



Director  
Tatsumi Kawata

Representative Director  
Executive Vice President  
Shigeru Sasabe

Outside Director  
Junko Hirakawa

Representative Director  
Chairman of the Board  
Akira Ichikawa

Representative Director  
President  
Toshiro Mitsuyoshi

Outside Director  
Izumi Yamashita

Representative Director  
Executive Vice President  
Tatsuru Satoh

Director  
Atsushi Kawamura

# Governance

The Sumitomo Forestry Group seeks to ensure management transparency as well as the appropriateness and legality of its business and strives to promote expeditious decision-making and business execution.

Through these efforts, the Company aims to continuously increase its corporate value and conduct management that lives up to the expectations of various stakeholders.

## Introducing the Board of Directors and Statutory Auditors

(As of June 23, 2020)

### Directors



**Representative Director and Chairman of the Board**  
**Akira Ichikawa** (Born Nov. 12, 1954)

- Apr. 1978: Joined the Company
- Jun. 2007: Executive Officer
- Jun. 2008: Director
- Apr. 2010: Managing Executive Officer
- Apr. 2010: Representative Director (current position)
- Apr. 2020: President and Executive Officer
- Apr. 2020: Chairman of the Board (current position)



**Representative Director and President**  
**Toshiro Mitsuyoshi** (Born May 23, 1962)

- Apr. 1985: Joined the Company
- Jun. 2010: Executive Officer
- Apr. 2011: Managing Executive Officer
- Jun. 2014: Director
- Apr. 2015: President and Representative Director of Sumitomo Forestry Home Tech Co., Ltd.
- Apr. 2017: Divisional Manager of Housing Division
- Apr. 2018: Senior Managing Executive Officer
- Apr. 2018: Divisional Manager of Housing and Construction Division
- Apr. 2020: Representative Director (current position)
- Apr. 2020: President / Director (current position)
- Apr. 2020: President and Executive Officer (current position)



**Representative Director**  
**Shigeru Sasabe** (Born Feb. 28, 1954)


- Apr. 1977: Joined the Company
- Jun. 2008: Executive Officer
- Apr. 2010: Managing Executive Officer
- Jun. 2010: Director
- Apr. 2014: Senior Managing Executive Officer
- Apr. 2016: Divisional Manager of Overseas Business Division
- Apr. 2016: Representative Director (current position)
- Apr. 2018: Executive Vice President and Executive Officer (current position)
- Apr. 2018: Divisional Manager of Overseas Housing and Real Estate Division
- Apr. 2020: Divisional Manager of Timber and Building Materials Division (current position)



**Representative Director**  
**Tatsuru Satoh** (Born Dec. 14, 1955)

- 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)
- Apr. 2018: Executive Vice President and Executive Officer (current position)

[Notable concurrent jobs] Statutory Auditor at Kumagai Gumi Co., Ltd.



**Director**  
**Tatsumi Kawata** (Born Oct. 4, 1962)

- Apr. 1986: Joined the Company
- Apr. 2014: General Manager of Corporate Planning Department
- Jun. 2016: Executive Officer
- Apr. 2017: General Manager of Corporate Planning Department
- Apr. 2017: Managing Executive Officer
- Apr. 2018: General Manager of Corporate Planning Department
- Jun. 2018: Managing Executive Officer (current position)
- Jun. 2018: Director (current position)



**Director**  
**Atsushi Kawamura** (Born Feb. 24, 1965)

- Apr. 1987: Joined the Company
- Apr. 2014: General Manager of Overseas Housing and Real Estate Department
- Apr. 2016: Deputy Divisional Manager of Overseas Business Division
- Jun. 2016: Executive Officer
- Apr. 2017: Deputy Divisional Manager of Overseas Business Division
- Apr. 2018: Managing Executive Officer (current position)
- Apr. 2018: Deputy Divisional Manager of Overseas Housing and Real Estate Division
- Apr. 2020: Divisional Manager of Overseas Housing and Real Estate Division (current position)
- Jun. 2020: Director (current position)


### Outside Directors



**Independent Officer**  
**Junko Hirakawa** (Born Oct. 9, 1947)

- 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 Hirakawa, Sato & Kobayashi (currently City-Yuwa Partners -)
- Partner of Hirakawa, Sato & Kobayashi
- Feb. 2003: Partner of City-Yuwa Partners (current position)
- Jun. 2012: Outside Statutory Auditor of the Company
- Jun. 2014: Outside Director of the Company (current position)

[Important concurrent jobs] Lawyer / Outside Director of Tokyo Financial Exchange Inc. / Outside Director of Hitachi Construction Machinery Co., Ltd.



