

CSR Management

The Sumitomo Forestry Group places priority on addressing four material issues it has set forth to fulfill our corporate social responsibilities.

CSR Management Policy

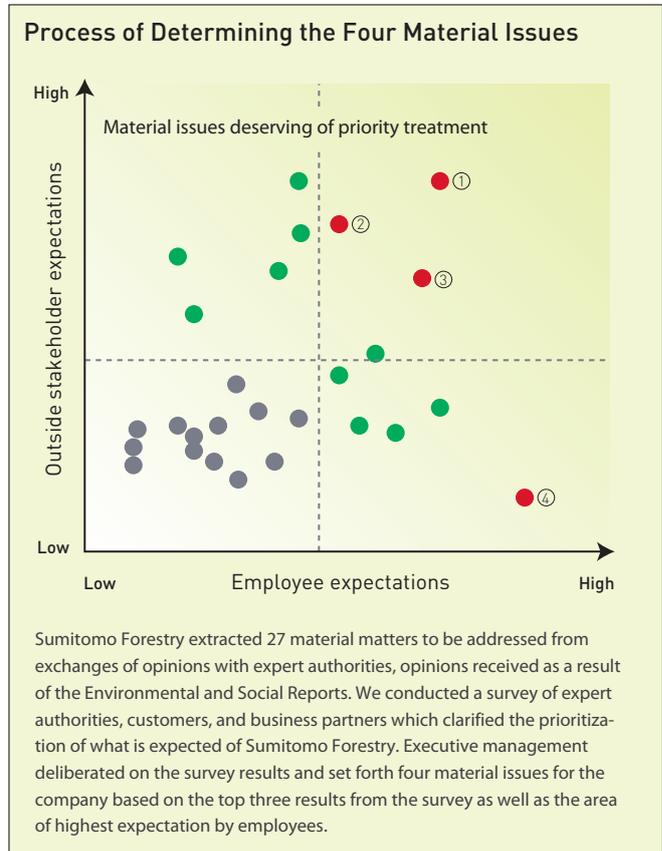
The Sumitomo Forestry Group's corporate philosophy is "to utilize timber as a renewable, healthy, and environmentally friendly natural resource, and to contribute to a prosperous society through all types of housing-related services." Aiming for the realization of this philosophy and to create "corporate quality" worthy of the trust of society, we believe it is essential to balance three aspects of corporate social responsibility management: economy, society, and environment.

To ensure that all employees understand our CSR management policies and take actions, the Group has published Our Work and CSR, as well as Our Values and Ideals.

Four Material Issues

In 2007, the Sumitomo Forestry Group, aspiring to the realization of a sustainable society, determined four material issues to be given priority in its initiatives.

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



Corporate Philosophy

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

Action Guidelines

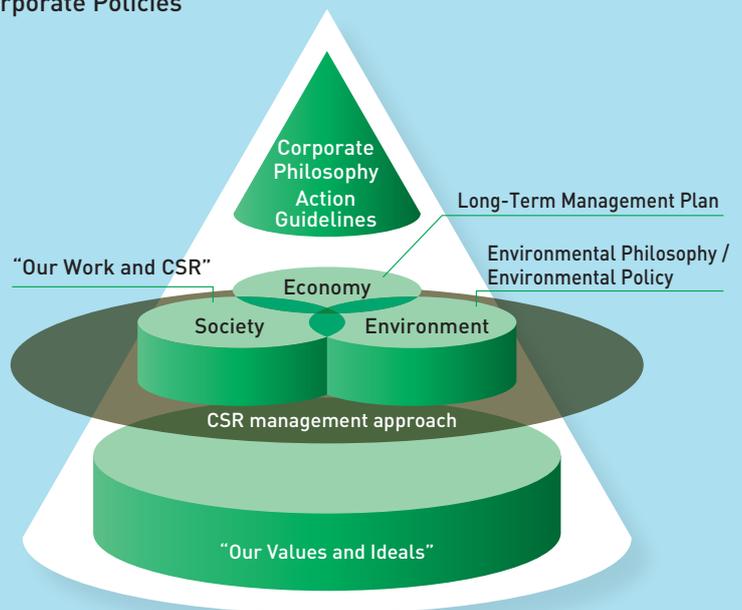
Sumitomo Spirit: We conduct business that is beneficial to society based on the principles of integrity and sound management.

