

Governance

For detailed information about corporate governance, please refer to our website.

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

Board of Directors and Statutory Auditors

(as of June 23, 2017)



Directors

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)

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
Apr. 2017
In charge of Environment and Resources
Division, also overseeing Lifestyle Service
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 of AEON Bank, Ltd.
(current position)
Jun. 2016
Outside Director of the Company (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)

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

* Outside Statutory Auditor

Hidekazu Tanaka Statutory Auditor (full-time)

Noriaki Toi Statutory Auditor (full-time)

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*

In charge of Secretary, Corporate Communications
and CSR

Shigeru Sasabe Executive Vice President and Executive Officer*

Divisional Manager of Overseas Business Division

Ken Wada Senior Managing Executive Officer*

Oversees Environment and Resources Division and
Lifestyle Service Division, also in charge of TOP
(Tokyo Olympics Paralympics) 2020

Tatsuru Satoh Senior Managing Executive Officer*

Oversees Corporate Planning and Finance, also
in charge of General Administration, Personnel,
Information Systems, 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*

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

Kunihiko Takagiri Managing Executive Officer

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

Akira Sekimoto Managing Executive Officer

Divisional Manager of Environment and Resources
Division



* Representative Director ** Outside Director

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
Apr. 2017
In charge of Secretary, Corporate Communications, CSR (current position)

Shigeru Sasabe
Director*

Apr. 1977
Joined the Company
Jun. 2008
Executive Officer
Apr. 2010
Managing Executive Officer
Jun. 2010
Director
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)

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)
Apr. 2017
Oversees Corporate Planning and Finance (current position)

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.
Apr. 2017
Divisional Manager of Housing Division (current position)

* Doubles as Director and Executive Officer

Kanpei Tokunaga
Managing Executive Officer

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

Ryoji Machino
Executive Officer

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

Nobuyuki Katayama
Executive Officer

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

Takahisa Higaki
Executive Officer

Divisional Manager of Lifestyle Service Division

Tatsumi Kawata
Managing Executive Officer

In charge of Corporate Planning, Finance, and General Manager of Corporate Planning Department

Masayuki Tabuse
Executive Officer

Deputy Divisional Manager of Timber and Building Materials Division

Soichiro Kitamura
Executive Officer

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

Koichi Shimizu
Executive Officer

General Manager of Information Systems Department

Atsushi Kawamura
Managing Executive Officer

In charge of North American Business, and Deputy Divisional Manager of Overseas Business Division

Akio Numazaki
Executive Officer

Director and Senior Managing Executive Officer of Sumitomo Forestry Home Tech 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)

Corporate Governance

Organizational Structure Company with a Board of Directors and a Board of Statutory Auditors	Number of Directors 10 Of whom two are outside directors (the ratio of outside directors is 20%)	Number of Statutory Auditors 5 Of whom three are outside statutory auditors (the ratio of outside statutory auditors is 60%)
Number of Independent Directors and Auditors 5	Number of Board of Directors Meetings 15 (fiscal 2016)	Outside Directors' Board of Directors Meeting Attendance Rate 100%
Adoption of the Executive Officer System Yes	Nomination and Remuneration Advisory Committee Yes	Accounting Auditor Ernst & Young ShinNihon LLC

