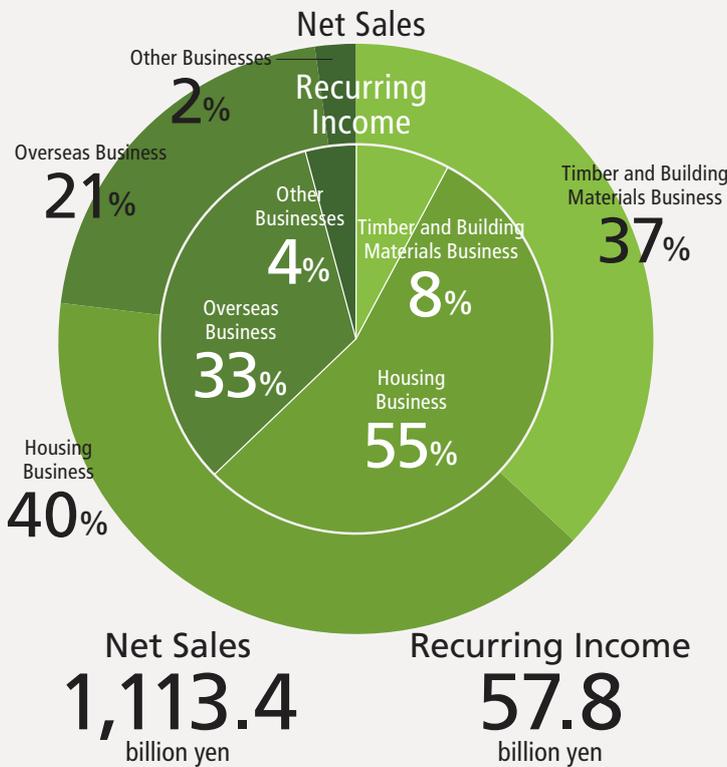
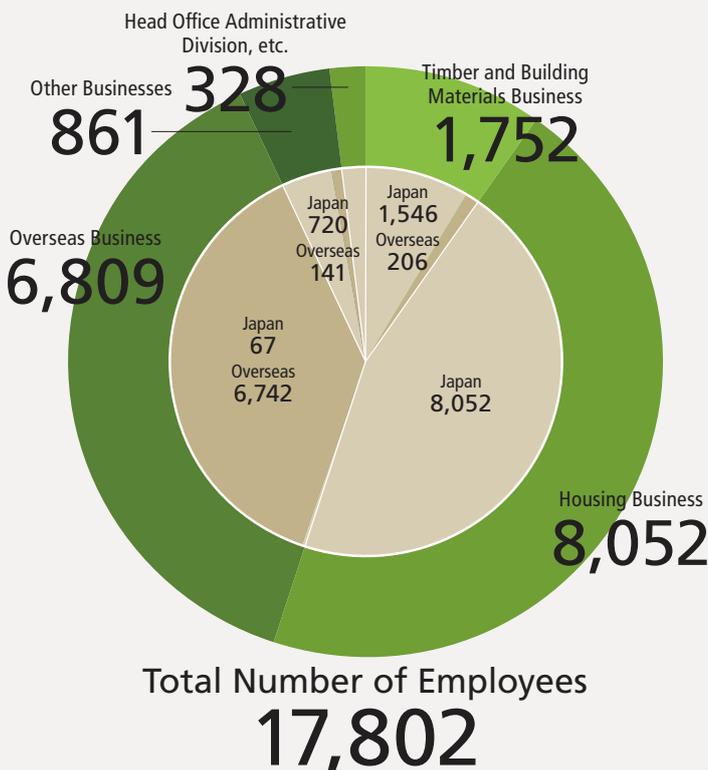


Composition by Segment (Year ended March 31, 2017)



Number of Employees (As of March 31, 2017)



Timber and Building Materials Business

We operate a distribution business that sources high-quality timber and building materials from Japan and overseas for marketing to domestic and overseas customers, and a manufacturing business that makes building materials in Japan.

Housing Business

In addition to the Custom-Built Detached Housing Business, we operate a wide range of housing-related businesses. These include the Renovation Business, Apartment Business, Detached Spec Homes Business, Landscaping Business, and Stock Housing Business, as well as real estate brokerage and management and renovation and resale of used houses.

Overseas Business

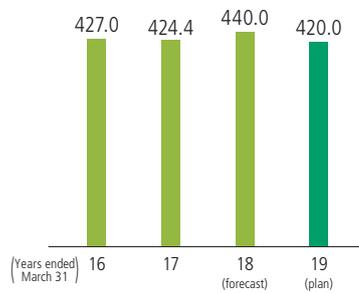
We operate the Manufacturing Business, which is engaged in building materials manufacturing, mainly in the Pacific Rim, including Southeast Asia, Oceania and the United States, and the Housing and Real Estate Business, mainly in the United States and Australia.

