



CSR Section

External Recognition

Inclusion in Socially Responsible Investment Indexes (As of June 2012)

▪ DJSI World

We have been included in this index since September 2005.



▪ FTSE4Good 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.



▪ Awarded "Silver Class" in the SAM's "The Sustainability Yearbook 2012"

We were awarded the "Silver Class" in the Home Construction Sector of "The Sustainability Yearbook 2012," in a CSR rating by SAM, which researches and analyzes companies listed in DJSI World.



Acquiring the Highest Rank in the DBJ's Environmental Rating

In April 2012, Sumitomo Forestry was awarded the highest rank by the Development Bank of Japan in its DBJ Environmental Ratings. The DBJ Environmental Ratings score companies' environmental management using a screening (rating) system developed by DBJ. Three-tier interest rates are assigned to the best-performing companies based on each company's environmental rating score. It is the world's first financing scheme to employ a method based specifically on companies' environmental ratings.

For further information about Sumitomo Forestry Group's CSR activities, please refer to "CSR Report 2012" available at  <http://sfc.jp/english/information/kankyo/>

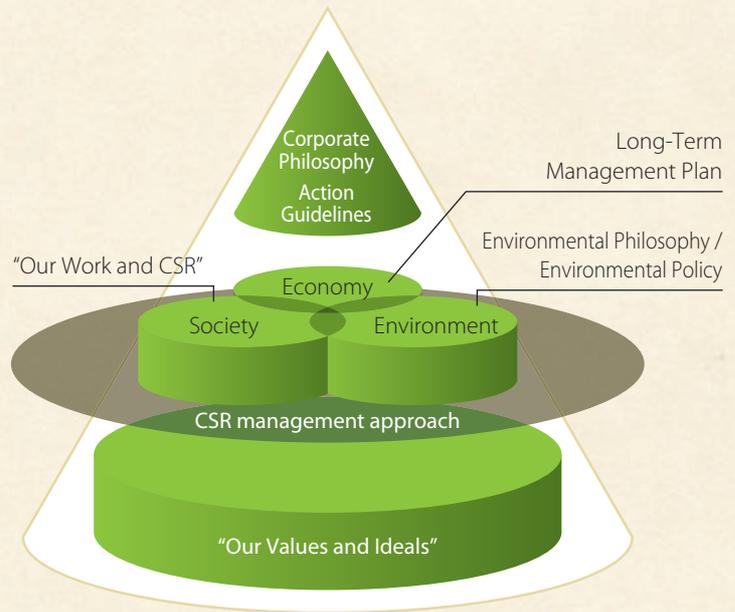
CSR Management

CSR Management Policy

The Sumitomo Forestry Group places top priority on addressing four material issues to fulfill our corporate social responsibilities.

Aiming for the realization of our corporate philosophy and to create "corporate quality" worthy of the trust of society, Sumitomo Forestry Group believes 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 act on them, the Group has published *Our Work and CSR*, as well as *Our Values and Ideals*. The Group also determined four material issues to be given priority in its initiatives, aspiring to the realization of a sustainable society.



Four Material Issues

Providing Timber Products and Materials from Sustainable Forests

Sumitomo Forestry procures timber from around the world, primarily Southeast Asia and Europe. In fiscal 2007, Sumitomo Forestry established its Timber Procurement Philosophy & Policy and Action Plan, and has promoted procurement of timber from forests that have been verified as legally compliant and appropriately managed.

In fiscal 2009, all directly imported timber was verified for compliance. In addition to legal compliance, from fiscal 2010 the Company has promoted the use of environmentally friendly timber in accordance with its Action Plan.

Providing Environmentally Friendly Homes

Sumitomo Forestry employs the *Ryounbou* design method that utilizes the power of nature, solar power systems. At the same time, the Company is developing its plantation forestry business to offset CO₂ emissions during the process from tree logging for principal structural members through to construction, while also developing Life Cycle Carbon Minus (LCCM) homes to reduce CO₂ emissions in the overall lifecycle. In addition, Sumitomo Forestry proactively uses domestic timber and advances a wide range of initiatives including extending the life of houses and expanding the renovation business.

Promoting Global Warming Countermeasures through Our Business

Sumitomo Forestry is emitting CO₂ in its offices and plants both inside and outside Japan, as well as during activities including harvesting at mountain worksites and housing construction. We promote energy-saving initiatives in offices and plants, and the use of biomass to reduce CO₂ emissions in the Company's business activities. In addition, by the absorption and storage of CO₂ through our forest management, we will help to stem global warming.

Promoting Family-Centric Employee Lifestyles

Accordingly, Sumitomo Forestry strives to create a workplace that enables a diverse range of employees to tailor their work styles to their lifestyles and aims to be an attractive company for its employees. To date, the Company has made various improvements through establishing systems and enhancing communication with its employees. The Company focused on maintaining a workplace environment that supports employees raising children and reducing overtime.

