

### Corporate Philosophy and Action Guidelines

The Sumitomo Forestry Group’s corporate philosophy is “to utilize timber as a renewable, healthy, and environmentally friendly natural resource, and to contribute to a prosperous society through all types of housing-related services.” Based on this philosophy, our mission is the maximization of corporate value.

To achieve our mission, we have formulated a set of action guidelines emphasizing the Sumitomo Spirit, respect for humanity, symbiosis with the environment, and putting customers first. The Sumitomo Spirit involves maintaining proactive, sound management with a focus on fairness and integrity. Demonstrating our respect for people, we aim to create an open-minded corporate culture in which each employee works with high morale and pride. We also strive for symbiosis with the environment by addressing environmental issues with all effort, aiming for a sustainable society. In addition, we put the customers first by placing top priority on ensuring their satisfaction.

### Socially Responsible Corporate Management

The Group has established conceptual frameworks that integrate our way of thinking about corporate social responsibility. “Our Work and CSR” guides all employees of the Group in understanding and acting upon our CSR principles. “Our Values and Ideals” guides employees in consideration of “How can we achieve what is most important?” “Sustainability” is a key component of the Sumitomo Forestry Group’s DNA, having evolved from centuries of commitment to sustainable forestry. Our shared DNA, values, and ideals as members of the Sumitomo Forestry Group guide us in our mission to continue as a company that is needed as well as desired by society.

### External Recognition

Sumitomo Forestry is included in the following Socially Responsible Investment Indices (as of September 2009):



**FTSE4 Good Global Index**  
We have been included in this index since September 2004.



**MS-SRI**  
We have been included as one of the constituent companies in this index from September 2008.



**DJSI**  
September 2009 marks our fifth consecutive year of inclusion in this index.

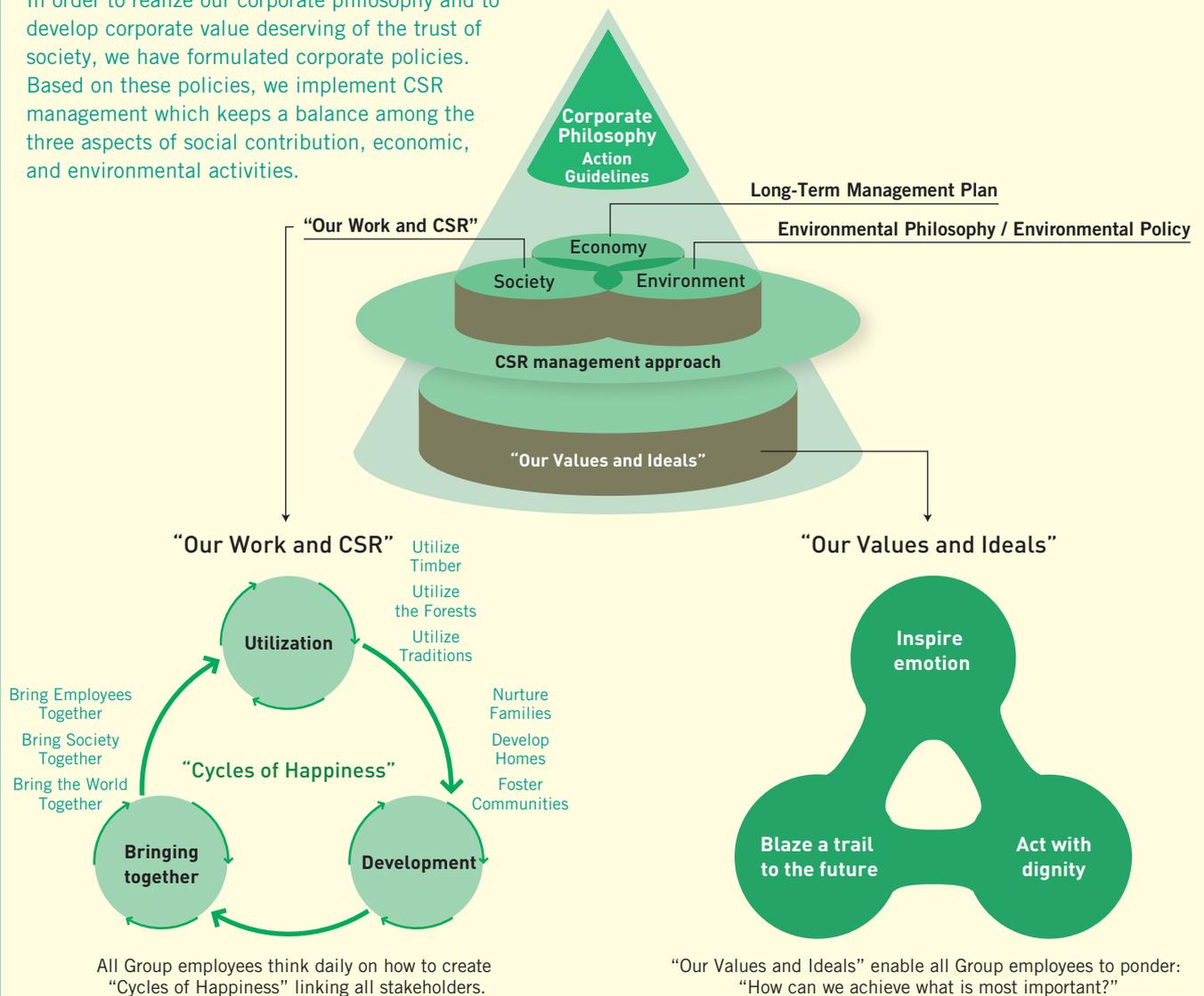
### Environmental and Social Initiatives



