

Building a Base for Sustainable Growth

Introduction of Business Strategies by Segment

Change of Business Segments

Sumitomo Forestry changed the accounting classification of its business segments from fiscal 2010 to align with our management approach. This section introduces the strategies of each of our business segments using the new classification.

* Please refer to the financial section beginning on page 37 for fiscal 2009 business results reported according to the old classification.

Through Fiscal 2009 (Old Classification)

Timber and Building Materials Business

- Forestry
- Distribution of Timber and Building Materials (Japan and Overseas)
- Manufacturing of Building Materials (Japan and Overseas)
- Overseas Reforestation

Housing and Housing-Related Businesses

- New Custom-Built Housing
- Renovation
- Real Estate
- Overseas Housing
- Other Housing-Related Businesses

Other Businesses

- Lifestyle-Related Businesses

Elimination and/or Corporate

- Administrative Division

From Fiscal 2010 (New Classification)

Timber and Building Materials Business

- Distribution of Timber and Building Materials (Japan)
- Manufacturing of Building Materials (Japan)

Overseas Business

- Distribution of Timber and Building Materials (Overseas)
- Manufacturing of Building Materials (Overseas)

- Overseas Housing
- Overseas Reforestation

Housing Business

- New Custom-Built Housing
- Renovation
- Other Housing-Related Businesses

Real Estate Business

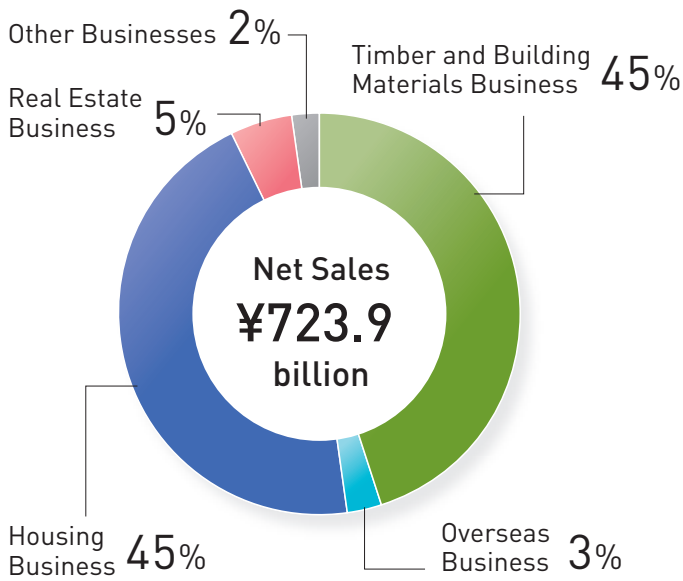
Other Businesses

- Lifestyle-Related Businesses

Adjustment

- Forestry
- Administrative Division

At a Glance



(Year Ended March 31)	Billions of yen	
	2010	2011 Forecast
Net Sales	723.9	760.0
Timber and Building Materials Business	341.4	357.0
Overseas Business	25.5	38.0
Housing Business	338.3	345.0
Real Estate Business	38.2	44.0
Other Businesses	15.2	13.0
Adjustment	(34.6)	(37.0)
Recurring Income	9.5	12.0
Timber and Building Materials Business	2.0	3.1
Overseas Business	(2.6)	0.3
Housing Business	13.3	12.4
Real Estate Business	(1.0)	0.6
Other Businesses	0.6	0.2
Adjustment	(2.8)	(4.6)
Net Income	2.4	6.0

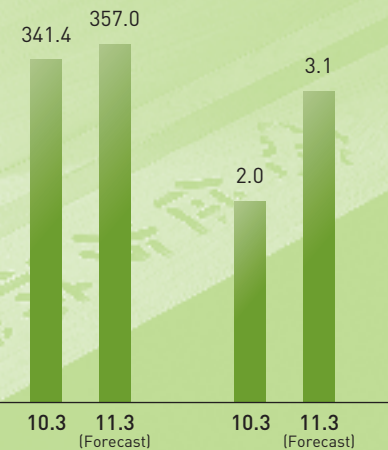
* Figures are rounded to nearest yen.

Timber and Building Materials Business

Distribution and sales in Japan of timber and building materials sourced from Japan and overseas, manufacturing of plywood and wooden building materials in Japan.

