

## Summary of Consolidated Financial Results For the Year Ended March 2012

Name of Company: Sumitomo Forestry Co., Ltd.  
 Stock Code: 1911  
 Stock Exchange Listing: Tokyo, Osaka  
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 Date of regular general meeting of shareholders: June 22, 2012  
 Date of commencement of dividend payment (tentative): June 25, 2012  
 Date of filing of securities report: June 22, 2012  
 Existence or non-existence of preparation for supplemental explanation documents: Exist  
 Existence or non-existence of results briefing: Exist (For securities analysts and institutional investors)

(Note: Amounts are rounded to nearest million Yen.)

**1. Financial results for the current fiscal year (April 1, 2011 – March 31, 2012)****(1) Result of operations (Consolidated)**

(Percentage figures represent year on year changes)

	Net sales		Operating income		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended March 2012	831,870	4.3	19,191	34.8	20,714	45.8	9,271	79.1
FY ended March 2011	797,493	10.2	14,238	46.1	14,206	50.1	5,175	117.7

Note: Comprehensive income

FY ended March 2012 8,858 million yen (211.5%)  
 FY ended March 2011 2,844 million yen (-69.0%)

	Net income per share	Net income per share fully diluted	Return on equity	Ratio of recurring income to assets	Operating income margin
	Yen	Yen	%	%	%
FY ended March 2012	52.34	□	5.6	4.2	2.3
FY ended March 2011	29.21	□	3.2	3.0	1.8

Note: Equity in losses of affiliates

FY ended March 2012 314 million yen  
 FY ended March 2011 778 million yen

**(2) Financial Position (Consolidated)**

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2012	503,496	169,335	33.6	954.81
As of March 31, 2011	489,417	163,110	33.3	919.54

Note: Shareholders' equity

FY ended March 2012: 169,134 million yen  
 FY ended March 2011: 162,886 million yen

(3) Cash flow position (Consolidated)

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investment activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY ended March 2012	26,873	(32,903)	(5,622)	63,839
FY ended March 2011	17,515	(13,247)	372	75,582

2. Dividends

	Dividend per share					Annual aggregate amount	Payout ratio (Consolidated)	Dividends/ net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY ended March 2011	□	7.50	□	7.50	15.00	2,657	51.4	1.6
FY ended March 2012	□	7.50	□	7.50	15.00	2,657	28.7	1.6
FY ending March 2013 (est.)	□	7.50	□	7.50	15.00		20.4	

3. Forecast for the fiscal year ending March 2013 (Consolidated, April 1, 2012 - March 31, 2013)

	Net sales		Operating income		Recurring income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	400,000	1.2	6,000	-36.3	6,000	-38.5	3,000	-46.9	16.94
Full year	845,000	1.6	22,500	17.2	23,000	11.0	13,000	40.2	73.39

Note: The percentage figures accompanying net sales, operating income, recurring income, and net income represent year-on-year changes.



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## 1. Results of Operations

### (1) Analysis of Results of Operations

#### (a) Results of Operations

Economic conditions remained difficult in Japan in this fiscal year due to the effects of the Great East Japan Earthquake. Amid this state of affairs, rallies in production activities and consumer spending were evident thanks to post-disaster restoration/recovery demand, various government policies, and other factors. However, the European financial crisis, the sluggish American economic recovery, and the ongoing historically strong yen resulted in a reduction of corporate revenues and a weak job market. The outlook for future business conditions remains uncertain.

Efforts by the government to stimulate housing purchases (such as the resumption of the housing Eco-Point system that had expired and the expansion of the Flat 35S interest rate incentives system) have proven effective in the housing market, with the number of new housing starts up by 2.7% to 841,000. Housing starts of owner-occupied dwellings, which is closely tied with this company's housing business, were down 1.2% to 305,000. In the timber and building materials industry, the impact of the Great East Japan Earthquake temporarily disrupted the supply of housing materials. Nonetheless, such factors as increases in the number of new housing starts have stabilized the market.

The rallying of Sumitomo Forestry Group's core businesses of timber and building materials, and housing owing to this business environment has boosted sales by 4.3% to ¥831,870 million. In spite of actuarial differences involving retirement benefits accounting and increased personnel expenses, gross profit gains boosted operating income by 34.8% to ¥19,191 million and recurring income by 45.8% to ¥20,714 million. Net income increased by 79.1% to ¥9,271 million due to such factors as the impairment of building materials manufacturing equipment and the like owned by overseas subsidiaries to count ¥3,038 million as extraordinary losses.

The Group has pooled its resources to provide aid to areas affected by the Great East Japan Earthquake in the form of the construction of emergency housing, assistance with the construction of “Temporary Cafes” (“Riku Cafes”) as part of the Rikuzentakata Town Living Project that is intended to create a fully sufficient community in disaster stricken areas where the disaster victims can gather together at ease in the city of Rikuzentakata in Iwate Prefecture. The Group also cultivated a successor tree to the “Pine of Hope” in Takatamatsubara (Rikuzentakata City) that had been damaged by the tsunami but was the only one of its kind left remaining.

#### Business Segments

##### <Timber and Building Materials Business>

The timber and building materials business has utilized its networks both domestic and abroad to stabilize the supply of materials and to expand sales of environmentally sound products made from FSC certified materials. The number of new housing starts increased in the domestic timber and building materials distribution business. This, along with higher volumes of handled products thanks to the bolstering of collaborations with clients, allowed for robust results. Materials have been scarce as a result of the Great East Japan Earthquake. Amid this state of affairs, an effort was made to provide clients with replacement materials using the Group's procurement capabilities so that the impact of the earthquake could be minimized. An attempt was made in the domestic timber distribution business to expand the sales of high quality products made from domestically produced materials, but sluggish sales adversely affected results.

The timber and building materials business has contributed to the preservation of forests by supplying cut down branches (byproducts of forest thinning) and forest wood residues such as cutting waste as ligneous biomass fuel. Due to the influence of such factors as rising raw materials prices, the domestic building materials manufacturing business stagnated.

Consequently, net sales in that business were up by 2.4% to ¥381,086 million while recurring income fell by 3.7% to ¥4,667 million.

<Overseas business>

Management resources were proactively invested into each overseas business, creating a foundation for future revenues. In the timber and building materials distribution business, Sumitomo Forestry Group worked to expand the sales of its products in the markets of China, Southeast Asia, and elsewhere. The building materials manufacturing business underperformed due to the stagnation of exports from Australia, which had resulted from effect of the strong Australian dollar and the intensification of competition within the domestic market of that country. This combined with poor production volumes in China to create a grim state of affairs. However, performance was robust in Indonesia and New Zealand due to increased sales volumes. Keeping in mind the rising demand in Vietnam for wooden panels to be used in furniture, the Company established a subsidiary on the outskirts of Ho Chi Minh City in 2010 to manufacture particleboard. Commercial production is expected to commence in May of 2012.

Performance was sluggish in the housing business as housing markets struggled due to the lingering impact of the 2008 economic downturn in the United States as well as the effect of rising interest rates in Australia. In China, amid an ongoing emphasis in that country's market on environmental protection and energy conservation, the Group focused on an expansion of orders for wooden housing taking full advantage of its exclusive know-how.

FSC-FM/CoC certification\* was acquired for the Forrest business in Papua New Guinea in September 2011. This facilitated the establishment of a supply system for environmentally sound wooden products.

As a result, net sales of overseas business climbed 9.2% to ¥28,977 million, with recurring losses of ¥2,853 million (¥1,829 million in the preceding year).

\* FSC-FM/CoC Certification

The FSC (Forest Stewardship Council, a forest management association) is an international third-party association that provides forest management certification. There are two such certifications: FM (Forest Management) certification, which applies to forest management and stewardship, and CoC (Chain of Custody) certification, which applies to the management of the processing and distribution procedures for forest products harvested from certified forests.

<Housing business>

The housing business strove to expand its share of the custom-built detached housing business in the three largest cities in Japan, and formulated an area strategy finely-attuned to regional characteristics. Results were satisfactory due to such ongoing efforts as production cost savings.

“Housing Expos” were held in the three largest cities, Tokyo, Osaka, and Nagoya, as concrete effort to promote sales; the same was done in each regional branch office via “Mini Housing Expos” tailored to fit their specific regions. Also held nationwide were events intended to demonstrate the appeal of environmentally sound housing equipped with solar electric power generation systems and fuel cells for domestic use (“Energy Farms”).

In terms of product strategy, lifestyle-recommendation products were launched amid the ongoing diversification of consumer lifestyles. These include the “mamato”, which reduces house work and simplifies child-raising, and the “ikiki”, a product for duplex housing that was designed with family ties in mind and makes low stress living a reality via its sound insulation function. The business launched the “Smart Solabo” that is a wooden house equipped with smart house technology combined with the energy efficiency and carbon fixation functions featured in “Sumitomo Forestry Housing”. Through this product the business proposed a lifestyle with both reduced electricity consumption and carbon dioxide emissions volumes for a lighter environmental and financial burden. The Great

East Japan Earthquake sparked an ongoing heightened interest in housing that provides safety and peace of mind. Amid all this, the Company strove to expand the sales of its proprietary “Big Frame construction method” and “GS Panels”. The “Big Frame construction method” and “GS Panels” won the “Good Design Award 2011” prize awarded by the Japan Institute of Design Promotion (an incorporated foundation).

In the apartment business, an expansion of sales basis centered on the Tokyo metro area was carried out. The supervisor of the custom-built attached housing business combined sales with those of apartments, resulting in satisfactory performance.

For remodeling and renovation business, an expansion of the renovations market is expected in the future. To meet this challenge, a dynamic public relations campaign was combined with new store openings to both improve awareness of our renovation brand “Reforest” and expand orders. As a result, business performance was favorable. With respect to product expansion, the business worked to expand orders for fixed price renovation products for detached housing. “Reforest: Ma:Ri” was launched as a fixed-price condominium renovation package. The inclusion of basic construction work and specified equipment in a single price allows for a transparent pricing system. The product proposes interiors and the like overflowing with the woody atmosphere that only the Group can provide.

Consequently, housing business net sales rose by 8.3% to ¥372,861 million and recurring income was up by 29.7% to ¥24,621 million.

#### <Real Estate business>

Sales were satisfactory for detached spec home business. In the future there will be increased need for use housing. That in mind, the real estate purchase/resale business is focusing on expanding in that market and has begun acquiring used housing. In the real estate distribution and management business, an effort was made to bolster a capacity for earnings that is resistant to the influence of market trends. The senior-care home management business strove to improve service and bolstered its management base. The Company also constructed a wooden fire-resistant senior-care home three stories tall in Ohta Ward, Tokyo, the first of its kind in the 23 wards of the city. Inspired by the “Act on Promotion of Use of Wood in Public Buildings, etc.”, this facility was the business's first property for which the “Office for Promoting the Switch to Timber” (established April, 2011) took part in its design and construction. The ultimate goal of this is to expand applications of wooden materials through adoption of wooden materials in manufacturing outside the field of housing as well as increased utilization of wood for interiors and the like.

Real estate business net sales decreased by 12.3% to ¥44,020 million and recurring income was up by 32.1% to ¥1,193 million.

#### <Other Businesses>

In addition to the businesses mentioned above, Sumitomo Forestry Group develops IT systems for its Group companies, operates a leasing business and a wide range of service businesses for residential customers (products include housing insurance agency services), and manufactures and sells farming and gardening materials.

Net sales for those businesses climbed 16.8% to ¥4,153 million, and recurring income increased by 41.3% to ¥709 million (ordinary losses of ¥1,829 million in the preceding FY).

#### (b) Outlook for the Fiscal Year Ending March 31, 2013

Concerning future economic trends, while business trends continue to improve owing to various government policies and the robust recovery of demand resulting from the Great East Japan Earthquake, the future outlook remains unclear given the risk of a worsening of the European financial crisis or a rise in crude oil prices.