Fundamental Policy

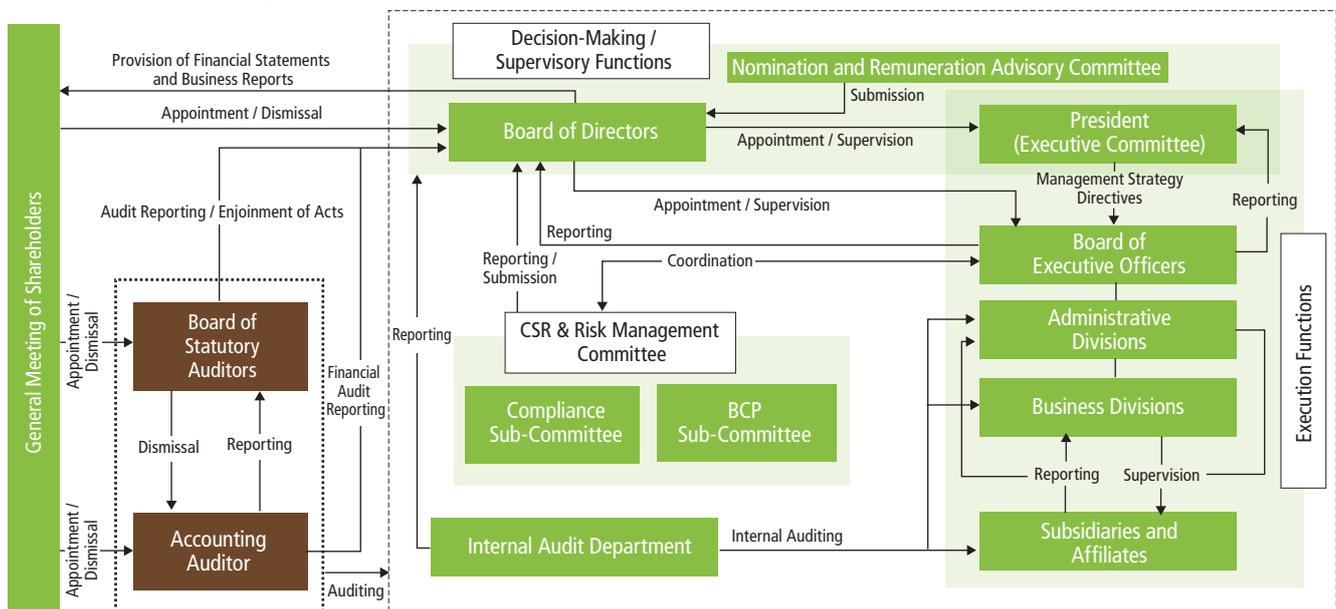
The Sumitomo Forestry Group's corporate philosophy states, "The Sumitomo Forestry Group utilizes timber as a renewable, healthy, and environmentally friendly natural resource, and contributes to a prosperous society through all types of housing-related services." Under our Action Guidelines, one of which 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 enhancing and strengthening corporate governance in order to

continuously increase 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 Directors (1 male and 1 female), and a Board of Statutory Auditors comprising 5 statutory auditors (5 male), including 3 Outside Statutory Auditors. Under this organizational structure, we have introduced an executive officer system to separate decision-making and supervisory functions from execution 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, an advisory body for the president, holds a meeting twice a month, in principle, and is attended by those directors who also serve as executive officers, as well as the full-time statutory auditors. In fiscal 2016, the Board of Directors met 15 times and the Executive Committee 24 times. Directors and statutory auditors strive to maintain a Board of Directors meeting attendance rate of at least 75%.

■ Statutory Audit System

Each statutory auditor audits 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 inspectors, 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 managerial decision-making process at appropriate times. To enhance the effectiveness of audits, the statutory auditors strive to cooperate with the accounting auditor as well as Internal Audit Department, receive reports regularly from the divisions responsible for risk management and compliance, accounting and labor, and monitor and verify that internal controls are functioning effectively. The statutory auditors are also provided with opportunities to express their opinions regarding the directors' execution of operations whenever needed. In addition, the Group Board of Statutory Auditors, attended by 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 at the Executive Committee meeting so that all statutory auditors and Outside Directors 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 operations from the perspective of shareholders.

In fiscal 2016, the Board of Statutory Auditors met 14 times and Group Board of Statutory Auditors 6 times.

■ 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. An 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 comprehensively verify the appropriateness of financial reports, accounting policies, accounting methods and other matters with reference to fair accounting standards, referring to opinions from the accounting auditor. 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 2016)

Position and Name	Board of Directors Meetings (convened 15 times)		Board of Statutory Auditors Meetings (convened 14 times)	
	Number of meetings attended	Attendance rate	Number of meetings attended	Attendance rate
Director: Junko Hirakawa	15	100%	—	—
Director: Izumi Yamashita	12*1	100%	—	—
Statutory Auditor: Satoshi Teramoto	15	100%	14	100%
Statutory Auditor: Katsuhide Kurasaka	15	100%	14	100%
Statutory Auditor: Yoshitsugu Minagawa	12*2	100%	11*2	100%

*1 Director Izumi Yamashita has attended all Board of Directors meetings since his appointment was approved at the 76th Ordinary General Meeting of Shareholders held on June 24, 2016.

