

# CORPORATE SOCIAL RESPONSIBILITY



## CONTENTS

<b>30</b>	<b>31</b>	<b>33</b>	<b>36</b>	<b>37</b>	<b>38</b>
Directors	The Management System of Sumitomo Forestry	Corporate Social Responsibility	Organization Chart	Overseas Network	Subsidiaries and Affiliates

Free indoor spaces improved by eliminating the need for bearing walls impart a feeling of vertical and horizontal spaciousness that seems to exceed actual floor space. Furthermore, the deep eaves made possible by the BF (Big Frame) construction method provide a highly expressive exterior view and also reduce heat by blocking direct light when the angle of the sun is high in summer.

# DIRECTORS



**Hitoshi Hayano**  
Managing Executive Officer

**Mamoru Inoue**  
Managing Executive Officer

**Hideki Nose**  
Managing Executive Officer

**Ryu Yano**  
President and Executive Officer

**Shigehiko Shiozaki**  
Managing Executive Officer

**Hideyuki Kamiyama**  
Managing Executive Officer

**Shoichi Takahashi**  
Senior Managing Executive Officer

## Directors

*President/Director	Ryu Yano
*Director	Shoichi Takahashi
Director	Hideki Nose
Director	Hideyuki Kamiyama
Director	Mamoru Inoue
Director	Shigehiko Shiozaki
Director	Hitoshi Hayano

(\*Representative Director)

## Statutory Auditors

Senior Statutory Auditor	Shuji Kitamura
Statutory Auditor	Toshio Kohigashi
*Statutory Auditor	Hiroshi Miki
*Statutory Auditor	Satohiko Sasaki

(\*Outside Corporate Directors under the Commercial Code)

## Executive Officers

*President and Executive Officer	Ryu Yano	
*Senior Managing Executive Officer	Shoichi Takahashi	Executive Manager, Business Headquarters
*Managing Executive Officer	Hideki Nose	Executive Manager, Collective Housing Headquarters
*Managing Executive Officer	Hideyuki Kamiyama	Executive Manager, Housing Headquarters
*Managing Executive Officer	Mamoru Inoue	Executive Manager, Business Development Headquarters
*Managing Executive Officer	Shigehiko Shiozaki	General Manager, Personnel Division
*Managing Executive Officer	Hitoshi Hayano	General Manager, Corporate Planning Division
Executive Officer	Hiroshi Ando	Assistant Executive Manager, Business Headquarters
Executive Officer	Ryuichi Takayama	Sumitomo Forestry Landscaping Co., Ltd., President
Executive Officer	Yasuyoshi Ishiwatari	Sumirin Enterprises Ltd., President
Executive Officer	Masahiro Nishimura	Sumitomo Forestry Home Tech. Co., Ltd., President
Executive Officer	Josuke Toyoda	General Manager, Information Systems Division
Executive Officer	Kaoru Takeshita	Sumitomo Forestry Two-By-Four Homes Co., Ltd., President
Executive Officer	Koji Takahashi	Sumitomo Forestry Crest Co., Ltd., President
Executive Officer	Hideo Watabe	Assistant Executive Manager, Collective Housing Headquarters; General Manager, Tokyo Sales Office (Collective Housing Headquarters)
Executive Officer	Yasuyuki Yamamoto	Assistant Executive Manager, Collective Housing Headquarters; General Manager, Technology Division and Product Development Division (Collective Housing Headquarters)

(\*Doubles as Director and Executive Officer)

(As of June 27, 2006)

# THE MANAGEMENT SYSTEM OF SUMITOMO FORESTRY

## Corporate Philosophy

The Sumitomo Forestry Group utilizes timber as a renewable, healthy, and environmentally friendly natural resource, and contributes to a prosperous society through all types of housing-related services.

## Action Guidelines

### Sumitomo Spirit

We conduct business based on principles of integrity and sound management.

### Respect for Humanity

We create an open and inclusive corporate culture that instills a strong sense of pride and motivation in employees.

### Environmental Protection

We contribute to the protection of the environment and our fellow beings through responsible business practices.