In this challenging business climate, this Company will conduct organizational restructuring on 1 April 2012, devise

Group management streamlining along with optimization of management resources allocation, improve the earnings potential of the timber and building materials business and housing business, and further accelerate the growth of the overseas business and renovation business. Concomitant with this, changes are expected to be made to reporting segments. See p. 42 “7. Supplementary materials” for results for the year ended March 2012 and the forecast for the year ending March 2013.

In order to establish a stable revenue system in the global market, the timber and building materials business is upgrading and expanded its regionally-attuned domestic sales networks, and is building sales structures capable of steadily cultivating overseas markets.

In the housing business, the object is to enhance profitability by continuing to proactively expand orders through renewing the demand for rebuilding and expand sales of big-frame construction method and environmentally friendly devices such as solar power generators. Also, taking into consideration the market expansion owing to increased numbers of housing stock and the diversification of needs, the housing business aims to use its exclusive technical know-how developed in the custom-built detached housing business to expand stock businesses such as the used housing purchase/resale business, renovation business, rental property management business, and real estate brokerage business.

In the overseas business, the building materials manufacturing business, housing business, and forestry business are striving to improve profitability in their existing operations and the overseas business is investing in new ventures with an emphasis on ensuring profitability.

The Sumitomo Forestry Group conducts sustainable, environmentally sound mountain forestry operations based on a forest management plan that takes a long-term perspective. Sumitomo Forestry Group takes full advantage of its exclusive know-how to launch operations that revitalize forestry industry in Japan.

In its environmental activities, the Sumitomo Forestry Group is expanding the pursuit of sustainable forest resources and the absorption/capturing of carbon dioxide emissions by forests and wooden materials as the Group developed the statements, action policies, and long-term goals for biodiversity in March 2012. By handling products (such as materials from certified forests) that were designed with consideration given to the importance of biodiversity, offering homes that harmonize well with the environment, and continuing to promote waste reduction at construction sites through zero-emission campaigns, our business will contribute to the development of a more sustainable society that uses renewable timber.

## (2) Analysis of the Financial Position

### (a) Balance Sheet Highlights

	(million yen)	
	Fiscal year ended March 2011	Fiscal year ended March 2012
Total assets	489,417	503,496
Total liabilities	326,307	334,161
Total net assets	163,110	169,335

Assets totaled ¥503,496 million at the end of the current consolidated fiscal year, an increase of ¥14,079 million year on year. The increase in assets was attributable mainly to an increase in notes and accounts receivables in the timber and building materials business and capital expenditures in overseas manufacturing subsidiaries.

In spite of partial repayment of long-term loans, Liabilities increased by ¥7,854 million year on year. This growth was mainly owing to the increase in payables in the timber and building materials business. Net assets totaled ¥169,335 million and the equity ratio was 33.6%.



## (b) Cash Flow

	(million yen)	
	Fiscal year ended March 2011	Fiscal year ended March 2012
Cash flows from operating activities	17,515	26,873
Cash flows from investment activities	(13,247)	(32,903)
Cash flows from financing activities	372	(5,622)
Effect of exchange rate change on cash and cash equivalents	(721)	(90)
Net increase (decrease) in cash and cash equivalents	3,919	(11,742)
Cash and cash equivalents at beginning of period	71,662	75,582
Cash and cash equivalents at end of period	75,582	63,839

There was a net decrease of ¥11,742 million in cash and cash equivalents (hereinafter: “cash”) to ¥63,839 million.

A summary of cash flows is presented below.

## 1) Operating Activities

Net cash provided by operating activities increased by ¥26,873 million. In addition to income before income taxes and minority expenses of ¥17,683 million as well as depreciation and amortization of ¥8,469 million., Tthis increase also resulted from such cash-increasing factors as the increases in note and accounts payable payables and provision for employees' retirement benefits accrued retirement benefits for employees having outstripped such cash-decreasing factors such as if the increase in note and accounts receivables and payment of income taxes.corporate taxes.

## 2) Investment Activities

Net cash used in investment activities decreased by ¥32,903 million. This decrease mainly resulted from funds management via time deposits and capital expenditures at overseas manufacturing subsidiaries.

## 3) Financing Activities

Net cash provided by financing activities decreased by ¥5,622 million. This decrease mainly resulted from the repayment of debt and the payment of dividends.

The following table shows financial indicators associated with cash flows.

	FY 3/08	FY 3/09	FY 3/10	FY 3/11	FY 3/12
Equity ratio (%)	38.4	36.5	34.6	33.3	33.6
Equity ratio based on market value (%)	27.2	27.0	28.8	27.4	26.5
Ratio of interest-bearing debt against cash flow (years)	1.0	–	1.8	4.0	2.5
Interest coverage ratio (times)	17.9	–	31.8	13.7	20.0

(Notes) Equity ratio = shareholders' equity/total assets

Equity ratio based on market value = market value of total shares/total assets

Ratio of interest-bearing debt against cash flow = interest-bearing debt/operating cash flow

Interest coverage ratio = operating cash flow/interest expense

\* All calculations are on a consolidated base.

\* Market value of total shares is calculated based on the year-end closing share price × the number of shares issued, except for treasury stock.

\* Amounts used for operating cash flow and interest expense are taken from “cash flows from operating activities” and

“interest expense” reported in the consolidated statements of cash flows. Interest-bearing debt consists of all debts appearing on the balance sheet that incur interest. Amounts used for interest expense are taken from “interest paid” reported in the consolidated statements of cash flows.

### (3) Policy on Profit Distribution and Dividends for FY 3/12 and FY 3/13

Sumitomo Forestry has a fundamental policy of achieving stable and continuous shareholder returns and considers this to be one of its highest priorities. The Company places great importance on improving the return on capital, a key performance indicator, in order to become more profitable. In addition, the Company returns an appropriate level of earnings to shareholders in accordance with total earnings, while taking into account the need to continually balance these distributions with the base of operations, financial position, investment plans and other items.

For the fiscal year that ended in March 2012, the Company paid an interim dividend of ¥7.50 per share and a year-end dividend of ¥7.50 per share. For the fiscal year ending in March 2013, the company plans to pay an annual dividend of ¥15 per share - an interim and year-end dividend of ¥7.50 each.

Retained earnings are used effectively to make successful investments, fund R&D programs and support other activities in line with a long-term management plan.

### (4) Business Risk

#### (a) Housing Market Trends

The Sumitomo Forestry Group business results are heavily reliant on housing market trends. Changes in the following business conditions may cause a significant decline in housing orders that could impact the Group's business results.

##### 1) Economic Cyclical Changes

An economic slump or deterioration in the economic outlook, or a consequential worsening of the employment situation and decline in personal consumption, could affect the Group's business results by weakening customers' appetite for purchasing housing.

##### 2) Interest Rate Fluctuations

Interest rate increases, particularly rises in long-term interest rates, can have an adverse effect on demand as they cause an increase in total payments for customers purchasing detached housing, many of whom take out loans for the purchase, and for customers who build apartment buildings to use their land more effectively. However, the anticipation of interest rate rises can induce a temporary surge in home purchases, as consumers seek to avoid high loan costs.

##### 3) Land Price Fluctuations

A sharp rise in land prices can negatively impact consumers' inclination to purchase land on which to build housing. Conversely, a steep drop in land prices is a form of asset deflation and can reduce demand for home reconstruction. Consequently, both substantial rises and substantial falls in land prices have the potential to impact the Group's business results.

##### 4) Tax System Changes

In the future, if the consumption tax is increased and applied as is to housing purchases, it would induce rush demand to avoid an increase in total payments and thus a temporary increase in overall housing demand. However, this could later invite a sharp reactive decline, with a possibility of the Group's results being affected.

#### (b) Statutory Changes

Laws and regulations surrounding the housing business include the Personal Information Protection Act, Building Standards Law, Construction Industry Law, Registered Architect Law, Building Lots and Building Transaction

Business Law, Urban Planning Law, National Land Use Planning Law, Housing Quality Assurance Law, and Waste Disposal and Public Cleaning Law (law concerning procedures for waste disposal and site clean-up). The Sumitomo Forestry Group diligently conforms to all laws and regulations while recognizing that the abolition, revision, or adoption of laws and regulations can substantially influence the Group's business results.

(c) Timber and Building Materials Market Conditions

A decline in prices for timber and building materials reduces the profitability of the timber and building materials business. On the other hand, a steep increase in prices for timber and building materials or higher prices for other building materials can lead to higher materials costs for the housing business, which could impact Group results. Fluctuations in the price for other raw materials, such as oil, can directly or indirectly affect raw materials prices and influence the Group's business results.

(d) Exchange Rate Fluctuations

The Group is taking measures to reduce the foreign exchange risks attendant on foreign currency-denominated imports through foreign exchange forward contracts and other means. However, temporary exchange rate fluctuations greater than those expected may occur. Also, there is a chance that fluctuations in the exchange rates of currencies of settlement may impact subsidiaries who sell and manufacture timber and construction materials overseas.

(e) Product Quality Assurance

The Group endeavors to implement complete quality control of its key product, housing, and all aspects of its operations. However, unforeseen circumstances can potentially lead to significant quality issues that could influence the Group's business results.

(f) Overseas Business Activities

The Group conducts various business activities overseas and engages in business transactions, such as product transactions, with various business partners overseas. Consequently, as is the case with domestic Japanese operations, laws and regulations, economic and social conditions, and consumer trends in the foreign countries in which the Group conducts business can influence the Group's business results.

(g) Retirement Benefit Obligations

A significant deterioration in the operating environment for the Group's pension assets, such as substantial fluctuations in the domestic stock market or the necessity to revise the assumptions for pension actuarial calculations, could entail an increase in pension assets or increase the costs associated with the pension accounts, and could influence the Group's business results and financial position.

(h) Stock Market

Volatile stock price fluctuations could cause the Group to book valuation losses on its securities holdings, thereby negatively impacting its business results and financial position.

(i) Natural Disasters

Damage from a major earthquake, wind, flood, or other destructive natural element could result in cost increases arising from interrupted operations at facilities, verification of safety in our housing products, delays in the completion of construction contracts, or other events. A significant increase in costs caused by a natural disaster could influence Group business results.

(j) Information Security

The Group makes every possible effort to ensure the proper and secure management of the large volume of customer information it holds, through establishing necessary rules and systems and conducting extensive education and training of executives and employees. Despite such precautions, customer information could leak out due to a

computer system breach by a malicious third party, the theft of recording media holding such information, a human error by an employee or contracted worker, an accident, or other causes. In such cases, the Group could face customer claims for compensatory damages and lose the trust of customers and the market, which could affect its business results.

(k) Environmental Risk

“Symbiosis with the Environment” is a top priority for the Group and is one of the four action guidelines of the Group's corporate philosophy. Changes to environmental regulations in Japan or overseas or major environmental issues could lead to fines, compensation payments, costs associated with resolving environmental problems, or other expenses that could influence the Group's business results.

(l) Decline in the Value of Assets under Management

In the event that a marked deterioration in market conditions led to a decline in the value of Group assets under management such as real estate holdings and products, valuation losses could be incurred and assets could be written down due to impairment, which could influence the Group's business results and financial position.

(m) Provision of Credit to Business Partners

The Group extends credit to business partners in the form of trade receivables etc., and sets appropriate limits and reserves for credit losses to avoid exposure to credit risk. As these measures do not ensure complete avoidance of exposure to credit risk, credit risk could still potentially influence the Group's business results and financial position.

(n) Litigation Risk

As the Group is engaged in a range of business activities in Japan and overseas, it is possible that the said activities could be subject to litigation and/or a dispute. In the event that these activities became subject to litigation, the Group's business results and financial position could be influenced adversely.

(o) Fundraising Risk

The Group conducts fundraising, such as borrowing from financial institutions, and as such there is the possibility that fundraising costs may increase or fundraising itself could be restricted due to changes in the economic environment or lower credit ratings. In this event, the Group's business results and financial position could be impacted.

\* Statements in this report with respect to matters in the future are forward-looking statements deemed logical by the Group as of the date of the production of this report.

