

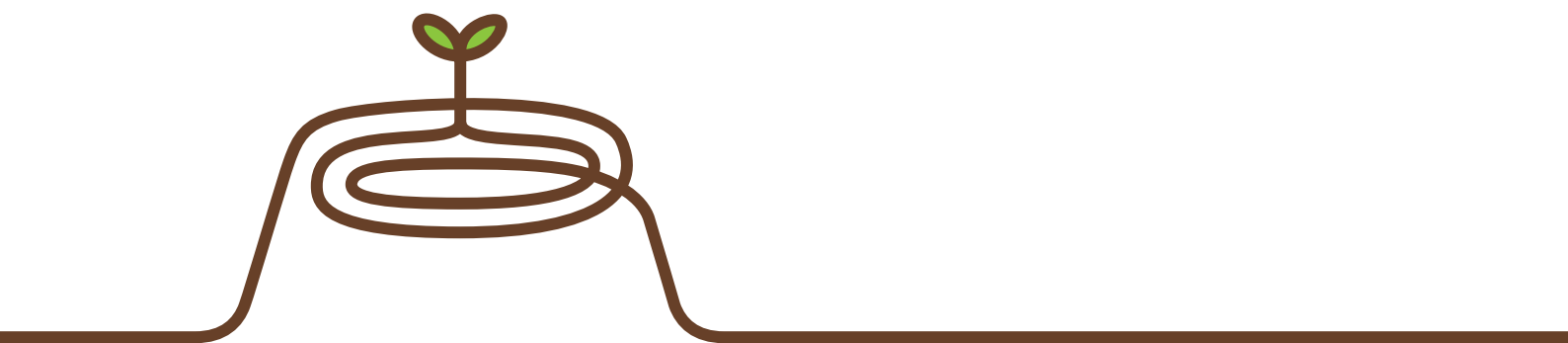
Sustainability

Showcasing the Sumitomo Forestry Group's key initiatives that contribute to the realization of a sustainable society through its businesses.

This year's annual report provides an overview of the Sumitomo Forestry Group's important CSR activities. For more details on the Group's CSR activities and performance data, please refer to the *CSR Report 2013*.

CSR Report 2013

 <http://sfc.jp/english/csr/>



Pursuing Sustainable Businesses

We are pursuing sustainable businesses—including providing timber and wood building materials from sustainable forests, providing environmentally friendly homes and promoting global warming countermeasures—in order to help solve problems facing the global environment and society. Valuing employees and their families, we create workplaces that encourage the active participation of a diverse range of people while proactively working to develop the next generation of employees.

Providing Timber and Wood Building Materials from Sustainable Forests

Sumitomo Forestry promotes environmentally friendly, sustainable forest management in Japan and overseas to preserve forests, which serve the public good, while enabling the perpetual use of timber resources. 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. Accordingly, we will also promote the increased handling of timber from certified forests, plantation forests and Japanese timber.

Company-owned Forests in Japan

(As of April 1, 2013)

43,328_{ha}

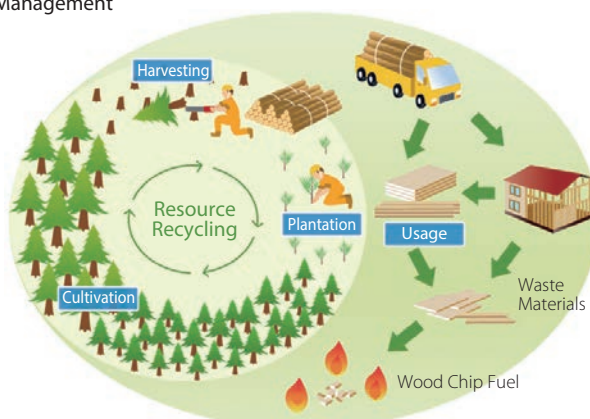
Promoting Sustainable Forestry in Japan

Sumitomo Forestry currently owns approximately 43,328 hectares of forest in Japan (about 1/900th of the nation's land area). We undertake appropriate thinning and effective harvesting that take into consideration the ecosystems of each area as well as engage in sustainable forest management through reforestation. The acquisition of certification from Japan's Sustainable Green Ecosystem Council (SGEC)*1 for Sumitomo Forestry-owned forests*2 is one example of the evaluations the Company has received from third parties regarding its forest management practices, including the preservation of biodiversity.