Other Businesses

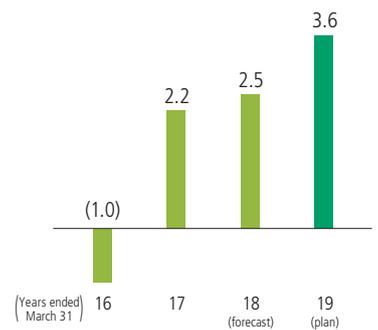
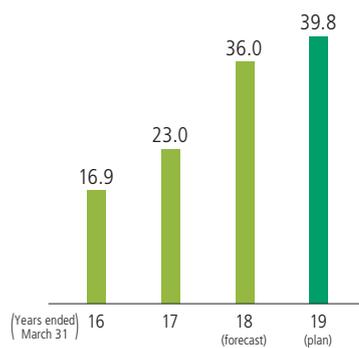
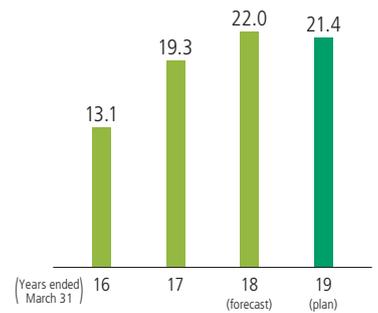
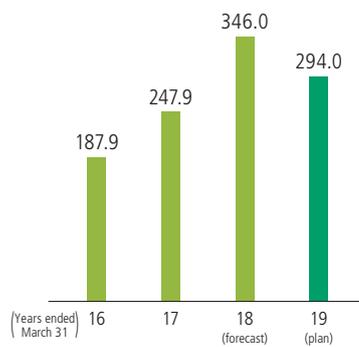
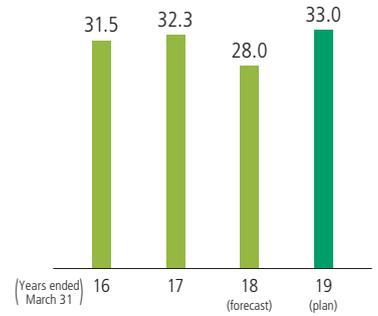
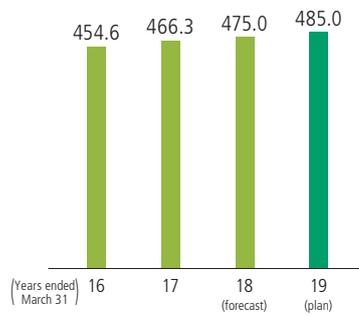
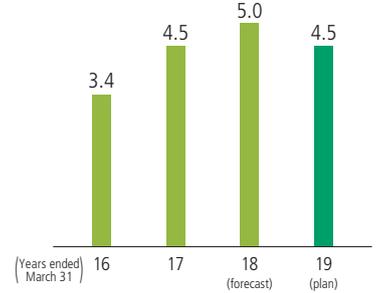
We operate the forestation business, the biomass power generation business, the private-pay elderly care facilities business, the lease business, as well as various service businesses including the insurance agency business mainly for our housing business customers. We also manufacture and sell farming and gardening materials, and develop information systems for each Group company.



Net Sales (Billions of yen)



Recurring Income (Billions of yen)



Note: Net sales and recurring income for each business include intersegment transactions.

Timber and Building Materials Business

Fiscal 2016

Sales

424.4 billion yen

Recurring Income

4.5 billion yen

Percentage of Total Sales

37 %





Basic Policy

Proactive approach to domestic growth markets and overseas markets, and promoting the distribution of sustainable timber resources

Sumitomo Forestry has held the No. 1 share in the domestic timber and building materials distribution markets, based on a sales network and a reputation for reliability built up over many years. Moreover, one of its greatest strengths lies in its procurement capabilities using its global network.

We continue to focus on expanding our market share and ensuring the quality and legality of the products we handle based on the Sumitomo Forestry Group Procurement Policy. At the same time, the Company is concentrating on the domestic growth markets of wood chips for fuel and the handling of parts and materials for non-residential buildings and domestic timber. Accelerating efforts to expand business overseas, we are building out a business model with clarified functions of processing, installation and delivery, in addition to procurement and sales. Through these initiatives, we aim to achieve steady business growth and increase the distribution of sustainable timber resources.



Wood chips

Addressing social environment changes while proactively moving into growth markets

In the 1950s, when demand for timber was brisk during Japan's rapid economic growth stage, we were the first to begin importing timber from foreign countries and to establish a global procurement network. Now, in light of rising demand for construction materials in non-residential areas, the Company is focusing on new initiatives, such as developing and selling "Kigurumi CT," an original and cost-competitive laminated wood material that is fire-resistant and can be used in medium-sized to large-scale wooden buildings. Moreover, thanks to our domestic production bases, we are able to rapidly develop products in tune with changing market needs, and this can be utilized in product development. Sumitomo Forestry also helps increase overall efficiency in the industry by providing a timber delivery system that streamlines the distribution of home building materials and develops across diverse business domains.

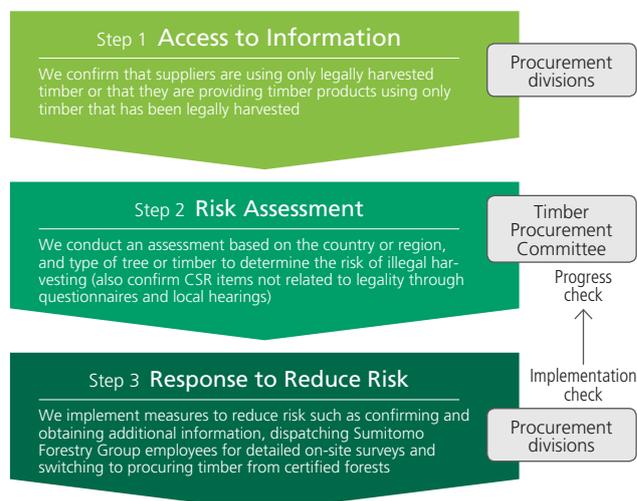
Approximately 70% of Japan's landmass is covered in forests, making it one of the few countries in the world rich in forest resources. However, Japan's self-sufficiency rate for timber was only 33.3% as of 2015, reflecting the weak price competitiveness of domestically produced timber and the aging workforce in the forestry industry, among other reasons. The Japanese government aims to increase the self-sufficiency rate for timber to 50% by 2025, and has enacted laws to promote the construction of wooden buildings for public use. Moreover, some local governments have identified their local forestry industry as a viable means of revitalizing the region. Using domestic timber, which has become matured for harvesting, also helps to preserve the environment through the proper management of forests. Against this backdrop, we are focusing our energies on expanding sales of domestic timber, including exports to markets in Asia. From the standpoint of environmental conservation, renewable energy has gained attention, and the scale and number of biomass power generation plants has increased as a result. Amid growing demand for wood-chip fuel, we will focus on expanding the procurement and sale of energy-related raw materials.

