

Governance

For more details on the Group's corporate governance, please refer to the *CSR Report 2014*.

CSR Report 2014  <http://sfc.jp/english/information/society/index.html>

Board of Directors and Statutory Auditors

(as of June 20, 2014)



From left: Akihisa Fukuda, Hitoshi Hayano, Tatsuru Satoh, Ryu Yano, Shigeru Sasabe, Ken Wada, Akira Ichikawa, Junko Hirakawa, Toshiro Mitsuyoshi

Directors

Ryu Yano *Chairman of the Board

Apr. 1963 Joined the Company
Dec. 1986 General Manager Overseas First Department
Dec. 1988 Director
Jun. 1992 Managing Director
Jun. 1995 Representative Director (current position)
Senior Managing Director
Apr. 1999 President/Director
Jun. 2002 President and Executive Officer
Apr. 2010 Chairman of the Board (current position)

Akira Ichikawa *President / Director

Apr. 1978 Joined the Company
Apr. 2007 General Manager of Corporate Planning Department
Jun. 2007 Executive Officer
Jun. 2008 Director
Apr. 2010 Managing Executive Officer
Representative Director (current position)
President/Director (current position)
President and Executive Officer (current position)

Hitoshi Hayano *Director

Apr. 1977 Joined the Company
Apr. 2003 General Manager of Corporate Planning Department
Jun. 2005 Executive Officer
Apr. 2006 Managing Executive Officer
Jun. 2006 Director
Apr. 2007 Divisional Manager of Real Estate Business Division
Apr. 2010 Divisional Manager of Housing Division
Apr. 2011 Representative Director (current position)
Senior Managing Executive Officer
Apr. 2014 Executive Vice President and Executive Officer (current position)
Divisional Manager of Lifestyle Service Division and Forestry & Environment Division (current position)

Shigeru Sasabe Director

Apr. 1977 Joined the Company
Apr. 2007 General Manager of Personnel Department
Jun. 2008 Executive Officer
Sep. 2008 General Manager of General Administration Department
Apr. 2010 Managing Executive Officer
Jun. 2010 Director (current position)
Apr. 2012 Divisional Manager of Lifestyle Service Division
Apr. 2014 Senior Managing Executive Officer (current position)
Divisional Manager of Overseas Business Division (current position)

Ken Wada Director

Jul. 1983 Joined the Company
Apr. 2004 General Manager of Marketing Strategy Department, Housing Division
Apr. 2007 General Manager of Fukuoka Branch, Housing Division
Apr. 2008 Deputy Divisional Manager of Housing Division
Jun. 2008 Executive Officer
Apr. 2010 Managing Executive Officer
Jun. 2011 Director (current position)
Apr. 2014 Senior Managing Executive Officer (current position)
Divisional Manager of Housing Division (current position)

Tatsuru Satoh Director

Apr. 1978 Joined the Company
Oct. 2008 General Manager of Administration Department, Housing Division
Apr. 2011 General Manager of Personnel Department
Apr. 2012 General Manager of General Administration Department
Jun. 2012 Executive Officer
Apr. 2013 Managing Executive Officer (current position)
Jun. 2013 Director (current position)

Akihisa Fukuda Director

Apr. 1981 Joined the Company
Apr. 2009 General Manager of Corporate Planning Department
Jun. 2010 Executive Officer
Apr. 2011 Managing Executive Officer (current position)
Jun. 2014 Director (current position)

Toshiro Mitsuyoshi Director

Apr. 1985 Joined the Company
Apr. 2010 General Manager of Overseas Business Department, Overseas Business Division
Jun. 2010 Executive Officer
Apr. 2011 Managing Executive Officer (current position)
Divisional Manager of Overseas Business Division
Apr. 2014 Deputy Divisional Manager of Housing Division (current position)
Jun. 2014 Director (current position)

