

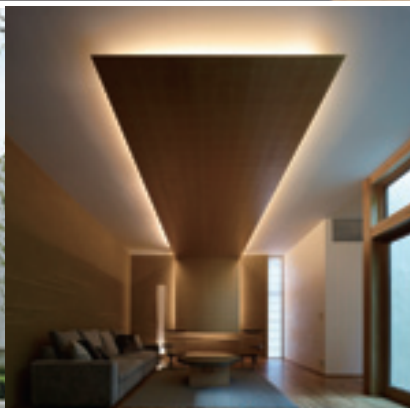
Interview with the President

In order to achieve sustainable growth, the Sumitomo Forestry Group will accelerate the rebalancing of its business portfolio. We will respond to the changing social needs by creating new businesses that draw on the possibility of trees.



Akira Ichikawa
President and Representative Director

The Komazawa Model Home (Tokyo)



Estate Design Project

This project aims to better satisfy customers with discerning taste for design by enhancing our ability to make proposals tailored precisely to individual needs.

Business Environment

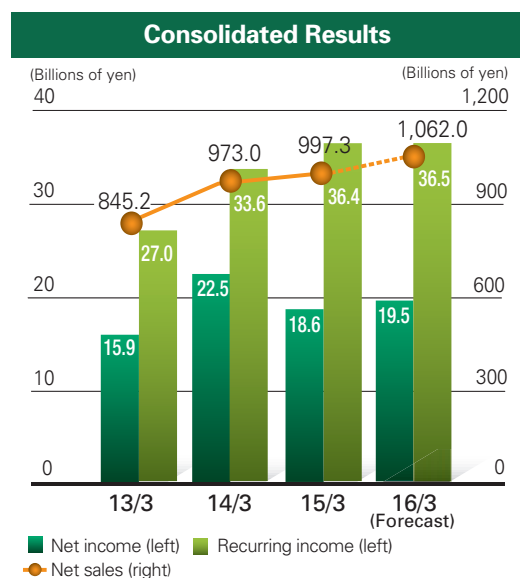
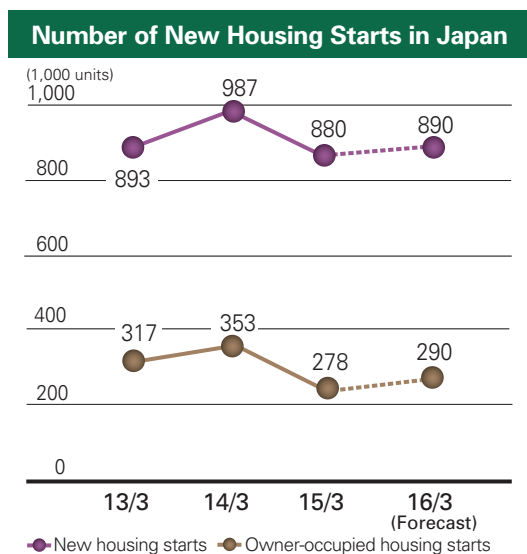
Fiscal 2014 Results and Fiscal 2015 Forecast

In fiscal 2014 (the fiscal year ended March 31, 2015), the gains made in the Overseas Business secured the Group's performance despite the stagnant domestic housing market that hampered some of our businesses in Japan.

The domestic housing market in fiscal 2014 was buoyed by continued low interest rates and the effects of government incentives to promote house purchases, including an expansion of tax breaks for housing loans. Despite this supportive environment, the market suffered from prolonged market recoil following the surge in demand prior to the consumption tax hike. Given these factors, new housing starts in Japan decreased 10.8% year on year to approximately 880,000 units, and owner-occupied housing starts fell 21.1% to approximately 278,000 units. The last time owner-occupied housing starts dropped below 300,000 units was in fiscal 2009 after the collapse of Lehman Brothers and before that was in fiscal 1962, which goes to show just how severe the business environment in Japan was during the past year.