*2 Statutory auditor Yoshitsugu Minagawa has attended all Board of Directors and Board of Statutory Auditors meetings since his appointment was approved at the 76th Ordinary General Meeting of Shareholders held on June 24, 2016.

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 have been playing an appropriate role in strengthening the Company's corporate governance by, among other things, 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 in strengthening the Company's corporate governance by, among other things, making recommendations to management.
Satoshi Teramoto Assumed office in June 2010	As a certified public accountant, he has a high degree of specialized knowledge of and abundant practical experience in finance and accounting, and has been judged to have been conducting appropriate audits of the Company's execution of business.
Katsuhide Kurasaka Assumed office in June 2014	He has abundant experience in management of manufacturing workplaces in Japan and abroad in addition to deep insight as a business 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 of directors is comprised of monthly remuneration and stock-based compensation stock options as basic remuneration and a bonus as performance-linked remuneration. Remuneration of directors is made within an amount set by a resolution at the Ordinary General Meeting of Shareholders and the total amount is calculated with consideration to the level of consolidated recurring income and other management indicators.

(Monthly Remuneration)

At the 76th Ordinary General Meeting of Shareholders held on June 24, 2016, passage of a resolution set remuneration at up to ¥40 million per month (including an amount up to ¥5 million per month for Outside Directors).

(Stock-based Compensation Stock Options)

Stock acquisition rights are allocated to directors (excluding outside directors) and executive officers as stock-based compensation stock options. These stock-based compensation stock options can be exercised upon expiration of a certain restriction period of exercise. The 75th Ordinary General Meeting of Shareholders passed a resolution on June 23, 2015, limiting the amount of remuneration obtained by exercising stock acquisition rights as stock options to ¥100 million.

(Bonuses)

At the annual Ordinary General Meeting of Shareholders, a set amount is approved.

Remuneration is not made as employees or compensation for the performance of other duties. In addition, 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.

Monthly remuneration of statutory auditors was set at up to ¥8 million per month as decided upon at the 74th Ordinary General Meeting of Shareholders held on June 20, 2014.

Remuneration (fiscal 2016)

(Millions of yen)

	Total Remuneration	Total Remuneration by Type		
		Monthly Remuneration	Stock-based Compensation Stock Options	Bonuses
Directors	515	336	33	146
(8)				
Statutory Auditors	45	45	—	—
(2)				
Outside Officers	52	52	—	—
(6)*				

*The aforementioned includes 1 statutory auditor who resigned effective at the end of the 76th Ordinary General Meeting of Shareholders held on June 24, 2016.

■ System to Ensure Management Transparency

(Basic Policy on Disclosure)

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

(Initiatives to Encourage Execution of Voting Rights)

The Company sends out notices three weeks prior to the General Meeting of Shareholders and avoids dates when many companies hold their 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, Inc. for proxy voting.

(Disclosure of a Wide Range of Information)

On the Company's website, we release a wide range of information related to our investor relations (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 IR activities to communicate management vision, the state of operations, financial position and other information timely and clearly 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 continuously. 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 entitled "Our Values and Ideals" summarizing the ethical behavior guidelines and values that all officers and employees of the Group should follow, and has established a system to secure the soundness of 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 CSR & Risk Management Basic Regulations. Accordingly, the President and Executive Officer of Sumitomo Forestry has been appointed as the highest authority on risk management for the Sumitomo Forestry Group. The Company has established the CSR & 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. The committee also discusses operational status of the Action Guidelines based