*1. Japan's own forestry certification system through which forest management is verified as sustainable by third parties. Certification is based on seven criteria that include the preservation of biodiversity, and the conservation and maintenance of soil and water resources.

*2. A portion of the forests purchased in fiscal 2012 (459 hectares) is scheduled to receive SGEC certification in September 2013.

Sustainable Forest Management



Overseas Plantation Land Area

(FY2012)

8,412_{ha}

Percentage of Legally Verified Directly Imported Timber and Wood Building Materials

(In the timber and building materials distribution business)

100%

Percentage of Certified Imported Timber and Plantation Timber

(In the timber and building materials distribution business)
(FY2012)

63%

Number of Local Residents Engaged in Social Forestry

(As of 2012)

**Approximately
3,900**

Promoting Overseas Plantation Forest Operations

In order to preserve in a stable and environmentally friendly manner the raw materials used in wood building materials, we are promoting plantation forest operations primarily in Indonesia and Papua New Guinea. Through this business, we are increasing raw material procurement from plantation forests as natural forests diminish. In fiscal 2012, the total area of Sumitomo Forestry's overseas plantation forests was 8,412 hectares.

Ensuring the Traceability of Timber

Sumitomo Forestry confirmed the legality of the timber and wood building materials that were imported directly from overseas in fiscal 2009, domestic timber sold in Japan in fiscal 2010 and timber procured from outside of the Group in fiscal 2011 for use in the Housing Business.

Promote the Use of Timber from Certified Forests and Plantation Forests

To promote distribution of timber from appropriately managed forests, the Group has acquired Chain of Custody (CoC) certifications from the Forest Stewardship Council*1 (FSC®) and the Programme for the Endorsement of Forest Certification*2 (PEFC), which comprise a global forest certification system, as well as the SGECC. At the same time, the Group encourages the increased handling ratio of timber from certified forests and plantation forests.

*1. The Forest Stewardship Council (FSC®), which is a third-party organization, provides a global forestry certification system. Its Forest Management (FM) certification authenticates forest management, while FSC Chain of Custody (CoC) certification confirms that forest products from certified forests are appropriately separated and marked in the storage, processing and distribution processes.

*2. Abbreviation of the Programme for the Endorsement of Forest Certification Schemes. It is implemented by the international supervisory organization that inspects forest certification schemes independently created in various countries and promotes mutual recognition between these schemes.

Contributing to Society through Social Forestry

The building materials manufacturing business undertakes "social forestry" in Indonesia. This involves distributing seedlings free of charge to local residents. These seedlings are then purchased by the Group once they are ready to be harvested six to seven years later. While attempting to support the independence of local residents, we are engaging in communication that will build a positive relationship with regional communities.

As of 2012, approximately 3,900 local residents from over 40 communities throughout Indonesia engage in social forestry-based plantation forestry.



A sign indicating the name of the local resident who cultivated the trees

Providing Environmentally Friendly Homes

The domestic Housing Business uses a design method that utilizes the power of nature in the areas of wind and solar while developing Life Cycle Carbon Minus (LCCM) homes to reduce CO₂ emissions in the overall life cycle through the use of solar power systems and other energy-saving equipment. In addition, this business promotes initiatives that include utilizing domestic timber in building materials and interior products along with achieving zero emissions at new housing construction sites.

Installation Rate*

(Environmentally sound equipment in new custom-built detached homes)
(FY2012)

62%

* Installation rate of solar power system or ENE FARM fuel cell system in Sumitomo Forestry Home houses (orders received basis)

Promoting the Use of Environmentally Sound Equipment in Housing

Sumitomo Forestry helps create homes that reduce environmental impact mainly by actively promoting the installation of solar power systems, household fuel cells and other types of environmentally sound equipment. In fiscal 2012, the installation rate* of environmentally sound equipment in new custom-built detached homes was 62%. Moreover, we are aggressively expanding the use of environmentally sound equipment in the Timber and Building Materials Business and the Renovation Business.



