

# Committed to Reconstruction and Growth

On behalf of the Group, I would first like to express my condolences to all those affected by the Great East Japan Earthquake on March 11, 2011. With the release of our Annual Report 2011, I would like to talk about the impact of the earthquake on our operations, and business prospects for the Sumitomo Forestry Group.

Immediately after the earthquake, we established a task force headed by the President to coordinate our response to the disaster. It initially focused on verifying the safety of our employees and their families, confirming the safety of our customers and responding to their inquiries, distributing supplies to the disaster-affected region, and resuming normal operations. Fortunately, all of our Group employees and their families were safe and none of the homes we built in the disaster-affected region were destroyed by the earthquake tremor. We worked to rapidly resume operations at affected business sites, including restarting operations at a partially damaged building materials plant run by a subsidiary at the end of March. We also took part in the relief and recovery effort. Sumitomo Forestry Group employees and executives in Japan and abroad made donations, and on the request of the government, we dispatched a specialist team to the region to build temporary housing. We are determined to fulfill our social responsibility as a housing builder by providing ongoing support to the region in all types of housing-related services.

The earthquake made one thing clear to me: more than ever, the public is looking to us to live up to 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.” The Sumitomo Forestry Group has more than 300 years of heritage in nurturing forests and preserving the environment. Our inherent commitment to the environment, seen in how we effectively utilize timber and promote technical innovations in housing products and timber and building materials, is not just about generating profits—it is our enduring goal based on the sincere belief that our activities will contribute directly to society and the environment on a global scale. This is the essence of the pride we take in our work, as well as our strength.

While staying focused on the basics of our everyday business, we will strive to realize our corporate philosophy, contribute to Japan’s recovery, and work to realize further growth for the Sumitomo Forestry Group.



A handwritten signature in black ink, reading "Ryu Yano". The signature is fluid and cursive, written in a professional style.

**Ryu Yano**  
Chairman / Representative Director





## Message from the President



# Moving Forward with a Clear Vision

The Japanese economy saw a moderate recovery in fiscal year 2010 and government incentives to promote house purchases provided support to the Sumitomo Forestry Group's business environment. There was a pickup in new housing starts to 819,000 units following an almost unprecedented slump in fiscal year 2009. We rolled out aggressive marketing activities to tap into the upturn in demand and rigorously reduced costs. As a result, we made some progress toward achieving our number-one priority of strengthening profitability.

However, the Great East Japan Earthquake means the outlook for our business environment is uncertain amid lingering risk of an economic downturn due to weakness in the job market and persistent deflationary conditions. Also the global economy, which appeared to be regaining stability and recovering from the crisis triggered by the collapse of Lehman Brothers, now faces growing uncertainties due to geopolitical risk and other factors. Despite this backdrop, we have no intention of halting our activities to support the Group's future growth.

Due to the earthquake, there has been a clear change in the public's perception about the earthquake resistance and energy saving capabilities of housing. I strongly believe this has significantly boosted the added value of our research in these fields and the housing and building materials that have benefited from this research. In the short term, we will need to closely monitor the impact of the earthquake on the housing order environment and other aspects of our business, but we will also work hard to strengthen profits by launching products and services that we believe in, based on an accurate understanding of market needs for safe housing and the future of the energy market.

Over the medium- to long-term, the domestic market for new housing, currently our main source of earnings, is expected to contract owing to Japan's shrinking population, but expansion in emerging economies offers new business opportunities. One of our long-term management priorities has been to build a balanced business portfolio in order to deliver sustained growth in this business environment. This basic policy remains unchanged. In our core timber, building materials business and housing business, we are working to ensure profits remain stable while pushing ahead with business restructuring. In our overseas, renovation, and real estate businesses, which we are developing as new sources of earnings, we will continually focus our resources to realize profit contribution as soon as possible.

Experiencing crisis and difficulty helps to make people and organizations stronger. I believe the experience and confidence the Company and Japan as a whole can gain from overcoming our current difficulties will be an invaluable asset that spurs our future development. Guided by the Sumitomo Spirit and its basic tenet of contributing to society, which we have adhered to for over 300 years, we remain committed to playing our part in creating a prosperous society through our business operations.



**Akira Ichikawa**  
President / Representative Director