## 2. Corporate Group

The Sumitomo Forestry Group (Sumitomo Forestry and its related companies) consists of Sumitomo Forestry, 47 subsidiaries and 23 affiliated companies. These companies are engaged primarily in the forestry business, which includes the procurement, manufacture, processing and sale of timber and building materials, the construction and renovation of detached houses and apartment buildings, real estate management and brokerage, sale of spec homes, and other activities as well as operations associated with these activities domestically and abroad.

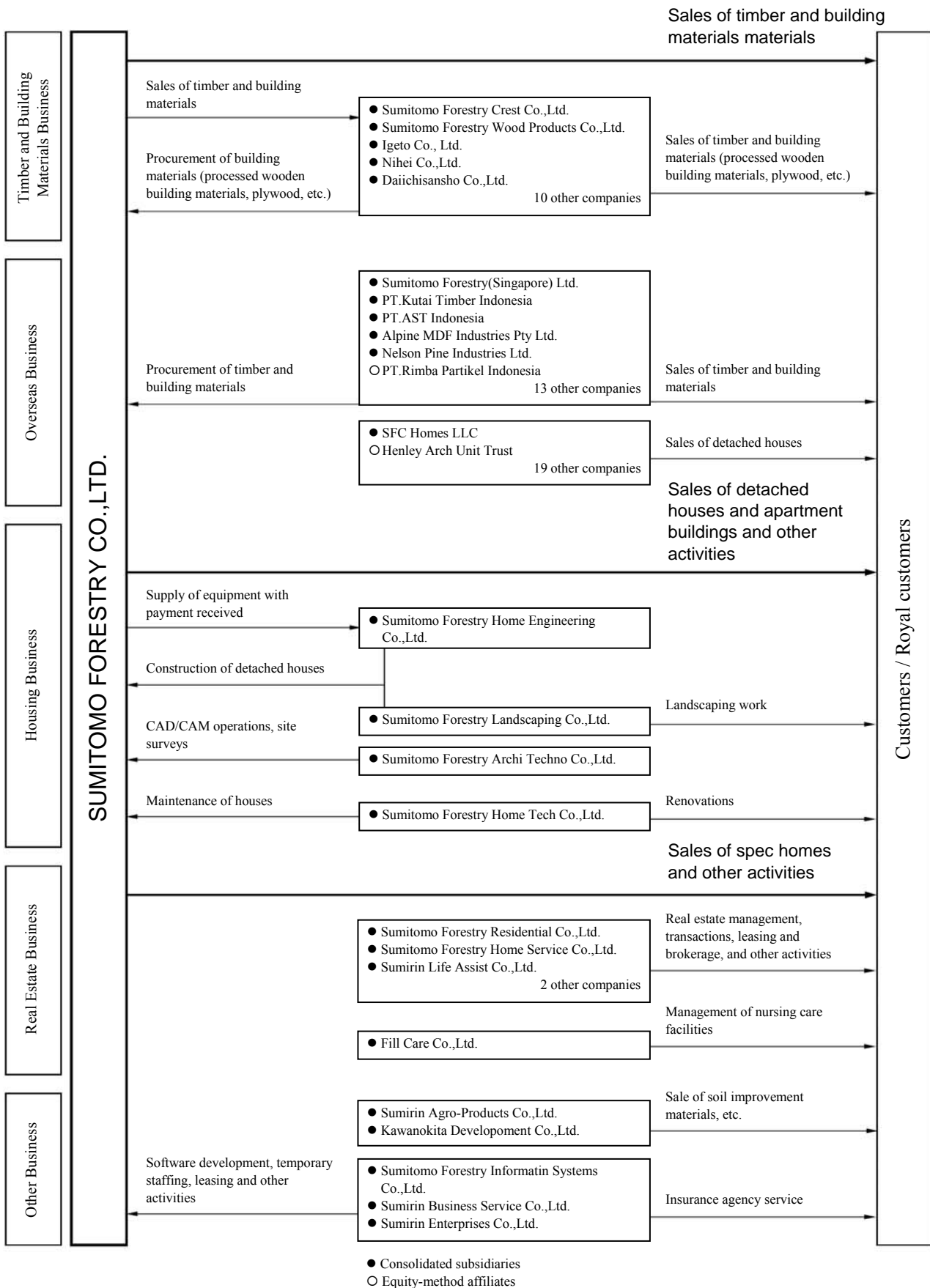
The following table shows business activities and the positioning of these businesses within the group.

The following five business sectors are the same as the business segments used for financial reporting.

Timber and Building Materials Business	Business description	Procurement, manufacture, processing and sale of timber (logs, lumber, laminated lumber, chips, etc.) and building materials (processed wooden building materials, ceramic building materials, metal building materials, housing equipment, plywood, fiberboard, etc.)
	Major related companies	Sumitomo Forestry Crest Co., Ltd., Sumitomo Forestry Wood Products Co., Ltd., Igeto Co., Ltd., Nihei Co., Ltd., Daiichisansho Co., Ltd.
Overseas Business	Business description	Procurement, manufacture and sale of timber and building materials overseas, contracting business in the construction of detached housing, sale of spec homes, plantation forests and sale of timber from plantation forests
	Major related companies	Sumitomo Forestry (Singapore) Ltd., PT.Kutai Timber Indonesia, PT.AST Indonesia, SFC Homes LLC, Alpine MDF Industries Pty Ltd., Nelson Pine Industries Ltd., PT.Rimba Partikel Indonesia, Henley Arch Unit Trust
Housing Business	Business description	Construction, sale, maintenance and renovation of detached houses and apartment buildings, house exteriors, landscaping and greenery services, outsourced CAD/CAM operations, site surveys, soil stabilization work, sale of interior products
	Major related companies	Sumitomo Forestry Home Engineering Co., Ltd., Sumitomo Forestry Landscaping Co., Ltd., Sumitomo Forestry Archi Techno Co., Ltd., Sumitomo Forestry Home Tech Co., Ltd.
Real Estate Business	Business description	Management, sale and purchase, leasing and brokerage of real estate, sale of detached houses, management of senior care homes, other
	Major related companies	Sumitomo Forestry Residential Co., Ltd., Sumitomo Forestry Home Service Co., Ltd., Sumirin Life Assist Co., Ltd. (Note), Fill Care Co., Ltd.
Other Businesses	Business description	Temporary staffing, software development, leasing, insurance agency services, manufacture and sale of soil improvement materials and landscaping products, other
	Major related companies	Sumitomo Forestry Information Systems Co., Ltd., Sumirin Agro-Products Co., Ltd., Sumirin Business Service Co., Ltd., Sumirin Enterprises Co., Ltd., Kawanokita Development Co., Ltd.

(Note) Sumitomo Forestry Co., Ltd. acquired Sumirin Life Assist Co., Ltd. on 1 April, 2012.

The diagram below presents the information in the table above in a flow chart format.



### 3. Management Policy

#### (1) Fundamental Management Policy

The corporate philosophy of the Sumitomo Forestry Group is “to utilize timber as a renewable, healthy, and environmentally friendly natural resource, and to contribute to a prosperous society through all types of housing-related services.” The fundamental management policy is to use this philosophy to achieve the goal of maximizing corporate value.

To accomplish this goal, the Group prioritizes the improvement of operating efficiency and profitability in its business operations. Operations are guided by four action guidelines: adherence to the “Sumitomo Spirit,” which places emphasis on fairness and trust and on conducting business activities that are beneficial to society; a dedication to “Respect for Humanity” by promoting diversity and an open and energetic corporate culture; extensive activities concerning “Environmental Responsibility” to help create a sustainable society; and “Putting Customers First” in order to achieve complete customer satisfaction by supplying products and services of outstanding quality.

Another goal is improving the quality of management through a voluntary disclosure program aimed at increasing management transparency.

#### (2) Targeted Performance Indicators

Sales and recurring income are positioned as performance indicators that show the growth of the entire Sumitomo Forestry Group. In addition, emphasis is placed on the return on capital employed as an indicator of operating efficiency.

#### (3) Medium and Long-term Strategies and Important Issues

The goal of the Sumitomo Forestry Group is to be an organization that “conducts a comprehensive portfolio of housing related businesses that utilize wood”. There are two core businesses: custom-built detached housing and timber and building materials. There are also two businesses that the Group plans to focus on building into strong businesses that can contribute to earnings. The first is the “overseas business” that conducts planting, the manufacture and sale of wooden building materials, contracting of detached housing construction, and sale of spec homes in overseas markets that are expected to grow. The second is the “renovation business” that conducts renovation of Group-built properties and general properties.

Rapidly developing these activities into core businesses will ensure that earnings for the entire Group remain stable, regardless of changes in the operating environment. These priority growth businesses will also enable the Group to contribute to the creation of a prosperous society by supplying housing-related services. The Group is determined to continue making steady progress developing its technical expertise and human resources to fulfill these medium and long-term goals.

The Sumitomo Forestry Group has been growing forests and trees ever since its foundation more than three centuries ago, and has continually maintained a harmonious relationship with the natural environment. The Group’s corporate culture is defined by its dedication to sustainability. With this dedication, the Group is a leader among Japanese companies in the preservation and utilization of biodiversity and in its educational activities. The objective is to conduct high-quality business activities that are in harmony with the environment and society.

Setting the medium and long-term goals described above will ensure the Group works steadily towards achieving its management strategy.

## 4. Consolidated Financial Statements

## (1) Consolidated Balance Sheet

(million yen)

	As of March 31, 2011	As of March 31, 2012
<b>Assets</b>		
Current assets		
Cash and time deposits	55,618	64,870
Notes and accounts receivable-trade	112,427	120,536
Accounts receivable from completed construction contracts	6,024	4,347
Marketable securities	20,000	15,000
Finished goods, logs and lumber	13,843	15,268
Work in process	1,123	1,172
Raw materials and supplies	4,049	4,537
Developed land and housing for sale	31,492	34,880
Costs on uncompleted construction contracts	31,242	28,397
Deferred tax assets	7,915	7,971
Short-term loans receivable	1,204	4,759
Accounts receivable-other	45,513	43,471
Other	4,260	5,052
Allowance for doubtful accounts	(1,272)	(1,329)
Total current assets	333,439	348,930
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	51,244	49,794
Accumulated depreciation	(22,414)	(22,944)
Buildings and structures, net	28,830	26,850
Machinery, equipment and vehicles	54,532	50,431
Accumulated depreciation	(40,667)	(38,119)
Machinery, equipment and vehicles, net	13,865	12,312
Land	26,048	24,475
Leased assets	6,615	8,330
Accumulated depreciation	(3,001)	(4,551)
Leased assets, net	3,615	3,779
Construction in progress	3,062	5,973
Other	17,800	18,168
Accumulated depreciation	(5,618)	(5,916)
Other, net	12,181	12,252
Total property, plant and equipment	87,602	85,641
Intangible assets		
Goodwill	201	924
Other	6,867	7,466
Total intangible assets	7,068	8,390
Investments and other assets		
Investment securities	48,458	48,487
Long-term loans receivable	2,512	2,045
Deferred tax assets	1,354	1,251
Other	12,130	11,963
Allowance for doubtful accounts	(3,146)	(3,211)
Total investments and other assets	61,309	60,534
Total noncurrent assets	155,978	154,566
Total assets	489,417	503,496



(million yen)