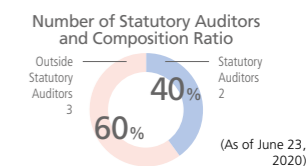
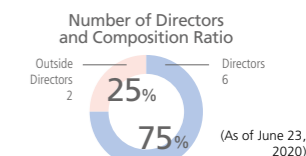
**Independent Officer**  
**Izumi Yamashita** (Born Feb. 1, 1948)

- 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. 2013: Resigned as Chairman, Representative Executive Officer of JAPAN POST INSURANCE Co., Ltd.
- Jun. 2016: Outside Director of the Company (current position)

[Important concurrent jobs] Outside Director of AEON Bank, Ltd.

Organizational Structure / Company with a Board of Directors and a Board of Statutory Auditors / Number of Independent Officers / 5 / Number of Board of Directors Meetings (Fiscal 2019) / 15 / 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/ir/management/pdf/CorporateGovernance.pdf>

Position	Name	Reason for appointment as a director	Attendance (Fiscal Year 2019: 15 times)	Company shares held (As of March 31, 2020)
Representative Director / Chairman of the Board	Akira Ichikawa	Akira Ichikawa has abundant experience and achievements related to the Sumitomo Forestry Group's business, serving in the Group's management since April 2010 as President and Director, and since April 2020 as Chairman of the Board.	15 times	70 thousand shares
Representative Director / President	Toshiro Mitsuyoshi	Toshiro Mitsuyoshi has abundant knowledge and management experience related to the Sumitomo Forestry Group's business. After serving as Divisional Manager of the Overseas Business Division and other roles, he was appointed President and Representative Director in April 2020.	15 times	13 thousand shares
Representative Director	Shigeru Sasabe	Shigeru Sasabe has abundant experience and achievements related to the Sumitomo Forestry Group's business and management. He was appointed as Director in 2010, and has successively held positions such as Divisional Manager of the Lifestyle Service Division. He currently serves as Executive Vice President and Executive Officer and Divisional Manager of the Timber and Building Materials Division.	15 times	37 thousand shares
Representative Director	Tatsuru Satoh	Tatsuru Satoh has abundant experience and achievements related to the Sumitomo Forestry Group's business and management. He was appointed as Director in 2013, serving as an Executive Officer who oversees General Administration, Personnel, and other departments. He currently serves as Executive Vice President and Executive Officer.	15 times	31 thousand shares
Director	Tatsumi Kawata	Tatsumi Kawata has abundant experience related to the Sumitomo Forestry Group's business. After successively serving as the General Manager of the Personnel Department, General Manager of the Corporate Planning Department and other roles, he was appointed as Director in June 2018. He currently serves as Managing Executive Officer.	15 times	8 thousand shares
Director	Atsushi Kawamura	Atsushi Kawamura has abundant experience related to the Sumitomo Forestry Group's business. After serving as Divisional Manager of the Overseas Housing and Real Estate Department and Deputy Divisional Manager of the Overseas Business Division, he was appointed Executive Officer in 2016. He currently serves as Managing Executive Officer and Divisional Manager of the Overseas Housing and Real Estate Division.	—	13 thousand shares
Outside Director	Junko Hirakawa	As an attorney, Junko Hirakawa has practical knowledge of corporate law in Japan and abroad, and has been judged to play an appropriate role in strengthening the Company's corporate governance by making recommendations to management from an expert's perspective.	15 times	—shares
Outside Director	Izumi Yamashita	Izumi Yamashita has abundant experience in the financial industry and deep insight as a corporate manager, and has been judged to play an appropriate role in strengthening the Company's corporate governance by making recommendations to management.	15 times	—shares



**Outside Directors' Board of Directors Meeting Attendance Rate (Fiscal Year 2019)**



### Statutory Auditors \* Independent Officer

Senior Statutory Auditor (full-time)	Akihisa Fukuda	Statutory Auditor (full-time)	Noriaki Toi	Outside Statutory Auditors	Yoshitsugu Minagawa*, Yoshimasa Tetsu*, Makoto Matsuo*
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### Executive Officers \* Doubles as Director and Executive Officer

