

Governance

For detailed information about corporate governance, please refer to the Corporate Governance Report published on our website.

Sumitomo Forest Group's website  <http://sfc.jp/english/>

Board of Directors and Statutory Auditors

(as of June 24, 2016)

Directors



Toshiro Mitsuyoshi Director

Apr. 1985
Joined the Company
Jun. 2010
Executive Officer
Apr. 2011
Managing Executive Officer
(current position)
Divisional Manager of Overseas Business
Division
Apr. 2014
Deputy Divisional Manager of Housing
Division
Jun. 2014
Director (current position)
Apr. 2015
President and Representative Director of
Sumitomo Forestry Home Tech Co., Ltd.
(current position)

Tatsuru Satoh Director

Apr. 1978
Joined the Company
Apr. 2011
General Manager of Personnel Department
Apr. 2012
General Manager of General Administration
Department
Jun. 2012
Executive Officer
Apr. 2013
Managing Executive Officer
Jun. 2013
Director (current position)
Apr. 2016
Senior Managing Executive Officer
(current position)

Junko Hirakawa Director**

Apr. 1973
Licensed as an attorney-at-law admitted in
Japan
Feb. 1979
Licensed as an attorney-at-law admitted in
the State of New York, U.S.A.
Oct. 1983
Partner of Yuasa and Hara
Jul. 1997
Founding Partner of Hirakawa, Sato &
Kobayashi (currently City-Yuwa Partners)
Feb. 2003
Partner of City-Yuwa Partners (current
position)
Jun. 2011
Outside Director of Tokyo Financial
Exchange Inc. (current position)
Jun. 2012
Outside Statutory Auditor of the Company
Jun. 2014
Outside Director of the Company
(current position)
Jun. 2015
Outside Director of Hitachi Construction
Machinery Co., Ltd.
(current position)

Shigeru Sasabe Director*

Apr. 1977
Joined the Company
Jun. 2008
Executive Officer
Apr. 2010
Managing Executive Officer
Jun. 2010
Director (current position)
Apr. 2012
Divisional Manager of Lifestyle Service
Division
Apr. 2014
Senior Managing Executive Officer
Divisional Manager of Overseas Business
Division (current position)
Apr. 2016
Representative Director (current position)
Executive Vice President and Executive
Officer (current position)

Ryu Yano Chairman of the Board*

Apr. 1963
Joined the Company
Dec. 1988
Director
Jun. 1992
Managing Director
Jun. 1995
Representative Director (current position)
Senior Managing Director
Apr. 1999
President/Director
Jun. 2002
President and Executive Officer
Apr. 2010
Chairman of the Board (current position)

Statutory Auditors

Hidekazu Tanaka Statutory Auditor

Noriaki Toi Statutory Auditor

Satoshi Teramoto Statutory Auditor*

Katsuhide Kurasaka Statutory Auditor*

Yoshitsugu Minagawa Statutory Auditor*

Executive Officers

Akira Ichikawa President and Executive Officer*

Hitoshi Hayano
Executive Vice President and Executive Officer*
Divisional Manager of Environment and Resources
Division (also oversees Lifestyle Service Division)

Shigeru Sasabe Executive Vice President and Executive Officer*

Divisional Manager of Overseas Business Division

Ken Wada Senior Managing Executive Officer*

In charge of Tohoku Reconstruction Support,
Divisional Manager of Housing Division

Tatsuru Satoh Senior Managing Executive Officer*

In charge of Corporate Planning, General
Administration, Personnel, Finance, Information
Systems, Corporate Communications, CSR,
Intellectual Property, Internal Audit, and Tsukuba
Research Institute

Akihisa Fukuda Managing Executive Officer*

Divisional Manager of Timber and Building
Materials Division

Toshiro Mitsuyoshi Managing Executive Officer*

President and Representative Director of Sumitomo
Forestry Home Tech Co., Ltd.

Kunihiko Takagiri Managing Executive Officer

President and Representative Director of Sumitomo
Forestry Residential Co., Ltd.

Yoshihiro Yoshioka Executive Officer

President and Representative Director of Sumitomo
Forestry Crest Co., Ltd.

