



Directors

* Representative Director ** Outside Director

<p>Akihisa Fukuda Director</p> <p>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)</p>	<p>Ken Wada Director</p> <p>Jul. 1983 Joined the Company Jun. 2008 Executive Officer Apr. 2010 Managing Executive Officer Jun. 2011 Director (current position) Apr. 2014 Senior Managing Executive Officer (current position) Jun. 2017 Divisional Manager of Housing Division Apr. 2017 Overseeing of Environment and Resources Division Overseeing of Lifestyle Service Division (current position)</p>	<p>Shigeru Sasabe Director*</p> <p>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) Apr. 2018 Divisional Manager of Overseas Housing and Real Estate Division (current position) Overseeing of Environment and Resources Division (current position)</p>	<p>Junko Hirakawa Director**</p> <p>Apr. 1973 Registered as Attorney at Law admitted in Japan Feb. 1979 Registered as Attorney at Law admitted in the State of New York, U.S.A. Oct. 1983 Partner of Yuasa and Hara Jul. 1997 Established 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)</p>	<p>Ryu Yano Chairman of the Board*</p> <p>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)</p>	<p>Akira Ichikawa President / Director*</p> <p>Apr. 1978 Joined the Company Jun. 2007 Executive Officer Jun. 2008 Director Apr. 2010 Managing Executive Officer Apr. 2010 Representative Director (current position) President/Director (current position) President and Executive Officer (current position)</p>	<p>Izumi Yamashita Director**</p> <p>Jul. 1971 Joined the 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)</p>	<p>Tatsuru Satoh Director*</p> <p>Apr. 1978 Joined the Company Jun. 2012 Executive Officer Apr. 2013 Managing Executive Officer Jun. 2013 Director Apr. 2016 Senior Managing Executive Officer Apr. 2018 Representative Director (current position) Executive Vice President and Executive Officer (current position)</p>	<p>Toshiro Mitsuyoshi Director</p> <p>Apr. 1985 Joined the Company Jun. 2010 Executive Officer Apr. 2011 Managing Executive Officer Divisional Manager of Overseas Business Division Apr. 2014 Deputy Divisional Manager of Housing Division Jun. 2014 Director (current position) Apr. 2015 President / Representative Director of Sumitomo Forestry Home Tech Co., Ltd. Apr. 2017 Divisional Manager of Housing Division Apr. 2018 Senior Managing Executive Officer (current position) Divisional Manager of Housing and Construction Division (current position)</p>	<p>Tatsumi Kawata Director</p> <p>Apr. 1986 Joined the Company Apr. 2012 General Manager of Personnel Department Apr. 2013 General Manager of Personnel Department Apr. 2014 General Manager of Workstyle Diversification Department Apr. 2014 General Manager of Corporate Planning Department Jun. 2016 Executive Officer Apr. 2017 Managing Executive Officer (current position) Jun. 2018 Director (current position)</p>
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Statutory Auditors

