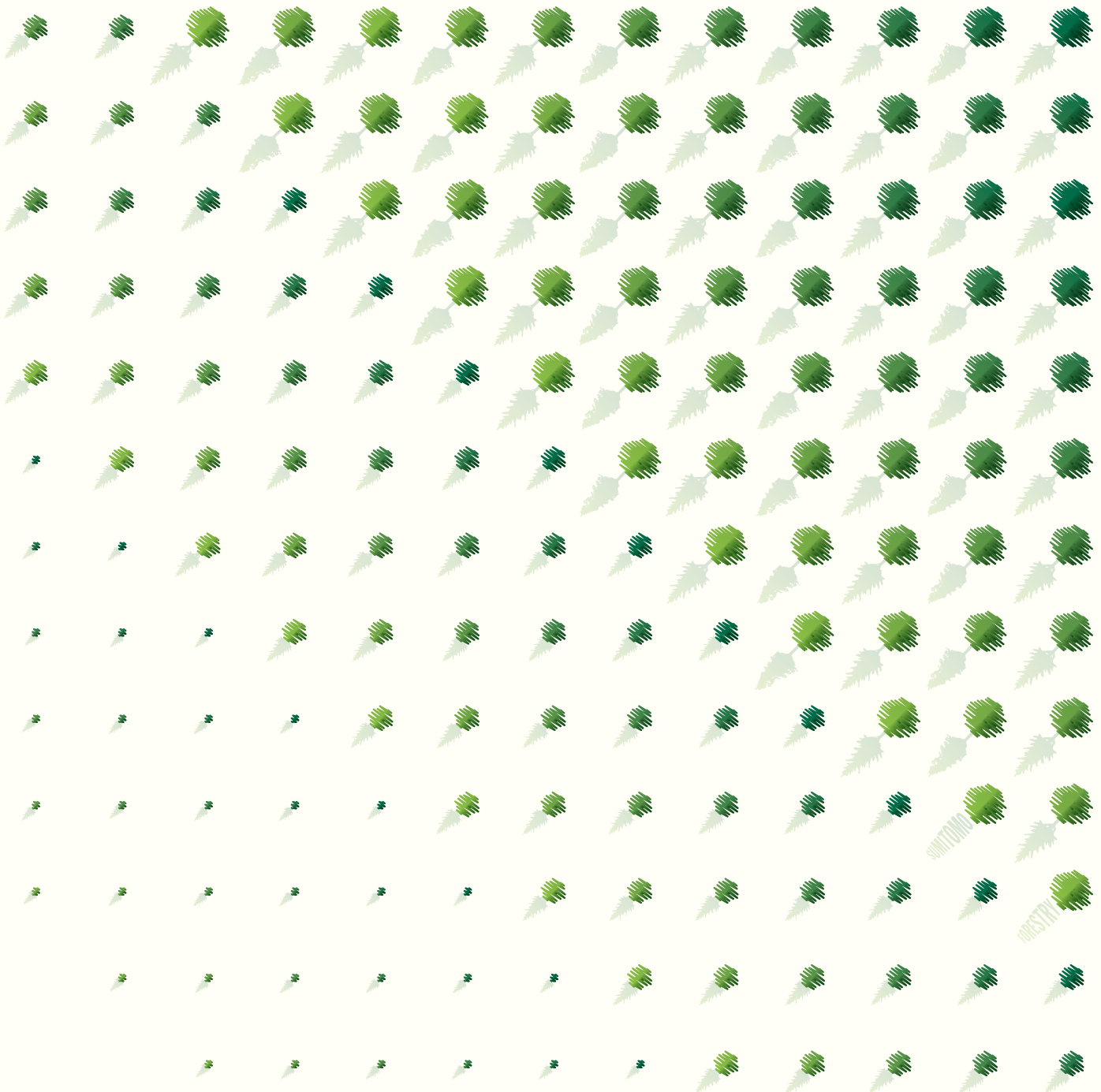


Happiness Grows from Trees



Sustainable Growth with Forests

Annual Report 2016 (Year ended March 31, 2016)





Why do people love trees?

Probably because humans have co-existed with trees on earth for ages and we have become intimately aware of how extraordinary they are.

Trees have a kindness about them. They produce oxygen that sustains life on earth and they give shade that blocks scorching sunlight.

Trees have warmth. When you touch a tree, instead of heat being drawn away from your body, you feel warmth.

And trees protect us. Harboring soft-skinned humans in their bounty, they shelter us from heat, cold, wind and rain.

Beyond all this, trees are beautiful. Anyone who has spent time in a place filled with trees knows their strength to comfort and heal body and soul.

Helping to keep the world thriving with the bounty of trees is our work.

Trees are invaluable resource, vital and intimately connected to life.



Company-owned forest (Shikoku)

No other work could bring such joy and happiness — that’s how we at the Sumitomo Forestry Group feel when we consider the boundless importance of trees.