* Outside Statutory Auditors

* Doubles as Director and Executive Officer



Akira Ichikawa
President / Director*

Apr. 1978
Joined the Company
Jun. 2007
Executive Officer
Jun. 2008
Director
Managing Executive Officer
Apr. 2010
Representative Director (current position)
President/Director (current position)
President and Executive Officer
(current position)

Hitoshi Hayano
Director*

Apr. 1977
Joined the Company
Jun. 2005
Executive Officer
Apr. 2006
Managing Executive Officer
Jun. 2006
Director
Apr. 2010
Divisional Manager of Housing Division
Apr. 2011
Representative Director (current position)
Senior Managing Executive Officer
Apr. 2014
Executive Vice President and Executive
Officer (current position)
Divisional Manager of Lifestyle Service
Division and Forestry & Environment Division
Apr. 2016
Divisional Manager of Environment and
Resources Division (current position)

Izumi Yamashita
Director**

Jul. 1971
Joined Bank of Japan
Apr. 1998
Director-General of Financial Markets
Department, Bank of Japan
Mar. 2002
General Manager of Financial Marketing
Division, Accenture Japan Ltd
Apr. 2003
Executive Director of Japan Post
Apr. 2005
Deputy Governor of Japan Post
Oct. 2007
President, CEO, Representative Executive
Officer of Japan Post Insurance Co., Ltd.
Jun. 2012
Chairman, Representative Executive Officer
of Japan Post Insurance Co., Ltd.
Jun. 2014
Outside Statutory Auditor of Yokogawa
Electric Corporation (current position)
Jun. 2015
Outside Director (current position) of
AEON Bank, Ltd.
Jun. 2016
Outside Director of the Company
(current position)

Ken Wada
Director

Jul. 1983
Joined the Company
Apr. 2008
Deputy Divisional Manager of
Housing Division
Jun. 2008
Executive Officer
Apr. 2010
Managing Executive Officer
Jun. 2011
Director (current position)
Apr. 2014
Senior Managing Executive Officer
(current position)
Divisional Manager of Housing Division
(current position)

Akihisa Fukuda
Director

Apr. 1981
Joined the Company
Apr. 2009
General Manager of Corporate Planning
Department
Jun. 2010
Executive Officer
Apr. 2011
Managing Executive Officer
(current position)
Jun. 2014
Director (current position)
Oct. 2015
Divisional Manager of Timber and Building
Materials Division (current position)

Ryoji Machino
Executive Officer

Director and Senior Managing Executive Officer of
Sumitomo Forestry Crest Co., Ltd.

Akio Numazaki
Executive Officer

Director and Senior Managing Executive Officer of
Sumitomo Forestry Home Tech Co., Ltd.

Soichiro Kitamura
Executive Officer

Deputy Divisional Manager of Overseas Business
Division, and General Manager of Overseas
Manufacturing Department

Takahisa Higaki
Executive Officer

Divisional Manager of Lifestyle Service Division

Masayuki Tabuse
Executive Officer

Deputy Divisional Manager of Timber and Building
Materials Division

Kanpei Tokunaga
Executive Officer

President and Representative Director of Sumitomo
Forestry Landscaping Co., Ltd.

Junko Saishu
Executive Officer

Deputy Divisional Manager of Housing Division (in
charge of Technology Management, and overseeing
Renovation, MOCCA(Timber Solutions), and
Building Compliance)

Atsushi Kawamura
Executive Officer

Deputy Divisional Manager of Overseas Business
Division, General Manager of Overseas Housing and
Real Estate Department, and President/Director of
SFC Homes LLC

Akira Sekimoto
Executive Officer

Deputy Divisional Manager of Environment and
Resources Division, and General Manager of
Overseas Resources Department

Nobuyuki Katayama
Executive Officer

Director and Senior Managing Executive Officer of
Sumitomo Forestry Home Tech Co., Ltd.