Sumitomo Forestry will continue to steadily procure and supply timber and construction materials in accordance with diverse needs.



Kashima Manufacturing Plant of Sumitomo Forestry Crest

System of Timber Procurement Due Diligence



Overseas
Distribution
Business

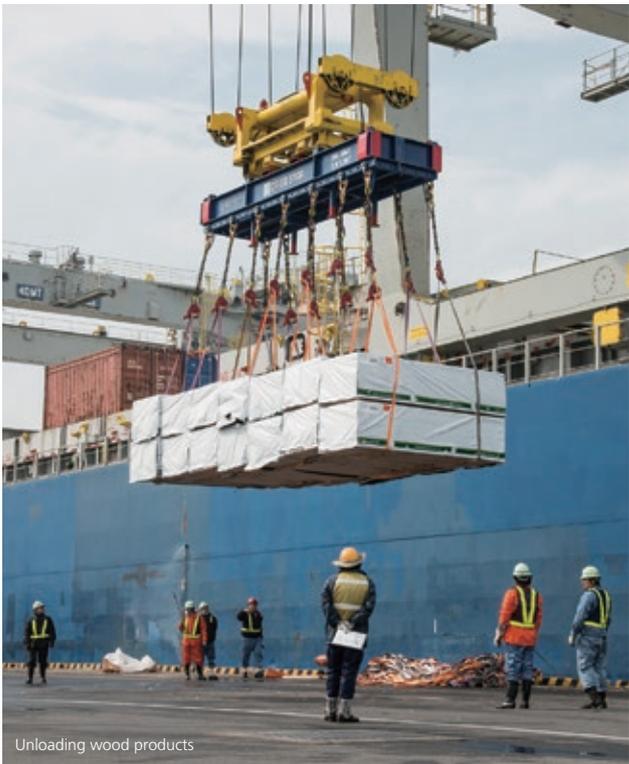
Expanding business domains and creating synergies in global markets

In the Overseas Distribution Business, we have administered the business from Singapore since fiscal 2015. We mainly focus on sales of timber and building materials in Pacific Rim countries. At the same time, we create and implement efficient market strategies based on information gathered through close relationships with local suppliers and connections with our local affiliates in Asian countries.

We will continue to fortify our foundation for producing and selling building materials through capital tie-ups with local Indian producers. We aim to expand operations and continue creating a vertically integrated business model, from upstream to downstream operations, in overseas markets.

Sumitomo Forestry intends to expand the distribution of sustainable plantation timber by establishing a sustainable business cycle, from tree planting to logging, to distribute timber from its newly acquired timberland in New Zealand to Asian countries.

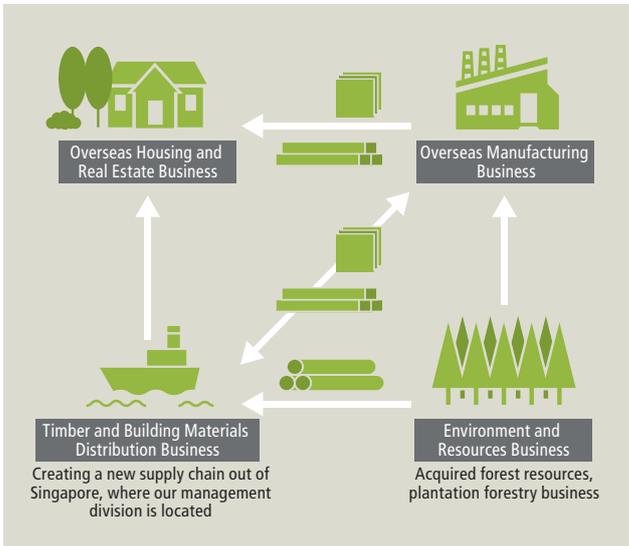
We aim to generate synergies in the global market by working to expand operations while building cooperative relationships with local businesses.



Unloading wood products



Timber storage



Housing Business

Fiscal 2016

Sales

466.3 billion yen

Recurring Income

32.3 billion yen

Percentage of Total Sales

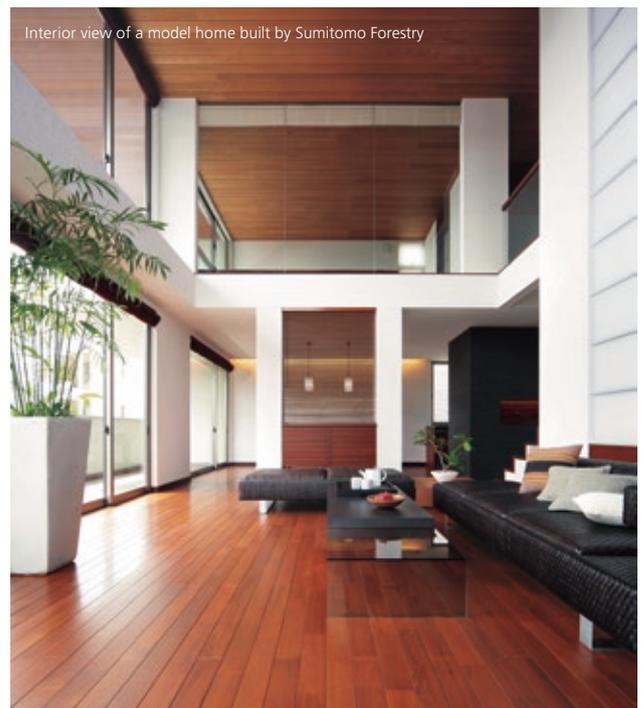
40%

Basic Policy

Advancing diverse sources of earnings through Group synergies and provision of high-value-added products and services

Since it started the Custom-Built Detached Housing Business in 1975, the Sumitomo Forestry Group has provided excellent living environments by constructing long-lasting, high-quality homes. Leveraging its design capabilities accumulated in the Custom-Built Detached Housing Business, we have diversified into the Apartment Business, which proposes comfortable spaces with wood accents, in addition to the Renovation, Landscaping, Real Estate Brokerage, Rental Management, and MOCCA (Timber Solutions) businesses.