Junko Hirakawa Director**

Apr. 1973 Licensed as an attorney-at-law admitted in Japan
Feb. 1979 Licensed as an attorney-at-law admitted in the State of New York, U.S.A.
Oct. 1983 Partner of Yuasa and Hara
July 1997 Hirakawa, Sato & Kobayashi (currently City-Yuwa Partners) established
Partner of Hirakawa, Sato & Kobayashi
Feb. 2003 Partner of City-Yuwa Partners (current position)
Jun. 2011 Appointed as External Director of Tokyo Financial Exchange Inc. (current position)
Jun. 2012 Appointed as External Statutory Auditor of the Company
Jun. 2014 Appointed as External Director of the Company (current position)

*Representative Director
**External Director



Statutory Auditors

| Hideyuki Kamiyama Senior Statutory Auditors

| Hidekazu Tanaka Statutory Auditor

| Satoshi Teramoto Statutory Auditor

| Shin Nagata Statutory Auditor

| Katsuhide Kurasaka Statutory Auditor

Statutory Auditors Satoshi Teramoto, Shin Nagata, and Katsuhide Kurasaka are External Statutory Auditors as set forth in Article 2, Paragraph 3, item 8 of the Ordinance for Enforcement of the Companies Act.

Executive Officers

| Akira Ichikawa President and Executive Officer*

| Hitoshi Hayano Executive Vice President and Executive Officer*

In Charge of Value Up and Cost Down Works, TOP2020, Group IT Strategy, Divisional Manager of Lifestyle Service Division and Forestry & Environment Division

| Shigeru Sasabe Senior Managing Executive Officer*

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

| Ken Wada Senior Managing Executive Officer*

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

| Akihisa Fukuda Managing Executive Officer*

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

| Toshiro Mitsuyoshi Managing Executive Officer*

In charge of Tohoku Reconstruction Support and Deputy Divisional Manager of Housing Division (In charge of Housing Business Strategy and also oversees Overseas Housing Business Supporting Department)

| Hideo Watabe Managing Executive Officer

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

| Takanori Umeki Managing Executive Officer

Divisional Manager of Timber & Building Materials Division

| 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 (Timber Solutions)) 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 and General Manager of International Marketing Department

| Akio Numazaki Executive Officer

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

| Kanpei Tokunaga Executive Officer

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

| Shinichi Kawazoe Executive Officer

Deputy Divisional Manager of Overseas Business Division and General Manager of Overseas Resources & Manufacturing Department

| Nobuyuki Katayama Executive Officer

Deputy Divisional Manager of Housing Division (also oversees Administration & Planning, Training & Education and Building Compliance Department)

*Doubles as Director and Executive Officer

Corporate Governance

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 20, 2014, there were nine directors, 18 executive officers, and five statutory auditors.

To strengthen the Board of Director's supervisory functions and management system, one external director was newly appointed at the 74th regular shareholders' meeting. The Company now has three external auditors with the appointment of one new external auditor. We ensure transparent and sound management based on stronger management oversight and audit functions with external directors and auditors, and believe we can further strengthen the effectiveness of corporate governance.

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 2013, the Board of Directors met 15 times and the Executive Committee 27 times.

