

# CSR Management

The Sumitomo Forestry Group places top priority on addressing four material issues to fulfill our corporate social responsibilities.

## CSR Management Policy

Aiming for the realization of our corporate philosophy and to create "corporate quality" worthy of the trust of society, Sumitomo Forestry Group believes it is essential to balance three aspects of corporate social responsibility management: economy, society, and environment.

To ensure that all employees understand our CSR management policies and act on them, the Group has published Our Work and CSR, as well as Our Values and Ideals. The Group also determined four

material issues to be given priority in its initiatives, aspiring to the realization of a sustainable society.

1. Providing Timber Products and Materials from Sustainable Forests
2. Providing Environmentally Friendly Homes
3. Promoting Global Warming Countermeasures through Our Business
4. Promoting Family-Centric Employee Lifestyles

## 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

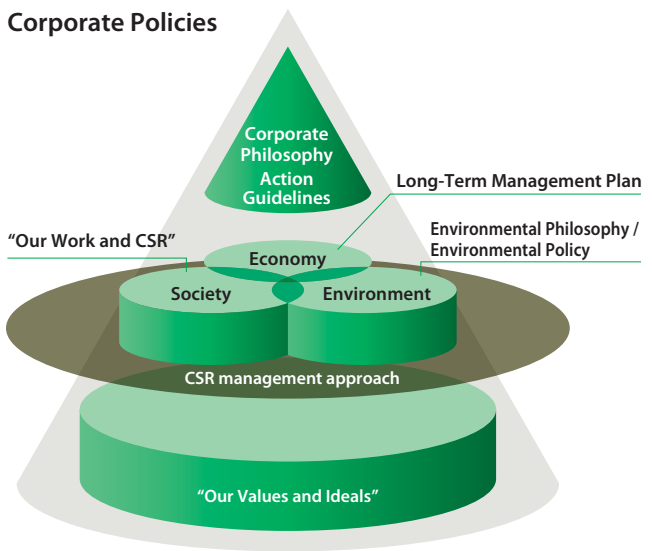
**Sumitomo Spirit:** We conduct business that is beneficial to society based on the principles of integrity and sound management.

**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.

## Corporate Policies



For more information about our corporate policies, please refer to: (<http://sfc.jp/english/corporate/policies/>)

## The Great East Japan Earthquake: Helping the disaster region recover



The temporary housing construction team onsite

Sumitomo Forestry has provided funds donated by Group companies and employees and constructed temporary housing as part of its efforts to support the recovery effort. Sumitomo Forestry Home Engineering Co., Ltd., which usually constructs custom-built housing for the Group, is responsible for building the temporary housing. More than 220 carpenters and other craftsmen, including Sumitomo Forestry Home Engineering workers, worked onsite. The Group also provided peripheral support using its nationwide network, sending supplies to business partners in the region affected by the earthquake and ordering work mainly from companies with head offices or businesses in the region.



President Akira Ichikawa (in green helmet) visited 15 sites in the disaster region, including the temporary housing construction site, to see conditions for himself and supervise activities.

## Corporate Governance

### Basic Policy

The Sumitomo Forestry Group considers enhancing and strengthening corporate governance as one of its 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 (15 members, as of June 30, 2011), 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 operations 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, 2011, the Executive Committee met a total of 22 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 system that is closely linked to business performance.

#### Board of Auditors

Established as a company with auditors, the Company had five auditors, including three external auditors, who oversee operational execution by the directors during the year ended March 31, 2011. 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 March 2011, 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 two months to ensure the appropriateness of the Group's overall operations.

#### External Auditors

Mr. Hiroshi Miki is an attorney and a noted authority in legal matters, and has been judged capable of conducting audits of the Company's execution of operations from an objective perspective.

