

May 11, 2011

## Summary of Consolidated Financial Results For the Year Ended March 2011 [Japan GAAP]

Name of Company: Sumitomo Forestry Co., Ltd.  
 Stock Code: 1911  
 Stock Exchange Listing: Tokyo, Osaka  
 URL: <http://sfc.jp/>  
 Representative  
 Title: President / Representative Director  
 Name: Akira Ichikawa  
 Contact Person  
 Title: Ichiro Nakajima  
 Name: General Manager, Corporate Communications  
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 Date of regular general meeting of shareholders: June 24, 2011  
 Date of commencement of dividend payment (tentative): June 27, 2011  
 Date of filing of securities report: June 24, 2011  
 Preparation of supplementary materials: Yes  
 Convening of a results meeting: Yes (for financial analysts and institutional investors)

(Yen in millions, rounded off)

**1. Financial results for the current fiscal year (April 1, 2010 – March 31, 2011)**

## (1) Result of operations (Consolidated)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Recurring income		Net income	
	Million yen	YoY Change %	Million yen	YoY Change %	Million yen	YoY Change %	Million yen	YoY Change %
Fiscal year ended March 2011	797,493	10.2	14,238	46.1	14,206	50.1	5,175	117.7
Fiscal year ended March 2010	723,923	(12.1)	9,747	42.6	9,465	53.7	2,377	131.2

## Note: Comprehensive income

Fiscal year ended March 2011 2,844 million yen; (69.0%)  
 Fiscal year ended March 2010 9,163 million yen; - %

	Net income per share	Net income per share fully diluted	Return on equity	Ratio of recurring income to assets	Operating income margin
	Yen	Yen	%	%	%
Fiscal year ended March 2011	29.21	-	3.2	3.0	1.8
Fiscal year ended March 2010	13.42	-	1.5	2.1	1.3

## Note: Equity in losses of affiliates

Fiscal year ended March 2011 778 million yen  
 Fiscal year ended March 2010 2,244 million yen

## (2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2011	489,417	163,110	33.3	919.54
As of March 31, 2010	469,738	162,930	34.6	917.82

## Note: Shareholders' equity

Fiscal year ended March 2011: 162,886 million yen  
 Fiscal year ended March 2010: 162,588 million yen

## (3) Cash flow position (Consolidated)

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investment activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 2011	17,515	(13,247)	372	75,582
Fiscal year ended March 2010	37,239	(19,117)	11,546	71,662

## 2. Dividends

	Dividend per share					Annual aggregate amount	Payout ratio (Consolidated)	Dividends/ net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 2010	-	7.50	-	7.50	15.00	2,657	111.8	1.7
Fiscal year ended March 2011	-	7.50	-	7.50	15.00	2,657	51.4	1.6
Fiscal year ending March 2012 (est.)	-	7.50	-	7.50	15.00		26.6	

## 3. Forecast for the fiscal year ending March 2012 (Consolidated, April 1, 2011 - March 31, 2012)

	Net sales		Operating income		Recurring income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half (cumulative)	380,000	1.6	4,500	(7.7)	4,500	(11.7)	2,500	63.7	14.11
Full year	815,000	2.2	18,000	26.4	18,500	30.2	10,000	93.2	56.45

Note: The percentage figures accompanying net sales, operating income, recurring income, and net income represent year-on-year changes.

## 4. Others

1.Changes in main subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None

2.Changes in accounting principles and procedures, presentation methods and other items

(a) Changes due to revision of accounting standards: Yes

(b) Changes other than in (a): None

Note: See the section of Changes in the Basis of Presenting the Consolidated Financial Statements for details. (Page 22)

3.Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock) As of March 31, 2011 177,410,239 As of March 31, 2010 177,410,239

(b) Treasury stock As of March 31, 2011 270,845 As of March 31, 2010 263,750

(c) Average number of shares during the term As of March 31, 2011 177,142,840 As of March 31, 2010 177,147,826

## Non-consolidated Financial Results (For reference)

## 1. Financial results for the current fiscal year (April 1, 2010 – March 31, 2011)

(1) Result of operations (Non-consolidated) (Percentage figures represent year on year changes)

	Net sales		Operating income		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2011	647,515	9.1	8,299	135.4	11,304	103.3	2,329	20.3
Fiscal year ended March 2010	593,243	(12.2)	3,525	11.1	5,560	(5.0)	1,936	(40.7)

	Net income per share	Net income per share fully diluted
	Yen	Yen
Fiscal year ended March 2011	13.15	-
Fiscal year ended March 2010	10.93	-

## (2) Financial Position (Non-consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2011	440,578	144,168	32.7	813.87
As of March 31, 2010	426,983	145,052	34.0	818.82

Note: Shareholders' equity

Fiscal year ended March 2011: 144,168 million yen

Fiscal year ended March 2010: 145,052 million yen

\* Notice regarding audit procedures

This summary of financial results is not subject to review procedures based on the Financial Instruments and Exchange Law. At the time when this report was issued, audit procedures for the financial statements had not been completed pursuant to the Financial Instruments and Exchange Law.

\* Cautionary statement regarding business results forecasts and special notes

Forward-looking statements in these materials are based on information available to management at the time, this report was prepared and assumptions that management believes are reasonable. For information regarding using the assumptions that form the basis for the business results forecasts and cautionary notes about using business results forecasts, please refer to "Outlook for the fiscal year ending March 31, 2012" [Accompanying Materials] (Page 4).

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## 1. Results of Operations

### (1) Analysis of Results of Operations

#### (a) Results of Operations

In the fiscal year that ended in March 2011, Japan's economy recovered at a moderate pace as corporate revenues improved, fanned by expanding demand from newly emerging countries and government stimulus measures, and personal consumption also recovered. However, the outlook remains uncertain because of the risk of an economic downturn, as yen appreciation and the stagnant stock market continue to weigh down the economy, and there are concerns that the Northeastern Japan Earthquake and Tsunami that occurred on March 11, 2011 will negatively impact economic activities.

Japan's housing industry exhibited signs of a recovery, due partly to the effect of beneficial government programs aimed at stimulating residential purchases, and the number of new housing starts increased by 5.6%, to 819,000 in the fiscal year that ended in March 2011. Of these, the number of owner-occupied housing starts, which is closely tied to the housing business of Sumitomo Forestry, increased by 7.5% to 309,000. In the timber and building materials business, market conditions remained robust throughout the year as the demand for building materials improved on the back of growth in new housing starts.

In this improving business environment, net sales increased by 10.2% to ¥797,493 million. This was attributable primarily to the fact that the number of custom-built detached houses sold increased and sales volumes for the timber and building materials distribution business and the building materials manufacturing business also grew strongly. Operating income increased by 46.1% to ¥14,238 million, and recurring income increased by 50.1% to ¥14,206 million. Due largely to the poor performance of the Japanese stock market, the operating environment around pension plan assets deteriorated, generating actuarial loss associated with retirement benefit accounting and driving up personnel expenses. Nevertheless, both net sales and gross profit increased. Net income increased by 117.7% to ¥5,175 million. Extraordinary losses included a loss associated with the transfer of the businesses of domestic subsidiaries, the devaluation of investment securities and a natural disaster.

As planned, the Group intends to pay a year-end dividend of ¥7.5 per share.

#### Business Segments

##### *Timber and Building Materials business*

The domestic timber and building materials distribution business and building materials manufacturing business performed strongly overall, fanned by the recovery in demand. Net sales increased, as handling volumes and unit sales prices for almost all divisions of the timber and building materials distribution business were higher. Sales of imported goods such as European lumber performed particularly strongly. The building materials manufacturing business also experienced robust sales of materials for newly constructed homes. Demand for Japanese lumber is tipped to rise. Therefore, Sumitomo Forestry Wood Products Co., Ltd., the company that manages the Group's Japanese lumber operations, focused on building systems for facilitating the stable supply of high-quality Japanese lumber, and this initiative contributed positively to Group revenues. In addition, Home Eco Logistics Co., Ltd., which was established in April 2010, offered materials manufacturers a proprietary housing materials distribution system, which was developed by the housing business, and developed a new business model that will reduce costs and CO<sub>2</sub> emissions generated at the time of delivery by streamlining distribution.

Net sales and recurring income totaled ¥372,025 million and ¥4,848 million, respectively.

##### *Overseas business*

The timber and building materials business overseas capitalized on the Group's skill in procuring timber in Japan and overseas to increase business opportunities. The building materials manufacturing business is recovering, thanks to the increased production and sales volumes enjoyed by New Zealand and Indonesian building materials manufacturers. Nevertheless, it will take some time for the Chinese building materials manufacturing business to really get on track. The housing business recorded a valuation loss on land for real estate development and spec homes, as North American housing market conditions remained grim. On the other hand, the segment focused on developing its foundations in anticipation of growth in the Australian housing market by establishing a local joint venture company for handling housing land development. Furthermore, by focusing on developing systems that will ensure a stable supply of timber for housing through forestation operations in Papua New Guinea, New Zealand and Indonesia, the forestry business is aiming to enhance revenues and simultaneously contribute to the invigoration of regional economies, mainly through the creation of jobs.

Net sales and recurring loss totaled ¥26,529 million and ¥1,829 million, respectively.

##### *Housing business*

Japan's housing market is expected to shrink because of the country's aging population and declining birth rate. In response, the custom-built detached housing business strengthened its sales force in areas other than model houses, and

strove to streamline production and reduce costs. As a result, revenue systems were strengthened and orders, sales and income all outperformed their respective levels of the previous year.

In order to stimulate sales, the business held nationwide events promoting the Company's environmentally sound homes, which are equipped with solar power systems and other energy-saving features. The *SumaiHaku* Housing Fair was also held for the first time in two years in three metropolitan areas. Additionally, the business strove to expand its internet-based sales promotion tools. One example is the "Big-Frame configuration Designer" website, where users can virtually experience the interior space of a plan they design themselves. Another example is the "Home Building Master," which enables users to gain a more in-depth understanding of home building while they enjoy playing a game on the Company's website. The business also sought to enhance customer satisfaction by transferring external works such as gardens, gates and carports from the conventional contract with Sumitomo Forestry Landscaping Co., Ltd. into the main house construction contract customers conclude with our housing branches.

In terms of product strategy, the business strove to strengthen its competitiveness by aggressively expanding sales of products that employ the Group's proprietary Big Frame construction method (\*) and differentiating itself from its competitors.

In the apartment business, the number of apartments sold increased year on year, as the business stimulated orders received from customers introduced by its existing customers and homeowners.

Business results for the remodeling and renovation business are steadily improving. Sales activities focused on capturing more orders, mainly for large renovation projects, using the sophisticated technical expertise and wealth of experience possessed by the business. The business also aggressively promoted fixed-price renovation products for the full refurbishment of detached houses and strove to develop foundations for business expansion, enhancing product appeal by integrating renovation products into the "Reforest" brand, developing a sales force and expanding personnel for handling renovation demand for homes not constructed by Sumitomo Forestry. On the technical front, Sumitomo Forestry has a proven track record in renovating older style homes. Based on this track record and verified outcomes, the business strove to strengthen its competitiveness by developing the "Older Style Home Remodeling & Earthquake Repairs/Proofing System," a proprietary system of Sumitomo Forestry, which will enable the Company to offer its customers the optimal earthquake proofing and repair work based on the state of the building and laws and regulations.

Net sales and recurring income totaled ¥344,424 million and ¥18,988 million, respectively.

#### (\*) Big Frame (BF) Construction Method

Development of the Big Frame Construction Method commenced with "Proudio-BF," a three-storey product which was launched on the market in February 2005, and the product is patented as the first wooden beam Rahmen structure in Japan. Requiring no pillars, the Big Frame Construction Method provides a high degree of planning freedom, accommodates plans that feature different pillar positions on each floor, and makes it easy to design large spaces with few intervening walls.

#### *Real Estate business*

The detached spec home business grew strongly and outperformed the results of the previous year, as the recovery in the housing market boosted the number of homes sold. This business operates based on the concept of "ties with the local community." Tama cypress is used as one key constituent material in "Forest Garden Keio Horinouchi," a large 106-apartment detached housing project in Hachioji, Tokyo, and sales are robust. The real estate leasing business strove to generate consistent earnings by enhancing occupancy rates through the ongoing purchase and sale of leased properties under management. The real estate distribution and management business and senior-care home business worked hard to expand future operations by developing strong foundations for enabling the business to generate profits and withstand changes in the business environment, and implemented initiatives aimed at enhancing services.

Net sales and recurring income totaled ¥50,185 million and ¥903 million, respectively.

#### *Other Businesses*

In addition to the businesses mentioned above, Sumitomo Forestry Group develops IT systems for its Group companies, operates a leasing business and a wide range of service businesses for residential customers (products include housing insurance agency services), and manufactures and sells farming and gardening materials.

Net sales and recurring income totaled ¥3,557 million and ¥502 million, respectively.

#### (b) Outlook for the Fiscal Year Ending March 31, 2012

The Group must remain vigilant as the 2011 Northeastern Japan Earthquake and Tsunami has generated increased uncertainty about the outlook for the Japanese economy, and there is still a risk that deflation, worsening unemployment and other problems may cause an economic downturn.

Furthermore, the new custom-built housing market, which is the main market for the core Group operations of timber and building materials and housing, is forecast to contract in Japan as the number of new housing starts declines due to the country's aging population and declining birth rate. On the other hand, we are anticipating economic expansion in newly emerging countries, mainly in Asia.

In this challenging business climate, the key words for this timber and building materials are still “marketing,” “product development capabilities” and “building networks.” Therefore, the business is currently developing strategies that will exploit the proprietary distribution and IT infrastructure of Sumitomo Forestry.

In the overseas business, Group companies are expanding all of their operations, such as timber and building materials distribution, building materials manufacturing, housing and real estate, and forestation, so that these operations can make a substantial contribution to Group earnings. Key regions of focus are China, Southeast Asia, the US and Oceania.