It is for that reason that our mainstay domestic businesses, the Timber and Building Materials Business and the Custom-Built Detached Housing Business, struggled

to escape the effects of stagnant demand which affected both sales and revenues. On the other hand, the Overseas Business, which we have striven to expand and make more profitable, saw its business performance jump mainly due to the continued firm housing market in the United States and Australia. And this pushed up the overall performance of the Group. As a result, in fiscal 2014, consolidated net sales rose 2.5% year on year to ¥997.3 billion and recurring income climbed 8.5% to ¥36.4 billion. Aside from net income, which slid 17.6% to ¥18.6 billion, we surpassed the previous fiscal year's results. Net income declined due mainly to the absence of extraordinary factors that boosted results in fiscal 2013, such as recording about ¥2.1 billion in extraordinary income from turning an overseas housing company into a consolidated subsidiary. In addition, the amendment of the tax treaty between Japan and New Zealand resulted in a reversal of nearly ¥2.1 billion in deferred tax liabilities in fiscal 2013.



In fiscal 2015 (the fiscal year ending March 31, 2016), we will achieve our medium-term objective, setting the stage for further growth.

In fiscal 2015, we expect new housing starts to grow 1.1% year on year to approximately 890,000 and owner-occupied housing starts to rise 4.2% to approximately 290,000. We plan to increase consolidated net sales 6.5% year on year to ¥1,062.0 billion and maintain recurring income steady at ¥36.5 billion. This would be the first time the Group's net sales broke the trillion yen threshold and the third year running that recurring income exceeds ¥30.0 billion. To succeed in this plan, we will

work to expand orders of custom-built detached homes, which stagnated in the previous fiscal year, while aiming to accelerate growth in the Renovation Business. We will also continue to further expand the Overseas Business.

Fiscal 2015 marks the final year of our medium-term plan, which began in fiscal 2013. We are determined to achieve the objective set out in the plan and move on to the next growth stage.

Medium-Term Objective

We will build a business portfolio aimed at sustainable growth and move onto the next stage of further growth.

Since fiscal 2010 (the fiscal year ended March 31, 2011), the Group has set a medium-term objective with three-year targets for such key performance indicators as profit, and has worked to build an optimal earnings structure. For the three-year period between fiscal 2010 and 2012, we prioritized strengthening our earnings potential and set our objective as creating a business structure capable of stably recording ¥20.0 billion in recurring income. We focused our efforts on

thoroughly reducing costs and improving business efficiency.

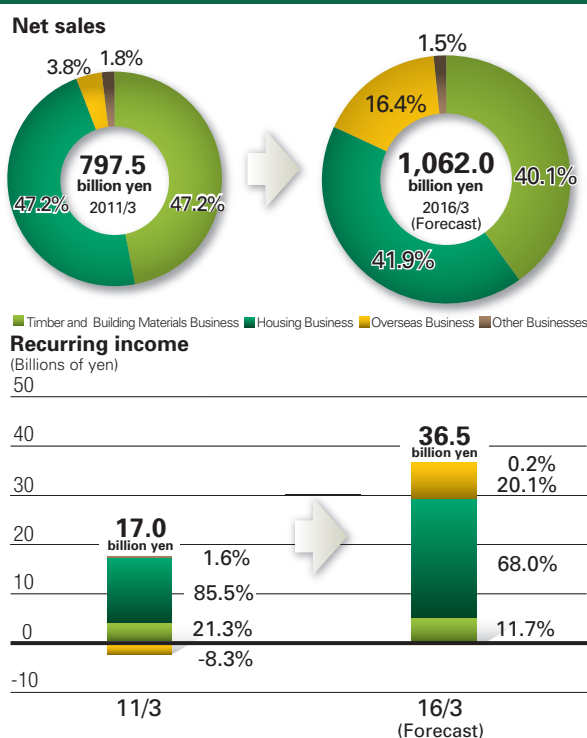
For the current three-year period, which started in fiscal 2013 and ends on March 31, 2016, we aim to expand the scale of our business with an eye toward future growth. This entails increasing net sales as well as improving profits. We set our objective as building a business structure that constantly exceeds ¥1.0 trillion in net sales and ¥30.0 billion in recurring income.