Environmental Report

Tackling Climate Change



Wood biomass boiler of PT. Rimba Partikel Indonesia



Relay center of Home Eco Logistics Co., Ltd.

The Sumitomo Forestry Group is working to reduce CO₂ emissions through its business activities at offices and plants as a countermeasure to climate change.

Climate Change and Sumitomo Forestry's Role

The Sumitomo Forestry Group will make a positive contribution to the prevention of global warming by reducing CO₂ emissions from its business activities while facilitating absorption or storage of CO₂ through proper forest management and the promotion of our wood use integration (MOCCA) business that encourages greater use of timber resources through the structural application and incorporation of wood.

Reducing CO₂ Emissions at Plants

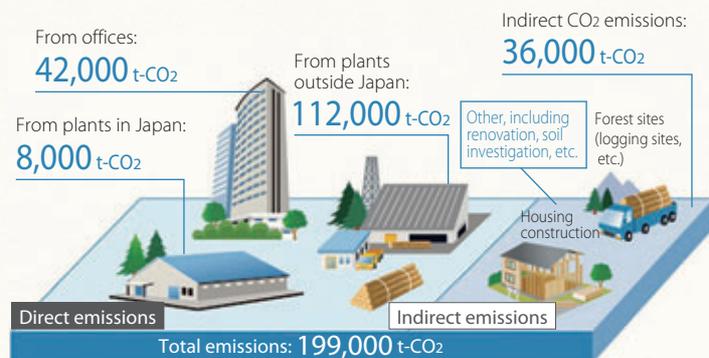
PT. Rimba Partikel Indonesia (RPI) is using wood biomass to create power and replace its conventional diesel power generation system. It is reducing its CO₂ emissions by using the waste timber and sawdust created by sawmills in the vicinity of its plant as the primary fuel in this system. The United Nations' CDM Executive Board registered this initiative as a Clean Development Mechanism (CDM) project in May 2008. In March 2011, it was issued credits (CER) for its reduction of 10,982 tons of CO₂ emissions during fiscal 2009, which was its total calculated according to CDM rules. Nelson Pine Industries Ltd. (NPIL) won the Award for Excellence in two categories at the EECA Awards 2012*1. It was highly evaluated for its achievement in reducing the amount of wood for fuel and electricity. NPIL have achieved a reduction in CO₂ emissions of approximately 19% compared to the level prior to their introduction in April 2010.

*1. These awards are held by the Energy Efficiency and Conservation Authority (EECA), which was established by the New Zealand Government for the purpose of promoting energy efficiency. It recognizes innovative technologies that achieve exceptional results in the fields of energy efficiency and renewable energy.

Reducing CO₂ Emissions from Transportation

Sumitomo Forestry is promoting efficient transportation in order to reduce CO₂ emissions produced during the transportation of homebuilding materials. In fiscal 2007, improvements were made to the distribution system for homebuilding materials. Construction materials previously shipped directly from manufacturers to construction sites are now collected first at relay centers nationwide. Mixed-load shipments containing materials from different manufacturers are then delivered to construction sites. In fiscal 2011, this reduced CO₂ emissions equivalent to the emissions of 162,591 delivery trucks (approximately 1,441t-CO₂) as compared with the previous distribution system. Since introducing the system, efforts have also been made to reduce the number of delivery trucks per house, and a year-on-year reduction has been achieved.

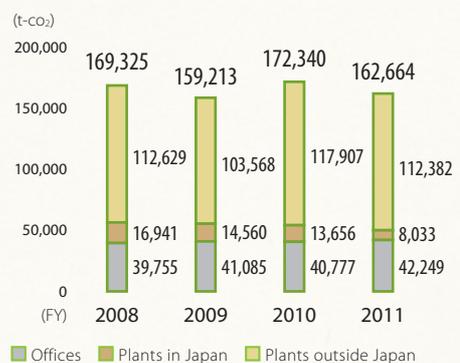
Sumitomo Forestry Group: FY2011 CO₂ Emission Volume



* CO₂ emission values are for the entire Group in each fiscal year.

* Sumitomo Forestry offset its CO₂ emissions from offices, which were 1,590 tons in FY2010 and 2,542 tons in FY2011, by utilizing the forest-absorption credits issued under the J-VER System.

Trend in Direct Emissions of CO₂



Preserving Forests



Wood left over from logging



Wood chips



KIKORIN-PLYWOOD, an environmentally sound plywood

Sumitomo Forestry practices sustainable forest management, both in and outside Japan. The Company also strives to use Japanese timber.

Conservation and Sustainable Use of Timber Resources

Forests perform a variety of functions for the public good, including erosion control and water control, cultivating water resources, curbing global warming by absorbing CO₂, and preserving biodiversity. For these functions to work effectively, proper forest management is crucial.

