

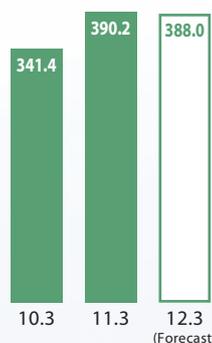
Business Strategies by Segment

Introduction of business strategies in fiscal year 2011 by segment

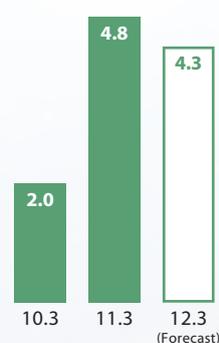
(Year ended March 31)	Net sales (Billions of yen)		Recurring income (Billions of yen)	
	2011	2012 (Forecast)	2011	2012 (Forecast)
Timber and Building Materials Business	390.2	388.0	4.8	4.3
Overseas Business	33.2	38.0	(1.8)	0
Housing Business	346.3	367.0	19.0	18.5
Real Estate Business	50.9	48.0	0.9	0.5
Other Businesses	13.5	11.0	0.5	0.3
Adjustment	(36.7)	(37.0)	(9.2)	(5.1)
Total	797.5	815.0	14.2	18.5

Timber and Building Materials Business

Net sales
(Billions of yen)

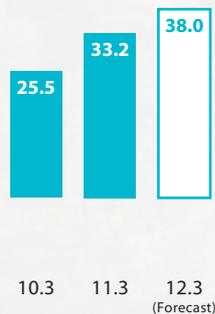


Recurring income
(Billions of yen)



Overseas Business

Net sales
(Billions of yen)

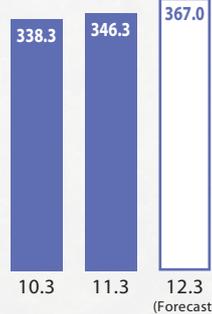


Recurring income
(Billions of yen)

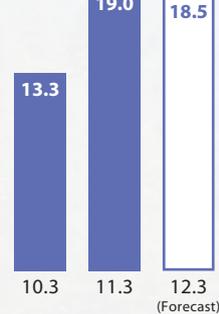


Housing Business

Net sales
(Billions of yen)

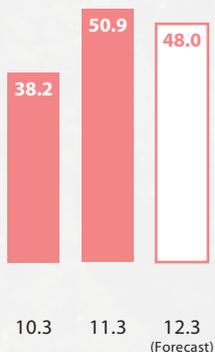


Recurring income
(Billions of yen)

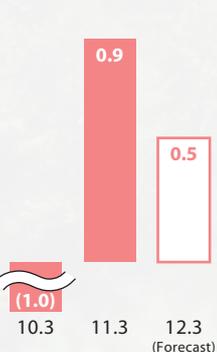


Real Estate Business

Net sales
(Billions of yen)



Recurring income
(Billions of yen)

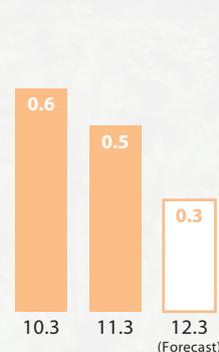


Other Businesses

Net sales
(Billions of yen)



Recurring income
(Billions of yen)



*1. Figures are rounded to nearest yen.

*2. Net sales and recurring income of each segment shown include inter-segment transactions. For the year ended March 31, 2010, figures by new segments are calculated from the results of old segments for reference only.

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



Timber and Building Materials Business

We operate a distribution business, which sources timber and building materials from Japan and overseas then supplies them to domestic customers, and a manufacturing business, which makes wood building materials in Japan.

We have the top market share in Japan (based on timber and building materials volume handled) and have created a procurement system that allows us to secure stable supplies from around the world. We are also working to develop and promote the use of sustainable timber products.

Strategy for medium- and long-term growth

The timber and building materials business is likely to face ongoing fluctuations in supply and demand for a while owing to the impact of the earthquake. However, using our domestic and overseas procurement network, we will work to ensure a stable supply of products while carefully monitoring procurement and sales and managing inventories in accordance with market needs. In addition, we will endeavor to boost earnings stability over the medium- to long-term in timber and building materials, one of the core businesses in the Group. To realize this goal, we will expand our market share in existing businesses by reinforcing our regional strategy, and develop new businesses in the distribution and IT infrastructure fields. We also plan to create new products by drawing on the strengths of the whole Group.