* Outside Statutory Auditor

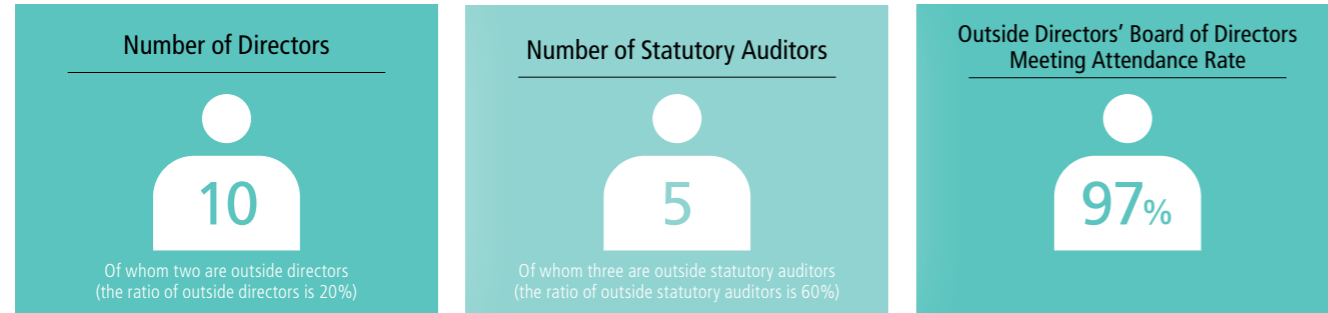
Executive Officers

* Doubles as Director and Executive Officer

<p>Hitoshi Hayano Senior Statutory Auditor (full-time)</p> <p>Noriaki Toi Statutory Auditor (full-time)</p> <p>Yoshitsugu Minagawa Statutory Auditor*</p> <p>Yoshimasa Tetsu Statutory Auditor*</p> <p>Makoto Matsuo Statutory Auditor*</p>	<p>Akira Ichikawa President and Executive Officer*</p> <p>Shigeru Sasabe Executive Vice President and Executive Officer*</p> <p>Overseeing Environment and Resources Division and General Manager of Overseas Housing and Real Estate Division</p> <p>Tatsuru Satoh Executive Vice President and Executive Officer*</p> <p>In charge of General Administration, Personnel, Information Systems, Intellectual Property, Internal Audit, and Tsukuba Research Institute</p>	<p>Ken Wada Senior Managing Executive Officer*</p> <p>Overseeing Lifestyle Service Division, and in charge of TOP (Tokyo Olympics Paralympics) 2020, Secretary, External Relations</p> <p>Toshiro Mitsuyoshi Senior Managing Executive Officer*</p> <p>In charge of Tohoku Reconstruction Support, Divisional Manager of Housing and Construction Division</p> <p>Akihisa Fukuda Managing Executive Officer*</p> <p>Divisional Manager of Timber and Building Materials Division</p>	<p>Tatsumi Kawata Managing Executive Officer*</p> <p>In charge of Corporate Planning, Finance, Corporate Communications and CSR</p> <p>Kunihiko Takagiri Managing Executive Officer</p> <p>President / Representative Director of Sumitomo Forestry Residential Co., Ltd.</p> <p>Akira Sekimoto Managing Executive Officer</p> <p>Divisional Manager of Environment and Resources Division</p>	<p>Kanpei Tokunaga Managing Executive Officer</p> <p>President and Representative Director of Sumitomo Forestry Home Tech Co., Ltd.</p> <p>Atsushi Kawamura Managing Executive Officer</p> <p>In charge of North American Business, and Deputy Divisional Manager of Overseas Housing and Real Estate Division</p> <p>Takahisa Higaki Managing Executive Officer</p> <p>Divisional Manager of Lifestyle Service Division</p>	<p>Ryoji Machino Executive Officer</p> <p>President and Representative Director of Sumitomo Forestry Crest Co., Ltd.</p> <p>Masayuki Tabuse Executive Officer</p> <p>Deputy Divisional Manager of Timber and Building Materials Division</p> <p>Akio Numazaki Executive Officer</p> <p>Deputy Divisional Manager of Housing and Construction Division (Overseeing of Construction Materials Development, Construction Management, Quality Control and Customer Relationship)</p>	<p>Nobuyuki Katayama Executive Officer</p> <p>Director and Senior Managing Executive Officer of Sumitomo Forestry Home Tech Co., Ltd.</p> <p>Junko Saishu Executive Officer</p> <p>In charge of work style reform and Women's Empowerment and General Manager of Personnel Department Workstyle Diversification Department</p> <p>Koichi Shimizu Executive Officer</p> <p>General Manager of Information Systems Department</p>	<p>Ikuro Takahashi Executive Officer</p> <p>Deputy Divisional Manager of Housing and Construction Division (Human Resources Development, Real Estate and Market Development, Technology and Product Development, Design Management) and General Manager of Marketing and Promotion Department</p> <p>Kazutaka Horita Executive Officer</p> <p>Deputy Divisional Manager of Timber and Building Materials Division and General Manager of Manufacturing Department</p>
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Corporate Governance

Corporate Governance



Organizational Structure	Company with a Board of Directors and a Board of Statutory Auditors
Number of Independent Directors and Auditors	5
Number of Board of Directors Meetings	15 (fiscal 2017)
Adoption of the Executive Officer System	Yes
Nomination and Remuneration Advisory Committee	Yes
Accounting Auditor	Ernst & Young ShinNihon LLC
Sumitomo Forestry Basic Policy on Corporate Governance	http://sfc.jp/english/corporate/corporate_governance.html

contribute to the realization of a sustainable and prosperous society. All our efforts are based on Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society." By further enhancing and strengthening its corporate governance through these efforts, the Company aims to continuously increase its corporate value and conduct management that lives up to expectations of various stakeholders around the Group.

