FINANCIAL SECTION

ELEVEN-YEAR SUMMARY

Sumitomo Forestry Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen			
	2009	2008	2007	2006
OPERATING RESULTS:				
Net sales and contract revenues	**¥823,810**	¥861,357	¥911,674	¥791,128
Timber and Building Materials Business*1	**433,648**	470,945	520,103	412,182
Housing and Housing-Related Businesses*1	**406,351**	407,687	407,780	393,868
Other Businesses	**16,054**	15,734	14,597	13,549
Elimination and/or corporate	**(32,243)**	(33,009)	(30,806)	(28,471)
Gross profit	**133,493**	135,277	141,117	127,853
Selling, general and administrative expenses	**126,656**	128,041	120,711	112,407
Operating income	**6,837**	7,235	20,405	15,446
Timber and Building Materials Business*1	**2,054**	3,330	7,967	2,806
Housing and Housing-Related Businesses*1	**8,447**	8,797	16,586	16,370
Other Businesses	**936**	969	903	841
Elimination and/or corporate	**(4,599)**	(5,860)	(5,051)	(4,571)
Recurring income*2	**6,160**	7,659	21,259	16,800
Net income (loss)	**1,028**	1,115	11,954	10,842
FINANCIAL POSITION:				
Total assets	**¥427,738**	¥450,730	¥500,136	¥464,193
Working capital*3	**81,700**	64,156	76,453	68,037
Interest-bearing debt	**49,127**	25,816	25,739	22,067
Total net assets*4	**156,192**	173,089	188,855	175,206
CASH FLOWS:				
Cash flows from operating activities	**¥ (8,161)**	¥ 26,106	¥ 7,084	¥ 16,626
Cash flows from investment activities	**(29,062)**	(17,587)	(7,102)	(8,998)
Cash flows from financing activities	**24,196**	(4,262)	665	(14,039)
Cash and cash equivalents at the end of the year	**40,730**	54,475	50,311	49,628
CAPITAL INVESTMENT:*5				
Tangible fixed assets*6	**¥ 24,087**	¥ 9,578	¥ 6,724	¥ 8,132
Software	**1,500**	1,691	1,581	1,857
Others	**651**	225	721	454
Total	**26,238**	11,494	9,026	10,443
Depreciation and amortization	**8,477**	7,258	6,476	6,403
PER SHARE DATA: YEN				
Net income (loss)	**¥ 5.8**	¥ 6.3	¥ 67.4	¥ 61.3
Net assets	**880.9**	976.0	1,059.2	996.0
Cash dividends	**15.00**	15.00	15.00	13.00
	%			
FINANCIAL RATIOS:				
Gross profit margin	**16.2**	15.7	15.5	16.2
Operating income margin	**0.8**	0.8	2.2	2.0
Recurring income margin	**0.7**	0.9	2.3	2.1
Return on assets (ROA)*7	**1.4**	1.6	4.4	4.0
Return on equity (ROE)*7	**0.6**	0.6	6.6	6.6
Equity ratio	**36.5**	38.4	37.5	37.7
Interest-bearing debt ratio*8	**23.9**	13.0	12.1	11.2
Current ratio	**141.6**	127.6	129.3	129.3
Interest coverage ratio [times]	**4.5**	4.5	11.2	10.8

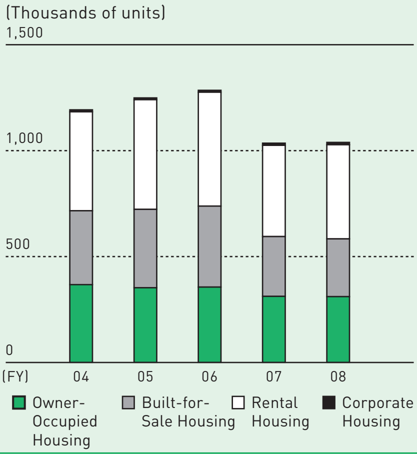
Notes:

1. Starting in fiscal 2000, the profits from transactions in housing materials have been included in the Housing and Housing-related segment; they were previously included in the Timber and Building Materials segment.
2. Recurring income = Operating income + Non-operating income - Non-operating expenses
   Non-operating income includes interest income, purchase discounts, dividends income, foreign exchange gains, miscellaneous gains, and other income generated from normal business activities. Non-operating expenses include interest expense, sales discounts, loss on devaluation of property, plant and equipment, foreign exchange losses, miscellaneous expenses, and other expenses from normal business activities.
3. Working capital = Current assets - Current liabilities