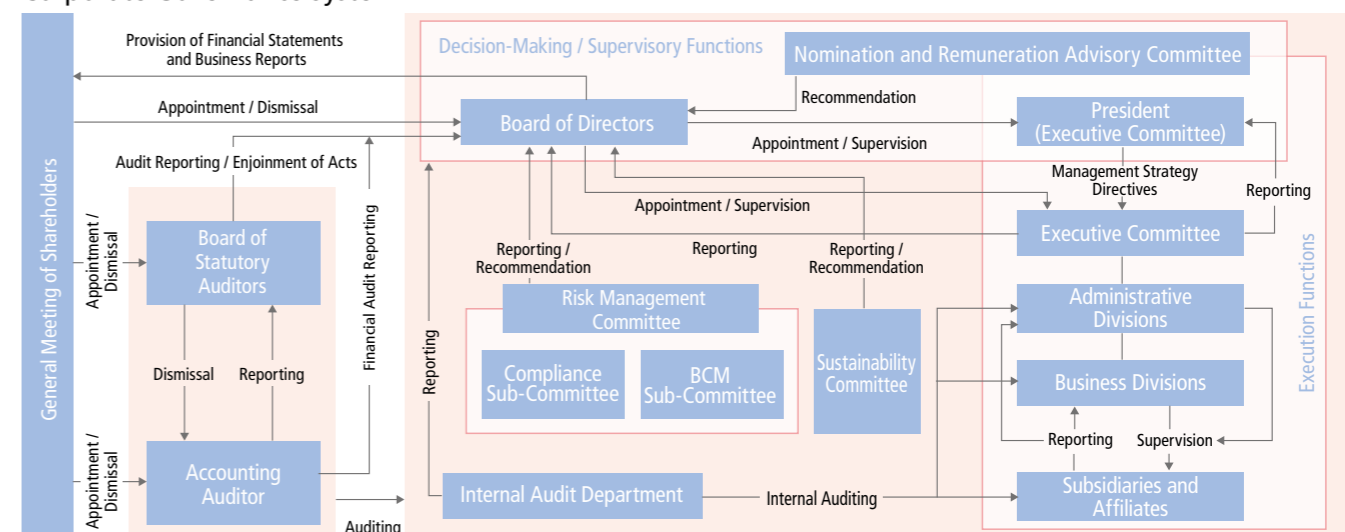
Position	Name	Reason for appointment as an executive officer	Executive Officers	Other Information
President	Toshiro Mitsuyoshi*		Ryoji Machino	President and Director of Sumitomo Forestry Crest Co., Ltd.
Executive Vice Presidents	Shigeru Sasabe*	Administering Environment and Resources Division, Divisional Manager of Timber and Building Materials Division	Akio Numazaki	Deputy Divisional Manager of Housing and Construction Division (Overseas Construction Materials Development, Construction Management, Quality Assurance)
	Tatsuru Satoh*	Administering Lifestyle Services Division, in charge of General Administration, Secretary, External Relations, Personnel, IT Solutions, Intellectual Property, Internal Audit, and the Tsukuba Research Institute	Junko Saishu	In charge of Workstyle Reform and Women's Empowerment and General Manager of Workstyle Diversification Department, Personnel Department
Managing Executive Officers	Tatsumi Kawata*	Administering Housing and Construction Division, in charge of Corporate Planning, Finance, Corporate Communications and Sustainability	Koichi Shimizu	General Manager of IT Solutions Department
	Atsushi Kawamura*	Divisional Manager of Overseas Housing and Real Estate Division	Kazutaka Horita	Deputy Divisional Manager of Timber and Building Materials Division and General Manager of Manufacturing Department
	Akira Sekimoto	Divisional Manager of Environment and Resources Division	Yoichiro Hosoya	Deputy Divisional Manager of Timber and Building Materials Division and General Manager of International Marketing Department
	Kanpei Tokunaga	President and Director of Sumitomo Forestry Home Tech Co., Ltd.	Yutaka Kamiya	President and Director of Sumitomo Forestry Landscaping Co., Ltd.
	Takahisa Higaki	President and Director of Sumitomo Forestry Residential Co., Ltd.	Koji Tanaka	Deputy Divisional Manager of Timber and Building Materials Division and General Manager of Tokyo Branch of Timber and Building Materials Division
	Kunihiko Takagiri	Divisional Manager of Lifestyle Service Division	Atsushi Iwasaki	Deputy Divisional Manager of Overseas Housing and Real Estate Division (In charge of North American Business) and President of Sumitomo Forestry America, Inc.
	Ikuro Takahashi	Divisional Manager of Housing and Construction Division		