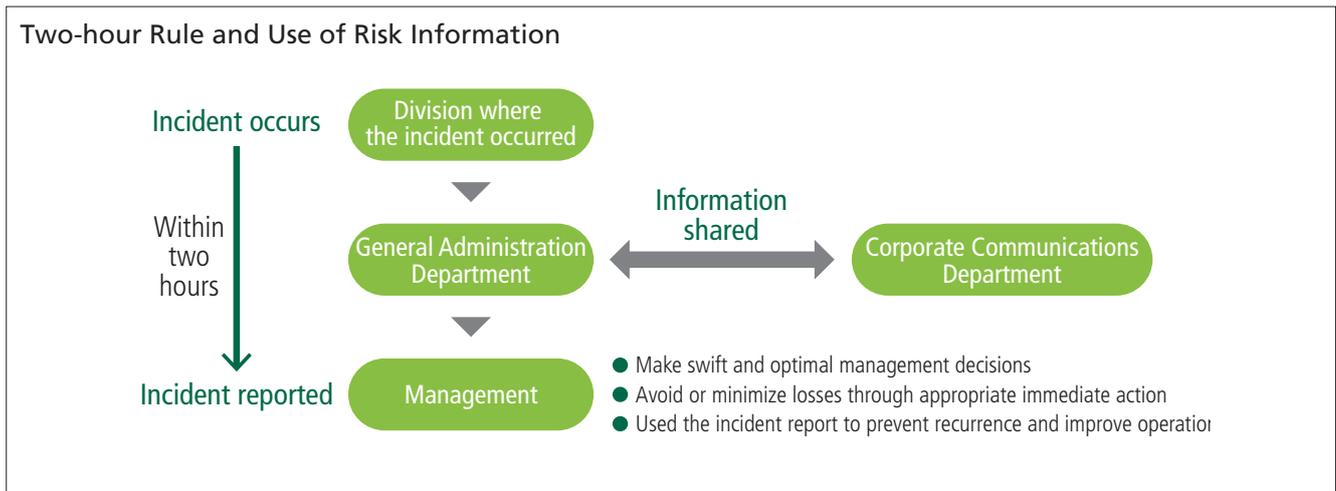
on the corporate philosophy and confirms the existence of a corporate culture and atmosphere that respect the gist and spirit of the Action Guidelines. Established under the umbrella of the CSR & Risk Management Committee, the Compliance Sub-Committee and the Business Continuity Plan (BCP) Sub-Committee are comprised of the general manager of the General Administration Department, who serves as committee chairman, and the risk management staff, 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 the management conducts management reviews in order to reflect the results in business execution. In fiscal 2016, the CSR & Risk Management Committee convened four times, the Compliance Sub-Committee twice, and the BCP Sub-Committee four times, and the Board of Directors received reports from them four times.

*From fiscal 2017 Risk Management Basic Regulations have been revised to become CSR & Risk Management Basic Regulations. In conjunction with this revision the Risk Management Committee has been restructured as the CSR & Risk Management Committee.

(Rapidly Identifying and Responding to Risk)

In addition to the normal reporting line, we operate a two-hour rule system designed to rapidly and accurately relay information to the management via the headquarters' risk management division in the event of an emergency situation that may cause 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 minimize losses. The information thus reported is also used to compile case studies, which are shared to prevent recurrences of the same incident 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 CSR & 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 staff 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 2016 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 permits and licenses 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 up-to-date knowledge, improve their skill levels, work on the same level as others, and develop a shared awareness of risk. These activities of the sub-committee are reported monthly to the Statutory Auditors and the Internal Audit Department every month. Critical Group-wide matters and risk information are shared with the statutory auditors of each Group company through the Group Board of Statutory Auditors. We maintain a compliance promotion framework through an approach on and off the business execution line.

(Internal Audits)

Of the Group's approximately 200 business sites within and outside of Japan, the Internal Audit Department selects about 60 business sites each year to conduct an internal audit considering 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 officer in charge of internal audits and statutory 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 officer in charge of internal audits.

Business Continuity Management

System for Managing Business Continuity

Sumitomo Forestry has established the BCP Sub-Committee to counter risks that could interrupt operations, such as major natural disasters and outbreaks of new strains of influenza. The Company promotes initiatives based upon business continuity plans (BCP).

In fiscal 2016, Sumitomo Forestry held four BCP Sub-Committee meetings. Critical initial responses in the event of a powerful earthquake, in particular the one striking directly underneath the Tokyo metropolitan area, were confirmed as adequate. Various drills and training programs were planned and implemented.

(BCP Simulation Training)

To overcome the chaos immediately following a large-scale earthquake and to transition quickly to action ensuring business continuity, it is vitally important that the people in charge can initially respond and make decisions according to the situation at hand. Since fiscal 2011, the Sumitomo Forestry Group has conducted BCP Large Scale Earthquake Countermeasures Simulation Training for the persons in charge at each domestic Group company. More than 460 people have participated in this training to date. 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 tough hypothetical scenarios. Another aim of the exercise is to share an awareness of risks and to strengthen cooperation in an emergency.