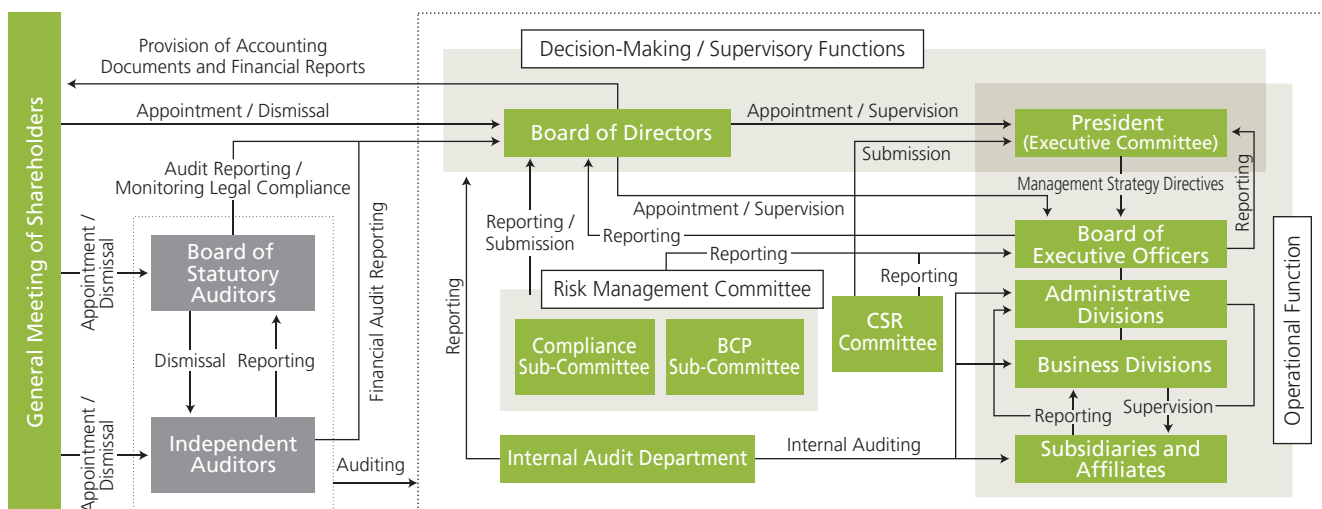
We have adopted an executive officer system to separate decision-making and supervisory functions from executive functions. The Board of Directors, comprised of a small a group of members, is able to make swift decisions. Each executive officer, under the guidance and supervision of the Board of Directors, efficiently carries out the work they are in charge of as the person responsible for its execution.

Board of Statutory Auditors

Each statutory auditor provides oversight for the directors' execution of duties utilizing the deep insights and diverse perspectives they have acquired from their various business backgrounds. In addition to statutory auditors' attending Board of Directors, Executive Committee and other important meetings, we have developed a system in which they can obtain 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 and statutory auditors express their views when necessary about the business conducted by directors.

The Board of Statutory Auditors met 14 times during fiscal 2013. In addition, the Group Board of Statutory Auditors, composed of the Company's full-time statutory auditors and the statutory auditors of Group companies, convenes once every two months with the goal of improving the audit effectiveness in Group companies and exchanging information.

Corporate Governance System (As of June 30, 2014)



Appointment of External Directors and External Auditors

The Company appointed one external director, Junko Hirakawa. She had provided appropriate opinions and comments on various proposals at the Board of Director's meeting from the standpoint of a legal expert as the Company's external auditor until now. At the same time, she has been committed to strengthening our governance system through her audit work. In addition, the Company is expanding the operations of various businesses in Japan and abroad. To further strengthen the Board of Director's supervisory functions and management system, we have appointed increased the number of directors from seven to nine, in addition to appointing external directors.

The Company appointed three external auditors, Satoshi Teramoto, Shin Nagata, and Katsuhide Kurasaka.

Neither the external director nor the three external auditors have any capital, personal, transactional or other relationships with the Sumitomo Forestry Group that would constitute a conflict of interest.

Reasons for Appointment as External Director

Name	Reason for appointment
Junko Hirakawa Assumption of office: June 2014	As an attorney, she has practical knowledge of corporate law in Japan and abroad, and has been judged to play an appropriate role in strengthening the Company's corporate governance by making recommendations to management from an expert's perspective.

Reasons for Appointment as External Auditor

Name	Reason for appointment
Satoshi Teramoto Assumption of office: June 2010	As a certified public accountant, he has 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 business.
Shin Nagata Assumption of office: June 2012	He has an extremely good knowledge of forestry management in general, and has been judged capable of conducting objective and appropriate audits of the Company's environmental business and overseas business development.
Katsuhide Kurasaka Assumption of office: June 2014	He has deep insight as a business manager including his extensive experience in front-line manufacturing management, and has been judged capable of conducting objective and appropriate audits of the Company's manufacturing business.

Attendance of External Auditors at Meetings of the Board of Directors and Board of Auditors (FY2013)

Position and Name	Board of Directors Meetings (convened 15 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	15	100%	14	100%
Statutory Auditor: Shin Nagata	13	87%	14	100%
Statutory Auditor: Junko Hirakawa	14	93%	14	100%

Remuneration, etc. (FY2013)

Directors (8) ¥446 million

Corporate Auditors (5) ¥74 million

(including ¥25 million in remuneration for three external auditors)

Directors include one director who retired as of the 73rd regular shareholders' meeting held on June 21, 2013.