## Corporate Governance System

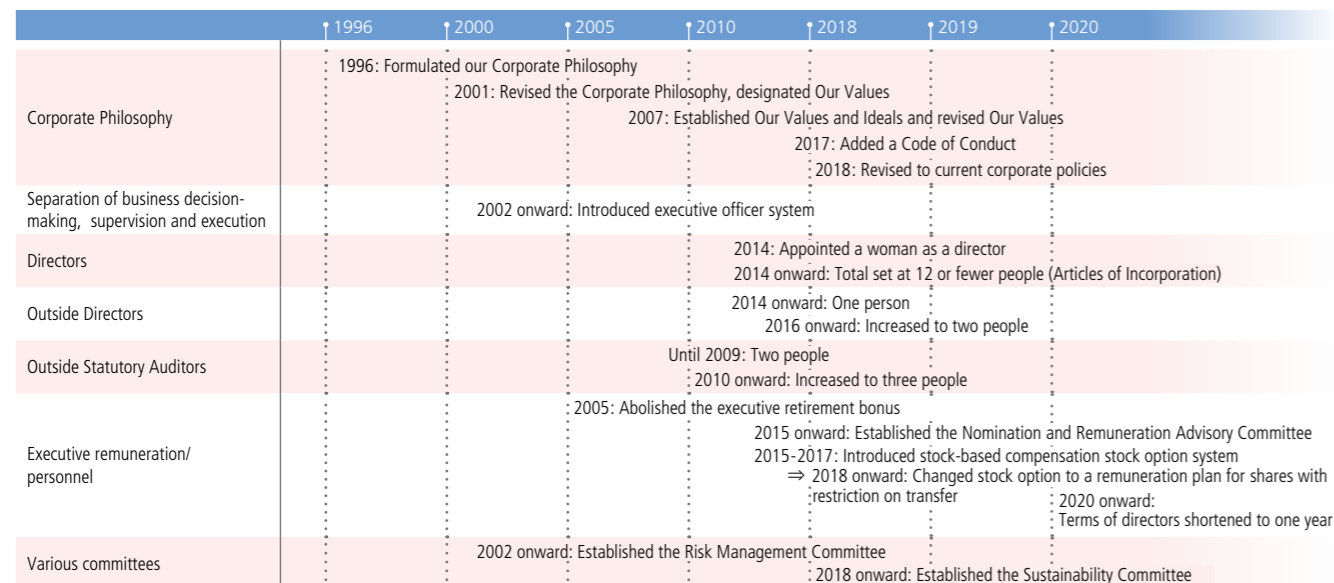
The Company has adopted the structure of a company with a board of statutory auditors and has a Board of Directors comprising 8 directors (7 male and 1 female), including 2 Outside Directors (1 male and 1 female), and a Board of Statutory Auditors comprising

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.

### Corporate Governance System



### Reforms to Corporate Governance



### 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. Prior to the Board of Directors meeting, 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. The Board of Directors met 15 times and the Executive Committee met 31 times in fiscal 2019. Directors and statutory auditors strive to maintain a Board of Directors meeting attendance rate of at least 75%.

At the Company's Ordinary General Meeting of Shareholders held on June 23, 2020, a resolution was passed to partially amend the Articles of Incorporation that shortens the terms of directors from two years to one year, in order to increase the confidence extended by shareholders while also building a management structure able to more quickly adapt to changes in the business environment.

#### <Risk Check for New Business Plans by the Executive Committee>

In addition to normal business risks, Sumitomo Forestry checks for risks throughout the entire supply chain that may affect the environment and society when the Executive Committee, which debates important matters, draws up plans for new businesses and projects. If risks are identified in this process, details about each risk and countermeasures are compiled in a report that is referred to when business execution decisions are made.