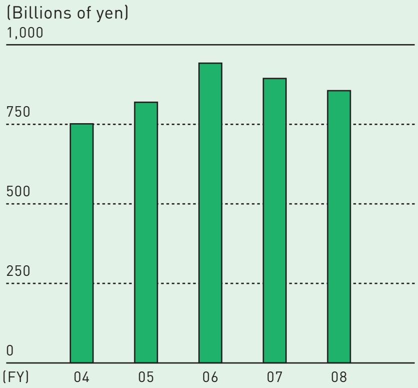
Millions of yen						
2005	2004	2003	2002	2001	2000	1999
¥723,193	¥673,779	¥645,100	¥644,730	¥682,375	¥699,594	¥620,615
320,255	293,220	283,517	270,856	279,811	340,988	294,411
418,313	393,616	370,421	381,978	405,150	370,692	335,782
13,185	12,350	17,882	18,050	16,978	15,481	13,900
(28,560)	(25,408)	(26,721)	(26,154)	(19,565)	(27,568)	(23,480)
125,582	120,778	109,631	109,437	118,064	112,269	99,692
107,116	103,201	100,858	106,397	102,065	98,720	93,481
18,466	17,577	8,772	3,040	15,999	13,549	6,210
4,615	3,813	2,238	1,882	5,128	14,770	11,341
17,530	17,150	9,920	4,961	16,631	5,141	942
738	644	415	579	519	569	1,315
(4,418)	(4,030)	(3,802)	(4,384)	(6,279)	(6,933)	(7,388)
18,692	17,074	9,721	3,731	16,908	12,541	6,305
8,014	9,870	(15,439)	465	6,994	5,708	134
¥370,684	¥369,755	¥357,322	¥365,531	¥371,102	¥360,935	¥346,293
67,579	66,377	60,260	60,477	61,319	68,892	71,746
15,580	19,929	16,497	18,124	24,517	35,720	40,059
152,500	146,269	129,727	147,440	150,979	144,914	139,301
¥6,685	¥25,962	¥19,734	¥17,332	¥3,468	¥(3,281)	¥26,715
(12,895)	(7,646)	2,026	(16,439)	(1,960)	(3,330)	2,068
(7,087)	(735)	(8,171)	(9,716)	(13,873)	(5,351)	(8,257)
55,928	69,312	52,029	38,873	47,476	59,916	71,971
¥7,016	¥4,040	¥2,761	¥7,705	¥4,448	¥4,373	¥—
1,673	1,468	2,077	2,194	1,889	1,264	—
549	883	283	225	252	303	—
9,237	6,392	5,123	10,124	6,590	5,941	4,556
6,452	6,447	5,985	5,289	4,551	4,756	5,060
¥45.3	¥55.8	¥(87.5)	¥2.6	¥39.6	¥32.4	¥0.8
866.5	830.5	736.4	835.1	854.9	821.6	789.8
13.00	13.00	10.00	10.00	10.00	10.00	10.00
%						
17.4	17.9	17.0	17.0	17.3	16.0	16.1
2.6	2.6	1.4	0.5	2.3	1.9	1.0
2.6	2.5	1.5	0.6	2.5	1.8	1.0
5.0	4.7	2.7	1.0	4.6	3.5	1.8
5.4	7.2	(11.1)	0.3	4.7	4.0	0.1
41.1	39.6	36.3	40.3	40.7	40.1	40.2
9.3	12.0	11.3	10.9	14.0	19.8	22.3
137.4	135.7	132.6	131.8	131.1	137.7	141.6
18.6	21.9	18.3	7.8	22.6	18.6	5.8

4. Total net assets are calculated following enforcement of the Japanese Corporate Law in 2006. Total net assets are comprised of the sum of shareholders' equity as previously defined and minority interest and gains (losses) on deferred hedges.
5. Disclosure of capital investment was not institutionalized prior to fiscal 1999, thus data prior to fiscal 1999 is only partially available.
6. As of March 2009, accounting standards for lease transactions were changed and, accordingly, leased assets are included in property, plant, and equipment.
7. ROA and ROE are calculated using the simple average of beginning and end of term balance sheet figures.
   ROA = Recurring income / Total assets
   ROE = Net income (loss) / Shareholders' equity
8. Interest-bearing debt ratio = Interest-bearing debt / (Interest-bearing debt + Shareholders' equity)

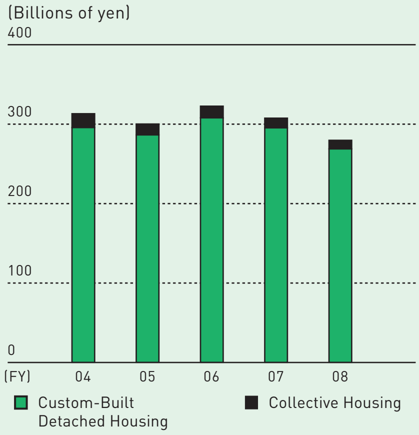
Number of New Housing Starts in Japan



Net Sales and Contract Revenues



Amount of Orders Received



Market Overview

In the business year ended March 2009, the Japanese economy was impacted by the global financial instability triggered by the subprime mortgage crisis and entered a retreat, as corporate earnings declined, the employment outlook worsened, and downward pressures on the economy increased.

In housing markets, while the effect of decreases in new housing starts caused by the revised Building Standards Act in the previous year ameliorated, the worsening economy caused new housing starts to grow by only 0.3%, to 1,039,000 units compared to the previous year. Owner-occupied housing starts, which have a deep relationship with the Group's businesses, reached only 311,000 units, a decrease of 0.4% from the previous period. Demand for timber and building materials in both domestic and overseas markets remained stagnant throughout the year, marking a continuation of the adverse market conditions from the previous year.