	As of March 31, 2011	As of March 31, 2012
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	93,018	98,076
Accounts payable for construction contracts	57,143	57,349
Short-term debt	18,588	20,761
Lease obligations	1,095	1,217
Income taxes payable	6,909	5,749
Advances received on uncompleted construction contracts	37,524	38,567
Deferred tax liabilities	10	–
Provision for employees' bonuses	8,256	8,931
Provision for directors' bonuses	60	95
Provision for warranties for completed construction	2,007	1,843
Provision for disaster losses	545	60
Asset retirement obligation	455	536
Other	18,165	21,237
Total current liabilities	243,774	254,421
Long-term liabilities		
Bonds issued	15,000	15,000
Long-term debt	32,101	28,284
Lease obligations	2,445	2,661
Deferred tax liabilities	8,782	7,316
Provision for employees' retirement benefits	6,152	10,033
Provision for directors' retirement benefits	61	81
Provision for loss on business liquidation	1,435	1,435
Asset retirement obligation	940	844
Other	15,616	14,085
Total long-term liabilities	82,532	79,740
Total liabilities	326,307	334,161
<b>Net assets</b>		
Shareholders' equity		
Common stock	27,672	27,672
Capital surplus	26,872	26,872
Retained earnings	107,584	114,223
Treasury stock	(267)	(268)
Total shareholders' equity	161,861	168,499
Accumulated Other Comprehensive income		
Valuation difference on available-for-sale securities	4,876	5,734
Deferred gains or losses on hedges	154	192
Foreign currency translation adjustment	(4,005)	(5,291)
Total accumulated Other Comprehensive income	1,025	634
Minority interests	224	202
Total net assets	163,110	169,335
<b>Total liabilities and net assets</b>	<b>489,417</b>	<b>503,496</b>

## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income)

(million yen)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Net sales	797,493	831,870
Cost of sales	664,925	694,997
Gross profit	132,568	136,873
Selling, general and administrative expenses	118,330	117,682
Operating income	14,238	19,191
Non-operating income		
Interest income	225	269
Purchase discounts	376	394
Dividends income	743	895
Foreign exchange gains	–	777
Other	2,081	1,884
Total non-operating income	3,425	4,219
Non-operating expenses		
Interest expenses	1,318	1,296
Sales discounts	579	619
Equity in losses of affiliates	778	314
Other	783	466
Total non-operating expenses	3,458	2,695
Recurring income	14,206	20,714
Extraordinary gains		
Gain on sales of noncurrent assets	424	295
Gain on sales of investment securities	17	5
Gain on transition of defined contribution pension	–	156
Gain on sales of stock of subsidiaries	273	–
Gain on abolishment of retirement benefit plan	53	–
Total extraordinary gains	767	455
Extraordinary loss		
Loss on retirement of noncurrent assets	227	211
Impairment loss	695	3,038
Loss on sales of investment securities	5	–
Loss on devaluation of investment securities	1,024	68
Disaster losses	780	71
Loss on sale of stocks of subsidiaries and affiliates	–	99
Monetary effect of applying Accounting Standard for Asset Retirement Obligation	706	–
Extraordinary retirement benefits	378	–
Other	149	–
Total extraordinary loss	3,964	3,487

(million yen)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Income before income taxes and minority interests	11,010	17,683
Income taxes-current	7,926	9,709
Income taxes-deferred	(1,998)	(1,282)
Total income taxes	5,928	8,428
Net income before minority interests	5,082	9,255
Minority interests	(93)	(16)
Net income	5,175	9,271

## (Consolidated Comprehensive Statements of Income)

(million yen)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Net income before minority interests	5,082	9,255
Other comprehensive income		
Valuation difference on available-for-sale securities	(718)	857
Deferred gains or losses on hedges	130	37
Foreign currency translation adjustments	(1,614)	(1,077)
Share in equity method affiliates	(36)	(214)
Total other comprehensive income	(2,238)	(396)
Comprehensive income	2,844	8,858
Comprehensive income attributable to owners of the parent	2,960	8,880
Comprehensive income attributable to minority interests	(116)	(21)

## (3) Consolidated Statements of Changes in Net Assets

(million yen)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
<b>Shareholders' equity</b>		
Common stock		
Balance at the end of previous period	27,672	27,672
Balance at the end of current period	27,672	27,672
Capital surplus		
Balance at the end of previous period	26,872	26,872
Changes during the period		
Disposal of treasury stock	(0)	(0)
Total changes during the period	(0)	(0)
Balance at the end of current period	26,872	26,872
Retained earnings		
Balance at the end of previous period	105,066	107,584
Changes during the period		
Cash dividends (¥15.00 per share)	(2,657)	(2,657)
Net income	5,175	9,271
Changes to range of application of equity method	–	26
Total changes during the period	2,518	6,639
Balance at the end of current period	107,584	114,223
Treasury stock at cost		
Balance at the end of previous period	(262)	(267)
Changes during the period		
Purchase of treasury stock	(5)	(1)
Disposal of treasury stock	0	0
Total changes during the period	(5)	(1)
Balance at the end of current period	(267)	(268)
Total shareholders' equity		
Balance at the end of previous period	159,348	161,861
Changes during the period		
Cash dividends (¥15.00 per share)	(2,657)	(2,657)
Net income	5,175	9,271
Purchase of treasury stock	(5)	(1)
Disposal of treasury stock	0	0
Changes to range of application of equity method	–	26
Total changes during the period	2,513	6,638
Balance at the end of current period	161,861	168,499

(million yen)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
<b>Accumulated Other Comprehensive income</b>		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	5,594	4,876
Changes during the period		
Net changes in items other than shareholders' equity	(718)	857
Total changes during the period	(718)	857
Balance at the end of current period	4,876	5,734
Deferred gains or losses on hedges		
Balance at the end of previous period	24	154
Changes during the period		
Net changes in items other than shareholders' equity	130	37
Total changes during the period	130	37
Balance at the end of current period	154	192
Foreign currency translation adjustmen		
Balance at the end of previous period	(2,378)	(4,005)
Changes during the period		
Net changes in items other than shareholders' equity	(1,627)	(1,286)
Total changes during the period	(1,627)	(1,286)
Balance at the end of current period	(4,005)	(5,291)
Minority interests		
Balance at the end of previous period	342	224
Changes during the period		
Net changes in items other than shareholders' equity	(118)	(22)
Total changes during the period	(118)	(22)
Balance at the end of current period	224	202
Total net assets		
Balance at the end of previous period	162,930	163,110
Changes during the period		
Dividends from surplus	(2,657)	(2,657)
Net income	5,175	9,271
Purchase of treasury stock	(5)	(1)
Disposal of treasury stock	0	0
Changes to range of application of equity method	–	26
Net changes in items other than shareholders' equity	(2,334)	(413)
Total changes during the period	180	6,225
Balance at the end of current period	163,110	169,335

## (4) Consolidated Statements of Cash Flows

(million yen)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Cash flows from operating activities		
Income before income taxes and minority interests	11,010	17,683
Depreciation and amortization	8,437	8,469
Impairment loss	695	3,038
Amortization of goodwill	110	211
Provision for (reversal of) doubtful accounts	1,548	69
Provision for (reversal of) employees' bonuses	960	676
Provision for (reversal of) directors' bonuses	27	35
Provision for (reversal of) warranties for completed construction	751	(164)
Provision for (reversal of) disaster losses	545	(485)
Provision for (reversal of) loss on business liquidation	129	–
Provision for (reversal of) retirement benefits, less payments	2,428	3,892
Provision for (reversal of) directors' retirement benefits	(96)	20
Interest and dividends income	(967)	(1,163)
Interest expenses	1,318	1,296
Equity in (earnings) losses of affiliates	778	314
Losses (gains) on sales of marketable securities and investment securities, net	(285)	94
Losses on devaluation of marketable securities and investment securities	1,024	68
Losses (gains) on sales/disposal of fixed assets, net	(197)	(84)
Monetary effect of applying Accounting Standard for Asset Retirement Obligation	706	–
Decrease (increase) in notes and accounts receivable-trade	(12,340)	(6,257)
Inventories	(1,720)	860
Other current assets	(3,415)	1,622
Notes and accounts payable, trade	2,026	6,073
Advances received	885	(250)
Advances received on uncompleted construction contracts	6,446	1,044
Accrued consumption taxes	(9)	64
Other current liabilities	(339)	797
Other, net	17	(535)
Subtotal	20,471	37,384
Interest and dividends income received	1,374	1,760
Interest paid	(1,276)	(1,347)
Income taxes paid	(3,054)	(10,925)
Net cash provided by (used in) operating activities	17,515	26,873

(million yen)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
<b>Cash flows from investment activities</b>		
Payments into time deposits	(10,021)	(34,021)
Proceeds from withdrawal of time deposits	10,033	18,028
Decrease (increase) in short-term loans receivable	(165)	(3,839)
Payments for purchases of fixed assets	(11,662)	(10,454)
Proceeds from sales of fixed assets	1,743	2,578
Payments for purchases of intangible assets	(2,473)	(2,788)
Payments for purchase of investment securities	(1,466)	(716)
Proceeds from sales of investment securities	480	10
Payments for additional acquisition of stock of consolidated subsidiaries	(2)	(1)
Proceeds from sales of stock of subsidiaries accompanied by a change in the scope of consolidation	313	–
Proceeds from purchase of stock of subsidiaries accompanied by a change in the scope of consolidation	–	(1,984)
Payments of long-term loans receivable	(386)	(260)
Repayments of long-term loans receivable	264	644
Other payments	(899)	(1,061)
Other proceeds	992	961
<b>Net cash used in investment activities</b>	<b>(13,247)</b>	<b>(32,903)</b>
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term debt	1,094	3,280
Repayments of finance lease obligations	(1,264)	(1,746)
Proceeds from long-term debt	3,342	3,224
Repayment of long-term debt	(138)	(7,721)
Cash dividends paid	(2,657)	(2,657)
Cash dividends paid to minority shareholders	(0)	(0)
Other proceeds	0	0
Other payments	(5)	(1)
<b>Net cash provided by (used in) financing activities</b>	<b>372</b>	<b>(5,622)</b>
Effect of exchange rate change on cash and cash equivalents	(721)	(90)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,919</b>	<b>(11,742)</b>
Cash and cash equivalents at the beginning of period	71,662	75,582
<b>Cash and cash equivalents at the end of period</b>	<b>75,582</b>	<b>63,839</b>



## (5) Notes related to the Assumption of a Going Concern

None

## (6) Basis of Presenting the Consolidated Financial Statements

## (a) Scope of Consolidation

The consolidated financial statements include the accounts of the Company and its 47 subsidiaries. Names of major consolidated subsidiaries are omitted because they are listed in “Corporate Group.” Now, the newly established PT. Sumitomo Forestry Indonesia and the Canyon Creek Cabinet Company (of which the Group has newly acquired stock) are included in the scope of “consolidated” starting from this consolidated fiscal year.

## (b) Application of Equity Method

- 1) The consolidated financial statements include 23 affiliates that are accounted for by the equity method, including PT. Rimba Partikel Indonesia and Henley Arch Unit Trust. Now, the newly established SPJR Land Developments Pty Ltd., 335 Grices Road Pty Ltd. and Creekstone Development LLC (of which the Group has newly acquired stock) are, starting from this fiscal year, included in affiliates accounted for by the equity method. During the last consolidated fiscal year, Dongwha SFC Housing Co., Ltd. was accounted for by the equity method; due to a partial transfer of stock it is. Also, the Home Construction Succession Fund Limited Partnership was liquidated on March 23, 2012. Consequently, both companies are no longer accounted for by the equity method.
- 2) For equity-method affiliates that have a fiscal year end that differs from the Company’s fiscal year end, financial statements for these different fiscal years are used.

## (c) Fiscal Year End of Consolidated Subsidiaries

The fiscal year end of two consolidated subsidiaries, Daiichisansho Co., Ltd. and Nihei Co., Ltd., is March 20. Financial statements used in the preparation of the consolidated financial statements of the two subsidiaries are as of March 20, 2012. The fiscal year end of Kowa Lumber Co., Ltd. and overseas consolidated subsidiaries is December 31. The financial statements used in the preparation of the consolidated financial statements for these subsidiaries are as of December 31, 2011. The fiscal year end of subsidiaries in Japan, excluding the three subsidiaries above, is March 31. The financial statements used in the preparation of the consolidated financial statements for these subsidiaries are as of March 31, 2012.