The Sumitomo Forestry Group believes that sustainable forest management is necessary to ensure that timber resources are available in perpetuity, and is advancing initiatives both in and outside Japan.

The Sumitomo Forestry Group owns forests with a total area of 42,868 hectares within Japan. Outside Japan, it manages forests with a total area of approximately 200,000 hectares. The functions of forests that serve the public good can be enhanced by appropriate forestry management including weeding, pruning, and thinning. Forests absorb CO₂ then retain it as carbon – or “carbon stock.” The carbon stock of the Sumitomo Forestry Group forests in Japan was 10.74 million t-CO₂, and the carbon stock of plantation forests overseas was 3.62 million t-CO₂.

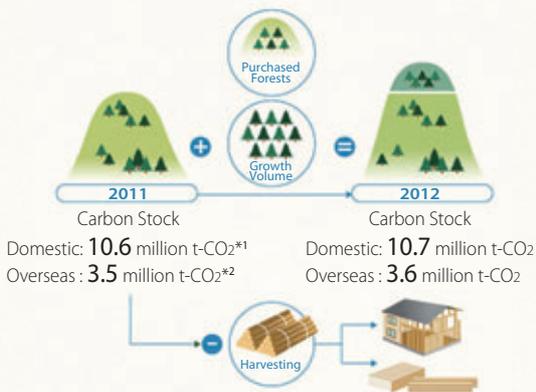
Start of Supply of Wood Left Over from Logging as Wood Biomass Fuel

The Sumitomo Forestry Group has researched the construction of a system to collect wood left over from logging and provide wood biomass fuel. Following a positive assessment of the results, the Group has been providing Sumitomo Joint Electric Power Co., Ltd. with all the necessary amount of wood left over from logging for their biomass power generation business launched in July 2010, in which a portion of the coal used to generate electric power is replaced with biomass chips. As well as cutting CO₂ emissions by 6,900 tons per year, this also contributes to the preservation of regional forests. Similar initiatives are being promoted with the Kochi plant of Sumitomo Osaka Cement Co., Ltd., involving the supply of wood left over from logging. In fiscal 2011, the Group supplied the two companies with a combined total of approximately 20,000 tons of left-over wood.

Sales of Environmentally Sound Plywood KIKORIN-PLYWOOD

In fiscal 2009, Sumitomo Forestry launched sales of the environmentally sound plywood KIKORIN-PLYWOOD. More than 50% of the raw materials used to manufacture KIKORIN-PLYWOOD are timber from forests certified by FSC® or PEFC, as well as from plantation forests that are sustainably managed. In fiscal 2011, the volume of KIKORIN-PLYWOOD sold was increased 3.1times from fiscal 2010 to 31,524 m³.

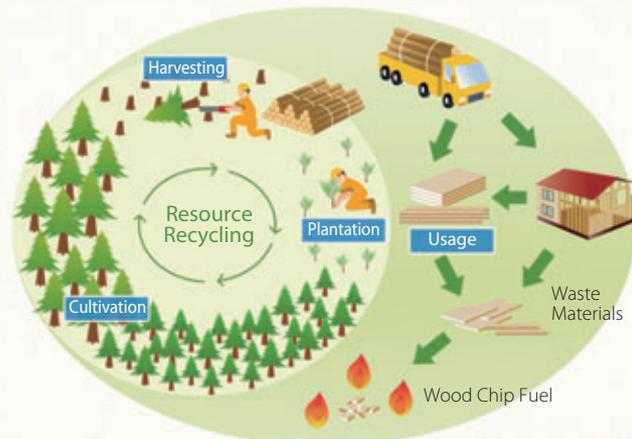
Carbon Stock of the Sumitomo Forestry Group



*1. Domestic: carbon stock as of the beginning of each fiscal year

*2. Overseas: carbon stock as of the beginning of each year

Sustainable Forest Management



Preserving Biodiversity



Sumitomo Forestry Red Data Book



Trees grown on an industrial plantation

Sumitomo Forestry is continuing its environmental conservation activities in forests based on site surveys, proposing environmentally sound planting in the landscaping business.

Biodiversity and Sumitomo Forestry's Operations

Wood has been the axis of Sumitomo Forestry's businesses since our founding centuries ago. While many companies are indirectly involved with biodiversity through their supply chains, at Sumitomo Forestry, forests that nurture trees and support biodiversity are directly and inextricably our business field—and we are acutely aware of the critical importance of, and our responsibility for, biodiversity. Moreover, the Group has named the biodiversity-friendly plants and trees to be used in landscaping, "Harmonic Plants,"™ which it is actively promoting.