Systems have also been put in place 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 their home or other remote locations while maintaining a high level of security. Simulation drills for this are also conducted every year.

Ensuring Employee Safety

A portable guide for risk response has been distributed to all



BCP simulation training

Group employees with instructions for staying safe in the event of an earthquake and how to communicate whether they are safe. A safety confirmation system is also maintained with links to weather information so that the safety of employees can be ascertained quickly using various routes. Safety confirmation drills are conducted at domestic Group companies every year. In fiscal 2016, a total of 12,946 people participated in these drills. In the event that people are unable to return home after a major earthquake, emergency supplies have been stockpiled at all Group bases. In particular, at business sites in major cities where a large number of people may be unable to return home, three days of emergency supplies have been stockpiled at workplaces.



Portable guide for risk response

Supply Chain Business Continuity Initiatives and Continuity of Customer Service

In readiness for the 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. We also review our suppliers of building and construction materials with regard to business continuity issues, including whether they have planned alternative supply routes in the event of a disaster.

Sumitomo Forestry has call centers in Tokyo and Fukuoka that are able to provide 24-hour call center services, developing a mechanism whereby either call center can back up the functions of the other 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 disaster information pertaining to owners nationwide, enabling a quick response to requests for repairs.

Intellectual Property Management

■ 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 and infringements by or to our 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 as the organization in charge of managing intellectual property with a number of patent lawyers on the department payrolls. In addition to providing support for creating intellectual property, filing applications and preserving rights and concluding various technology-related contracts, the department also raises awareness of intellectual property among employees, conducts internal and external trend analysis, and makes recommendations for the direction of research and development. Furthermore, the Company has also established an Intellectual Property Hotline and makes it well known among employees.



Poster: Intellectual Property Hotline

■ Initiatives for Intellectual Property (Intellectual Property Education)

The Intellectual Property Department conducts classroom training for all Group employees who can access the intranet, 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.

In fiscal 2016, the Company held nine study sessions on intellectual property for the Tsukuba Research Institute and employees in charge of R&D at business divisions and subsidiaries in an effort to ensure thorough compliance and risk management. In addition, training on trademarks was conducted four times, targeted at employees in charge of public relations in each business division and affiliated company with the aim of raising awareness of the importance of trademarks and key issues.

(Performance Awards)

The Group gives out awards every year based on the Performance Award Code to recognize groups and individuals who have contributed through intellectual property activities to enhancing the Group's business competitiveness through inventions and other notable achievements. An award was made to one person during a commendation ceremony held for activities during fiscal 2016.

(Education through 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 conducting business activities. The Company also uses the site to post information on the latest topics concerning intellectual property.



Company intranet site Intellectual Property Farm

Information Security

Information Security Policy

To ensure the confidentiality, integrity and availability of its information systems, Sumitomo Forestry has raised the security level of its systems while maintaining the regulation 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, we continue to conduct employee training to ensure the rules are widely understood, and verify their levels of awareness.

With respect to the regulation aspects of information security, the Sumitomo Forestry Group Information Asset Protection Guidelines for Group companies in Japan have been established. At the same time, we have 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 checks the level of information security. Guidelines have also been formulated for overseas Group companies.

As for education on information security, we have made it compulsory for all Group employees with access to our intranet (including temporary and part-time employees) to take an e-learning course on information security every year.

With respect to the technological aspects of information security, the Group has encrypted all the data on computers that are taken outside the Company and restricts which data can be copied from its computers.

Information Security Management System

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. We also hold regular meetings of the Affiliated Companies IT Managers Council 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

In recent years, information security threats have grown, as shown by the increase in personal information leaks and targeted email attacks. As a countermeasure, the Sumitomo Forestry Group greatly increased investments in strengthening information security in fiscal 2016, developing multi-layered defense systems to enhance security. All employees were given training on targeted email attacks as well. The Security Information Office, which was set up in May 2016 at Sumitomo Forestry Information Systems Co., Ltd., leads efforts to improve responses to employee inquiries about cyberattacks and expand security training for all employees.

In-house e-Learning

