

May 10, 2007



About Project SPEED, Our Long-Term Management Plan

Sumitomo Forestry Co., Ltd. has enacted its Project SPEED long-term management plan. The year ending March 31, 2008 will be our first year under this plan.

Project SPEED sets goals for the company 10 years down the road, by the year ending March 31, 2017, and charts a course that will lead to achievement of those goals. The first phase is slated to last three years, until March 31, 2010. For now, the company will focus on achieving the goals of Phase I.

The central goal of this new plan is for the Sumitomo Forestry Group to become a company of value to society in the true sense by steadily implementing elements of the plan in each of its business domains. With that accomplished, the goal will then shift to achieving the qualities of a world-leading blue-chip company.

1. Overview of Project SPEED

(1) Strengthened business structure

The Sumitomo Forestry Group is engaged in a range of timber and homebuilding-related business fields, from forestry operations and the domestic and overseas distribution and manufacture of timber and building materials to the contracted construction of custom-built homes, apartments, and condominiums as well as the provision of a variety of living-related services.

However, its principal money-making operations are in the construction of custom-built wooden detached homes and the distribution and manufacture of timber and building materials. To foster the growth of its business as a corporate group in the years ahead, it is aware that it will need to develop a more balanced business portfolio backed by the expansion of its operations into additional fields of endeavor.

To that end, under the recently announced Project SPEED long-term management

plan, the Group will strengthen its bread-and-butter core businesses (in custom-built homes and the distribution and manufacture of timber and building materials). Additionally, it will strive for improvements in its comprehensive strengths by intensively injecting the profit, labor, and other business resources generated by its core businesses into other areas deemed worthy of pursuing as priority growth businesses: overseas business, the real estate business, and the home remodeling business.

(2) Core ideals

The spirit of sustainability now permeates the entire fabric of Sumitomo Forestry's business ethic. Suffice it to say the company has fully embraced a corporate policy of sustainable operations designed to last endlessly through countless generations into the future: tree planting, cultivation, and logging, the production of timber and building materials from wood so harvested, the construction of homes with those wood products, and the replanting of the logged forests. Accordingly, sustained, continuous operations from a long-term perspective are also a policy platform of the new long-term management plan, under which Sumitomo Forestry will endeavor to make social contributions by pursuing, as its corporate mission, improved consumer living standards through the utilization of wood products. This is precisely the path through which the business philosophy of the Sumitomo Forestry Group will be translated into action.

Business Philosophy

The Sumitomo Forestry Group will contribute to improved societal affluence by harnessing wood -- a renewable and environmentally as well as people-friendly natural material -- and providing a full range of residential products and services.

(3) Investment and management benchmarks

In the years ahead, aggressive investments on an unprecedented scale will be essential to strengthening the Group's core businesses and further cultivating its priority growth businesses. To that end, the Group will strive to expand its business scale and boost earnings by increasing the scale of its investments and simultaneously adopting a set of management benchmarks to aid in the management of business profitability.

New management benchmarks

Return on capital employed (ROCE)

Reasons for adoption

- (i) The return on corporate capital invested can be measured whether the source funding is borrowed or not. For that reason, this benchmark will be well-suited to the purpose of measuring the efficiency of extensive investments made by the company in future years.
- (ii) Capital cost comparisons are also easy to perform because this benchmark can be applied not only on a company-wide basis, but also to specific business operations.

(4) Management benchmarks

Consolidated recurring income: a measure of growth potential

ROCE: a measure of efficiency

Long-term Management Plan, Phase I: Consolidated Numerical Targets (Unit: 100 million yen)

	Year to March 31, 2007	Year to March 31, 2008	Year to March 31, 2010
	Results	Forecast	Forecast
Net sales	9,117	9,600	10,900
Recurring income	213	210	320

* ROCE measured 7.4 percent for the year ended March 31, 2007. The 10-year goal is to lift that benchmark to 10 percent by the business year ending March 31, 2017.

(5) The meaning of Project SPEED

Aside from implying speed of implementation, the word "SPEED" also incorporates the following slogan.

"Strong Passion Enables us to become an Excellent company by implementing Detailed strategy."

