

[TRANSLATION]

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Sumitomo Forestry Co., Ltd.
3-2, Otemachi 1-chome
Chiyoda-ku, Tokyo

June 1, 2009

Dear Fellow Shareholders:

**NOTICE OF THE 69TH ORDINARY GENERAL
MEETING OF SHAREHOLDERS**

We are pleased to invite you to attend our 69th Ordinary General Meeting of Shareholders to be held as follows.

If you are unable to attend the meeting in person, please carefully read the attached proxy statement, complete the enclosed proxy card to vote your shares in favor of or against the proposals, and return it to us after affixing your seal thereupon.

Yours faithfully,

Ryu Yano
President/Director

Particulars of the Meeting:

1. **Date and Time:** Tuesday, 23rd June 2009 at 10:00 a.m.
2. **Place:** The Main Conference Room of the Company on the 8th Floor of Keidanren Kaikan at 3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo
(As the venue of the meeting is different from that of last year's meeting, please see "Rough Route Map to the Venue of the General Meeting of Shareholders" attached at the end of this Notice and make sure that you come to the right place.)
3. **Agenda:**
 - Matters to be reported:**
 1. To hear reports on the Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements for the 69th business term (from 1st April 2008 to 31st March 2009); and
 2. To report the results of audits of the Consolidated Financial Statements for the 69th business term by the Company's Independent Auditors and the Board of Statutory Auditors.

Proposal to be acted on:

- No 1 :** Approval of the appropriation of surplus
- No 2 :** Payment of bonus to directors for the 69th business term
- No 3 :** Amendments to the Articles of Incorporation

If you attend the meeting in person, please submit the enclosed proxy card to the reception desk.

Should any descriptions of this notice of convocation and the accompanying proxy statement be corrected, we will **send the corrections by mail or post them on our website (<http://sfc.jp/english/>)**.

PROXY STATEMENT

Proposal No 1 : Approval of the appropriation of surplus

We propose to appropriate the surplus as follows with a comprehensive view towards reinforcing our managerial base and financial position.

1. Year-end Dividend for the 69th Business term

The Board of Directors declared payment of an year-end dividend for the 69th Business term of 7.50 yen per share, in line with the Company's basic policy to pay dividends on a stable and continuous basis, considering the operating performance for the 69th business term and other relevant factors together and in view of returning profits to shareholders.

Accordingly, the annual dividend for the 69th business term, including the interim dividend, will be 15 yen per share.

(1) Type of assets subject to distribution:

Cash

(2) Allotment to shareholders of the assets subject to distribution and the total amount:

7.50 yen per Ordinary Share
Total amount: 1,328,620,028 yen

(3) Date of which the appropriation of the surplus would be effective:

June 24th, 2009

2. Distribution of surplus

(1) The item of surplus and the amount to be increased:

Other Reserves 700,000,000 yen

(2) The item of surplus and the amount to be decreased:

Surplus from profit carried forward 700,000,000 yen

Proposal No 2 : Payment of Bonus to Directors for the 69th Business Term

The Company intends to pay bonus totaling 35,000,000 yen to seven Directors in office at the end of the 69th Business term considering the business performance for the 69th Business term and other relevant factors comprehensively.

Proposal No 3 : Amendments to the Articles of Incorporation

1. Reasons for the proposed amendments

- (1) In accordance with the comprehensive shift to the stock transfer system regarding the stocks of listed companies (the so-called stock dematerialization) based on the enforcement of the Law for Partial Amendment to the Law Concerning Transfer of Bonds, Etc., for the Rationalization of Settlement of Transactions of Stock, Etc. (Law

No. 88 of 2004; hereinafter the “Settlement Rationalization Law”) on January 5, 2009, we propose that the Articles of Incorporation be amended as set forth below. With respect to the current Article 7 (Issuance of Shares Certificates) of the Articles of Incorporation, a resolution for amendment (termination of a certain provision) of the Articles of Incorporation is deemed to have been adopted effective January 5, 2009 (which is the enforcement date of the said Law) pursuant to Article 6, Paragraph 1 of the Supplementary Provisions of the Settlement Rationalization Law.

- (i) Required changes will be made such as deletion of the provisions concerning share certificates, beneficial shareholders and register of beneficial shareholders which are no longer necessary.
- (ii) As the register of lost share certificates must be prepared and kept prior to the lapse of one (1) year counting from the immediately succeeding day of the enforcement date of the Settlement Rationalization Law, required provisions will be established in the Supplementary Provisions.
- (iii) In addition to the above, required changes will be made such as renumbering of the Articles in accordance with the deletion of certain Articles.

- (2) With respect to the current Article 2 (Purpose) of the Articles of Incorporation, business purposes will be added or deleted to correspond with the Company’s expansion into new business fields. Partial amendment to certain expressions and renumbering of Items shall also be conducted.

2. Details of the Amendments

The details of the proposed amendments are as follows (amended portions underscored):

Current Articles	Proposed amendments
<p>Article 2. (Purpose)</p> <p>The purpose of the Company shall be to engage in the following businesses:</p> <p>1. to 9. [Mention abbreviation.]</p> <p>10. Sale of mineral oil, parts and accessories for automobiles, upholstery, household electric appliances, <u>foodstuffs, apparel and daily necessities</u>, and sale and purchase of used goods;</p> <p><u>11. Breeding and sale of pet animals;</u> [Newly created.]</p> <p>12. to 14. [Mention abbreviation.]</p> <p>15. Management of sports, lodging and medical facilities, <u>amusement centers and restaurants;</u></p> <p>16. to 17. [Mention abbreviation.]</p> <p>18. Liability insurance agency business, insurance agency business under the Automobile Liability Security Law and business activities related to soliciting for life insurance;</p> <p>19. to 22. [Mention abbreviation.] [Newly created.]</p>	<p>Article 2. (Purpose)</p> <p>The purpose of the Company shall be to engage in the following businesses:</p> <p>1. to 9. [The same as the present provisions.]</p> <p>10. Sale of mineral oil, parts and accessories for automobiles, upholstery, household electric appliances, <u>beverages and foodstuffs</u>, apparel, daily necessities, <u>liquor, tobacco, postage stamps and revenue stamps</u>, and sale and purchase of used goods;</p> <p>[To be deleted.]</p> <p><u>11. Manufacturing and sale of woody fuel and supply of electricity</u></p> <p>12. to 14. [The same as the present provisions.]</p> <p>15. Management of sports, lodging <u>and</u> medical facilities <u>and</u> amusement centers, restaurants <u>and convenience stores;</u></p> <p>16. to 17. [The same as the present provisions.]</p> <p>18. Liability insurance agency business, insurance agency business under the Automobile Liability Security Law, <u>intermediary business of business conducted by structural defects liability insurance corporation (jutaku kashitanpo sekinin hoken hojin)</u> and business activities related to soliciting for life insurance;</p> <p>19. to 22. [The same as the present provisions.]</p> <p><u>23. Preparation and sale of medicines;</u></p>