Smart Solabo

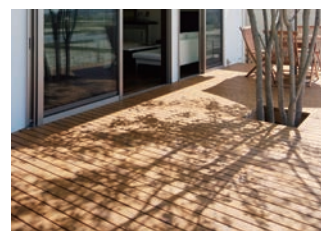
Percentage of Japanese Timber Used for the Principal Structural Members*

70%

* Covers the Multi-Balance Construction Method, which is the main method for building the Company's custom-built detached homes

Utilizing Domestic Timber in Building Materials and Interior Products

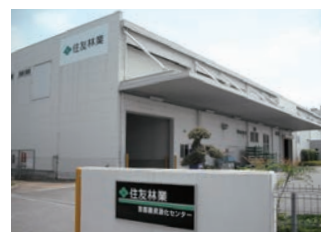
Sumitomo Forestry develops original building materials made from domestic timber that are actively used to construct custom-built detached homes. We also contribute to the revitalization of Japan's forestry industry while preserving domestic forests by promoting the use of domestic timber mainly in interiors, furniture and exterior products.



A wood deck made from domestic timber

Initiatives to Achieve Zero Waste Emissions at New Housing Construction Sites

In December 2010, Sumitomo Forestry obtained industrial waste certification from the Minister of the Environment based on an inter-region recovery and recycling certification system. This makes it possible to collect industrial waste by utilizing trucks returning to base after having transported homebuilding materials to new building construction sites, and to consolidate waste collection at collection centers registered in the inter-region certification system. Utilizing this system, Sumitomo Forestry established the Metropolitan Area Recycling Center in Kazo City, Saitama Prefecture, which is capable of undertaking the high-level sorting of waste. Becoming fully operational in July 2012, this recycling center has been sorting waste collected from construction sites throughout the Kanto area (Tokyo, Kanagawa Prefecture, Chiba Prefecture, Saitama Prefecture, Ibaraki Prefecture, Tochigi Prefecture, Gunma Prefecture) and is also capable of gathering and analyzing waste-related data. Looking ahead, the establishment of the Capital Area Recycling Center will make it possible to collect and analyze waste-related data, and provide feedback on potential improvements in areas such as product development, materials, design, production and distribution, which will lead to a reduction in the volume of waste being generated.



Metropolitan Area Recycling Center

Promoting Global Warming Countermeasures through Our Business

We promote energy-saving initiatives in offices and plants as well as the use of wood biomass to reduce CO₂ emissions in the Company's business activities. In addition, we are undertaking various measures through our business activities to help stem global warming. These include the absorption and storage of CO₂ through our forest management, reducing CO₂ emissions during housing construction and use as well as carbon offsetting.

Carbon Stock*

(From timber used to build new custom-built detached housing in Japan)
(FY2012)

Approximately
203,000t-CO₂

*The amount of CO₂ retained as carbon from timber used in the Group's new detached housing built in Japan. *Sumitomo Forestry Home* houses retain 22.6t-CO₂ per unit.

Scope of the Group's Biomass Power Generation Business in Japan

33MW

(Capable of supplying power to approx. 38,000 ordinary households)

Total Plantation Land Area in the Carbon Offset Project

(FY2012)

1,090ha

Expanding Carbon Stock

Trees absorb CO₂ then sequester it as carbon (carbon stock). The Group is working to expand the carbon stock by undertaking plantation in sustainable forestry. The Group also helps fight against global warming by increasing timber-based carbon stocks mainly through building high-quality, long-lasting wooden homes and the promotion of the MOCCA Business, which is widening the applications of timber resources.

The Sumitomo Forestry Group's Carbon Stock (2012)

Company-owned forests in Japan	11.00 million t-CO ₂ *1
Plantation forests overseas	3.79 million t-CO ₂ *2

*1. Domestic: carbon stock as of the beginning of fiscal 2012

*2. Overseas: carbon stock as of the beginning of 2012

Promoting Biomass Power Generation

The Sumitomo Forestry Group engages in biomass power generation operations primarily using wood biomass fuels produced from construction waste. In 2011, we commenced operations of the Kawasaki Biomass Power Plant jointly with other companies. The facility is able to generate 33MW of power, which means it can supply power for approximately 38,000 households consuming a typical amount of power. In addition, the wood biomass operations of the Indonesia-based manufacturing company, PT. Rimba Partikel Indonesia (RPI), have been registered by the United Nations as a Clean Development Mechanism (CDM)* project.



RPI's wood biomass boiler

* CDM (Clean Development Mechanism) provides credits for a portion of greenhouse gas emissions produced by a developed country that are reduced as a result of financial and technological assistance provided to a developing country, reductions in the release of greenhouse gases, and increases in the sequestering of greenhouse gases in a developing country.