2. Core Businesses and Priority Growth Businesses

(1) Scope of each business domain

Core businesses: custom-built homes; distribution and manufacture of timber and

building materials

Priority growth businesses: overseas business, real estate business, home remodeling business

Scope of each business domain

	Scope of Business
Custom-built homes	Contracted construction of detached, single-family homes (using Japanese wood-frame and western "2X4" methods), apartment buildings; landscaping, exterior facilities, etc.
Distribution & manufacture of timber and building materials	Distribution of timber and building materials; domestic manufacture of building materials, etc.
Overseas business	Overseas manufacture of building materials; construction and sale of dwellings built for sale; overseas distribution of timber and building materials; overseas forest management
Real estate	Contracted construction of reinforced-concrete condominiums, retirement community facilities, etc.; construction and sale of detached, single-family homes built for sale; real estate distribution; real estate rental and management; real estate development
Home remodeling	Remodeling services for detached single-family and multi-family housing

(2) Perspectives on the future business climate

The housing market exerts the single largest influence on Sumitomo Forestry Group earnings. As part of that market, the segment for owner-occupied homes is expected in the years ahead to gradually shrink in parallel with the contraction in Japan's general population and the trend toward smaller households.

Given the increase in housing stock and the improved durability of modern homes, the market for home remodeling services seems destined to grow in the future. It is also anticipated that the real estate market will provide the Group with new business opportunities and much potential for expansion.

As to the global economic outlook, growth is expected to remain strong in the BRIC economies and firm in the U.S. and the EU. Additionally, soaring resource demand tied to environmental problems is expected to fuel a diversification trend in timber applications as well as an increase in timber demand.

(3) The future positioning of the Group's core businesses and priority growth

businesses

To develop a well-balanced business structure, the Group plans to reinforce its core businesses and to expand their market share and earnings base, given that they are already competitive in the marketplace and can be expected to remain lucrative for years to come. In addition, it will concentrate management resources into its priority growth businesses.

In the final year of the long-term management plan, the Group hopes to reduce its dependence on earnings from its business in custom-built detached homes by boosting the profitability of all the priority growth businesses.

3. Strategies and Policies for Each Business

(1) Custom-built homes

Coupling its design expertise with the appealing qualities of wood, the Group will pursue promotional campaigns primarily targeting the middle- and upper-income segments of the urban population. These promotional drives will be aimed at boosting not only the number of clientele, but also the efficiency of operations in this business segment.

The Group will seek to maximize synergies through integrated sales campaigns aimed at customers for apartments and home remodeling services.

(2) Distribution and manufacture of timber and building materials

The Sumitomo Forestry Group is interested not only in earning commissions as a trading house for timber and building materials, but also plans to apply value chain concepts to the entirety of its distribution operation for the merchandise it handles. To that end, it will engineer a new business model that allows it to reap benefits hand-in-hand with its business partners.

(3) Overseas business

As interest in wood-based resources mounts worldwide, the Group will make active investments in the manufacture of building materials that facilitate effective resource utilization and also invest heavily in forest management and forest replanting operations.

Following Seattle, we will also step up efforts to expand our overseas business presence in South Korea, China, and other areas and supply homes tailored to each local market.

(4) Real estate

In addition to engaging in traditional forms of real estate-related land use, the Group also plans to pursue the real estate development business with the sale of acquired properties after adding value in the form of rental properties, homes for sale, nursing facilities, and other structures.

It will speed up its operations in this segment with 100-plot subdivision projects offering homes to first-time buyers primarily in urban areas.

(5) Home remodeling

We will stimulate demand in this business segment by providing comprehensive home improvement consulting services to homeowners who have already taken delivery of homes custom-built by Sumitomo Forestry and, as the top brand in traditional Japanese wood-frame homes, we will also strive to tap into latent demand from other, non-Sumitomo homeowners.

4. Returns to Shareholders

We consider returns to shareholders to be a matter of the utmost priority. Ensuring stable and uninterrupted returns to our shareholders is one of our core policies.

In addition to reinforcing our foundations for healthy earnings, we also plan to provide shareholders with an appropriate share of our profits, commensurate with profit trends and reflecting a balanced, comprehensive appraisal of our management structure, financial position, and investment plans.