Current Articles	Proposed amendments
<p><u>23.</u> to <u>24.</u> [Mention abbreviation.]</p> <p><u>Article 7. (Issuance of Shares Certificates)</u> <u>The Company shall issue share certificates with respect to its shares.</u></p> <p>Article <u>8.</u> [Mention abbreviation.]</p> <p>Article <u>9.</u> (Number of Shares Constituting A Unit, <u>and Non-issuance of Shares Representing Less Than One Stated Unit</u>) The unit share of the Company shall consist of one hundred (100) shares. <u>Notwithstanding the provisions of Article 7 hereof, the Company shall issue no share certificate representing any fraction of less-than-unit share, except as otherwise stipulated in the Share Handling Regulations.</u></p> <p>Article <u>10.</u> (Rights to the Less-than-Unit Shares) None of shareholders (<u>including beneficial shareholders; hereinafter the same</u>) of the Company may exercise any right to the less-than-unit shares held by them, except for: 1. to 3. [Mention abbreviation.]</p> <p>Article <u>11.</u> [Mention abbreviation.]</p> <p><u>Article 12. (Type of Shares Certificates)</u> <u>Denominations of share certificates to be issued by the Company shall be decided by a resolution of the Board of Directors.</u></p> <p>Article <u>13.</u> (Administrator of Shareholders' Register) The Company shall maintain an administrator of shareholders' register. The administrator of shareholders' register and its handling office shall be determined by a resolution of the Board of Directors, and the Company shall give public notice thereof. The Company shall entrust the administrator of shareholders' register to prepare and keep the register of shareholders (<u>including the register of beneficial shareholders; hereinafter the same</u>), register of stock options (<i>shinkabu-yoyaku-ken</i>) <u>and register of lost share certificates</u>, as well as to handle other administrative affairs with respect to the register of shareholders, register of stock options <u>and register of lost share certificates</u>, which shall not be handled by the Company.</p> <p>Article <u>14.</u> to Article <u>40.</u> [Mention abbreviation.]</p>	<p><u>24.</u> to <u>25.</u> [The same as the present provisions.]</p> <p>[To be deleted.]</p> <p>Article <u>7.</u> [The same as the present provisions.]</p> <p>Article <u>8.</u> (Number of Shares Constituting A Unit) The unit share of the Company shall consist of one hundred (100) shares.</p> <p>Article <u>9.</u> (Rights to the Less-than-Unit Shares) None of shareholders of the Company may exercise any right to the less-than-unit shares held by them, except for: 1. to 3. [The same as the present provisions.]</p> <p>Article <u>10.</u> [The same as the present provisions.]</p> <p>[To be deleted.]</p> <p>Article <u>11.</u> (Administrator of Shareholders' Register) The Company shall maintain an administrator of shareholders' register. The administrator of shareholders' register and its handling office shall be determined by a resolution of the Board of Directors, and the Company shall give public notice thereof. The Company shall entrust the administrator of shareholders' register to prepare and keep the register of shareholders <u>and</u> register of stock options (<i>shinkabu-yoyaku-ken</i>), as well as to handle other administrative affairs with respect to the register of shareholders <u>and</u> register of stock options, which shall not be handled by the Company.</p> <p>Article <u>12.</u> to Article <u>38.</u> [The same as the present provisions.]</p>

Current Articles	Proposed amendments
<p>Article <u>41</u>. (Distribution of Retained Earnings) The Company may, by a resolution of the General Meeting of Shareholders, pay a final dividend to the shareholders or registered share pledgees <u>described or</u> recorded in the register of shareholders as of the last day of each fiscal year.</p> <p>Article <u>42</u>. (Interim Dividends) The Company may, by a resolution of the Board of Directors, pay an interim dividend to the shareholders or registered share pledgees <u>described or</u> recorded in the register of shareholders as of the 30th day of September of each year.</p> <p>Article <u>43</u>. [Mention abbreviation.]</p> <p>[To be Newly created.]</p>	<p>Article <u>39</u>. (Distribution of Retained Earnings) The Company may, by a resolution of the General Meeting of Shareholders, pay a final dividend to the shareholders or registered share pledgees recorded in the register of shareholders as of the last day of each fiscal year.</p> <p>Article <u>40</u>. (Interim Dividends) The Company may, by a resolution of the Board of Directors, pay an interim dividend to the shareholders or registered share pledgees recorded in the register of shareholders as of the 30th day of September of each year.</p> <p>Article <u>41</u>. [The same as the present provisions.]</p> <p><u>Supplementary Provisions</u></p> <p><u>Article 1.</u> <u>The Company shall entrust the administrator of shareholders' register to prepare and keep the register of lost share certificates, as well as to handle other administrative affairs with respect to the register of lost share certificates, which shall not be handled by the Company.</u></p> <p><u>Article 2.</u> <u>This Article and the preceding Article shall be effective until January 5, 2010 and shall be deleted as of January 6, 2010.</u></p>

CONSOLIDATED BALANCE SHEET

As of 31st March 2009

(Yen in millions)