In the housing business, the object is enhancing productivity through cost savings and other measures, while striving to strengthen the sales structure according to the characteristics of, and our expanded share in, the three metropolitan areas in which we focus. Through differentiation in the human aspects of its operations, this business is currently developing mechanisms that will make home building enjoyable for customers. The apartment business and renovation business remain focused on expanding operations by strengthening their sales force and expanding the areas where their products are sold.

The real estate business is focused on establishing a business foundation for generating high profits by maximizing the synergistic effects of its operations with those of other Group businesses.

The central theme of the forestry business is conducting sustainable, environmentally sound management while aiming to achieve low-cost forestry operations based on a forest management plan that takes a long-term perspective. Another goal is building new business models for increasing the vitality of Japan’s forestry industry.

In its environmental activities, the Sumitomo Forestry Group is building a new environmental business model that takes full advantage of its exclusive know-how and networks associated with forestation, forest management and CDM projects\*. By handling a larger volume of environmentally sound products and offering homes that harmonize well with the environment, our business will contribute to the development of a more sustainable society that uses timber, which is a renewable resource.

Ultimately the Group’s mission is to work as one united force supporting the recovery of regions affected by the 2011 Northeastern Japan earthquake and Tsunami through operations which include constructing temporary housing and renovating detached houses.

(\* CDM (Clean Development Mechanism) Business is a method whereby capital and technology from industrialized countries are used for projects to reduce greenhouse gas emissions in developing countries. The resulting emission reductions are credited to the industrialized countries.

## (2) Analysis of the Financial Position

### (a) Balance Sheet Highlights

	(million yen)	
	Fiscal year ended March 2010	Fiscal year ended March 2011
Total assets	469,738	489,417
Total liabilities	306,808	326,307
Total net assets	162,930	163,110

Assets totaled ¥489,417 million at the end of the fiscal year, ¥19,678 million higher than one year earlier. The increase in assets was attributable mainly to rising notes and accounts receivable – trade for the timber and building materials business. Liabilities increased by ¥19,499 million to ¥326,307 million year on year. This growth was mainly owing to the increase in trade payables for the timber and building materials business and an increase in advances received on uncompleted construction contracts due to the growing number of houses under construction. Net assets totaled ¥163,110 million and the equity ratio was 33.3%.

### (b) Cash Flow

	(million yen)	
	Fiscal year ended March 2010	Fiscal year ended March 2011
Cash flows from operating activities	37,239	17,515
Cash flows from investment activities	(19,117)	(13,247)
Cash flows from financing activities	11,546	372
Effect of exchange rate change on cash and cash equivalents	1,205	(721)
Net increase (decrease) in cash and cash equivalents	30,873	3,919
Cash and cash equivalents at beginning of period	40,730	71,662
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	60	-
Cash and cash equivalents at end of period	71,662	75,582

There was a net increase of ¥3,919 million in cash and cash equivalents (hereinafter: “cash”) to ¥75,582 million. A summary of cash flows is presented below.

#### 1) Operating Activities

Net cash provided by operating activities increased by ¥17,515 million. Cash was provided by income before income taxes and minority interests of ¥11,010 million, an increase in advances received on uncompleted construction contracts by the detached spec home business due to the growing number of houses under construction at the end of the period, and other factors.

#### 2) Investment Activities

Net cash used in investment activities decreased by ¥13,247 million. The main uses of cash were purchases of rental properties in the leasing business, and the construction of a new particle board factory by an overseas subsidiary.

#### 3) Financing Activities

Net cash provided by financing activities increased by ¥372 million. This increase was mainly due to proceeds from long-term loan for domestic subsidiaries, offset in part by dividend payments.

The following table shows financial indicators associated with cash flows.

	FY 3/07	FY 3/08	FY 3/09	FY 3/10	FY 3/11
Equity ratio (%)	37.5	38.4	36.5	34.6	33.3
Equity ratio based on market value (%)	44.1	27.2	27.0	28.8	27.4
Ratio of interest-bearing debt against cash flow (years)	3.6	1.0	-	1.8	4.0
Interest coverage ratio (times)	5.6	17.9	-	31.8	13.7

Notes: Equity ratio = shareholders' equity/total assets

Equity ratio based on market value = market value of total shares/total assets

Ratio of interest-bearing debt against cash flow = interest-bearing debt/operating cash flow

Interest coverage ratio = operating cash flow/interest expense

\* All calculations are on a consolidated base.

\* Market value of total shares is calculated based on the year-end closing share price × the number of shares issued, except for treasury stock.

\* Amounts used for operating cash flow and interest expense are taken from “cash flows from operating activities” and “interest expense” reported in the consolidated statements of cash flows. Interest-bearing debt consists of all debts appearing on the balance sheet that incur interest. Amounts used for interest expense are taken from “interest paid” reported in the consolidated statements of cash flows.



(3) Policy on Profit Distribution and Dividends for FY 3/11 and FY 3/12

Sumitomo Forestry has a fundamental policy of achieving stable and continuous shareholder returns and considers this to be one of its highest priorities. The Company places great importance on improving the return on capital, a key performance indicator, in order to become more profitable. In addition, the Company returns an appropriate level of earnings to shareholders in accordance with total earnings, while taking into account the need to continually balance these distributions with the base of operations, financial position, investment plans and other items.

For the fiscal year that ended in March 2011, the Company paid an interim dividend of ¥7.50 per share and a year-end dividend of ¥7.50 per share. For the fiscal year ending in March 2012, the company plans to pay an annual dividend of ¥15 per share - an interim and year-end dividend of ¥7.50 each.

Retained earnings are used effectively to make successful investments, fund R&D programs and support other activities in line with a long-term management plan.

(4) Business Risk

(a) Housing Market Trends

The Sumitomo Forestry Group business results are heavily reliant on housing market trends. Changes in the following business conditions may cause a significant decline in housing orders that could impact the Group's business results.

1) Economic Cyclical Changes

An economic slump or deterioration in the economic outlook, or a consequential worsening of the employment situation and decline in personal consumption, could affect the Group's business results by weakening customers' appetite for purchasing housing.

2) Interest Rate Fluctuations

Interest rate increases, particularly rises in long-term interest rates, can have an adverse effect on demand as they cause an increase in total payments for customers purchasing detached housing, many of whom take out loans for the purchase, and for customers who build apartment buildings to use their land more effectively. However, the anticipation of interest rate rises can induce a temporary surge in home purchases, as consumers seek to avoid high loan costs.

3) Land Price Fluctuations

A sharp rise in land prices can negatively impact consumers' inclination to purchase land on which to build housing. Conversely, a steep drop in land prices is a form of asset deflation and can reduce demand for home reconstruction. Consequently, both substantial rises and substantial falls in land prices have the potential to impact the Group's business results.

4) Tax System Changes

An increase in the consumption tax rate directly applicable to housing purchases would potentially reduce housing demand significantly, and could impact the Group's business results.

(b) Statutory Changes

Laws and regulations surrounding the housing business include the Personal Information Protection Act, Building Standards Law, Construction Industry Law, Building Lots and Building Transaction Business Law, Urban Planning Law, National Land Use Planning Law, Housing Quality Assurance Law, and Waste Disposal and Public Cleaning Law (law concerning procedures for waste disposal and site clean-up). The Sumitomo Forestry Group diligently conforms to all laws and regulations while recognizing that the abolition, revision, or adoption of laws and regulations can substantially influence the Group's business results.

(c) Timber and Building Materials Market Conditions

A decline in prices for timber and building materials reduces the profitability of the timber and building materials business. On the other hand, a steep increase in prices for timber and building materials or higher prices for other building materials can lead to higher materials costs for the housing business, which could impact Group results. Fluctuations in the price for other raw materials, such as oil, can directly or indirectly affect raw materials prices and influence the Group's business results.

(d) Exchange Rate Fluctuations

The Group is taking measures to reduce the foreign exchange risks attendant on foreign currency-denominated imports through foreign exchange forward contracts and other means. However, foreign exchange rate fluctuations could temporarily drive the Group's costs higher or lower. Meanwhile, a Group company that manufactures and sells wooden building materials abroad, for example, could be impacted if the host country currency appreciates against the currency used for settlement.

(e) Product Quality Assurance

The Group endeavors to implement complete quality control of its key product, housing, and all aspects of its operations. However, unforeseen circumstances can potentially lead to significant quality issues that could influence the Group's business results.

(f) Overseas Business Activities

The Group conducts various business activities overseas and engages in business transactions, such as product transactions, with various business partners overseas. Consequently, as is the case with domestic Japanese operations, laws and regulations, economic and social conditions, and consumer trends in the foreign countries in which the Group conducts business can influence the Group's business results.

(g) Retirement Benefit Obligations

A significant deterioration in the operating environment for the Group's pension assets, such as substantial fluctuations in the domestic stock market or the necessity to revise the assumptions for pension actuarial calculations, can entail an increase in pension assets or increase the costs associated with the pension accounts, and could influence the Group's business results and financial position.

(h) Stock Market

Volatile stock price fluctuations could cause the Group to book valuation losses on its securities holdings, thereby negatively impacting its business results and financial position.

(i) Natural Disasters

Damage from a major earthquake, wind, flood, or other destructive natural element could result in cost increases arising from interrupted operations at facilities, verification of safety in our housing products, delays in the completion of construction contracts, or other events. A significant increase in costs caused by a natural disaster could influence Group business results.

(j) Information Security

The Group makes every possible effort to ensure the proper and secure management of the large volume of customer information it holds, through establishing necessary rules and systems and conducting extensive education and training of executives and employees. Despite such precautions, customer information could leak out due to a computer system breach by a malicious third party, the theft of recording media holding such information, a human error by an employee or contracted worker, an accident, or other causes. In such cases, the Group could face customer claims for compensatory damages and lose the trust of customers and the market, which could affect its business results.

(k) Environmental Risk

“Symbiosis with the Environment” is a top priority for the Group and is one of the four action guidelines of the Group's corporate philosophy. Changes to environmental regulations in Japan or overseas or major environmental issues could lead to fines, compensation payments, costs associated with resolving environmental problems, or other expenses that could influence the Group's business results.

(l) Decline in the Value of Assets under Management

In the event that a marked deterioration in market conditions led to a decline in the value of Group assets under management such as real estate holdings and products, valuation losses could be incurred and assets could be written down due to impairment, which could influence the Group's business results and financial position.

(m) Provision of Credit to Business Partners

The Group extends credit to business partners in the form of trade receivables etc., and sets appropriate limits and reserves for credit losses to avoid exposure to credit risk. As these measures do not ensure complete avoidance of exposure to credit risk, credit risk could still potentially influence the Group's business results and financial position.

(n) Litigation Risk

As the Group is engaged in a range of business activities in Japan and overseas, it is possible that the said activities could be subject to litigation and/or a dispute. In the event that these activities became subject to litigation, the Group's business results and financial position could be influenced adversely.

(o) Fundraising Risk

The Group conducts fundraising, such as borrowing from financial institutions, and as such there is the possibility that fundraising costs may increase or fundraising itself could be restricted due to changes in the economic environment or lower credit ratings. In this event, the Group's business results and financial position could be impacted.

\*Statements in this annual report with respect to matters in the future are forward-looking statements deemed logical by the Group as of the date of the production of this report.

## 2. Corporate Group

The Sumitomo Forestry Group (Sumitomo Forestry and its related companies) consists of Sumitomo Forestry, 45 subsidiaries and 20 affiliated companies. These companies are engaged primarily in the forestry business, which includes the procurement, manufacture, processing and sale of timber and building materials, the construction and sale of detached houses and apartment buildings, and other activities as well as operations associated with these activities.

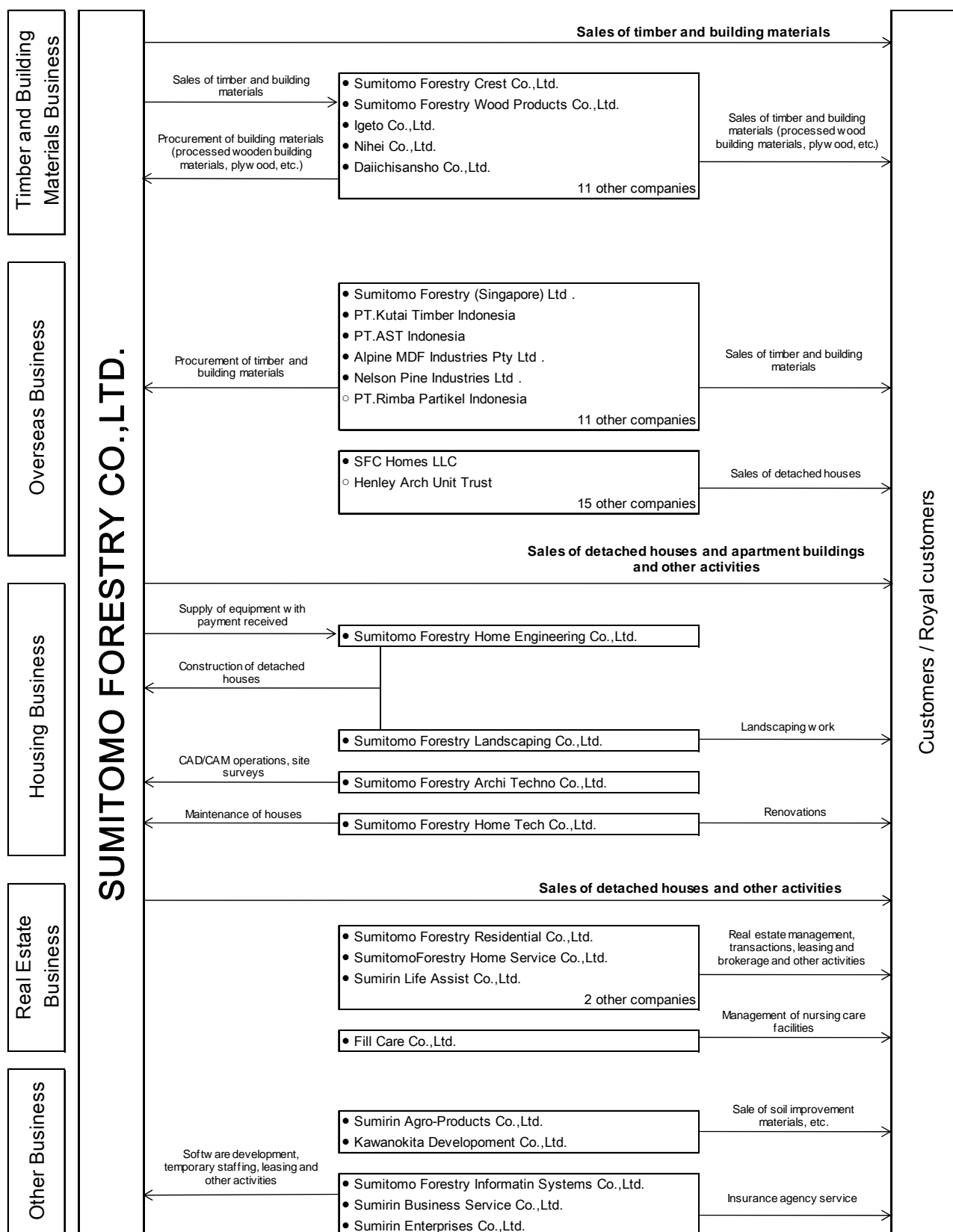
The following table shows business activities and the positioning of these businesses within the group.