Tatsumi Kawata
Executive Officer

General Manager of Corporate Planning
Department

Corporate Governance

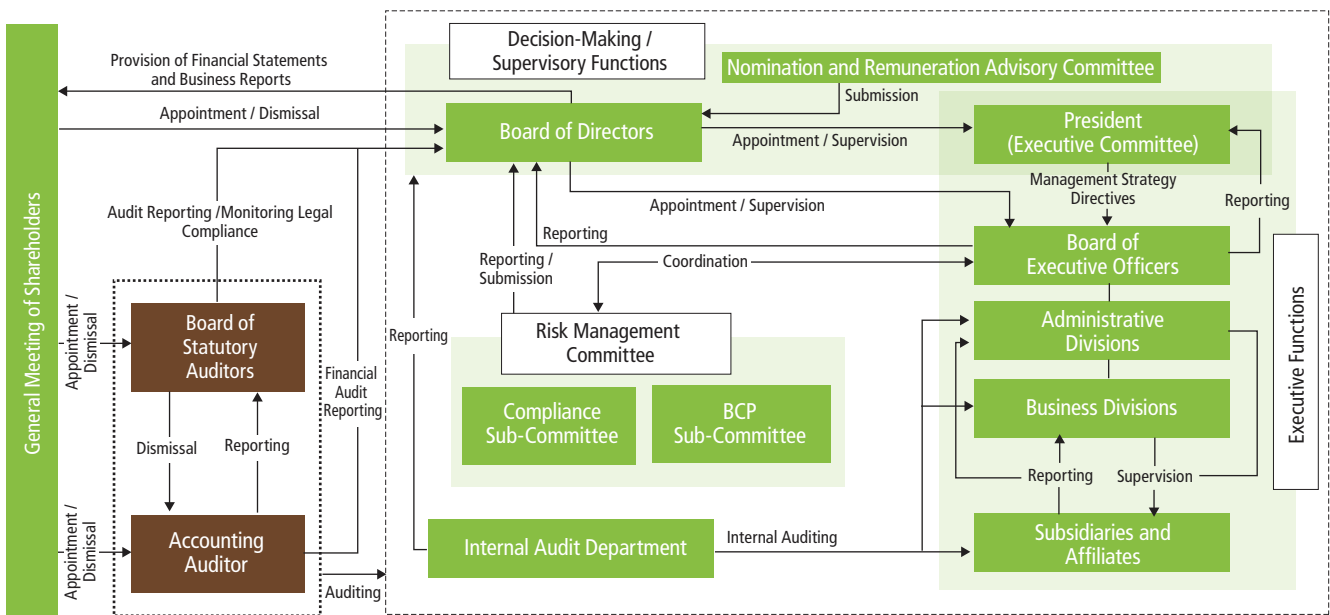
Fundamental Policy

The Sumitomo Forestry Group's corporate philosophy states, "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." Under our Action Guidelines, one of which is to "conduct business that is beneficial to society based on the principles of integrity and sound management," we strive to ensure transparency in management, appropriate and lawful business operations, and swift decision-making and business execution. Through these efforts, we are further enhancing corporate governance in order to continuously expand corporate value and live up to the diverse expectations of our stakeholders.

Corporate Governance System

The Company has adopted the structure of a company with a board of statutory auditors and has a Board of Directors comprising 10 directors (9 male and 1 female), including 2 Outside Director (1 male and 1 female), and a Board of Statutory Auditors comprising 5 statutory auditors (5 male), including 3 Outside Statutory Auditor. Under this organizational structure, we have introduced an executive officer system to separate decision-making and supervisory functions from executive functions.

Corporate Governance System



Board of Directors and Executive Committee

The Board of Directors usually meets once a month, making decisions on important issues, checking on performance and other matters, and carrying out its supervisory functions. The Executive Committee meeting is held twice a month, in advance of 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 2015, the Board of Directors met 16 times and the Executive Committee 23 times.