#### ■ Environment

1. Greenhouse gases, 2. Preservation of biodiversity (including protected lands), 3. Waste, 4. Water resources, 5. Soil pollution, 6. Noise, 7. Other

#### ■ Society

1. Relationships with suppliers, 2. Prevention of corruption in various forms, including coercion and bribes, 3. Respect for human rights of workers and other stakeholders, 4. Diversity in workforce, 5. Prohibition of forced labor and child labor, 6. Appropriate work hours and wages, 7. Occupational health and safety, 8. Impact on local communities (including residents, residents' association, industry groups, NPOs, civic groups, and indigenous peoples)

By evaluating matters from multiple angles, including non-financial factors, the Executive Committee contributes to sustainable business management. At the same time, the Sumitomo Forestry Group will proactively continue with sustainability management.

#### <Analysis/Evaluation and Its Results of Effectiveness of the Board of Directors>

##### 1. Evaluation Method

In fiscal 2019, all directors and auditors filled out a questionnaire (their names were not used and answers were sent directly to an external party to protect anonymity) about their self-evaluation and analysis of effectiveness, while enlisting the help of an external party. The Board of Directors also evaluated its effectiveness by confirming the implementation status (below,

status confirmation) of the role of the Board of Directors as designated by the Sumitomo Forestry Basic Policy on Corporate Governance, and by exchanging opinions with Outside Directors and Outside Statutory Auditors.

#### 2. Results of Evaluation

- The Company's Board of Directors was found to be functioning effectively overall, based on the results of the questionnaire, the status confirmation and an exchange of opinions with Outside Officers.
- As initiatives to address issues identified in the fiscal 2018 evaluation, the Company revised the procedures for debate at the Board of Directors as a step toward more defensive corporate governance, and clarified procedures for the impairment of fixed assets, with the aim of strengthening the monitoring functions of the Board of Directors. In meetings for interacting with Outside Officers, discussions were held about the Company's human resources strategy and reforms to its corporate culture.

As for future issues, the Company will steadily address issues identified in the questionnaire, such as improving the way Nomination and Remuneration Advisory Committee meetings are run, and better utilizing preliminary meetings among officers in a bid to enhance deliberations by the Board of Directors. In light of the COVID-19 pandemic, it was suggested that more in-depth discussions be held about the state of future business strategies.

The Company will continue to work on improving these topics to further enhance the effectiveness of the Board of Directors.

### 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, ten 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 the 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, arly 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.

The Board of Statutory Auditors met 15 times and the Group Board of Statutory Auditors met 6 times in fiscal 2019.

#### Attendance of Outside Officers at Board Meetings (fiscal 2019)

Position and Name	Board of Directors Meetings (convened 15 times)		Board of Statutory Auditors Meetings (convened 15 times)	
	Number of meetings attended	Attendance rate	Number of meetings attended	Attendance rate
Director: Junko Hirakawa	15	100 %	—	—
Director: Izumi Yamashita	15	100 %	—	—
Statutory Auditor: Yoshitsugu Minagawa	14	93 %	15	100 %
Statutory Auditor: Yoshimasa Tetsu	15	100 %	15	100 %
Statutory Auditor: Makoto Matsuo	15	100 %	15	100 %

#### Reasons for Appointment as Outside Director and Statutory Auditor

Name	Reason for appointment
<b>Junko Hirakawa</b> Assumed office in June 2014 (Reappointed in June 2016, June 2018 and June 2020)	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.
<b>Izumi Yamashita</b> Assumed office in June 2016 (Reappointed in June 2018 and June 2020)	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.
<b>Yoshitsugu Minagawa</b> Assumed office in June 2016 (Reappointed in June 2020)	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.
<b>Yoshimasa Tetsu</b> 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.
<b>Makoto Matsuo</b> 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.

### 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, and solicit opinions, in the nomination of director and statutory auditor candidates and executive officers; the removal of directors, statutory auditors and executive officers; the evaluation of the Chief Executive Officer and other executive officers; and decisions about remuneration for directors and executive officers. 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.

#### Attendance at Nomination and Remuneration Advisory Committee Meetings (fiscal 2019)

Position*	Name	Nomination and Remuneration Advisory Committee	
		Number of meetings attended	Attendance rate (%)
Director, Chairman of the Board	Ryu Yano	3	100
Director, President	Akira Ichikawa	3	100
Director (Outside)	Junko Hirakawa	3	100
Director (Outside)	Izumi Yamashita	3	100
Statutory Auditor (Outside)	Yoshitsugu Minagawa	3	100
Statutory Auditor (Outside)	Yoshimasa Tetsu	3	100
Statutory Auditor (Outside)	Makoto Matsuo	3	100

\* Positions as of March 31, 2020.