### Putting the Customers First

We act with customer satisfaction first and foremost in mind

## MANAGEMENT CONTROL AND PROMOTION SYSTEM

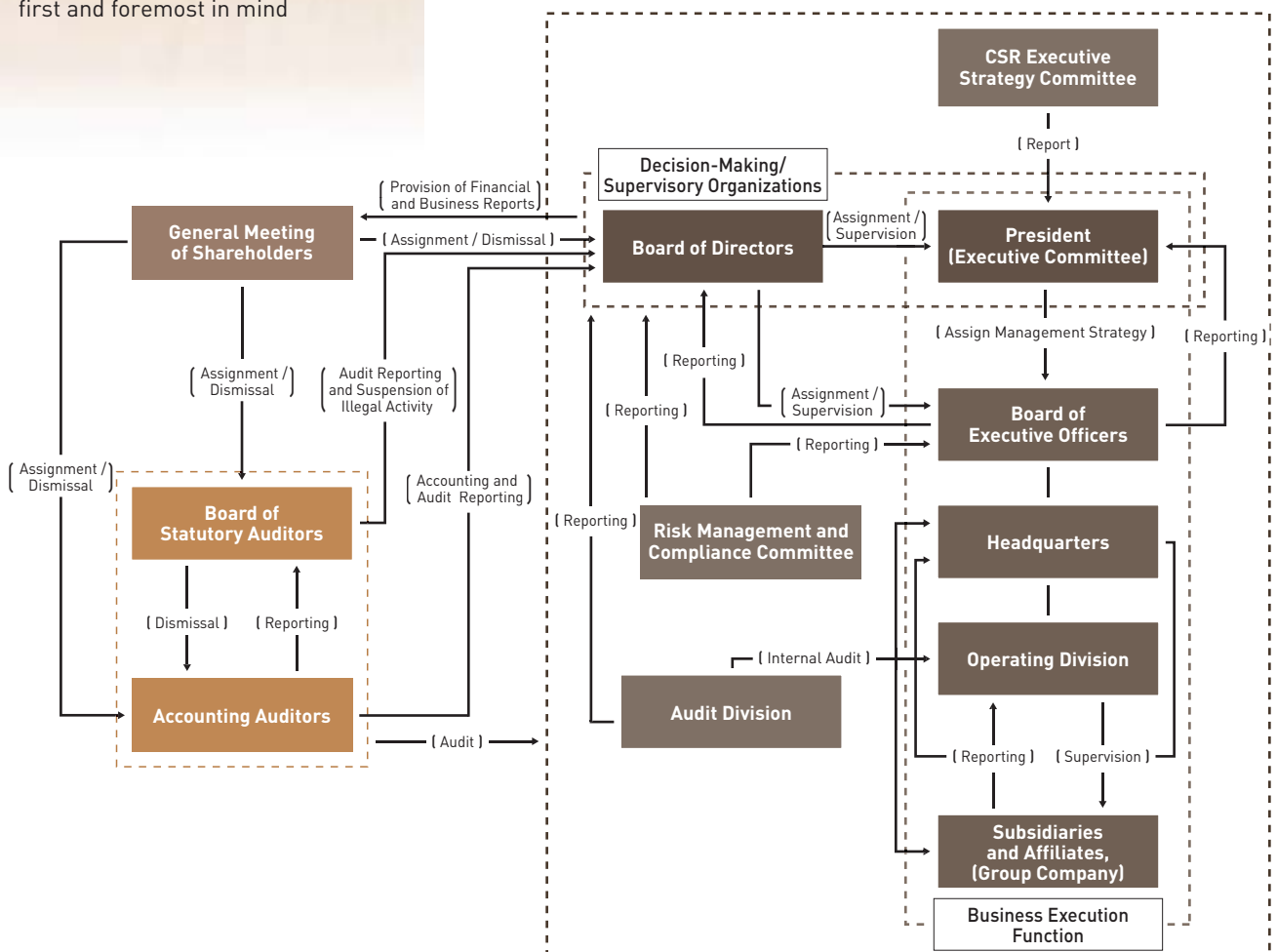
The Sumitomo Forestry Group, as a provider of a wide spectrum of services for living spaces, has a close interrelationship with society. We regard enhancing and strengthening our systems of corporate governance and compliance as an ongoing effort which leads to the continuous improvement of our corporate value.

In order to build and maintain an open-minded corporate culture in which each employee works with motivation and pride, we have adopted a management philosophy in which the Sumitomo Spirit, respect for humanity, environmental protection, and putting customer first orientation constitute our code of conduct. We continuously promote the importance of this philosophy to all employees through public relations channels.