Statutory Audit System

Each statutory auditor provides oversight for the directors' execution of duties utilizing the deep insights and diverse perspectives they have acquired from their various backgrounds. As assistants to the statutory auditors, nine auditing inspections, who double as senior managers of major departments, are assigned particularly to enhance the function of audits from a practical perspective. Under this system, the statutory auditors attend important meetings such as Board of Directors meetings and Executive Committee meetings, and are able to

obtain accurate information regarding the management decision-making process at any time. To ensure rigorous audits, the statutory auditors receive regular reports from the accounting auditor as well as the divisions responsible for internal audits, risk management and compliance, accounting, and labor, thereby supervising and verifying that internal controls are functioning effectively. The statutory auditors are also provided with opportunities to express their opinions regarding the directors' execution of duties whenever needed. In addition, the Group Board of Statutory Auditors, composed of the Company's full-time statutory auditors and the statutory auditors of major subsidiaries, convenes regularly in an effort to strengthen the monitoring functions regarding the status of execution of Group management. Furthermore, in line with the monthly Board of Statutory Auditors meeting, opportunities are provided for the assigned executive officers to explain matters discussed by the Executive Committee meeting so that all statutory auditors and Outside Director can understand important matters in detail. The statutory auditors and representative directors also exchange opinions regularly. This system ensures that the statutory auditors can provide adequate monitoring functions of the directors' execution of duties from the perspective of shareholders. The Board of Statutory Auditors met 14 times during fiscal 2015.

■ Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Committee has been established as an advisory body to the Board of Directors to ensure transparency and fairness when the Board selects director and statutory auditor candidates and executive officers and when it determines remuneration for directors and executive officers. The committee provides opinions when the board is making these decisions. The committee is comprised of the chairman of the board, the president and all of the Outside Officers (two Outside Directors and three Outside Statutory Auditors) so that the majority of members are Outside Officers. One of the Outside Director serves as the Committee chair.

■ Cooperation between Statutory Auditors, Accounting Auditors and the Internal Audit Department

Statutory auditors monitor the independence of the accounting auditor and request and verify opinions from the accounting auditor regarding the appropriateness of financial reports, accounting policies, accounting methods and other matters with reference to fair accounting standards. When creating audit reports, statutory auditors and the accounting auditor hold meetings and exchange information as necessary to facilitate smooth and effective audits. The Internal Audit Department is in charge of conducting internal audits and collaborates with statutory auditors to audit the appropriateness and lawfulness of daily business operations of the entire Group. Upon completion of an audit, the Internal Audit Department submits audit reports to the president assigned, executive officers and statutory auditors and shares information with them.

Attendance of Outside Officers at Board Meetings (fiscal 2015)

Position and Name	Board of Directors Meetings (convened 16 times)		Board of Statutory Auditors Meetings (convened 14 times)	
	Number of meetings attended	Attendance rate	Number of meetings attended	Attendance rate
Director: Junko Hirakawa	16	100%	—	—
Statutory Auditor: Satoshi Teramoto	16	100%	14	100%
Statutory Auditor: Shin Nagata	16	100%	13	93%
Statutory Auditor: Katsuhide Kurasaka	15	94%	14	100%

Reasons for Appointment as Outside Director

Name	Reason for appointment
Junko Hirakawa Assumed office in June 2014	As an attorney, she has practical knowledge of corporate law in Japan and abroad, and has been judged to play an appropriate role in strengthening the Company's corporate governance by making recommendations to management from an expert's perspective.
Izumi Yamashita Assumed office in June, 2016	Since he has abundant experience in the financial industry and deep insight as a business manager, the Company believes that he will be able to play an appropriate role for the enhancement of our corporate governance by, among other things, providing expert recommendations for general management.

Reasons for Appointment as Outside Statutory Auditor

Name	Reason for appointment
Satoshi Teramoto Assumed office in June 2010	As a certified public accountant, he has a high degree of specialized knowledge of and extensive practical experience in finance and accounting, and has been judged capable of conducting appropriate audits of the Company's execution of business.
Katsuhide Kurasaka Assumed office in June 2014	He has rich experience in management of manufacturing workplaces in Japan and overseas in addition to substantial knowledge as a corporate manager, and has been judged capable of conducting objective and appropriate audits of the Company's manufacturing business.
Yoshitsugu Minagawa Assumed office in June 2016	Since he has abundant experience and deep insight on forestry administration as well as the agricultural, forestry and fishing sectors, the Company believes that he will be able to utilize these factors in auditing duties.

■ Appointment of Outside Directors and Outside Statutory Auditors

The Company has appointed two Outside Directors, Junko Hirakawa and Izumi Yamashita. The Company also has appointed three Outside Statutory Auditors, Satoshi Teramoto, Katsuhide Kurasaka and Yoshitsugu Minagawa.

