Value Chain of the Sumitomo Forestry Group

Environment and Resources

Domestic Forestry Overseas Forestation

Environment and Resources Business

Area of Company-

owned forests (Domestic) Approx. 48 thousand ha

Area of Companyowned or managed forests overseas

Renewable Energy Business

Power generation capacity (confirmed project basis)
(As of end of July 2019)

Growing trees

Upstream (forest management)

Timber and Building Materials Distribution Business

Volume of plantation timber, timber from certified forests and Japanese timber handled at overseas distribution bases (Fiscal 2018)

629 thousand m³

Timber and Building Materials Distribution

Manufacturing Business

Total production volume at overseas manufacturing subsidiaries (Total of board or construction materials products) (Fiscal 2018)

1,113 thousand m³

Manufacturing

Linking society to wood

Midstream (distribution / processing)



Custom-Built Detached Housing

Spec Homes

Landscaping **MOCCA**

Custom-Built Detached Housing Business

The number of houses completed (Domestic)

7,628 units

Overseas Housing and Real Estate

> Overseas Housing and Real Estate Business

> > The number of units sold (U.S. and Australia)

9,718 units



Elderly Care

Elderly Care Business

Private-pay elderly care facilities operated
(As of end of July 2019)

Fill Care Co., Ltd. Care Life Co., Ltd.



Utilizing wood in housing and living

The Sumitomo Forestry Group is building its own value chain

as a wood professional. Through utilizing wood that is friendly

to people and the environment, we are engaged in a diverse

manufacturing and processing in a global network, and even

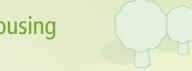
providing services related to the lives of people, including

range of businesses, extending from forestry management

in Japan and overseas to procurement, distribution,

housing construction.

Downstream (consumer services)





■ Integration of Business Operations and ESG Initiatives

Contributing to the realization of a prosperous and sustainable society through its business is an integral part of the Sumitomo Forestry Group's Corporate Philosophy. The Sumitomo Forestry Group is promoting integration of business operations and ESG initiatives with the aim of increasing the corporate value of the entire Group. We recognize the role expected by society and will continue putting into practice our corporate philosophy from the standpoint of stakeholders in our business, while sustaining growth for the Group while providing value to society.



As a renewable resource, trees absorb and fixate carbon dioxide in the atmosphere, and thanks to their low impact on the environment throughout their life cycle as a natural material, trees are able to support the creation of a sustainable society with their outstanding inherent environmental qualities. We contributed to the global environment through our business activities centered on trees.



On developing operations globally, we emphasize communication with stakeholders, who influence each other indirectly and potentially direct our broad business from upstream to downstream operations centered on trees. Also we will continue to meet their expectations and requests.

See the Sustainability section on page 37 for details.



Under our Corporate Philosophy, we state that we conduct business that places prime importance on fairness and integrity for the good of society. We strive to ensure transparency in management, appropriate and lawful business operations, and swift decision-making, business execution and information disclosure. Through these efforts, we are further enhancing corporate governance in order to raise corporate value.

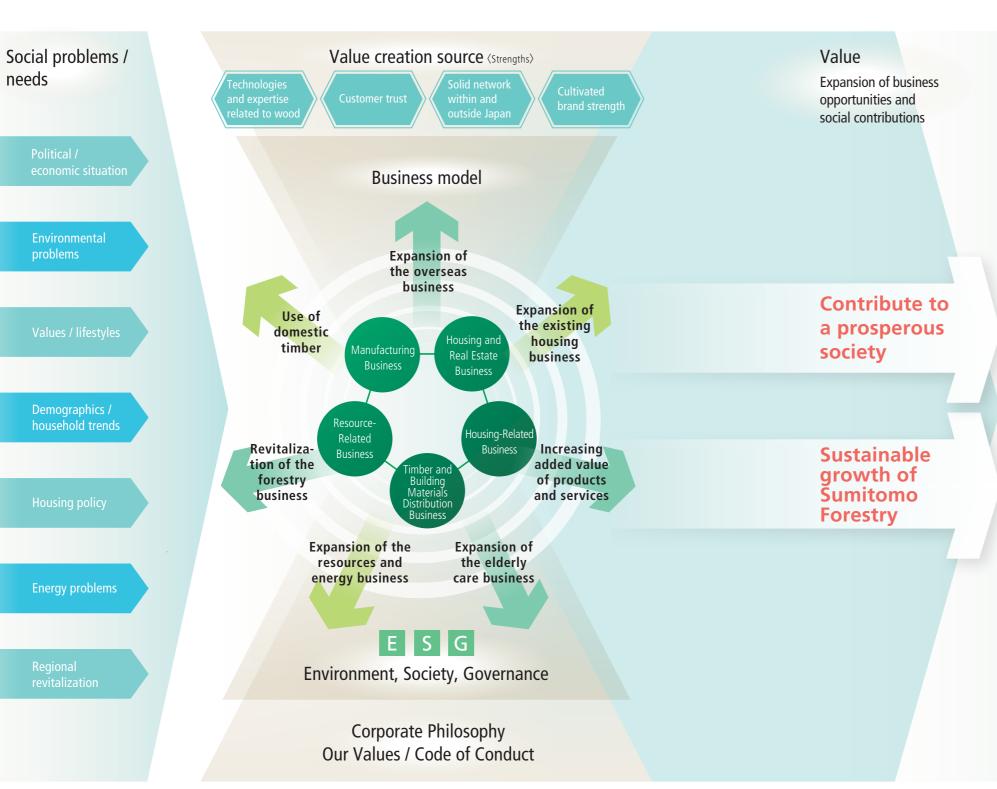
> See the Governance section on page 59 for details.

Sumitomo Forestry Integrated Report 2019 Sumitomo Forestry Integrated Report 2019

Sumitomo Forestry Group's Value Creation Process

needs

We at the Sumitomo Forestry Group are engaged in various business activities pivoting on trees. The Sumitomo Forestry Group has accumulated technologies and expertise related to wood over more than 320 years since our foundation. We use these and demonstrate our unique strengths of customer trust, a network within and outside of Japan and cultivated brand strength, and we will continue to contribute to the realization of a sustainable and prosperous society through all services related to people's lifestyles.



Value created with all of our stakeholders (Results for the fiscal year ended March 31, 2019)

Customers, Business partners, Government/Supervisory authority, Industry, NPO/NGO, Global environment, International community/Local community, Employee/Family

, , ,		
Net Sales	1,308.9 billion yen	YoY change +7.1%
Recurring Income	51.4 billion yen	YoY change -11.1%

9.3%

Percentage of Reviews Conducted for Suppliers Who Handle Directly Imported Timber and Wood Products with Verified Legal Compliance

ROE (Return on Equity)

Carbon Stock by Company-Owned Forests in Japan and Plantation Forests Overseas*

Recycling Rate at Manufacturing Plants in Japan

Ratio of Houses Certified as Excellent Long-Term Housing for New **Custom-Built Detached Houses**

Customer Satisfaction of Custom-Built **Detached Houses According to Surveys** Conducted When Owners Move In

YoY change -1.0 point

100%

20.48 million t-CO₂

99.1%

93.8%

96.1%

Contribution to achieving the SDGs





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^{*} Carbon dioxide equivalent