The following five business sectors are the same as the business segments used for financial reporting.

Timber and Building Materials Business	Business description	Procurement, manufacture, processing and sale of timber (logs, lumber, laminated lumber, chips, etc.) and building materials (processed wooden building materials, ceramic building materials, metal building materials, housing equipment, plywood, fiberboard, etc.)
	Major related companies	Sumitomo Forestry Crest Co., Ltd., Sumitomo Forestry Wood Products Co., Ltd., IgetoCo.,Ltd., Nihei Co.,Ltd., DaiichisanshoCo.,Ltd.
Overseas Business	Business description	Procurement, manufacture and sale of timber and building materials overseas, contracting business in the construction of detached housing, sale of spec homes, plantation forests and sale of timber from plantation forests
	Major related companies	Sumitomo Forestry (Singapore) Ltd., PT. Kutai Timber Indonesia, PT. AST Indonesia, SFC Homes LLC (Note), Alpine MDF Industries Pty Ltd., Nelson Pine Industries Ltd., PT. RimbaPartikel Indonesia, Henley Arch Unit Trust
Housing Business	Business description	Construction, sale, maintenance and renovation of detached houses and apartment buildings, house exteriors, landscaping and greenery services, outsourced CAD/CAM operations, site surveys, soil stabilization work, sale of interior products
	Major related companies	Sumitomo Forestry Home Engineering Co., Ltd., Sumitomo Forestry Landscaping Co., Ltd., Sumitomo Forestry Archi Techno Co., Ltd., Sumitomo Forestry Home Tech Co., Ltd.
Real Estate Business	Business description	Management, sale and purchase, leasing and brokerage of real estate, sale of detached houses, management of senior-care homes, other
	Major related companies	Sumitomo Forestry Residential Co.,Ltd., Sumitomo Forestry Home Service Co.,Ltd., Sumirin Life Assist Co.,Ltd., Fill Care Co.,Ltd.
Other Businesses	Business description	Temporary staffing, software development, leasing, insurance agency services, manufacture and sale of soil improvement materials and landscaping products, other
	Major related companies	Sumitomo Forestry Information Systems Co., Ltd., Sumirin Agro-Products Co., Ltd., Sumirin Business Service Co., Ltd., Sumirin Enterprises Co., Ltd., Kawanokita Development Co., Ltd.

Note: Bennett-SFS LLC changed its name to SFC Homes LLC during the consolidated financial period under review.

The diagram below presents the information in the table above in a flow chart format.



● Consolidated subsidiaries  
○ Equity-method affiliates

### 3. Management Policy

#### (1) Fundamental Management Policy

The corporate philosophy of the Sumitomo Forestry Group is “to utilize timber as a renewable, healthy, and environmentally friendly natural resource, and to contribute to a prosperous society through all types of housing-related services.” The fundamental management policy is to use this philosophy to achieve the goal of maximizing shareholder value.

To accomplish this goal, the Group prioritizes the improvement of operating efficiency and profitability in its business operations. Operations are guided by four action guidelines: adherence to the “Sumitomo Spirit,” which places emphasis on fairness and trust and on conducting business activities that are beneficial to society; a dedication to “Respect for Humanity” by promoting diversity and an open and energetic corporate culture; extensive activities concerning “Environmental Responsibility” to help create a sustainable society; and “Putting Customers First” in order to achieve complete customer satisfaction by supplying products and services of outstanding quality.

Another goal is improving the quality of management through a voluntary disclosure program aimed at increasing management transparency.

#### (2) Targeted Performance Indicators

Sales and recurring income are positioned as performance indicators that show the growth of the entire Sumitomo Forestry Group. In addition, emphasis is placed on the return on capital employed as an indicator of operating efficiency.

#### (3) Medium and Long-term Strategies and Important Issues

The goal of the Sumitomo Forestry Group is to be an organization that “conducts a comprehensive portfolio of housing-related businesses that utilize wood. There are two core businesses: new custom-built housing and the distribution and manufacture of timber and building materials. There are also three businesses that the Group plans to focus on building into strong businesses that can contribute to earnings. The first is the overseas business. This involves the manufacture and sale of wooden building materials, the sale of detached houses and other activities in growing overseas markets. The second is the real estate business, which includes the sale of spec homes, real estate development, brokerage services, rental property management and other activities. The third is the renovation business, which handles the renovation of houses and buildings – both those constructed by the Group and those constructed by other companies. Rapidly developing these activities into core businesses will ensure that earnings for the entire Group remain stable, regardless of changes in the operating environment. These priority growth businesses will also enable the Group to contribute to the creation of a prosperous society by supplying housing-related services. The Group is determined to continue making steady progress with its management strategies towards the fulfillment of these medium and long-term goals.

The Sumitomo Forestry Group has been growing forests and trees ever since its foundation more than three centuries ago, and has continually maintained a harmonious relationship with the natural environment. The Group’s corporate culture is defined by its dedication to sustainability. With this dedication, the Group is a leader among Japanese companies in the preservation and utilization of biodiversity and in its educational activities. The objective is to conduct high-quality business activities that are in harmony with the environment and society.

Setting the medium and long-term goals described above will ensure the Group works steadily towards achieving its management strategy.

**4. Consolidated Financial Statements**

## (1) Consolidated Balance Sheet

(million yen)

	As of March 31, 2010	As of March 31, 2011
<b>Assets</b>		
Current assets		
Cash and time deposits	52,714	55,618
Notes and accounts receivable-trade	102,355	112,427
Accounts receivable from completed construction contracts	5,071	6,024
Marketable securities	19,000	20,000
Finished goods, logs and lumber	12,236	13,843
Work in process	1,086	1,123
Raw materials and supplies	3,908	4,049
Developed land and housing for sale	26,333	31,492
Costs on uncompleted construction contracts	32,420	31,242
Deferred tax assets	6,308	7,915
Short-term loans receivable	859	1,204
Accounts receivable-other	42,599	45,513
Other	3,719	4,260
Allowance for doubtful accounts	(836)	(1,272)
Total current assets	307,772	333,439
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	50,928	51,244
Accumulated depreciation	(21,210)	(22,414)
Buildings and structures, net	29,718	28,830
Machinery, equipment and vehicles	56,957	54,532
Accumulated depreciation	(41,073)	(40,667)
Machinery, equipment and vehicles, net	15,884	13,865
Land	26,692	26,048
Leased assets	4,541	6,615
Accumulated depreciation	(1,162)	(3,001)
Leased assets, net	3,379	3,615
Construction in progress	439	3,062
Other	18,139	17,800
Accumulated depreciation	(5,381)	(5,618)
Other, net	12,757	12,181
Total property, plant and equipment	88,870	87,602
Intangible assets		
Goodwill	309	201
Other	6,328	6,867
Total intangible assets	6,637	7,068
Investments and other assets		
Investment securities	51,094	48,458
Long-term loans receivable	3,094	2,512
Deferred tax assets	1,138	1,354
Prepaid pension cost	1,595	-
Other	11,574	12,130
Allowance for doubtful accounts	(2,037)	(3,146)
Total investments and other assets	66,459	61,309
Total noncurrent assets	161,966	155,978

(million yen)

	As of March 31, 2010	As of March 31, 2011
Total assets	469,738	489,417
		(million yen)
	As of March 31, 2010	As of March 31, 2011
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	86,553	93,018
Accounts payable for construction contracts	61,029	57,143
Short-term debt	12,323	18,588
Lease obligations	815	1,095
Income taxes payable	2,205	6,909
Advances received on uncompleted construction contracts	31,077	37,524
Deferred tax liabilities	10	10
Provision for employees' bonuses	7,337	8,256
Provision for directors' bonuses	35	60
Provision for warranties for completed construction	1,256	2,007
Provision for disaster losses	-	545
Asset retirement obligation	-	455
Other	16,794	18,165
Total current liabilities	219,434	243,774
Long-term liabilities		
Bonds issued	15,000	15,000
Long-term debt	36,008	32,101
Lease obligations	2,640	2,445
Deferred tax liabilities	9,358	8,782
Provision for employees' retirement benefits	5,390	6,152
Provision for directors' retirement benefits	164	61
Provision for loss on business liquidation	1,306	1,435
Asset retirement obligation	-	940
Other	17,509	15,616
Total long-term liabilities	87,374	82,532
Total liabilities	306,808	326,307
<b>Net assets</b>		
Shareholders' equity		
Common stock	27,672	27,672
Capital surplus	26,872	26,872
Retained earnings	105,066	107,584
Treasury stock	(262)	(267)
Total shareholders' equity	159,348	161,861
Accumulated Other Comprehensive income		
Valuation difference on available-for-sale securities	5,594	4,876
Deferred gains or losses on hedges	24	154
Foreign currency translation adjustment	(2,378)	(4,005)
Total accumulated Other Comprehensive income	3,241	1,025
Minority interests	342	224
Total net assets	162,930	163,110
Total liabilities and net assets	469,738	489,417

## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income)

(million yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Net sales	723,923	797,493
Cost of sales	599,654	664,925
Gross profit	124,269	132,568
Selling, general and administrative expenses	114,522	118,330
Operating income	9,747	14,238
Non-operating income		
Interest income	521	225
Purchase discounts	459	376
Dividends income	528	743
Foreign exchange gains	1,194	-
Other	1,445	2,081
Total non-operating income	4,147	3,425
Non-operating expenses		
Interest expenses	1,162	1,318
Sales discounts	486	579
Equity in losses of affiliates	2,244	778
Other	537	783
Total non-operating expenses	4,429	3,458
Recurring income	9,465	14,206
Extraordinary gains		
Gain on sales of noncurrent assets	69	424
Gain on sales of investment securities	173	17
Gain on sales of stock of subsidiaries	-	273
Gain on abolishment of retirement benefit plan	-	53
Gain on applying Accounting Standard for Construction Contracts	321	-
Gain on transition of defined contribution pension	1,714	-
Amortization of prior service cost	2,068	-
Total extraordinary gains	4,346	767
Extraordinary loss		
Loss on retirement of noncurrent assets	283	227
Impairment loss	2,049	675
Loss on sales of investment securities	-	5
Loss on devaluation of investment securities	179	1,024
Disaster losses	-	780
Monetary effect of applying Accounting Standard for Asset Retirement Obligation	-	706
Extraordinary retirement benefits	-	378
Head office transfer cost	255	-
Litigation settlement	462	-
Other	-	149
Total extraordinary loss	3,228	3,964



(million yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Income before income taxes and minority interests	10,583	11,010
Income taxes-current	3,001	7,926
Income taxes-deferred	5,228	(1,998)
Total income taxes	8,229	5,928
Net income before minority interests	-	5,082
Minority interests	(24)	(93)
Net income	2,377	5,175

## (Consolidated Comprehensive Statements of Income)

(million yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Net income before minority interests	-	5,082
Other comprehensive income		
Valuation difference on available-for-sale securities	-	(718)
Deferred gains or losses on hedges	-	130
Foreign currency translation adjustments	-	(1,614)
Share in equity method affiliates	-	(36)
Total other comprehensive income	-	(2,238)
Comprehensive income	-	2,844
Comprehensive income attributable to owners of the parent	-	2,960
Comprehensive income attributable to minority interests	-	(116)

## (3) Consolidated Statements of Changes in Net Assets

(million yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
<b>Shareholders' equity</b>		
<b>Common stock</b>		
Balance at the end of previous period	27,672	27,672
Balance at the end of current period	27,672	27,672
<b>Capital surplus</b>		
Balance at the end of previous period	26,872	26,872
Changes during the period		
Disposal of treasury stock	(0)	(0)
Total changes during the period	(0)	(0)
Balance at the end of current period	26,872	26,872
<b>Retained earnings</b>		
Balance at the end of previous period	105,346	105,066
Changes during the period		
Cash dividends (¥15.00 per share)	(2,657)	(2,657)
Net income	2,377	5,175
Total changes during the period	(280)	2,518
Balance at the end of current period	105,066	107,584
<b>Treasury stock at cost</b>		
Balance at the end of previous period	(260)	(262)
Changes during the period		
Purchase of treasury stock	(2)	(5)
Disposal of treasury stock	0	0
Total changes during the period	(2)	(5)
Balance at the end of current period	(262)	(267)
<b>Total shareholders' equity</b>		
Balance at the end of previous period	159,630	159,348
Changes during the period		
Cash dividends (¥15.00 per share)	(2,657)	(2,657)
Net income	2,377	5,175
Purchase of treasury stock	(2)	(5)
Disposal of treasury stock	0	0
Total changes during the period	(282)	2,513
Balance at the end of current period	159,348	161,861