Super Cypress, laminated engineered wood

Expanding market share and developing new businesses

Leveraging our leading market position in Japan, we aim to increase our market share further by rolling out an area strategy that helps our customers in each region to overcome the operational issues they face. Amid continued buoyant demand in emerging economies, we plan to use our global procurement network for timber and building materials to ensure domestic customers have access to stable supplies.

In new businesses, we are focusing on expanding our homebuilding materials distribution business, which we started in fiscal 2010, including initiatives such as the launch of Japan Housing Open Platform (JHOP), a new business system for building contractors offered as a cloud computing service. Also, using the INOS business, a network that unites Sumitomo Forestry and local homebuilders, we are working to boost sales of building materials in the domestic renovation market, which offers good prospects for growth.

Drawing on the Group's strengths in product development

In product development, against the backdrop of expansion in environmental and renewable energy businesses, we plan to enhance our ability to supply plantation and timber cut from forests that have received forestry certification, and reinforce the development and sale of logs and timber products for the Asian market.

In 2009, we launched *KIKORIN-PLYWOOD*, an environmentally sound plywood product containing at least 50% timber sourced from certified or plantation forests. Sales volume for this product is growing steadily. The ratio of plantation or certified timber used in the plywood we import now exceeds 40%, and this is set to rise further. In other building materials and MDF*, we also intend to strengthen our lineup of environmentally sound products both in Japan and overseas.

Additionally, we established Kawasaki Biomass Electric Power Co., Ltd. as a three-way joint venture with partners

SUMITOMO JOINT ELECTRIC POWER CO., LTD. and FULUHASHI EPO CORPORATION. In February 2011, operations began at the company's Kawasaki Biomass Power Plant, which is Japan's largest plant using only wood-based biomass as the fuel. The plant makes wood chip fuel from timber left over from construction work, then uses the fuel to generate electricity. In this way, we aim to promote the reuse of timber and more efficient use of forest resources, as well as help prevent global warming through carbon-neutral power generation.

*Medium density fiberboard: an engineered wood product made by forming wood fibers into panels.



Wood Biomass Power Plant, Kawasaki Biomass Electric power Co., Ltd

Japan Housing Open Platform (JHOP)



Topic

Providing software and systems to building contractors as a cloud computing service

Amid a shrinking housing market in Japan, we believe it is vital to support building contractors, who play a key role in local housing construction markets, in order to energize the timber and building materials market. With this in mind, we launched JHOP in July 2010. Developed in conjunction with NEC Corporation, JHOP provides cutting-edge software and systems over the internet at a reasonable price to companies in the house building industry (building contractors, design offices, and building material suppliers and manufacturers). The service provides marketing support and enables them to streamline work processes.

After free registration, users can access the applications they need on a pay-as-you-go basis. JHOP provides a suite of integrated functions for administrative work that occurs in each stage of the house construction process, such as building design, estimate formulation, building process management, project execution, and after-sales maintenance. This support is also being upgraded. Using our unique position in the detached housing market as a materials distributor and house

builder, we plan to promote JHOP in both the building contractor and homebuilding materials fields in order to energize the market overall.

<Key JHOP services>



JHOP 3D home visualizations

JHOP allows users to create high-quality home visualizations using 3D computer graphics.





Overseas Business

In each of our operating areas, we operate vertically integrated businesses comprising plantation forestry, building materials manufacturing, timber and building materials distribution, and housing.

We cultivate plantation forests to provide raw materials for wood product manufacturing, and develop and sell wood building materials using the timber from certified and plantation forests. We also offer housing products that draw on the know-how we have accumulated in our domestic housing business.

Strategy for medium- and long-term growth

In our overseas business, we aim to create upstream-to-downstream, vertically integrated businesses related to wood in four operating areas: North America, Southeast Asia, Oceania, and China / South Korea. Utilizing the connections between businesses in each area, we are working to create horizontal synergies by expanding business transactions between Group companies, creating a mutual backup system for manufacturing businesses, and sharing business approaches.

Based on this strategy, we aim to stabilize profits in our entire overseas business by rapidly implementing measures at existing businesses where profitability needs to improve and by channeling management resources into new businesses that we are developing as future sources of profits.