Net Sales
(Billions of yen)

Recurring Income
(Billions of yen)

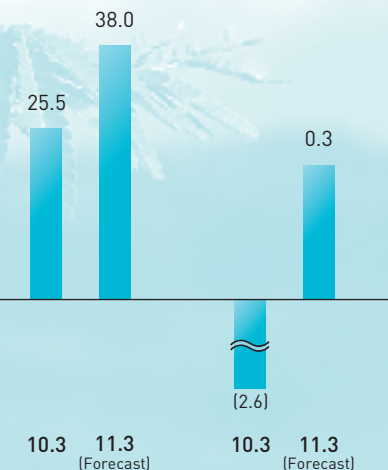


Overseas Business

Forestry operations that aim to secure sustainable forest resources, building materials manufacturing operations, including MDF (Medium Density Fiberboard), particleboard, wooden interior materials; distribution to overseas markets; and housing development in North America, China, Korea, and Australia.

Net Sales
(Billions of yen)

Recurring Income
(Billions of yen)



*1. For the year ended March 31, 2010, figures by new segments are calculated from the results of old segments for reference only.
 *2. For the year ending March 31, 2011, forecasts based on new segments are calculated from the reclassification of old segment forecasts announced at the beginning of the fiscal year.
 *3. Share of net sales, net sales and recurring income of each segment shown include inter-segment transactions.
 *4. In this annual report, the domestic forestry business, which falls outside the scope of the reporting segments per the management approach from the year ending March 31, 2011, is reported in the Other Businesses section on page 29.

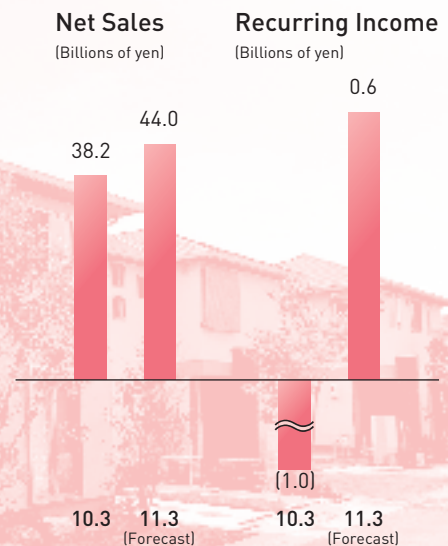
Housing Business

Centered on custom-built detached housing, we conduct wood construction apartment buildings, renovation services, landscaping, and lifestyle-related businesses.



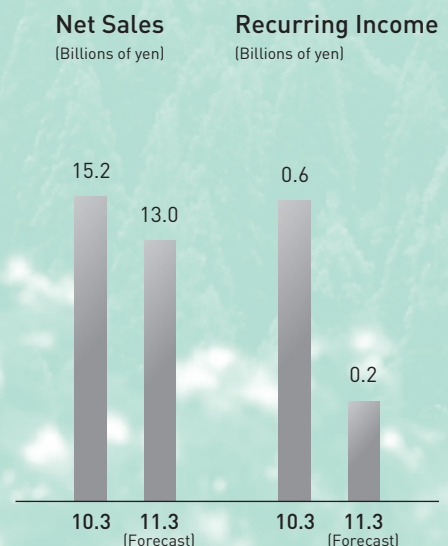
Real Estate Business

Detached spec home development that creates communities and lifestyles, and real estate development businesses including consulting services for effective utilization of real estate, sales of spec condominiums, management of condominium leasing and residential care facilities, property brokerage and intermediation, and asset and property management.



Other Businesses

Manufacture and sales of farming and gardening materials, housing insurance agency services, and services for the Sumitomo Forestry Group, including development of IT systems.



Timber and Building Materials Business



No. 1 Share of Timber and Building Materials in Japan.



Securing a stable supply system from around the world through procurement power.



Developing high-quality, sustainable products.

Basic Plan for Medium- and Long-Term Growth

The Timber and Building Materials division is focused on growing share in existing markets and expanding into new markets to generate consistent profitability in the medium to long term in the face of a continued harsh operating environment.

We are working to exploit our strengths in global procurement to grow share in existing markets. Rapid growth in demand for timber in emerging economies signals further intensification of competition in global timber procurement markets. Leveraging the strengths of our network of Sumitomo Forestry representatives around the world, which enables a secure supply of timber, we will grow share of market. We continue to expand sales of environmentally sound products as environmental consciousness expands.