Respect for Humanity: We create an open and inclusive corporate culture that values diversity.

Symbiosis with the Environment: We are dedicated to effectively addressing environmental issues with the aim of achieving a sustainable society.

Putting Customers First: We are thoroughly committed to customer satisfaction through the provision of high-quality products and services.

Corporate Policies



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

Corporate Governance

Basic Policy

The Sumitomo Forestry Group considers enhancing and strengthening corporate governance as one of the most important corporate priorities from the perspective of securing transparency in management, as well as quick decision-making and execution of operations.

Management System

Executive Officer System

The Company introduced the executive officer system to separate the management oversight and operational execution functions, with the objective of strengthening oversight and supervision of operations, and to clearly define the lines of operational responsibility. The Board of Executive Officers, comprised of all executive officers (14 members, as of June 30, 2010), meets once a month, as a rule, and reports on the status of operational progress.

Board of Directors / Executive Committee

The Board of Directors, which is responsible for decision-making and oversight functions of the Group, meets monthly. The seven directors comprising the board make decisions related to all important matters, and confirm business results, etc., as well as strengthening oversight of the execution of operations duties. The Executive Committee meets twice a month to ensure sufficient deliberation of critical issues can be conducted prior to the convocation of Board of Directors meetings. During the year ended March 31, 2010, the Executive Committee met a total of 26 times.

In June 2005, as a policy to provide incentives for directors, the retirement benefit system for directors was abolished and replaced by a remuneration system that is closely linked to business performance.

Board of Auditors

Established as a company with auditors, the Company had four auditors, including two external auditors, who oversee operational execution by the directors during the year ended March 31, 2010. As of June 25, 2010, an additional external auditor was appointed to the Board of Auditors to further enhance the audit oversight function, bringing the total number of auditors to five. We believe that efforts to enhance and strengthen the audit function based on the policies and plans promulgated by the Board of Auditors have established management objectivity. Audits are conducted per the stipulations of the Corporate Auditor Audit Practice Regulations and Rules for Board of Auditor Meetings established by the Company's Board of Auditors based on the Corporate Auditor Audit Practice Standards, which were revised by the Japan Corporate Auditors Association in February 2007,

and have established an effective corporate governance system.

In addition to attending important company meetings, auditors meet once every quarter to exchange views with representative directors regarding business issues and improvements to the auditing environment. A supervisory department has been set up within the parent company to provide management and guidance for various Group companies. In addition, the Group Board of Auditors (a meeting to exchange information), made up of auditors from various Group companies, meets once every quarter to ensure the appropriateness of the Group's overall operations.

External Auditors

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

Mr. Satohiko Sasaki is a renowned authority in the fields of forestry management and forest resource science, with significant experience in preservation of forests, particularly in Southeast Asia, and has been judged capable of conducting audits of the Company's environmental operations and development of business outside of Japan from an objective perspective. Mr. Satoshi Teramoto is a certified public accountant with a high degree of specialized knowledge of and extensive practical experience in finance and accounting, and has been judged capable of conducting audits of the Company's execution of operations from an objective perspective. None of the three auditors has any capital, personal, transactional or other relationships with the Sumitomo Forestry Group that would constitute a conflict of interest.