Neither the two Outside Directors nor the three Outside Statutory Auditors have any capital, personal, transactional or other relationships with the Sumitomo Forestry Group that would constitute a conflict of interest.

■ Executive Remuneration

Remuneration for directors comprises three types: basic remuneration, which is fixed; bonuses, which are tied to business performance; and stock options.

Basic Remuneration

To ensure a fair level of remuneration according to roles and responsibilities, a set amount is paid out every month for each position within the scope approved at the Ordinary General Meeting of Shareholders (up to ¥40 million per month (including an amount up to ¥5 million per month for Outside Directors)).

Bonuses

The total amount, calculated with consideration of to the level of consolidated recurring income, is approved at the Ordinary General Meeting of Shareholders and a set amount is decided for each position.

Stock Options

Stock acquisition rights as stock-based compensation stock operations are allocated to directors (excluding Outside Director) and executive officers.

Moreover, the amount of remuneration for directors does not include remuneration as employees or compensation for the performance of other duties. At the 65th Ordinary General Meeting of Shareholders held on June 29, 2005, the Company abolished the executive retirement bonus. We reference the results of a third-party assessment of executive remuneration at Japanese companies to ensure the objectivity and fairness of executive remuneration and set an appropriate level of remuneration.

Remuneration (fiscal 2015)

(Millions of yen)

		Total remuneration	Total Remuneration by Type		
			Basic remuneration	Stock Option	Bonus
Directors* ¹	(8)	487	331	26	130
Corporate Auditors* ²	(2)	40	40	—	—
Outside Officers	(4)	42	42	—	—

*1 Excluding Outside Directors

*2 Excluding Outside Statutory Auditors

■ System to Ensure Management Transparency

Basic Policy on Disclosure

To increase transparency in management, we actively disclose not only the information required by various laws and regulations but also other items deemed useful to shareholders and investors. Disclosure is done in a swift and fair manner.

Initiatives to Encourage Execution of Voting Rights

The Company sends out notices three weeks prior to the annual General Meeting of Shareholders and avoids dates when many companies hold their annual meetings so that a greater number of shareholders can participate. In addition, shareholders can use the Internet, cell phones and other electronic means to exercise their voting rights. We also make use of the electronic proxy voting platform for institutional investors operated by ICJ Co., Ltd.

Disclosure of a Wide Range of Information

On the Company's website, we release a wide range of information related to our IR activities, including securities reports (Japanese only), notices of shareholder meetings and subsequent resolutions, financial results, earnings presentation materials, and monthly order information.

IR Activities

The Company is enhancing its investor relations (IR) activities to communicate management vision, the state of operations, financial position and other information as needed with shareholders and investors. As a means to directly communicate with shareholders and investors, the Company holds earnings presentations twice a year and telephone conferences twice a year for securities analysts and institutional investors in Japan. For overseas investors, the Company visits locations in Europe, the United States and Asia and holds individual meetings. For individual investors, the Company regularly participates in joint company presentations and IR forums.

Internal Controls System (Risk Management and Compliance)

■ Establishment of Internal Controls System

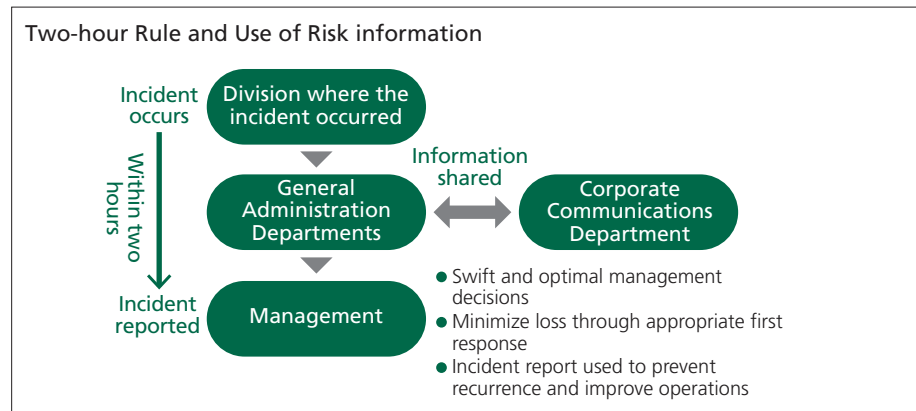
The Company has adopted a basic policy on the establishment of an internal controls system at the Board of Directors' meeting as well as Action Guidelines to embody our corporate philosophy, and a document summarizing the ethical behavior guidelines and values that all officers and employees should follow, entitled "Our Values and Ideals," for the Group and has established a system to secure the soundness in our business in accordance with the Company Act.