We aim to build a business portfolio that can respond to changes in the market. This means optimally balancing our earnings structure so as not to rely too heavily on certain countries, regions and businesses, and building a stable earnings portfolio. Expanding the Overseas Business further is therefore key to changing the overall composition of our business. We also need to focus on expanding our domestic housing businesses in areas where markets are expected to grow, namely the renovation and apartment businesses, in order to reduce our dependence on custom-built detached housing business.

The plan for fiscal 2015 is to raise the share of the Overseas Business to 16% of net sales (up from 4% in fiscal 2010) and to over 20% of recurring income (compared with a recurring loss in fiscal 2010). As the overall composition changes, we aim to accelerate this shift toward more balanced growth.

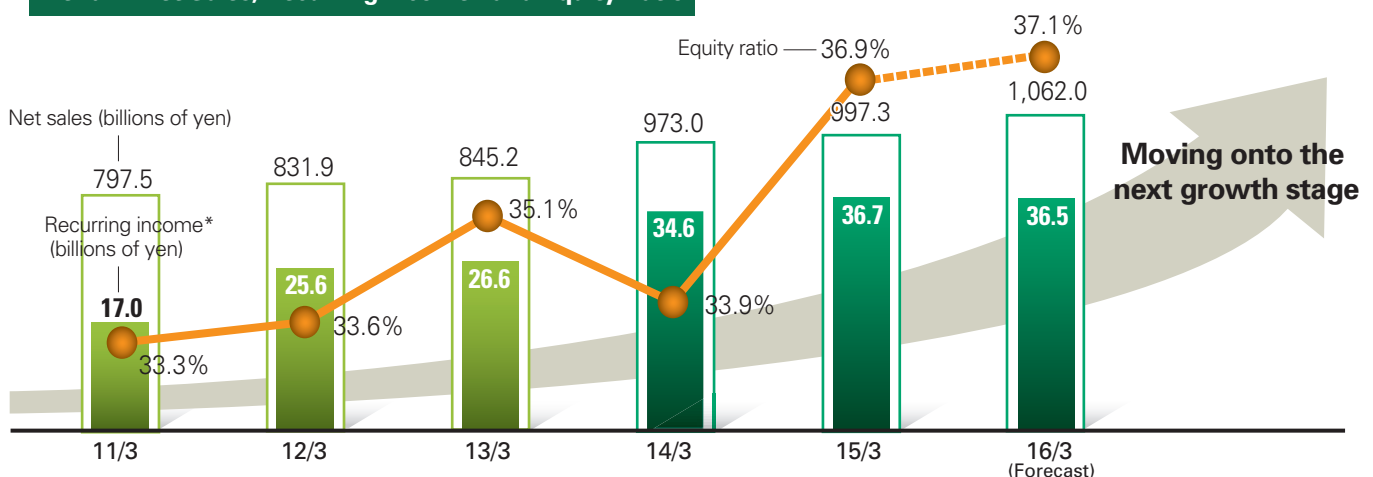
On the other hand, with the expanding scale of the overseas housing and real estate business, our assets are also expanding in size. To ensure sustainable growth, it is important to maintain a sound financial position. We are therefore implementing growth strategies while working to enhance shareholders' equity.

Change in the Earnings Portfolio



Note: Segment adjustments are excluded from the percentage of net sales and recurring income.

Trend in Net Sales, Recurring Income* and Equity Ratio



Target: Recurring Income above ¥20 billion

Net Sales of ¥1 trillion and Recurring Income above ¥30 billion

* Excluding the effect of actuarial differences in accounting for the Group's retirement benefit obligations and the investment performance of the Group's pension assets

Future Growth Strategies

We will continue to promote growth strategies that maximize our strengths.