Expanding plantations to grow earnings

The Sumitomo Forestry Group has plantation operations in countries such as Indonesia, Papua New Guinea, and New Zealand. The trees cultivated at these plantations are used as a raw material for our wood products. These businesses also contribute to the environment by restoring degraded forests and preserving biodiversity. In order to rapidly turn forestry operations into a standalone source of earnings, we are reinforcing cooperation within the Group, enhancing information sharing capabilities, strengthening our sales organization, and expanding the total area of forests under management to realize economies of scale. In 2010, we also began planting activities in earnest at a large-scale reforestation project in Indonesia.



Wood building materials manufacturing process



Planting activities in Indonesia

Rapidly achieving profitability in manufacturing businesses in growth markets

We are strengthening our building materials manufacturing businesses overseas to tap into solid demand growth in emerging economies. We aim to rapidly achieve full output at our plywood manufacturing business in Fuxin, China, which began commercial operations in 2010. We also plan to start production at a new particle board manufacturing operation in Vietnam by 2012. Targeting higher sales in emerging growth markets, the Group is working to reinforce marketing structure and increase operational efficiency.



Fuxin Sumirin Wood Products Co., Ltd.

Generating group synergies in the overseas housing market

The Sumitomo Forestry Group has housing businesses in four countries: the United States, China, South Korea, and Australia. In Australia, where the housing market is buoyant, we operate a detached housing business through our stake in the Henley Properties Group. We have also started a local business for developing housing land as part of our growth strategy for the market. In the housing business in the United States, we are introducing business methods used at the Henley Properties Group to boost profitability at existing operations, as well as other initiatives to maximize synergies across the Group.

*Sumitomo Forestry Australia Pty Ltd., a wholly owned Sumitomo Forestry Group company, has a 50% equity stake in the Henley Properties Group.



Home built by the Henley Properties Group

Reinforcing our vertically integrated business

Topic

Moving into housing land development in Australia, strengthening our business base in the United States

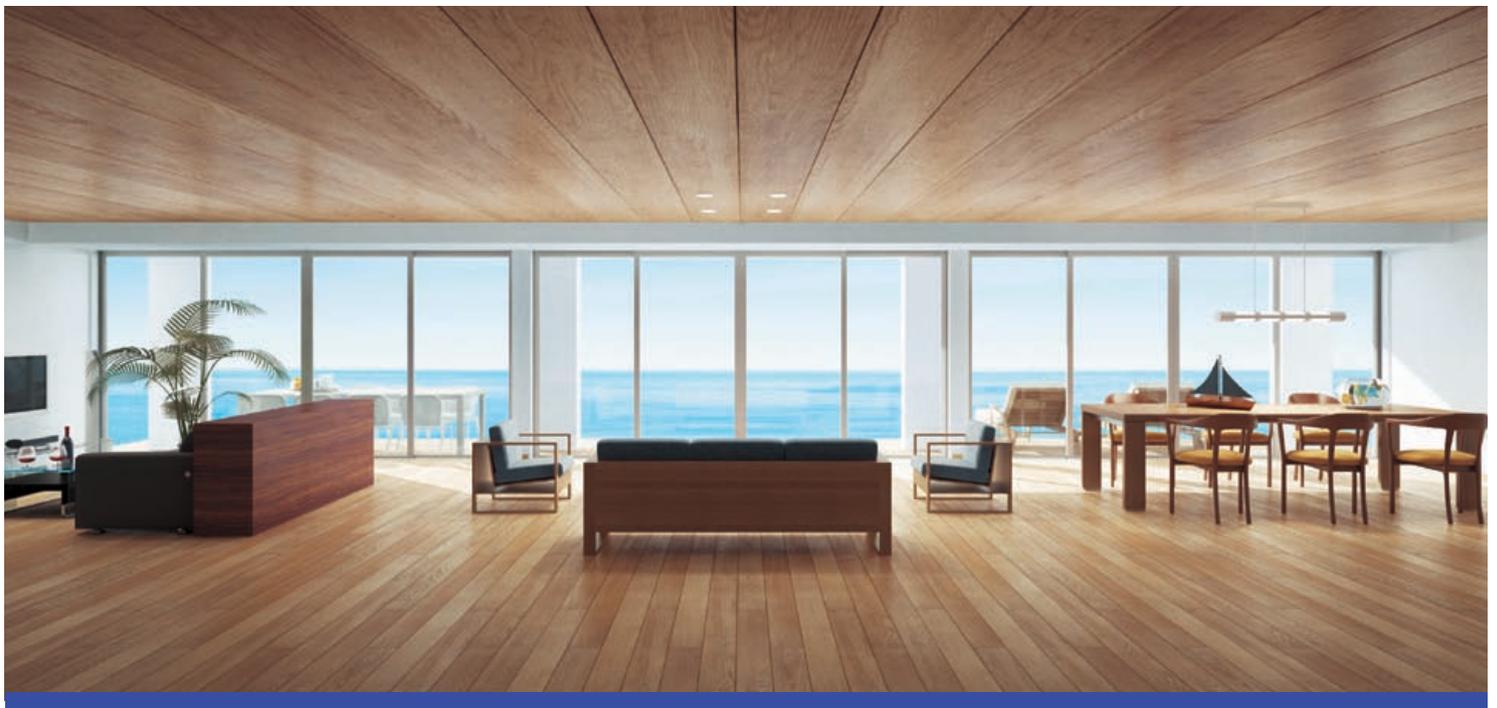
In all of our operating areas worldwide, we are rolling out initiatives to strengthen the foundations for our vertically integrated business. In Australia's buoyant suburban housing markets, where demand is stable, housing supply has fallen short of demand in recent years. We have launched a housing land development business in Australia to diversify our land procurement methods. In December 2010, we established Grices Road Unit Trust through the Henley Properties Group, and this trust has started acquiring land in the Melbourne suburbs for use as sites for spec homes.