For more information about Sumitomo Forestry Group’s CSR activities, please refer to: “Social and Environmental Activities,” available at <http://sfc.jp/english/information/society/>

# CORPORATE POLICIES

In order to realize our corporate philosophy and to develop corporate value deserving of the trust of society, we have formulated corporate policies. Based on these policies, we implement CSR management which keeps a balance among the three aspects of social contribution, economic, and environmental activities.



## 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 create an open and inclusive corporate culture that values diversity.

**Symbiosis with the Environment:** 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.

### Basic Policy

The Sumitomo Forestry Group considers enhancing and strengthening corporate governance as one of the most important corporate priorities from the perspective of securing transparency in management, as well as quick decision-making and execution of operations.

### Management System

#### Executive Officer System

The Company introduced the executive officer system to separate the management oversight and operational execution functions, with the objective of strengthening oversight and supervision of operations, and to clarify the lines of operational responsibility. The Board of Executive Officers, comprised of all executive officers (16 members, as of June 23, 2009), meets once a month, as a rule, and reports on the status of operational progress.

#### Board of Directors / Executive Committee

The Board of Directors, which is responsible for decision-making and oversight functions of the Group, meets monthly. The seven directors comprising the board make decisions related to all important matters, and confirm business results, etc., as well as strengthening oversight of the execution of operational duties. The Executive Committee meets twice a month to ensure sufficient deliberation of critical issues can be conducted prior to the convocation of Board of Directors meetings. During the year ended March 31, 2009, the Executive Committee met a total of 31 times.