We are expanding into new markets domestically with the start of building materials distribution system management services, as well as overseas sales of timber and wood products in Asia, and growing sales of building materials for renovation.

Expanding Sales of Environmentally Sound Products that Leverage Procurement Power

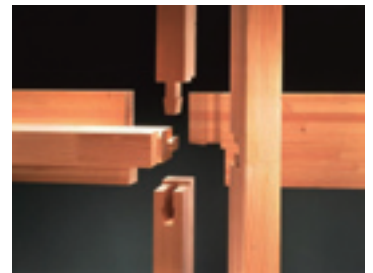
Expanding sales of environmentally sound products is a key initiative as Sumitomo Forestry continues to grow environment-related businesses around the world. The *KIKORIN-PLYWOOD* brand of environmentally sound plywood has produced consistently growing sales since its launch in 2009. *KIKORIN-PLYWOOD* is made from 50% or more raw materials from sustainable sources — timber from sustainable certified forests and plantation forests. Leveraging its global network for procurement of timber and building materials and local manufacturing subsidiaries like Kutai Timber Indonesia in Indonesia, Sumitomo

Forestry has secured a stable supply of timber from certified and plantation forests, which is no simple task given the scarcity of suppliers of such raw materials. With stringent quality control and meticulous production management, Sumitomo Forestry is securing a high-quality and stable supply.

Sumitomo Forestry is also expanding plywood manufacturing using timber from plantation forests in Fuxin, China, and growing trading volume of Japanese timber and wood products through Sumitomo Forestry Wood Products Co., Ltd. Sumitomo Forestry is also actively disseminating information to business partners, including our strength in environmental fields and introductions to environmentally sound government policies for supporting the housing market.

Expanding Markets for Renovation

Sumitomo Forestry is expanding its renovation business, which is targeted for future growth, through partnerships with domestic distribution centers and local building contractors, who are key partners for the Company. The INOS business, a network that unites Sumitomo Forestry and local homebuilders, is focused on proposing new ideas for renovation using the government's Housing Eco-Point system, as well as expanding sales of building materials for renovation. Further, Sumitomo Forestry entered into a business tie-up with Hirata Tile Co., Ltd. in July 2009, generating new demand through the strength of Hirata Tile's network of renovation contractors.



KIKORIN-PLYWOOD

Stable Supply of Environmentally Sound, High-Quality Plywood

KIKORIN-PLYWOOD is a revolutionary product developed to overcome the two barriers to widespread use of environmentally sound plywood products: limited range of application due to quality issues and difficulty of securing a stable supply of raw materials and products.

From a procurement perspective, *KIKORIN-PLYWOOD* is environmentally sound because it is made from a stable supply of timber harvested from sustainable certified forests, as well as plantation forests managed by the Group. Quality is guaranteed

through Sumitomo Forestry's technological leadership and stringent quality control, production management, and delivery supervision systems, making possible a whole new range of applications for environmentally sound plywood products.

Customers have highly evaluated the quality and secure supply of *KIKORIN-PLYWOOD*, and Sumitomo Forestry will continue to expand sales of environmentally sound products, thereby contributing to the preservation of the environment.



Part of the proceeds from the sale of this product are used for reforestation activities in Indonesia's Bromo Tengger Semeru National Park, contributing to the growth of forests in Indonesia, one of the world's leading producers of plywood products.



Home Eco Logistics Co., Ltd. Launches Distribution System Management Outsourcing

Revolutionary Infrastructure for Distribution of Homebuilding Materials

Contributes to Reduction of CO₂ Emissions

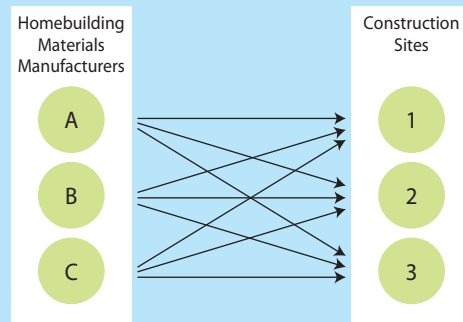
The market for new housing has contracted in Japan, making costs related to distribution of homebuilding materials a critical issue for the industry. The Company has developed 27 relay distribution centers across Japan for our housing business. Utilizing these centers, we have launched a distribution system outsourcing service for homebuilding materials manufacturers, regional distribution companies, and home builders that streamlines distribution and increases efficiencies. This initiative aims to realize the creation of a distribution system that becomes the industry standard, contribute to reducing of CO₂ emissions from homebuilding materials distribution, and contribute to the society in general, as well as to the development of local economies. In the future, we will expand the range of items handled, securing a new source of profitability, and increasing the market share of our existing distribution business.