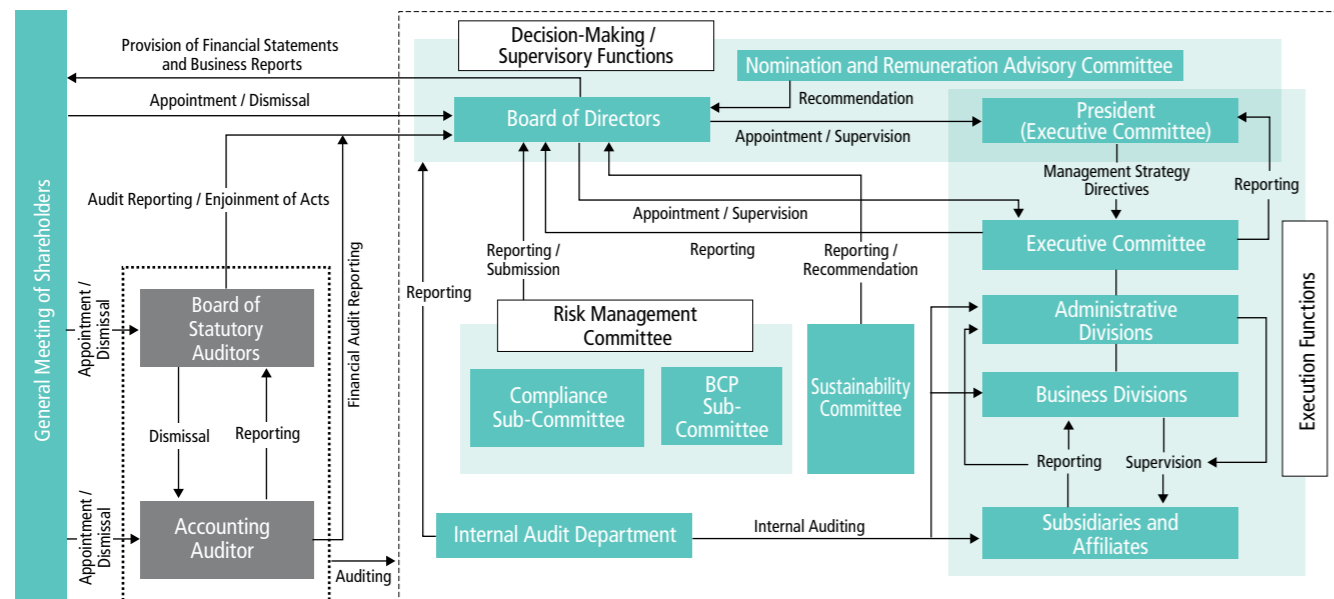
Corporate Governance System

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 (3 male). Under this organizational structure, we have introduced an executive officer system to separate decision-making and supervisory functions from execution functions.

Fundamental Policy

Sumitomo Forestry Co., Ltd. seeks to ensure management transparency as well as appropriateness and legality of its business and strives to promote expeditious decision-making and business execution under the Sumitomo Forestry Group's Corporate Philosophy, "The Sumitomo Forestry Group utilizes wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that

Corporate Governance System



Board of Directors and Executive Committee

The Board of Directors usually meets once a month, making decisions on important issues, checking up 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 2017, the Board of Directors met 15 times and the Executive Committee 25 times. Directors and statutory auditors strive to maintain a Board of Directors meeting attendance rate of at least 75%.

Analysis/Evaluation and its Results of Effectiveness of the Board of Directors

In fiscal 2017, the effectiveness of the Board of Directors was evaluated through discussions at Board of Directors meetings that were based on self-analyses of each Board members and an exchange of opinions with outside directors and outside auditors.

Prior explanations of agenda items and opportunities to visit Japanese and overseas operations to enliven discussions at Board of Directors meetings enabled the Company to maintain effective support systems for outside directors. Furthermore, thanks to active discussions that harness the directors' wide range of experiences and specialties, and new opportunities for discussions with outside directors regarding mid- to long-term business strategies, which was cited as an area for improvement in the fiscal 2016 effectiveness evaluation, overall, the Company believes that the Board of Directors is functioning effectively.

On the other hand, some expressed the opinion that there is a greater need for discussion regarding defensive governance (risk management, the enhancement of internal controls, etc.) to sustain many new investments being made for growth, as well as a need to further enrich discussions regarding mid- to long-term business strategy. The Company will continue to work on improving these areas to further enhance the effectiveness of the Board of Directors.

