



Returning to Our Roots and Emphasizing Fundamentals

With the release of our Annual Report 2010, I would like to take a moment to discuss our new endeavors with the shareholders and other stakeholders.

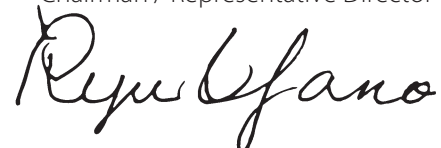
Though it hardly bears mentioning, for several years now we have continued to face a very difficult business environment. And the Japanese economy, while no longer in decline, will apparently need more time before a robust recovery can take hold. Given those circumstances, we have taken steps to strengthen our management organization beginning in fiscal 2010. In that connection, responsibilities for executive management and operational management, which have previously been integrated in the responsibilities of the President, have been separated. In my new role as Chairman of the Board, I will oversee executive decision-making. The President will be responsible for the Company's operational management. The purpose of this move is to optimize business operations by clarifying the roles of management and operations, and to swiftly respond to a difficult business environment while effecting more precise steering of our long-term management strategy.

The Sumitomo Forestry Group has been advancing its Long-Term Management Plan, Project SPEED, since fiscal 2007. However, in the face of a global recession whose severity exceeded expectations, our performance inevitably came in well below our objectives. In response to such difficult business conditions, it is critical that we return to our business and operational roots, and emphasize fundamentals. That means affirming business efficiency, increasing productivity, and cutting costs wherever possible. At the same time, though, we must also actively invest in high-growth sectors and high-profit businesses, and take other steps to allocate management resources in the most effective manner possible. More specifically, we will build a balanced business portfolio that produces stable earnings from our core businesses — the distribution and manufacturing of timber and building materials, and the design and construction of custom-built homes — while increasing earnings from priority growth businesses — overseas business, real estate, and renovation.

The basic management direction implied in the Sumitomo Spirit, the nucleus of the Sumitomo Forestry Group's fundamental beliefs, and in our corporate philosophy will remain unchanged. We will continue to implement our corporate philosophy, which 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." Furthermore, as "Wood Professionals" and with forestry businesses as a foundation, we will continue to expand our horizontal integration into unique housing-related businesses. We will boldly pursue business activities in harmony with the need to protect the environment as we strive to maintain our status as a company the world needs and can be proud of.

We ask for your continued understanding and support.

Ryu Yano
Chairman / Representative Director





Our Top Priority: Boosting Profitability

With no improvement in the harsh business environment facing the Sumitomo Forestry Group, our results for fiscal 2009 were less than we had hoped for. Difficult conditions are expected to continue, however with new leadership, we aim to return to our core values and focus on achieving the objectives set forth in our Long-Term Management Plan.

As the chief executive officer, my number-one priority will be to strengthen profitability. We are presently facing a critical turning point in which the number of new housing starts in Japan fell below 800,000 units last year for the first time in 45 years. If we continue to follow past strategies, it will be difficult to even maintain our current position. As discussed in detail in the following pages, we intend to overcome the challenges facing us through the well-balanced implementation of both short-term and medium-to-long term strategies. In the short term, we will accelerate business restructurings and move forward with the strengthening of profitability as our top priority. Over the medium-to-long term, we will continuously invest for future growth while also keeping ourselves in sound financial condition.

The 21st century has been referred to as an age of environmental symbiosis. As precious renewable resources that absorb and retain CO₂, forests and timber play critical roles in a society that exists in harmony with the environment. Sumitomo Forestry has a more than 300-year heritage of protecting forests and preserving the environment. Our Group's efforts to promote technical innovations and the effective use of timber not only support social prosperity but also increase the value of trees and forests. And our business activities work not only to our benefit but also to the direct benefit of society and the environment on a global scale. For the Sumitomo Forestry Group, which pursues both upstream and downstream timber-related business, this is the essence of the pride we take in our work, as well as our strength.

The Sumitomo Forestry Group, having already joined the ranks of Japan's leading forestry, timber and building materials, and housing companies, now turns its attention to global markets. Through ownership and management of expansive forests and the development of a broad array of housing-related businesses in international markets, we will strive to create prosperous societies on a global scale. Expect great things from Sumitomo Forestry in the years to come.

Akira Ichikawa
President / Representative Director

