



Annual Report 2009

(Year ended March 31, 2009)

The Sumitomo Forestry Group's corporate philosophy—"utilize timber as a renewable, healthy, and environmentally friendly natural resource, and contribute to a prosperous society through all types of housing-related services"—is the foundation of our core businesses: forestry, the distribution and manufacture of timber and building materials, and the design and construction of custom-built wooden homes.

Our origins date back more than 300 years to the opening of the Sumitomo family's Besshi Copper Mine in 1691, and our roots are in forestry. Over the centuries, we have acquired knowledge, gained experience, and mastered technologies related to every facet of wood, from upstream to downstream, firmly establishing the Group as the "Wood Professionals." Especially, *Sumitomo Ringyo no Ie* (Sumitomo Forestry Home) houses—the top brand in wooden houses in Japan—are the embodiment of our expertise with wood, meeting the needs of society for environmentally friendly housing.

We prefer the long-term perspective in implementing business strategies aimed at securing new drivers of growth. We focus on the consistent, stable growth of the core businesses forming the foundation of our earnings. We engage in expanding our horizontal integration into housing-related businesses: remodeling, real estate services, and overseas operations. In these ways, we are devoted to the creation of sustainable and consistent growth into the future.

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Photo: The Group's roots can be traced back to the company-owned forests surrounding the site of the Besshi Copper Mine in Niihama City, Ehime Prefecture.

Sumitomo Forestry Group Operations

Upstream



- Forestry Business
- Manufacturing of Building Materials

1/1,000th

of Japan's land area—41,500 hectares—are forests managed through “sustainable forestry” by the Group, which is also a global manufacturer of building materials.

Timber and Building Materials Business

Midstream



- Distribution of Timber and Building Materials

No.1

We are the leading Japanese trading company in timber and building materials. We also contribute to the sustainability of the world's forest resources.

Downstream



- New Custom-Built Housing
- Remodeling
- Real Estate
- Overseas Housing
- Housing-Related Businesses

Top Brand

We are the top brand in custom-built wooden housing in Japan. We provide safe, reliable, and comfortable homes that meet a diversity of lifestyle needs.

Housing and Housing-Related Businesses

Forward-Looking Statements

Statements in this annual report with respect to Sumitomo Forestry's plans, strategies, objectives, forecasts, and other statements that are not historical facts are forward-looking statements based on management's assumptions and beliefs based on information available as of the production date of this report. Actual results may differ significantly from those discussed herein, owing to the impact of various factors, including but not limited to changes in the business environment, general economic conditions, and customer preferences.

FINANCIAL HIGHLIGHTS

Sumitomo Forestry Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen					Thousands of U.S. dollars*1
	2009	2008	2007	2006	2005	2009
OPERATING RESULTS:						
Net sales and contract revenues	¥823,810	¥861,357	¥911,674	¥791,128	¥723,193	\$ 8,406,223
Gross profit	133,493	135,277	141,117	127,853	125,582	1,362,173
Operating income	6,837	7,235	20,405	15,446	18,466	69,764
Recurring income*2	6,160	7,659	21,259	16,800	18,692	62,854
Net income	1,028	1,115	11,954	10,842	8,014	10,493

FINANCIAL POSITION:

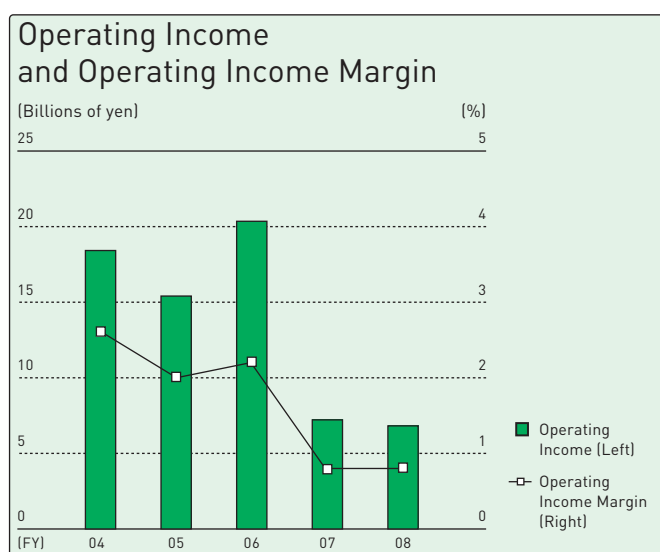
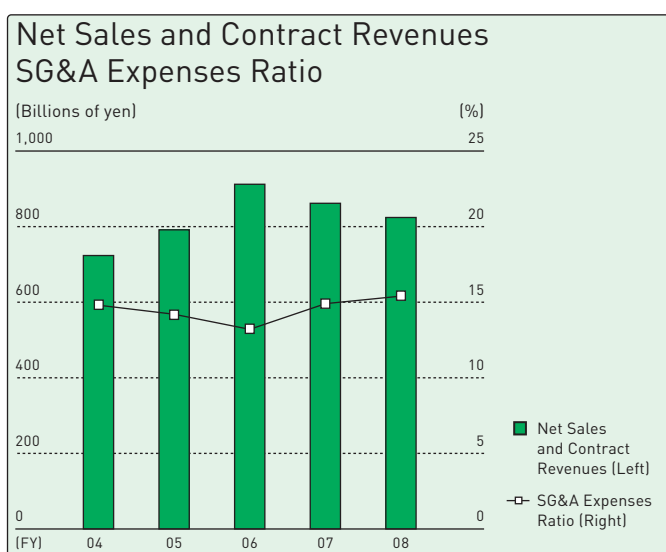
	Millions of yen					Thousands of U.S. dollars*1
Total assets	427,738	450,730	500,136	464,193	370,684	4,364,674
Interest-bearing debt	49,127	25,816	25,739	22,067	15,580	501,298
Total net assets*3	156,192	173,089	188,855	175,206	152,500	1,593,801

CASH FLOWS:

	Millions of yen					Thousands of U.S. dollars*1
Cash flows from operating activities	(8,161)	26,106	7,084	16,626	6,685	(83,279)
Cash flows from investment activities	(29,062)	(17,587)	(7,102)	(8,998)	(12,895)	(296,556)
Cash flows from financing activities	24,196	(4,262)	665	(14,039)	(7,087)	246,902

PER SHARE DATA:

	Yen					U.S. dollars*1
Net income	¥ 5.80	¥ 6.29	¥ 67.43	¥ 61.28	¥ 45.28	\$ 0.06
Net assets	880.94	975.99	1,059.20	996.03	866.47	8.99
Cash dividends	15.00	15.00	15.00	13.00	13.00	0.15



	%				
	2009	2008	2007	2006	2005
FINANCIAL RATIOS:					
Operating income margin	0.8	0.8	2.2	2.0	2.6
Return on assets (ROA)* ⁴	1.4	1.6	4.4	4.0	5.0
Return on equity (ROE)* ⁴	0.6	0.6	6.6	6.6	5.4
Equity ratio	36.5	38.4	37.5	37.7	41.1
Interest-bearing debt ratio* ⁵	23.9	13.0	12.1	11.2	9.3

	Units				
STATE OF ORDERS (ON A UNIT BASIS):					
Custom-built detached housing	8,703	9,301	9,751	9,251	10,076
Collective housing	952	683	1,455	1,288	1,776
Number of employees	12,629	12,541	12,259	11,997	10,477

REFERENCE MARKET DATA:					
New housing starts (nationwide)	1,039,180	1,035,598	1,285,246	1,249,366	1,193,038
New housing starts (Tokyo metropolitan district)	359,100	338,286	431,200	432,005	419,088
Owner-occupied housing starts (nationwide)	310,664	311,803	355,700	352,577	367,233

Notes:

- Japanese yen amounts have been translated into U.S. dollar amounts, at the rate of ¥98 = US\$1, the approximate exchange rate prevailing in the Japanese foreign exchange market at March 31, 2009.
- Recurring income = Operating income + Non-operating income – Non-operating expenses
Non-operating income includes interest income, purchase discounts, dividends income, foreign exchange gains, miscellaneous gains, and other income generated from normal business activities. Non-operating expenses include interest expense, sales discounts, loss on devaluation of property, plant and equipment, foreign exchange losses, miscellaneous expenses, and other expenses from normal business activities.
- Total net assets are calculated following enforcement of the Japanese Corporate Law in 2006. Total net assets are comprised of the sum of shareholders' equity as previously defined and minority interest and gains (losses) on deferred hedges.
- ROA and ROE are calculated using the simple average of beginning and end of term balance sheet figures.
ROA = Recurring income / Total assets
ROE = Net income / Shareholders' equity
- Interest-bearing debt ratio = Interest-bearing debt / (Interest-bearing debt + Shareholders' equity)