Consolidated Operating Results

1. Net Sales and Orders Received

Net sales fell by ¥37.547 billion to ¥823.810 billion, a decrease of 4.4% from the previous year. This is primarily attributable to slackening demand for timber and building materials due to stagnant growth of new housing starts in Japan, the effects of the global recession, as well as a year-on-year decline in the number of new custom-built detached houses sold.

The value of orders received for custom-built detached homes was ¥268.889 billion, a decrease of 9.0% compared with the previous year, while the number of orders received totaled 8,703 units, a decline of 6.4%. While the Group initiated *Sumai Haku* promotional events at 27 locations around Japan and expanded its product line-up, results were below the previous year's, reflecting the negative impact of the worsening economic environment on consumers' desire to purchase houses.

2. Selling, General and Administrative Expenses

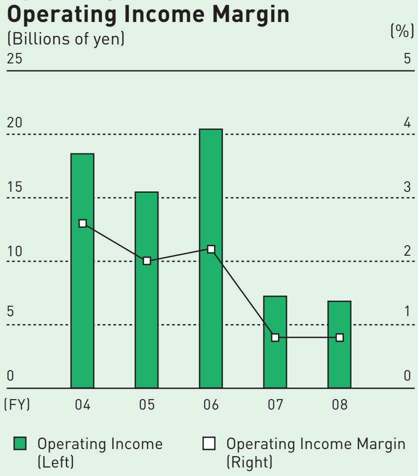
Selling, general and administrative expenses totaled ¥126.656 billion, a decrease of 1.1% from the previous year. While efforts were made to comprehensively reduce expenses across the Group, beginning with advertising and promotion expenses, the downturn in the stock market impacted the accounting for retirement benefits obligations causing an actuarial loss of ¥5.0 billion yen, with the result that these reductions amounted to only ¥1.385 billion compared with the previous year.

3. Operating Income

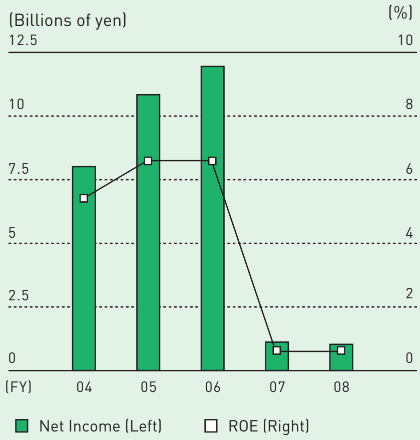
In the distribution of timber and building materials business, the balance between supply and demand for timber and building materials improved, as inventory adjustments were made in the overall market. Costs were also reduced in the custom-

SG&A Expenses and SG&A Expenses Ratio

Operating Income and Operating Income Margin



Net Income and ROE



*SG&A Expenses Ratio = SG&A Expenses / Net Sales and Contract Revenues

Segment Performance Highlights

	Millions of yen				
	2006	2007	2008	2009	2010 (Forecast)
Net sales					
Timber and Building Materials Business	¥412,182	¥520,103	¥470,945	¥433,648	¥415,000
Housing and Housing-Related Businesses	393,868	407,780	407,687	406,351	405,000
Other Businesses	13,549	14,597	15,734	16,054	13,000
Operating income					
Timber and Building Materials Business	¥ 2,806	¥ 7,967	¥ 3,330	¥ 2,054	¥ 2,000
Housing and Housing-Related Businesses	16,370	16,586	8,797	8,447	12,200
Other Businesses	841	903	969	936	800
	%				
Operating income margin					
Timber and Building Materials Business	0.7	1.5	0.7	0.5	0.5
Housing and Housing-Related Businesses	4.2	4.1	2.2	2.1	3.0
Other Businesses	6.2	6.2	6.2	5.8	6.2

Note: The sales figures given above include intersegment transactions.

built detached housing business and the price of timber, the primary raw material, dropped. As a result, the gross profit margin improved. Operating income, however, declined 5.5%, or ¥0.399 billion, to ¥6.837 billion. When the effects of the previously noted actuarial losses on retirement benefit obligations are excluded, operating income was ¥11.836 billion, a year-on-year increase of 0.6%.

4. Net Income

Net income fell by ¥0.087 billion to ¥1.028 billion, a 7.8% decrease from the previous year. This was attributable to the decrease in operating income, extraordinary losses on investment securities, valuation losses on inventories, and losses related to the disposition of subsidiary companies accompanying the transfer of operations of Sumitomo Forestry Two-By-Four Homes Co., Ltd., formerly a consolidated subsidiary. Net income per share was ¥5.80, a decrease of ¥0.49 from the previous year.

Segment Results

1. Timber and Building Materials Business

Net sales in the timber and building materials business were ¥433.648 billion, a decrease of 7.9%, and operating income was ¥2.054 billion, a decrease of 38.3% compared with the previous year. In the distribution business, which is operated in Japan, efforts were focused on comprehensive inventory management, strengthening relationships of trust through such activities as implementation of initiatives to support business partners, and enhancing the system to provide a wide range of products. As a result, the gross margin in the segment improved, but the negative impact of the market downturn depressed net sales. In the building materials manufacturing business, which is operated in both Japan and overseas markets, earnings fell below those of the previous period due to slowing demand for materials, and the effect of the steep rise in raw material prices in the first half of the fiscal year.