In addition, we established Henley USA, LLC in July 2010 to rebuild our housing business in the United States. This company has started a spec homes business in Seattle in the United States using the successful business approaches of the Henley Properties Group in Australia on a trial basis. In March 2011, we also decided to acquire all the shares in Canyon Creek Cabinet Company, a United States company making and selling wood cabinets. This

acquisition has given us a new manufacturing capability in North America.

The Group intends to further strengthen its business base overseas over the medium- and long-term to boost profits.





Housing Business

Centered on custom-built wooden homes, we operate a wide range of lifestyle-related businesses, including wood construction apartment buildings, renovation and landscaping.

In custom-built wooden homes, we have several leading brands and hold a top market share. Our homes offer superior safety and energy efficiency and showcase the beauty of wood, making them relaxing places to live in.

Strategy for medium- and long-term growth

Although we forecast demand will emerge due to restoration and rebuilding work in the areas affected by the Great East Japan Earthquake in fiscal 2011, deterioration in housing market sentiment and rising prices for building materials are concerns. In this business environment, we will work to secure orders in the custom-built detached housing business by satisfying customer needs for safety and earthquake resistance, as well as by implementing a locally focused marketing strategy to generate stable profits. In the renovation and wood construction apartment building businesses, we will continue to strengthen marketing and work to expand the businesses further.

Creating a highly targeted area strategy, increasing orders in urban markets, and attracting varied customers using the internet and other channels

In regional sales, we have created a more targeted nationwide area strategy by revamping our 9-zone sales area into a 20-zone area. Based on this new framework, we will reinforce marketing strategy in each area by tailoring sales activities to local characteristics and customer needs. In the three largest urban markets (Tokyo, Osaka, and Aichi), where rebuilding

demand is strong and there are good prospects for order growth, we will reinforce marketing activities by focusing on developing products and model homes that accurately target housing needs in each area. We plan to particularly reinforce marketing in Aichi Prefecture, where the market is expected to continue growing. We also aim to use more diverse channels to attract customers, such as web-based advertising and marketing events. We already hold *Sumai Haku* housing fairs, where potential customers can experience Sumitomo Forestry houses for themselves to gain a better understanding of technology and features. From fiscal 2010, we also started running *Web Sumai Haku* housing fairs on the internet, with some success. Going forward, we intend to use the internet to target a wider range of customers. Other methods we intend to use to actively attract customers include sales initiatives to secure introductions from existing owners of Sumitomo Forestry homes and from ordinary companies.