Statutory Audit System

Each statutory auditor audits the directors' execution of duties utilizing its 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

Reasons for Appointment as Outside Director and Statutory Auditor

Name	Reason for appointment
Junko Hirakawa Assumed office in June 2014 (Reappointed in June 2016 and June 2018)	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 (Reappointed in June 2018)	Since he has abundant experience in the financial industry and deep insight as a business manager, the Company believes that he is playing an appropriate role in strengthening the Company's corporate governance by, among other things, making recommendations to management.
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 is utilizing these factors in auditing duties.
Yoshimasa Tetsu Assumed office in June 2018	As a certified public accountant, he has a high level of specialized knowledge and a wealth of experience in financial and accounting matters, which we have determined can be utilized in the Company's audit operations.
Makoto Matsuo Assumed office in June 2018	As a lawyer with extensive experience in corporate legal affairs both in Japan and abroad, he is expected to appropriately execute the Company's audit operations with his specialized perspective.

Attendance of Outside Officers at Board Meetings (fiscal 2017)

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	14	93%	—	—
Statutory Auditor: Satoshi Teramoto	13	87%	13	93%
Statutory Auditor: Katsuhide Kurasaka	15	100%	14	100%
Statutory Auditor: Yoshitsugu Minagawa	14	93%	14	100%

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 2017, 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 Advisory 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 (2 Outside Directors and 3 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.

Appointment of Outside Directors and Outside Statutory Auditors

The Company has appointed 2 Outside Directors, Junko Hirakawa and Izumi Yamashita. The Company also has

appointed 3 Outside Statutory Auditors, Yoshitsugu Minagawa, Yoshimasa Tetsu and Makoto Matsuo. 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 is comprised of three different types: monthly remuneration and restricted stocks as basic remuneration, and a bonus as performance-linked remuneration. Remuneration for directors is set within an amount 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).
Restricted Stock
At the 78th Ordinary General Meeting of Shareholders held on June 22, 2018, in lieu of stock-based compensation stock options, the implementation of a remuneration system allowing the allotment of restricted stocks was approved. The limit of the monetary remuneration credit to allot these restricted shares was set at no more than ¥100 million annually at the 78th Ordinary General Meeting of Shareholders held on June 22, 2018. In addition, with this resolution, excluding those that have already been issued, remuneration of stock-based compensation stock options in the form of share options was abolished.
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.

(Auditor Remuneration)

Auditor remuneration is comprised of only basic remuneration, remuneration for auditors is set within an amount approved by the Ordinary General Meeting of Shareholders and determined upon consultation with the auditor. The remuneration is paid monthly in fixed amounts.

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 2017) (Millions of yen)

	Total Remuneration	Total Remuneration by Type		
		Monthly Remuneration	Stock-based Compensation Stock Options	Bonuses
Directors (8)	515	335	34	146
Statutory Auditors (2)	45	45	—	—
Outside Officers (5)	55	55	—	—

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

Establishment of a Sustainability Committee

Sumitomo Forestry established a Sustainability Committee in fiscal 2018 in response to increased demand for medium- to long-term initiatives regarding Environment, Social, and Governance (ESG) and the disclosure of such information. The Sustainability Committee is comprised of executive officers and directors, as well as general managers, with the President and Executive Officer acting as the committee chairman. At committee meetings held four times a year, committee members start with confirming the operational status of the corporate philosophy, Our Values, and the Code of Conduct as well as the effectiveness of monitoring, along with formulation and promotion of initiatives that address medium- to long-term ESG issues which concern Sumitomo Forestry Group's sustainability. The meetings also manage progress of the Medium-Term CSR Management Plan, which incorporates business strategies that contribute to achieving the UN Sustainable Development Goals.

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 its 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 Our Values to embody our corporate philosophy, summarizing the Code of Conduct 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 Companies 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 as the highest authority on risk management for the Sumitomo Forestry Group. The Basic Regulations also comprehensively encompass risks with society, environment, and economic aspects. The