Preservation Initiatives at Company-Owned Forests in Japan

The Company has created the *Sumitomo Forestry Red Data Book* to list the rare flora and fauna that might exist in Company-owned forests, and provides training to those who work in these forests. This data book was created with reference to the *Red Data Book* published by prefectural authorities, and is updated whenever necessary. Forests are subject to appropriate zoning based on criteria such as tree growth volume, and efforts are being made to protect areas around water, which are rich in biodiversity, through the creation of a Riparian Forest Management Manual.

Preservation of Overseas Plantation Forests

Indonesia has the third largest area of rainforest in the world, but it is said that around 700,000 hectares of forest are lost each year due to factors including forest fires, illegal logging and slash-and-burn farming. Sumitomo Forestry is working to curb the decline in rainforests and preserve biodiversity through reforestation.

Sumitomo Forestry is conducting a large-scale commercial forest plantation business in cooperation with ALAS Kusuma Group, a company involved in the forestry management and plywood manufacturing businesses in Indonesia. As well as realizing the stable supply of timber, this initiative not only contributes to the economic development of the local community by providing employment for local residents in commercial forest plantation operations, but also to the preservation of biodiversity.

Formulation of the Sumitomo Forestry Group Declaration of Biodiversity

The Sumitomo Forestry Group formulated its Declaration of Biodiversity, which indicates its attitude and approach toward biodiversity, and Biodiversity Action Guidelines, which establishes in-Group guidelines for its initiatives in the future, and its Biodiversity Long-term Targets. These commitments were created with reference to the Aichi Targets*, which were adopted at the Tenth Conference of Parties to the Convention on Biological Diversity (COP10), and were created after a comprehensive review of what the Group could feasibly achieve.

*** Aichi Target**

The Target comprises a vision, namely the realization of a world that lives in harmony with nature by the year 2050, a mission of taking effective and urgent action to halt the loss of biodiversity by 2020, and 20 headline targets.

The Sumitomo Forestry Group Declaration of Biodiversity

The forefather to the Sumitomo Forestry Group was founded more than three centuries ago and since then, we have developed our businesses while conserving forests, whose clear water, air, and soil are the source of life for many living creatures. Going forward, we at Sumitomo Forestry will continue to place the greatest importance on preserving biodiversity through our forestry business for providing timber, which is a renewable and natural material, and for managing forests, which support diverse ecosystems. We shall also strive to help realize a sustainable society that exists in harmony with nature.

Social Report

Sumitomo Forestry Stakeholders

Sumitomo Forestry Group's businesses are founded on its relations with its customers, business partners, local communities, employees, and other stakeholders. The Group adopts a wide range of perspectives in its communications with stakeholders while striving to carry out business activities that meet the expectations of society.



Communication with Customers



clubforest, the special website for owners of Sumitomo Forestry Home houses

Putting Customers First

Sumitomo Forestry's action guideline is "putting customers first." The core of the Company's business is providing high-quality housing and services. Once a house has been built, the relationship between Sumitomo Forestry and the house owner continues for a long period of time. The Company provides a 24-Hour, 365-Day support service and implements regular surveys after the customer has moved in. In addition, through *clubforest*, a special website for owners, information publications and other means, the Company continuously provides customers with useful information from the moment they start considering a new home to the time it is handed over to them and after. This is part of the Company's commitment to maintaining close communication with its customers and supporting their lifestyles.

Responding to Customers Immediately following the Great East Japan Earthquake

The Company worked to confirm the safety of each and every one of its customers. Moreover, it provided guidance on its website for its customers in the earthquake-hit region, including a helpline number and information on how to use equipment during a power cut or other emergency conditions. Further, it established and dispatched a support task force of carpenters and other professionals to the disaster area in order to meet customer requests for assistance.

Enhancing our 24-Hour, 365-Day Support Service

The Company accepts requests for consultation after delivery and for repairs and maintenance, separately within branches nationwide and at the Sumitomo Forestry Call Center, a 24-Hour 365-Day Free Call Center, dedicated to accepting repairs and maintenance requests nationwide. The Company has clarified the roles of each support system, and widely communicated this to its customers. The Free Call Center for repair and maintenance started in July 2010, and the number of requests has increased dramatically as a result of publicity activities through the distribution of direct mail and cards, using *clubforest*, a special website for owners, information publications and other means. Customer Centers in different areas are even responding to enquiries from customers in disaster-hit regions following the Great East Japan Earthquake.

Procuring Sustainable Raw Materials through the Supply Chain

The Company gives preference in its purchases of goods and services to business partners that have established their own green procurement guidelines and timber procurement standards, and that work to reduce their environmental impact. In June 2007, the Company finalized and announced its Timber Procurement Philosophy and Policy, formulated to help the Company verify the legal compliance of the timber it handles and improve traceability.