Item	Amount	Item	Amount
Assets		Liabilities	
I Current assets:	278,237	I Current liabilities:	196,537
(1) Cash and cash in banks	23,854	(1) Notes payable and accounts payable-trade	74,119
(2) Notes receivable and accounts receivable-trade	106,167	(2) Accounts payable-housing construction	52,828
(3) Accounts receivable-housing construction	4,889	(3) Short-term borrowings	10,619
(4) Marketable securities	17,194	(4) Lease obligations	514
(5) Merchandise and finished goods	15,350	(5) Income taxes payable	1,307
(6) Goods in process	1,111	(6) Advances received for construction	34,028
(7) Raw materials and supplies	4,045	(7) Deferred tax liabilities	6
(8) Real estate for sale	21,593	(8) Allowance for bonuses	7,452
(9) Work in process	30,119	(9) Allowance for bonuses to directors	39
(10) Deferred tax assets	6,647	(10) Warranty reserve for completed construction	1,308
(11) Short-term loans	3,656	(11) Other liabilities	14,318
(12) Other receivables	39,682		
(13) Other assets	4,668		
(14) Allowance for doubtful accounts	(740)		
II Fixed assets:	149,502	II Long-term liabilities:	75,009
1. Property, plant and equipment:	88,146	(1) Long-term borrowings	36,145
(1) Buildings and other structures	26,631	(2) Lease obligations	1,849
(2) Machinery, equipment and vehicles	15,322	(3) Deferred tax liabilities	2,989
(3) Land	28,299	(4) Allowance for retirement benefits	18,414
(4) Lease assets	2,334	(5) Retirement allowance for directors	139
(5) Construction in progress	2,938	(6) Allowance for losses on restructuring	888
(6) Other property, plant and equipment	12,623	(7) Other long-term liabilities	14,585
2. Intangibles assets:	6,439	Total liabilities	271,546
(1) Goodwill	745	Equity	
(2) Other intangibles assets	5,694	I Shareholders' equity:	159,630
3. Investments and other assets:	54,916	(1) Common stock	27,672
(1) Investment securities	35,072	(2) Capital surplus	26,872
(2) Long-term loans	8,551	(3) Retained earnings	105,346
(3) Deferred tax assets	1,761	(4) Treasury stock	(260)
(4) Other investments/assets	11,285	II Valuation and translation adjustments:	(3,572)
(5) Allowance for doubtful accounts	(1,752)	(1) Other securities valuation difference	2,359
		(2) Deferred gains or losses on hedges	29
		(3) Foreign currency translation adjustment account	(5,961)
		III Minority interests	135
		Total equity	156,192
Total assets	427,738	Total liabilities and equity	427,738

CONSOLIDATED PROFIT AND LOSS STATEMENT

From 1st April 2008 to 31st March 2009

(Yen in millions)

Item	Amount
I Net sales:	823,810
1. Sales	462,739
2. Sales of completed construction	361,071
II Cost of sales:	690,317
1. Cost of sales	425,981
2. Cost of completed construction	264,336
Gross profit	133,493
III Selling, general and administrative expenses:	126,656
Operating income	6,837
IV Non-operating income:	3,812
1. Interest income	623
2. Purchase discount	804
3. Dividend income	785
4. Other income	1,599
V Non-operating expenses:	4,489
1. Interest expenses	1,363
2. Sales discount	640
3. Investment loss from equity method	576
4. Foreign exchange losses	1,047
5. Other expenses	864
Ordinary profit	6,160
VI Extraordinary gain:	166
1. Gains on sales of fixed assets	149
2. Gains on sales of investment securities	16
VII Extraordinary loss:	4,361
1. Loss on retirement of fixed assets	243
2. Impairment loss	532
3. Appraisal loss on investment securities	2,214
4. Loss on valuation of inventories	421
5. Loss on liquidation of subsidiaries and affiliates	622
6. Other	330
Income before income taxes and minority interests	1,964
Income taxes - Current	2,129
- Deferred	(1,149)
Minority interests in earnings	(44)
Net income	1,028

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

From 1st April 2008 to 31st March 2009

(Yen in millions)

	Shareholders' equity					Valuation and translation adjustments			Minority interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Other securities valuation difference	Deferred gains or losses on hedges	Translation adjustment		
Balance as of 31st March 2008	27,672	26,876	107,198	(249)	161,497	9,085	59	2,278	169	173,089
Changes by accounting change of controlled foreign corporation			(222)		(222)					(222)
Changes of items during the period										
Dividends from retained earnings			(2,658)		(2,658)					(2,658)
Net income			1,028		1,028					1,028
Purchase of treasury stock				(23)	(23)					(23)
Disposal of treasury stock		(4)		12	8					8
Net changes of items other than shareholders' equity						(6,725)	(30)	(8,239)	(35)	(15,029)
Total changes of items during the period	-	(4)	(1,629)	(11)	(1,644)	(6,725)	(30)	(8,239)	(35)	(16,674)
Balance as of 31st March 2009	27,672	26,872	105,346	(260)	159,630	2,359	29	(5,961)	135	156,192

Notes to Consolidated Financial Statements

Significant Accounting Policies Regarding the Preparation of Consolidated Financial Statements

1. Scope of consolidation

There are 51 consolidated subsidiaries. Major consolidated subsidiaries are Sumitomo Forestry Crest Co., Ltd., Sumitomo Forestry Home Engineering Co., Ltd., Sumitomo Forestry Home Service Co., Ltd., Sumitomo Forestry Landscaping Co., Ltd., Sumitomo Forestry Information Systems Co., Ltd., Sun Step Co., Ltd., PT. Kutai Timber Indonesia, Alpine MDF Industries Pty Ltd., and Nelson Pine Industries Ltd.

Fuxin Sumirin Wood Products Co., Ltd. and Japan Bioenergy Holdings Co., Ltd. which were newly established during the current fiscal year and Japan Bioenergy Co., Ltd. which the Company gained control of during the current fiscal year are included in the scope of consolidation from this fiscal year. On the other hand, Sumirin Maintenance Co., Ltd., which was a consolidated subsidiary in the previous consolidated fiscal year, is excluded from the scope of consolidation for this fiscal year due to an absorption merger by Sumitomo Forestry Home Tech Co., Ltd., also a consolidated subsidiary, as the surviving company as of 1st October, 2008. In addition, Sumitomo Forestry Two-By-Four Homes Co., Ltd. and Sumirin Logistics Co., Ltd., which were consolidated subsidiaries in the previous fiscal year, are excluded from the scope of consolidation from this fiscal year as they have completed liquidation as of 31st March, 2009.