Carbon Offset through Afforestation

Sumitomo Forestry is undertaking measures through new overseas afforestation projects to offset CO₂ (approx. six tons per unit) emitted by domestic housing, extending from the use of trimmed wood in main building materials to final construction. Since 2009, we have planted around 1.5 million trees in 1,500 hectares of land in Indonesia in order to offset the CO₂ emitted by all custom-built detached homes and detached spec homes sold over a five-year period. Over the next decade, we plan to cultivate and manage this afforested area.



Bromo Tengger Semeru National Park in Indonesia, Site of plantation forest

Creating an Environment That Encourages the Active Participation of a Diverse Range of People

To realize its corporate philosophy, Sumitomo Forestry has established as one of its action guidelines, "We create an open and inclusive corporate culture that values diversity." In line with this action guideline, we undertake fair hiring practices and operate effective personnel systems while focusing on human resource development that supports the global expansion of Group companies. We also actively promote work-life balance through workplaces that support the professional and private lives of employees.

Rate of Local Employment

(In Group Companies outside Japan)

99.2%

* Total overseas consolidated subsidiaries
(As of March 31, 2013)

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 March 31, 2013, the percentage of female employees including contract and temporary employees was 17.1%, the percentage of female employees in management positions was 1.6%. As of April 1, 2013, the percentage of newly hired female university graduates was 23.6%. In addition, overseas Group companies are actively engaging in local hiring.

Employment Breakdown

Management level	1,983
Non-management level	2,303
Contract employees (interior coordinators)	8
Contract employees (non-interior coordinators)	106
Hosted from other companies	16
Average years of service	14
Ratio of disabled employees	1.95%

(Non-consolidated, as of March 31, 2013)

Graduates of Sumitomo Forestry School of Professional Building Techniques

(Cumulative total number)
(FY2012)

951

Human Resource Development and Career Support

The Group's fundamental policy on human resource development is to cultivate highly motivated personnel, guided by the keywords of "independence" and "support." Sumitomo Forestry Business Institute supports skill improvement by offering a range of study programs that stimulate the employee's personal desire for learning as well as various e-learning courses.

In addition, Sumitomo Forestry recognizes that to continue building 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 this end, Sumitomo Forestry founded the Sumitomo Forestry School of Professional Building Techniques in 1988 as an intra-corporate vocational training school. This institution has nurtured the skills and knowledge of numerous craftspeople (carpenters).



Apprentices practicing the wooden housing construction (Sumitomo Forestry School of Professional Building Techniques)

Helping Employees Achieve a Work-Life Balance

Recognizing the importance of work-style diversity, Sumitomo Forestry, as a company involved with housing and lifestyles, strives to create a workplace employees find worthwhile, and create a rich family life. We encourage female employees, and also male employees, to take childcare leave. Aiming to promote work styles that support both increased efficiency and a better work-life balance, we operate the telework program, in which employees who have needs in the areas of childcare or family care, or who have long commute times, may work at home or other locations remotely.

In April 2013, we established the Workstyle Diversification Department, which provides employees with consultation services that are easier to use than before to encourage them to take full advantage of the Company's work-life balance programs. Through these initiatives, we will lend our support to work-style diversity.