Ensuring Traceability of Timber

Sumitomo Forestry procures timber and timber products from around the world. During the three years from 2007 to 2009, the Company conducted investigations of all of its overseas suppliers of directly imported timber based on its Timber Procurement Standards. The results confirmed that

Together with Our Business Partners

Together with Our Shareholders and Investors

all of these suppliers of timber and timber products were in compliance. Since fiscal 2010, in line with the New Action Plan based on Timber Procurement Philosophy and Policy, the Company has continued to conduct a study of all its suppliers, including new suppliers, into their methods of confirming legal compliance, to ensure that 100% of the directly imported timber and timber products handled by the Group is legally compliant. In addition, in fiscal 2011, the Company confirmed the legality not only of its directly imported timber, but also domestic timber sold to the market and domestic and imported timber used for properties constructed by the Housing Division.

Proactive Approach to Information Disclosure and Investor Relations

Sumitomo Forestry carries out appropriate and timely information disclosure to its shareholders and investors, on an ongoing basis, in order to ensure accountability and enhance management transparency.

(Key IR activities)

- **General meeting of shareholders (held every June)**
- **Explanation of business performance**
 - Earnings briefings (2Q and 4Q) · Conference call (1Q and 3Q)
- **Individual meetings for institutional investors (held each quarter)**
 - Number of meetings in fiscal 2011: 145
- **IR meetings for individual investors**
 - In fiscal 2011, meetings were hosted in Tokyo and Osaka, which were attended by about 360 investors.
- **Information disclosure through website and publications**
 - IR website (regularly updated) · Annual Report (in Japanese and English)
 - Booklet for shareholders (report of business activities; twice a year)

Together with Society

Social Contribution Activities

Sumitomo Forestry believes that it is important to contribute to the sustainable utilization of timber resources and local community development, as well as protect our abundant forests into the future. With these aims, the Company is engaged in a wide variety of social contribution activities. Sumitomo Forestry dedicates its resources to environmental education such as lectures for elementary and middle school students, as well as on-site training at forests. The Company is also actively involved in restoring forests damaged by disaster. Sumitomo Forestry also supports volunteer activities undertaken by individual employees in local communities to create a workplace environment that encourages people to contribute to their local communities.

Employment Scheme in Cooperation with Chinese Universities

In March 2012, an internship-employment initiative was launched in cooperation with local universities. University students attend lectures about the Company's business activities, and are employed after a period of internship. The local universities also have high hopes for this project, which provides opportunities for education and employment, thereby helping to tackle the social problem of new graduates experiencing difficulty in finding work.

Social Contribution Activities for Disaster Support

Sumitomo Forestry is carrying out support activities to help restore the region devastated by the Great East Japan Earthquake of March 2011.

- Constructing and Providing Temporary Housing ■ Introducing a Volunteer Leave Program
- Delivering Donations and Goods ■ Supporting the Supply of Electricity



We became a participant in the United Nations Global Compact in December 2008.

Together with Our Employees

Employment Breakdown

Management level	2,285
Non-management level	2,423
Contract employees (interior coordinators)	17
Contract employees (non-interior coordinators)	128
Hosted from other companies	22
Average years of service	13years 6months
Ratio of disabled employees	1.93%

(Non-consolidated, as of March 31, 2012)

Rate of Local Employment in Group Companies Outside of Japan

Australia	100.0%
Papua New Guinea	99.5%
Indonesia	99.9%
New Zealand	99.0%
China	95.8%
The United States	94.8%
South Korea	94.1%
Vietnam	99.9%
Total*	99.9%

* The principal 14 companies from within the 19 Group companies outside of Japan. (As of December 31, 2011)



The Kurumin Mark of certification for companies that have met Government requirements for supporting their employees in raising families.

Human Resource Development and Workplace Environment

In order to realize the objectives in its Corporate Philosophy and Action Guidelines, which state, "We work to create an open and inclusive corporate culture that values diversity," Sumitomo Forestry's fundamental policy on human resources development is to cultivate highly motivated personnel, guided by the keywords of "independence" and "support." In fiscal 2010, the Company formulated a five-year human resources development plan covering the years fiscal 2011 to fiscal 2015. Going forward, the Company will push ahead with the development of all personnel in the Group in Japan and overseas through initiatives such as standardizing training programs across Group companies and bringing in Group personnel for work experience at the Company.

Promoting Employee Diversity

Sumitomo Forestry is committed to a workplace environment in which people can fulfill their ambitions and exercise their skills irrespective of gender. To encourage the success of female employees, the Company is working to expand the presence of women in all job positions and to support working while raising children. As of April 1, 2012, the percentage of female employees including contract and temporary employees was 17.2%, the percentage of female employees in management positions was 1.5%, and the percentage of newly hired female university graduates was 24.1%.

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.