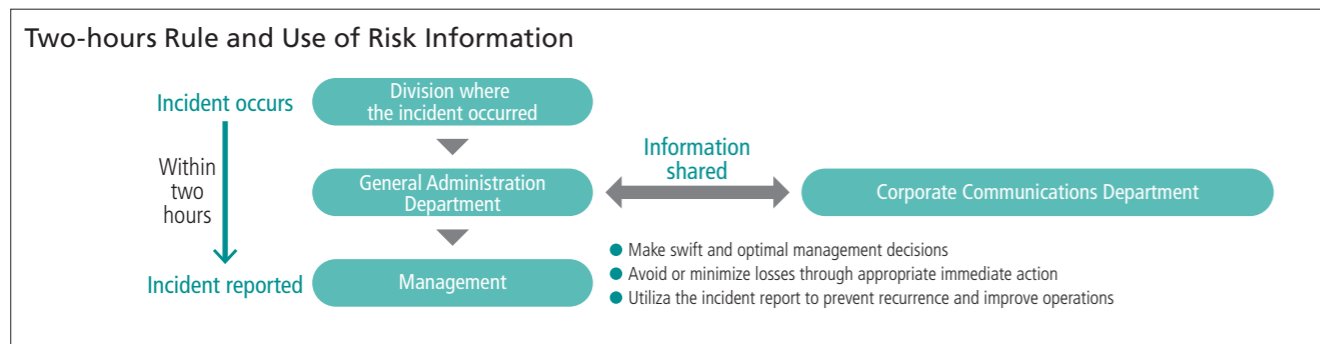
Company has established the Risk Management Committee, which is chaired by the President and Executive Officer and comprised of all other executive officers. Each executive officer identifies and analyzes manageable risks in their respective field and formulates action plans. The committee meets regularly once every quarter to share and discuss findings and results. At the committee, directors who concurrently serve as executive officers also attend, and the results are reported to the Board of Directors and mechanisms are improved to reflect the findings in business execution. 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 staff in charge of risk management, 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 and business interruption. In fiscal 2017, the 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. In fiscal 2018, in order to properly address the transformation of risks that

encompass the Group, Sumitomo Forestry will strengthen the risk management system by reviewing manageable risks and continuously making improvements on focus risks selected at the beginning of the period.

*In fiscal 2017, the Risk Management Basic Regulations were revised as the CSR & Risk Management Basic Regulations. The original Risk Management Committee was also restructured as the CSR & Risk Management Committee with the intention of strengthening the system from a CSR perspective and promoting management of CSR. However, in fiscal 2018, the regulations and the committee returned to their original names in line with the establishment of the Sustainability Committee.

(Rapidly Identifying and Responding to Risk)

In addition to the normal reporting line, we operate a two-hours 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 responds to compliance risk across the Group. The subcommittee 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 2017 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 quarterly to the Board of Directors, putting a system in place to reflect the findings in business execution. The activities are also reported to the Statutory Auditors and the Internal Audit Department monthly. 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)

Sumitomo Forestry's Internal Audit Department operations encompass a scope of around 200 business sites including subsidiaries, and the department selects around 60 business sites to undergo internal auditing each year. These business sites are given priority and selected based on two perspectives: operational risks (performance, scale, business complexity) and risk control (management system for risks). The 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 in line with laws and internal regulations. 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 promote initiatives based on the business continuity plan (BCP), and to address risks such as major natural disasters and outbreaks of new strains of influenza, which could interrupt operations, are extremely difficult for a company to prevent on its own, and can have serious impacts on headquarters functions. Because Group companies are important parts of the supply chain for one another's businesses, each company works to increase the overall Group's resiliency, and tackles issues with the aim of improving business continuity.

In fiscal 2017, Sumitomo Forestry held four BCP Sub-Committee meetings. These meetings included a review of critical initial responses in the event of powerful earthquakes, including those that occur underneath the Tokyo metropolitan area, which were confirmed as adequate. Various drills and training programs were planned and implemented.



BCP simulation training sessions

earthquake as well as rules for reporting to supervisors in their divisions. All Group companies in Japan have introduced safety confirmation systems linked to weather information, in addition to the emergency contact networks within the organization in order to obtain as much information as possible about the safety of employees before communication lines become congested and restrictions are placed on outgoing communications. These initiatives allow safety confirmations to be made via multiple routes. Furthermore, safety confirmation drills are conducted at domestic Group companies every year. In fiscal 2017, a total of 13,835 people participated in these drills.

(Disaster Prevention and Mitigation)

All workplaces have been stocked with standard emergency supplies based on the minimum stock for each workplace, and in preparation of a situation following a major earthquake in which employees are unable to return home and must stay in the office, or must walk a long distance to return home. In particular, at business sites in major cities (Tokyo metropolitan area, Osaka, Nagoya) where a large number of people are expected to be unable to return home, three days of worth of emergency supplies have been stockpiled.

Also, when selecting a new office or other business site, the headquarters disaster prevention staff are involved from the standpoint of disaster prevention and mitigation, in addition to cost and convenience. Also, we work to prevent and mitigate possible accidents in offices, such as preventing office equipment from falling over and keeping large multi-function printers set on casters from moving around.