Building up a Base for
Sustainable
Growth

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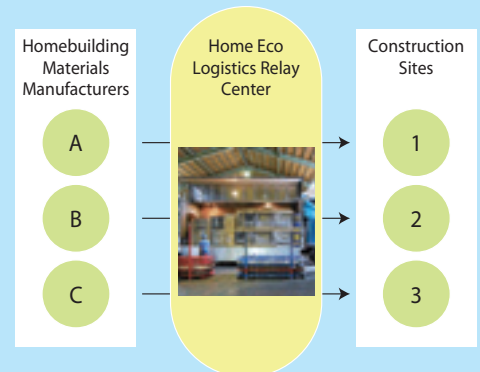


Conventional Distribution Systems



Flow of Materials →

Home Eco Logistics Distribution System



Unlike conventional distribution systems, wherein each materials manufacturer delivers its products to each construction site, the Home Eco Logistics system makes a single delivery of all materials to each construction site, greatly increasing efficiencies.

Contributing to Energy Savings in Distribution, Just-in-Time Delivery, and Cost Savings

In the distribution of homebuilding materials, it is not uncommon for the materials manufacturer to need to charter different trucks to make deliveries to construction sites operated by different homebuilders — even if the construction sites are next to each other. The cost impact of this is very large. At the same time, there is always the risk of scheduling mismatches, such as when the home builders must turn away and reschedule deliveries of materials due to the status of construction.

Sumitomo Forestry in 2006 launched a materials distribution system in its housing business comprised of 27 relay centers across Japan that enables just-in-time delivery of materials to construction sites synchronized with the construction schedule. The newly established Home Eco Logistics Co., Ltd. leverages the expertise gained through this system to support the reduction of costs for the entire housing industry. We believe this system will greatly reduce the CO₂ emissions generated by distribution of homebuilding materials and prove invaluable to the homebuilding materials distribution industry from the perspectives of customer satisfaction, cost reduction, and environmental consideration.

Kiyoshi Hagidaira

Business Development Department / Timber and Building Materials Division
Sumitomo Forestry Co., Ltd.

Overseas Business



From plantation forestry to manufacturing of building materials to housing, we are expanding our upstream-to-downstream businesses centered on wood in each country and region.

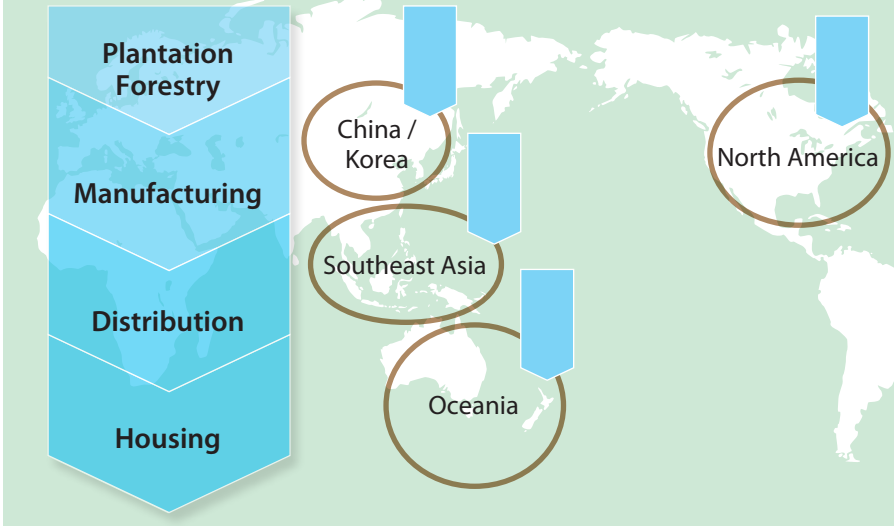


We use timber from certified and plantation forests as raw materials to manufacture our building materials. We are introducing wood biomass energy into our manufacturing processes.