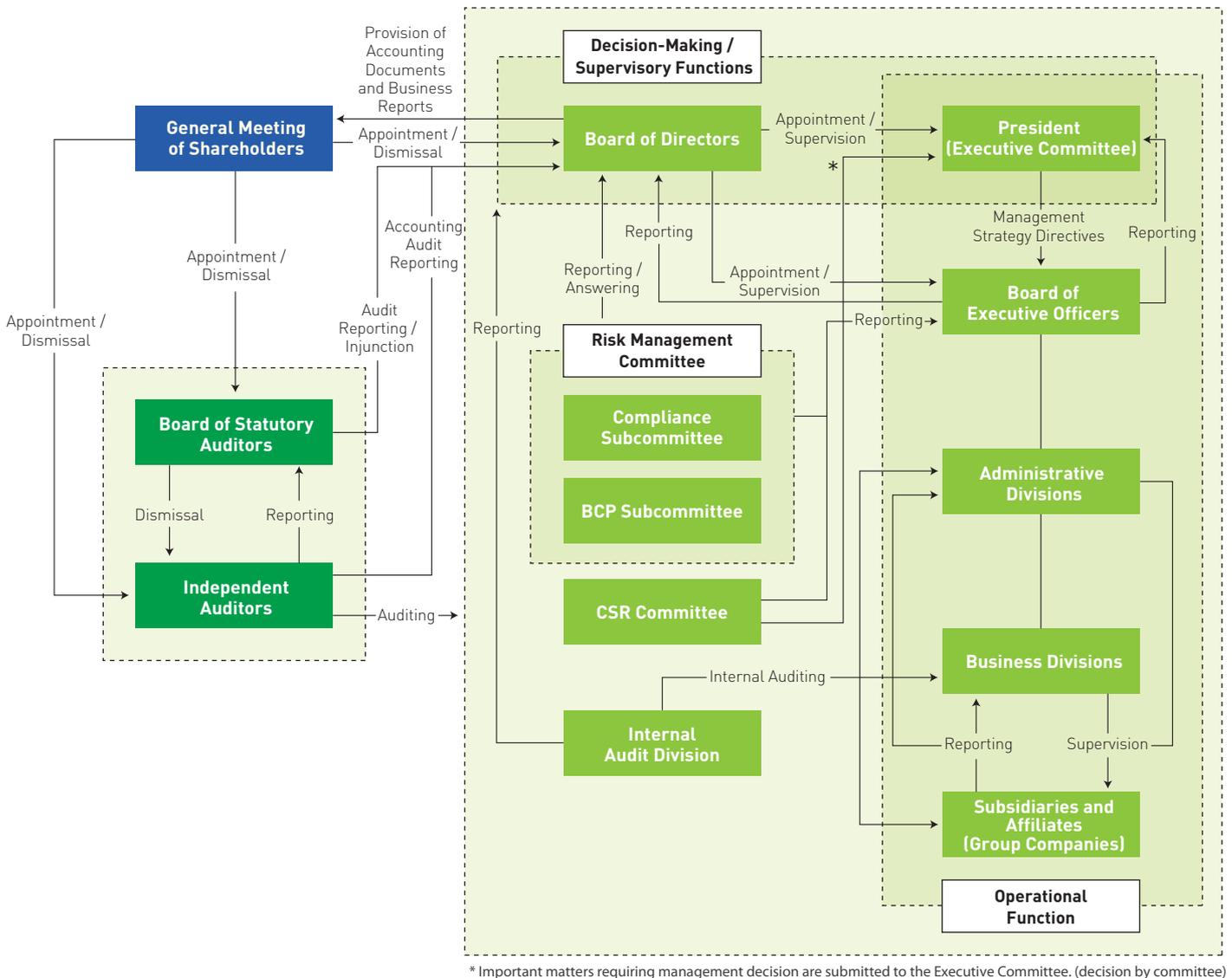
Attendance of External Auditors at Meetings of the Board of Directors and Board of Auditors (FY2009)

Position and Name	Board of Directors Meetings (convened 17 times)		Board of Auditors Meetings (convened 14 times)	
	Number of Meetings Attended	% of Meetings Attended	Number of Meetings Attended	% of Meetings Attended
Corporate Auditor: Mr. Hiroshi Miki	15	88%	14	100%
Corporate Auditor: Mr. Satohiko Sasaki	16	94%	14	100%

Directors' Remuneration, etc.