The Group takes advantage of synergies with these housing-related businesses to provide high-value-added products and services, thereby diversifying its sources of earnings in the Housing Business.



Fiscal 2016

ZEH Proliferation (Orders received basis)

32%

* ZEH (zero-energy houses) is defined as homes that reduce primary energy consumption by 100%, including solar power, and nearly ZEH by 75–100%. This figure includes nearly ZEH, excludes Hokkaido and Okinawa.

Percentage of Japanese Timber Used for New Custom-Built Detached Houses

Multi-Balance Construction Method

71%

Percentage of Japanese Timber Used for New Custom-Built Detached Houses

Big-Frame Construction Method

50%

Custom-Built
Detached
Housing
Business

We aim to maximize customer satisfaction and increase orders with better proposals

In the Custom-Built Detached Housing Business, the Company aims to increase order receipts by leveraging its advanced technologies and excellent design capabilities. In April 2017, we unveiled The Forest BF, an evolution of our proprietary Big-Frame (BF) construction method. With The Forest BF, customers can select the height of their ceilings (2,250 mm, 2,400 mm, 2,600 mm or 2,800 mm heights), and thanks to new technologies, rooms are more open and spacious. In addition to the BF construction method, Sumitomo Forestry has the proprietary Multi-Balance construction method for maximizing the effective use of oddly shaped or narrow plots of land. With these in hand, we are able to fulfill the needs of our customers in both broad and narrow specifications.

We are continuing to provide high-value-added products and services, such as the Grand Estate Design Project that offers luxurious residences with superior design, and Green Smart homes and ZEH-specification homes that create energy-saving lifestyles with our technologies and the power of nature, such as the “Ryouonbou” designs that take advantage of wind, sunshine and the bounty of nature for natural heating and cooling. By doing so, we enhance earning capabilities and make energy conservation possible in our lives without sacrificing comfort.

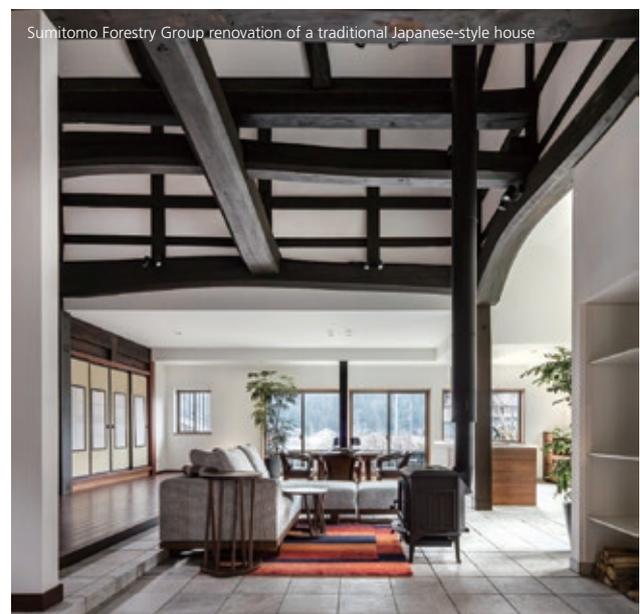


Renovation
Business

Differentiating ourselves from rivals with proprietary, advanced technologies

In the Renovation Business, we continue to expand operations while aiming to differentiate ourselves from the competition with the advanced technologies we have gained in the Custom-Built Detached Housing Business. In fiscal 2016, we were the first renovation company to adopt the Japan Trans-housing Institute's (JTI) “Moving Support and Home Compatibility System.” Under this system, JTI guarantees a minimum rental income for as long as 35 years for leasing a property. We will propose such monetization of homes to customers through the proactive use of this system. Our proprietary technology for enhancing building earthquake resistance and durability can be used in renovating traditional Japanese homes*, enabling future generations to continue living in their ancestral homes. We are proud to receive renovation orders for around 300 traditional homes each year. We aim to quickly achieve ¥100 billion in sales, working to expand orders by offering to increase the value of homes.

* The Sumitomo Forestry Group's definition of a traditional Japanese-style house is a house built before the current Building Standards Law came into effect in 1950.



Apartment Business

Enhancing our ability to offer selections to tenants, aggressively investing management resources

People’s lifestyles have diversified with an increase in single-person households amid declining birthrates and an aging population. We leverage our technological capabilities to create original construction methods and detailed specifications from a woman’s point of view to offer unique and compelling apartment residences built out of wood. We also provide support to rental property owners with reliable long-term management services, based on strong relationships with a Group rental management company. To fulfill strong demand for apartments and housing with combined rental housing in major cities against a backdrop of revisions to inheritance taxes, in addition to growing needs for asset utilization, we will continue to focus on selling products that meet fire protection standards. In areas with strong demand for rentals, we will heavily invest management resources in a bid to accelerate improvement in earnings.