We are cultivating plantation forests in Indonesia, Papua New Guinea, New Zealand, and China to provide raw materials for manufacturing wood products, as well as advancing plantation to restore degraded forests.

Establishing Vertically Integrated Businesses Globally



Home built by the Henley Properties Group in Australia.

Strategy for Medium- and Long-Term Growth

In our overseas business, we aim to create upstream-to-downstream, vertically integrated businesses centered around wood in four operating areas: Southeast Asia, Oceania, China / Korea, and North America. From fiscal 2010, we re-organized and re-allocated resources to create an agile system for growing the business along forestry, manufacturing, and housing. Going forward, we are focused on sharing the Group's accumulated expertise and knowledge across the division, aiming to grow our overseas businesses in expanding markets.

Strengthening Manufacturing in Emerging Markets

Sumitomo Forestry is strengthening timber and building materials processing and manufacturing operations in emerging markets, where expansion of domestic demand is driving growth of the global economy. Manufacturing of wood interior materials in Indonesia began in July 2009, and we began commercial manufacturing of plywood in Fuxin, China in January 2010. We also look forward to the launch of a new particleboard manufacturing operation in Vietnam by the end of 2011. We aim to create new sources of earnings by selling through distribution channels developed in each market by the Company.

Housing: Leveraging the Power of the Group

The overseas housing business made a full-fledged entry into the Australian housing market in fiscal 2009 through the acquisition of a 50% equity position in the Henley Properties Group. We are

now operating housing businesses in four countries: Australia, the United States, China, and South Korea.

The defining characteristic of our overseas housing business is the ability to leverage the power of the Sumitomo Forestry Group through synergies with the manufacturing and distribution businesses. We are proactively using wooden building materials manufactured by overseas subsidiaries, leveraging distribution networks used for timber and building materials, and also utilizing the same superior-quality building materials used in Japan for housing. Going forward, we will develop new products incorporating the technological expertise and knowledge of the Group, as well as new environmentally friendly housing. We will expand our housing product lines to appeal to a broader audience, from first-time buyers to middle- and upper-class consumers. We will also fully expand the scale of our interior finishing business to encompass not only wood construction homes but also condominiums.

Expanding Plantations to Grow Earnings

Plantation operations in Indonesia, Papua New Guinea, New Zealand and China not only cultivate trees to provide raw materials for processed wood products, but also serve to reforest degraded forests, and preserve biodiversity. We aim in the near term to grow forestry operations as a standalone source of earnings by strengthening our sales organization through sharing market information within the Group and expanding the total area of forests under management to realize economies of scale. We have also launched a large-scale reforestation project that will ultimately cover about 280,000 hectares in Indonesia, reviving forests degraded by slash-and-burn farming and illegal logging.



Fuxin Sumirin Wood Products Co., Ltd. manufactures plywood made of raw materials from poplar and other trees cultivated in plantation forests (China).



Plantations in Indonesia.

Building up a Base for
**Sustainable
Growth**

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Full-Fledged Entry into the Australian Housing Market

Acquisition of 50% Equity Position in the Henley Properties Group, a Leading Australian Home Builder

Based in Melbourne, the Henley Properties Group is a leading home builder operating in all areas of Australia. Sumitomo Forestry created a joint venture company with the Henley Properties Group in April 2008, and the first project developing detached spec homes was a great success, leading to Sumitomo Forestry's firm belief in the future potential of the housing business in Australia. In order to further enhance the Sumitomo Forestry's business base in the Australia housing market, the Company acquired a 50% equity position in the Henley Properties Group in September 2009 with the objective of building the business foundation for stable earnings over the long run.



Creating a Vertically Integrated Business in Australia's Vibrant Housing Market

Against a backdrop of strong population growth, the Australian housing market is forecast to grow in the future. The Henley Properties Group is renowned for its consideration of the environment, including energy efficiency, and is a top-class home builder in Australia. Leveraging the special characteristics of proprietary building techniques for wood construction methods developed in Australia, we look forward to the infusion of know-how the Sumitomo Forestry Group has developed in the housing business in Japan, such as process rationalization, shortening of construction periods, reduction of construction costs, planning and execution of environmentally symbiotic housing, and design. We also look forward to working together in the development of new products, including new construction methods. At the same time, we are building a vertically integrated business in Oceania, where subsidiary companies of the Sumitomo Forestry Group in Australia and New Zealand provide MDF* to building materials manufacturers that supply the Henley Properties Group, which will enable expanded sales of MDF.