(million yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
<b>Accumulated Other Comprehensive income</b>		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	2,359	5,594
Changes during the period		
Net changes in items other than shareholders' equity	3,235	(718)
Total changes during the period	3,235	(718)
Balance at the end of current period	5,594	4,876
Deferred gains or losses on hedges		
Balance at the end of previous period	29	24
Changes during the period		
Net changes in items other than shareholders' equity	(5)	130
Total changes during the period	(5)	130
Balance at the end of current period	24	154
Foreign currency translation adjustment		
Balance at the end of previous period	(5,961)	(2,378)
Changes during the period		
Net changes in items other than shareholders' equity	3,583	(1,627)
Total changes during the period	3,583	(1,627)
Balance at the end of current period	(2,378)	(4,005)
Minority interests		
Balance at the end of previous period	135	342
Changes during the period		
Net changes in items other than shareholders' equity	207	(118)
Total changes during the period	207	(118)
Balance at the end of current period	342	224
Total net assets		
Balance at the end of previous period	156,192	162,930
Changes during the period		
Dividends from surplus	(2,657)	(2,657)
Net income	2,377	5,175
Purchase of treasury stock	(2)	(5)
Disposal of treasury stock	0	0
Net changes in items other than shareholders' equity	7,020	(2,334)
Total changes during the period	6,738	180
Balance at the end of current period	162,930	163,110

## (4) Consolidated Statements of Cash Flows

(million yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Cash flows from operating activities		
Income before income taxes and minority interests	10,583	11,010
Depreciation and amortization	8,502	8,437
Impairment loss	2,049	695
Amortization of goodwill	213	110
Provision for (reversal of) doubtful accounts	382	1,548
Provision for (reversal of) employees' bonuses	(115)	960
Provision for (reversal of) directors' bonuses	(4)	27
Provision for (reversal of) warranties for completed construction	(53)	751
Provision for (reversal of) disaster losses	-	545
Provision for (reversal of) loss on business liquidation	418	129
Provision for (reversal of) retirement benefits, less payments	(14,672)	2,428
Provision for (reversal of) directors' retirement benefits	25	(96)
Interest and dividends income	(1,049)	(967)
Interest expenses	1,162	1,318
Equity in (earnings) losses of affiliates	2,244	778
Losses (gains) on sales of marketable securities and investment securities, net	(173)	(285)
Losses on devaluation of marketable securities and investment securities	179	1,024
Losses (gains) on sales/disposal of fixed assets, net	214	(197)
Monetary effect of applying Accounting Standard for Asset Retirement Obligation	-	706
Decrease (increase) in notes and accounts receivable-trade	3,657	(12,340)
Inventories	5,842	(1,720)
Other current assets	(2,947)	(3,415)
Notes and accounts payable, trade	24,987	2,026
Advances received	(59)	885
Advances received on uncompleted construction contracts	(2,951)	6,446
Accrued consumption taxes	531	(9)
Other current liabilities	(409)	(339)
Other, net	(290)	17
Subtotal	38,265	20,471
Interest and dividends income received	965	1,374
Interest paid	(1,170)	(1,276)
Income taxes paid	(821)	(3,054)
Net cash provided by (used in) operating activities	37,239	17,515

(million yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Cash flows from investment activities		
Payments into time deposits	(63)	(10,021)
Proceeds from withdrawal of time deposits	36	10,033
Proceeds from sales of marketable securities	295	-
Decrease (increase) in short-term loans receivable	934	(165)
Payments for purchases of fixed assets	(10,400)	(11,662)
Proceeds from sales of fixed assets	2,046	1,743
Payments for purchases of intangible assets	(1,604)	(2,473)
Payments for purchase of investment securities	(11,104)	(1,466)
Proceeds from sales of investment securities	317	480
Payments for additional acquisition of stock of consolidated subsidiaries	-	(2)
Proceeds from sales of stock of subsidiaries accompanied by a change in the scope of consolidation	-	313
Proceeds from purchase of stock of subsidiaries accompanied by a change in the scope of consolidation	26	-
Payments of long-term loans receivable	(1,017)	(386)
Repayments of long-term loans receivable	1,149	264
Other payments	(1,974)	(899)
Other proceeds	2,243	992
Net cash used in investment activities	(19,117)	(13,247)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term debt	880	1,094
Repayments of finance lease obligations	(923)	(1,264)
Proceeds from long-term debt	1,911	3,342
Repayment of long-term debt	(2,898)	(138)
Proceeds from issuance of bonds	15,000	-
Proceeds from stock issuance to minority shareholders	234	-
Cash dividends paid	(2,657)	(2,657)
Cash dividends paid to minority shareholders	(0)	(0)
Other proceeds	0	0
Other payments	(2)	(5)
Net cash provided by (used in) financing activities	11,546	372
Effect of exchange rate change on cash and cash equivalents	1,205	(721)
Net increase (decrease) in cash and cash equivalents	30,873	3,919
Cash and cash equivalents at the beginning of period	40,730	71,662
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	60	-
Cash and cash equivalents at the end of period	71,662	75,582

## (5) Notes related to the Assumption of a Going Concern

None

## (6) Basis of Presenting the Consolidated Financial Statements

## (a) Scope of Consolidation

The consolidated financial statements include the accounts of the Company and its 45 subsidiaries. Names of major consolidated subsidiaries are omitted because they are listed in "Corporate Group." The newly established Home Eco Logistics Co., Ltd. and Vina Eco Board Co., Ltd. were included in the scope of consolidation in the fiscal year ended in March 2011.

Toyo Plywood Co., Ltd., which was a consolidated subsidiary in the previous fiscal year, was excluded from the scope of consolidation due to a merger through absorption on April 1, 2010 with Sumitomo Forestry Crest Co., Ltd. as the surviving entity. Toyo Land Transportation Co., Ltd., which was also a consolidated subsidiary in the previous year, was also excluded from the scope of consolidation because the Company sold its entire shareholding in the company in the fiscal year ended in March 2011.

## (b) Application of Equity Method

1) The consolidated financial statements include 20 affiliates that are accounted for by the equity method, including PT. RimbaPartikel Indonesia and Henley Arch Unit Trust.

In the fiscal year ended in March 2011, in addition to PT. MayangkaraTanamanIndustri and PT. WanaSubur Lestari, in which the Company acquired shares, Henley USA Unit Trust, Grices Road Unit Trust and Edgewater Homes Pty Ltd., which were established during the period, and three other companies were included in equity method affiliates.

2) For equity-method affiliates that have a fiscal year end that differs from the Company's fiscal year end, financial statements for these different fiscal years are used.

## (c) Fiscal Year End of Consolidated Subsidiaries

The fiscal year end of two consolidated subsidiaries, Daiichisancho Co., Ltd. and Nihei Co., Ltd., is March 20. Financial statements used in the preparation of the consolidated financial statements of the two subsidiaries are as of March 20, 2011. The fiscal year end of Kowa Lumber Co., Ltd. and overseas consolidated subsidiaries is December 31. The financial statements used in the preparation of the consolidated financial statements for these subsidiaries are as of December 31, 2010.

The fiscal year end of subsidiaries in Japan, excluding the three subsidiaries above, is March 31. The financial statements used in the preparation of the consolidated financial statements for these subsidiaries are as of March 31, 2011.

## (d) Significant Accounting Policies

## 1) Valuation of Significant Assets

## (i) Securities

Held-to-Maturity Securities		Amortized cost method (straight-line method)
Other securities	With market value	Value method based on the market price on the closing date (unrealized gains and losses are reported in the shareholders' equity section. Sales cost of securities is determined by the moving-average method.)
	Without market value	Cost method based on the moving-average method

## (ii) Derivatives

Market value method

## (iii) Inventories

Purchased products, manufactured products, work in process, raw materials and supplies are stated at cost, which is mainly determined by the moving average method. Developed land and housing for sale and land and housing projects in progress are stated at cost, determined by the specific cost method. Net book value of inventories as shown in the consolidated balance sheet is written down when profitability declines.

## 2) Depreciation and Amortization Method for Principal Depreciable Assets

### i) Property, plant and equipment (excluding lease assets)

The declining-balance method of depreciation is mainly used. However, the straight-line method is used for buildings (excluding structures) acquired on or after April 1, 1998.

### ii) Intangible assets (excluding lease assets)

The straight-line method is used. The straight-line method is used for the amortization of software used internally based on the estimated internal use period (5 years).

### iii) Lease assets

Finance leases that do not transfer ownership of the leased assets are depreciated down to a residual value of zero over their useful lives using the straight-line method.

## 3) Significant Allowances

### i) Allowances for doubtful accounts

In order to prepare for expected losses from bad debts, estimated unrecoverable amounts are recorded for general claims based on historical bad-debt ratios, and for specific claims including doubtful accounts, based on individual recoverability.

### ii) Provision for employees' bonuses

Estimated bonus payments to be charged to income in the current fiscal year are recorded to prepare for accrued bonus payments to employees.

### iii) Provision for directors' bonuses

Bonus payments to be charged to income in the current fiscal year are recorded to prepare for accrued bonus payments to directors of the Company and certain consolidated subsidiaries.

### iv) Provision for warranties for completed construction

A warranty reserve is recorded to prepare for repair costs that may be required for completed construction. The reserve is based on historical costs and future estimates.

### v) Provision for disaster loss

Estimated losses are recorded to prepare for expenditure on asset restoration costs arising due to the 2011 Northeastern Japan Earthquake.

### vi) Provision for retirement benefits

To prepare for accrued employee retirement benefits, a provision for retirement benefits is recorded based on the projected retirement benefit obligation and plan assets at year end. In the event that the estimated amount of pension fund assets exceeds the projected retirement benefit obligation, the excess amount is accounted for as prepaid expenses.

Unrecognized actuarial gains (losses) are amortized in the fiscal year in which they arise.

### vii) Provision for directors' retirement benefits

To prepare for the payment of directors' retirement benefits, accrued retirement benefits to directors of certain subsidiaries are recorded based on the amount required at year end in accordance with established internal regulations.

### viii) Provision for loss on business liquidation

To prepare for losses arising from business liquidation, a provision for loss on business liquidation is recorded based on projected losses.

## 4) Completed Contracts and Cost of Completed Contracts

At the end of the fiscal year that ended in March 2011, construction revenue is recognized by the percentage-of-completion method if the outcome of a construction contract could be estimated reliably (percentage of completion is estimated as a percentage of the estimated total cost, based on the cost incurred). The completed-contract method is used for other short-term construction contracts.

## 5) Accounting for Hedges

### i) Hedge accounting method

Deferral hedge accounting is used.

Appropriation accounting foreign currency transactions is applied to foreign exchange hedging transactions.

Special accounting treatment is used for interest rate swaps as they satisfy the requirements for special treatment.

### ii) Hedging policy

Foreign exchange forward contracts and foreign currency swaps are utilized to mitigate foreign exchange risks.

Interest rate swap transactions are utilized to mitigate interest rate risks.



- iii) Scope of hedging  
Certain foreign exchange transactions, including planned transactions, and borrowings exposed to interest rate risks are hedged in accordance with policies laid out in the management regulations.
- iv) Assessment of hedge effectiveness  
The Company believes foreign exchange forward contracts and foreign currency swaps to be highly effective hedging instruments. Therefore, an evaluation of their effectiveness is omitted.  
An evaluation of the effectiveness of the special accounting treatment used for interest rate swaps is omitted.
- 6) Amortization of Goodwill  
Goodwill is amortized by the straight-line method over a period of up to 20 years. However, if its materiality is low, the goodwill is amortized in the year in which it is recognized.
- 7) Cash and Cash Equivalents in the Consolidated Statements of Cash Flows  
The scope of cash (cash and cash equivalents) on the consolidated statements of cash flows is cash on hand, deposits readily convertible to cash and short-term investments that mature within three months and bear little risk of price fluctuation.
- 8) Other Significant Accounting Policies  
Consumption tax  
National and regional consumption taxes are accounted for using the net-of-tax method.

(7) Changes in the Basis of Presenting the Consolidated Financial Statements

(a) Application of Accounting Standards for Asset Retirement Obligations

In the consolidated fiscal year ended in March 2011, the Company started applying the “Accounting Standards for Asset Retirement Obligations” (ASBJ Statement No. 18; March 31, 2008) and the “Guidance on Accounting Standards for Asset Retirement Obligations” (ASBJ Guidance No. 21; March 31, 2008).

Consequently, in the fiscal year under review, operating income and recurring income both fell ¥67 million, and net income before income taxes fell ¥782 million.

(b) Application of Accounting Standards for Business Combinations

In the consolidated fiscal year ended in March 2011, the Company started applying “Accounting Standards for Business Combinations” (ASBJ Statement No. 21; December 26, 2008) and the “Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestiture” (ASBJ Guidance No. 10; December 26, 2008).

(8) Changes in the Presentation Method

(Consolidated Statements of Income)

- (a) Due to the application of the “Cabinet Office Ordinance for Partial Amendment of Regulations concerned with the Terminology, Format and Preparation of the Financial Statements”(Cabinet Office Ordinance No. 5; March 24, 2009) based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22; December 26, 2008), in the period under review, the “Quarterly Consolidated Statements of Income” are presented in “Net Income before Minority Interests.”
- (b) As “foreign exchange losses,” which were presented by segment until last fiscal year, totaled less than ten percent of aggregate non-operating expenses, they are included in “Other” in “Operating Expenses.”  
“Foreign exchange losses” totaled 207 million yen in the fiscal year ended in March, 2011.