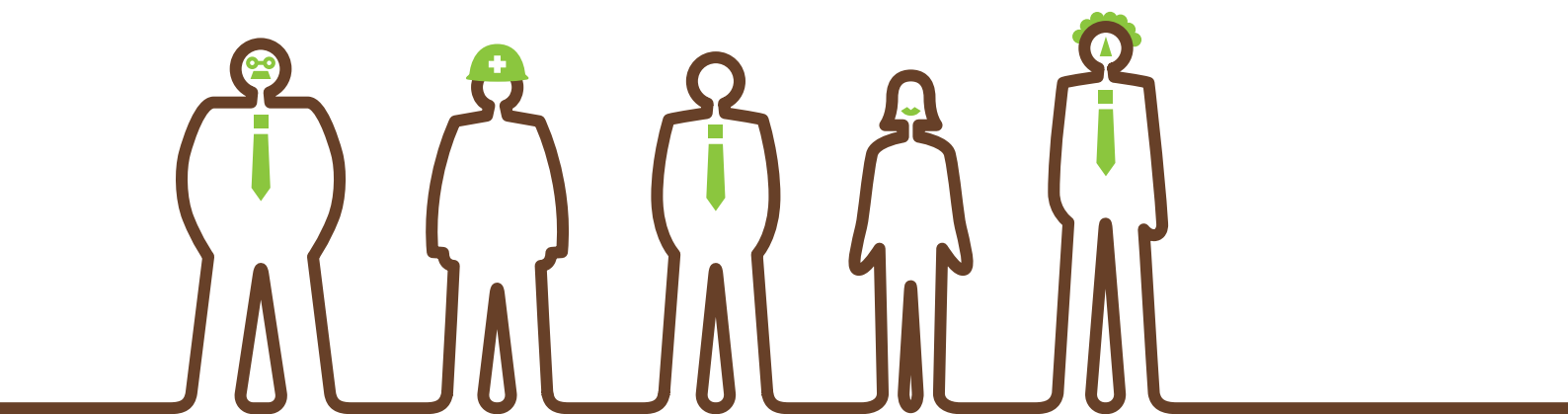
Governance

The Group enhances and strengthens corporate governance to ensure transparency and maintain sound, sustainable management.

For more details on the Group's corporate governance, please refer to the *CSR Report 2013*.

CSR Report 2013

 <http://sfc.jp/english/csr/>





Board of Directors and Statutory Auditors

(As of June 21, 2013)

Directors

Ryu Yano

* Chairman of the Board

Akira Ichikawa

* President / Director

Hideyuki Kamiyama

* Director

Hitoshi Hayano

* Director

Shigeru Sasabe

Director

Ken Wada

Director

Tatsuru Satoh

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 Statutory Auditors as stipulated by the Companies Act

Executive Officers

Akira Ichikawa

* President and Executive Officer

Hideyuki Kamiyama

* Executive Vice President and Executive Officer

In charge of East Japan reconstruction support works, diminishing consumption-tax hike impacts, value up and cost down works

Hitoshi Hayano

* Senior Managing Executive Officer

Divisional Manager of Housing Division

Shigeru Sasabe

* Managing Executive Officer

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



From left: Tatsuru Satoh, Shigeru Sasabe, Hideyuki Kamiyama, Ryu Yano, Akira Ichikawa, Hitoshi Hayano, Ken Wada

Ken Wada

*** Managing Executive Officer**
Deputy Divisional Manager of Housing Division and General Manager of Custom-Built Housing Section

Tatsuru Satoh

*** Managing Executive Officer**
In charge of General Administration, Personnel, Corporate Communications, Internal Audit, Intellectual Property and Environmental Management (also oversees Corporate Planning, Finance, and Information Systems and Tsukuba Research Institute)

Hideo Watabe

Managing Executive Officer
President and Representative Director of Sumitomo Forestry Residential Co., Ltd.

Akihisa Fukuda

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

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, Overseas Housing Business Supporting, Environment & Safety)

Takanori Umeki

Managing Executive Officer
Divisional Manager of Timber & Building Materials Division

Akito Kataoka

Managing Executive Officer
Divisional Manager of Forestry & Environment Division and General Manager of Forestry & Environmental Business Department

Kunihiko Takagiri

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

Ryoji Machino

Executive Officer
Deputy Divisional Manager of Housing Division (in charge of Residential Property Development and MOCCA (Wood Use Integration)) and General Manager of Renovation & Leasing Section

Yoshihiro Yoshioka

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

Masayuki Tabuse

Executive Officer
Deputy Divisional Manager of Timber & Building Materials Division and General Manager of Domestic Timber & Building Materials Section

Akira Sekimoto

Executive Officer
Deputy Divisional Manager of Timber & Building Materials Division, Deputy Divisional Manager of Overseas Business Division, President of Sumitomo Forestry (Shanghai) Ltd. and President of Fuxin Sumirin Wood Products Co., Ltd.

*** Doubles as Director and Executive Officer**

Corporate Governance and Internal Control

Corporate Governance System

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. We have strengthened our statutory auditors' monitoring function. We have introduced an executive officer system to separate decision-making and supervisory functions from executive functions and have clarified where the executive responsibility lies. As of June 21, 2013, there were seven directors, 17 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.

At this time, we believe that further enhancing statutory auditors' monitoring functions concerning the business execution of directors is an effective means for increasing the viability of our corporate governance.

The Sumitomo Forestry Group's Board of Statutory Auditors is composed of five statutory auditors, which include three external auditors: one certified public accountant, one university professor specializing in forest resource science and one lawyer. Each statutory auditor monitors the business execution of directors based on a high degree of expertise gained in their respective professions as well as possessing a diverse array of perspectives.