## (d) Significant Accounting Policies

## 1) Valuation of Significant Assets

## (i) Securities

Held-to-Maturity Securities	...	Amortized cost method (straight-line method)
Other securities	With market value	... Value method based on the market price on the closing date (unrealized gains and losses are reported in the shareholders’ equity section. Sales cost of securities is determined by the moving-average method.)
	Without market value	... Cost method based on the moving-average method

## (ii) Derivatives

Market value method

## (iii) Inventories

Purchased products, manufactured products, work in process, raw materials and supplies are stated at cost, which is mainly determined by the moving average method. Developed land and housing for sale and land and housing projects in progress are stated at cost, determined by the specific cost method. Net book value of inventories as shown in the consolidated balance sheet is written down when profitability declines.

## 2) Depreciation and Amortization Method for Principal Depreciable Assets

## (i) Property, plant and equipment (excluding lease assets)

The declining-balance method of depreciation is mainly used. However, the straight-line method is used for buildings (excluding structures) acquired on or after April 1, 1998.

## (ii) Intangible assets (excluding lease assets)

The straight-line method is used. The straight-line method is used for the amortization of software used internally based on the estimated internal use period (5 years) .

## (iii) Lease assets

Finance leases that do not transfer ownership of the leased assets are depreciated down to a residual value of zero over their useful lives using the straight-line method.

3) Significant Allowances

(i) Allowances for doubtful accounts

In order to prepare for expected losses from bad debts, estimated unrecoverable amounts are recorded for general claims based on historical bad-debt ratios, and for specific claims including doubtful accounts, based on individual recoverability.

(ii) Provision for employees' bonuses

Estimated bonus payments to be charged to income in the current fiscal year are recorded to prepare for accrued bonus payments to employees.

(iii) Provision for directors' bonuses

Bonus payments to be charged to income in the current fiscal year are recorded to prepare for accrued bonus payments to directors of the Company and certain consolidated subsidiaries.

(iv) Provision for warranties for completed construction

A warranty reserve is recorded to prepare for repair costs that may be required for completed construction. The reserve is based on historical costs and future estimates.

(v) Provision for disaster loss

Estimated losses are recorded to prepare for expenditure on asset restoration costs arising due to the Great East Japan Earthquake.

(vi) Provision for retirement benefits

To prepare for accrued employee retirement benefits, a provision for retirement benefits is recorded based on the projected retirement benefit obligation and plan assets at year end. In the event that the estimated amount of pension fund assets exceeds the projected retirement benefit obligation, the excess amount is accounted for as prepaid expenses. Unrecognized actuarial gains (losses) are amortized in the fiscal year in which they arise.

(vii) Provision for directors' retirement benefits

To prepare for the payment of directors' retirement benefits, accrued retirement benefits to directors of certain subsidiaries are recorded based on the amount required at year end in accordance with established internal regulations.

(viii) Provision for loss on business liquidation

To prepare for losses arising from business liquidation, a provision for loss on business liquidation is recorded based on projected losses.

4) Completed Contracts and Cost of Completed Contracts

At the end of the fiscal year that ended in March 2012, construction revenue is recognized by the percentage-of-completion method if the outcome of a construction contract could be estimated reliably (percentage of completion is estimated as a percentage of the estimated total cost, based on the cost incurred). The completed contract method is used for other short-term construction contracts.

5) Accounting for Hedges

(i) Hedge accounting method

Deferral hedge accounting is used.

Appropriation accounting foreign currency transactions is applied to foreign exchange hedging transactions. Special accounting treatment is used for interest rate swaps as they satisfy the requirements for special treatment.

(ii) Hedging policy

Foreign exchange forward contracts and foreign currency swaps are utilized to mitigate foreign exchange risks. Interest rate swap transactions are utilized to mitigate interest rate risks.

(iii) Scope of hedging

Certain foreign exchange transactions, including planned transactions, and borrowings exposed to interest rate risks are hedged in accordance with policies laid out in the management regulations.

(iv) Assessment of hedge effectiveness

The Company believes foreign exchange forward contracts and foreign currency swaps to be highly effective hedging instruments. Therefore, an evaluation of their effectiveness is omitted.

An evaluation of the effectiveness of the special accounting treatment used for interest rate swaps is omitted.

6) Amortization of Goodwill

Goodwill is amortized by the straight-line method over a period of up to 20 years. However, if its materiality is low, the goodwill is amortized in the year in which it is recognized.

7) Cash and Cash Equivalents in the Consolidated Statements of Cash Flows

The scope of cash (cash and cash equivalents) on the consolidated statements of cash flows is cash on hand, deposits readily convertible to cash and short-term investments that mature within three months and bear little risk of price fluctuation.

## 8) Other Significant Accounting Policies

## Consumption Tax

National and regional consumption taxes are accounted for using the net-of-tax method.

## (7) Changes in the Presentation Method

## (Consolidated Statements of Income)

“Foreign exchange losses” included in “Other” in the consolidated financial results for the previous year will be stated as

“Foreign exchange gains” this consolidated fiscal year. Because they exceed 10% of non-operating income, they will be listed separately.

“Foreign exchange losses” totaled 207 million yen in the fiscal year ended in March, 2011.

## (8) Additional Information

Beginning with the current consolidated fiscal year, the Company has adopted Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24, December 4, 2009) and Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24, December 4, 2009) to apply to future changes in accounting principles or correction of past accounting errors.

## (9) Notes to the Consolidated Financial Statements

## (Consolidated Balance Sheets)

## 1. Guarantee obligation

	As of March 31, 2011	As of March 31, 2012
Guarantee obligation	25,908 million yen	25,178 million yen

## 2. Certain buildings and land held as real estate for sale have been reclassified and reported as follows in the fixed assets section because the purpose of holding these assets was changed during the fiscal year:

	As of March 31, 2011	As of March 31, 2012
Buildings	0 million yen	– million yen
Land	204	–
Total	204	–

## 3. Certain buildings and land held as fixed assets have been reclassified and reported as follows in the real estate for sale section because the purpose of holding these assets changed during the fiscal year:

	As of March 31, 2011	As of March 31, 2012
Buildings and structures	3,045 million yen	2,046 million yen
Land	1,993	1,417
Total	5,038	3,463

## 4. Notes receivable at the end of the consolidated fiscal year

Notes receivable at the end of the consolidated fiscal year are processed on their exchange dates. Now, because the final day of the current consolidated fiscal year, the following notes receivable at the end of the consolidated fiscal year are included in the consolidated fiscal year balance.

	As of March 31, 2011	As of March 31, 2012
Notes receivable-trade	– million yen	7,806 million yen
Notes payable-trade	–	1,875

## (Consolidated Statements of Income)

## 1. Gain on the transfer to a defined contribution plan

The gain on the transfer to a defined contribution plan for the current consolidated fiscal year resulted from reform of the retirement benefit systems of consolidated subsidiaries.

## 2. Gain on abolishment of the retirement benefit plan, extraordinary retirement benefits and other extraordinary losses

The gain on abolishment of retirement benefit plan, extraordinary retirement benefits and other extraordinary losses in the previous fiscal year are due to the decision to transfer the businesses of certain consolidated subsidiaries.

## 3. Impairment losses

In the current fiscal year under review, the Company posted impairment losses in the following asset groups:

## Previous fiscal year (April 1, 2010 - March 31, 2011)

Application	Location	Type	Impairment losses (million yen)
Industrial site	Komatsushima city, Tokushima	Land	695

In order to monitor earnings on a continuous basis, the Group determines asset groupings based on the units used for administrative accounting.

Due to the decision to transfer the businesses of certain subsidiaries, the book values of the above assets are reduced to their recoverable amounts, and the amount of reduction is recognized as an extraordinary impairment loss. The recoverable amount is estimated based on net sales prices and calculated based on expected sales proceeds.

## Current fiscal year (April 1, 2011 - March 31, 2012)

Application	Location	Type	Impairment losses (million yen)
Plywood manufacturing equipment	Fuxin City, Liaoning Province, China	Buildings and structures	471
		Machinery, equipment and vehicles	201
		Others	402
		Total	1,073
Medium density fiberboard manufacturing equipment	Wangaratta, Victoria, Australia	Machinery, equipment and vehicles	1,345
		Others	54
		Total	1,399
Assets for use with the detached housing sales business	Bellevue, Washington, U.S.A	Intangible assets	53
		Other intangible assets	499
		Others	14
		Total	566

In order to monitor earnings on a continuous basis, the Group determines asset groupings based on the units used for administrative accounting.

Because plywood manufacturing equipment and medium density fiberboard manufacturing equipment continue to produce losses due to sales and marketing activities, the book values of the above assets are reduced to their recoverable amounts, and the amount of reduction is recognized as an extraordinary impairment loss. The recoverable amount for plywood manufacturing equipment is estimated based on net sales prices. Estimates for medium density fiberboard manufacturing equipment are based on utility value; calculations will be made after deducting a future cash flow of 13.86%.

Concerning assets for use with the detached housing sales business, in the North American detached housing sales business, book values are reduced to their recoverable amounts because, during a reevaluation of the business plan, utility values were

determined to be lower than the book values. The amount of reduction is recognized as an extraordinary impairment loss. For recoverable amounts, utility values are calculated as zero. All book values for goodwill have been reduced due to the infeasibility of the expected profits.

#### 4. Disaster losses

Disaster losses for the previous consolidated fiscal year resulted from the Great East Japan Earthquake and is the sum of expenses related to the inspection of homes and buildings constructed by the Company, the cost of restoring offices and factories to their original state, loss of/damage to/valuation loss on inventories and loss on retirement of noncurrent assets. These losses include ¥545 million in provision of reserve for disaster losses.

Disaster losses for the current consolidated fiscal year also resulted from the Great East Japan Earthquake. They mainly consisted of expenses related to the inspection of homes and buildings constructed by the Company, the cost of restoring offices and factories to their original state, losses on inventory disposal, and the like.

#### (Statements of Changes in Consolidated Shareholders' Equity)

Previous Fiscal Year (April 1, 2010 – March 31, 2011)

##### 1. Type and Number of Shares Outstanding and Treasury Stock

	Number of shares at the beginning of the current fiscal year (shares)	Increase during the current fiscal year (shares)	Decrease during the current fiscal year (shares)	Number of shares at the end of the current fiscal year (shares)
Shares issued and outstanding				
Common shares	177,410,239	-	-	177,410,239
Total	177,410,239	-	-	177,410,239
Treasury stock				
Common shares (Note) 1,2	263,750	7,545	450	270,845
Total	263,750	7,545	450	270,845

(Note) 1. Increase due to purchase of odd-lot shares: 7,545

2. Decrease due to sale of odd-lot shares: 450

#### 2. Dividends

##### (1) Cash Dividends

Resolution	Type of shares	Aggregate amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Regular general meeting of shareholders (June 25, 2010)	Common shares	1,329	7.50	March 31, 2010	June 28, 2010
Board meeting (November 10, 2010)	Common shares	1,329	7.50	September 30, 2010	December 3, 2010

##### (2) Of the Dividends whose Record Date Falls during the Fiscal Year under Review, those Dividends whose Effective Date Falls after the Said Fiscal Year End

Resolution	Type of shares	Aggregate amount of dividend (million yen)	Dividend resource	Dividend per share (yen)	Record date	Effective date
Regular general meeting of shareholders (June 24, 2011)	Common shares	1,329	Retained earnings	7.50	March 31, 2011	June 27, 2011

## Current Fiscal Year (April 1, 2011 – March 31, 2012)

## 1. Type and Number of Shares Outstanding and Treasury Stock

	Number of shares at the beginning of the current fiscal year (shares)	Increase during the current fiscal year (shares)	Decrease during the current fiscal year (shares)	Number of shares at the end of the current fiscal year (shares)
Shares issued and outstanding				
Common shares	177,410,239	-	-	177,410,239
Total	177,410,239	-	-	177,410,239
Treasury stock				
Common shares (Note) 1,2	270,845	1,121	44	271,922
Total	270,845	1,121	44	271,922

(Note) 1. Increase due to purchase of odd-lot shares: 1,121

2. Decrease due to sale of odd-lot shares: 44

## 2. Dividends

## (1) Cash Dividends

Resolution	Type of shares	Aggregate amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Regular general meeting of shareholders (June 24, 2011)	Common shares	1,329	7.50	March 31, 2011	June 27, 2011
Board meeting (November 9, 2011)	Common shares	1,329	7.50	September 30, 2011	December 6, 2011

## (2) Of the Dividends whose Record Date Falls during the Fiscal Year under Review, those Dividends whose Effective Date Falls after the Said Fiscal Year End

Resolution	Type of shares	Aggregate amount of dividend (million yen)	Dividend resource	Dividend per share (yen)	Record date	Effective date
Regular general meeting of shareholders (June 22, 2012)	Common shares	1,329	Retained earnings	7.50	March 31, 2012	June 25, 2012

## (Statements of Cash Flows)

1. Reconciliation of balance sheet items to cash and cash equivalents in the consolidated statements of cash flows.

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Cash and deposits	55,618 million yen	64,870 million yen
Deposits with a term of over 3 months	(36)	(16,030)
Certificates of deposit issued by domestic companies included in marketable securities	20,000	15,000
Cash and cash equivalents at end of period	75,582	63,839

2. Principal assets and liabilities of a company that ceased to be a consolidated subsidiary in the fiscal year ended in March, 2011  
Following the sale of stock, assets and liabilities of the company at the time of sale, the selling price of the stock and revenue from this sale (net) are presented below.

