

	Company thinking
<input type="checkbox"/> <b>Background and purpose for accounting</b>	<ul style="list-style-type: none"> <li>The Sumitomo Forestry Group is involved in the management of a wide range of businesses with wood as the "axis," and these include management of forests, distribution of timber and building materials, and construction of wooden houses. We think about the environment not only on the basis our own company, but in a way that considers the environmental effects from our supply chain, including vendors and clients. With respect to CO<sub>2</sub> emissions, we have approached this subject from the point of view of life cycles and have developed LCCM houses. Scope 3 accounting will help to further understand emissions in the supply chain and can lead to more reduction activities, and is aimed at helping to alleviate global climate change.</li> <li>In addition to identifying the reduction potential through Scope 3 accounting in business fields important to our company and our stakeholders, we also hope to use these calculations to help form the Group's mid- to long-term emissions reduction goals.</li> </ul>
<input type="checkbox"/> <b>Utilization of accounting results</b>	<ul style="list-style-type: none"> <li>Clarify the amount of possible emissions reductions in our entire supply chain (especially identifying which categories have the greatest potential) and the important points of emphasis to help reduce emissions.</li> <li>Disclose information through our web site and CSR reports, and by responding to questionnaires, such as CDP.</li> </ul>
<input type="checkbox"/> <b>Advantages of accounting</b>	<ul style="list-style-type: none"> <li>By clarifying the important points of emphasis as described above, we shall be able to make effective contributions (reduce emissions) from the point of view of emissions in relation to global climate change.</li> </ul>
<input type="checkbox"/> <b>Internal accounting organization</b>	<ul style="list-style-type: none"> <li>The data collected from the various departments and group companies shall be incorporated into the calculations at the head office (Environmental Management Department).</li> </ul>

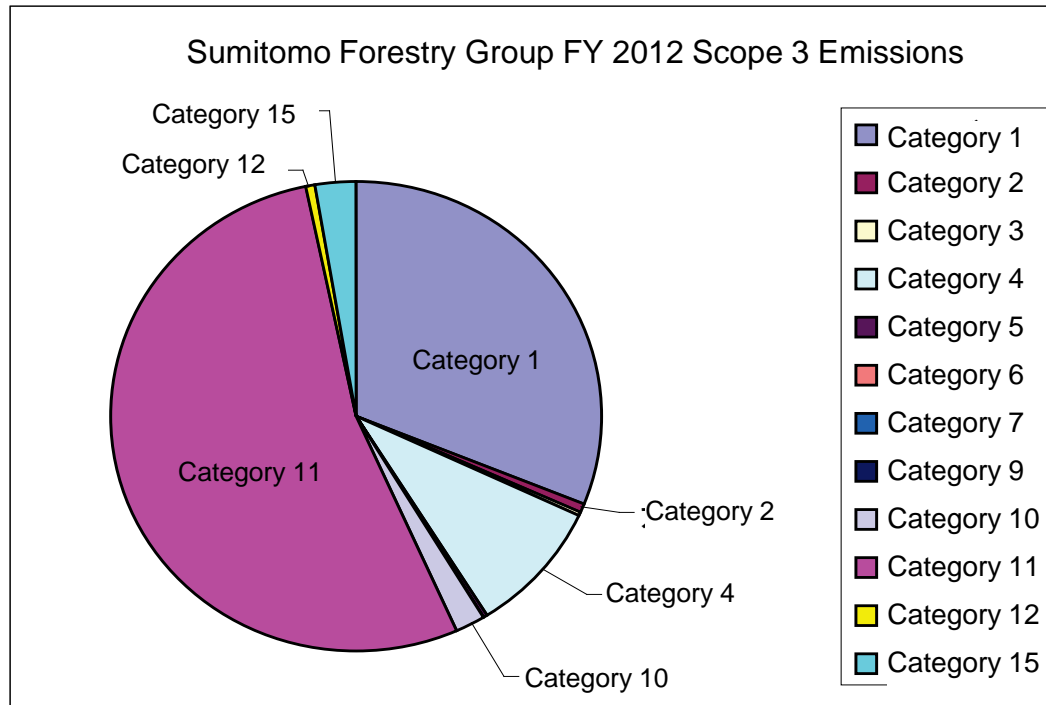
	<b>Company thinking</b>
<p><input type="checkbox"/> <b>To reduce supply chain emissions</b></p>	<ul style="list-style-type: none"> <li>• We plan to consider setting the Medium-Term Environmental Management Plan within the Group.</li> <li>• We are developing a Life Cycle Carbon Minus (LCCM) house that puts the CO<sub>2</sub> balance in the negative for the life cycle of the house.</li> </ul>
<p><input type="checkbox"/> <b>Tasks to account for supply chain emissions</b></p>	<ul style="list-style-type: none"> <li>• Because the business of the Group encompasses many different upstream and downstream phases in the life cycle, it is difficult to separate what comes under Scope 1 and 2, and what should be calculated under Scope 3.</li> <li>• Because the Timber and Building Materials Division handles many products and is involved in many types of commercial distribution, it is especially difficult to comprehend downstream transport and processing of sold products.</li> <li>• In order to establish emissions reduction goals in the future, it is necessary to review accounting methods and make things more precise because both activity amounts and emission factors are rough depending on the category.</li> <li>• Because accounting criteria is not established in our industry, each company must grope its way forward. We want official guidelines that target the construction industry.</li> </ul>
<p><input type="checkbox"/> <b>For those starting to account for supply chain emissions</b></p>	<ul style="list-style-type: none"> <li>• Emphasis should not be placed on accounting alone. It is important to consider the advantages and goals for your company, and determine the important categories accordingly. To that end, it is necessary to cooperate with other internal departments and make a company-wide effort.</li> </ul>