Operating Income of Main Subsidiaries

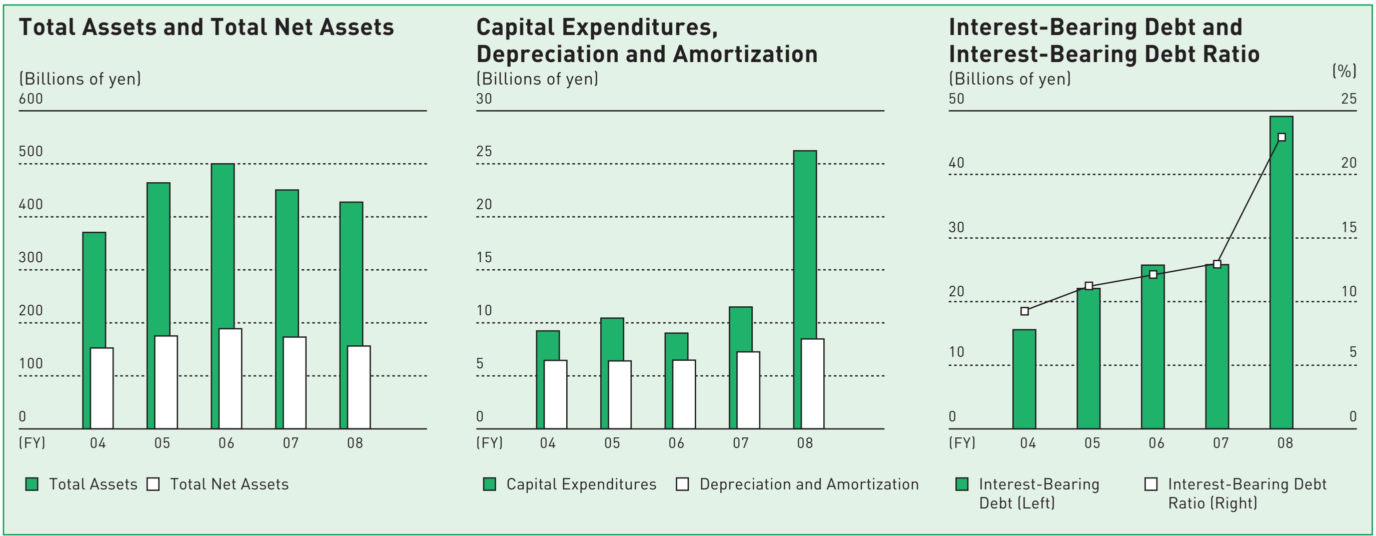
Timber and Building Materials Business

	Millions of yen		
Years ended March 31	2008	2009	2010 Forecast
Sumitomo Forestry Crest Co., Ltd.	541	(188)	230
Years ended December 31	2007	2008	2009 Forecast
Overseas Subsidiaries*1			
PT. Kutai Timber Indonesia (Indonesia)	(304)	263	(490)
Alpine MDF Industries Pty Ltd. (Australia)	468	95	110
Nelson Pine Industries Ltd. (New Zealand)	2,981	1,485	310

Housing and Housing-Related Businesses

	Millions of yen		
Years ended March 31	2008	2009	2010 Forecast
Sumitomo Forestry Home Engineering Co., Ltd.	588	575	540
Sumitomo Forestry Home Service Co., Ltd.	(77)	(545)	120
Sumitomo Forestry Home Tech Co., Ltd.*2	294	727	1,110
Sumitomo Forestry Residential Co., Ltd.*3	429	355	820

*1 Calculations for overseas affiliated companies have been translated into Japanese yen at the following rates.
FY2007 US$ = 117.78 / AU$ = 98.71 / NZ$ = 86.69
FY2008 US$ = 103.32 / AU$ = 88.49 / NZ$ = 74.08
FY2009 (Forecast) US$ = 97.00 / AU$ = 63.00 / NZ$ = 50.00
*2 Merged with Sumirin Maintenance Co., Ltd. on October 1, 2008.
*3 Changed business name from Sun Step Co., Ltd. on April 1, 2009.



2. Housing and Housing-Related Businesses
Net sales in the housing and housing-related businesses were ¥406.351 billion, a year-on-year decrease of 0.3%, and operating income was ¥8.447 billion, a decrease of 4.0%. Reflecting the downturn in the overall housing market, the number of custom-built houses sold declined despite efforts to sell high-value-added housing that leverages the Group's design strengths. Gross profit margin improved, however, mirroring the effects of a drop in prices of timber—the primary raw material for housing—as well as cost reduction initiatives. In the real estate business, we continued to propose high-value-added solutions that utilize the comprehensive strengths of the Group to meet the housing-related needs of local communities and differing generations, including the full launch of management of private pay elderly care facilities. We steadily grew the spec home business by providing products that meet the needs of each local community, targeting the first-time buyer. The remodeling business was also successful in recording a year-on-year increase in net sales, strengthening the sales network by regularly hosting on-site tours of remodeling projects, opening new stores, and attracting new customers via the Internet.