Sumai Haku housing fair

Enhancing our response to market needs for earthquake resistance and environmentally sound products

We are aiming to promote wider understanding in the market of the superior earthquake resistance and safety of our custom-built detached wooden homes. We also aim to offer a wide range of housing options, such as residential homes, rental properties, and houses that are also used as business premises. In particular, in fiscal 2011, we will boost sales of homes using the Big-Frame construction method and *Earthquake Energy-Absorbing Panels (GS Panels)*. In addition, we intend to develop and strengthen sales of environmentally sound housing equipment such as solar power generation systems and home-use fuel cell units.



Earthquake resistance testing using actual-size structural models

Strengthening the housing stock businesses

In the renovation business, where demand is likely to expand, we are upgrading our product and services to boost orders. Specifically, we are enhancing renovation services for traditional Japanese-style homes and offering fixed-price services for condominiums and detached housing. We are also continuing to strengthen our workforce to support sales area expansion, and putting a particular focus on sales activities in the Tokyo metropolitan area, the largest renovation market in Japan.

Renovating a traditional Japanese-style home



(Before)



(After)

Topic

Integrating home renovation brands under the *Reforest* name

Creating a clearer and more extensive product and service lineup

We have streamlined the extensive range of remodeling and renovation services offered by Sumitomo Forestry Home Tech Co., Ltd. to make them easier to understand, and in January 2011, we integrated all our home renovation products under a single brand called *Reforest* to enhance market visibility.

Under this integrated brand, Sumitomo Forestry Home Tech relaunched its fixed-price condominium renovation service in May 2011 under a new name, *Reforest Ma:Ri*. The condominium renovation market has been growing in recent years and it now accounts for ¥747 billion of the total ¥4,400 billion housing renovation market* in 2009. We are committed to taking a number of steps to tap into this growing demand for condominium renovation, including setting up a new Dedicated Condominium Renovation Team targeting Tokyo's 23 wards, and reinforcing sales centered on urban markets

by offering proposals for safe, reassuring homes that draw on the strengths of the Sumitomo Forestry Group to realize interior designs that feature extensive use of wood.

*Source: Tokyo Kantei Co., Ltd.



Reforest Ma:Ri: fixed-price condominium renovation product featuring extensive use of wood



Real Estate Business

Detached spec home business 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 for the elderly, real estate brokerage and intermediation, and asset and property management.

Strategy for medium- and long-term growth

We are reinforcing the operating base in the real estate business, which we have positioned as a peripheral business to support the Group's housing-related business. Specifically, we will work to enhance earnings in the detached spec home business and the real estate development business. In other real estate-related businesses, we aim to deepen ties within the Group while rapidly building an operating structure capable of generating stable profits.

Initiatives to boost earnings

In the detached spec home business, unit sales of detached housing are rising steadily, and over the medium- to long-term we plan to increase annual sales from the 200-unit level to 500 units. In order to achieve this goal, we will leverage the Sumitomo Forestry brand equity accumulated in the custom-built wooden home business, and maximize strengths such as our ability to offer products that extensively feature wood. In parallel, in the sales system we will improve the sharing of sales information within the Group and work to reduce costs. Focusing on the three largest urban markets of Tokyo, Osaka, and Nagoya, where demand is likely to be firm, we will purchase land to market high-quality yet attractively priced products.



*The House
Kohoku Tsunashima*



*Forest Garden
Minami Osawa*

Securing more stable sources of profits

In the condominium leasing operation of the real estate development business, which offers prospects for steady earnings, we are aiming to stabilize profits from our portfolio of leasing properties by replacing existing properties with higher margin ones in response to changes in real estate market conditions, specifically with respect to residences for single people, families and locations. We will also look at shifting to lower risk properties when building our portfolio of leasing property. In spec condominium development, we will put priority on securing profits from projects currently underway rather than launching new developments.



Residence Court
Bajikoen

Reinforcing businesses related to real estate

We will reinforce our position in a range of real estate-related businesses, including brokerage of used housing, management of leasing assets, PFI* projects, and housing for Chinese exchange students. Also, in management of private-pay elderly care facilities, we will work to further raise the quality of our already high-quality eldercare and improve profitability in order to ensure stable operations at existing facilities.

*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.