Category	Accounting methods	
	Activity data	Emission factor
Category 1: Purchased goods and services	<ul style="list-style-type: none"> <li>• [Timber and Building Materials Division] <ul style="list-style-type: none"> <li>- Procurement amount of sold products or sales</li> </ul> </li> <li>• [Housing Construction] <ul style="list-style-type: none"> <li>- Of the completed wooden detached houses, those houses that were consigned to construction companies outside the Group.</li> <li>- Energy used for on-site construction per wooden detached house.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• [Timber and Building Materials Division] <ul style="list-style-type: none"> <li>Emission factor per accumulated material amount (CFP basic DB), 3EID base emission factor per amount (Ministry of the Environment DB)</li> </ul> </li> <li>• [Housing Construction] <ul style="list-style-type: none"> <li>Emission factor per energy amount (Global Warming Countermeasures Act, Ministry of the Environment DB)</li> </ul> </li> </ul>
Category 2: Capital goods	<ul style="list-style-type: none"> <li>• Procurement amount of capital goods</li> </ul>	<ul style="list-style-type: none"> <li>• 3EID base emission factor per amount (Ministry of the Environment DB)</li> </ul>
Category 3: Fuel and energy related activities not included in Scope 1 or 2	<ul style="list-style-type: none"> <li>• Fuel, electricity and steam energy usage</li> </ul>	<ul style="list-style-type: none"> <li>• Emission factor per energy amount (CFP basic DB, Ministry of the Environment DB)</li> </ul>
Category 4: Transportation and delivery (upstream)	<ul style="list-style-type: none"> <li>• [Domestic transport] Fuel usage by the sender used for transport <ul style="list-style-type: none"> <li>* Transport of waste is included in Category 5.</li> </ul> </li> <li>• [Marine transport] <ul style="list-style-type: none"> <li>- Procured amount of imported products</li> <li>- Marine transport distance from the procured country</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• [Domestic transport] <ul style="list-style-type: none"> <li>Emission factor per fuel (Global Warming Countermeasures Act)</li> </ul> </li> <li>• [Marine transport] <ul style="list-style-type: none"> <li>Emission factor per amount of goods (CFP basic DB)</li> </ul> </li> </ul>
Category 5: Waste generated in operations	<ul style="list-style-type: none"> <li>• Emissions by waste type</li> </ul>	<ul style="list-style-type: none"> <li>• Emission factor by waste type (Ministry of the Environment DB)</li> </ul>
Category 6: Business travel	<ul style="list-style-type: none"> <li>• Transportation expenses paid</li> </ul>	<ul style="list-style-type: none"> <li>• Emission factor per transportation expenses paid (Ministry of the Environment DB)</li> </ul>

Category	Accounting methods	
	Activity data	Emission factor
Category 7: Employee commuting	<ul style="list-style-type: none"> <li>Transportation expenses paid</li> </ul>	<ul style="list-style-type: none"> <li>Emission factor per transportation expenses paid (Ministry of the Environment DB)</li> </ul>
Category 9: Transportation and delivery (downstream)	<ul style="list-style-type: none"> <li>[Timber and Building Materials Division]</li> <li>- Of the sales volume of plywood and fiberboard, the quantity removed by the buyer (the portion shipped by our company is excluded).</li> </ul>	<ul style="list-style-type: none"> <li>Emission factor per fuel (Global Warming Countermeasures Act)</li> </ul>
Category 10: Processing of sold products	<ul style="list-style-type: none"> <li>Quantity of logs and lumber sold to timber processing companies.</li> </ul>	<ul style="list-style-type: none"> <li>Emission factor per quantity (From past LCA data from the client timber processing company or our company group factory)</li> </ul>
Category 11: Use of sold products	<ul style="list-style-type: none"> <li>Annual energy usage per one house</li> <li>Number of completed wooden houses</li> <li>* The years of residence is set to 60.</li> </ul>	<ul style="list-style-type: none"> <li>Emission factor per energy IDEA, Global Warming Countermeasures Act)</li> </ul>
Category 12: End-of-life treatment of sold products	<ul style="list-style-type: none"> <li>Waste from one house when torn down</li> <li>Fuel used to tear down one house</li> <li>Number of wooden houses completed</li> </ul>	<ul style="list-style-type: none"> <li>[Teardown]</li> <li>Emission factor per fuel (Global Warming Countermeasures Act)</li> <li>[Disposal (including transport)]</li> <li>Emission factor by waste type (Ministry of the Environment DB)</li> </ul>
Category 15: Investments	<ul style="list-style-type: none"> <li><math>\Sigma</math> (Scope 1 and 2 emissions at companies invested in x Percentage of shares held by our company)</li> </ul>	

\* Except for some exceptions, the primary data are the actual results for FY2012.

□ Accounting results



- When examined by division, the Timber and Building Materials Division accounts for the majority of the upstream section (most of Category 1 and 4) and the Housing Business Division accounts for most of the downstream section (all of Category 11).
- \* Because raw material procurement and the processing and production phases (Category 1) in the Housing Business Division overlap with the Sumitomo Forestry Group Scope 1 and 2, it is difficult to separate them, so we have postponed including them in the calculations. (Even if the overlapping sections were calculated without excluding anything, it is predicted that it would be small in scale when compared with Category 1 of the Timber and Building Materials Division.)