(9) Additional Information

In the consolidated fiscal year ended in March 2011, the Company started applying the “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25; June 30, 2010). However, the amounts presented in “Other comprehensive income (cumulative)” and “Total other comprehensive income (cumulative)” last fiscal year were the amounts shown for “Valuation and translation adjustments” and “Total valuation and translation adjustments.”

## (10) Notes to the Consolidated Financial Statements

## (Consolidated Balance Sheets)

As of March 31, 2010	As of March 31, 2011
1. Guarantee obligation: 22,389 million yen	1. Guarantee obligation: 25,908 million yen
2. Certain buildings and land held as real estate for sale have been reclassified and reported as follows in the fixed assets section because the purpose of holding these assets was changed during the fiscal year:	2. Certain buildings and land held as real estate for sale have been reclassified and reported as follows in the fixed assets section because the purpose of holding these assets changed during the fiscal year:
Buildings 441 million yen	Buildings 0 million yen
Land 307 million yen	Land 204 million yen
<u>Total 748 million yen</u>	<u>Total 204million yen</u>
3. Certain buildings and land held as fixed assets have been reclassified and reported as follows in the real estate for sale section because the purpose of holding these assets changed during the fiscal year:	3. Certain buildings and land held as fixed assets have been reclassified and included in real estate for sale because the purpose of holding these assets was changed during the fiscal year:
Buildings and structures 2,860 million yen	Buildings and structures 3,045 million yen
Land 2,773 million yen	Land 1,993 million yen
Other 0 million yen	
<u>Total 5,634 million yen</u>	<u>Total 5,038 million yen</u>

## (Consolidated Statements of Income)

Fiscal year ended March 31, 2010				Fiscal year ended March 31, 2011																																							
<p>1. In with Paragraph 25 of “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15, December 27, 2007), the monetary effect of applying the accounting standard for construction contracts is the amount of earnings corresponding to the stage of completion of construction projects in prior fiscal years for contracts that existed as of April 1, 2009. The amount of construction revenue and cost of construction corresponding to the stage of completion of construction projects in past fiscal years is ¥2,070 million and ¥1,749 million, respectively.</p>				1.-																																							
<p>2. The following information relates to the gain on the transfer to a defined contribution plan and the write-off of past-service obligations.</p> <p>The Company revised its retirement benefit system in February 2010 by transferring approximately 25% of the defined benefit plan to a defined contribution plan. For the remaining portion of the defined benefit plan, the Company reduced the proportion of lifetime annuity and converted that proportion to fixed term annuity. This transition was accounted for in accordance with the “Revision of Accounting Standard for Accrued Retirement Benefits (ASBJ Guidance No. 1).</p> <p>As a result, a gain of ¥1,714 million from the partial transition to a defined contribution pension plan and a gain of ¥2,068 million yen from the transition to a defined benefit pension plan were recognized as extraordinary income.</p>				2.-																																							
3.-				3.The gain on abolishment of retirement benefit plan, special retirement benefits and other special losses are due to the decision to transfer the businesses of certain consolidated subsidiaries																																							
4.In the current fiscal year, the Company posted the asset impairment losses in the following asset groups.				4.In the current fiscal year under review, the Company posted impairment losses in the following asset groups:																																							
<table border="1"> <thead> <tr> <th>Application</th> <th>Location</th> <th>Type</th> <th>Impairment losses (million yen)</th> </tr> </thead> <tbody> <tr> <td rowspan="5">Building materials manufacturing equipments</td> <td rowspan="5">Komatsushima-city, Tokushima</td> <td>Buildings and structures</td> <td>300</td> </tr> <tr> <td>Machinery, equipment and vehicles</td> <td>968</td> </tr> <tr> <td>Land</td> <td>367</td> </tr> <tr> <td>Others</td> <td>22</td> </tr> <tr> <td>Total</td> <td>1,656</td> </tr> <tr> <td>Idle asset</td> <td>AshigaraShimo-gun, Kanagawa</td> <td>Land</td> <td>39</td> </tr> <tr> <td>Idle asset</td> <td>Chuo-ku, Tokyo</td> <td>Buildings and land</td> <td>7</td> </tr> <tr> <td>Others</td> <td>-</td> <td>Goodwill</td> <td>346</td> </tr> </tbody> </table>				Application	Location	Type	Impairment losses (million yen)	Building materials manufacturing equipments	Komatsushima-city, Tokushima	Buildings and structures	300	Machinery, equipment and vehicles	968	Land	367	Others	22	Total	1,656	Idle asset	AshigaraShimo-gun, Kanagawa	Land	39	Idle asset	Chuo-ku, Tokyo	Buildings and land	7	Others	-	Goodwill	346	<table border="1"> <thead> <tr> <th>Application</th> <th>Location</th> <th>Type</th> <th>Impairment losses (million yen)</th> </tr> </thead> <tbody> <tr> <td>Industrial Site</td> <td>Komatsushima-city, Tokushima</td> <td>Land</td> <td>695</td> </tr> </tbody> </table> <p>In order to monitor earnings on a continuous basis, the Group determines asset groupings based on the units used for administrative accounting.</p> <p>Due to the decision to transfer the businesses of certain subsidiaries, the book values of the above assets are reduced to their recoverable amounts, and the amount of reduction is recognized as an extraordinary impairment loss. The recoverable amount is calculated based on net sales proceeds.</p>				Application	Location	Type	Impairment losses (million yen)	Industrial Site	Komatsushima-city, Tokushima	Land	695
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<p>In order to monitor earnings on a continuous basis, the Group determines asset groupings based on the units used for administrative accounting.</p> <p>In the building materials manufacturing business, book values were reduced to their recoverable amounts because the recoverable amounts arising from the continuous operation of business activities for this asset grouping are less than the corresponding book values. The amount of reduction was recognized as an extraordinary impairment loss.</p> <p>For idle assets, book values were reduced to their recoverable amounts and the amount of reduction was recognized as an extraordinary impairment loss.</p> <p>The recoverable amount is calculated based on net sales proceeds. Land is valued based on real estate appraisals and the <i>rosenka</i> land price index. The value of other assets that cannot readily be sold or used in another way is zero.</p> <p>For goodwill, an impairment loss has been recognized because earnings at some consolidated subsidiaries will be lower than anticipated.</p>	
5.-	5. Disaster loss is losses arising from the 2011 Northeastern Japan Earthquake, and is the sum of expenses related to the inspection of homes and buildings constructed by the Company, the cost of restoring offices and factories to their original state, loss of/damage to/valuation loss on inventories and loss on retirement of noncurrent assets. These losses include ¥545 million in provision of reserve for disaster losses.
6. The litigation settlement is a payment for litigation regarding an increase in rent at a property that the Company leased in the past.	6.-

## (Consolidated Statements of Comprehensive Income)

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011																
-	<p>Comprehensive income in the immediately preceding fiscal year was as follows:</p> <table data-bbox="837 1433 1420 1612"> <tr> <td>Comprehensive income attributable to owners of the parent</td> <td style="text-align: right;">9,190 million yen</td> </tr> <tr> <td>Comprehensive income attributable to minority interests</td> <td style="text-align: right;">(27 million yen)</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: right; border-top: 1px solid black;">9,163 million yen</td> </tr> </table> <p>Other comprehensive income in the consolidated fiscal year immediately preceding the fiscal year ended in</p> <table data-bbox="837 1747 1420 1982"> <tr> <td>Valuation difference on available-for-sale securities</td> <td style="text-align: right;">3,235 million yen</td> </tr> <tr> <td>Deferred gains or losses on hedges</td> <td style="text-align: right;">(5 million yen)</td> </tr> <tr> <td>Foreign currency translation adjustments</td> <td style="text-align: right;">3,467 million yen</td> </tr> <tr> <td>Share in equity method affiliates</td> <td style="text-align: right;">112 million yen</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: right; border-top: 1px solid black;">6,809 million yen</td> </tr> </table> <p>March, 2011 was as follows:</p>	Comprehensive income attributable to owners of the parent	9,190 million yen	Comprehensive income attributable to minority interests	(27 million yen)	Total	9,163 million yen	Valuation difference on available-for-sale securities	3,235 million yen	Deferred gains or losses on hedges	(5 million yen)	Foreign currency translation adjustments	3,467 million yen	Share in equity method affiliates	112 million yen	Total	6,809 million yen
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Total	6,809 million yen																

## (Statements of Changes in Consolidated Shareholders' Equity)

Previous Fiscal Year (April 1, 2009 – March 31, 2010)

## 1. Type and Number of Shares Outstanding and Treasury Stock

	Number of shares at the end of the previous fiscal year (shares)	Increase during the current fiscal year (shares)	Decrease during the current fiscal year (shares)	Number of shares at the end of the current fiscal year (shares)
Shares issued and outstanding				
Common shares	177,410,239	-	-	177,410,239
Total	177,410,239	-	-	177,410,239
Treasury stock				
Common shares (Note) 1,2	260,902	3,132	284	263,750
Total	260,902	3,132	284	263,750

Note 1: Increase due to purchase of odd-lot shares: 3,132

2: Decrease due to sale of odd-lot shares: 284

## 2. Dividends

## (1) Cash Dividends

Resolution	Type of shares	Aggregate amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Regular general meeting of shareholders (June 23, 2009)	Common shares	1,329	7.50	March 31, 2009	June 24, 2009
Board meeting (November 9, 2009)	Common shares	1,329	7.50	September 30, 2009	December 4, 2009

## (2) Of the Dividends whose Record Date Falls during the Fiscal Year under Review, those Dividends whose Effective Date Falls after the Said Fiscal Year End

Resolution	Type of shares	Aggregate amount of dividend (million yen)	Dividend resource	Dividend per share (yen)	Record date	Effective date
Regular general meeting of shareholders (June 25, 2010)	Common shares	1,329	Retained earnings	7.50	March 31, 2010	June 28, 2010

Current Fiscal Year (April 1, 2010 – March 31, 2011)

## 1. Type and Number of Shares Outstanding and Treasury Stock

	Number of shares at the end of the previous fiscal year (shares)	Increase during the current fiscal year (shares)	Decrease during the current fiscal year (shares)	Number of shares at the end of the current fiscal year (shares)
Shares issued and outstanding				
Common shares	177,410,239	-	-	177,410,239
Total	177,410,239	-	-	177,410,239
Treasury stock				
Common shares (Note) 1,2	263,750	7,545	450	270,845
Total	263,750	7,545	450	270,845

Note 1: Increase due to purchase of odd-lot shares: 7,545

2: Decrease due to sale of odd-lot shares: 450

## 2. Dividends

## (1) Cash Dividends

Resolution	Type of shares	Aggregate amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Regular general meeting of shareholders (June 25, 2010)	Common shares	1,329	7.50	March 31, 2010	June 28, 2010
Board meeting (November 10, 2010)	Common shares	1,329	7.50	September 30, 2010	December 3, 2010

## (2) Of the Dividends whose Record Date Falls during the Fiscal Year under Review, those Dividends whose Effective Date Falls after the Said Fiscal Year End

Resolution	Type of shares	Aggregate amount of dividend (million yen)	Dividend resource	Dividend per share (yen)	Record date	Effective date
Regular general meeting of shareholders (June 24, 2011)	Common shares	1,329	Retained earnings	7.50	March 31, 2011	June 27, 2011