Mr. Satohiko Sasaki is a renowned authority in the fields of forestry management and forest resource science, with significant experience in preservation of forests, particularly in Southeast Asia, and has been judged capable of conducting audits of the Company's environmental operations and development of business outside of Japan from an objective perspective. Mr. Satoshi Teramoto is a certified public accountant with a high degree of specialized knowledge of and extensive practical experience in finance and accounting, and has been judged capable of conducting audits of the Company's execution of operations from an objective perspective. None of the three auditors 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 (FY2010)

Position and Name	Board of Directors Meetings (convened 16 times)		Board of Auditors Meetings (convened 14 times)	
	Number of meetings attended	% of meetings attended	Number of meetings attended	% of meetings attended
Corporate Auditor: Hiroshi Miki	16	100%	14	100%
Corporate Auditor: Satohiko Sasaki	16	100%	14	100%
Corporate Auditor: Satoshi Teramoto*1	13	81%	11	79%

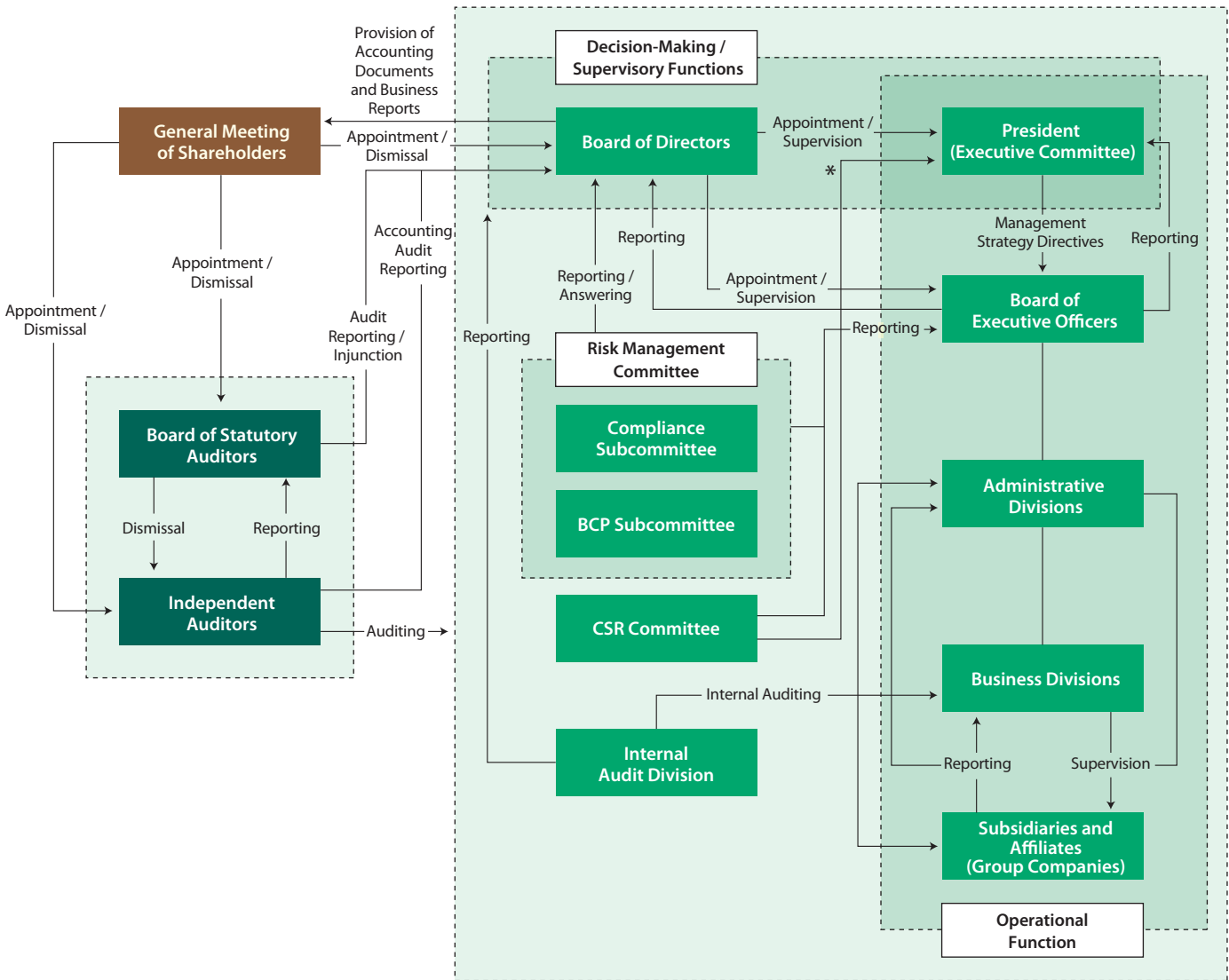
#### Directors' Remuneration, etc.