## CORPORATE GOVERNANCE

In June 2002, we introduced the executive officer system and separated the “decision-making and supervisory functions” from “business execution functions.” By doing so, we are working to improve the speed of management to enhance supervisory functions, and clarify where the responsibility for business execution lies.

## Business Execution and Management Supervision Mechanism



### **Board of directors**

To keep pace with the rapidly changing management environment, the Board of Directors meets once a month and the Executive Committee meets twice a month. The Board of Directors makes decisions regarding important management matters and reviews business results. The Board also performs supervisory functions related to business execution. The Executive Committee determines the Group's management strategies. The Board of Executive Officers, which consists of all executive officers (16 as of June 27, 2006) reports on the status of operations.

### **Auditing system**

Under our auditing system, there are currently four statutory auditors, including two outside statutory auditors. The statutory auditors attend the Board of Directors and the Executive Committee meetings. They also meet once every three months to exchange views with the representative directors regarding improvements to the auditing environment and meet once every three months to exchange information with the auditors of the main Group companies. Through these meetings, the auditors work to enhance the effectiveness of auditing.

### **Investor relations (IR) activities**

In order to increase the transparency of management and build a solid relationship of trust with our shareholders, we perform appropriate information disclosure through IR activities. In order to make general meetings of shareholders more productive and to facilitate the exercise of voting rights we send out invitation notices three weeks prior to general meetings of shareholders. We also present an English translation of these invitations on our home page.

## **COMPLIANCE AND RISK MANAGEMENT**

In 2005, the housing industry faced a number of regrettable issues, such as asbestos and a data fabrication scandal, which caused a loss of confidence in the industry and engendered unease and mistrust among customers. To address issues such as these and restore customers' trust, the Group has reaffirmed its mission of providing safe, secure and comfortable living spaces and will build a solid business framework with compliance as one of our most important issues.

As a result of research into the use of asbestos, we confirmed that as of 2005, no asbestos-containing building materials were in use. Although some asbestos-containing building materials were in use in the period prior to November 2002 (May 2004 in the case of collective housing), the asbestos in these materials was fixed in cement or other material and was resistant to dispersal as dust. Thus, it was confirmed that asbestos used in ordinary housing life posed no threat of dispersal. The results of this research have been presented on our home page and in information pamphlets distributed to customers. Customers can also ask questions and obtain advice at our customer service centers.

To deal with risk management issues, we have established a Risk Management and Compliance Committee, headed by the General Manager of the General Administrative Division. We have also established a rule that emergency situations must be reported to the president within two hours. Thus, we have created a system under which the top management takes the initiative in our efforts to manage risk.

# CORPORATE SOCIAL RESPONSIBILITY (CSR)



For further details regarding Sumitomo Forestry's corporate social responsibility efforts, please refer to the Environmental and Social Report 2006.

Throughout a history spanning more than 300 years, the Group has practiced "sustainable forestry," and a corporate philosophy of sustainability continues to this day as part of the DNA of Sumitomo Forestry.

We regard CSR as "returning to the starting point and reexamining this corporate philosophy of sustainability." Our aim is to continue to be recognized as a company essential to society.



Providing high-quality homes with high resistance to earthquakes is the responsibility of a housing company. Through our multibalanced construction method that achieves a sturdy structural balance between foundation, floors, posts and walls, Sumitomo Forestry builds wooden, earthquake-resistant houses.

## ENVIRONMENTAL EFFORTS THROUGH OUR BUSINESS

### Environmental vision

In 2005, the Group established a Medium-Term Environmental Management Policy. This policy places "environmental symbiosis" at the cornerstone of management and seeks to achieve consistency between protecting the environment and promoting business operations. Under this policy, we can reduce the burden on the environment while cutting operating costs. Through a strategy of differentiation on environmental issues, we can simultaneously contribute to society and improve our business performance. We regard the plan as one that realizes true environmental management. Specifically, we are engaged in the following undertakings in the course of our business operations.

### 1. Promoting the use of domestic timber

With forests covering a little under 70% of its land area, of which 10 million hectares, or about 40%, are planted forests, Japan is blessed with abundant timber resources. Due to increased imports of overseas-grown timber, however, care of our forests has become inadequate, and forests are increasingly left without thinning or pruning.