Directors (7)	¥298 million
Corporate Auditors (4)	¥65 million (including ¥17 million in remuneration for external auditors)

Business Execution and Management Supervision Mechanism



Accounting Audit

Accounting audits were conducted by a certified public accountant employed by Ernst & Young ShinNihon LLC, an accounting corporation, and the staff involved in the accounting audits was comprised of six (6) certified public accountants and seven (7) assistant certified public accountants.

Strengthening Disclosure and Accountability

To increase the transparency of its operations, Sumitomo Forestry not only holds analyst meetings following formal announcement of its interim and year-end results, but also actively seeks to create opportunities to communicate, including holding 214 individual meetings with investors in fiscal 2009. Efforts are made to increase ease of understanding at General Shareholders Meetings, including use of images in reports and explanations. By proactively disclosing information, we not only fulfill our obligation of explanation, but also provide direct feedback from our shareholders and investors to management.

Internal Controls / Compliance

Compliance

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

Risk Management and Internal Controls

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

Examples of Initiatives

Compliance Risk

The Compliance Subcommittee is the primary organization accountable for elevating the Group's compliance level through identification of issues, using a shared tool to check compliance status with relevant laws and ordinances closely related to our business, such as the Construction Industry Act and Licensed Architect Act, and continuous improvement activity using the PDCA cycle.

In order to maintain and develop good relationships with business partners in consideration of the economic conditions of recent years, the Group holds seminars for the compliance managers of all Group companies led by external specialist instructors. In fiscal 2009, the Group held seminars on such topics as promoting appropriate transactions with subcontractors and the revised anti-monopoly act.

Disaster Risk

As the organization primarily accountable for disaster risk, the Business Continuity Plan (BCP)* Subcommittee developed business continuity plans for risks that are beyond the control of the Company and are likely to significantly impact the headquarters function. In November 2008, the subcommittee promulgated BCPs for a major seismic event with an epicenter in the capital area and also for novel influenza, and was active based on these plans in fiscal 2009.

1. BCP for Earthquake with Epicenter in the Capital Area

In the first half of the year, initiatives centered on securing an alternate location for the headquarters function, selection of members of the disaster response team, and establishment of the mobile PC infrastructure. In the second half, training was held for every level and layer. Specifically, the subcommittee conducted drills for (1) communication between management and the crisis response team immediately after a major seismic event, (2) accounting for the 3,000 employees based in the capital area, (3) transfer of the crisis response team and critical operations to the alternate headquarters, and (4) participation in evacuation drills conducted by Chiyoda Ward, Tokyo, where the Company is headquartered.

In fiscal 2010, a common system for accounting for each of the 12,000 employees in Japan will be deployed across the Group, aiming to secure the lives and safety of employees during a disaster.

2. BCP for Novel Influenza

In fiscal 2009, the Group prepared response manuals, established the necessary infrastructure for working at home, distributed hygienic goods, and set attendance management policy, due diligence policy

and rules for reporting infections. While the novel influenza outbreak in summer 2009 caused great concern, the variant turned out to be a comparatively mild form of novel influenza, and the Group monitored the infection rate among employees on a weekly basis. Although the crisis had subsided by the beginning of the year, fears of an outbreak of a more toxic variant of novel influenza remain, and the Group continues its preparations based on the original assumption of a deadly variant.

* Business Continuity Plan (BCP) is a management strategy designed to ensure critical operations do not cease in the event of a disaster, or if they are terminated that operations can be resumed at the earliest opportunity. The plan is further intended to protect the corporation from loss of customers to competitors, decline in market share, or degradation of corporate reputation in the event of cessation of operations.