Directors (8)*2	¥350 million
Corporate Auditors (5)	¥71 million (including ¥23 million in remuneration for three external auditors)

\*1. Corporate auditor Satoshi Teramoto has attended all 13 Board of Directors meetings and all 11 Board of Auditors meetings held in FY2010 since his appointment on June 25, 2010.

\*2. Directors' remuneration includes that of one director who retired at the end of the 70th regular shareholders' meeting on June 25, 2010, for the end of his term.

**Business Execution and Management Supervision Mechanism**



\* Important matters requiring management decision are submitted to the Executive Committee. (decision by committee)

**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 four certified public accountants and twelve assistant certified public accountants.

**Strengthening Disclosure and Accountability**

To increase the transparency of its operations, Sumitomo Forestry holds analyst meetings following formal announcement of its interim and year-end results and conducts conference calls after first quarter

and third quarter results. It also actively seeks to create opportunities to communicate, including holding 155 individual meetings with institutional investors in fiscal 2010.

In addition to these meetings for institutional investors, the Company held briefings for individual investors in July 2010 in Tokyo and Osaka. Around 160 individual investors attended the briefings, which provided information on the Group's operations and its environmental initiatives.

By proactively disclosing information, we not only fulfill our obligation of explanation, but also provide direct feedback from our shareholders and investors to management.

### Compliance

The Sumitomo Forestry Group is committed to proactive compliance-based management, aspiring to always be worthy of society's trust by following social rules and strictly complying with the law. The Group also continuously enhances internal controls and risk management to ensure the Group can effectively deal with changes in the operating environment as well as a diversity of risks.

### Risk Management and Internal Controls

The Group has set compliance management as its most important issue and has established internal controls based on the basic policy on risk management set forth by the Board of Directors to respond to foreseeable risks across the Group. In March 2009, the Group revised the corporate regulations, establishing Risk Management Regulations and Crisis Management Rules. Compliance risk and disaster risk have been assigned priority and are being addressed through subcommittees comprised of working-level managers under the auspices of the Risk Management Committee.

### Disaster Risk

#### 1. Safety verification system introduced across the Group in Japan

In July 2010, the Company introduced an email-based safety verification system for all Group business sites and employees in Japan. To check whether the system was functioning properly, the Company conducted a training exercise where emails were automatically sent to approximately 12,100 Group employees. Employees were required to reply to the emails confirming their status. As a result, the Company has established an emergency contact system and several means of verifying the safety of its employees. This framework enabled the Company to rapidly account for all its personnel, including part-time employees and casual staff, after the Great East Japan Earthquake.

#### 2. Disaster prevention cards distributed

In conjunction with the introduction of the safety verification system at all domestic Group sites, the Company distributed revised versions of its disaster prevention cards in January 2011. The cards are pocket sized and give advice on the steps employees should follow in the event of a disaster.



Disaster prevention cards

#### 3. Use of disaster stockpiles

After the Great East Japan Earthquake, the Company used stockpiles of items for disasters such as emergency rations, masks and water to aid those in the disaster region. Helmets, water and maps also proved useful for employees and visitors to Group offices who had difficulty returning home.