Forests perform functions that benefit us all, such as land conservation and absorbing CO<sub>2</sub>. Logging trees when they are ready and using the timber planted about 60 years ago appropriately can help to revitalize our mountain forests and facilitate forest development. We contribute to the care of our forests by making extensive use of domestic timber in housing construction. Domestic timber is used for 51% of the main construction materials for our "MyForest" homes, which were launched in 2005.

### Use of Domestic Timber as Main Construction Material for "MyForest"

Use / Name of material	Domestic timber used	Characteristics
Bases for walls "Cross Panels"	Japanese cedar, Japanese larch	High earthquake absorption functions and air permeability through thin panels linked in reticular pattern
Posts and foundations "Super Cypress"	Japanese cypress	By laminating with glue, succeed to realize better durability and precision than solid materials while maintaining the positive features of cypress
Bases for floors "Durable Floor Panels"	Japanese cedar	Achieves a highly durable floor structure with plywood using Japanese cedar

## 2. Environmental management

One of the first in the housing industry to obtain ISO14001 certification, we are making efforts to reduce the burden on the environment through an integrated company-wide management system. We have identified the risks that have a critical impact on our business activities, such as waste, asbestos, illegal logging and soil pollution, and are responding by ascertaining the nature of these risks and developing countermeasures for each risk.

In order to prevent purchases of illegally logged timber, we are establishing timber procurement standards, scheduled for completion in 2006, to certify the legality of the timber and timber products we handle. Although we are confirming the legality of products for which standards have been established, such confirmation can be made difficult by circumstances in the producing countries. For such products, staff posted to these countries are investigating the legality of our business partners and products, and are working to complete the setting of these standards at an early stage.

## 3. Prevention of global warming

We believe that reducing CO<sub>2</sub> emissions is an important social responsibility and are working to reduce these emissions by taking a broad approach that targets not only emissions generated by our business operations but also emissions generated when homes are occupied by customers.

We have made estimates of the amount of CO<sub>2</sub> emitted from MyForest homes over their entire 30-year life cycle, from production of materials to construction, residence, recovery and disposal, and found that the period of residence accounts for 65% of emissions. In order to reduce the energy consumption during the period of residence together with our customers, we have developed “Ryo-on-bo” as our design concept that utilizes natural energy as in traditional Japanese housing. Since fiscal 2005, we have established specification standards for insulation performance that meet the Next-Generation Energy Conservation Standards, reducing energy use by 29% compared with the previous 1992 Energy Conservation Standards.



“Ryo-on-bo”: To allow people to spend each day in health and comfort, this type of housing skillfully incorporates the power and rhythm of nature. The approach toward homes that the Japanese have developed and built over centuries is realized through modern technology.

## COMMUNICATION WITH STAKEHOLDERS

We have created the tree spirit *Kikorin*, a new character to symbolize our commitment to sustainability. Creating a pleasant image of a future where people and nature co-exist, this character will convey the spirit of Sumitomo Forestry in a friendly way.



*Kikorin*

### 1. Working with business partners

We have laid out our Green Procurement Guidelines and are working with our suppliers and contractors who are our business partners to achieve environmental conservation. We have also established the Safety and Sanitation Control Regulations and are working with builders to reduce labor accidents at construction sites.

### 2. Working with our customers

We believe that it is important not only to provide high-quality housing and services but also to meet customers' expectations from a long-term perspective. For this reason, we have established a 60-year "Long-Term Support System" for customers after they occupy their homes, and have set up a system to provide consultation 24 hours a day, 365 days a year. We also are working to improve customer satisfaction by listening to their concerns through questionnaire surveys conducted at the time of regular inspections.

### 3. Working with society

In order to operate as a company that is open to society and to be a good corporate citizen, we invite students on tours of company and hold seminar lectures to explain our company's convictions to society.

We also put emphasis on communication between the company and society. Since fiscal 2005, we have participated in the Nikkei CSR Project sponsored by the *Nihon Keizai Shimbun* and in the Sustainable Japan program sponsored by the *Asahi Shimbun*. Through these activities, we communicate information aimed at creating a sustainable society.

### 4. Working with our employees

We believe that employees are treasured company assets. In order to attain the code of conduct whereby each employee create an open and inclusive corporate culture that instills a strong sense of pride and motivation, we have adopted a personnel system incorporating the following basic guidelines.