## (Statements of Cash Flows)

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011																																								
<p>1. Reconciliation of balance sheet items to cash and cash equivalents in the consolidated statements of cash flows. (As of March 31, 2010)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right; vertical-align: bottom;">(million yen)</td> </tr> <tr> <td>Cash and deposits</td> <td style="text-align: right;">52,714</td> </tr> <tr> <td>Deposits with a term of over 3 months</td> <td style="text-align: right;">(51)</td> </tr> <tr> <td>Certificates of deposit issued by domestic companies included in marketable securities</td> <td style="text-align: right;">19,000</td> </tr> <tr> <td style="border-top: 1px solid black;">Cash and cash equivalents at end of period</td> <td style="text-align: right; border-top: 1px solid black;">71,662</td> </tr> </table>		(million yen)	Cash and deposits	52,714	Deposits with a term of over 3 months	(51)	Certificates of deposit issued by domestic companies included in marketable securities	19,000	Cash and cash equivalents at end of period	71,662	<p>1. Reconciliation of balance sheet items to cash and cash equivalents in the consolidated statements of cash flows. (As of March 31, 2011)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right; vertical-align: bottom;">(million yen)</td> </tr> <tr> <td>Cash and deposits</td> <td style="text-align: right;">55,618</td> </tr> <tr> <td>Deposits with a term of over 3 months</td> <td style="text-align: right;">(36)</td> </tr> <tr> <td>Certificates of deposit issued by domestic companies included in marketable securities</td> <td style="text-align: right;">20,000</td> </tr> <tr> <td style="border-top: 1px solid black;">Cash and cash equivalents at end of period</td> <td style="text-align: right; border-top: 1px solid black;">75,582</td> </tr> </table>		(million yen)	Cash and deposits	55,618	Deposits with a term of over 3 months	(36)	Certificates of deposit issued by domestic companies included in marketable securities	20,000	Cash and cash equivalents at end of period	75,582																				
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<p>2. Principal assets and liabilities of a company that became a consolidated subsidiary due to acquisition of stock</p> <p>PT. AST Indonesia became a consolidated subsidiary following the purchase of its stock. Assets and liabilities when this company was first consolidated and the acquisition price of stock and revenue arising from this acquisition (net) are presented below.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right; vertical-align: bottom;">(million yen)</td> </tr> <tr> <td>Current assets</td> <td style="text-align: right;">535</td> </tr> <tr> <td>Noncurrent assets</td> <td style="text-align: right;">423</td> </tr> <tr> <td>Goodwill</td> <td style="text-align: right;">19</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(438)</td> </tr> <tr> <td>Noncurrent liabilities</td> <td style="text-align: right;">(223)</td> </tr> <tr> <td>Minority interests</td> <td style="text-align: right;">(149)</td> </tr> <tr> <td style="border-top: 1px solid black;">Cost of acquisition of PT. AST Indonesia stock</td> <td style="text-align: right; border-top: 1px solid black;">168</td> </tr> <tr> <td>PT. AST Indonesia cash and deposits</td> <td style="text-align: right;">(194)</td> </tr> <tr> <td style="border-top: 1px solid black;">Less: Revenue from acquisition of PT. AST Indonesia</td> <td style="text-align: right; border-top: 1px solid black;">(26)</td> </tr> </table>		(million yen)	Current assets	535	Noncurrent assets	423	Goodwill	19	Current liabilities	(438)	Noncurrent liabilities	(223)	Minority interests	(149)	Cost of acquisition of PT. AST Indonesia stock	168	PT. AST Indonesia cash and deposits	(194)	Less: Revenue from acquisition of PT. AST Indonesia	(26)	<p>2. Principal assets and liabilities of a company that ceased to be a consolidated subsidiary in the fiscal year ended in March, 2011</p> <p>Following the sale of stock, assets and liabilities of the company at the time of sale, the selling price of the stock and revenue from this sale (net) are presented below.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right; vertical-align: bottom;">(million yen)</td> </tr> <tr> <td>Current assets</td> <td style="text-align: right;">491</td> </tr> <tr> <td>Noncurrent assets</td> <td style="text-align: right;">75</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(442)</td> </tr> <tr> <td>Noncurrent liabilities</td> <td style="text-align: right;">(60)</td> </tr> <tr> <td>Unrealized gain on available-for-sale securities</td> <td style="text-align: right;">3</td> </tr> <tr> <td style="border-top: 1px solid black;">Gain on sale of stock</td> <td style="text-align: right; border-top: 1px solid black;">273</td> </tr> <tr> <td>Selling price of stock</td> <td style="text-align: right;">340</td> </tr> <tr> <td style="border-top: 1px solid black;">Cash and cash equivalents</td> <td style="text-align: right; border-top: 1px solid black;">(27)</td> </tr> <tr> <td style="border-top: 1px solid black;">Less: Revenue from sale</td> <td style="text-align: right; border-top: 1px solid black;">313</td> </tr> </table>		(million yen)	Current assets	491	Noncurrent assets	75	Current liabilities	(442)	Noncurrent liabilities	(60)	Unrealized gain on available-for-sale securities	3	Gain on sale of stock	273	Selling price of stock	340	Cash and cash equivalents	(27)	Less: Revenue from sale	313
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## (Segment Information)

## 1. Operating Segment Information

Fiscal year ended March 2010 (April 1, 2009 – March 31, 2010)

(million yen)

	Timber and Building Materials	Housing and Housing-related	Other	Total	Elimination and/or Corporate	Consolidated
I Sales and contract revenues:						
(1) Unaffiliated customers	334,874	375,202	3,847	723,923	-	723,923
(2) Intersegment sales/transfers	16,938	456	12,024	29,419	(29,419)	-
Total	361,812	375,658	15,871	753,341	(29,419)	723,923
Operating expenses	360,899	361,914	14,958	737,772	(23,596)	714,176
Operating income (loss)	913	13,744	913	15,570	(5,823)	9,747
II Identifiable assets, depreciation and amortization, impairment loss and capital investment:						
Identifiable assets	191,811	158,410	13,001	363,222	106,516	469,738
Depreciation and amortization	3,310	3,595	847	7,752	751	8,502
Impairment loss	1,656	393	-	2,049	-	2,049
Capital investment	2,806	7,307	712	10,825	1,767	12,592

## Notes

- Business activities are divided into three segments from the standpoint of similarities among the types and characteristics of business activities.
- Major activities of each segment are as follows.
  - Timber and building materials: procurement, manufacture and sale of timber and building materials
  - Housing and housing-related: construction of detached houses and apartment buildings; house exteriors; landscaping; real estate transactions, leasing and brokerage; others
  - Others: Leasing; insurance agent business; others
- Some operating expenses are included in elimination and/or corporate because these expenses cannot be assigned to a particular business segment. These expenses amounted to ¥5,644 million.
- Some assets are included in elimination and/or corporate because they do not belong to a particular business segment. These assets amounted to ¥113,197 million. Major assets are unused funds under management by the Head Office (cash, deposits and securities), long-term investments (investment securities) and assets used by administrative departments.
- Depreciation expenses and capital expenditures include long-term prepaid expenses and write-offs associated with these expenses.

## 2. Geographical Segment Information

Fiscal year ended March 2010 (April 1, 2009 – March 31, 2010)

(million yen)

	Japan	Other area	Total	Elimination or Corporate	Consolidated
I Sales and contract revenues:					
(1) Unaffiliated customers	703,958	19,965	723,923	-	723,923
(2) Intersegment sales/transfers	1,801	5,603	7,404	(7,404)	-
Total	705,759	25,568	731,327	(7,404)	723,923
Operating expenses	689,733	25,796	715,529	(1,353)	714,176
Operating income (loss)	16,026	(228)	15,798	(6,051)	9,747
II Identifiable assets	328,784	50,978	379,761	89,977	469,738

## Notes:

- Countries and regions are classified according to geographical proximity.
- Major countries and regions outside Japan:
  - Other areas: Asia, North America and Oceania
- Some operating expenses are included in elimination and/or corporate because these expenses cannot be assigned to a particular business segment. These expenses amounted to ¥5,644 million.
- Some assets are included in elimination and/or corporate because they do not belong to a particular business segment. These assets amounted to ¥113,197 million. Major assets are unused funds under management by the Head Office (cash, deposits and securities), long-term investments (investment securities) and assets used by administrative departments.

## 3. Overseas Sales

Overseas sales are not shown because they collectively amount to less than 10 percent of consolidated net sales in the fiscal year that ended in March 2010.

#### 4. Segment Information

##### (1) Outline of Reporting Segments

Reporting segments are discrete constituent units of the Company for which financial statements are separately prepared. In order to determine the allocation of the Company's management resources and evaluate its business results, the Board of Directors regularly discusses the reporting segments.

The Company has established divisions in its Headquarters to handle its products, services and regions. Each division formulates comprehensive strategies for the products and services that it handles, and uses these strategies to conduct its business activities.

Therefore, the Company consists of different product, service and region-oriented segments which are based around divisions. There are 4 reporting segments: the timber and building materials business, the overseas business, the housing business and the real estate business.

The timber and building materials business procures, manufactures, processes and sells timber and building materials. The overseas business procures, manufactures and sells timber and building materials overseas, constructs detached homes and sells spec houses. The housing business constructs, sells and maintains residential property such as detached houses and apartment buildings, conducts renovations and exterior work and carries out landscaping and planting.

The real estate business mediates real estate purchases, sales and rental and sells spec homes.

##### (2) Method Used for Calculating Sales, Income (loss), Assets and other Items by Each Reporting Segment

The accounting treatment used for all reporting segments is basically the same as that stated in "Basis of Presenting the Consolidated Financial Statements," except for the treatment used to account for retirement benefit cost.

Actuarial loss on retirement benefit cost is not recognized.

Segment income figures are based on recurring income.

Intersegment transactions are priced in accordance with prevailing market prices.

##### (3) Information regarding Sales, Income (loss), Assets and other Items by each Reporting Segment

Previous Fiscal Year (April 1, 2009 – March 31, 2010)

(million yen)

	Reporting segment					Other (Note) 1	Total	Adjustm ent (Note) 2	Total shown in the consolidated financial statement (Note) 3
	Timber and Building Materials	Overseas	Housing	Real Estate	Total				
(1) Unaffiliated customers	324,447	20,681	336,760	38,071	719,959	3,204	723,163	759	723,923
(2) Intersegment sales/transfers	16,985	4,790	1,535	99	23,409	11,967	35,376	(35,376)	-
Total	341,432	25,472	338,295	38,169	743,368	15,171	758,539	(34,617)	723,923
Segment income (loss)	2,006	(2,582)	13,250	(1,042)	11,632	583	12,215	(2,750)	9,465
Segment assets	135,557	51,811	90,670	63,344	341,381	10,307	351,689	118,050	469,738
Other Depreciation and amortization (Note) 4	1,388	1,872	3,133	496	6,890	825	7,715	788	8,502
Amortization of goodwill	(18)	59	-	172	213	-	213	-	213
Interest income	21	463	2	1	487	1	488	33	521
Interest expenses	846	839	357	830	2,872	23	2,895	(1,732)	1,162
Equity in earnings (losses) of affiliates	(48)	(2,196)	-	0	(2,244)	-	(2,244)	-	(2,244)
Investments in equity method affiliates	150	9,748	-	3	9,901	-	9,901	-	9,901
Increase in property, plant and equipment and intangible assets (Note) 4	665	1,923	3,154	4,149	9,891	707	10,598	1,994	12,592

Notes:

- "Other" are business segments that are not included in the reporting segments. Such segments include the leasing business and insurance agency.
- Adjustments are as presented below.
  - Adjusted sales to unaffiliated customers of ¥759 million are attributable to the administrative departments, and comprised mainly of rent from Company landholdings.
  - The adjusted business loss of ¥2,750 million includes ¥106 million in eliminated intersegment transactions, ¥2,364 million in retirement benefit costs and ¥5,220 million in corporate expenses etc.
  - The ¥118,050 million in adjusted segment assets includes ¥7,895 in eliminated intersegment transactions and ¥125,945 million in corporate assets which are not allocated to any reporting segment.  
Corporate assets are mainly unused funds under management (cash, deposits and securities), long-term investments (investment securities) and assets used by administrative departments.
- Total segment income (loss) and segment assets are the total adjusted recurring income and assets shown in the consolidated financial statements.
- The increase in depreciation expenses, property, plant and equipment and intangible assets includes long-term prepaid expenses and write-offs associated with these expenses.



Current Fiscal Year (April 1, 2010 – March 31, 2011)

(million yen)

	Reporting segment					Other (Note) 1	Total	Adjustment (Note) 2	Total shown in the consolidate d financial statement (Note) 3
	Timber and Building Materials	Overseas	Housing	Real Estate	Total				
(1) Unaffiliated customers	372,025	26,529	344,424	50,185	793,163	3,557	796,720	773	797,493
(2) Intersegment sales/transfers	18,206	6,704	1,855	696	27,462	9,973	37,435	(37,435)	-
Total	390,231	33,234	346,279	50,881	820,626	13,529	834,155	(36,662)	797,493
Segment income (loss)	4,848	(1,829)	18,988	903	22,911	502	23,412	(9,206)	14,206
Segment assets	147,135	52,576	98,083	62,917	360,711	10,843	371,554	117,863	489,417
Other Depreciation and amortization (Note) 4	993	2,048	3,162	560	6,763	788	7,551	885	8,437
Amortization of goodwill	(18)	80	-	49	110	-	110	-	110
Interest income	20	106	2	42	169	0	170	55	225
Interest expenses	735	981	342	883	2,941	23	2,965	(1,647)	1,318
Equity in earnings (losses) of affiliates	(23)	(755)	-	1	(778)	-	(778)	0	(778)
Investments in equity method affiliates	125	9,209	-	3	9,337	-	9,337	(11)	9,326
Increase in fixed assets and intangible assets (Note) 4	1,318	4,324	2,996	4,875	13,514	877	14,390	182	14,572

Notes:

1. "Other" are business segments that are not included in the reporting segments. Such segments include the leasing business and insurance agency.
2. Adjustments are as presented below.
  - (1) Adjusted sales to unaffiliated customers of ¥773 million are attributable to the administrative departments, and comprised mainly of rent from Company landholdings.
  - (2) The adjusted business loss of ¥9,206 million includes ¥30 million in eliminated intersegment transactions, ¥2,792 million in retirement benefit costs and ¥6,383 million in corporate expenses etc.
  - (3) The ¥117,863 million in adjusted segment assets includes ¥7,563 in eliminated intersegment transactions and ¥125,426 million in corporate assets which are not allocated to any reporting segment.  
Corporate assets are mainly unused funds under management (cash, deposits and securities), long-term investments (investment securities) and assets used by administrative departments.
3. Total segment income (loss) and segment assets are the total adjusted recurring income and assets shown in the consolidated financial statements, respectively.
4. The increase in depreciation expenses, property, plant and equipment and intangible assets includes long-term prepaid expenses and write-offs associated with these expenses.

**5. Related Information**

Current Fiscal Year (April 1, 2010 – March 31, 2011)

**(1) Information by Product and Service**

(million yen)

	Timber and building materials	Housing and Housing-related	Other	Total
Sales to unaffiliated customers	395,743	397,549	4,201	797,493

**(2) Information by Regions****(a) Net Sales**

Sales to unaffiliated Japanese customers are not shown because these sales account for over 90% of consolidated net sales.

**(b) Property, Plant and Equipment**

(million yen)

Japan	Oceania	Asia	Other area	Total
65,099	16,038	6,423	41	87,602

**(3) Information by Major Customer**

Those sales to unaffiliated customers which are special customers are not shown as none of these sales accounts for more than 10% consolidated net sales.

**6. Impairment Loss of Fixed Assets by Reporting Segment**

Current Fiscal Year (April 1, 2010 – March 31, 2011)

(million yen)

	Timber and Building Materials	Overseas	Housing	Real Estate	Other	Corporate/ Elimination	Total
Impairment loss	(695)	-	-	-	-	-	(695)

**7. Amortization and the Unamortized Balance of Goodwill by Reporting Segment**

Current Fiscal Year (April 1, 2010 – March 31, 2011)

(million yen)

	Timber and Building Materials	Overseas	Housing	Real Estate	Other	Corporate/ Elimination	Total
Amortization	(18)	80	-	49	-	-	110
Unamortized balance	(22)	141	-	82	-	-	201

**8. Gain on Negative Goodwill by Reporting Segment**

Current Fiscal Year (April 1, 2010 – March 31, 2011)

None

(Additional Information)

Current Fiscal Year (For the year ended March 31, 2011)

In the consolidated fiscal period under review, the Company started applying the “Accounting Standards for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17; March 27, 2009) and “Guidance on Accounting Standards for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20; March 21, 2008).