To achieve sustainable growth and build a balanced business portfolio, we will continue to simultaneously deal with short-term issues and implement medium-term growth strategies. We will therefore leverage our strengths as we focus our investments in markets expected to grow going forward.

① Initiatives in Japan

We aim to expand market share and improve earnings potential by further raising added value and strengthening our response to growth markets.

With our domestic businesses, the keys to growth will be providing the Group's unique high added value and focusing on new fields where markets are expected to grow.

In the timber and building materials distribution business, we are working to reinforce sales of renovation materials and respond to growing demand for fuel resources as the renewable energy market expands. We will continue to provide added value while strengthening the functions of our distribution system, which rationalizes the shipping of building materials. In addition, exports to Asia are increasing for domestic timber, which is growing more competitive due to the weak yen.

In the custom-built detached housing business, we aim to expand market share by continuing to provide high value-added products and services that meet diverse customer needs. A case in point is the Estate Design Project, which we have been focusing on since the previous fiscal year. We seek to differentiate ourselves in the market by proposing a high-quality residence that boasts a luxurious wood interior to satisfy even the most discerning customers. The special model homes that opened last fiscal year in Tokyo and Nagoya have already welcomed many visitors and orders have done favorably, even amid a stagnant new housing market.



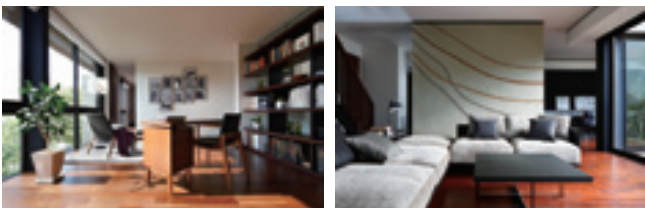
The Shizuoka Model Home with a modern-Japanese style exterior



Big-Frame construction method creates spacious interiors with large windows

In addition, we are continuing to evolve in technological capabilities and product development. Using the Big-Frame (BF) construction method—the Group's proprietary technology—we have enabled products with spacious interiors and large windows, in addition to superior strength and earthquake resistance with future adaptability. In April 2015, we launched the Twin-Bolt Column. This column fortifies our proprietary Big Columns*, which are more than 5 times wider than ordinary posts, by increasing the number of metal joints from two to four. We have also launched a product with enhanced fire resistance for urban areas as we strive to uncover new demand and expand our market share.

*Big Column: A key structure component in our BF construction method made from composite wood



The Yagoto Model Home in the Estate Design Project (Nagoya)



Twin-Bolt Column is 1.5 times stronger than the previous model



BF-Fireproof can be used for houses up to 4 floors

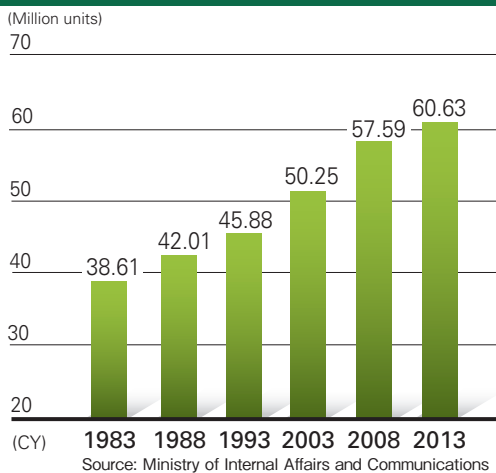
Interview with the President

Turning to the Renovation Business, we forecast ongoing demand for renovations to improve earthquake resistance. The latest survey places Japan's housing stock at over 60.0 million units. That number is still increasing. Of these, 28.6 million are occupied detached homes. Of these, the majority are made of wood, with approximately 10 million of the homes built before the current earthquake resistance standard which was introduced in 1981. The government has set a target of raising the number of houses with sufficient