#### 4. BCP for earthquake with epicenter in the capital Area (formulated 2008)

In fiscal 2009, after putting in place the necessary frameworks, such as an alternate headquarters, selection of members for the disaster response team, and infrastructure, training was held for every level and layer of the Group based on a scenario of accounting for the 3,000 employees based in the capital area. In fiscal 2010, the Company expanded the safety verification system to cover all Group business sites in Japan.

In January 2011, the Company conducted a training drill for employees at the head office in Chiyoda Ward, Tokyo to help them walk home in the event of a disaster. This followed a similar drill in 2009. The Company also used disaster prevention facilities at the Tokyo Fire Department to conduct a BCP training exercise. Employees from eight Group companies based in Tokyo took part in the exercise.

#### 5. Communication between management during major disasters

In fiscal 2010, the Company distributed satellite mobile phones and mobile PCs to senior managers to ensure communication is maintained among management during a major disaster, such as an earthquake with its epicenter in the capital area. An exercise was conducted to verify the operational capabilities of the system.

#### 6. BCP for novel influenza (formulated 2008)

In fiscal 2009, the Group prepared policies and manuals and put in place the necessary infrastructure and hygienic goods to prepare for a potential outbreak of a new strain of influenza. The Group will continue to monitor the situation closely amid lingering concerns about the risk of an outbreak and spread of a highly infectious strain of novel influenza.

## Human Resource Development and Workplace Environment

In order to realize the objectives in its Corporate Philosophy and Action Guidelines, which state, "We work to create an open and inclusive corporate culture that values diversity," Sumitomo Forestry's fundamental policy on human resources development is to cultivate highly motivated personnel, guided by the keywords of "independence" and "support." In fiscal 2010, the Company formulated a five-year human resources development plan covering the years fiscal 2011 to fiscal 2015. Going forward, the Company will push ahead with the development of all personnel in the Group in Japan and overseas through initiatives such as standardizing training programs across Group companies and bringing in Group personnel for work experience at the Company.

### Basic Personnel Policy

As we aim to be a truly "excellent company" in housing and wood products businesses, we shall make efforts to put in place effective personnel systems, carry out appropriate and efficient placement of human assets, implement human resources development and training, and build a group of "strong and independent" individuals who are always willing to take up a challenge, all in accordance with Sumitomo Forestry's Corporate Philosophy, which states, "Respect for humanity—We work to create an open corporate culture that instills a strong sense of pride and motivation in employees."

### Employment Policies

In hiring employees, we seek people who have the mental toughness and people-skills to push ahead with corporate innovation in Japan and abroad, have a sense of the fairness and integrity that characterize Sumitomo Forestry's corporate culture, and have an abiding respect for humanity.

### Childcare-related Programs

Pregnancy	Childbirth	12 Months	18 Months	Entry to Elementary School	End of Sixth Year Elementary School
	Partner childbirth leave				Men only
Healthcare leave for expectant or new mothers		*1 Available during pregnancy or up to one year after childbirth / return to work			Women only
	Prenatal / postnatal leave				Men and Women
	Childcare leave (available to women after postnatal leave)*3		*2 Available until the child reaches 18 months or March 31 after the year the child reaches 12 months, whichever is longer		
	Reduced working hours / 4-day working week system*3				
	Flexible work start and finish times (can be used in conjunction with reduced working hours / 4-day working week system*3)				
	Restricted overtime and night work				
	Overtime work exemptions and restrictions / night work restrictions*3				
	Leave to care for a child or attend a special event*4				

\*3 Employees eligible after at least one year of continuous service

\*4 Employees eligible after at least six months of continuous service

Sumitomo Forestry is committed to contributing to local economies. For this reason, its Group companies outside Japan have endeavored since their founding to hire and train local employees and managers to the greatest extent possible. Group companies in Indonesia\*1 and New Zealand\*2 have hired approximately 99% of all employees locally. While some businesses may require short-term positions, Sumitomo Forestry endeavors to foster positive relationships with local communities and generate ongoing employment by creating employment opportunities with continued contract renewals over the long term.