## (Per-Share Information)

(yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Net assets per share	917.82	919.54
Net income per share	13.42	29.21

## Notes

1. Net income per share (diluted) is not presented, since there is no potential stock.

2. The basis for calculating net asset per share is as follows.

	As of March 31, 2010	As of March 31, 2011
Total net assets (million yen)	162,930	163,110
Minority interests (million yen)	342	224
Total net assets for common stock (million yen)	162,558	162,886
Number of common stocks issued (shares)	177,410,239	177,410,239
Number of treasury stocks (shares)	263,750	270,845
Number of common stocks used for calculation of net asset per share (shares)	177,146,489	177,139,394

3. The basis for calculating net income per share is as follows.

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Net income (million yen)	2,377	5,175
Income not available to common stockholders (million yen)	-	-
Income (loss) available to common stockholders (million yen)	2,377	5,175
Weighted average number of shares issued (shares)	177,147,826	177,142,840

## (Significant Events after the Reporting Period)

None

## (Omission of disclosure)

Information on lease transactions, related-party transactions, tax-effect accounting, financial instruments, marketable securities, derivatives transactions, retirement benefits, business combinations etc., asset retirement obligations, and investment properties is not presented since the information is not material to the Summary of Consolidated Financial Results.

**5. Non-consolidated Financial Statements**

## (1) Balance Sheets

(million yen)

	As of March 31, 2010	As of March 31, 2011
<b>Assets</b>		
<b>Current assets</b>		
Cash and time deposits	47,109	48,582
Notes receivable-trade	39,642	46,153
Accounts receivable-trade	52,338	56,523
Accounts receivable from completed construction contracts	3,582	3,375
Marketable securities	19,000	20,000
Finished goods, logs and lumber	7,537	9,292
Developed land and housing for sale	25,586	30,401
Costs on uncompleted construction contracts	21,790	18,795
Advance payments	376	512
Prepaid expenses	765	947
Deferred tax assets	4,371	5,936
Short-term loans receivable	9	9
Short-term loans receivable from subsidiaries and affiliates	12,272	8,558
Accounts receivable-other	65,562	67,814
Other	140	404
Allowance for doubtful accounts	(2,646)	(2,870)
<b>Total current assets</b>	<b>297,434</b>	<b>314,431</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings	19,116	19,203
Accumulated depreciation	(5,898)	(6,564)
Buildings, net	13,218	12,639
Structures	3,000	3,039
Accumulated depreciation	(2,594)	(2,649)
Structures, net	406	390
Machinery and equipment	1,214	1,188
Accumulated depreciation	(1,055)	(1,094)
Machinery and equipment, net	158	95
Vehicles	70	46
Accumulated depreciation	(55)	(40)
Vehicles, net	15	6
Tools, furniture and fixtures	4,620	4,502
Accumulated depreciation	(3,464)	(3,725)
Tools, furniture and fixtures, net	1,157	777
Land	11,623	11,763
Mature timber	8,822	8,782
Growing timber	214	186
Leased assets	4,225	5,908
Accumulated depreciation	(1,098)	(2,836)
Leased assets, net	3,128	3,072
Construction in progress	309	447
<b>Total property, plant and equipment</b>	<b>39,049</b>	<b>38,157</b>

	As of March 31, 2010	As of March 31, 2011
<b>Intangible assets</b>		
Goodwill	28	-
Telephone subscription right	183	183
Leasehold right	4	4
Right of utilization on forest road	222	204
Right of using facilities	3	2
Software	4,007	4,069
Leased assets	5	3
Total intangible assets	4,452	4,465
<b>Investments and other assets</b>		
Investment securities	40,422	38,417
Stocks of subsidiaries and affiliates	23,464	22,125
Investments in other securities of subsidiaries and affiliates	4	6
Investments in capital of subsidiaries and affiliates	631	2,286
Long-term loans receivable	184	486
Long-term loans receivable from employees	37	29
Long-term loans receivable from subsidiaries and affiliates	16,279	17,457
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,793	3,017
Long-term prepaid expenses	802	678
Prepaid pension cost	1,595	-
Other	4,254	4,119
Allowance for doubtful accounts	(3,418)	(5,095)
Total investments and other assets	86,049	83,526
Total noncurrent assets	129,550	126,148
Total assets	426,983	440,578
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable-trade	6,434	7,016
Accounts payable-trade	66,637	71,665
Accounts payable for construction contracts	79,933	74,259
Long-term debt due within 1 year	-	6,300
Lease obligations	1,037	1,260
Accounts payable-other	6,539	6,962
Income taxes payable	563	4,974
Accrued consumption taxes	700	1,077
Accrued expenses	800	929
Advances received	695	957
Advances received on uncompleted construction contracts	25,530	31,756
Deposits received	19,772	21,134
Unearned revenue	1,108	1,614
Provision for employees' bonuses	4,600	5,400
Provision for directors' bonuses	35	60
Provision for warranties for completed construction	1,075	1,836
Provision for disaster losses	-	495
Asset retirement obligation	-	447
Other	43	42
Total current liabilities	215,502	238,185

(million yen)

	As of March 31, 2010	As of March 31, 2011
Long-term liabilities		
Bonds issued	15,000	15,000
Long-term loans payable	31,000	24,700
Guarantee deposited	5,122	4,978
Lease obligations	2,125	1,643
Deferred tax liabilities	5,528	4,810
Provision for retirement benefits	-	277
Provision for loss on business of subsidiaries and affiliates	2,960	2,826
Provision for loss on business liquidation	1,306	1,435
Asset retirement obligation	-	795
Other	3,390	1,760
Total noncurrent liabilities	66,430	58,225
Total liabilities	281,932	296,410
Net assets		
Shareholders' equity		
Capital stock	27,672	27,672
Capital surplus		
Legal capital surplus	26,613	26,613
Other capital surplus	259	259
Total capital surpluses	26,872	26,872
Retained earnings		
Legal retained earnings	2,857	2,857
Other retained earnings		
Reserve for reduction entry	1,347	1,347
General reserve	77,487	76,687
Retained earnings brought forward	3,281	3,754
Total retained earnings	84,973	84,645
Treasury stock	(262)	(267)
Total shareholders' equity	139,254	138,921
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	5,778	5,046
Deferred gains or losses on hedges	20	201
Total valuation and translation adjustments	5,798	5,247
Total net assets	145,052	144,168
Total liabilities and net assets	426,983	440,578

## (2) Statements of Income

(million yen)

	Fiscal year ended March31, 2010	Fiscal year ended March 31, 2011
Net sales		
Net sales of goods	314,557	366,268
Completed contracts	278,687	281,247
Total net sales	593,243	647,515
Cost of sales		
Cost of goods sold		
Beginning goods	46,078	46,417
Cost of purchased goods	296,420	343,168
Transfer to other account	(4,885)	(4,796)
Total	347,383	394,381
Ending goods	46,417	45,572
Total cost of goods sold	300,966	348,810
Cost of completed contracts	207,615	206,871
Total cost of sales	508,581	555,681
Gross profit	84,662	91,834
Selling, general and administrative expenses	81,137	83,535
Operating income	3,525	8,299
Non-operating income		
Interest income	476	403
Interest on securities	10	18
Purchase discounts	432	336
Dividends income	1,537	2,867
Other	1,082	968
Total non-operating income	3,538	4,591
Non-operating expenses		
Interest expenses	722	566
Bond interest expenses	-	203
Sales discounts	395	477
Other	387	341
Total non-operating expenses	1,503	1,586
Recurring income	5,560	11,304
Extraordinary gains		
Gain on sales of noncurrent assets	57	46
Gain on sales of investment securities	132	17
Gain on adjustment for changes of accounting standard for construction contracts	323	-
Reversal of allowance for doubtful accounts	854	-
Gain on transition of defined contribution pension	1,714	-
Amortization of prior service cost	2,068	-
Total extraordinary gains	5,148	63

(million yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Extraordinary loss		
Loss on retirement of noncurrent assets	179	114
Loss (gain) on valuation of investment securities	167	1,014
Disaster losses	-	592
Monetary effect of applying Accounting Standard for Asset Retirement Obligation	-	653
Head office transfer cost	255	-
Litigation settlement	462	-
Loss on valuation of stocks of subsidiaries and affiliates	3,086	3,731
Loss on valuation of investments in capital of subsidiaries and affiliates	100	-
Total extraordinary losses	4,248	6,104
Income before income taxes	6,460	5,264
Income taxes-current	489	4,798
Income taxes-deferred	4,035	(1,864)
Total income taxes	4,524	2,934
Net income	1,936	2,329



## (3) Statements of Changes in Net Assets

(million yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
<b>Shareholders' equity</b>		
<b>Capital stock</b>		
Balance at the end of previous period	27,672	27,672
Balance at the end of current period	27,672	27,672
<b>Capital surplus</b>		
<b>Legal capital surplus</b>		
Balance at the end of previous period	26,613	26,613
Balance at the end of current period	26,613	26,613
<b>Other capital surplus</b>		
Balance at the end of previous period	259	259
<b>Changes during the period</b>		
Disposal of treasury stock	(0)	(0)
Total changes during the period	(0)	(0)
Balance at the end of current period	259	259
<b>Retained earnings</b>		
<b>Legal retained earnings</b>		
Balance at the end of previous period	2,857	2,857
Balance at the end of current period	2,857	2,857
<b>Other retained earnings</b>		
<b>Reserve for reduction entry</b>		
Balance at the end of previous period	1,347	1,347
Balance at the end of current period	1,347	1,347
<b>General reserve</b>		
Balance at the end of previous period	76,787	76,787
<b>Changes during the period</b>		
Provision of general reserve	700	-
Reversal of general reserve	-	(800)
Total changes during the period	700	(800)
Balance at the end of current period	77,487	76,687
<b>Retained earnings brought forward</b>		
Balance at the end of previous period	4,702	3,281
<b>Changes during the period</b>		
Provision of general reserve	(700)	-
Reversal of general reserve	-	800
Dividends from surplus	(2,657)	(2,657)
Net income	1,936	2,329
Total changes during the period	(1,421)	472
Balance at the end of current period	3,281	3,754
<b>Treasury stock</b>		
Balance at the end of previous period	(260)	(262)
<b>Changes during the period</b>		
Purchase of treasury stock	(2)	(5)
Disposal of treasury stock	0	0
Total changes during the period	(2)	(2)
Balance at the end of current period	(262)	(267)

(million yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
<b>Total shareholders' equity</b>		
Balance at the end of previous period	139,977	139,254
Changes during the period		
Dividends from surplus	(2,657)	(2,657)
Net income	1,936	2,329
Purchase of treasury stock	(2)	(5)
Disposal of treasury stock	0	0
Total changes during the period	(723)	(333)
Balance at the end of current period	139,254	138,921
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	2,577	5,778
Changes during the period		
Net changes in items other than shareholders' equity	3,201	(732)
Total changes during the period	3,201	(732)
Balance at the end of current period	5,778	5,046
Deferred gains or losses on hedges		
Balance at the end of previous period	28	20
Changes during the period		
Net changes in items other than shareholders' equity	(8)	181
Total changes during the period	(8)	181
Balance at the end of current period	20	201
<b>Net assets</b>		
Balance at the end of previous period	142,582	145,052
Changes during the period		
Dividends from surplus	(2,657)	(2,657)
Net income	1,936	2,329
Purchase of treasury stock	(2)	(5)
Disposal of treasury stock	0	0
Net changes in items other than shareholders' equity	3,193	(551)
Total changes during the period	2,470	(884)
Balance at the end of current period	145,052	144,168

## (4) Notes related to the Assumption of a Going Concern

None

## (5) Significant Accounting Policies

## (a) Valuation of Securities

- |   |                      |   |
|---|----------------------|---|
| 1) Held-to-Maturity Securities                    |                      | Amortized cost method (straight-line method)  |
| 2) Stock of subsidiaries and affiliated companies |                      | Cost method based on the moving-average method  |
| 3) Other securities                               | With market value    | Value method based on the market price on the closing date (unrealized gains and losses are reported in the shareholders' equity section. Sales cost of securities is determined by the moving-average method.) |
|   | Without market value | Cost method based on the moving-average method  |

## (b) Valuation of Inventories

Purchased products are stated at cost, which is mainly determined by the moving average method. Developed land and housing for sale and land and housing projects in progress are stated at cost, determined by the specific cost method. Net book value of inventories as shown in the consolidated balance sheet is written down when profitability declines.

## (c) Depreciation and Amortization Method for Fixed Assets

- 1) Property, Plant and Equipment (excluding lease assets)  
The declining-balance method of depreciation is used. However, the straight-line method is used for buildings (excluding structures) acquired on or after April 1, 1998.
- 2) Intangible Assets (excluding lease assets)  
The straight-line method is used. The straight-line method is used for the amortization of software used internally based on the estimated internal use period (5 years). Lease assets
- 3) Lease Assets  
Finance leases that do not transfer ownership of the leased assets are depreciated down to a residual value of zero over their useful lives using the straight-line method.