A renovated traditional Japanese-style house

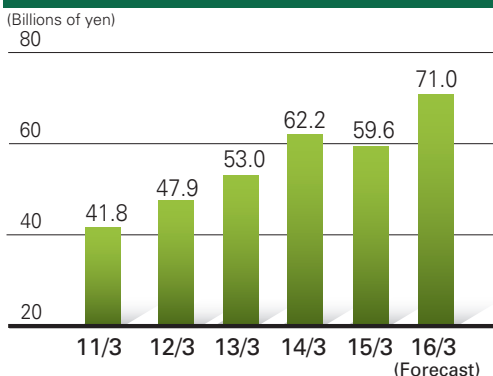
Trends in Housing Stock in Japan



Around 28.6 million detached homes Of which over 90% are wooden structures



Renovation Business: Changes in Net Sales



earthquake resistance from 79% in 2008 to 95% by 2020. The Group will meet these needs by leveraging its advanced technological capabilities. We will also respond to demand for renovating traditional Japanese-style houses*, in addition to condominium renovations, as we aim to quickly achieve net sales of ¥100 billion.

As for the Apartment Business, we will continue to enhance our products, expand our sales capabilities and broaden the scope of the business, especially for urban areas, to meet growing needs for better use of assets following revisions in January 2015 to the inheritance tax law and the special taxation measures law. We are also actively working to cultivate demand in other business fields (such as the biomass power generation business and elderly care services business), in addition to the MOCCA (timber solutions) Business, which promotes greater use of wood in non-residential building.

* Traditional Japanese-style house: A house built before the current Building Standards Law came into effect in 1950

② The Overseas Business

We are steadily expanding the Overseas Housing and Real Estate Business. We aim to increase its earnings potential, making it one of our main businesses.

Looking at market trends overseas, the U.S. economy is expected to remain stable. In Australia, the economy is gradually recovering, and the housing market remains firm amid a growing population. And in emerging countries, especially those in Southeast Asia, we don't expect any fundamental change in growth markets despite slowing growth and uncertainty in some other regions.

We will further expand the scale of the Overseas Business and elevate earnings as we strive to make it one of the Group's mainstay businesses. The Overseas Housing and Real Estate Business has maintained favorable results, especially in the United States and Australia, and we foresee it further advancing to lead the entire Overseas Business.

In the United States, we are expanding our business base in Texas, which has a rapidly growing population, in addition to our original business base in Seattle, Washington. We are considering further M&A, as well as organic growth, to move into new territories with the aim of expanding annual sales to 5,000 homes and becoming one of the top builders in the country.



A model home in Texas

In Australia, we are currently developing businesses mainly in the states of Victoria, Queensland and New South Wales. By entering other regions, we will fortify our business base in step with market trends. Our aim is to achieve total annual sales of 3,000 homes in Australia and become the country's No. 1 housing company.

In Asia and other regions, we are looking forward to establishing a business model in areas with robust housing demand by participating in condominium and other construction projects.



Model homes in Australia

As for the Group's manufacturing business, which is expanding mainly in Southeast Asia and Oceania, earnings vary significantly by region due in part to exchange rates. We are continuing our efforts to reduce costs in each region as the wood board manufacturers in China and emerging countries increase production and competition heats up. We are also working on expanding product sales by raising the added value of our products and strengthening our marketing strategies.



Overview of PT. Kutai Timber Indonesia (KTI)