### Cooperation between Statutory Auditors, the Accounting Auditor 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. Statutory auditors and the accounting auditor hold meetings, and information is exchanged in a timely fashion to facilitate smooth and effective audits. The Internal Audit Department is in charge of conducting internal audits and periodically performs implementation audits and documentation audits of Sumitomo Forestry and Group companies. After audits are concluded, the results of the audits are reported to related parties with guidance for corrective actions and other initiatives to ensure the appropriateness of business operations. The Internal Audit Department collaborates with statutory auditors to conduct audits of the appropriateness and legality of daily business activities across 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.

### Executive Remuneration

Sumitomo Forestry has created an officer remuneration system commensurate with the duties of directors and statutory auditors that are expected by stakeholders in order to realize its Corporate Philosophy.

#### (Remuneration for Directors (Excluding Outside Directors))

Remuneration for directors, excluding Outside Directors, is comprised of three different types: monthly remuneration and restricted stocks as basic remuneration and a bonus as performance-linked remuneration.

The Company sets the amount of remuneration commensurate with the duties and responsibilities of each director's position. Basic remuneration is paid in a fixed amount of cash according to position, with a certain percentage paid in the form of restricted stocks. The amount of cash payments complies with a remuneration framework approved by resolution of the General Meeting of Shareholders. The amount of restricted stocks paid out does not exceed ¥100 million per year, per a resolution passed by the General Meeting of Shareholders.

Restricted stock remuneration is offered as a medium- and long-term incentive to increase the motivation and ambition of officers to enhance the corporate value of Sumitomo Forestry, while also sharing this value with our shareholders to increase the Company's share price.

Performance-linked remuneration is awarded in amounts approved by the General Meeting of Shareholders that are commensurate with profit attributable to owners of the parent as well as consolidated recurring income, excluding actuarial differences in retirement benefit accounting.

#### Basic Remuneration: 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.

#### Basic Remuneration: Restricted Stock

As of the 78th General Meeting of Shareholders held on June 22, 2018, the Company introduced a remuneration system for allocating shares with restrictions on their transfer, in lieu of stock-based compensation stock options. The maximum limit of monetary remuneration for Directors (excluding Outside Directors) allocated through restricted stock was resolved to be ¥100 million annually. 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.

#### Performance-Linked Remuneration

A set amount is approved at the annual Ordinary General Meeting of Shareholders.

#### (Outside Director Remuneration)

Remuneration for Outside Directors consists solely of monthly remuneration as basic remuneration.

A resolution was approved by the 76th Ordinary General Meeting of Shareholders on June 24, 2016, that limits this monthly remuneration to no more than ¥5 million per month.

#### (Statutory Auditor Remuneration)

Statutory auditor remuneration consists solely of monthly remuneration as basic remuneration. A resolution was approved by the 74th Ordinary General Meeting of Shareholders on June 20, 2014, that limits this monthly remuneration to no more than ¥8 million per month.

At the 65th Ordinary General Meeting of Shareholders held on June 29, 2005, the Company abolished the executive retirement bonus. We reference the results of a third-party assessment of executive remuneration at Japanese companies to ensure the objectivity and fairness of executive remuneration and set an appropriate level of remuneration.

#### Remuneration (fiscal 2019) (Millions of yen)

	Total Remuneration	Total Remuneration by Type			Number of Eligible Officers
		Monthly Remuneration	Stock Compensation	Bonuses	
Directors (Excluding Outside Directors)	516	335	38	143*	8
Statutory Auditors (Excluding Outside Statutory Auditors)	48	48	—	—	2
Outside Officers	55	55	—	—	5

\* The 80th Ordinary General Meeting of Shareholders held on June 23, 2020 approved a resolution that sets the amount of performance-linked remuneration for eight directors, excluding Outside Directors.

### 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. A resolution to partially amend the Articles of Incorporation, changing the start and end of the fiscal year to January 1 and December 31, was approved at the Ordinary General Meeting of Shareholders held on June 23, 2020. As a consequence, the Ordinary General Meeting of Shareholders will be held every March starting in 2021.