An apartment exterior



MOCCA (Timber Solutions) Business

Using domestically produced timber, we aim to help revitalize Japan’s forestry industry and create job opportunities

In the MOCCA (Timber Solutions) Business, we will promote the use of timber for non-residential buildings, such as commercial, education and elderly care facilities. Through this business, we aim to hand down the culture of wood, reinvigorating Japan’s forestry industry through the use of domestic timber and contributing to the creation of regional employment opportunities.

➔ Page 20 Feature Story: MOCCA (Timber Solutions) Business

Miyanomori Elementary School in Higashimatsushima City, Miyagi Prefecture

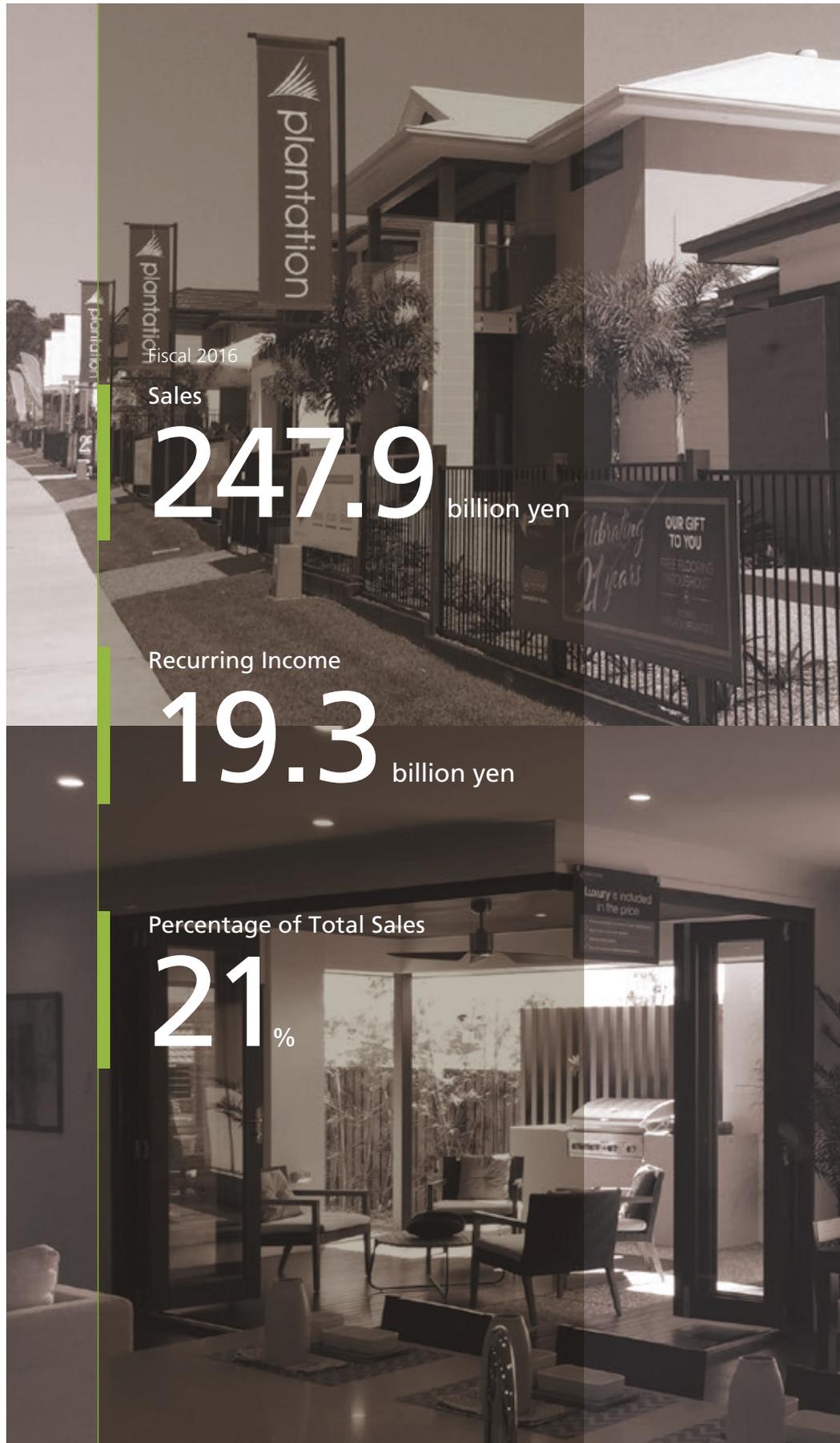


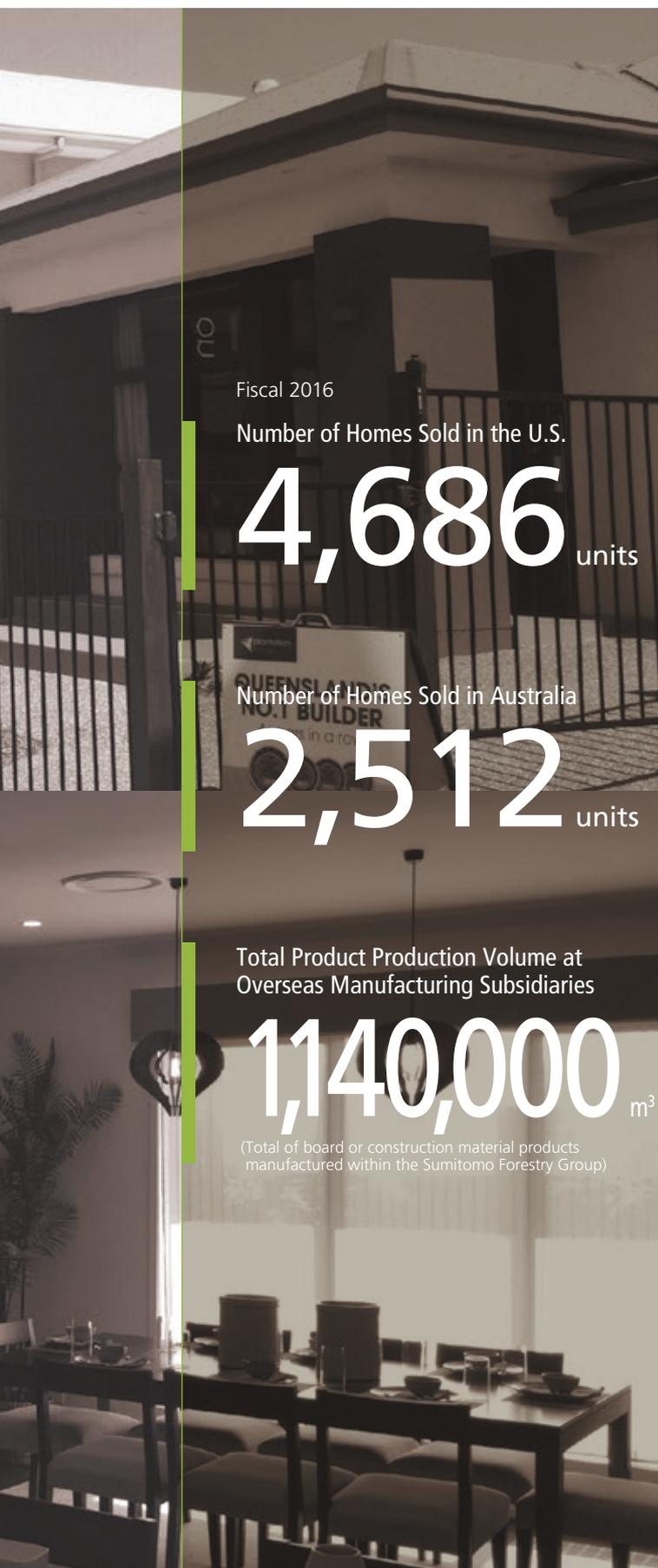
Design and supervision: Sakaki Sogo Plan and Coelacanth K&H Architects, Inc.

Licensed nursery school KIDDIE Suzukicho Kawasaki



Overseas Business





Basic Policy

We aim to expand operations further as an engine of sustainable growth

Sumitomo Forestry has a long history of overseas expansion, dating back to importing timber for the use in the Timber and Building Materials Business in the 1950s. The business networks and know-how it has built up since then have become the foundation for advancing overseas operations. Today, the Overseas Business entails the manufacturing business for production and sales of high-quality wooden building materials, and the housing and real estate business for detached housing and real estate development. We operate these businesses together with around 7,000 people locally.

We aim to nurture the Overseas Business with the aim of expanding to become a stable contributor to earnings by tapping into demand in countries located around the Pacific Rim, incorporating demand centered on newly emerging countries and increasing sales of detached housing in the U.S. and Australia where housing demand remains strong.