* MDF (Medium Density Fiberboard):
The MDF business will strengthen its line of high value-added products such as molding-processed and painted MDF products, and provide housing construction materials to the Henley Properties Group and the Australian market.

Antony Blackshaw
Finance Director,
Henley Properties Group



Housing Business

Leading innovator and builder with top-class annual sales of custom-built wooden homes in Japan.



1

Top Brand

Our Strengths

2

Technological Strength

3

Environmentally Symbiotic Housing

Developing proprietary techniques, realizing superior seismic resistance, fire-resistance, durability, and energy efficiency.



Our proprietary *Ryouonbou* design process uses the power of nature to enhance energy efficiency, realizing environmentally symbiotic housing with reduced environmental impact.

Strategy for Medium- and Long-term Growth

Positive factors for a builder of wood construction homes like Sumitomo Forestry in fiscal 2010 included expansion of the tax-exempt bracket for gift taxes, the housing Eco-Point system and other housing stimulus policies, expanded penetration of the excellent long-term housing program, which began last year, and government initiatives to promote proactive use of Japanese timber.

Sumitomo Forestry is assuming that a broad recovery of the housing market will not occur. We are thus focused on accelerating the shift to a more profitable business structure that is not impacted by external forces, as well as comprehensive profit management. We are aiming for long-term growth in the renovation and apartment building businesses and have shifted human resources to achieve the right balance of management resources to grow profitability.

Strategies for Growing Urban Sales and Increasing Profitability

Sales of custom-built detached homes fell below expectations in fiscal 2009 due to the worsening economic climate. In fiscal 2010, Sumitomo Forestry will focus its sales force on Japan's three largest urban areas: Tokyo, Osaka, and Nagoya, aiming to increase orders received. Specifically, we will shift personnel to these population centers, expand new business tie-ups, and ask satisfied owners of *Sumitomo Forestry Home* houses to introduce family and friends. We will also increase customer satisfaction and grow sales of exterior works. This business was previously conducted by a subsidiary, but we unified its ordering system with our custom-built detached housing business.

The *Kodachi* line of custom-built homes lets customers choose from 300 base plans to suit their lifestyle.



The *BF-Si* line of the Company's proprietary Big Frame construction method allows for an exceptionally high degree of layout flexibility including creation of large open spaces.

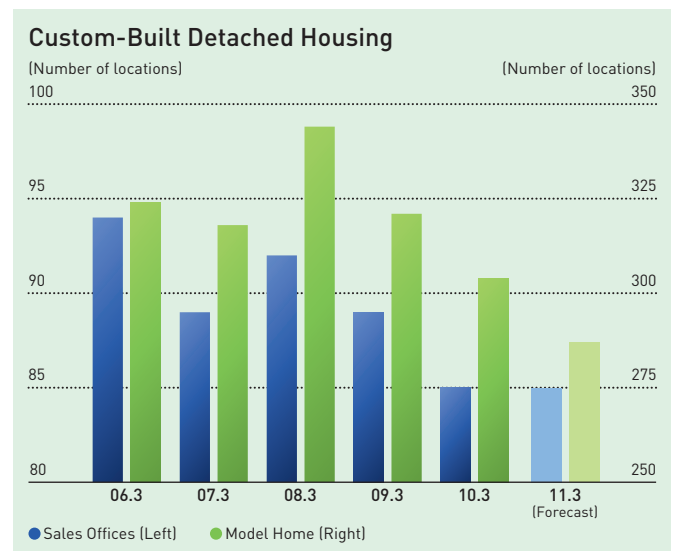
Cost reductions will be realized by reducing the overall number of model home locations and repositioning the rest. In fiscal 2010, the Company will reduce the number of model house locations to 287, down from 304 as of March 31, 2010.

Development of Cost-Competitive Products, Expanding Environmentally Sound Products

The Company continues to reduce the cost of two-by-four and Big Frame construction methods and is focused on development of cost-competitive products. We are expanding sales of environmentally sound products such as houses featuring solar power systems.