Furthermore, in order to protect and preserve data, we take measures such as keeping data backups at locations far removed from data centers.

(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

Ensuring Employee Safety and Continuation of Company Operations

The Sumitomo Forestry Group has distributed a portable risk response card to all Group employees in Japan. The card contains instructions to follow in the event of a major

at hand. For that reason, the Sumitomo Forestry Group has implemented BCP Large Scale Earthquake Countermeasures Simulation Training for the persons in charge at each domestic Group company since fiscal 2011. In this training, participants experience a simulated earthquake "crisis," and acquire an awareness of the issues by being prompted to make immediate decisions again and again based on tough hypothetical scenarios. In addition, at the time of the training, responsible persons from Group companies who are located nearby meet up to share their awareness of risk and enhance their ability to collaborate during emergencies. More than 510 people have participated in this training to date.

Furthermore, systems have been put in place for situations in which employees have difficulty getting to work that allow important business operations, such as payment of salaries and payments to business parties, to 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.

■ Initiatives towards Supply Chain Business Continuity Initiatives

In readiness for the potential disruption of its Housing Business supply chain following a major disaster, Sumitomo

Forestry shares the specifications and processes for property construction along with site progress status and other information with business partners, including component makers and building contractors. By enabling advanced procurement of materials and production, the Company is striving to reduce the risk of a disruption to operations.

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

Going forward, we will make rules for suppliers to provide us with crisis management reports in the event of an earthquake or other natural disaster, or an accident such as a fire occurring at a supplier.

■ Maintaining Customer Service

Sumitomo Forestry has set up call centers in Tokyo and Fukuoka that are able to provide 24-hour after-sales services, developing a mechanism whereby either call center can back up the functions of the other call center in the event of 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.

on a repeated basis. We also require 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 formulating and managing rules and regulations, planning and implementing technical measures, educating and training employees, and investigating accidents and implementing countermeasures.

Also, as the information security supervisor, the person responsible in each division provides guidance and manages the execution of that division's operations, and assigns an information security staff member to be the working-level

manager for the division's information security.

We also regularly hold the Affiliates IT Managers' Council, which is attended by those individuals responsible for divisions in charge of information systems at domestic Group companies. At the meeting, 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 and developed multi-layered defense systems in fiscal 2017. All employees were given training on targeted email attacks as well.

The Security Information Department, which was set up in May 2016 at Sumitomo Forestry Information Systems Co., Ltd., is leading efforts to improve responses to employee inquiries primarily related to matters involving cyberattacks, and expand security training for all employees.

Intellectual Property Management

■ Intellectual Property Policy

Imitation and unauthorized use of trademarks and copyrights have become risks for corporate management. In order to maintain and increase business competitiveness, the Sumitomo Forestry Group strives to appropriately manage intellectual property rights. Such efforts include protecting rights in a timely manner according to the specific nature of the business, and handling other companies' intellectual property rights as necessary.

■ Systems for Managing Intellectual Property

Sumitomo Forestry established the Intellectual Property Department, staffed with a number of employees possessing patent attorney qualifications, as the department responsible for managing intellectual property. The Intellectual Property Department educates and raises the awareness among employees about intellectual property, provides legal consultation about infringing upon the intellectual property rights of others and vice versa, helps with concluding various agreements concerning intellectual property rights, assists in the creation of intellectual property rights at the Tsukuba Research Institute and in business divisions, as well as files applications for, and protects the rights for intellectual property that has been created.

■ 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 systematic acquisition of knowledge and basic conduct related to the handling of intellectual property from the perspective of compliance and risk management. Each year since fiscal 2012, a compliance-focused e-learning program for all Group employees has been conducted using the intranet.

In fiscal 2017, the Company held eight 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.

(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.

Information Security

■ Information Security Policy

To ensure the confidentiality, integrity and availability of its information systems with regard to recent increasing threats to information security, the Sumitomo Forestry Group has been planning improvements to security levels that maintain 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.

In terms of rules, we have formulated the Sumitomo Forestry Group Information Asset Protection Guidelines covering domestic Group companies, and prepared a checklist based on these guidelines. Each year, the people in charge of the information systems divisions at each Group company check the information security level. In fiscal 2012, we also formulated guidelines for overseas Group companies. With respect to educating employees about information security, the Information Security Department established in fiscal 2016 takes a central role in promoting awareness and providing in-house training