In addition, shareholders can use the internet 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 and telephone conferences for securities analysts and institutional investors in Japan. For overseas investors, the Company visits locations in Europe and the United States and holds individual meetings continuously. For individual investors, the Company regularly participates in joint company presentations and IR forums.

#### 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, and also in order to address SDGs, TCFD guidelines, and human rights issues. 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 monitor the Company's operational status and effectiveness within the context of Our Values and the Code of Conduct, along with the formulation and promotion of initiatives that address medium- to long-term ESG issues which concern the Sumitomo Forestry Group's sustainability, starting with climate change. The meetings also analyze risks and opportunities, and manage progress on the Medium-Term Sustainability Targets, which incorporate business strategies that contribute to achieving SDGs.

For example, regarding climate change, the Company evaluates risks and opportunities that could have a serious financial impact at the Companywide and division level, based on the latest information and data gathered from each department. Since fiscal 2018, the Company has been analyzing scenarios based on TCFD while coordinating with each business division.

Minutes of the committee's meetings are reported in their entirety to the Board of Directors with the aim of integrating business with solutions to social issues.

## Risk Management

### 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. Executive Officers in charge of the Head Office Administrative Division and each business division are appointed to positions responsible for risk management and head office risk management, while general managers are responsible for advancing risk management. The basic regulations also comprehensively encompass risks with ESG 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 the

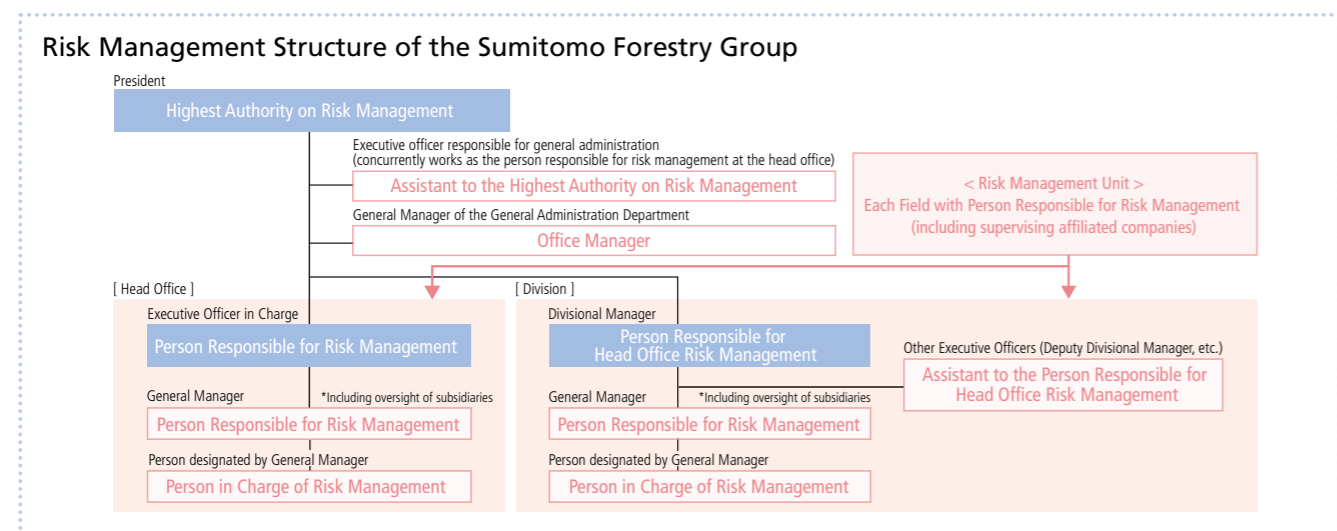
state of plan execution. The committee discusses short-term risks, such as compliance pertaining to prevention of corruption and other matters, and responses to risks that have already materialized. These activities are reported to the Board of Directors, and reflected in business execution.

Established under the umbrella of the Risk Management Committee, the Compliance Subcommittee and the BCM Subcommittee 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 subcommittees work to enhance the effectiveness of risk management pertaining to Group-wide risks, namely, compliance risks related to core business and business interruption.