Current assets	491 million yen
Noncurrent assets	75
Current liabilities	(442)
Noncurrent liabilities	(60)
Unrealized gain on available-for sale securities	3
Gain on sale of stock	273
Selling price of stock	340
Cash and cash equivalents	(27)
Less: Revenue from sale	313

3. Principal assets and liabilities of a company that became a consolidated subsidiary due to acquisition of stock  
Assets and liabilities of a corporation at time of its consolidation resulting from the acquisition of stock as well as the relationship between the acquisition price of stock and expenditures (net) for its acquisition are presented below.

Current assets	1,666 million yen
Noncurrent assets	1,689
Goodwill	975
Current liabilities	(939)
Noncurrent liabilities	(290)
Acquisition price of stock	3,101
Cash and cash equivalents	(1,117)
Deduction: acquisition expenditures	1,984

## (Segment Information)

1. Outline of Reporting Segments

Reporting segments are discrete constituent units of the Company for which financial statements are separately prepared. In order to determine the allocation of the Company's management resources and evaluate its business results, the Board of Directors regularly discusses the reporting segments.

The Company has established divisions in its Headquarters to handle its products, services and regions. Each division formulates comprehensive strategies for the products and services that it handles, and uses these strategies to conduct its business activities.

Therefore, the Company consists of different product, service and region-oriented segments which are based around divisions. There are 4 reporting segments: the timber and building materials business, the overseas business, the housing business and the real estate business.

The timber and building materials business procures, manufactures, processes and sells timber and building materials. The overseas business procures, manufactures and sells timber and building materials overseas, constructs detached homes, sells spec houses, and conducts forestation. The housing business constructs, sells and maintains residential property such as detached houses and apartment buildings, conducts renovations and exterior work and carries out landscaping and planting.

The real estate business mediates real estate purchases, sales and rental and sells spec homes.

2. Method Used for Calculating Sales, Income (loss), Assets and other Items by Each Reporting Segment

The accounting treatment used for all reporting segments is basically the same as that stated in “Basis of Presenting the Consolidated Financial Statements,” except for the treatment used to account for retirement benefit cost.

Actuarial loss on retirement benefit cost is not recognized.

Segment income figures are based on recurring income.

Intersegment transactions are priced in accordance with prevailing market prices.

3. Information regarding Sales, Income (loss), Assets and other Items by Each Reporting Segment

Previous Fiscal Year (April 1, 2010 - March 31, 2011)

(million yen)

	Reporting segment					Other (Note) 1	Total	Adjustment (Note) 2	Total shown in the consolidated financial statement (Note) 3
	Timber and Building Materials	Overseas	Housing	Real Estate	Total				
Sales									
(1) Unaffiliated customers	372,025	26,529	344,424	50,185	793,163	3,557	796,720	773	797,493
(2) Intersegment sales/transfers	18,206	6,704	1,855	696	27,462	9,973	37,435	(37,435)	-
Total	390,231	33,234	346,279	50,881	820,626	13,529	834,155	(36,662)	797,493
Segment income (loss)	4,848	(1,829)	18,988	903	22,911	502	23,412	(9,206)	14,206
Segment assets	147,135	52,576	98,083	62,917	360,711	10,843	371,554	117,863	489,417
Other									
Depreciation and amortization (Note) 4	993	2,048	3,162	560	6,763	788	7,551	885	8,437
Amortization of goodwill	(18)	80	-	49	110	-	110	-	110
Interest income	20	106	2	42	169	0	170	55	225
Interest expenses	735	981	342	883	2,941	23	2,965	(1,647)	1,318
Equity in earnings (losses) of affiliates	(23)	(755)	-	1	(778)	-	(778)	0	(778)
Investments in equity method affiliates	125	9,209	-	3	9,337	-	9,337	(11)	9,326
Increase in property, plant and equipment and intangible assets	1,318	4,324	2,996	4,875	13,514	877	14,390	182	14,572



- (Notes) 1. “Other” are business segments that are not included in the reporting segments. Such segments include the leasing business and insurance agency.
2. Adjustments are as presented below.
- (1) Adjusted sales to unaffiliated customers of ¥773 million are attributable to the administrative departments, and comprised mainly of rent from Company landholdings.
- (2) The adjusted business loss of ¥9,206 million includes ¥30 million in eliminated intersegment transactions, ¥2792 million in retirement benefit costs and ¥6,383 million in corporate expenses etc.  
Corporate expenses etc are mainly selling, general and administrative expenses unrelated to any reporting segment.
- (3) The adjusted segment assets of ¥117,863 million includes ¥7,563 million in eliminated intersegment transactions and ¥125,426 million in corporate assets which are not allocated to any reporting segment. Corporate assets are mainly unused funds under management (cash, deposits and securities), long-term investments (investment securities) and assets used by administrative departments.
3. Total segment income (loss) and segment assets are the total adjusted recurring income and assets shown in the consolidated financial statements.
4. The increase in depreciation expenses, property, plant and equipment and intangible assets includes long-term prepaid expenses and write-offs associated with these expenses.

## Current Fiscal Year (April 1, 2011 – March 31, 2012)

(million yen)

	Reporting segment					Other (Note) 1	Total	Adjustment (Note) 2	Total shown in the consolidated financial statement (Note) 3
	Timber and Building Materials	Overseas	Housing	Real Estate	Total				
Net sales									
(1) Unaffiliated customers	381,086	28,977	372,861	44,020	826,943	4,153	831,095	774	831,870
(2) Intersegment sales/transfers	18,708	8,618	1,858	221	29,406	7,911	37,316	(37,316)	-
Total	399,794	37,595	374,719	44,240	856,348	12,064	868,412	(36,542)	831,870
Segment income (loss)	4,667	(2,853)	24,621	1,193	27,628	709	28,336	(7,622)	20,714
Segment assets	154,844	59,184	96,670	58,617	369,314	11,588	380,903	122,593	503,496
Other									
Depreciation and amortization (Note) 4	914	2,192	3,328	538	6,972	792	7,763	706	8,469
Amortization of goodwill	(11)	169	-	53	211	-	211	-	211
Interest income	21	130	1	53	205	0	206	63	269
Interest expenses	685	974	313	746	2,718	20	2,738	(1,442)	1,296
Equity in earnings (losses) of affiliates	177	(492)	-	0	(315)	-	(315)	0	(314)
Investments in equity method affiliates	267	8,253	-	4	8,523	-	8,523	(11)	8,513
Increase in property, plant and equipment and intangible assets (Note) 4	692	6,636	4,517	566	12,410	1,072	13,483	467	13,950

- (Notes) 1. “Other” are business segments that are not included in the reporting segments. Such segments include the leasing business and insurance agency.
2. Adjustments are as presented below.
- (1) Adjusted sales to unaffiliated customers of ¥774 million are attributable to the administrative departments, and comprised mainly of rent from Company landholdings.
- (2) The adjusted business loss of ¥7,622 million includes ¥24 million in eliminated intersegment transactions, ¥4,916 million in retirement benefit costs and ¥2,681 million in corporate expenses etc.  
Corporate expenses etc are mainly selling, general and administrative expenses unrelated to any reporting segment.
- (3) The ¥122,593 million in adjusted segment assets of ¥122,593 million includes ¥8,697 in eliminated intersegment transactions and ¥131,290 million in corporate assets which are not allocated to any reporting segment.  
Corporate assets are mainly unused funds under management (cash, deposits and securities), long-term investments (investment securities) and assets used by administrative departments.
3. Total segment income (loss) and segment assets are the total adjusted recurring income and assets shown in the consolidated financial statements, respectively.
4. The increase in depreciation expenses, property, plant and equipment and intangible assets includes long-term prepaid expenses and write-offs associated with these expenses.

**4. Related Information**

Previous Fiscal Year (April 1, 2011 - March 31, 2012)

(1) Information by Product and Service (million yen)

	Timber and Building Materials	Housing and Housing-related	Others	Total
Sales to unaffiliated customers	395,743	397,549	4,201	797,493

(2) Information by Regions

(a) Net Sales

Sales to unaffiliated Japanese customers are not shown because these sales account for over 90% of consolidated net sales.

(b) Property, Plant and Equipment

(million yen)

Japan	Oceania	Asia	Other area	Total
65,099	16,038	6,423	41	87,602

(3) Information by Major Customer

Those sales to unaffiliated customers which are special customers are not shown as none of these sales accounts for more than 10% of consolidated net sales.

Current Fiscal Year (April 1, 2011 - March 31, 2012)

(1) Information by Product and Service (million yen)

	Timber and Building Materials	Housing and Housing-related	Others	Total
Sales to unaffiliated customers	407,051	420,052	4,767	831,870

(2) Information by Regions

(a) Net Sales

Sales to unaffiliated Japanese customers are not shown because these sales account for over 90% of consolidated net sales.

(b) Property, Plant and Equipment

(million yen)

Japan	Oceania	Asia	Other area	Total
60,832	14,079	9,667	1,063	85,641

(3) Information by Major Customer

Those sales to unaffiliated customers which are special customers are not shown as none of these sales accounts for more than 10% consolidated net sales.

**(5) Impairment Loss of Fixed Assets by Reporting Segment's**

Previous Fiscal Year (April 1, 2010 - March 31, 2011)

(million yen)

	Timber and Building Materials Business	Overseas	Housing	Real Estate	Other	Corporate/ Elimination	Total
Impairment Loss	695	-	-	-	-	-	695

Current Fiscal Year (April 1, 2010 - March 31, 2012)

(million yen)

	Timber and Building Materials Business	Overseas	Housing	Real Estate	Other	Corporate/ Elimination	Total
Impairment Loss	-	3,038	-	-	-	-	3,038

**(6) Amortization and the Unamortized Balance of Goodwill by Reporting Segment**

Previous Fiscal Year (April 1, 2010 - March 31, 2011)

(million yen)

	Timber and Building Materials Business	Overseas	Housing	Real Estate	Other	Corporate/ Elimination	Total
Amortization	(18)	80	-	49	-	-	110
Unamortized balance	(22)	141	-	82	-	-	201

Current Fiscal Year (April 1, 2010 - March 31, 2012)

(million yen)

	Timber and Building Materials Business	Overseas	Housing	Real Estate	Other	Corporate/ Elimination	Total
Amortization	(11)	169	-	53	-	-	211
Unamortized balance	(11)	907	-	29	-	-	924

**(7) Gain on Negative Goodwill by Reporting Segment**

Previous Fiscal Year (April 1, 2010 - March 31, 2011)

None.

Current Fiscal Year (April 1, 2011 - March 31, 2012)

None.

**(Per-Share Information)**

Fiscal year ended March 31, 2011		Fiscal year ended March 31, 2012	
Net assets per share	919.14	Net assets per share	954.81
Net income per share	29.21	Net income per share	52.34

(Notes) 1. Net income per share (diluted) is not presented, since there is no potential stock.