Financial Position and Cash Flow

1. Financial Position
At the end of March 2009, total assets were ¥427.738 billion, a decrease of ¥22.992 billion compared with the previous term. This decrease is primarily attributable to a reduction in current assets in the amount of ¥18.778 billion, reflecting a decrease in trade receivables (notes and accounts receivable), and a shrinkage in product, due to the decline in net sales in the distribution of timber and building materials business; as well as a ¥12.455 billion decrease in investments and other assets, as a result of losses on disposal of investment securities. Property, plant and equipment increased by ¥8.226 billion compared to the previous period, due to acquisition of real estate to strengthen the leasing operations of the real estate business.

Liabilities decreased by ¥6.096 billion compared to the previous consolidated fiscal year-end, to total ¥271.546 billion. This is primarily attributable to a decrease in accounts payable on construction accompanying the decrease in construction in process items, and a decrease in accounts payable in the distribution of timber and building materials business, despite an increase in long-term debt. The interest-bearing debt ratio increased to 23.9% from 13.0% at previous fiscal year-end, as interest-bearing debt was ¥49.127 billion, a increase of ¥23.311 billion year-on-year as a result of ¥29.0 billion in long-term borrowing as investment capital for future growth. Net assets decreased by ¥16.896 billion compared to the previous fiscal year-end to total ¥156.192 billion, as a result of a reduction in unrealized gain on available-for-sale securities accompanying the downturn in the stock market, and a decrease in foreign currency translation adjustments reflecting the appreciation of the yen in the second half of the year. The equity ratio stood at 36.5%.

2. Cash Flow
Net use of cash for operating activities was ¥8.161 billion compared to net cash flow from operating activities of ¥26.106 billion recorded in the previous year, reflecting increases in progress payments for construction operations in the housing business, and increases in inventory assets, including real estate assets for sale, as part of the expansion of real estate operations. Net cash used for investment activities was ¥29.062 billion, due to expenditures for acquisition of operating assets in the real estate business, etc. Net cash flow from financing activities totaled ¥24.196 billion, compared with a ¥4.262 billion net use of cash for financing activities in the previous year, due to fund-raising activity primarily through long-term debt, etc.

3. Capital Expenditures
Investment in property, plant, and equipment totaled ¥26.238 billion. The primary components of the investment were acquisition of rental real estate for expansion of the real estate business, development of housing sales centers in roadside format with the objective of providing comprehensive housing-related services from the Group and reduction of costs in the long term, and renewal of plant and equipment at manufacturing facilities located in Japan and overseas. Forestland adjoining company-owned forests was also acquired in Shikoku and Kyushu.

As investment for housing-related businesses, investment in software totaled ¥1.5 billion, the same level as the previous period.

BUSINESS RISK

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

1) Economic Cyclical Changes
An economic slump or deterioration in the economic outlook, as well as a decline in personal consumption caused by such factors, could affect the Group's business results by weakening customer interest in 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 collective housing for the effective use of their land. The anticipation of rises in interest rates can induce a temporary surge in home purchases, however, as consumers seek to avoid high loan costs.

3) Land Price Fluctuations
A sharp rise in land prices can have a negative effect on consumer 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, substantial rises or drops in land prices both have the potential to impact the Group's business results.

4) Tax System Changes
An increase in the consumption tax rate that would directly apply to housing purchase amounts would potentially significantly reduce housing demand and could impact the Group's business results.

2. Statutory Changes
Laws and regulations surrounding the housing business include the Personal Information Protection Act in addition to the Building Standards Law, Construction Industry 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.

3. Timber and Building Materials Market Conditions
Declines in prices for timber and building materials reduce the profitability of the timber and building materials business. On the other hand, steep increases in prices for timber and building materials, as well as rises in prices for other building materials, can lead to higher materials costs for the housing business which could impact group results. Price fluctuations for other raw materials, such as oil, can directly or indirectly affect raw materials prices and influence the Group's business results.

4. Exchange Rate Fluctuations
The Group is taking measures to reduce the foreign exchange risks involved in foreign currency-denominated imports through foreign exchange forward contracts and other means. However, foreign exchange rate fluctuations could push the Group's costs temporarily up or down. Meanwhile, a group company that manufactures and sells wooden building materials abroad, for example, could be impacted if the currency of its host country appreciates against the currency used for settlement.

5. Product Quality Assurance
The Group endeavors to implement complete quality control of its products, housing, and in all aspects of its operations. However, unforeseen circumstances can potentially lead to a significant quality issue that could influence the Group's business results.

6. 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.

7. 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, can require an increase in pension assets or can increase the costs associated with the pension accounts, and could influence the Group's business results and financial position.

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

9. Natural Disasters
Damage from a major earthquake, wind, flood, or other destructive natural element could result in cost increases from operating interruptions at facilities, safety verification of our housing products, completion delays for construction contracts, or other actions. A significant increase in costs caused by a natural disaster could influence group business results.

10. 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.

11. 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 the occurrence of 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.

12. Decline in Value of Held Assets
In the event of a decline in the value of assets held by the Group, such as real estate holdings and products, due to marked worsening of market conditions, there is the possibility valuation losses would be booked and of disposal of impaired assets, which may influence the Group's business results and financial position.

13. Provision of Credit to Business Partners
The Group provides credit to business partners in the form of trade receivables, etc., and makes provisions for setting 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, the potential exists that exposure to credit risk may influence the Group's business results and financial position.