Included in total remunerations for directors are director bonuses amounting to ¥120 million, which were decided upon at the 74th regular shareholders' meeting held on June 20, 2014.

Internal Controls System (Risk Management and Compliance)

Establishment of Internal Controls System

The Group adopted a basic policy on the establishment of an internal controls system at the Board of Directors' meeting and decided Action Guidelines to embody our corporate philosophy, as well as the document summarizing the ethical behavior guidelines and values that all officers and employees should follow, titled "What we want to place a priority on." We also established a framework to secure the soundness in our business in accordance with the Company Act.

Promotion of Risk Management System

To strengthen the risk management system including for Group companies in accordance with the Company Act and other regulations, the Company has formulated the Risk Management Basic Regulations. Accordingly, President and Executive Officer of Sumitomo Forestry has been appointed to preside over all matters concerning risk management for the entire Group as the 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 President and Executive Officer and comprised of all other executive officers, 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 people in charge of risk management in each department. The Risk Management Committee regularly reports the content of its activities to the Board of Directors as well as implements management reviews to develop a system able to reflect risk management in business operations.

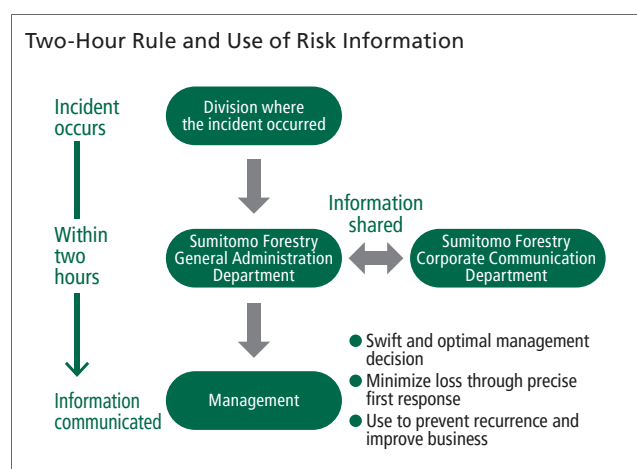
In fiscal 2013, Risk Management Basic Regulations were partially revised and the risks surrounding the Group were sorted out systematically and in great detail. In addition, we devised a system to more effectively manage risks by determining which division has authority over each risk.

Further, the Risk Management Committee reported its activities to the Board of Director four times, and the Compliance Sub-Committee and the BCP Sub-Committee convened two times each.

Rapidly Responding to Risk when it Manifests

The Group operates a two-hour rule system designed to rapidly and accurately share information with management in the event of an emergency situation that may have a serious impact on Company management. The rule is helpful in making swift and optimal management decisions, taking a precise first response and avoiding and containing loss through the prompt sharing of information, summarizing and reporting case studies, and preventing recurrence and improving business.

The Company maintains a system of sharing information with the Corporate Communications Department and disclosing information to stakeholders about important matters in a timely and appropriate manner.



Responding to Disaster Risk

The Group has established the BCP Sub-Committee as a subordinate body under the Risk Management Committee. The Sub-Committee has developed BCPs for various business interruption 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 systematically acts based on these plans.

Based on important supply chains operated as mutual businesses, each Group company’s on-site leader attends Group Countermeasures against Large-Scale Earthquakes BCP Simulation Training, a committee activity, and works to address Group issues with the aim of consistently enhancing Group wide resilience and business continuity.

Compliance Promotion System

The Company has established the Compliance Sub-Committee as a subordinate body under the Risk Management Committee to respond to compliance risk across the Group. The committee promotes Group standardization including management systems and tools for legal compliance with construction industry law and other laws and regulations, and efficiently responds to compliance risk.

In addition, compliance managers of each Group company manage from the bottom-up by inviting specialist instructors to hold workshops and create opportunities to share a crisis consciousness.

These activities are reported to the Board of Statutory Auditors every month to share compliance risk information of each company with the entire Group through the Group Board of Statutory Auditors.

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.