- 
- Encourage reform of our corporate culture and promote corporate vitality.
  - Strengthen human resources development and training, and provide opportunities to motivated and capable employees, in order to achieve a more proactive and independent corporate group
  - Reward results fairly
  - Firmly establish transparency and in-house consensus, and achieve a workplace brimming with vitality and possessing a high awareness of its goals
- 

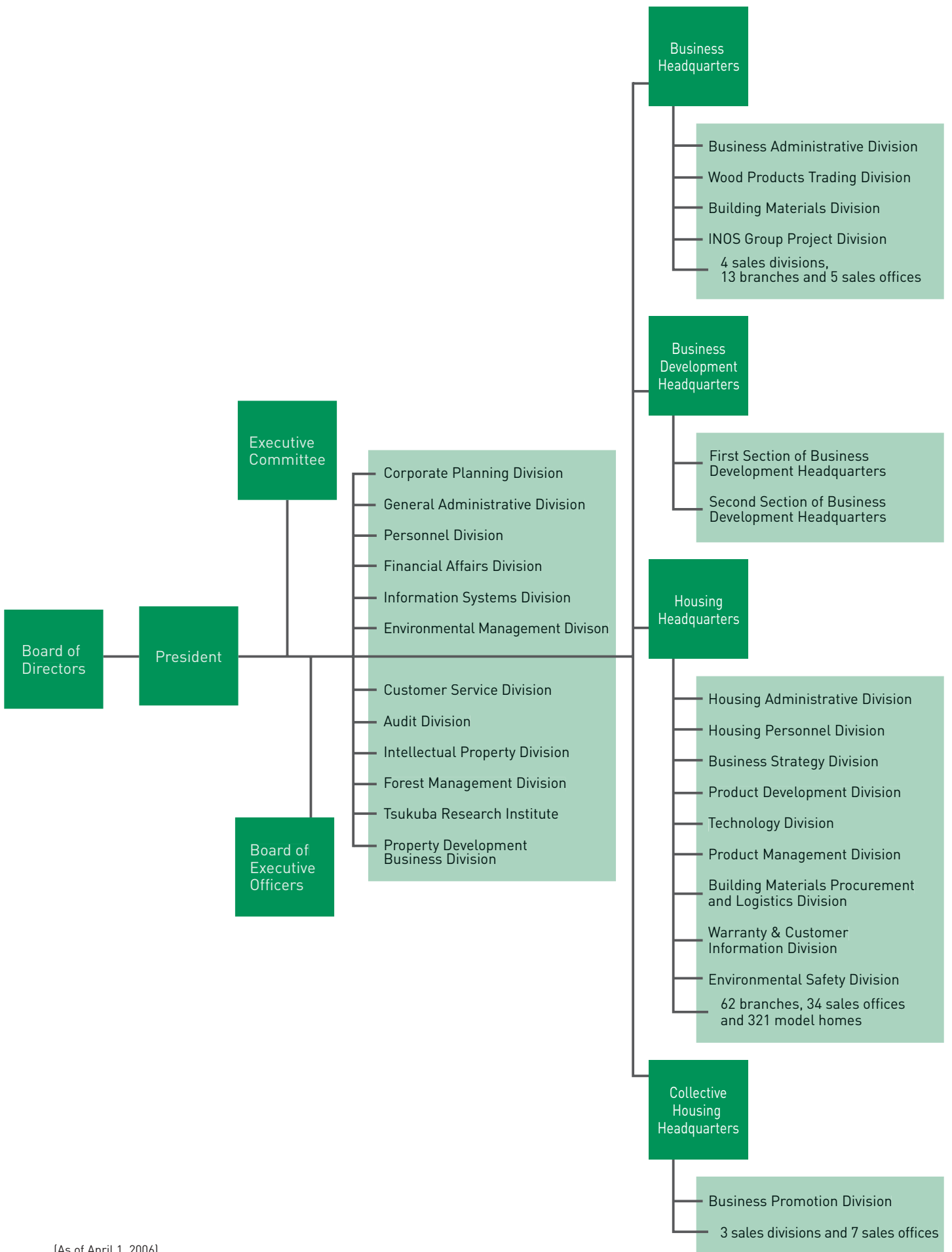
Our hiring plan for 2006 sees our ideal employee as "mentally tough and fair".