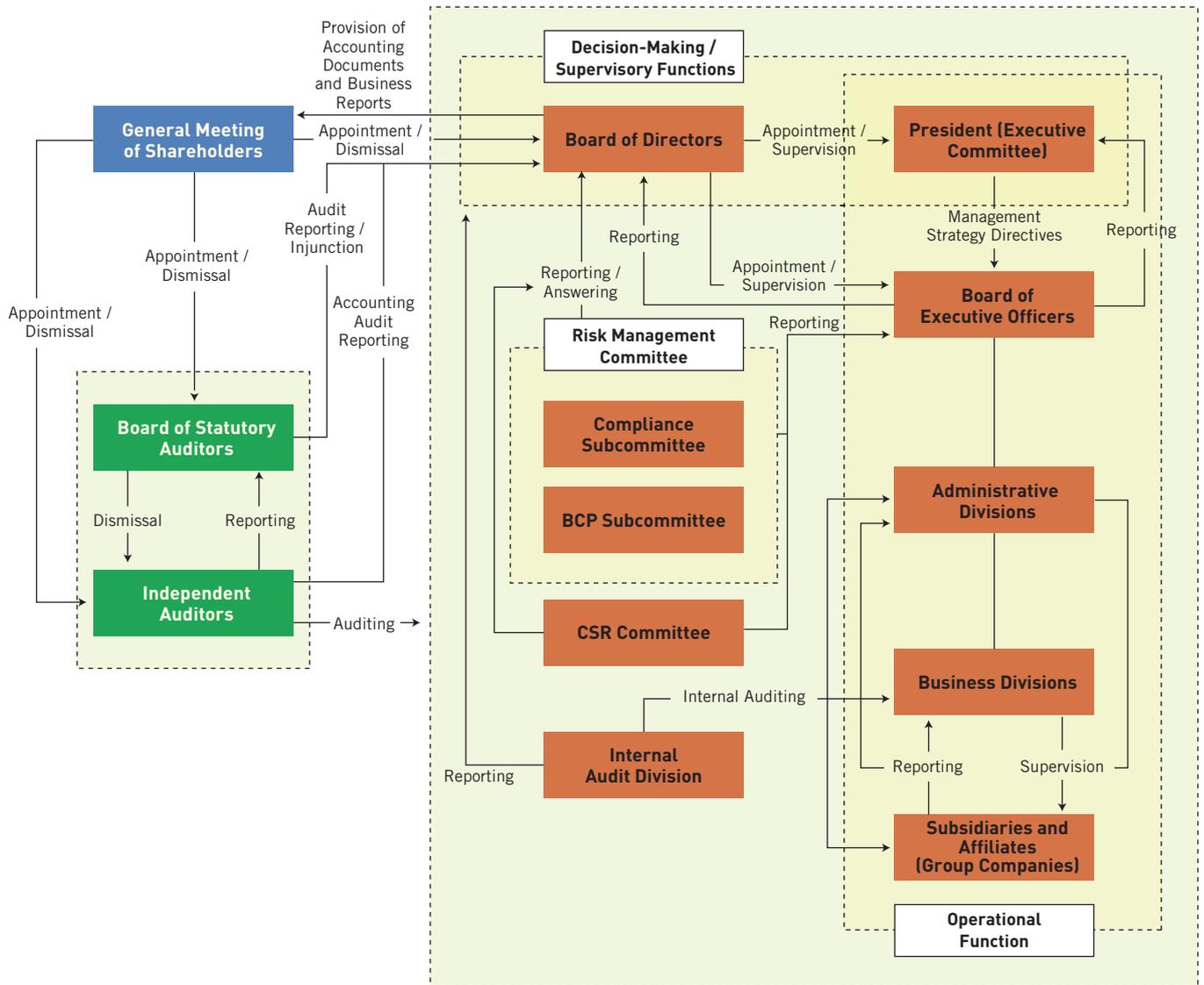
In June 2005, as a policy to provide incentives for directors, the retirement benefit system for directors was abolished and replaced by a remuneration and bonus system that is closely linked to business performance.

#### Board of Auditors

Established as a company with auditors, the Company has four auditors, including two external auditors, who oversee operational execution by the directors. The Board of Auditors, also comprised of the four auditors, promulgates basic audit policies and action plans. We believe that efforts to enhance and strengthen the audit function based on those policies and plan have established management objectivity. Audits are based on the Corporate Auditor Audit Practice Standards, which were revised by the Japan Corporate Auditors Association in February 2007, and the consequently revised Corporate Auditor Audit Practice Regulations and Rules for Board of Auditor Meetings, and have established an effective corporate governance system.

In addition to attending important company meetings, auditors meet once every quarter to exchange views with representative directors regarding business issues and improvements to the auditing environment. A supervisory department has been set up within the parent company to provide management and guidance for various Group companies. In addition, the Group Board of Auditors (a meeting to exchange information), made up of auditors from various Group companies, meets once every quarter to ensure the appropriateness of the Group's overall operations.

# Business Execution and Management Supervision Mechanism



## External Auditors

The two external statutory auditors are Mr. Hiroshi Miki and Mr. Satohiko Sasaki. Mr. Miki is an attorney and a specialist in legal matters, who objectively audits the appropriateness of the Group's operations. Mr. Sasaki, a professor at the Advanced Research Institute for the Sciences and Humanities at Nihon University, is highly knowledgeable in the fields of forestry management and forest resource science. Mr. Sasaki audits the Group's environmental activities and business development in Southeast Asia objectively and appropriately. Neither auditor has any capital, personal, transactional or other relationships with the Sumitomo Forestry Group that would constitute a conflict of interest.