Compliance Counter

The number of incidents reported to the compliance counter (internal reporting system) dropped dramatically to four cases in fiscal 2009 from 20 cases in the previous year. This is attributable to the proactive efforts of the Compliance Subcommittee to identify and improve compliance issues. The Group will continue its education activities aiming for continuous operation of an appropriate system.

Vehicles Used for Business Purposes

The Group uses 2,217 vehicles (leased and those owned by employees) in the course of its business. To eliminate traffic accidents and violations of traffic laws, the Group has introduced a Safe Driving Management System that manages information related to driver's license renewals, violations of traffic laws and ordinances, vehicle inspection and certification, and insurance. Further, all employees who drive vehicles during their work or for commuting to and from work are required to obtain and submit their Certified Driving Record on an annual basis. All employees who have accumulated points from violations receive cautions, education, and training in safe driving.

Going forward, the Safe Driving Management System will be standardized and deployed across all Group companies.

Rejection of Influence from Anti-Social Elements

The Group set forth in 2007 the new Ethics and Behavior Code, "Our Values and Ideals," institutionalizing the long-held principle of "Influence from anti-social elements will be met with a resolute attitude and no compromises will be tolerated." This stance has been communicated widely both within and outside the Group. In fiscal 2009, this principle was incorporated into the construction contracts we conclude with customers, further ensuring the soundness of our contractual relationships.

Human Resource Development and Workplace Environment

Sumitomo Forestry firmly believes that our employees are truly the most important asset of the Company, and has set the realization of a workplace where people of all backgrounds can work with enthusiasm as one of the key goals of its CSR initiatives.

Basic Personnel Policy

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

Employment Policies

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

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

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

*2. Nelson Pine Industries Ltd.

Employment Breakdown (as of March 31, 2010, Non-consolidated)

Management level.....	1,926
Non-management level.....	2,496
Contract employees (interior coordinators).....	48
Contract employees (non-interior coordinators).....	60
Hosted from other companies.....	9
Average years of service.....	12.3
Ratio of disabled employees.....	1.82%

Promoting Employee Diversity

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

Female Employment Ratios (as of April 1 of each fiscal year)

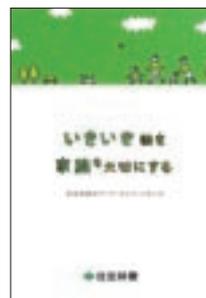
	FY2006	FY2007	FY2008	FY2009	FY2010
Female employees including contract employees (interior coordinators and non-interior coordinators)	15.8	15.8	16.4	16.4	16.9
Female employees in management positions	0.7	0.9	0.9	1.3	1.3
Newly hired female university graduates	15.4	25.0	21.0	21.0	22.4

Helping Employees Achieve Work-Life Balance

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

The Company encourages female employees, and also male employees to take childcare leave. In fiscal 2009, the Company continued its proactive internal communications initiatives, including the fifth conference for employees who are taking childcare leave, with the Company president.

Sumitomo Forestry launched the telework program in fiscal 2009, in which employees who have needs for childcare or family care, or who have long commute times, may work at home or other locations remotely, aiming to promote work styles that support both increased efficiency and work-life balance.



Work-Life Balance pamphlet



The Kurumin Mark of Certification



Conference for employees taking childcare leave

Training the Next Generation of Craftspeople

Sumitomo Forestry recognizes that to continue building *Sumitomo Forestry Home* houses that utilize the advantages of the traditional wooden post-and-beam construction method, it is essential to pass on skills and techniques to the next generation of workers. To achieve its objective of nurturing the skills and knowledge of craftspeople (carpenters), Sumitomo Forestry founded the Sumitomo Forestry School of Professional Building Techniques in 1988 as an intra-corporate vocational training school. Through fiscal 2009, 857 new craftspeople have graduated from the school. The skill of these graduates is demonstrated by the superb results recorded every year at the annual National Skills Competition.



47th National Skills Competition, where the next generation of craftspeople compete for the title of best in Japan.