### 5. Working with shareholders

We are working to improve the quality of management by increasing transparency through appropriate information disclosure. We are also actively carrying out publicity and IR activities to build a good relationship of trust with our shareholders and investors. As the issue of Socially Responsible Investment (SRI) draws interest, we have been included in the FTSE 4 Good Global Index since 2004. In 2005, we also have been included in Morningstar Socially Responsible Investment Index (MS-SRI) and in the Dow Jones Sustainability World Index (DJSI World).



# ORGANIZATION CHART



(As of April 1, 2006)



# OVERSEAS NETWORK

## OVERSEAS OFFICES AND SUBSIDIARIES

### 1. Seattle Office/Sumitomo Forestry Seattle, Inc.

11235 SE 6th Street, Suite 120,  
Bellevue, Washington 98004, U.S.A.  
Tel: 1-425-454-2355  
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### 2. Vancouver Office

460, 1140 West Pender Street,  
Vancouver, British Columbia,  
Canada, V6E 4G1  
Tel: 1-604-681-8184  
Fax: 1-604-681-6568  
E-mail: sfc1@sfcvcr.com

### 3. Amsterdam Office

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### 4. Jakarta Office

Summitnas II, 8th Floor, Jl. Jend.  
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E-mail: sfcjkt@cbn.net.id

### 5. Singapore Office/Sumitomo Forestry (Singapore) Ltd.

6 Raffles Quay #14-04/05,  
John Hancock Tower,  
Singapore 048580  
Tel: 65-6435-0150  
Fax: 65-6435-0151  
E-mail: adm@sfspace.com.sg

### 6. Khabarovsk Office

Room 1007, Hotel Intourist, 2,  
Amurskiy Blvd, Khabarovsk,  
68000, Russia  
Tel: 7-4212-41-33-60  
Fax: 7-4212-41-33-62  
E-mail: sfc@sovintel.ru

### 7. Dalian Office

Senmao Building, 11th Floor,  
147 Zhongshan Road,  
Xigang District, Dalian, 116011, PRC  
Tel: 86-411-8367-8060  
Fax: 86-411-8367-8061  
E-mail: dalian@sfc-cn.com

### 8. Tawau Office

TB3473, 6th Floor, Wisma Indotani,  
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Tel: 60-89-772979  
Fax: 60-89-761060

### 9. Kota Kinabalu Office

Suite 1, 8th Floor,  
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Likas, 88400 Kota Kinabalu,  
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Fax: 60-88-268031  
E-mail: sfcwku@tm.net.my

### 10. Miri Office

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Fax: 60-85-413598  
E-mail: sfcmiri@tm.net.my

### 11. Sibul Office

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Sibu, Sarawak, Malaysia  
Tel: 60-84-312777  
Fax: 60-84-317635

### 12. Auckland Office/Sumitomo Forestry NZ Limited

P. O. Box. 91219, Auckland Mail  
Centre, Level 11,  
Rifleman Tower 120 Albert Street,  
Auckland, New Zealand  
Tel: 64-9-309-0012  
Fax: 64-9-309-0014  
E-mail: sfnz@xtra.co.nz/

### 13. Nelson Pine Industries Limited

P. O. Box. 3049, Lower Queen  
Street, Richmond,  
Nelson, New Zealand  
Tel: 64-3543-8800  
Fax: 64-3543-8890  
E-mail: sfc@nelsonpine.co.nz

### 14. PT. Kutai Timber Indonesia

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Fax: 62-21-5200313  
E-mail: ktijkt@cbn.net.id

### 15. Probolinggo Factory

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Timur, Indonesia  
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Fax: 62-335-42-1669  
E-mail: pr@kti.co.id

### 16. Surabaya Branch

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Bangsa No. 19, Surabaya 60272,  
Jawa Timur, Indonesia  
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Fax: 62-31-5343838  
E-mail: ktisby@kti.co.id

### 17. Samarinda Branch

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Samarinda 75123,  
Kalimantan Timur, Indonesia  
Tel: 62-541-741966/737926/748116  
Fax: 62-541-741967

### 18. Alpine MDF Industries Pty Ltd.

Lot-1 Crosher Lane, Wangaratta  
VIC 3677, Australia  
Tel: 61-3-5721-3522  
Fax: 61-3-5721-3588  
Email: enquiries@alpinemdf.com.au