14. Litigation Risk
As the Group is engaged in a range of business activities in Japan and overseas, there exists the possibility that said activities could be subject to litigation and/or dispute. In the event of these activities becoming subject to litigation, the Group's business results and financial position may be influenced accordingly.

The Group is currently involved in a dispute in which a lawsuit has been filed regarding an increase in leasing fees related to real estate leased by the Group in the past. In June 2009, an interlocutory decree was handed down affirming the right of the lessor to demand an increase in the leasing fees. The total amount of the increased leasing fees demanded by the lessor is approximately ¥700 million. The Group's litigation strategy going forward is currently under consideration, however, the possibility exists that the outcome of this lawsuit may influence the Group's business results and financial position.

15. 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 regulated due to changes in the economic environment or lowering of credit ratings. In this event, the possibility exists of this influencing the Group's business results and financial position.

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

ORGANIZATION CHART (As of April 1, 2009)

- Board of Directors
  - President
    - Executive Committee
    - Board of Executive Officers
    - Tsukuba Research Institute
    - Corporate Planning Department
    - General Administration Department
      - Niihama Office
    - Corporate Communications Department
    - Personnel Department
    - Finance Department
    - Information Systems Department
    - Customer Service Department
    - Internal Audit Department
    - Intellectual Property Department
    - Forestry & Environment Division
      - Environmental Solution Department
      - Forestry Department
    - Timber & Building Materials Division
      - Administration Department
      - Business Development Department
      - Forest Products Trading Department
      - Building Materials Department
      - INOS Department
      - Home Builder Direct Marketing Department
      - 3 departments, 10 branches, 4 sales offices
    - Overseas Business Division
      - Overseas Administration Department
      - Overseas Development Department
      - Jakarta Branch
      - Melbourne Branch*
    - Housing Division
      - Administration Department
      - Marketing Strategy Department
      - Corporate Marketing Department
      - Product Development Department
      - Technology Department
      - Construction Management Department
      - Building Materials Procurement & Logistics Department
      - Quality Control & Customer Information Department
      - Environment & Safety Division
      - FOREST MAISON Department
      - 67 branches, 321 model homes
    - Real Estate Business Division
      - Administration Department
      - Residential Property Development Department
      - Real Estate Solution Department
        - 2 departments

**Melbourne Branch was closed and its functions transferred to Sumitomo Forestry Australia Ltd. in October 2009.*

CONSOLIDATED BALANCE SHEETS

Sumitomo Forestry Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 4)
ASSETS	**2009**	2008	**2009**
Current assets:			
Cash and time deposits (Notes 7, 11)	**¥ 23,854**	¥ 39,591	**$ 243,407**
Marketable securities (Notes 5, 11)	**17,194**	15,000	**175,452**
Receivables —			
Notes and accounts, trade (Note 7)	**111,057**	120,308	**1,133,231**
Loans and other	**43,349**	47,383	**442,337**
Inventories —			
Finished goods, logs and lumber (Note 7)	**20,506**	22,985	**209,240**
Developed land and housing for sale	**21,593**	14,865	**220,342**
Land and housing projects in progress	**30,119**	27,760	**307,340**
Deferred income taxes (Note 8)	**6,647**	5,588	**67,824**
Other current assets	**4,657**	4,167	**47,522**
Allowance for doubtful accounts	**(740)**	(631)	**(7,547)**
Total current assets	**278,237**	297,014	**2,839,148**
Property, plant and equipment, at cost less accumulated depreciation (Note 7):			
Land (Note 7)	**28,299**	20,644	**288,767**
Buildings and structures (Note 7)	**46,792**	41,463	**477,465**
Machinery and equipment (Note 7)	**56,309**	67,476	**574,577**
Timberland (Notes 6, 7)	**10,736**	11,044	**109,552**
Construction in progress (Note 7)	**2,938**	5,552	**29,977**
Leased assets	**2,615**	—	**26,686**
	147,688	146,179	**1,507,025**
Less accumulated depreciation	**(59,542)**	(66,259)	**(607,574)**
Net property, plant and equipment	**88,146**	79,921	**899,451**
Intangible assets, net of amortization:			
Goodwill	**745**	1,025	**7,601**
Other intangible assets	**5,694**	5,399	**58,104**
Total intangible assets	**6,439**	6,423	**65,705**
Investments and other assets:			
Investment securities (Note 5)	**35,072**	47,890	**357,875**
Long-term loans and receivables	**10,379**	9,557	**105,908**
Deferred income taxes (Note 8)	**1,761**	1,599	**17,966**
Other assets	**9,457**	9,664	**96,499**
Allowance for doubtful accounts	**(1,752)**	(1,339)	**(17,879)**
Total investments and other assets	**54,916**	67,371	**560,369**
Total assets	**¥427,738**	¥450,730	**$4,364,674**