\*1. PT. Kutai Timber Indonesia, PT. Rimba Partikel Indonesia, PT. AST Indonesia

\*2. Nelson Pine Industries Ltd.

### Employment Breakdown

(As of March 31, 2011, Non-consolidated)

Management level	1,936	Hosted from other companies	15
Non-management level	2,417	Average years of service	12.7
Contract employees (Interior coordinators)	34	Ratio of disabled employees	2.06%
Contract employees (Non-interior coordinators)	68		

### Promoting Employee Diversity

Sumitomo Forestry is committed to creating a workplace in which people can fulfill their ambitions and exercise their skills irrespective of gender, and continues initiatives designed to expand career opportunities for women, enhanced childcare policies, and create a comfortable workplace for people with disabilities.

### Female Employment Ratios (%)

(As of April 1 of each fiscal year)	FY2007	FY2008	FY2009	FY2010	FY2011
Female employees including contract employees (Interior coordinators and non-interior coordinators)	15.8	16.4	16.4	16.9	16.8
Female employees in management positions	0.9	0.9	1.3	1.3	1.4
Newly hired female university graduates	25.0	21.0	21.0	22.4	24.6

## Helping Employees Achieve a Work-Life Balance

Sumitomo Forestry, as a company involved with housing and lifestyles, strives to create a workplace where employees can treasure their families and create a rich family life. The Company is committed to continuous improvement of a system that supports both work and private life, as well as ensuring that all employees take advantage of the system by a special division.

The Company encourages female employees, and also male employees to take childcare leave.

Sumitomo Forestry launched its telework program in fiscal 2009, in which employees who have needs for childcare or family care, or who have long commute times, may work at home or other locations remotely, aiming to promote work styles that support both increased efficiency and a better work-life balance. In fiscal 2010, ten people made use of this program.

Work-Life Balance pamphlet



The Kurumin Mark of certification

## Training the Next Generation of Craftspeople

Sumitomo Forestry recognizes that to continue building *Sumitomo Forestry Home* houses that utilize the advantages of the traditional wooden post-and-beam construction method, it is essential to pass on skills and techniques to the next generation of workers. To achieve its objective of nurturing the skills and knowledge of craftspeople (carpenters), Sumitomo Forestry founded the Sumitomo Forestry School of Professional Building Techniques in 1988 as an intra-corporate vocational training school. Through fiscal 2010, 885 new craftspeople have graduated from the school. The skill of these graduates is demonstrated by the superb results recorded every year at the annual National Skills Competition.

48th National Skills Competition, where the next generation of craftspeople compete for the title of best in Japan.



## Career Consultation and Support

The Career Support Desk opened in April 2007 to support employees with assistance specific to their needs in managing their careers. Specialized career advisers provide expert career advice for individual employees.

## A Varied Menu of Training Programs

In accordance with its fundamental policy on human resources development, the Company provides a wide range of training

opportunities so that employees can foster their careers and steadily acquire business skills in line with their life plans.

In order to provide employees of all occupations and grades with the opportunities to voluntarily increase their skills or build their careers, the Group provides a range of training courses and e-learning programs on a variety of subjects. It also provides employees with a menu of study courses offered by external institutions and has a support system in place to help them acquire new qualifications. The Group also runs a program aimed at creating future business leaders, which includes management strategy courses and the opportunity to study at overseas business schools.

## Prevention of Child Labor and Forced Labor

The Sumitomo Forestry Group's offices in and outside Japan hire employees in compliance with local legislation, and do not engage in illegal labor practices such as child labor and forced labor.

## External Recognition

Sumitomo Forestry is included in the following Socially Responsible Investment Indices (as of June 2011).

### DJSI World

We have been included in this index since September 2005.



### FTSE4 Good Global Index

We have been included in this index since September 2004.



FTSE4Good

### Morningstar SRI Index

We have been included in this index since September 2008.