Additionally, Sumitomo Forestry will engage in a diverse range of businesses while paying heed to the global environment, developing technologies to continue providing high-value-added products, and advancing the investment of management resources to expand business scale and its area of operations.

Exterior view of a home built by the Henley Group

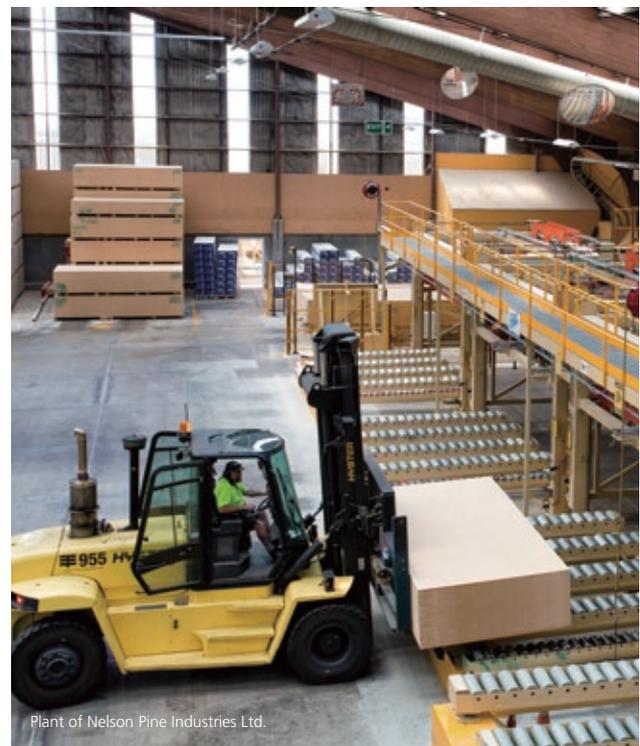


With its stable production structure, the Company is focusing on improving profitability by responding to market needs

The Overseas Manufacturing Business started in 1970 with a plywood manufacturing business at a subsidiary in Indonesia. Having expanded our business since then, we produce a wide variety of wood boards (medium density fiberboard and particle board) and wooden building materials for global distribution at our sites in Southeast Asia, Oceania and North America.

Over the past half century or so, we have developed high-quality, competitive products based on quality management systems that comply with various specifications and certifications, including those put out by Japanese Agricultural Standards (JAS), Japanese Industrial Standards (JIS) and the California Air Resources Board (CARB), while meeting the needs of markets. We have built positive relationships based on cooperation with local communities, creating jobs while developing business. In Indonesia for example, we utilize a social forestry framework, where we give local residents tree saplings to plant free of charge and then buy them back after the saplings have fully grown as trees. In addition, in New Zealand, we contribute to the local environment and communities by procuring sustainable plantation timber for our manufacturing business.