Helping Employees Achieve a Work-Life Balance

Sumitomo Forestry, as a company involved with housing and lifestyles, strives to create a workplace employees find worthwhile, 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.

Sumitomo Forestry launched its 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 a better work-life balance. In fiscal 2011, 12 people made use of this program.

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. As of fiscal 2011, 911 craftspeople have graduated from the school since its founding. The skill of these graduates is demonstrated by the superb results recorded every year at the annual National Skills Competition.

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.

Governance

Corporate Governance and Internal Control

Basic Policy

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

Sumitomo Forestry has a Board of Directors and a Board of Statutory Auditors. The Company has strengthened its statutory auditors' monitoring function. It has introduced an executive officer system to separate decision making and supervisory from executive functions and has clarified where the executive responsibility lies. As of April 1, 2012, there were seven directors, 15 executive officers, and five statutory auditors (of which, three are external auditors). The total amount of compensation for directors and internal and external auditors for each fiscal year is disclosed in business reports, in accordance with relevant laws.

Board of Directors and Executive Committee

In principle, the Board of Directors meets once a month, making decisions on important issues and carrying out its supervisory function. The Executive Committee meeting is held twice a month, before the Board of Directors meeting to ensure that there is sufficient prior discussion on important issues. It is attended by those directors who also serve as executive officers, as well as the full-time statutory auditors. In fiscal 2011, the Board of Directors met 18 times and the Executive Committee 27 times.

Board of Auditors

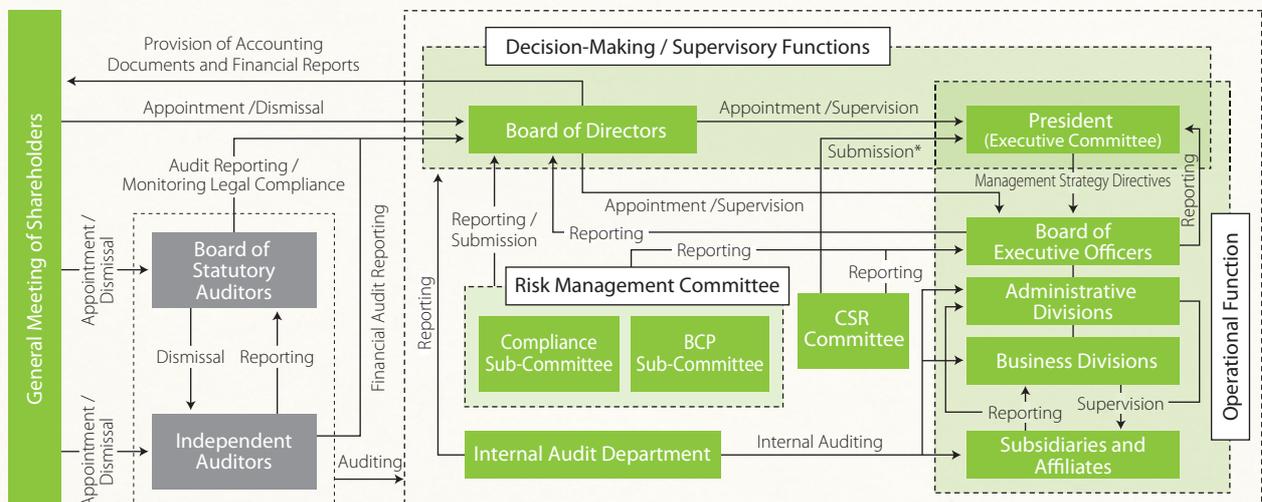
The statutory auditors, including the external auditors, utilize the deep insights and diverse perspectives they have acquired from their various business backgrounds to provide oversight for the directors' execution of duties. The Board of Statutory Auditors met 14 times during fiscal 2011. The Board of Statutory Auditors' meeting for the Group is held once every two months.

Risk Management Committee

Compliance risk and disaster risk are the risks that the Company considers must be addressed as a priority across the entire Group. Through the activities of the Compliance Sub-Committee and the BCP Sub-Committee, which are under the umbrella of the Risk Management Committee, problems are identified and specific measures are taken within a fixed timeframe. The Risk Management Committee regularly submits reports on progress in these areas to the Board of Directors and to the auditors.

During fiscal 2011, the Risk Management Committee met twice, the Compliance Sub-Committee four times, and the BCP Sub-Committee three times.

Business Execution and Management Supervision Mechanism



* Important matters requiring management decision are submitted to the Executive Committee (decision by committee).

Remuneration, etc.

(Year ended March 31, 2012)

Directors (9)*	¥394 million
Corporate Auditors (6)* (including ¥25 million in remuneration for three external auditors)	¥74 million

* Including remunerations for two directors and one auditor who retired as of the 71st regular shareholders' meeting held on June 24, 2011, at the end of their respective terms.