### Sector leader in the SAM's "The Sustainability Yearbook 2011"

We were selected as the sector leader in the Home Construction Sector of "The Sustainability Yearbook 2011," a CSR rating by SAM, which researches and analyzes companies listed in DJSI World.



## Environmental and Social Initiatives

For further information about Sumitomo Forestry Group's CSR activities, please refer to "Environmental and Social Report," available at <http://sfc.jp/english/information/kankyo/>

## Global Compact

We became a participant in the United Nations Global Compact in December 2008. The Global Compact was launched by the previous UN Secretary General Kofi Annan in 1999. The Global Compact is aimed at realizing a sustainable society by resolving the various problems that have arisen from the globalization of the world's economy. Participating companies are required to support and implement 10 principles in the four fields of human rights, labor standards, the environment, and anti-corruption.



## Directors

(As of June 30, 2011)



(Front row, from left) Hideyuki Kamiyama, Ryu Yano, Akira Ichikawa (Back row, from left) Shigeru Sasabe, Hitoshi Hayano, Hideo Watabe, Ken Wada

### Directors

**\*Chairman / Director**  
Ryu Yano

**\*President / Director**  
Akira Ichikawa

**\*Director**  
Hideyuki Kamiyama

**\*Director**  
Hitoshi Hayano

**Director**  
Shigeru Sasabe

**Director**  
Hideo Watabe

**Director**  
Ken Wada

\* Representative Director

### Statutory Auditors

**Senior Statutory Auditor**  
Shigehiko Shiozaki

**Statutory Auditor**  
Satoru Takeno

**\*Statutory Auditor**  
Hiroshi Miki

**\*Statutory Auditor**  
Satohiko Sasaki

**\*Statutory Auditor**  
Satoshi Teramoto

\* External Corporate Auditors as stipulated by the Commercial Code

### Executive Officers

**\*President and Executive Officer**  
Akira Ichikawa

**\*Executive Vice President and Executive Officer**  
Hideyuki Kamiyama  
Responsible for Forestry & Environment Division, Overseas Business Division, Divisional Manager of Timber & Building Materials Division

**\*Senior Managing Executive Officer**  
Hitoshi Hayano  
Divisional Manager of Housing Division

**\*Managing Executive Officer**  
Shigeru Sasabe  
Responsible for Corporate Planning, Finance, Information Systems, General Administration, Personnel, Corporate Communications, Internal Audit, Intellectual Property, Environmental Management, Tsukuba Research Institute

**\*Managing Executive Officer**  
Hideo Watabe

Divisional Manager of Real Estate Business Division

**\*Managing Executive Officer**  
Ken Wada

Deputy Divisional Manager of Housing Division, Responsible for Marketing

**Managing Executive Officer**  
Akihisa Fukuda

Responsible for Corporate Planning, Finance, Information Systems, and General Manager of Corporate Planning Department

**Managing Executive Officer**  
Toshiro Mitsuyoshi

General Manager of Overseas Business Department of the Overseas Business Division

**Executive Officer**  
Seiichi Takano

Deputy Divisional Manager of Housing Division  
Responsible for Technology, Construction Management, Building Materials Procurement & Logistics, Quality Control & Customer Information, Environment & Safety

**Executive Officer**  
Toshio Yasuda

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

**Executive Officer**  
Takashi Mikawa

General Manager of MOCCA (Wood-Use Integration) Department, Deputy Divisional Manager of Housing Division

**Executive Officer**  
Tadashi Ban

Deputy Divisional Manager of Timber & Building Materials Division, General Manager of Business Development Department of the same Division

**Executive Officer**  
Akito Kataoka

Divisional Manager of Forestry & Environment Division, General Manager of Forestry Department of the same Division

**Executive Officer**  
Takanori Umeki

Deputy Divisional Manager of Timber & Building Materials Division

**Executive Officer**  
Kunihiko Takagiri

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

\* Doubles as Director and Executive Officer