2. The basis for calculating net asset per share is as follows.

	Fiscal year ended March 31, 2011 (As of March 31, 2011)	Fiscal year ended March 31, 2012 (As of March 31, 2012)
Total net assets (million yen)	163,110	169,335
Breakdown of deductions from total net assets Minority interests (million yen)	224	202
Total net assets for common stock (million yen)	162,886	169,134
Number of common stocks issued (shares)	177,410,239	177,410,239
Number of treasury stocks (shares)	270,845	271,922
Number of common stocks used for calculation of net asset per share (shares)	177,139,394	177,138,317

3. The basis for calculating net income per share is as follows..

	Fiscal year ended March 31, 2011 (As of March 31, 2011)	Fiscal year ended March 31, 2012 (As of March 31, 2012)
Net income (million yen)	5,175	9,271
Income not available to common stockholders (million yen)	-	-
Income (loss) available to common stockholders (million yen)	5,175	9,271
Weighted average number of shares issued (shares)	177,142,840	177,138,651

**(Significant Events after the Reporting Period)**

None.

## 5. Non-consolidated Financial Statements

## (1) Balance Sheets

(million yen)

	As of March 31, 2011	As of March 31, 2012
<b>Assets</b>		
Current assets		
Cash and time deposits	48,582	58,756
Cash in trust	–	72
Notes receivable-trade	46,153	52,641
Accounts receivable-trade	56,523	58,044
Accounts receivable from completed construction contracts	3,375	753
Marketable securities	20,000	15,000
Finished goods, logs and lumber	9,292	10,600
Developed land and housing for sale	30,401	33,302
Costs on uncompleted construction contracts	18,795	17,044
Advance payments	512	345
Prepaid expenses	947	1,039
Deferred tax assets	5,936	5,545
Short-term loans receivable	9	9
Short-term loans receivable from subsidiaries and affiliates	8,558	17,310
Accounts receivable-other	67,814	62,797
Other	404	338
Allowance for doubtful accounts	(2,870)	(2,730)
Total current assets	314,431	330,864
Noncurrent assets		
Property, plant and equipment		
Buildings	19,203	17,253
Accumulated depreciation	(6,564)	(6,982)
Buildings, net	12,639	10,271
Structures	3,039	3,067
Accumulated depreciation	(2,649)	(2,710)
Structures, net	390	356
Machinery and equipment	1,188	1,233
Accumulated depreciation	(1,094)	(1,147)
Machinery and equipment, net	95	86
Vehicles	46	32
Accumulated depreciation	(40)	(30)
Vehicles, net	6	2
Tools, furniture and fixtures	4,502	4,475
Accumulated depreciation	(3,725)	(3,875)
Tools, furniture and fixtures, net	777	600
Land	11,763	10,418
Mature timber	8,782	8,731
Growing timber	186	204
Leased assets	5,908	7,253
Accumulated depreciation	(2,836)	(4,208)
Leased assets, net	3,072	3,045
Construction in progress	447	836
Total property, plant and equipment	38,157	34,550

(million yen)

	As of March 31, 2011	As of March 31, 2012
<b>Intangible assets</b>		
Telephone subscription right	183	182
Leasehold right	4	4
Right of utilization on forest road	204	186
Right of using facilities	2	2
Software	4,069	4,586
Leased assets	3	2
<b>Total intangible assets</b>	<b>4,465</b>	<b>4,962</b>
<b>Investments and other assets</b>		
Investment securities	38,417	39,269
Stocks of subsidiaries and affiliates	22,125	25,228
Investments in other securities of subsidiaries and affiliates	6	–
Investments in capital of subsidiaries and affiliates	2,286	1,749
Long-term loans receivable	486	389
Long-term loans receivable from employees	29	37
Long-term loans receivable from subsidiaries and affiliates	17,457	6,309
Claims provable in bankruptcy, claims provable in rehabilitation and other	3,017	3,113
Long-term prepaid expenses	678	593
Other	4,119	4,098
Allowance for doubtful accounts	(5,095)	(3,650)
<b>Total investments and other assets</b>	<b>83,526</b>	<b>77,135</b>
<b>Total noncurrent assets</b>	<b>126,148</b>	<b>116,646</b>
<b>Total assets</b>	<b>440,578</b>	<b>447,510</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable-trade	7,016	7,832
Accounts payable-trade	71,665	75,103
Accounts payable for construction contracts	74,259	71,512
Long-term debt due within 1 year	6,300	5,800
Lease obligations	1,260	1,263
Accounts payable-other	6,962	7,625
Income taxes payable	4,974	4,063
Accrued consumption taxes	1,077	1,104
Accrued expenses	929	968
Advances received	957	775
Advances received on uncompleted construction contracts	31,756	31,965
Deposits received	21,134	23,377
Unearned revenue	1,614	1,419
Provision for employees' bonuses	5,400	5,800
Provision for directors' bonuses	60	95
Provision for warranties for completed construction	1,836	1,695
Provision for disaster losses	495	60
Asset retirement obligation	447	528
Other	42	–
<b>Total current liabilities</b>	<b>238,185</b>	<b>240,984</b>

(million yen)

	As of March 31, 2011	As of March 31, 2012
<b>Long-term liabilities</b>		
Bonds issued	15,000	15,000
Long-term loans payable	24,700	18,900
Guarantee deposited	4,978	4,974
Lease obligations	1,643	1,640
Deferred tax liabilities	4,810	3,570
Provision for retirement benefits	277	4,230
Provision for loss on business of subsidiaries and affiliates	2,826	3,671
Provision for loss on business liquidation	1,435	1,435
Asset retirement obligation	795	731
Other	1,760	219
Total noncurrent liabilities	58,225	54,370
<b>Total liabilities</b>	<b>296,410</b>	<b>295,354</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	27,672	27,672
<b>Capital surplus</b>		
Legal capital surplus	26,613	26,613
Other capital surplus	259	259
Total capital surpluses	26,872	26,872
<b>Retained earnings</b>		
Legal retained earnings	2,857	2,857
<b>Other retained earnings</b>		
Reserve for reduction entry	1,347	1,444
General reserve	76,687	76,387
Retained earnings brought forward	3,754	11,090
Total retained earnings	84,645	91,779
Treasury stock	(267)	(268)
Total shareholders' equity	138,921	146,055
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	5,046	5,906
Deferred gains or losses on hedges	201	195
Total valuation and translation adjustments	5,247	6,102
Total net assets	144,168	152,156
<b>Total liabilities and net assets</b>	<b>440,578</b>	<b>447,510</b>

## (2) Statements of Income

(million yen)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Net sales		
Net sales of goods	366,268	376,345
Completed contracts	281,247	303,843
Total net sales	647,515	680,189
Cost of sales		
Cost of goods sold		
Beginning goods	46,417	45,572
Cost of purchased goods	343,168	356,563
Transfer to other account	(4,796)	(3,463)
Total	394,381	405,598
Ending goods	45,572	48,557
Total cost of goods sold	348,810	357,041
Cost of completed contracts	206,871	225,903
Total cost of sales	555,681	582,944
Gross profit	91,834	97,245
Selling, general and administrative expenses	83,535	83,532
Operating income	8,299	13,713
Non-operating income		
Interest income	403	411
Interest on securities	18	17
Purchase discounts	336	336
Dividends income	2,867	3,104
Other	968	1,259
Total non-operating income	4,591	5,127
Non-operating expenses		
Interest expenses	566	500
Bond interest expenses	203	203
Sales discounts	477	505
Other	341	250
Total non-operating expenses	1,586	1,458
Recurring income	11,304	17,383
Extraordinary gains		
Gain on sales of noncurrent assets	46	285
Gain on sales of investment securities	17	5
Total extraordinary gains	63	290

(million yen)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Extraordinary loss		
Loss on retirement of noncurrent assets	114	144
Loss (gain) on valuation of investment securities	1,014	68
Disaster losses	592	67
Loss on sale of stocks of subsidiaries and affiliates	–	159
Loss on valuation of investments in capital of subsidiaries and affiliates	–	920
Loss on liquidation of subsidiaries and affiliates	–	546
Monetary effect of applying Accounting Standard for Asset Retirement Obligation	653	–
Loss on valuation of stocks of subsidiaries and affiliates	3,731	–
Total extraordinary losses	6,104	1,904
Income before income taxes	5,264	15,768
Income taxes-current	4,798	6,564
Income taxes-deferred	(1,864)	(587)
Total income taxes	2,934	5,977
Net income	2,329	9,791



## (3) Statements of Changes in Net Assets

(million yen)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
<b>Shareholders' equity</b>		
Capital stock		
Balance at the end of previous period	27,672	27,672
Balance at the end of current period	27,672	27,672
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	26,613	26,613
Balance at the end of current period	26,613	26,613
Other capital surplus		
Balance at the end of previous period	259	259
Changes during the period		
Disposal of treasury stock	(0)	(0)
Total changes during the period	(0)	(0)
Balance at the end of current period	259	259
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	2,857	2,857
Balance at the end of current period	2,857	2,857
Other retained earnings		
Reserve for reduction entry		
Balance at the end of previous period	1,347	1,347
Changes during the period		
Net changes in items other than shareholders' equity	–	98
Total changes during the period	–	98
Balance at the end of current period	1,347	1,444
General reserve		
Balance at the end of previous period	77,487	76,687
Changes during the period		
Reversal of general reserve	(800)	(300)
Total changes during the period	(800)	(300)
Balance at the end of current period	76,687	76,387
Retained earnings brought forward		
Balance at the end of previous period	3,281	3,754
Changes during the period		
Reversal of general reserve	800	300
Dividends from surplus	(2,657)	(2,657)
Net income	2,329	9,791
Net changes in items other than shareholders' equity	–	(98)
Total changes during the period	472	7,336
Balance at the end of current period	3,754	11,090
Treasury stock		
Balance at the end of previous period	(262)	(267)
Changes during the period		
Purchase of treasury stock	(5)	(1)
Disposal of treasury stock	0	0
Total changes during the period	(5)	(1)
Balance at the end of current period	(267)	(268)

(million yen)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
<b>Total shareholders' equity</b>		
Balance at the end of previous period	139,254	138,921
<b>Changes during the period</b>		
Dividends from surplus	(2,657)	(2,657)
Net income	2,329	9,791
Purchase of treasury stock	(5)	(1)
Disposal of treasury stock	0	0
Total changes during the period	(333)	7,133
Balance at the end of current period	138,921	146,055
<b>Valuation and translation adjustments</b>		
<b>Valuation difference on available-for-sale securities</b>		
Balance at the end of previous period	5,778	5,046
<b>Changes during the period</b>		
Net changes in items other than shareholders' equity	(732)	860
Total changes during the period	(732)	860
Balance at the end of current period	5,046	5,906
<b>Deferred gains or losses on hedges</b>		
Balance at the end of previous period	20	201
<b>Changes during the period</b>		
Net changes in items other than shareholders' equity	181	(6)
Total changes during the period	181	(6)
Balance at the end of current period	201	195
<b>Net assets</b>		
Balance at the end of previous period	145,052	144,168
<b>Changes during the period</b>		
Dividends from surplus	(2,657)	(2,657)
Net income	2,329	9,791
Purchase of treasury stock	(5)	(1)
Disposal of treasury stock	0	0
Net changes in items other than shareholders' equity	(551)	855
Total changes during the period	(884)	7,988
Balance at the end of current period	144,168	152,156

## 6. Others

Changes in Directors and Corporate Auditors

An announcement was made on February 28, 2012.