CSR Committee

In April 2009, the CSR Strategy Committee was reorganized as the CSR Committee to strengthen cooperation between divisions and enhance activities at job sites.

External Auditors

The Company appointed three external auditors, Mr. Satoshi Teramoto, Mr. Shin Nagata and Ms. Junko Hirakawa.

Mr. 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. Mr. Nagata has an extremely good knowledge of forestry management in general, and has been judged capable of conducting audits of the Company's environmental business and overseas business development from an objective perspective. Ms. Hirakawa possesses excellent knowledge as a legal expert, and has been judged capable of conducting audits of the Company's business execution 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.

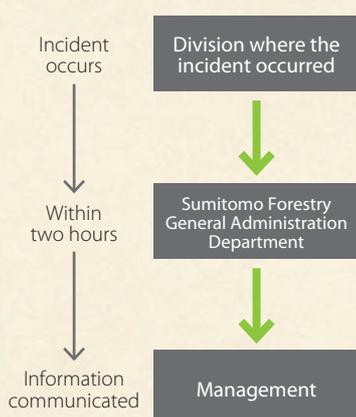
Attendance of External Auditors at Meetings of the Board of Directors and Board of Auditors (FY2011)

Position and Name	Board of Directors Meetings (convened 18 times)		Board of Auditors Meetings (convened 14 times)	
	Number of meetings attended	% of meetings attended	Number of meetings attended	% of meetings attended
Corporate Auditor: Hiroshi Miki*	17	94%	13	93%
Corporate Auditor: Satohiko Sasaki*	16	89%	12	86%
Corporate Auditor: Satoshi Teramoto	18	100%	14	100%

* At the 72nd ordinary shareholders' meeting held on June 22, 2012, Mr. Hiroshi Miki retired at the end of his term, and Mr. Satohiko Sasaki resigned.

Compliance and Risk Management

Sequence of Events for the Two-Hour Rule



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.

Rapidly Comprehending and Dealing with Risks

Since 2002, the Group has adopted a two-hour rule system designed to rapidly and accurately communicate information to management in the event of an emergency situation that may have a serious impact on company management. By communicating information at an early stage, the goal is to enable management to make a rapid and precise first response to the situation. Also, by gathering and analyzing data, the Company can disclose information to its stakeholders in a timely and appropriate manner. Moreover, it can take measures to prevent incidents from occurring throughout the Group by accumulating case studies.

Disaster Risk

As the organization primarily accountable for disaster risk, the Business Continuity Plan (BCP) Sub-Committee has developed business continuity plans for risks that are beyond the control of the Company and could significantly impact the headquarters' functions, and acts based on these plans.



Training for employees unable to return home after a disaster

Reviewing Systems for Preventing and Responding to Disasters and Emergencies

We reflected in the report titled Disaster Countermeasures and Verification of and Issues in the Business Continuity Plan (BCP), the hopes and concerns that we discovered in our efforts to verify conditions on the ground immediately after the Great East Japan Earthquake in March 2011. And also in the results of survey we conducted for all employees in the Tohoku and Kanto areas. Based on this document, we instructed the Risk Management Committee (the Great East Japan Earthquake Disaster Restoration Countermeasures Division) to examine possible response measures, and as a result of their recommendations we formulated our disaster countermeasures, whose main goals are to strengthening our ability to prevent and respond to disasters in order to protect lives and our assets. They constitute those measures to be carried out as standard throughout the Group and include checking the levels of safety at all of the Group's business sites within Japan; implementing measures to ensure safety within work sites, such as to prevent work equipment falling over, and selecting standardized disaster-preparation goods and ensuring that at least the minimal necessary levels of these goods are stored at all sites.

Training in Chiyoda Ward for Employees unable to Return Home after a Disaster

In addition to the members of the fire-safety team in our Head Office, 19 members of BCP subcommittees from 4 companies participated in this training, including those from an affiliated company with a business site in Chiyoda Ward, Tokyo. We also carried out rescue and first-aid training for the injured. Participants practiced using a bar to rescue trapped victims, transporting them on a stretcher, and carrying out emergency first-aid and artificial respiration using an AED device.

■ Responding to the Great East Japan Earthquake

Based on the Risk Management Basic Regulations and the Crisis Management Rules*, on March 11, 2011, the day the earthquake occurred, the Company established an Earthquake Response Team, headed by the President. The Earthquake Response Team worked to understand the conditions on the ground following the Company's initial response to the earthquake, such as confirming the safety of stakeholders and dispatching officers to the area, and communicated information both to employees and non-Group stakeholders. In addition, each day members of the Earthquake Response Team continued to confirm what the conditions actually were and held discussions on the measures to be taken.

* The Risk Management Basic Regulations and the Crisis Management Rules were formulated in March 2009.