### 19. Pacific Wood Products L.L.C.

16310 NE 85th Street, Suite 100,  
Redmond, Washington 98052, U.S.A.  
Tel: 1-425-885-1777  
Fax: 1-425-885-0057  
E-mail: sfs@sumiforsea.com

## AFFILIATES

### 20. PT. Rimba Partikel Indonesia

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Desa. Mororejo, Kaliwungu, Kendal,  
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Tel: 62-24-8662990  
Fax: 62-24-8662988/8662993  
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### 21. Jakarta Office

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Jl. Letjen S.Parmar Kav.67,  
Jakarta 11410, Indonesia  
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Fax: 62-21-5301313  
E-mail: rimbajkt@cbn.net.id

### 22. PT. AST Indonesia

KITW Technopark Blok A-01,  
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### 23. Bennett-SFS L.L.C.

c/o Sumitomo Forestry Seattle, Inc.  
11235 SE 6th Street, Suite 120,  
Bellevue, Washington 98004, U.S.A.  
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Fax: 1-425-454-1106  
E-mail: sfs@sumiforsea.com

### 24. Paragon Wood Product(Dalian) Co., Ltd.

15E Shum Yip Building, #2  
Gangwan Street, Zhongshan  
District, Dalian, 116001, PRC  
Tel: 86-411-82720838  
Fax: 86-411-82720698  
E-mail: paragonkenji@aol.com

### 25. Paragon Wood Product (Shanghai) Co., Ltd.

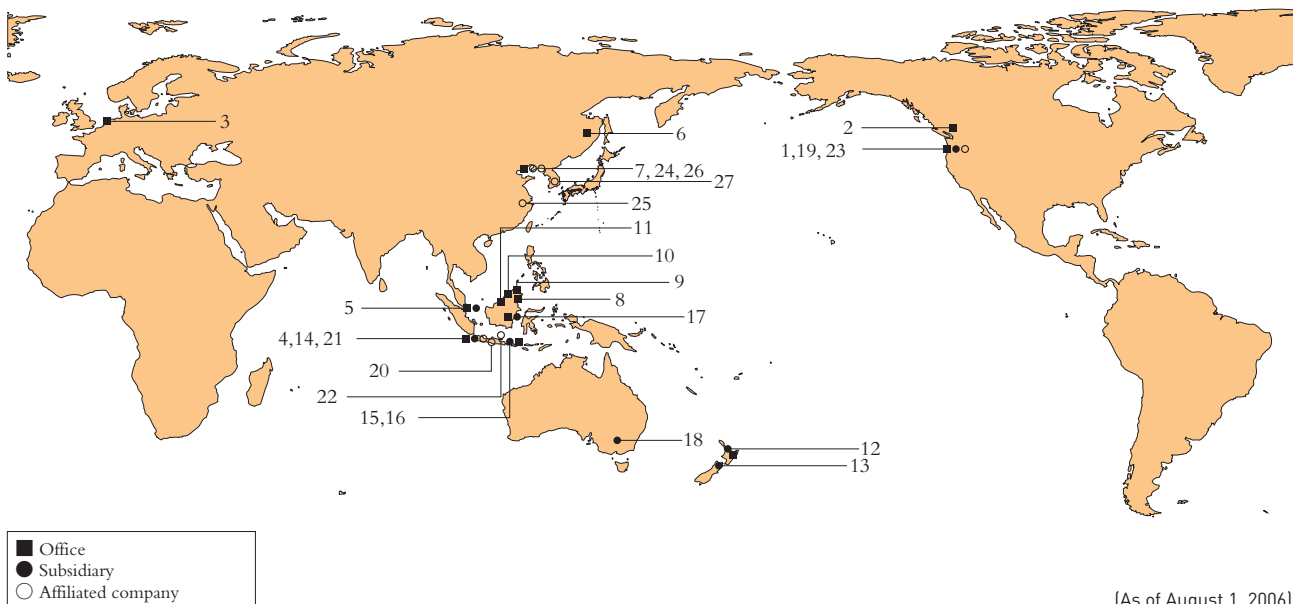
1st Floor, Building No.5, Lane 415,  
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Tel: 86-21-52842873  
Fax: 86-21-52842853  
E-mail: paragonkenji@aol.com

### 26. Dalian Sumirin Information Technology Service Co., Ltd.

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Fax: 86-411-8250-6072  
E-mail: sfdln@sfits-cn.com