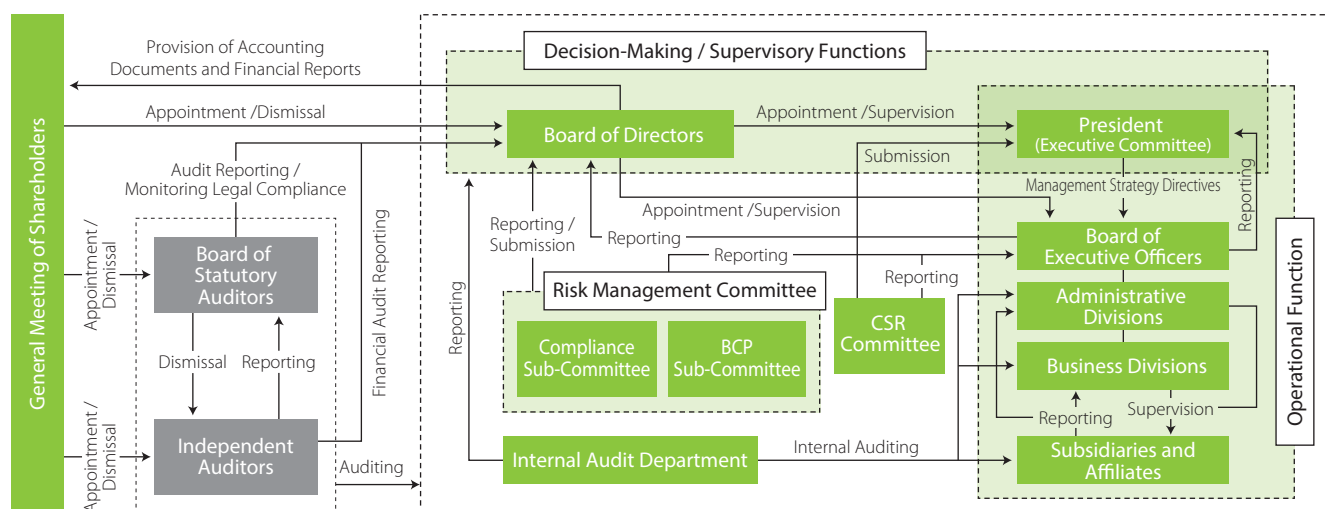
In addition to statutory auditors' attending Board of Directors, Executive Committee and other important meetings, we have developed a system capable of obtaining accurate information in a timely manner regarding management decision-making processes. This is made possible by close coordination in the areas of internal auditing, compliance, and accounting as well as statutory auditors of important subsidiaries and accounting auditors. Based on this information, statutory auditors conduct rigorous audits from the standpoint of shareholders. In addition, statutory auditors maintain management objectivity by expressing their opinions when necessary about the business execution of directors.

We have taken steps to strengthen the monitoring function of the Board of Directors related to business execution as well as clarify where executive responsibility lies by introducing an executive officer system that separates supervisory and executive functions.

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 2012, the Board of Directors met 16 times and the Executive Committee 26 times.

Corporate Governance System (As of April 30, 2013)



Board of Statutory 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 2012. The Board of Statutory Auditors' meeting for the Group is held once every two months.

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 (FY2012)

Position and Name	Board of Directors Meetings (convened 16 times)		Board of Auditors Meetings (convened 14 times)	
	Number of meetings attended	% of meetings attended	Number of meetings attended	% of meetings attended
Statutory Auditor: Satoshi Teramoto	16	100%	14	100%
Statutory Auditor: Shin Nagata*	13	100%	11	100%
Statutory Auditor: Junko Hirakawa*	13	100%	11	100%

* The external auditors, Mr. Shin Nagata and Ms. Junko Hirakawa, have both attended all meetings of the Board of Directors and Board of Statutory Auditors since being appointed on June 22, 2012.

Remuneration, etc. (FY2012)

Directors (7)* ¹	¥421 million
Corporate Auditors (8)* ² (including ¥25 million in remuneration for five external auditors)	¥74 million

*1. Included in total remunerations for directors are director bonuses amounting to ¥105 million, which were decided upon at the 73rd regular shareholders' meeting held on June 21, 2013.

*2. Including remunerations for three statutory auditors who retired as of the 72nd regular shareholders' meeting held on June 22, 2012.