Strengthening the Housing Stock Businesses

Demand for renovation services is projected to grow in the near term, so we are strengthening the sales force of Sumitomo Forestry Home Tech Co., Ltd. We are forming integrated "Realise Reform Team" with senior project managers from sales, design, construction, and other departments to provide customers with total support. Additional expansion of sales is targeted in renovation of classic Japanese-style homes, a traditional area of strength for the Company.



Building up a Base for
Sustainable
Growth

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Enhancing Renovation Sales System of Sumitomo Forestry Home Tech Co., Ltd.

Improving Responsiveness in the Healthy Market for Renovation

The number of customers considering renovation continues to rise, reflecting heightened consciousness of the value of treasuring quality homes and passing them on to future generations. At the same time, the scale of renovation is also trending upwards. At Sumitomo Forestry Home Tech Co., Ltd., which leads the Group's renovation and remodeling business, large-scale renovation projects with a budget of ¥10 million or more account for about half of all orders received, which continued to demonstrate healthy growth compared with the previous year.

Going forward, the introduction of the Realise Reform Team system will strengthen the Company's ability to win more orders for large-scale renovation, aiming to further strengthen and expand our renovation business as a pillar of future profitability for the Sumitomo Forestry Group.

Responding to Large-Scale Renovation Needs with a Dedicated Team

Renovation requires both precise technological skill and meticulous support because each house is different: age and type of structure, for example; and every customer is different: age, family composition, lifestyle and desired renovation. Further, very specialized knowledge is required when the scale of the renovation grows and the older the structure is. Realise Reform Teams are comprised of six experienced experts from sales, design, construction, interior design, inspection, and after-sales service. These dedicated experts help customers to realize their optimal renovation. This type of dedicated team of experts is new in the renovation industry.

By providing a team of experts who can respond to anything from design ideas and consultation about financing to the technical aspects of renovation, including protection against earthquakes, barrier-free layouts, reduced CO₂ / energy-efficient housing, Sumitomo Forestry endeavors to increase customer satisfaction.

Dedicated Renovation Staff
(Sumitomo Forestry Home Tech Co., Ltd., Jonan Branch)

Renovation Engineer (design)
Hisao Ishii

Interior Designer
Kazuko Shibahara

Renovation Advisor (sales)
Mutsuo Takei

Construction Manager
Tadashi Tozaki

Realise Reform Team

Sales	Interior Design	Inspection	Design	Construction	After-Sales Service
Management of overall project, renovation planning / proposals and financing consultation	Interior design and coordination proposals	Quality control based on Company inspection system	Planning and designing by first-class architect	Management of quality, safety and construction, etc.	Support for security and comfortable living after renovation

Real Estate Business



Leveraging the recognized brand in housing and with an aim to create more livable communities, we conduct sales of spec homes and land development that blend harmoniously with the local environment.



Gained through building custom-built wooden homes, we utilize our expertise in creating space filled with the natural qualities of wood and expand the senior citizen businesses.



Engaging in a broad range of real estate businesses centered on real estate development, sales, and brokerage, and investment property management services as a Group Company.

Strategy for Medium- and Long-term Growth

In order to grow going forward, we will improve our ability to generate profits by focusing our resources on the business domains where we can leverage our strengths. We will enhance the value propositions of current leasing assets, strengthen detached spec home development and sales, and grow into new areas related to real estate including senior citizen marketing and PFI* operations.

Securing Stable Sources of Profits

We will secure a stable source of profitability from the leasing business, where we are selectively optimizing our portfolio of leasing properties held, which was valued at about 15 billion yen as of March 31, 2010. Specifically, we are strengthening our ability to generate consistent profits by selling existing condominiums designed for single people and buying family-style condominiums, as well as reducing risk. In spec condominium development, we are focusing on profitability by selling through on projects currently underway rather than launching new developments.

Expanding Businesses with Growth Potential

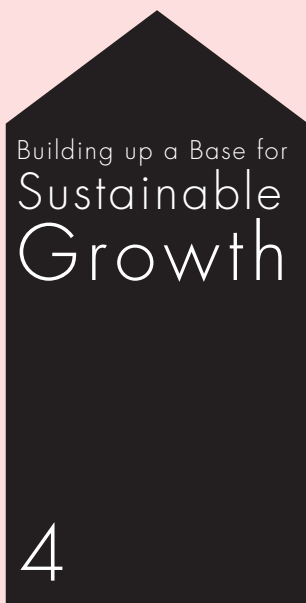
We are aiming for annual sales of 500 detached spec homes by leveraging the equity of the Sumitomo Forestry brand as a builder of custom-built detached homes, and our expertise in wood. We will focus on acquisition of land in the three major population centers of Japan and market high-quality yet appealingly priced products.