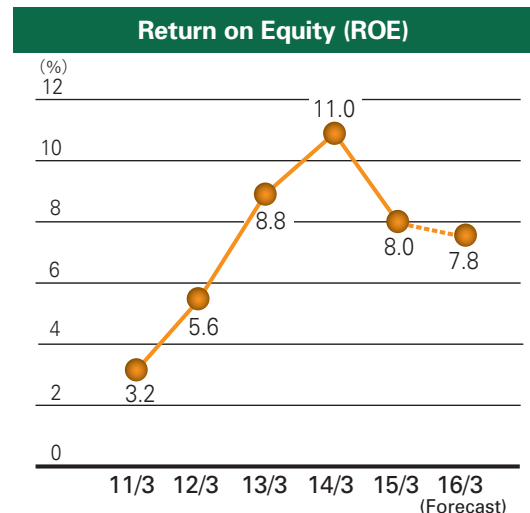
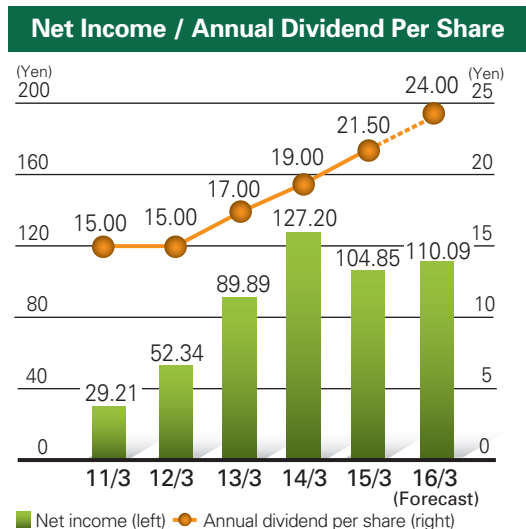
Shareholder Returns

We are working to raise returns and provide ongoing stable returns.

At Sumitomo Forestry, we consider providing returns to shareholders to be one of our most important management tasks. Our basic policy is to pay stable, ongoing returns that comprehensively take into account the long-term outlook for the Company's financial condition, retained earnings and plans for future business development.

Regarding the year-end dividend for fiscal 2014, we determined that the Company has come closer to achieving the medium-term objective and increased the dividend by ¥2.5 per share. Looking ahead to the annual dividend for fiscal 2015, we currently plan to pay ¥24 per share, an additional increase of ¥2.5.

The Company effectively uses retained earnings for R&D, growth investments and other activities to raise corporate value. Going forward, we will continue improving our profitability as reflected in rising return on equity (ROE), which we focus on as a key management indicator, while also enhancing shareholders' equity. We will also continue to pay appropriate shareholder returns that are in line with earnings and reflect an overall consideration of the balance between our business platform, financial condition and other essential factors.



Continuing to Grow with Trees at Our Core

In step with social change, we will engage our sustainable business model across the globe.



The Sumitomo Forestry Group is evolving with the times with the aim of achieving sustainable growth. We will continue our endeavor to unlock the full potential of trees and expand our business areas.

In recent years, people in Japan—as in many other countries—have rediscovered their appreciation for the usefulness of wood. This has created momentum to raise the country's wood self-sufficiency rate and increase the use of domestic timber. Moreover, the national government has crafted a policy to reinvigorate local communities through forestry, which it hopes will stimulate economic activity across Japan. In a country where nearly 70% of the total land area is covered in forest, the revitalization of the forestry industry is expected to play a critical role in creating attractive and self-reliant local communities. The national policy to revitalize local communities is not a zero-sum game where the economic foundations of urban areas are transplanted to rural regions. This is, in fact, a positive-sum game where rural regions create new economic foundations, reinforcing those of urban areas.

The Group has begun leveraging its forestry technologies, honed over many years, to help stimulate rural economies by supporting local municipalities in their

efforts to revitalize the surrounding forestry industries. The Group's technologies are also being deployed around the world, including in Indonesia, where we are implementing a large-scale reforestation project. We are expected to play an increasingly important role in the world as we develop a wide range of housing-related services, both upstream and downstream. Trees will always remain as our core, which we will continue to nurture and use as incomparable renewable resources.

We also have an obligation to fulfill our corporate social responsibility while paying careful attention to stakeholder concerns. We will of course abide by all laws and regulations. We will strengthen our initiatives related to diversity and corporate governance. It is also important, however, to accelerate our efforts to build a business structure to improve our profitability. We will gain the trust, then do our best to earn the ongoing support of all our stakeholders, from shareholders to business partners and customers.

Through our business, our goal is to fulfill the numerous needs for housing-related services while monitoring social changes in and outside Japan. We aim to support individuals and communities, as we help create a flourishing global environment and realize a sustainable society.