Risk Management and Compliance

Risk Management Overview

The Group 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.

Risk Management Committee

In accordance with the Company Act and other regulations, the Company has formulated the Risk Management Basic Regulations, in order to develop a system for managing business risk that includes all Group companies. Accordingly, the President and Representative Director of Sumitomo Forestry has been appointed as the Sumitomo Forestry Group's highest authority on risk management. Based on the Risk Management Basic

Regulations, the Company has established the Risk Management Committee, which is chaired by the executive officer in charge of the General Administration Department, in order to appropriately and smoothly undertake risk management. Established under the umbrella of the Risk Management Committee, the Compliance Sub-Committee and the Business Continuity Plan (BCP) Sub-Committee are comprised of the general manager of the General Administration Department, who serves as committee chairman, and the working-level managers of each department.

This system effectively enhances the effectiveness of risk management measures that must be given priority throughout the Group. The Risk Management Committee regularly reports the content of its activities to the Board of Directors and statutory auditors as well as implements management reviews to develop a system able to reflect risk management in business operations.

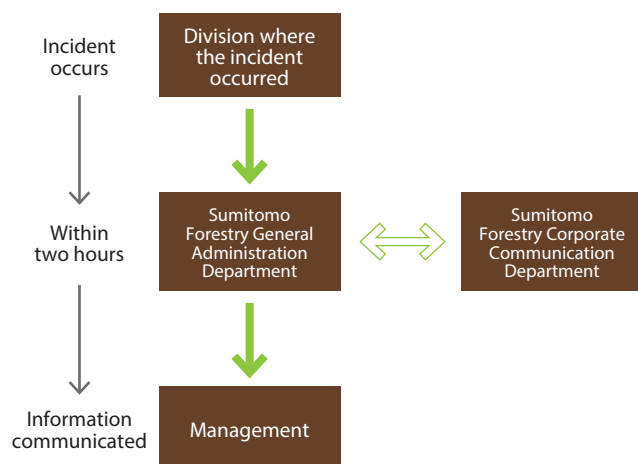
In fiscal 2012, the Risk Management Committee reported its activities to the Board of Directors four times, the Compliance Sub-Committee held meetings two times and the BCP Sub-Committee held meetings three times.

Rapidly Comprehending and Dealing with Risks

The Group operates 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. In addition, the Company maintains a system that gathers and analyzes data in order to disclose information to its stakeholders in a timely and appropriate manner. By compiling case studies, this system also strengthens measures aimed at preventing incidents from reoccurring throughout the Group.

In order to bolster its system for disclosing information to stakeholders, in fiscal 2012 the Company developed a system to strengthen coordination by sharing emergency information with the Corporate Communications Department as soon as it is received by the General Administration Department.

Sequence of Events for the Two-Hour Rule



Disaster Risk

The BCP Sub-Committee has developed BCPs for various risks—including natural disasters and outbreaks of new influenza strains—that are beyond the control of the Group and could significantly impact the headquarters' functions, and



The BCP Sub-Committee

systematically acts based on these plans. Established under the Risk Management Committee, the BCP Sub-Committee is comprised of the general manager of the General Administration Department, who serves as committee chairman, and working-level managers of each department. On the basis of important supply chains operated as mutual businesses, each Group company undertakes measures to address common Group issues with an eye to consistently enhancing Groupwide resilience and business continuity.

Compliance Promotion System

The Group has established and promotes compliance management through the Compliance Sub-Committee, which is a Groupwide organization under the umbrella of the Risk Management Committee. The Compliance Sub-Committee is comprised of the general manager of the General Administration Department, who serves as committee chairman, and working-level managers of each department. In addition, compliance managers of each Group company undertake bottom-up management by sharing information on management systems (including safe operation management, and licenses and national certifications required for operations), and by inviting specialist instructors to hold workshops. Briefing sessions for internal auditors are held on a monthly basis to share risk information for each company with the entire Group.

Internal Audits

Of the Group's approximately 200 business sites, the Internal Audit Department selects about 60 each year to undergo a risk assessment audit. By conducting these audits, the Internal Audit Department verifies the status of each business site's business execution (beginning with compliance) and administrative functions. The results of these assessments are reported to the president, executive officers in charge of internal audits and internal 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, which includes preparing documentation and implementing quarterly follow-ups. The results of these actions are reported to the president and executive officers in charge of internal audits.