2. Application of equity method

- (1) There are eleven affiliated companies to which the equity method is applicable, including PT. Rimba Partikel Indonesia, PT. AST Indonesia, Bennett-SFS LLC Yantai Golden Bridge Enterprise Co., Ltd., Henley-SFC Housing Pty Ltd. and Henley-SFC Housing Unit Trust which were newly established during current consolidated fiscal year and Kawasaki Biomass Power Generation Co., Ltd. in which the Company acquired shares are included in affiliates to which the equity method is applied starting current consolidated fiscal year.
- (2) As for equity-method affiliated companies whose dates of settlement differ from the date of consolidated statements, their financial statements for the corresponding fiscal year are used.

3. Accounting periods of consolidated subsidiaries

There are three different accounting period of consolidated subsidiaries. Each company made the financial statement based on its specific accounting period. The fiscal year for two consolidated subsidiaries, Daiichi Sansho Co., Ltd. and Nihei & Co. ends on 20th March. The closing date of Kowa Lumber Co., Ltd. and all foreign consolidated subsidiaries falls on 31st December. The fiscal year of the rest of all other domestic consolidated subsidiaries falls on 31st March. These financial statements are adopted by the Company for making the consolidated financial statements.

4. Accounting standards

(1) Valuation standards and methods for principal assets

a. Marketable securities

Held-to-maturity securities

Stated at amortized cost using the straight-line method.

Other securities with a market value

Principally carried at market value

The difference between the acquisition cost and the carrying value of other securities, including unrealized gains and losses, is recognized in "Other securities valuation difference." The cost of other securities sold is computed based on the moving-average method.

Other securities with no market value

Carried at cost based on the moving-average method.

b. Derivatives

Market method

c. Inventories

Merchandise and finished goods, work in process, and materials and supplies are carried at cost primarily using the moving-average method, while real estate held for sale and work in process are stated at cost using the specific cost method. The amount on balance sheet is calculated by writing down the carrying value based on lower profitability.

(2) Depreciation Method

a. Property, plant and equipment (excluding lease assets)

Depreciated using mainly the declining-balance method. Buildings (excluding building fixtures) acquired on or after 1st April, 1998 are depreciated using the straight-line method.

(Additional information)

Change in service life of property, plant and equipment

We are reviewing the service lives of machinery and equipment of the Company and of the domestic consolidated subsidiaries starting current consolidated fiscal year pursuant to the amendment of the Corporation Tax Law of FY 2008. Its effect on earnings is insignificant.

b. Intangible assets (excluding lease assets)

Amortized using straight-line method. Computer software for internal use is amortized over estimated useful life (5 years) using straight-line method.

c. Lease assets

The lease term is used as the service years for the lease assets on finance lease transactions that do not transfer ownership, and the straight-line method is adopted with salvage value set to zero.

(3) Calculation Basis of Allowances

a. Allowance for doubtful accounts

An allowance for doubtful accounts has been established for the possible losses from uncollectible monetary rights such as receivables and loans. An allowance is estimated based on individual evaluation for doubtful monetary rights, and by the historical rate of credit loss for normal monetary rights.

b. Allowance for bonuses

An allowance for bonuses has been provided based on estimated bonuses to be paid to employees who should be charged to income in the current year.

c. Allowance for bonuses to directors

To provide for the payment of bonuses to directors, the estimated amount of directors' bonus payments during the fiscal year is provided to the allowance for bonuses to directors.

- d. **Warranty reserve for completed construction**
A warranty reserve has been provided for repair costs which may be required for the completed constructions. The reserve is estimated based on the past experience and future estimates.
- e. **Allowance for retirement benefits**
The Company established an allowance for retirement benefits to prepare a disbursement scheme of such benefits for employees. This allowance is posted based on the value of retirement benefit obligations and the estimated value of pension assets at the end of the current fiscal year. Unrecognized actuarial losses are processed en bloc for the year in which they occur.
- f. **Retirement allowance for directors**
For some consolidated subsidiaries, an allowance for retirement benefit has been provided based on the estimated benefits to be paid to directors at the year-end in accordance with the company's established policy.
- g. **Allowance for losses on restructuring**
An allowance has been provided for the possible losses incurred as a result of restructuring.

(4) Accounting for Hedge

- a. **Accounting for hedge**
Hedged foreign trade transactions are accounted for under the allocation method.
A special accounting procedure is used for interest rate swaps as they satisfy the requirements for a special accounting procedure.
- b. **Instruments used for hedge**
In order to manage risks arising from fluctuations in foreign currency exchange rates, the Company enters into foreign exchange contracts and currency swap transaction.
Interest rate swap transactions are used against interest rate risk.
- c. **Hedged items**
In accordance with the guidelines set forth by the Internal Administrative Bylaw, part of foreign trade transactions including forecasted transactions and loan payables with interest rate risk are hedged.
- d. **Effectiveness of hedge**
As hedging through foreign exchange contracts and currency swap transaction is recognized as highly effective, the evaluation of its effectiveness is omitted.
As a special accounting procedure is applied to interest rate swap transactions, the evaluation of their effectiveness is omitted.

(5) Other important items for compiling consolidated financial statements

Consumption Tax

Transactions subject to consumption tax and the local consumption tax are recorded under net tax method.

5. Valuation for assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries are fully valued at market value.

6. Amortization of goodwill

Goodwill is amortized using the straight-line method over the period that is affected by it, up to a maximum of 20 years. In case the amount is insignificant, such account is amortized in the fiscal year when it accrued.