Expanding Businesses Related to Real Estate

We will expand our ability to generate profit by coordinating within the Group to develop a broad range of businesses related to real estate, including brokerage of used housing, management of leasing assets, PFI projects, and housing for Chinese exchange students.

We will continue to improve our service offering in management of private-pay elderly care facilities in preparation for the graying of Japanese society. Providing safe and secure housing under the motto of "health, medicine, and care-giving," we strive for continuous improvement in our services to differentiate our offering as the best combination of comfortable living environment and high-quality eldercare.

* PFI (Private Finance Initiative) is a method for using private-sector capital, management capability, or technological capability to construct, maintain, manage, and operate public facilities and infrastructure.



Expanding Residential Property Development (Detached Spec Homes)



Establishing a Detached Spec Home Brand

Leveraging Sumitomo Forestry's strength — the brand equity built up through our detached custom-built housing — the Company's detached spec home business has recorded consistent growth in number of homes sold. We have been evaluated extremely highly for our residential property developments that give careful consideration to the community and the lifestyles of the people who live there. Going forward, we will continue to provide homes of the highest quality and establish a detached spec home brand that encompasses entire communities. Aiming to increase the number of homes sold annually from the current 150-unit level to 500 units as a key objective, we will grow the business by working in conjunction with Group companies to strengthen sales, reduce costs, and acquire land for development.

Shinichiro Ohmori

Residential Property Development Department / Real Estate Business Division
Sumitomo Forestry Co., Ltd.

Other Businesses



We provide property insurance agency services and comprehensive support to Group companies through development of information systems to serve them, as well as leasing operations, and manufacture and sale of farming and gardening materials.

1
Comprehensive Support for Group Companies

Our Strengths



Sumitomo Forestry manages about 42,600 hectares of Company-owned forests in Japan. We are expanding environmentally sound, sustainable forestry management and using that expertise to expand environmental businesses including forestry consulting and outsourced forest management services.

2
Forest Management Expertise, Environmental Businesses

Making Forestry More Efficient

Our forestry operations are managed in an environmentally sound, sustainable manner under a long-term forestry operations plan. We are reducing costs and making forestry more efficient by acquiring forests that enable integrated management with Company-owned forests, joint forestry operations in areas adjoining national forests, and development of forestry equipment optimized to Japan's difficult mountainous terrain.

In this annual report, the domestic forestry business, which falls outside the scope of the reporting segments per the management approach from the year ending March 31, 2011, is reported in the Other Businesses section.

Expanding New Environmental Businesses

We are endeavoring to exploit our forestry management technology to create new ways of doing business. Specifically, expanding outsourced forestry management services for privately owned forests, including those owned by other corporations, and acquisition of new J-VER credits for CO₂ absorbed by Company-owned forests.

Further, the Environmental Business Department established in April 2010 will oversee and globally manage the Group's environmental businesses, and lead the effort to develop new environmental businesses, aiming to contribute to profitability in the near future.

Creating New Environmental Businesses

Building up a Base for Sustainable Growth

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Strengthening Environmental Business Development through Core Operations

Overseas CO₂ reduction businesses are a one key initiative led by the Environmental Business Department. This initiative involves the commercialization of conversion of previously unused wood biomass from a variety of sources into manufactured pellets that can be used as fuel, as well as into fertilizers and other products. Going forward, demand for biomass fuel in Japan from companies who previously used fossil fuel is expected to rise as emissions credit trading begins, since burning biomass fuel is not counted as CO₂ emissions. Leveraging the knowledge gained from the wood biomass power generation facility at Group company PT. Rimba Partikel Indonesia, which is registered with the United Nations as a CDM* project, Sumitomo Forestry will grow this environmentally sound business into a source of profitability over the medium to long term.



Wood pellets

Hirotaka Sato

Environmental Business Department / Forestry and Environment Division
Sumitomo Forestry Co., Ltd.

* CDM (Clean Development Mechanism) is method wherein capital and technology from developed countries are used to implement a greenhouse gases reduction project in a developing country and the reduction in greenhouse gases is credited to the developed country.