Our work is not only about using trees. It’s about sustaining life on earth with trees. We plant trees, nurture their growth, and seek new ways to expand their potential. We strive to share the joy of living amongst the abundant gifts of trees with everyone on earth.

Today there is growing awareness of the need for a sustainable society. The Sumitomo Forestry Group shares this commitment. Together, let’s nurture growth that will thrive long into the future.

“Happiness Grows from Trees”
Sumitomo Forestry Group



From Seed to Forest

We will contribute to society and the environment through the unlimited potential of wood. Our operations cover wood-related business fields both upstream and downstream, from our forestry management operations where we plant and nurture forests to homebuilding that utilizes the unique properties of wood and even further to wood biomass power generation. We will continue to grow with society, making effective use of this renewable resource. The Sumitomo Forestry Group will advance through a wide range of endeavors going forward.



An elementary school under construction in Higashimatsushima (Miyagi)

**Corporate
Philosophy**

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

**Action
Guidelines**

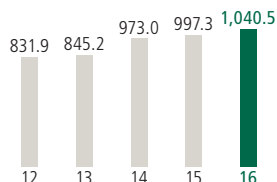
- **Sumitomo Spirit**
We conduct business that is beneficial to society based on the principles of integrity and sound management.
- **Respect for Humanity**
We work to create an open and inclusive corporate culture that values diversity.
- **Environmental Responsibility**
We are dedicated to effectively addressing environmental issues with the aim of achieving a sustainable society.
- **Putting Customers First**
We are thoroughly committed to customer satisfaction through the provision of high-quality products and services.

Financial (Years ended March 31)

Net Sales

1,040.5

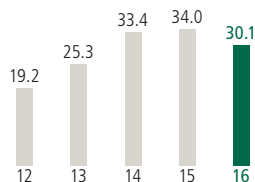
billion yen
YoY change +4.3%



Operating Income

30.1

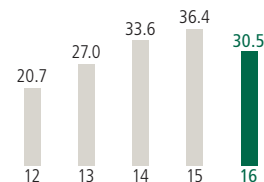
billion yen
YoY change -11.5%



Recurring Income

30.5

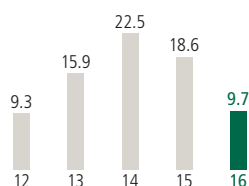
billion yen
YoY change -16.2%



Profit Attributable to Owners of Parent

9.7

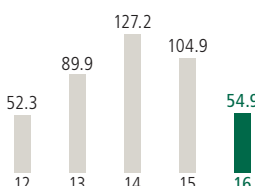
billion yen
YoY change -47.6%



Net Income per Share

54.9

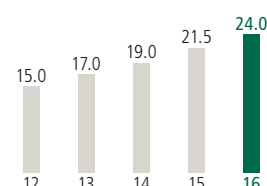
yen
YoY change -49.9 yen



Dividend per Share

24.0

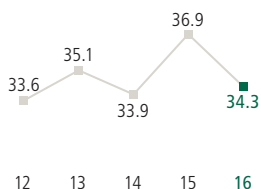
yen
YoY change +2.5 yen



Equity Ratio

34.3

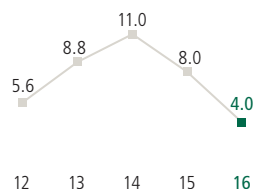
%
YoY change -2.6 points



ROE (Return on Equity)

4.0

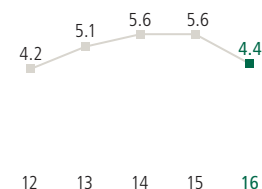
%
YoY change -4.0 points



ROA (Return on Assets)

4.4

%
YoY change -1.1 points



External Commendations

Inclusion in Socially Responsible Investment Indexes

(As of July 2016)

FTSE4Good Global Index

We have been included in this index since 2004.



Morningstar SRI Index

We have been included in this index since 2008.



"Bronze Class" in RobecoSAM's The Sustainability Yearbook 2016

We were awarded the "Bronze Class" commendation in The Sustainability Yearbook 2016, a CSR rating by RobecoSAM, which researches and analyzes companies to be listed in DJSI, in addition to being selected as one of the world's most sustainable companies for the ninth straight year in the Homebuilding Industry Sector.



Sustainability

Carbon Stock*¹

(From timber used in the Custom-Built Detached Housing Business)

Approximately

175,000

t-CO₂

Year ended March 31, 2015
Approximately 198,000 t-CO₂

*1. The volume of CO₂ fixed in timber used in custom-built detached houses constructed by the Group. A Sumitomo Forestry home has a carbon stock of about 22.6 t-CO₂.

Company-Owned and Managed Forests

Domestic

46,443

ha^{*2}

As of April 1, 2015 46,247 ha

*2. As of April 1, 2016

Company-Owned and Managed Forests

Overseas

Approximately

230,000

ha^{*3}

As of March 31, 2015
Approximately 200,000 ha

*3. As of June 30, 2016

Selected for inclusion as a Health & Productivity Stock and a Nadeshiko Brand, both jointly promoted by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange.



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