Changes in Important Matters on Which the Preparation of Consolidated Financial Statements is Based

1. Accounting Standards for the Revaluation of Inventories

Although inventories held for ordinary sales have been carried at cost using the moving-average method or the specific cost method; however, beginning in the current consolidated fiscal year, with the application of "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, 5th July, 2006), they are carried at cost using the moving-average method or the specific cost method (the amount on balance sheet is calculated by writing down the carrying value based on lower profitability). As a result, operating income and ordinary profit decreased 1,697million yen respectively and income before income taxes decreased 2,117 million yen.

2. Accounting Standards for Lease Transactions

The accounting processing similar to lease transactions has been adopted for the lease assets on finance lease transactions that do not transfer ownership; however, beginning in the current consolidated fiscal year, "Accounting Standards for Lease Transactions" (ASBJ Statement No. 13 (17th June, 1993 (First Committee of the Business Accounting Council), Revised on 30th March, 2007)) and "Implementation Guidance on Accounting Standards for Lease Transactions" (ASBJ Guidance No. 16 (18th January, 1994 (The Accounting Practice Committee of the Japanese Institute of Certified Public Accountants), Revised on 30th March, 2007)) have been adopted and the accounting processing similar to ordinary sales transactions is used.

Ordinary accounting processing similar to ordinary lease transactions continues to be applied to finance lease transactions that do not transfer ownership whose lease transaction start dates are prior to the beginning of the first fiscal year of application.

Its effect on earnings is insignificant.

3. Tentative treatment on the accounting processing of overseas subsidiaries in creating consolidated financial statements

Beginning current consolidated fiscal year, the Company has applied the "Tentative Treatment on the Accounting Processing of Overseas Subsidiaries in Creating Consolidated Financial Statements" (Practical Issues Task Force No. 18; 17th May, 2006) and has made revisions necessary for consolidated accounting. Its effect on earnings is insignificant.

Change of presentation method

(Consolidated balance sheet)

As "Cabinet Office Ordinance to Amend a Portion of the Regulation for Terminology, Forms and Preparation of Semi-annual Consolidated Financial Statements" (7th August, 2008 Cabinet Office Ordinance No. 50) comes into effect, the items recorded as "inventories" in the last consolidated fiscal year are separately recorded as "Merchandise and finished goods," "Goods in process" and "Raw materials and supplies" beginning current consolidated fiscal year. The "Merchandise and finished

goods," "Goods in process" and " Raw materials and supplies" included in the "inventories" in the last consolidated fiscal year amounted to 17,173 million yen, 1,616 million yen and 4,196 million yen respectively.

Notes to Consolidated Balance Sheet

(Yen in millions)

1. Assets pledged as collateral

(1) Assets pledged as collateral

Cash and cash in banks	¥90
Notes receivable and accounts receivable-trade	¥760
Merchandise and finished goods	¥1,072
Goods in process	¥228
Raw materials and supplies	¥803
Buildings and other structures	¥2,202
Machinery, equipment and vehicles	¥5,643
Land	¥ 1,028
Construction in progress	¥995
Forest	¥929
<u>Tools, furniture and fixtures</u>	<u>¥17</u>
Total	¥13,767

Forest and tools, furniture and fixtures are inserted into “other property, plant and equipment” in property, plant and equipment.

In addition to the above, certificates of deposit of 12 million yen are deposited as security on closing tree-planting business agreements, etc.

(2) Liabilities secured by collateral

Short-term borrowings	¥545
<u>Long-term borrowings</u>	<u>¥1,144</u>
Total	¥1,689

2. Accumulated depreciation of property, plant and equipment ¥59,542

The accumulated depreciation above includes the accumulated impairment loss of 532 million yen.

3. Amount guaranteed by the Group, etc.

(1) Guarantee on loans from financial institutions

PT. AST Indonesia	¥196
Dongwha SFC Housing Co., Ltd.	¥42
Cascadia Resort Communities LLC	¥46
Purchasers with housing loans applied	¥14,667
<u>Others</u>	<u>¥0</u>
Total	¥14,951

(2) Guarantee on rent payment

Sumikyo Co. Ltd.	¥199
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Notes to Consolidated Statements of Changes in Equity

1. Total outstanding stock as of the end date of the current consolidated fiscal year

Common stock	177,410,239
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2. The amount of treasury stock as of the end date of the current consolidated fiscal year

Common stock	260,902
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3. Items related to dividend

(1) Dividend payment

Resolution	Type of stock	Total amount of dividend (Yen in millions)	Dividend per share (Yen)	Base date	Effective date
Ordinary General Meeting of Shareholders on 20th June 2008	Common stock	1,329	7.50	31st March 2008	23rd June 2008
Board of Directors' Meeting on 6th November 2008	Common stock	1,329	7.50	30th September 2008	5th December 2008

(2) Dividends whose base dates belong to the current consolidated fiscal year and whose effective dates come after the end of the current consolidated fiscal year

We have the following matters to be resolved at the Meeting.

Resolution	Type of stock	Total amount of dividend (Yen in millions)	Source of dividend	Dividend per share (Yen)	Base date	Effective date
Ordinary General Meeting of Shareholders on 23rd June 2009	Common stock	1,329	Retained earnings	7.50	31st March 2009	24th June 2009

Notes to per-share information

Equity per share	¥880.94
Net income per share	¥5.80

NON-CONSOLIDATED BALANCE SHEET

As of 31st March 2009

(Yen in millions)