Grand Forest Shizuoka Aoi no
Mori, private-pay elderly care
facility

Topic

Forest Garden Keio Horinouchi

A residential development based on the concept of linking homes with the community through the use of local timber

Forest Garden Keio Horinouchi is a large residential development project with 106 lots, comprising 91 lots for detached spec homes and 15 lots for custom-built homes.

The project is based on the concept of linking homes with the community through the use of local Japanese cypress from the Tama area for some principal structural members in the homes. This creates a local connection that leads to a deeper bond between the houses and the community.

In the detached spec home business, we are creating homes that are safe and reassuring places to live, based on the detailed design capabilities and proven technologies we have cultivated in our custom-built wooden home business, as well as the careful selection of locations emphasizing convenience and the environment. We are also promoting the development of communities with high asset values and long-term livability by taking into account the surrounding environment when creating new communities.



Timber from the surrounding mountains is used in the homes' principal structural members

Forest Garden Keio Horinouchi



Other Businesses

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

In addition, 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.

Making forestry more efficient

Our forestry business is managed in an environmentally sound, sustainable manner under a long-term forestry operation plan. When making acquisitions to expand the area of Company-owned forests, we select forests that enable integrated management with our existing sites. We are also working to make forestry more efficient by carrying out joint operations in national forests adjoining our sites. This approach, together with initiatives such as developing forestry equipment optimized for Japan's difficult mountainous terrain, selling logs directly to timber processing and plywood plants, and introducing sales methods that lower distribution costs, is aimed at further reducing costs to boost profitability.



Tower yarder
A mobile vehicle that enables the collection of wood by an overhead wire line, thus promoting greater efficiency in forestry operations.

Developing an emission credits business

The Sumitomo Forestry Group is pushing ahead with development of its emission credits business. Specifically, we have secured new offset credits under the Japan Verified Emission Reduction (J-VER) system for CO₂ absorbed by Company-owned forests, and in fiscal 2010, CERs*¹ were issued to the Group for the first time. These CERs, a type of credit for the reduction of greenhouse gas emissions, were approved for a wood biomass power generation facility*² at Group company PT. Rimba Partikel Indonesia (RPI), which makes wood panels. Going forward, we will look into new ways of securing credits from such forests that we have been maintaining and growing through the prevention of human-caused deforestation and forest degradation, and the implementation of forest conservation, sustainable forest management, and planting.

*1. Certified Emission Reduction: Credits issued by the United Nations based on the volume of greenhouse gas emissions reduced by CDM-approved businesses.

*2. A Clean Development Mechanism (CDM) business approved by the United Nations.



Wood biomass power generation facility at RPI

Expanding new environment-related businesses

Leveraging our forestry management technology, we are working to create and grow environment-related businesses over the medium- to long-term, based on the environmental contribution of the core businesses in the Sumitomo Forestry Group, such as outsourced forestry management services for forests owned by other companies, and overseas plantation consulting, as well as initiatives in various biomass energy fields using mainly wood.



Forestry management

In order to expand these environment-related businesses, we established the Environmental Business Department in April 2010. This department oversees and supports all environmental projects in the Group worldwide and leads the effort to develop new and unique environmental businesses capable of contributing to future profits.

Plantation forest operations



(Before)



(After)

Utilizing the J-VER offset credit system

Topic

Generating new value from Company-owned forests in Japan

The J-VER offset credit system was established by the Ministry of the Environment in November 2008 as an offset credit system specific to Japan to aid the shift to a low-carbon society.

In January 2010, Sumitomo Forestry's 233 hectare Company-owned forest in Miyazaki Prefecture secured approval for credits as a CO₂ sink. This was the first approval for a sustainable forest management promotion project* under the J-VER system. Since approval, we have sold credits to various companies and used them for a number of events.

In fiscal 2010, we sold some credits to external parties and used them to offset CO₂ emissions related to the running of our model home sites nationwide. We also actively used the credits to contribute to the environment. Specifically, we donated J-VER offset credits to the Interactive Fair for Biodiversity, held in conjunction

with the 10th Conference of the Parties (COP10) to the Convention on Biological Diversity in Nagoya, Aichi Prefecture, to offset CO₂ emissions from power used at the fair.



Sumitomo Forestry's booth at COP10

*In this annual report, the domestic forestry business has been included in the Other Businesses section, as it now falls outside the scope of reportable segments following the adoption of segment classification based on management approach from the year ended March 31, 2011.