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2009	2008	Thousands of U.S. dollars (Note 4) 2009
Current liabilities:			
Payables —			
Notes and accounts, trade	¥126,947	¥148,198	$1,295,382
Other	5,459	5,574	55,703
Short-term debt (Note 7)	9,911	12,046	101,132
Current portion of long-term debt (Note 7)	708	5,360	7,223
Current portion of lease obligation (Note 7)	514	—	5,248
Advances received from customers	34,800	41,385	355,107
Accrued income taxes	1,307	3,012	13,332
Accrued employees' bonuses	7,452	7,637	76,038
Accrued directors and corporate auditors' bonuses	39	42	393
Other current liabilities (Note 8)	9,400	9,605	95,921
Total current liabilities	196,537	232,858	2,005,478
Long-term liabilities:			
Long-term debt (Note 7)	36,145	8,411	368,825
Long-term lease obligation (Note 7)	1,849	—	18,871
Deferred income taxes (Note 8)	2,989	6,377	30,495
Accrued employees' retirement benefits (Note 16)	18,414	15,063	187,894
Other long-term liabilities	15,612	14,932	159,310
Total long-term liabilities	75,009	44,784	765,395
Contingent liabilities (Note 14)			
Net assets:			
Shareholders' equity (Note 12)			
Common stock —			
Authorized: 400,000,000 shares			
Issued and outstanding: 177,410,239 shares in 2009 and 177,410,239 shares in 2008	27,672	27,672	282,368
Capital surplus	26,872	26,876	274,202
Retained earnings	105,346	107,198	1,074,964
Treasury stock: 260,902 shares in 2009 and 237,846 shares in 2008	(260)	(249)	(2,657)
Total shareholders' equity	159,630	161,497	1,628,876
Valuation and translation adjustments:			
Unrealized gain on available-for-sale securities	2,359	9,085	24,075
Deferred gains or losses on hedges	29	59	298
Foreign currency translation adjustments	(5,961)	2,278	(60,826)
Total valuation and translation adjustments	(3,572)	11,422	(36,453)
Minority interests in consolidated subsidiaries	135	169	1,377
Total net assets	156,192	173,089	1,593,801
Total liabilities and net assets	¥427,738	¥450,730	$4,364,674

CONSOLIDATED STATEMENTS OF INCOME

Sumitomo Forestry Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2009	2008	**2009**
Sales:			
Net sales	**¥462,739**	¥496,478	**$4,721,826**
Contract revenues	**361,071**	364,878	**3,684,398**
Total	**823,810**	861,357	**8,406,223**
Cost of sales:			
Cost of sales	**425,981**	456,481	**4,346,744**
Cost of contracts completed	**264,336**	269,599	**2,697,307**
Total	**690,317**	726,080	**7,044,051**
Gross profit	**133,493**	135,277	**1,362,173**
Selling, general and administrative expenses (Note 10)	**126,656**	128,041	**1,292,409**
Operating income	**6,837**	7,235	**69,764**
Other income (expenses):			
Interest and dividends income	**1,408**	1,570	**14,371**
Interest expense	**(1,363)**	(1,444)	**(13,904)**
Loss on devaluation of investment securities	**(2,214)**	(3,837)	**(22,589)**
Loss on devaluation of real estate for sale and other assets	**—**	(177)	**—**
Loss on devaluation of inventories	**(421)**	—	**(4,293)**
Loss on liquidation of subsidiaries and affiliates	**(622)**	—	**(6,347)**
Impairment loss	**(532)**	—	**(5,424)**
Gain on sales of investment securities	**16**	2,247	**167**
Other gains, net (Note 9)	**(1,147)**	7	**(11,705)**
Total	**(4,873)**	(1,634)	**(49,723)**
Income before income taxes and minority interests	**1,964**	5,601	**20,040**
Income taxes (Note 8):			
Current	**2,129**	5,156	**21,723**
Deferred	**(1,149)**	(661)	**(11,730)**
Total	**979**	4,495	**9,993**
Minority interests	**(44)**	(8)	**(446)**
Net Income	**¥ 1,028**	¥ 1,115	**$ 10,493**

	Yen		U.S. dollars (Note 4)
Per share of common stock:			
Net Income (Note 18)	**¥ 5.80**	¥ 6.29	**$0.06**
Cash dividends	**15.00**	15.00	**0.15**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Sumitomo Forestry Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2009	2008	2009
SHAREHOLDERS' EQUITY			
Common Stock			
Balance at the end of previous period	¥ 27,672	¥ 27,672	$ 282,368
Changes during the period			
Total changes during the period	—	—	—
Balance at the end of current period	¥ 27,672	¥ 27,672	$ 282,368
Capital Surplus			
Balance at the end of previous period	¥ 26,876	¥ 26,882	$ 274,245
Changes during the period			
Disposal of treasury stock	(4)	(6)	(43)
Total changes during the period	(4)	(6)	(43)
Balance at the end of current period	¥ 26,872	¥ 26,876	$ 274,202
Retained Earnings			
Balance at the end of previous period	¥107,198	¥108,919	$1,093,859
Changes in accounting policy change at foreign subsidiaries	(222)	—	(2,270)
Changes during the period			
Cash dividends (¥15.00 per share)	(2,658)	(2,835)	(27,118)
Net income	1,028	1,115	10,493
Total changes during the period	(1,629)	(1,720)	(16,625)
Balance at the end of current period	¥105,346	¥107,198	$1,074,964
Treasury Stock at Cost			
Balance at the end of previous period	¥ (249)	¥ (184)	$ (2,545)
Changes during the period			
Purchases of treasury stock	(23)	(95)	(235)
Disposal of treasury stock	12	30	123
Total changes during the period	(11)	(65)	(112)
Balance at the end of current period	¥ (260)	¥ (249)	$ (2,657)
Total Shareholders' Equity			
Balance at the end of previous period	¥161,497	¥163,288	$1,647,927
Changes in accounting policy change at foreign subsidiaries	(222)	—	(2,270)
Changes during the period			
Cash dividends (¥15.00 per share)	(2,658)	(2,835)	(27,118)
Net income	1,028	1,115	10,493
Purchases of treasury stock	(23)	(95)	(235)
Disposal of treasury stock	8	24	79
Total changes during the period	(1,644)	(1,791)	(16,781)
Balance at the end of current period	¥159,630	¥161,497	$1,628,876