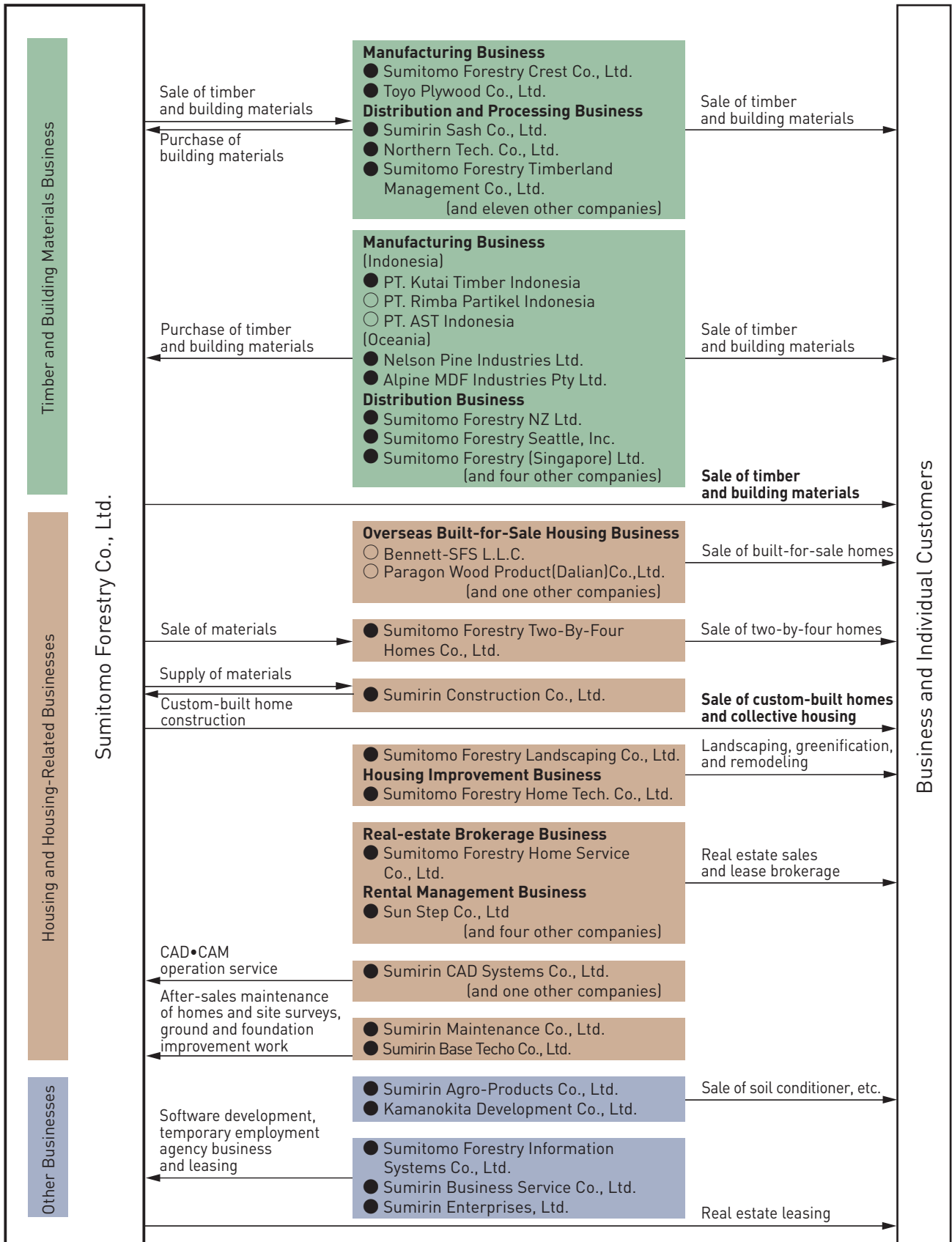
### 27. Dongwha SFC Housing (Korea) Co., Ltd.

Dongwha Bldg. 192-4, Nonhyeon-Dong,  
Gangnam-Gu, Seoul, 135-010, Korea  
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Fax: 82-2-3445-2891



(As of August 1, 2006)

# SUBSIDIARIES AND AFFILIATES



● Consolidated subsidiary  
○ Equity-method affiliate

(As of April 1, 2006)