included in the Climate Disclosure Leadership Index (CDLI) for the second successive year with the highest score as a leading company in the disclosure of climate change, and became the first Japanese company to score the maximum possible 100 points. CDP CLIMATE DISCLOSURE LEADER 2014 (News Release: http://sfc.jp/english/pdf/20141015.pdf)	Sumitomo Forestry

Date	Awards	Recognition	Scope of Recognition
October 2014	International Garden and Flower Show 2014 5th Gardening World Cup Gardening World Cup Council	Received Best Design Award, Silver Award in the show gardens category at one of the world's largest flower and garden festivals.	Sumitomo Forestry Landscaping Co., Ltd.
December 2014	52nd WorldSkills Competition	Japan Vocational Ability Development Association (JAVADA) Three employees won fighting spirit awards in the carpentry category at the national competition where young craftsmen test their skills to become No. 1 in Japan. 14th consecutive year to receive an award. (News Release: http://sfc.jp/english/pdf/20141208.pdf)	Sumitomo Forestry Home Engineering Co., Ltd
December 2014	Housing Industry Association (HIA), Australia	Received Professional Major Builder award in Victoria and Queensland, Australia.  (News Release: http://sfc.jp/english/pdf/20141222.pdf)	Henley Properties Group

Date	Awards	Recognition	Scope of Recognition
January 2015	The Sustainability Yearbook 2015 RobecoSAM AG	For the third consecutive year, Sumitomo Forestry earned a Gold Class rating as a company which excels in sustainability and was selected as an industry leader. Also selected as the Industry Mover (company with the biggest score improvement compared to the previous year).  (News Release: http://sfc.jp/english/pdf/20150129.pdf)	Sumitomo Forestry
February 2015	FY2014 Gifu City Scenery Prize Gifu City, Gifu Prefecture	Hanahisa received award in the buildings and structures category, for a renovation project in which a 120-year-old family home was regenerated into a shop-cum-home.	Sumitomo Forestry Home Tech Co., Ltd.
March 2015	28th Skills Grand Prix	Ministry of Health, Labour and Welfare, and the Japan Vocational Ability Development Association (JAVADA) Awarded silver in the carpentry category at the Skills Grand Prix, where skilled technicians compete to be the best in Japan. (News Release: http://sfc.jp/english/pdf/20150318.pdf)	Sumitomo Forestry Home Engineering Co., Ltd

Independent Assurance Report

To the President and Representative Director of Sumitomo Forestry Co., Ltd

We were engaged by Sumitomo Forestry Co., Ltd. (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators marked with for the period from April 1, 2014 to March 31, 2015 (the "Indicators") included in its CSR Report 2015 (the "Report") for the fiscal year ended March 31, 2015.

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, which are derived, among others, from the Sustainability Reporting Guidelines version 3.1 of the Global Reporting Initiative and Environmental Reporting Guidelines of Japan's Ministry of the Environment.

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 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information', 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements', issued by the International Auditing and Assurance Standards Board, and the 'Practical Guidelines for the Assurance of Sustainability Information' of the Japanese Association of Assurance Organizations for Sustainability Information. 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 with the Company's responsible personnel to obtain an understanding of its policy for the preparation of 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 reviews of 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 also recalculating the Indicators.
- Visiting to the No.2 Kyushu Plant of Sumitomo Forestry Crest Co., Ltd. selected on the basis of a risk analysis.
- Evaluating the overall statement in which the Indicators are expressed.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
October 30, 2015

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