## Attendance of External Auditors at Meetings of the Board of Directors and Board of Auditors

Position and Name	Board of Directors Meetings (convened 18 times)		Board of Auditors Meetings (convened 14 times)	
	# of Meetings Attended	% of Meetings Attended	# of Meetings Attended	% of Meetings Attended
<b>Corporate Auditor:</b> Hiroshi Miki	17	94%	14	100%
<b>Corporate Auditor:</b> Satohiko Sasaki	15	83%	12	86%

## Directors' Remuneration, etc.\*

<b>Directors (8)</b>	¥302 million
<b>Corporate Auditors (6)</b>	¥64 million (including ¥15 million in remuneration for external auditors)

\* Remuneration amounts include those of one director whose term of office ended at the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2008, and of two corporate auditors who resigned.

## Accounting Audit

Accounting audits were conducted by a certified public accountant employed by Ernst & Young ShinNihon LLC, an accounting corporation, and the staff involved in the accounting audits was comprised of seven (7) certified public accountants and nine (9) assistant certified public accountants.

## Strengthening Disclosure and Accountability

To increase the transparency of its operations, Sumitomo Forestry not only holds analyst meetings following formal announcement of its interim and year-end results, but also actively seeks to create opportunities to communicate, including holding 224 individual meetings with shareholders and investors in fiscal 2008. The Company is committed to close communication with its shareholders, and thus sends out early notice of convocation of General Shareholders Meetings, as well as scheduling the meetings so as to avoid concentration of meetings on a given day. By proactively disclosing information, we not only fulfill our obligation of explanation, but also provide direct feedback from our shareholders and investors to management. By doing so, we deepen relationships of trust with the capital markets and maximize the value of the corporation.

## Compliance

The Sumitomo Forestry Group recognizes compliance as one of the most important issues that management must address and, through the Compliance Group of the General Administration Department, enforces compliance management across the entire Group. Established in fiscal 2006, the Compliance Group works with each business division to ensure that all laws and ordinances pertaining to the business are clarified, identifies issues involving compliance with laws and ordinances, and conducts specific activities to resolve those issues.

## Risk Management and Internal Controls

The Group's risk management includes risk management at the corporate governance level through oversight and supervision by the Board of Directors, audits by Statutory Auditors, and detection, assessment, and management of risks by each business division. In fiscal 2008, the Group conducted a reevaluation with the aim of further strengthening risk management.

Specifically, the Group conducted a risk questionnaire survey of all employees, created a risk map so employees could understand the frequency and impact of occurrences of risk, and ranked those risks in order of severity of impact on the business. As a result, risks related to disaster and compliance were identified as the high-priority risk areas and specific measures were implemented in those areas.

Regarding disaster-related risk, the BCP\* Sub-Committee was established and tasked with creating a Business Continuity Plan to respond to risks such as a major earthquake in the Capital region with the potential to cause loss or degradation of the headquarters function, or an epidemic of novel influenza. The sub-committee was particularly involved with clarification of the chain of command in an emergency, and identification of candidate offices capable of serving as the alternate headquarters if necessary. In the area of compliance risks, a Compliance Sub-Committee was established and continuously raised awareness across the Group to eliminate risks such as leaks of personal information, driving under the influence, employees uncovering internal misconduct, etc.

The basic regulations governing risk management, including systems and procedures related to the Group's risk management, were also enacted.

Regarding the system of internal controls related to financial reporting as stipulated by the Financial Instruments and Exchange Act, documents related to the provisions thereof and to the operational procedure standardization were prepared; an examination of appropriateness of financial report processes and validity of internal control systems was conducted; and a system whereby the internal audit department assesses those results was established. Work on qualitative improvements is ongoing, and as of March 2009, we have reached the conclusion that the internal control systems related to financial reporting are valid.