■ Risk Management System

To strengthen the risk management system for the entire Group, the Company has formulated the Risk Management Basic Regulations. Accordingly, the President and Executive Officer of Sumitomo Forestry has been appointed to the highest authority on risk management for the Sumitomo Forestry Group. The Company has established the Risk Management Committee, which is chaired by the President and Executive Officer and comprised of all other executive officers. Each executive officer uncovers and analyzes manageable risks in their respective field and formulates action plans. The committee meets regularly once every three months to share and discuss findings and results. Established under the umbrella of the Risk Management Committee, the Compliance Sub-Committee and the Business Continuity Plan (BCP) Sub-Committee are comprised of the general manager of the General Administration Department, who serves as committee chairman, and the risk management officers including those of the departments supervising subsidiaries. These sub-committees work to enhance the effectiveness of risk management pertaining to Group-wide risks, namely, compliance risks related to core business, including the Construction Business Act, and business interruption risks, including large-scale disasters. The results of aforementioned activities are reported to the Board of Directors and undergo management reviews in order to be reflected in business execution. In fiscal 2015, the Risk Management Committee convened four times, the Compliance Sub-Committee twice, and the BCP Sub-Committee five times, and the Board of Directors received reports from them four times.

Rapidly Identifying and Responding to Risk

In addition to the normal reporting hotline, we operate a two-hour rule system designed to rapidly and accurately relay information to the management via the headquarters' Risk Management Department in the event of an emergency situation that may have a serious impact on Company management. This allows us to make swift and optimal management decisions and take immediate action so as to avoid or contain losses. The information thus reported is also used to compile case studies, which are shared to prevent recurrences of the same disaster and improve business operation. When a major issue arises, the information is shared with the Corporate Communications Department and disclosed to stakeholders in a timely and appropriate manner.



■ Compliance Promotion System

The Compliance Sub-Committee under the Risk Management Committee responds to compliance risk across the Group. The sub-committee is comprised of the general manager of the General Administration Department, who serves as committee chairman, and the risk management officers including those of the departments supervising subsidiaries. The sub-committee has set Group standards, including management systems and tools for legal compliance with the Construction Business Act and other laws and regulations, and efficiently responds to compliance risk. The sub-committee was convened twice in fiscal 2015 and undertook ongoing improvement of the compliance system. Specific steps included continuing Group-wide initiatives from the previous fiscal year of conducting simultaneous inspections of risks regarding legal and regulatory requirements, such as business. Moreover, at a compliance seminar to which external experts were invited as instructors, the Group provided opportunities for individuals in charge of compliance at each company, including subsidiaries, to keep up with the latest knowledge, raise their skill levels, work on the same level as others, and develop a shared awareness of risk. These activities are reported to the Statutory Auditors and the Internal Audit Department every month to share compliance risk information. Critical Group-wide matters are shared with the auditors of each Group company through the Group Board of Statutory Auditors. The execution line for business integrates both internal and external approaches to establish a robust compliance system.

Internal Audits

Of the Group's approximately 200 business sites, the Internal Audit Department selects about 60 business sites each year to undergo an internal audit based on prior risk assessment. These audits are conducted to verify the status of each business site's business execution, including compliance, and management of administrative actions. The results of these assessments are reported to the president, executive officers in charge of internal audits and auditors as well as managers, executive officers and directors in charge of the business sites being audited. In the case that audit findings are made, the Internal Audit Department verifies that improvements are being implemented at the business site by requesting written reports and implementing quarterly follow-up audits. The results of these actions are reported to the president and executive officers in charge of internal audits.