Item	Amount	Item	Amount
Assets		Liabilities	
I Current assets:	265,092	I Current liabilities:	186,126
(1) Cash and cash in banks	15,640	(1) Notes payable	6,412
(2) Notes receivable	44,053	(2) Accounts payable-trade	54,155
(3) Accounts receivable-trade	50,653	(3) Accounts payable-housing construction	67,939
(4) Accounts receivable-housing construction	682	(4) Lease obligations	715
(5) Marketable securities	17,194	(5) Other payables	4,772
(6) Merchandise and finished goods	9,398	(6) Accrued consumption taxes	275
(7) Real estate for sale	21,637	(7) Accrued expenses	749
(8) Work in process	24,951	(8) Advances from customers	661
(9) Advance payments	307	(9) Advances received for construction	28,983
(10) Prepaid expenses	897	(10) Deposits received	14,473
(11) Deferred tax assets	4,688	(11) Unearned income	1,217
(12) Short-term loans to affiliated companies	17,016	(12) Allowance for bonuses	4,600
(13) Other receivables	58,443	(13) Allowance for bonuses to directors	35
(14) Other assets	1,550	(14) Warranty reserve for completed construction	1,115
(15) Allowance for doubtful accounts	(2,018)	(15) Other current liabilities	25
II Fixed assets:	118,006	II Long-term liabilities:	54,390
1. Property, plant and equipment:	40,424	(1) Long-term borrowings	31,000
(1) Buildings	12,405	(2) Deposits received for guarantees	5,288
(2) Other structures	400	(3) Lease obligations	1,519
(3) Machinery and equipment	334	(4) Allowance for retirement benefits	12,437
(4) Vehicles	19	(5) Allowance for losses of affiliated company operations	3,014
(5) Tools, furniture and fixtures	1,369	(6) Allowance for losses on restructuring	888
(6) Land	13,034	(7) Other long-term liabilities	245
(7) Forest	8,810		
(8) Forestation projects	245	Total liabilities	240,516
(9) Lease assets	2,225	Equity	
(10) Construction in progress	1,584	I Shareholders' equity:	139,977
2. Intangibles assets:	4,519	1. Common stock	27,672
(1) Goodwill	57	2. Capital surplus:	26,872
(2) Telephone right	184	(1) Capital legal surplus	26,613
(3) Land lease right	4	(2) Other capital surplus	259
(4) Utilization right of forest road	227	3. Retained earnings:	85,693
(5) Facility utilization and other rights	3	(1) Legal retained earnings	2,857
(6) Computer software	4,044	(2) Other retained earnings:	82,836
3. Investments and other assets:	73,063	1) Reserve for deferred income taxes	1,347
(1) Investment securities	31,786	2) General reserve	76,787
(2) Stocks of affiliated companies	18,517	3) Retained earnings carried forward	4,702
(3) Investments in other securities of subsidiaries and affiliates	26	4. Treasury stock	(260)
(4) Investment in affiliated companies	731		
(5) Long-term loans	176	II Valuation and translation adjustments:	2,605
(6) Long-term loans to employees	43	(1) Other securities valuation difference	2,577
(7) Long-term loans to affiliated companies	17,341	(2) Deferred gains or losses on hedges	28
(8) Receivables and reorganization claim	1,592		
(9) Long-term prepaid expenses	980	Total equity	142,582
(10) Deferred tax assets	192		
(11) Other investments/assets	4,580	Total liabilities and equity	383,098
(12) Allowance for doubtful accounts	(2,902)		
Total assets	383,098		

NON-CONSOLIDATED PROFIT AND LOSS STATEMENT

From 1st April 2008 to 31st March 2009

(Yen in millions)

Item	Amount
I Net sales:	(675,968)
1. Sales	368,209
2. Sales of completed construction	307,759
II Cost of sales:	(584,719)
1. Cost of sales	354,986
2. Cost of completed construction	229,733
Gross profit	91,249
III Selling, general and administrative expenses:	88,075
Operating income	3,175
IV Non-operating income:	(4,127)
1. Interest income	553
2. Interest on marketable securities	16
3. Purchase discount	760
4. Dividend income	1,987
5. Other income	811
V Non-operating expenses:	(1,449)
1. Interest expense	383
2. Sales discount	516
3. Other expenses	550
Ordinary profit	5,852
VI Extraordinary gain:	(219)
1. Gain on sales of fixed assets	129
2. Gain on sales of investment securities	15
3. Gain on liquidation of subsidiaries	75
VII Extraordinary loss:	(5,063)
1. Loss on retirement of fixed assets	163
2. Impairment loss	532
3. Appraisal loss on valuation of investment securities	2,174
4. Loss on valuation of inventories	354
5. Loss on liquidation of subsidiaries and affiliates	1,451
6. Appraisal loss on stocks of affiliates	100
7. Appraisal loss on valuation of investments in capital of subsidiaries and affiliates	2
8. Other	287
Income before income taxes	1,008
Income taxes - Current	22
- Deferred	(2,278)
Net income	3,264

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

From 1st April 2008 to 31st March 2009

(Yen in millions)

	Shareholders' equity								Valuation and translation adjustments		Total equity	
	Common stock	Capital surplus		Retained earnings			Treasury stock	Total shareholders' equity	Other securities valuation difference	Deferred gains or losses on hedges		
		Capital legal surplus	Other capital surplus	Legal retained earnings	Other Retained earnings							
					Reserve for advanced depreciation	General reserve						Retained earnings carried forward
Balance as of 31st March 2008	27,672	26,613	263	2,857	1,347	78,787	2,096	(249)	139,386	9,244	(78)	148,552
Changes of items during the period												
Provision of general reserve						(2,000)	2,000		-			-
Dividends from retained earnings							(2,658)		(2,658)			(2,658)
Net income							3,264		3,264			3,264
Purchase of treasury stock								(23)	(23)			(23)
Disposal of treasury stock			(4)					12	8			8
Net changes of items other than shareholders' equity										(6,667)	106	(6,561)
Total changes of items during the period	-	-	(4)	-	-	(2,000)	2,606	(11)	591	(6,667)	106	(5,970)
Balance as of 31st March 2009	27,672	26,613	259	2,857	1,347	76,787	4,702	(260)	139,977	2,577	28	142,582

Notes to Non-Consolidated Financial Statements

Summary of Significant Accounting Policies

1. Valuation Basis and Method of Securities

(1) Held-to-maturity securities

Stated at amortized cost using the straight-line method.

(2) Investment in subsidiaries and affiliated companies

Stated at cost based on the moving-average method.

(3) Other securities with a market value

Principally carried at market value

The difference between the acquisition cost and the carrying value of other securities, including unrealized gains and losses, is recognized in "Other securities valuation difference." The cost of other securities sold is computed based on the moving-average method.

Other securities with no market value

Carried at cost based on the moving-average method.

2. Valuation Basis and Method of Inventories, Real estate for sale and Work in process

Inventories are carried at cost using the moving-average method. Real estate for sale and work in process are stated at cost using the specific cost method. The amount on balance sheet is calculated by writing down the carrying value based on lower profitability.