We are focusing our efforts on expanding sales through Group networks while working to differentiate ourselves from the competition in regions, such as emerging countries, likely to see growth in their markets for wooden building materials alongside economic growth. Moreover, we aim to maximize earnings at Group companies within the region, such as by supplying building materials for the Overseas Housing and Real Estate Business.



Overseas
Housing and
Real Estate
Business

We are pursuing organic growth by fine-tuning our business structure while pushing into new businesses

The Overseas Housing and Real Estate Business, which started out in the detached housing business in Seattle, U.S.A., in 2003, has expanded on the back of growth at existing companies and through M&A. Today, revenue in the business has grown strongly based on a structure consisting of five companies in the U.S. and two companies in Australia. In the real estate development business, we develop condominium properties with other companies in Australia, Vietnam and Hong Kong. While striving to minimize risks, such as those arising from changes in the business environment, mainly through geographic dispersion, we will continue to refine our housing-related business model overseas.

The Sumitomo Forestry Group has put in place a sales structure for 5,000 homes in the U.S. and 3,000 homes in Australia with the aim of becoming a top-class home builder in both countries. In fiscal 2017, Sumitomo Forestry is prioritizing organic growth initiatives and continues to update the business structures of existing companies with an eye on attainment of its target for 8,000 home sales annually. Moreover, we are putting into place a framework that will generate synergies by training personnel and having common parts, materials and specifications. Apart from that, we will reinforce organizational structures and

corporate governance in the U.S. by strategically stationing directors there.

In addition, we are diversifying into new peripheral business fields overseas, such as the landscaping business for residences, and the real estate leasing business. We are “diversifying revenue sources in the global market,” one of the basic policies of our medium-term management plan. We are strongly advancing the development of these new businesses while coordinating with existing businesses, moving with speed so they will contribute to earnings as early as possible.



A residential area of houses sold by the Edge Homes Group in Salt Lake City, Utah



Other Businesses

Fiscal 2016

Sales

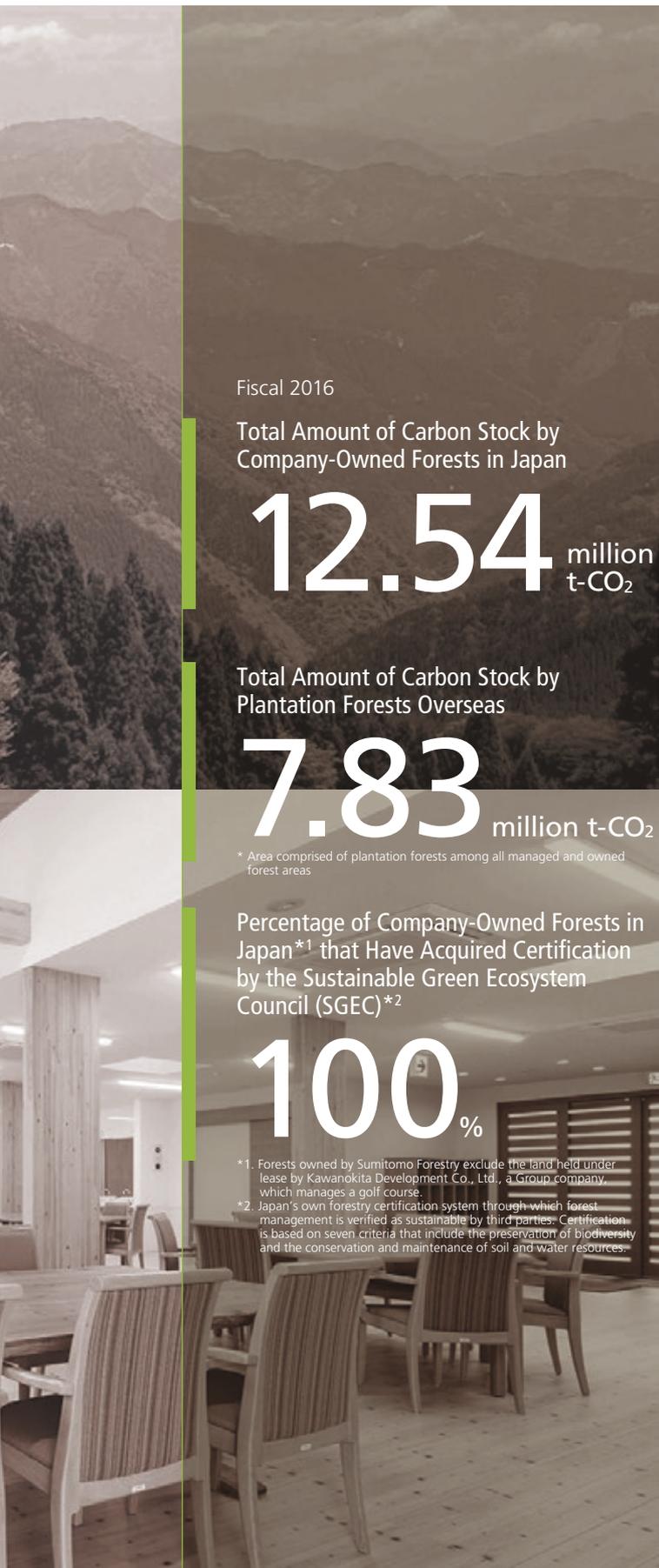
23.0 billion yen

Recurring Income

2.2 billion yen

Percentage of Total Sales

2%



Environment and Resources Business

Engaging in the domestic forestry and related business, using our expertise gained through sustainable forestry, the overseas forestation business and the wood biomass power generation business



Lifestyle Services Business

Offering a broad range of lifestyle-related services that support people's livelihoods