\* **BCP (Business Continuity Plan):** *The Business Continuity Plan is a management strategy designed to ensure that major business operations do not cease in the event of a disaster, or if they are terminated, that major operations can be resumed at the earliest opportunity. The plan is further intended to protect the corporation from loss of customers to competitors, decline in market share, or degradation of corporate reputation due to cessation of operations.*

## Examples of Internal Control Initiatives

### Compliance Counter

With the aim of promoting self-policing in our activities, we established the Compliance Counter consultation system to receive information from any Group employee about illegal activities and/or actions that violate our corporate ethics, while ensuring protection of their privacy.

### Information Security

Due to the nature of our business, the Group maintains detailed information about customers for extended periods of time and regards reinforcement of information security, including of personal information about customers, as a top priority. We continue working to prevent internal or external leaks of personal information by creating tools to remind employees of our obligations under the provisions of the Personal Information Protection Act, by educating our business partners and vendors, and have adopted strict in-house rules on the handling of data storage media.

### Vehicles used for Business Purposes

Approximately 2,400 vehicles, both company-owned and private, are used in the conduct of our business. To reduce traffic accidents involving these vehicles, we have introduced systems to manage both drivers and vehicles, required driving record certification, implemented safe driving education, and increased disciplinary actions available under internal regulations related to traffic violations.



(Front row, from left) Hideyuki Kamiyama, Hideki Nose, Mamoru Inoue, Ryu Yano  
(Back row, from left) Hitoshi Hayano, Akira Ichikawa, Shigehiko Shiozaki

**DIRECTORS**

- \* President / Director **Ryu Yano**
- \* Director **Mamoru Inoue**
- \* Director **Hideki Nose**
- \* Director **Hideyuki Kamiyama**
- Director **Shigehiko Shiozaki**
- Director **Hitoshi Hayano**
- Director **Akira Ichikawa**

(\* Representative Director)

**STATUTORY AUDITORS**

- Senior Statutory Auditor **Shoichi Takahashi**
- Statutory Auditor **Satoru Takeno**
- \* Statutory Auditor **Hiroshi Miki**
- \* Statutory Auditor **Satohiko Sasaki**

(\*Outside Corporate Auditors as stipulated by the Commercial Code)

**EXECUTIVE OFFICERS**

- \* President and Executive Officer **Ryu Yano**
- \* Senior Managing Executive Officer **Mamoru Inoue**  
*Divisional Manager of Overseas Business Division*
- \* Senior Managing Executive Officer **Hideki Nose**  
*Divisional Manager of Forestry & Environment Division, Responsible for Intellectual Property, Tsukuba Research Institute*
- \* Senior Managing Executive Officer **Hideyuki Kamiyama**  
*Divisional Manager of Timber & Building Materials Division*
- \* Managing Executive Officer **Shigehiko Shiozaki**  
*Divisional Manager of Housing Division*
- \* Managing Executive Officer **Hitoshi Hayano**  
*Divisional Manager of Real Estate Business Division*
- \* Managing Executive Officer **Akira Ichikawa**  
*Responsible for Corporate Planning, General Administration, Corporate Communications, Personnel, Finance, Information Systems, Internal Audit*
- Managing Executive Officer **Masahiro Nishimura**  
*President and Director of Sumitomo Forestry Home Tech Co., Ltd.*
- Managing Executive Officer **Hideo Watabe**  
*Deputy Divisional Manager of Real Estate Business Division and General Manager of Real Estate Solution Department of the same Division*
- Executive Officer **Yasuyuki Yamamoto**  
*Deputy Divisional Manager of Housing Division, General Manager of Nagoya Branch*
- Executive Officer **Jiro Kuramitsu**  
*President and Director of Sumitomo Forestry Timberland Management Co., Ltd.*
- Executive Officer **Shigeru Sasabe**  
*General Manager of General Administration Department*
- Executive Officer **Ken Wada**  
*Deputy Divisional Manager of Housing Division, Responsible for Marketing Strategy, Corporate Marketing, Product Development, FOREST MAISON*
- Executive Officer **Seiichi Takano**  
*Deputy Divisional Manager of Housing Division, Responsible for Construction Management, Quality Control & Customer Information*
- Executive Officer **Toshio Yasuda**  
*President and Director of Sumitomo Forestry Crest Co., Ltd.*
- Executive Officer **Suguru Mikawa**  
*Deputy Divisional Manager of Housing Division, Responsible for Technology, Building Materials Procurement & Logistics*

(\* Doubles as Director and Executive Officer)