3. Depreciation Method

(1) Property, plant and equipment (excluding lease assets)

Depreciated using the declining-balance method. Buildings (excluding building fixtures) acquired on or after 1st April 1998 are depreciated using the straight-line method.

(Additional information)

Change in service life of property, plant and equipment

We are reviewing the service lives of machinery and equipment starting current fiscal year pursuant to the amendment of the Corporation Tax Law of FY 2008. Its effect on earnings is insignificant.

(2) Intangible assets (excluding lease assets)

Amortized using straight-line method. Computer software for internal use is amortized over estimated useful life (5 years) using straight-line method.

(3) Lease assets

The lease term is used as the service years for the lease assets on finance lease transactions that do not transfer ownership, and the straight-line method is adopted with salvage value set to zero.

4. Calculation Basis of Allowances

(1) Allowance for doubtful accounts

An allowance for doubtful accounts has been established for the possible losses from uncollectible monetary rights such as receivables and loans. An allowance is estimated based on individual evaluation for doubtful monetary rights, and by the historical rate of credit loss for normal monetary rights.

(2) Allowance for bonuses

An allowance for bonuses has been provided based on estimated bonuses to be paid to employees who should be charged to income in the current year.

(3) Allowance for bonuses to directors

To provide for the payment of bonuses to directors, the estimated amount of directors' bonus payments during the fiscal year is provided to the allowance for bonuses to directors.

(4) Warranty reserve for completed construction

A warranty reserve has been provided for repair costs which may be required for the completed constructions. The reserve is estimated based on the past experience and future estimates.

(5) Allowance for retirement benefits

The Company established an allowance for retirement benefits to prepare a disbursement scheme of such benefits for employees. This allowance is posted based on the value of retirement benefit obligations and the estimated value of pension assets at the end of the current fiscal year. Unrecognized actuarial losses are processed en bloc for the year in which they occur.

(6) Allowance for losses of affiliated company operations

An allowance for losses of affiliated companies' operations has been provided to prepare for the possible losses such as operations of golf courses, etc.

(7) Allowance for losses on restructuring

An allowance has been provided for the possible losses incurred as a result of restructuring.

5. Accounting for Hedge

(1) Accounting for hedge

Hedged foreign trade transactions are accounted for under the allocation method.

A special accounting procedure is used for interest rate swaps as they satisfy the requirements for a special accounting procedure.

(2) Instruments used for hedge

In order to manage risks arising from fluctuations in foreign currency exchange rates, the Company enters into foreign exchange contracts and currency swap transaction.

Interest rate swap transactions are used against interest rate risk.

(3) Hedged items

In accordance with the guidelines set forth by the Internal Administrative Bylaw, part of foreign trade transactions including forecasted transactions and loan payables with interest rate risk are hedged.

(4) Effectiveness of hedge

As hedging through foreign exchange contracts and currency swap transaction is recognized as highly effective, the evaluation of its effectiveness is omitted.

As a special accounting procedure is applied to interest rate swap transactions, the evaluation of their effectiveness is omitted.

6. Other important items for compiling financial statements

Consumption Tax

Transactions subject to the consumption tax and the local consumption tax are recorded under net tax method.

Changes in Important Matters on Which the Preparation of Non-consolidated Financial Statements is Based

1. Accounting Standards for the Revaluation of Inventories

Although inventories held for ordinary sales have been carried at cost using the moving-average method or the specific cost method; however, beginning in the current fiscal year, with the application of "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, 5th July, 2006), they are carried at cost using the moving-average method or the specific cost method (the amount on balance sheet is calculated by writing down the carrying value based on lower profitability).

As a result, operating income and ordinary profit decreased 1,608million yen respectively and income before income taxes decreased 1,962 million yen.

2. Accounting Standards for Lease Transactions

The accounting processing similar to lease transactions has been adopted for the lease assets on finance lease transactions that do not transfer ownership; however, beginning in the current fiscal year, "Accounting Standards for Lease Transactions" (ASBJ Statement No. 13 (17th June , 1993 (First Committee of the Business Accounting Council), Revised on 30th March , 2007)) and "Implementation Guidance on Accounting Standards for Lease Transactions" (ASBJ Guidance No. 16 (18th January , 1994 (The Accounting Practice Committee of the Japanese Institute of Certified Public Accountants), Revised on 30th March , 2007)) have been adopted and the accounting processing similar to ordinary sales transactions is used.

Ordinary accounting processing similar to ordinary lease transactions continues to be applied to finance lease transactions that do not transfer ownership whose lease transaction start dates are prior to the beginning of the first fiscal year of application.

Its effect on earnings is insignificant.

Notes to Non-consolidated Balance Sheet

(Yen in millions)

1. Accumulated depreciation on property, plant and equipment	¥13,014
The accumulated depreciation above includes the accumulated impairment loss of 532 million yen.	
2. Accumulated advanced depreciation on property, plant and equipment	¥710
3. Amount guaranteed by the Company	
(1) Guarantee on loans, etc. of affiliated companies from financial institutions	
Sumitomo Forestry Seattle, Inc.	¥5,824
PT. Kutai Timber Indonesia.	¥4,519
Sumitomo Forestry (Singapore) Ltd.	¥3,839
Fuxin Sumirin Wood Products Co., Ltd.	¥359
Fill Care Co., Ltd.	¥270
Paragon Wood Product (Dalian) Co., Ltd.	¥219
Sumikyo Co., Ltd.	¥199

PT. AST Indonesia	¥196
Paragon Wood Product (Shanghai) Co., Ltd.	¥194
Dongwha SFC Housing Co., Ltd.	¥42
Toyo Plywood Co., Ltd.	¥40
Sumirin Holdings Pty Ltd.	¥12
Sumikyo Wintec Co., Ltd.	¥9
Sumirin Sash Co., Ltd.	¥0
Total	¥15,721
 (2) Guarantee on other loans, etc. from financial institutions	
Purchasers with housing loans applied	¥14,623
<u>Others</u>	<u>¥0</u>
Total	¥ 14,623
 4. Monetary receivables from and payables to affiliated companies	
Short-term monetary receivables due from affiliated companies	¥46,029
Long-term monetary receivables due from affiliated companies	¥17,341
Short-term monetary payables due to affiliated companies	¥38,246
Long-term monetary payables due to affiliated companies	¥1,519