Career Consultation and Support

The Career Support Desk opened in April 2007 to support employees with assistance specific to their needs in managing their careers. Specialized career advisers provide expert career advice for individual employees. In fiscal 2009, 31 people made use of this service.

A mentoring program was also started in fiscal 2008. In this program, a mentor supports a mentee's growth and development in a one-on-one relationship. The program is intended to redress problems concerning information sharing and communication, identified in an employee satisfaction survey given in fiscal 2008.

The mentoring program is designed to create a corporate climate in which employees can support each other's growth freely and continuously. In fiscal 2009, three pairs participated in the program for the full year.

Prevention of Child Labor and Forced Labor

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

External Recognition

Sumitomo Forestry is included in the following **Socially Responsible Investment Indices** (as of August 2010).



DJSI World

We have been included in this index since September 2005. Further, in September 2009, we were selected for the first time as the sector leader in the Home Construction Sector.



FTSE4 Good Global Index

We have been included in this index since September 2004.



Morningstar SRI Index

We have been included in this index since September 2008.

Environmental and Social Initiatives

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



Directors (As of June 25, 2010)



(Front row, from left) Ryu Yano, Akira Ichikawa

(Back row, from left) Mamoru Inoue, Hideyuki Kamiyama, Shigehiko Shiozaki, Hitoshi Hayano, Shigeru Sasabe

Directors

*Chairman / Director	Ryu Yano
*President / Director	Akira Ichikawa
*Director	Mamoru Inoue
*Director	Hideyuki Kamiyama
Director	Shigehiko Shiozaki
Director	Hitoshi Hayano
Director	Shigeru Sasabe

* Representative Director

Statutory Auditors

Senior Statutory Auditor	Shoichi Takahashi
Statutory Auditor	Satoru Takeno
*Statutory Auditor	Hiroshi Miki
*Statutory Auditor	Satohiko Sasaki
*Statutory Auditor	Satoshi Teramoto

* External Corporate Auditors as stipulated by the Commercial Code

Executive Officers

*President and Executive Officer	Akira Ichikawa	
*Senior Managing Executive Officer	Mamoru Inoue	Divisional Manager of Overseas Business Division
*Senior Managing Executive Officer	Hideyuki Kamiyama	Divisional Manager of Timber & Building Materials Division, Responsible for Real Estate Business Division
*Managing Executive Officer	Shigehiko Shiozaki	Divisional Manager of Forestry & Environment Division, Responsible for Intellectual Property, Tsukuba Research Institute
*Managing Executive Officer	Hitoshi Hayano	Divisional Manager of Housing Division
*Managing Executive Officer	Shigeru Sasabe	Responsible for Corporate Planning, General Administration, Environmental Management, Corporate Communications, Personnel, Finance, Information Systems, Internal Audit
Managing Executive Officer	Hideo Watabe	Divisional Manager of Real Estate Business Division and General Manager of Real Estate Solution Department of the same Division
Managing Executive Officer	Ken Wada	Deputy Divisional Manager of Housing Division, Responsible for Corporate Marketing, FOREST MAISON, General Manager of Marketing Strategy Department of the same Division
Executive Officer	Seichi Takano	Deputy Divisional Manager of Housing Division, Responsible for Construction Management, Quality Control & Customer Information
Executive Officer	Toshio Yasuda	President and Director of Sumitomo Forestry Crest Co., Ltd.
Executive Officer	Suguru Mikawa	Deputy Divisional Manager of Housing Division, Responsible for Technology, Building Materials Procurement & Logistics
Executive Officer	Tadashi Ban	Deputy Divisional Manager of Timber & Building Materials Division, General Manager of Business Development Department of the same Division
Executive Officer	Akihisa Fukuda	General Manager of Corporate Planning Department
Executive Officer	Toshiro Mitsuyoshi	General Manager of Overseas Business Department of the Overseas Business Division, General Manager of Jakarta Branch

* Doubles as Director and Executive Officer