■ Safety Verification System Introduced across the Group in Japan

In July 2010, the Company introduced an email-based safety verification system for all Group business sites and employees in Japan. In the system, emails are automatically sent to employees and they are required to reply to the emails confirming their status. To check whether the system was functioning properly, the Company conducted a training exercise involving approximately 12,100 Group employees. As a result, the Company has established an emergency contact network for each division and several means of verifying the safety of its employees. This framework enabled the Company to rapidly account for all its personnel, including part-time employees and casual staff, after the Great East Japan Earthquake.

■ Disaster Prevention Cards Distributed

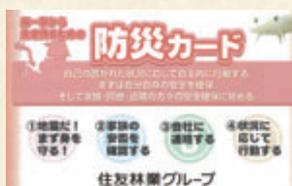
In conjunction with the introduction of the safety verification system at all domestic Group sites, the Company distributed revised versions of its disaster prevention cards in January 2011. The cards are pocket sized and give advice on the steps employees should follow in the event of a disaster.

■ Use of Disaster Stockpiles

After the Great East Japan Earthquake, the Company used stockpiles of items for disasters such as emergency rations, masks and water to aid those in the disaster region. Helmets, water and maps also proved useful for employees and visitors to Group offices who had difficulty returning home.

■ BCP for Earthquake with Epicenter in the Capital Area (Formulated 2008)

In fiscal 2009, after putting in place the necessary frameworks, such as an alternate headquarters, selection of members for the disaster response team, and infrastructure, training was held for every level and layer of the Group based on a scenario of accounting for the 3,000 employees based in the capital area. In fiscal 2010, the Company expanded the safety verification system to cover all Group business sites in Japan. In January 2011, the Company conducted a training drill for employees at the head office in Chiyoda Ward, Tokyo to help them walk home in the event of a disaster. This followed a similar drill in 2009. The Company also used disaster prevention facilities at the Tokyo Fire Department to conduct a BCP training exercise. Employees from eight Group companies based in Tokyo took part in the exercise.



Disaster Prevention Cards

Board of Directors and Corporate Auditors

(As of June 22, 2012)

Directors



Ryu Yano

* Chairman / Director



Akira Ichikawa

* President / Director



Hideyuki Kamiyama

* Director



Hitoshi Hayano

* Director



Shigeru Sasabe

Director



Hideo Watabe

Director



Ken Wada

Director

* Representative Director

Statutory Auditors

Shigehiko Shiozaki

Senior Statutory Auditor

Hidekazu Tanaka

Statutory Auditor

Satoshi Teramoto

* Statutory Auditor

Shin Nagata

* Statutory Auditor

Junko Hirakawa

* Statutory Auditor

* External Corporate Auditors as stipulated by the Companies Act

Executive Officers

Akira Ichikawa

* President and Executive Officer

Hideyuki Kamiyama

* Executive Vice President and Executive Officer

Divisional Manager of Timber & Building Materials Division (also oversees Forestry & Environment Division and Overseas Business Division)

Hitoshi Hayano

* Senior Managing Executive Officer

Divisional Manager of Housing Division

Shigeru Sasabe

* Managing Executive Officer

In charge of General Administration, Personnel, Corporate Communications, Internal Audit, Intellectual Property and Environmental Management, Divisional Manager of Lifestyle Service Division and General Manager of Lifestyle Service Department, Lifestyle Service Division (also oversees Corporate Planning, Finance, and Information System and Tsukuba Research Institute)

Hideo Watabe

* Managing Executive Officer

Deputy Divisional Manager of Housing Division and General Manager of Renovation & Leasing Section, Housing Division

Ken Wada

* Managing Executive Officer

Deputy Divisional Manager of Housing Division and General Manager of Custom-Built Housing Section, Housing Division

Akihisa Fukuda

Managing Executive Officer

In charge of Corporate Planning, Finance, Information Systems, Tsukuba Research Institute, and General Manager of Corporate Planning Department

Toshiro Mitsuyoshi

Managing Executive Officer

Divisional Manager of Overseas Business Division

Seiichi Takano

Managing Executive Officer

Deputy Divisional Manager of Housing Division (in charge of Technology, Construction Management, Building Materials Procurement & Logistics, Quality Control & Customer Information, Environment & Safety, Overseas Housing Business Supporting)

Takanori Umeki

Managing Executive Officer

Deputy Divisional Manager of Timber & Building Materials Division and General Manager of Domestic Timber & Building Materials Section, Building Material Division

Toshio Yasuda

Executive Officer

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

Akito Kataoka

Executive Officer

Divisional Manager of Forestry & Environment Division and General Manager of Forestry & Environmental Business Department, Forestry & Environment Division

Kunihiko Takagiri

Executive Officer

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

Tatsuru Sato

Executive Officer

General Manager of General Administration Department

* Doubles as Director and Executive Officer