Notes to Non-consolidated Profit and Loss Statement

(Yen in millions)

Operating transactions with affiliated companies	
Sales	¥28,034
Purchases	¥116,472
Non-operating income	
Interest income	¥502
Dividend income	¥1,216
Other income	¥162
Non-operating expense	¥111

Notes to Non-consolidated Statements of Changes in Equity

Total outstanding treasury stock as of the end date of the current fiscal year	
Common stock	260,902

Notes related to tax effect accounting

(Yen in millions)

Details of the occurrence of deferred tax assets and deferred tax liabilities by major cause

Deferred tax assets	
Allowance for doubtful accounts	¥1,616
Allowance for bonuses	¥2,071
Appraisal losses on property for sale, etc.	¥2,897
Allowance for retirement benefits	¥4,975
Allowance for losses of affiliated company operations	¥1,206
Appraisal losses on stocks of affiliates	¥1,445
Appraisal losses on investment securities and golf club membership	¥1,700
Others	¥3,193
Subtotal deferred tax assets	¥19,103
Valuation reserve	¥(8,773)
Total deferred tax assets	¥10,330
Deferred tax liabilities	
Accumulated advanced depreciation on fixed assets	¥897
Gain on contribution of securities to retirement benefit trust	¥1,590
Other securities valuation difference	¥1,322
Others	¥1,641
Total deferred tax assets	¥5,451
Net deferred tax liabilities	¥4,880

Notes to fixed assets used under lease

(Yen in millions)

Among finance lease transactions that do not transfer ownership, ordinary accounting processing similar to ordinary lease transactions is conducted on those transactions that whose lease transaction start dates are prior to March 31, 2008; the content of this processing is as follows:

1. Amount equivalent to acquisition value, amount equivalent to accumulated depreciation and amount equivalent to balance as of the end of fiscal year of leased assets

	Amount equivalent to acquisition value	Amount equivalent to accumulated depreciation	Amount equivalent to balance as of the end of fiscal year
Buildings	8,637	5,539	3,098
Machinery and equipment	57	54	3
Vehicles	594	346	248
Equipment	2,028	1,261	767
Computer software	1	1	0
Total	11,318	7,201	4,116

2. Amount equivalent to the year-end balance of prepaid lease

Less than one year	¥2,328
Over one year	¥1,994
Total	¥4,322

3. Lease expenses, amount equivalent to depreciation and amount equivalent to interest expenses

Lease expenses	¥3,681
Amount equivalent to depreciation	¥3,617
Amount equivalent to interest expenses	¥125

4. Calculation method for amount equivalent to depreciation

Straight-line method using lease term as service life with zero residual value

5. Calculation method for amount equivalent to interest payment

We assumed the difference between the total lease payment and the amount equivalent to the acquisition value of a leased asset as the amount equivalent to interest payment, and used interest method for allocation to each period.

Notes to transactions with parties concerned

Affiliates

(Yen in millions)

Type	Name of company	Address	Capital amount	Business description	Share of voting rights the Company owns (or owned by affiliate)	Relationship		Transaction description	Transaction amount (Note 4)	Accounting item	Year-end balance (Note 4)
						Interlocking directorate	Business relationship				
Subsidiary	Sumitomo Forestry Crest Co., Ltd.	Chiyoda-ku, Tokyo	800	Lumber and building materials	Direct 100.0%	11 interlocking directors	Sale of lumber and building materials, procurement of building materials	Loan (Note 1)	3,413	Long-term loan receivable	4,350
Subsidiary	Sumitomo Forestry Home Engineering Co., Ltd.	Chiyoda-ku, Tokyo	75	Housing and related operations	Direct 100.0%	9 interlocking directors	Paid supply of materials and construction of ordered housing	Construction of housing ordered by the Company (Note 2)	74,786	Accounts receivable Accounts payable on construction	20,115 19,465
Subsidiary	Sumitomo Forestry Home Tech Co. Ltd.	Chiyoda-ku, Tokyo	100	Housing and related operations	Direct 100.0%	6 interlocking directors	-	Deposit of surplus fund to the Company	-	Deposits received	7,206
Subsidiary	Sumirin Life Assist Co., Ltd.	Chiyoda-ku, Tokyo	100	Housing and related operations	Direct 100.0%	4 interlocking directors	-	Loan (Note 1)	1,408	Long-term loan receivable	4,439
Subsidiary	Sumitomo Forestry Seattle, Inc.	Washington, US	thousand of US\$ 21,750	Lumber and building materials	Direct 100.0%	4 interlocking directors	-	Debt guarantee (Note 3)	5,824	-	-
Subsidiary	Sumitomo Forestry (Singapore) Ltd.	Singapore	thousand of US\$ 1,712	Lumber and building materials	Direct 100.0%	3 interlocking directors	Procurement of lumber and building materials	Debt guarantee (Note 3)	3,839	-	-
Subsidiary	PT. Kutai Timber Indonesia	Jakarta, Indonesia	thousand of US\$ 27,000	Lumber and building materials	Direct 99.8%	4 interlocking directors	Procurement of lumber and building materials	Debt guarantee (Note 3)	4,519	-	-
Subsidiary	Toyo Plywood Co., Ltd.	Nagoya-shi, Aichi	600	Lumber and building materials	Indirect 100.0%	5 interlocking directors	Sale of lumber and building materials, procurement of building materials	Loan (Note 1)	2,970	Long-term loan receivable	4,095

(Notes)

- Loans are determined taking into consideration market interest rates
- Transaction conditions and decision policy on transaction conditions are similarly treated as general transaction conditions.
- The Company guarantees debt for each company's loans borrowed from financial institutions.
- Transaction amount does not include consumption tax, and year-end balance includes consumption tax.

Notes to per-share information

Equity per share
Net income per share

¥804.87
¥18.42