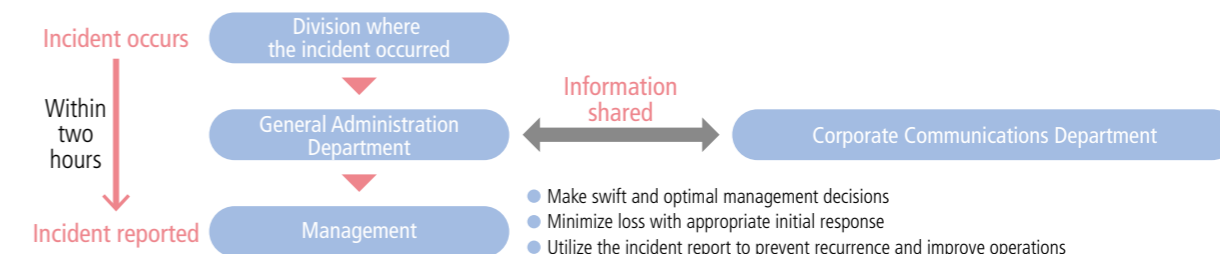
In fiscal 2019, the Risk Management Committee convened four times, the Compliance Subcommittee twice, and the BCM Subcommittee four times, and the Board of Directors received reports from them four times.

At the outset of fiscal 2020, to properly address changing risks in the environment surrounding the Sumitomo Forestry Group, the seriousness of each risk was analyzed in terms of the degree of impact and probability it will materialize, and added to the scope for risk management. In this way, the Company strengthens its risk management structure by seeking continuous improvements through a PDCA cycle for risks it initially identified as critical.

\* The previous BCP Subcommittee's name was changed to the BCM Subcommittee in April 2019 in order to facilitate the reinforcement of the Business Continuity Management (BCM) structure of the entire Group inside and outside Japan. The BCM Subcommittee aims to improve business continuity against various risks, expand alternative bases, and strengthen functions at the Emergency Headquarters.



### Two-Hours Rule and Use of Risk Information



### (Rapidly Identifying and Responding to Risk)

In addition to the normal reporting line, we have a "two-hours rule," which is a 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 Subcommittee 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 subcommittee was convened twice in fiscal 2019 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 subcommittee 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.

## Managing Business Continuity

### System for Managing Business Continuity

Sumitomo Forestry has established the BCM Subcommittee to address risks such as major natural disasters and outbreaks of new strains of influenza, which could interrupt operations, that are extremely difficult for a company to prevent on its own, and can have serious impacts on headquarters functions. The BCM Subcommittee is responsible for spreading awareness of and strengthening the business continuity management (BCM) structure, formulating, revising and improving business continuity plans (BCP), and conducting drills based on BCP. In fiscal 2019, the BCM Subcommittee met four times to address issues related to improving business continuity and enhancing the resilience of the entire Group, including ascertaining important initial actions to be taken in the event of a major earthquake, such as one underneath the Tokyo metropolitan area, and planning and operating various emergency drills.

### 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 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 2019, a total of 14,669 people participated in these drills.

In response to COVID-19, Sumitomo Forestry introduced a flexible work schedule system Companywide, and put employees on staggered shifts to reduce the number of people at work at the same time, while encouraging employees to balance working from home with commuting to work. During the state of emergency, employees in regions subject to lockdown were required in principle to work from home.

### Initiatives towards Supply Chain Business Continuity Initiatives

In preparation for the potential disruption of its Housing and Construction Business supply chain following a major disaster, Sumitomo Forestry shares the specifications and processes for

property construction along with site progress statuses 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.

The COVID-19 outbreak spreading across the world in 2020, however, led to delays in parts and materials procurement and construction projects. In light of these circumstances, in the event of an earthquake or other natural disaster, or a fire accident, we asked our suppliers to examine their methods for reporting disasters to Sumitomo Forestry and developing systems for historical records management.

To deal with delays in parts and materials procurement caused by COVID-19, Sumitomo Forestry asked its suppliers to stockpile inventories of materials that experienced delays, as a short-term preparation for a second wave of coronavirus infections. For medium- to long-term preparations, Sumitomo Forestry plans to work with its suppliers on reducing risk by geographically dispersing their production bases. Regarding suppliers of construction materials and other materials, Sumitomo Forestry added questions related to business continuity, such as whether alternate supply routes can be ensured during an emergency, to the supplier survey it conducts every year to facilitate decisions on whether to continue transactions with each supplier. Through these efforts, the Company strives to further reduce the risk of business disruption.

### Maintaining Customer Service

Sumitomo Forestry has set up call centers in Tokyo and Okinawa 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.



BCP simulation training sessions

# Financial Section