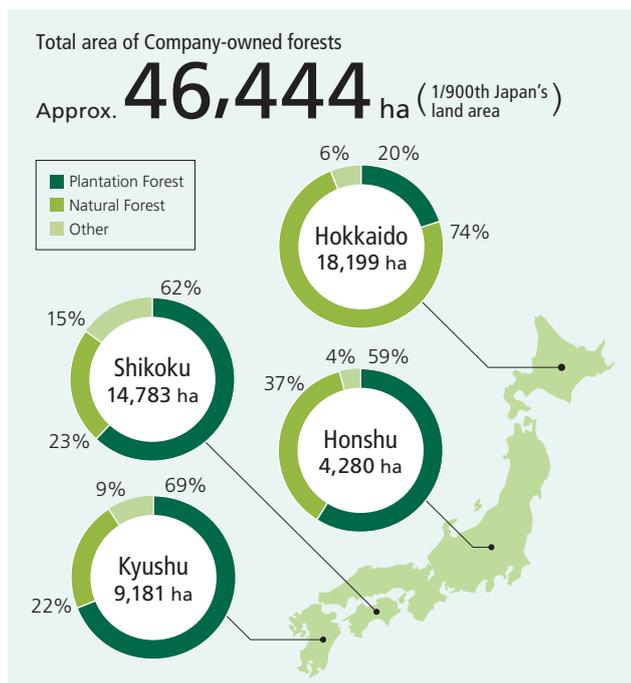
Domestic Forestry Business

Sumitomo Forestry offers forestry management consulting services backed by its expertise in sustainable forestry accumulated through the management of Company-owned forests, which span approximately 46,000 hectares in Japan, or 1/900th of the land area of the country. In 2016, the Company was commissioned to develop the Forest and Forestry Master Plan by Itoshima City in Fukuoka Prefecture with the objective of properly maintaining forests and effectively using the timber from these forests. We created and published Standard Specifications for Forest Cloud Systems to standardize data and systems related to forestry information, with the aim of reviving the forestry industry through the sophisticated use of forestry data.

Amid a shortage of seedlings for reforestation, despite rising interest in using domestically produced timber, we are growing tree saplings in four locations in Japan and plan to expand the business upon establishing a reliable supply structure.

Through these initiatives, we aim to attain sustainable forestry management and help revitalize regions by reviving the domestic forestry industry. At the same time, we will work to improve corporate value.

* In this report, the Group's domestic forestry business, which is included in Adjustments in the Financial Section, is described within the Other Businesses section.



As of April 1, 2017

Overseas Forestation Business

In addition to forestry management in Indonesia and Papua New Guinea, Sumitomo Forestry acquired 31,000 hectares of timberland in New Zealand in 2016. We manage and own 230,000 hectares of forest overseas, promoting an environmentally friendly sustainable forestation business.

In the future, demand for timber is forecasted to increase as the world population expands and standards of living improve in emerging countries. Our aim is to produce a reliable supply of sustainable timber in regions where we have competitive advantages while showing consideration for protection of ecosystems and preservation of biodiversity.

➔ Page 24 Feature Story: Overseas Forestation Business



As of July 1, 2017

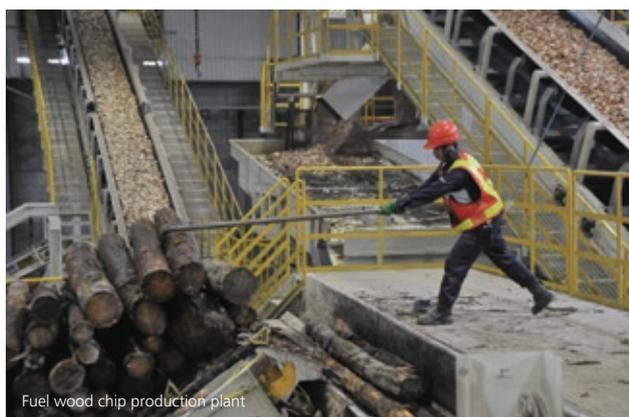
Wood Biomass
Power
Generation
Business

In the environment and energy field, Sumitomo Forestry generated electricity using wood biomass as fuel, such as from building construction waste and unused wood materials*. In December 2016, operations commenced at the Mombetsu Biomass Power Plant, which is one of the largest wood biomass power generation plants in Japan with a scale of 50 MW, using unused wood materials in Japan as its primary fuel source.

Sumitomo Forestry intends to further expand the renewable energy business centered on biomass power generation in Japan. The Company also aims to help revitalize regions, such as through job creation, while improving the value of wood as a resource.

* Unused timber from forests
Timber from forest thinnings and timber left unused because of undesirable bending and small diameters after logging can degrade forest environments if left alone, making it harder to manage forests and plant new trees.

➔ Page 22 Feature Story: Wood Biomass Power Generation Business



Lifestyle
Services
Business

In the Lifestyle Services Business, the Sumitomo Forestry Group is targeting flexible changes to the social structure and people's values, developing businesses that support people's daily lives from various perspectives.

In the private-pay elderly care facilities business, we have introduced ICT (Information and Communication Technology) systems that monitor the status of residents, as well as room spaces that improve the quality of sleep and gardens that should help improve cognitive functions, which are the fruits of research conducted at the Tsukuba Research Institute. In the adult day care business, Sumitomo Forestry provides services that take advantage of the unique aspects of its businesses, such as the creation of facility environments with beautiful wood accents and the use of garden therapy as rehabilitation.

In addition, we offer a variety of services that include casualty and life insurance agency recruitment operations and leasing and office agency operations, as well as support safe and enriched lifestyles through the manufacture and sale of farming and gardening supplies. Looking ahead, we will continue to offer a wide variety of services to our diverse customer base, targeting the child-raising generation and the active senior citizen generation.