## 7. Supplementary Information

## (1) Consolidated Statements of Income

		(million yen)			
<Former Segments>		FY 3/11	FY 3/12	YoY change	% of YoY change
	Timber and Building Materials Business	390,231	399,794	9,563	2.5%
	Overseas Business	33,234	37,595	4,361	13.1%
	Housing Business	346,279	374,719	28,440	8.2%
	Real Estate Business	50,881	44,240	(6,641)	(13.1%)
	Other Businesses	13,529	12,064	(1,466)	(10.8%)
	Adjustment	(36,662)	(36,542)	120	-
	<b>Net sales</b>	<b>797,493</b>	<b>831,870</b>	<b>34,377</b>	<b>4.3%</b>
	Gross profit	16.6% 132,568	16.5% 136,873	4,305	3.2%
	Selling, general and administrative expenses	118,330	117,682	(648)	(0.5%)
	Operating income	1.8% 14,238	2.3% 19,191	4,952	34.8%
	Non-operating income	3,425	4,219	794	23.2%
	Non-operating expenses	3,458	2,695	(763)	(22.1%)
	Non-operating income/loss	(32)	1,524	1,556	-
	Timber and Building Materials Business	1.2% 4,848	1.2% 4,667	(181)	(3.7%)
	Overseas Business	(5.5%) (1,829)	(7.6%) (2,853)	(1,024)	-
	Housing Business	5.5% 18,988	6.6% 24,621	5,633	29.7%
	Real Estate Business	1.8% 903	2.7% 1,193	290	32.1%
	Other Businesses	3.7% 502	5.9% 709	207	41.3%
	Adjustment	(9,206)	(7,622)	1,585	-
	<b>Recurring income</b>	<b>1.8% 14,206</b>	<b>2.5% 20,714</b>	<b>6,508</b>	<b>45.8%</b>
	Extraordinary gains	767	455	(312)	(40.6%)
	Extraordinary losses	3,964	3,487	(476)	(12.0%)
	Extraordinary gains/losses	(3,196)	(3,032)	165	-
	<b>Net income</b>	<b>0.6% 5,175</b>	<b>1.1% 9,271</b>	<b>4,095</b>	<b>79.1%</b>

		(million yen)			
<New Segments>		FY 3/12	FY 3/13 (Forecast)	YoY change	% of YoY change
	Timber and Building Materials Business	405,350	400,000	(5,350)	(1.3%)
	Housing Business	415,098	430,000	14,902	3.6%
	Overseas Business«»	34,971	40,000	5,029	14.4%
	Other Businesses	14,049	15,000	951	6.8%
	Adjustment	(37,599)	(40,000)	(2,401)	-
	<b>Net sales</b>	<b>831,870</b>	<b>845,000</b>	<b>13,130</b>	<b>1.6%</b>
	Gross profit	16.5% 136,873	16.6% 140,500	3,627	2.7%
	Selling, general and administrative expenses	117,682	118,000	318	0.3%
	Operating income	2.3% 19,191	2.7% 22,500	3,309	17.2%
	Non-operating income	4,219	3,000	(1,219)	(28.9%)
	Non-operating expenses	2,695	2,500	(195)	(7.2%)
	Non-operating income/losses	1,524	500	(1,024)	(67.2%)
	Timber and Building Materials Business	1.2% 4,781	1.1% 4,400	(381)	(8.0%)
	Housing Business	6.2% 25,800	5.5% 23,700	(2,100)	(8.1%)
	Overseas Business	(8.4%) (2,938)	(3.5%) (1,400)	1,538	-
	Other Businesses	5.2% 728	3.3% 500	(228)	(31.3%)
	Adjustment	(7,655)	(4,200)	3,455	-
	<b>Recurring income</b>	<b>2.5% 20,714</b>	<b>2.7% 23,000</b>	<b>2,286</b>	<b>11.0%</b>
	Extraordinary gains	455	-	(455)	-
	Extraordinary losses	3,487	-	(3,487)	-
	Extraordinary gains/losses	(3,032)	-	3,032	-
	<b>Net income</b>	<b>1.1% 9,271</b>	<b>1.5% 13,000</b>	<b>3,729</b>	<b>40.2%</b>

- Due to the new segment changes expected FY 3/13, results for FY 3/12 have been reconfigured.
- The overseas timber and building materials distribution business included in the overseas business segment in the former segments are included in the timber and building materials business segment in the new segments. Because of this, all domestic and overseas timber and building materials distribution businesses have been consolidated into the timber and building materials business segment.
- The real estate business segment in the former segments has been integrated into the housing business segment in the new segments.

## (2) &lt;Housing Business &amp; Real Estate Business&gt;Sales and Orders Received (non-consolidated)

## (a) Actual

(million yen)

			FY 3/11 (Actual)			FY 3/12 (Actual)			Change	
			Volume	Amount	Unit price	Volume	Amount	Unit price	Volume	Amount
Orders Received	Contract Work	Custom-built detached housing	8926	284,420	31.9	8,962	295,194	32.9	0.4%	3.8%
		Wooden apartments	775	7,343	9.5	986	11,169	11.3	27.2%	52.1%
		Other contracts		160	-		585	-		266.7%
Sales	Contract Work	Custom-built detached housing *1	8,721	270,903	31.1	9,007	294,081	32.7	3.3%	8.6%
		Wooden apartments *1	724	6,681	9.2	772	7,899	10.2	6.6%	18.2%
		Other contracts		3,558	-		585	-		(83.5%)
	Detached spec homes business *2	226	9,567	42.3	225	9,862	43.8	(0.4%)	3.1%	
	Land for custom-built housing		5,784	-		4,987	-		(13.8%)	
	Real estate development *3		9,704	-		7,306	-		(24.7%)	
	Other *3		6,919	-		11,409	-		64.9%	
Total			313,116	-		336,129	-		7.3%	
Profit Ratio		Gross profit		25.4%	79,476	25.2%	84,805			
Backlog of Orders Received at Term End	Contract Work	Custom-built housing	8,399	261,670	31.2	8,354	262,784	31.5	(0.5%)	0.4%
		Wooden apartments	883	8,162	9.2	1,097	11,432	10.4	24.2%	40.1%
		Other contracts		0	-		-	-		-

## (b) Forecast

(million yen)

			FY 3/12 (Actual)			FY 3/13 (Forecast)			Change	
			Volume	Amount	Unit price	Volume	Amount	Unit price	Volume	Amount
Orders Received	Contract Work	Custom-built detached housing	8,962	295,194	32.9	9,000	297,900	33.1	0.4%	0.9%
		Wooden apartments	986	11,169	11.3	1,250	12,500	10.0	26.8%	11.9%
		Other contracts		585	-		1,200	-		105.0%
Sales	Contract Work	Custom-built detached housing *1	9,007	294,081	32.7	9,000	296,100	32.9	(0.1%)	0.7%
		Wooden apartments *1	772	7,899	10.2	959	9,400	9.8	24.2%	19.0%
		Other contracts		585	-		1,000	-		70.9%
	Detached spec homes business *2	225	9,862	43.8	250	11,300	45.2	11.1%	14.6%	
	Land for custom-built housing		4,987	-		4,300	-		(13.8%)	
	Real estate development *3		7,306	-		15,000	-		105.3%	
	Other *3		11,409	-		9,400	-		(17.6%)	
Total			336,129	-		346,500	-		3.1%	
Profit Ratio		Gross profit		25.2%	84,805	24.5%	85,000			
Backlog of Orders Received at Term End	Contract Work	Custom-built housing	8,354	262,784	31.5	8,354	264,584	31.7	0.0%	0.7%
		Wooden apartments	1,097	11,432	10.4	1,388	14,532	10.5	26.5%	27.1%
		Other contracts		-	-		200	-		-

\* 1: Sales volumes for custom-built detached housing and wooden apartments are delivered houses (number of houses is shown)

\* 2: Spec Homes Business and Real Estate Development figures are for the total of land and building

\* 3: Sales of interior products and rental proceeds from leasing properties in our portfolio etc.

## (3) Non-consolidated Business Results

(million yen)

Company name (Head Office)	Founded	Capital stock	Accounting term	Statements of Income				Balance Sheets	
				Net sales	Operating income	Recurring income	Net income	Total assets	Net assets
Sumitomo Forestry Co., Ltd. (Chiyoda-ku, Tokyo)	Feb, 1948	27,672	FY 3/11	647,515	8,299	11,304	2,329	440,578	144,168
			FY 3/12	680,189	13,713	17,383	9,791	447,510	152,156
			FY 3/13 (F)	685,000	16,000	19,000	12,000	-	-

## (4) Main Subsidiaries

(million yen)

Company name (Head Office) (Segment)	Founded	Capital stock	Ownership *1	Accounting term	Statements of Income				Balance Sheets	
					Net sales	Operating income	Recurring income	Net income	Total assets	Net assets
Sumitomo Forestry Crest Co.,Ltd. (Nagoya, Aichi Prefecture) (Timber and Building Materials Business)	8/1959	800	100.0%	FY 3/11	39,932	619	462	(634)	20,121	898
				FY 3/12	36,063	273	173	188	19,431	1,071
				FY 3/13 (F)	35,500	530	410	330	-	-
Sumitomo Forestry Residential Co.,Ltd. (Shinjuku-ku, Tokyo) (Real Estate Business) *2	3/1985	150	100.0%	FY 3/11	16,806	336	321	190	9,796	2,262
				FY 3/12	17,868	502	472	236	9,839	2,498
				FY 3/13 (F)	18,700	540	500	310	-	-
Sumitomo Forestry Home Engineering Co.,Ltd. (Shinjuku-ku, Tokyo) (Housing Business)	12/1999	75	100.0%	FY 3/11	82,492	1,132	1,240	712	31,154	3,284
				FY 3/12	83,829	852	932	473	27,534	3,045
				FY 3/13 (F)	84,400	750	800	450	-	-
Sumitomo Forestry Home Service Co. Ltd. (Shinjuku-ku, Tokyo) (Real Estate Business) *2	9/1964	400	100.0%	FY 3/11	5,473	164	134	98	2,271	(448)
				FY 3/12	5,294	149	132	122	2,910	(326)
				FY 3/13 (F)	5,400	170	150	120	-	-
Sumitomo Forestry Landscaping Co.,Ltd. (Nakano-ku, Tokyo) (Housing Business)	4/1977	200	100.0%	FY 3/11	20,889	(136)	(127)	(94)	7,975	2,706
				FY 3/12	22,471	102	124	1	8,638	2,710
				FY 3/13 (F)	22,900	210	240	150	-	-
Sumitomo Forestry Home Tech Co.,Ltd. (Chiyoda-ku, Tokyo) (Housing Business)	10/1988	100	100.0%	FY 3/11	41,802	1,899	2,060	1,051	15,981	3,407
				FY 3/12	47,909	2,410	2,641	1,582	19,292	3,937
				FY 3/13 (F)	55,700	2,800	3,000	1,860	-	-
PT. Kutai Timber Indonesia (Jakarta, Indonesia) (Overseas Business) *3	9/1970	27,000 (Thousand US\$)	99.9%	FY 12/12	8,763	98	90	93	6,128	1,803
				FY 12/11	9,584	163	207	215	6,289	1,929
				FY 12/12 (F)	11,000	370	330	330	-	-
Alpine MDF Industries Pty Ltd. (Wangaratta, Victoria, Australia) (Overseas Business) *4	5/1994	62,474 (Thousand AUS)	(100.0%)	FY 12/10	5,121	(39)	(100)	(115)	5,375	2,508
				FY 12/11	4,465	(403)	(457)	(1,833)	3,478	626
				FY 12/12 (F)	4,000	190	50	50	-	-
Nelson Pine Industries Ltd. (Richmond, Nelson, New Zealand) (Overseas Business) *5	10/1984	45,500 (Thousand NZ\$)	(100.0%)	FY 12/10	10,427	1,369	1,378	988	13,851	12,340
				FY 12/11	11,569	1,126	1,152	829	13,242	11,433
				FY 12/12 (F)	12,000	1,000	1,000	720	-	-

\*1 Figures in parentheses are for indirect investments.

\*2 Segment = FY 3/12 FY 3/13 = housing business segment.

\*3 \*4 \*5 The following exchange rates were used to convert into yen the income statements of overseas group companies.

	*3 US\$	*4 AUS	*5 NZ\$
FY 12/10	87.76	80.64	63.26
FY 12/11	79.70	82.31	63.07
FY 12/12 (Forecast)	79.80	83.80	65.30