## (d) The Basis for Calculating Allowances

- 1) Allowances for Doubtful Accounts  
In order to prepare for expected losses from bad debts, estimated unrecoverable amounts are recorded for general claims based on historical bad-debt ratios, and for specific claims including doubtful accounts, based on individual recoverability.
- 2) Provision for Employees' Bonuses  
Estimated bonus payments to be charged to income in the current fiscal year are recorded to prepare for accrued bonus payments to employees.
- 3) Provision for Directors' Bonuses  
Accrued bonuses to directors of the Company are based on estimated bonuses to be paid to these directors, which are to be charged to income in the current fiscal year.
- 4) Provision for Warranties for Completed Construction  
A warranty reserve is recorded to prepare for repair costs that may be required for completed construction. The reserve is based on historical costs and future estimates.
- 5) Provision for Disaster Losses  
Estimated losses are recorded to prepare for expenditure on asset restoration costs arising due to the 2011 Northeastern Japan Earthquake.
- 6) Provision for Retirement Benefits  
To prepare for accrued employee retirement benefits, a provision for retirement benefits is recorded based on the projected retirement benefit obligation and plan assets at year end. In the event that the estimated amount of pension fund assets exceeds the projected retirement benefit obligation, the excess amount is accounted for as prepaid expenses. Unrecognized actuarial gains (losses) are amortized in the fiscal year in which they arise.
- 7) Provision for Loss on Business of Subsidiaries and Affiliates  
In anticipation of a loss resulting mainly from the golf course business of a consolidated company, the Company has established an allowance equal to the Company's estimated exposure to this loss.
- 8) Provision for Loss on Business Liquidation  
To prepare for losses arising from business liquidation, a provision for loss on business liquidation is recorded based on projected losses.

## (e) Completed Contracts and Cost of Completed Contracts

At the end of the fiscal year that ended in March 2011, construction revenue is recognized by the percentage-of-completion method if the outcome of a construction contract could be estimated reliably (percentage of completion is estimated as a

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percentage of the estimated total cost, based on the cost incurred). The completed-contract method is used for other short-term construction contracts.

(f) Accounting for Hedges

1) Hedge accounting method

Deferral hedge accounting is used.

Appropriation accounting foreign currency transactions is applied to foreign exchange hedging transactions. Special accounting treatment is used for interest rate swaps as they satisfy the requirements for special treatment.

2) Hedging policy

Foreign exchange forward contracts and foreign currency swaps are utilized to mitigate foreign exchange risks. Interest rate swap transactions are utilized to mitigate interest rate risks.

3) Scope of hedging

Certain foreign exchange transactions, including planned transactions, and borrowings exposed to interest rate risks are hedged in accordance with policies laid out in the management regulations.

4) Assessment of hedge effectiveness

The Company believes foreign exchange forward contracts and foreign currency swaps to be highly effective hedging instruments. Therefore, an evaluation of their effectiveness is omitted.

An evaluation of the effectiveness of the special accounting treatment used for interest rate swaps is omitted.

(g) Other Significant Accounting Policies

Consumption tax

National and regional consumption taxes are accounted for using the net-of-tax method.

(6) Changes in Account Treatment Methods

(Application of Accounting Standards for Asset Retirement Obligations)

In the consolidated fiscal year ended in March 2011, the Company started applying the "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No. 18; March 31, 2008) and the "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21; March 31, 2008).

Consequently, in the fiscal year under review, operating income and recurring income both fell ¥66million, and net income before income taxes fell ¥727 million

(7) Changes in Presenting the Consolidated Financial Statements

(Balance Sheets)

As "bond interest expenses," which were presented in "interest expenses" category of "non-operating expenses" until last fiscal year, exceeded 10 percent of aggregate non-operating expenses, they are shown in the "non-operating expenses category."

"Bond interest expenses" totaled ¥143 million in the fiscal year ended in March, 2011.

**6.Others**

Changes in Directors and Corporate Auditors

An announcement was made on February 28, 2011.

## 7. Supplementary Information

## (1) Consolidated Statements of Income

(million yen)

	FY 3/10	FY 3/11	YoY change	% of YoY change	Forecast of FY 3/12	YoY change	% of YoY change
Timber and Building Materials Businesses	341,432	390,231	+48,799	+14.3%	388,000	-2,231	-0.6%
Overseas Business	25,472	33,234	+7,762	+30.5%	38,000	+4,766	+14.3%
Housing Business	338,295	346,279	+7,984	+2.4%	367,000	+20,721	+6.0%
Real Estate Business	38,169	50,881	+12,712	+33.3%	48,000	-2,881	-5.7%
Other Businesses	15,171	13,529	-1,642	-10.8%	11,000	-2,529	-18.7%
Adjustment	(34,617)	(36,662)	-2,045	-	(37,000)	-338	-
Net sales	723,923	797,493	+73,570	+10.2%	815,000	+17,507	+2.2%
Gross profit	17.2% 124,269	16.6% 132,568	+8,299	+6.7%	16.9% 137,500	+4,932	+3.7%
Selling, general and administrative expenses	114,522	118,330	+3,807	+3.3%	119,500	+1,170	+1.0%
Operating income	1.3% 9,747	1.8% 14,238	+4,492	+46.1%	2.2% 18,000	+3,762	+26.4%
Non-operating income	4,147	3,425	-722	-17.4%	3,500	+75	+2.2%
Non-operating expenses	4,429	3,458	-971	-21.9%	3,000	-458	-13.2%
Non-operating income/loss	(282)	(32)	+249	-	500	+532	-
Timber and Building Materials Businesses	0.6% 2,006	1.2% 4,848	+2,843	+141.7%	1.1% 4,300	-548	-11.3%
Overseas Business	(10.1%) (2,582)	(5.5%) (1,829)	+753	-	0.0% 0	+1,829	-
Housing Business	3.9% 13,250	5.5% 18,988	+5,738	+43.3%	5.0% 18,500	-488	-2.6%
Real Estate Business	(2.7%) (1,042)	1.8% 903	+1,945	-	1.0% 500	-403	-44.6%
Other Businesses	3.8% 583	3.7% 502	-81	-14.0%	2.7% 300	-202	-40.2%
Adjustment	(2,750)	(9,206)	-6,456	-	(5,100)	+4,106	-
Recurring income	1.3% 9,465	1.8% 14,206	+4,741	+50.1%	2.3% 18,500	+4,294	+30.2%
Extraordinary income	4,346	767	-3,578	-82.3%	-	-767	-
Extraordinary loss	3,228	3,964	+736	+22.8%	200	-3,764	-95.0%
Extraordinary income/loss	1,118	(3,196)	-4,314	-	(200)	+2,996	-
Net income	0.3% 2,377	0.6% 5,175	+2,798	+117.7%	1.2% 10,000	+4,825	+93.2%

## (2) &lt;Housing Business &amp; Real Estate Business&gt;Sales and Orders Received (non-consolidated)

			FY 3/10 (Actual)			FY 3/11 (Actual)			(million yen) Change	
Orders Received	Contract Work	Custom-built detached housing	Volume	Amount	Unit price	Volume	Amount	Unit price	Volume	Amount
						8,593	265,203	30.9	8,926	284,420
		Wooden apartments	736	6,969	9.5	775	7,343	9.5	+5.3%	+5.4%
		Other contracts		3,069	-		160	-		-94.8%
Sales	Contract Work	Custom-built detached housing *1	8,580	264,215	30.8	8,721	270,903	31.1	+1.6%	+2.5%
		Wooden apartments *1	670	5,630	8.4	724	6,681	9.2	+8.1%	+18.7%
		Other contracts		8,028	-		3,558	-		-55.7%
		Detached spec homes business *2	183	7,851	42.9	226	9,567	42.3	+23.5%	+21.9%
		Land for custom-built housing		6,002	-		5,784	-		-3.6%
		Real estate development *2		1,986	-		9,704	-		+388.7%
		Other *3		7,332	-		6,919	-		-5.6%
	Total			301,043	-		313,116	-		+4.0%
Profit Ratio		Gross Profit	24.5%	73,804		25.4%	79,476			
Backlog of Orders Received at Term End	Contract Work	Custom-built housing	8,194	248,153	30.3	8,399	261,670	31.2	+2.5%	+5.4%
		Wooden apartments	832	7,499	9.0	883	8,162	9.2	+6.1%	+8.8%
		Other contracts		3,398	-		-	-		-100.0%
			FY 3/11 (Actual)			FY 3/12 (Forecast)			(million yen) Change	
Orders Received	Contract Work	Custom-built detached housing	Volume	Amount	Unit price	Volume	Amount	Unit price	Volume	Amount
						8,926	284,420	31.9	9,000	289,000
		Wooden apartments	775	7,343	9.5	940	8,600	9.1	+21.3%	+17.1%
		Other contracts		160	-		1,000	-		+526.6%
Sales	Contract Work	Custom-built detached housing *1	8,721	270,903	31.1	8,900	285,400	32.1	+2.1%	+5.4%
		Wooden apartments *1	724	6,681	9.2	730	6,700	9.2	+0.8%	+0.3%
		Other contracts		3,558	-		500	-		-85.9%
		Detached spec homes business *2	226	9,567	42.3	230	10,000	43.5	+1.8%	+4.5%
		Land for custom-built housing		5,784	-		4,600	-		-20.5%
		Real estate development *2		9,704	-		11,800	-		+21.6%
		Other *3		6,919	-		7,000	-		+1.2%
	Total			313,116	-		326,000	-		+4.1%
Profit Ratio		Gross Profit	25.4%	79,476		24.4%	79,500			
Backlog of Orders Received at Term End	Contract Work	Custom-built housing	8,399	261,670	31.2	8,499	265,270	31.2	+1.2%	+1.4%
		Wooden apartments	883	8,162	9.2	1,093	10,062	9.2	+23.8%	+23.3%
		Other contracts		-	-		500	-		-

\* 1: Sales volumes for custom-built detached housing and wooden apartments are delivered houses (number of houses is shown)

\* 2: Spec Homes Business and Real Estate Development figures are for the total of land and building

\* 3: Sales of interior products and rental proceeds from leasing properties in our portfolio etc.

## (3) Non-consolidated Business Results

(million yen)

Company Name Head Office	Founded	Capital stock	Accounting term	Statements of Income				Balance Sheets	
				Sales	Operating income	Recurring Income	Net income	Total assets	Net assets
Sumitomo Forestry Co., Ltd. (Chiyoda-ku, Tokyo)	Feb, 1948	27,672	3/10	593,243	3,525	5,560	1,936	426,983	145,052
			3/11	647,515	8,299	11,304	2,329	440,578	144,168
			3/12 (F)	660,000	10,500	13,500	8,000	-	-

## (4) Main Subsidiaries

(million yen)

Name of company (Location)	Founded	Capital Stock	Ownership *1	FY	Statements of income				Balance sheets	
					Net sales	Operating income	Recurring income	Net income	Total assets	Net assets
Sumitomo Forestry Crest Co., Ltd. (Chiyoda-ku, Tokyo) *2	8/1959	800	100.0%	3/10	20,551	51	11	-4,505	11,295	1,506
				3/11	39,932	619	462	-634	20,121	898
				3/12 (F)	33,900	840	670	640	-	-
Sumitomo Forestry Residential Co., Ltd. (Shinjuku-ku, Tokyo)	3/1985	150	100.0%	3/10	25,588	241	205	542	9,507	2,071
				3/11	16,806	336	321	190	9,796	2,262
				3/12 (F)	17,300	380	340	200	-	-
Sumitomo Forestry Home Engineering Co., Ltd., (Shinjuku-ku, Tokyo)	12/1999	75	100.0%	3/10	80,862	813	948	516	31,490	3,087
				3/11	82,492	1,132	1,240	712	31,154	3,284
				3/12 (F)	84,600	980	1,050	580	-	-
Sumitomo Forestry Home Service Co., Ltd. (Shinjuku-ku, Tokyo)	9/1964	400	100.0%	3/10	5,410	9	-12	-177	2,489	-546
				3/11	5,473	164	134	98	2,271	-448
				3/12 (F)	5,700	220	200	190	-	-
Sumitomo Forestry Landscaping Co., Ltd., (Nakano-ku, Tokyo)	4/1977	200	100.0%	3/10	21,095	408	447	234	8,756	3,037
				3/11	20,889	-136	-127	-94	7,975	2,706
				3/12 (F)	22,300	170	200	120	-	-
Sumitomo Forestry Home Tech Co., Ltd. (Chiyoda-ku, Tokyo)	10/1988	100	100.0%	3/10	37,466	1,429	1,556	806	14,804	3,161
				3/11	41,802	1,899	2,060	1,051	15,981	3,407
				3/12 (F)	47,200	2,320	2,500	1,500	-	-
PT.Kutai Timber Indonesia (Jakarta, Indonesia) *3	9/1970	27,000 (Thousand US\$)	99.8%	3/10	7,273	-404	-507	-630	6,883	1,940
				3/11	8,763	98	90	93	6,128	1,803
				3/12 (F)	8,800	260	220	160	-	-
Alpine MDF Industries Pty Ltd. (Wangaratta, Victoria, Australia) *4	5/1994	62,474 (Thousand AU\$)	(100.0%)	3/10	4,361	-45	-77	-102	5,575	2,600
				3/11	5,121	-39	-100	-115	5,375	2,508
				3/12 (F)	6,000	250	120	30	-	-
Nelson Pine Industries Ltd. (Richmond, Nelson, New Zealand) *5	10/1984	45,500 (Thousand NZ\$)	(100.0%)	3/10	9,284	600	1,499	1,060	14,212	11,956
				3/11	10,427	1,369	1,378	988	13,851	12,340
				3/12 (F)	10,100	810	810	580	-	-

\*1 Figures in parentheses are for indirect investments.

\*2 Sumitomo Forestry Crest Co., Ltd. absorbed Toyo Plywood Co., Ltd. in April 2010.

\*3 \*4 \*5 The following exchange rates were used to convert into yen the income statements of overseas group companies.

	*3 US\$	*4 AU\$	*5 NZ\$
12/2009	93.57	74.01	59.35
12/2010	87.76	80.64	63.26
12/2011 (Forecasted)	82.30	82.70	62.20