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2009	2008	2009
VALUATION AND TRANSLATION ADJUSTMENTS			
Unrealized Gain on Available-for-sale Securities			
Balance at the end of previous period	¥ 9,085	¥ 22,482	$ 92,701
Changes during the period			
Net changes in items other than shareholders' equity	(6,725)	(13,397)	(68,626)
Total changes during the period	(6,725)	(13,397)	(68,626)
Balance at the end of current period	¥ 2,359	¥ 9,085	$ 24,075
Deferred Gains or Losses on Hedges			
Balance at the end of previous period	¥ 59	¥ 155	$ 602
Changes during the period			
Net changes in items other than shareholders' equity	(30)	(96)	(304)
Total changes during the period	(30)	(96)	(304)
Balance at the end of current period	¥ 29	¥ 59	$ 298
Foreign Currency Translation Adjustments			
Balance at the end of previous period	¥ 2,278	¥ 1,804	$ 23,250
Changes during the period			
Net changes in items other than shareholders' equity	(8,239)	474	(84,076)
Total changes during the period	(8,239)	474	(84,076)
Balance at the end of current period	¥ (5,961)	¥ 2,278	$ (60,826)
Minority Interests			
Balance at the end of previous period	¥ 169	¥ 1,125	$ 1,729
Changes during the period			
Net changes in items other than shareholders' equity	(35)	(956)	(352)
Total changes during the period	(35)	(956)	(352)
Balance at the end of current period	¥ 135	¥ 169	$ 1,377
Total Net Assets			
Balance at the end of previous period	¥173,089	¥188,855	$1,766,210
Changes in accounting policy change at foreign subsidiaries	(222)	—	(2,270)
Changes during the period			
Cash dividends (¥15.00 per share)	(2,658)	(2,835)	(27,118)
Net income	1,028	1,115	10,493
Purchases of treasury stock	(23)	(95)	(235)
Disposal of treasury stock	8	24	79
Net changes in items other than shareholders' equity	(15,029)	(13,975)	(153,359)
Total changes during the period	(16,674)	(15,766)	(170,139)
Balance at the end of current period	¥156,192	¥173,089	$1,593,801

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Sumitomo Forestry Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2009	2008	**2009**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 1,964**	¥ 5,601	**$ 20,040**
Adjustments —			
Depreciation and amortization	**8,477**	7,258	**86,498**
Impairment loss	**532**	—	**5,424**
Amortization of goodwill	**294**	682	**3,003**
Provision for (reversal of) doubtful accounts	**524**	(528)	**5,343**
Provision for (reversal of) employees' retirement benefits, less payments	**3,421**	2,678	**34,903**
Interest and dividends income	**(1,408)**	(1,570)	**(14,371)**
Interest expense	**1,363**	1,444	**13,904**
Equity in earnings of affiliates	**576**	185	**5,873**
Losses on devaluation of marketable securities and investment securities	**2,214**	3,837	**22,589**
Losses (gains) on sales of marketable securities and investment securities, net	**(16)**	(2,247)	**(167)**
Losses (gains) on disposal of fixed assets, net	**94**	(3)	**959**
Change in assets and liabilities:			
Notes and accounts receivable, trade	**7,833**	47,823	**79,932**
Inventories	**(9,796)**	(6,053)	**(99,961)**
Other current assets	**5,852**	29	**59,718**
Notes and accounts payable, trade	**(20,628)**	(22,129)	**(210,487)**
Advances received from customers	**(6,441)**	(3,296)	**(65,730)**
Other current liabilities	**481**	(1,874)	**4,907**
Other	**1,180**	560	**12,036**
Total	**(3,488)**	32,398	**(35,587)**
Interest and dividends income received	**1,550**	1,873	**15,813**
Interest paid	**(1,180)**	(1,458)	**(12,045)**
Income taxes paid, net	**(5,043)**	(6,707)	**(51,461)**
Net cash provided by operating activities	**(8,161)**	26,106	**(83,279)**
Cash flows from investment activities:			
Decrease (increase) in short-term loans receivable	**(2,183)**	(1,252)	**(22,271)**
Payments for purchases of fixed assets	**(23,925)**	(12,598)	**(244,133)**
Proceeds from sales of fixed assets	**2,978**	3,305	**30,384**
Payments for purchases of intangible assets	**(2,005)**	(1,695)	**(20,454)**
Payments for purchases of investment securities	**(1,628)**	(3,144)	**(16,608)**
Proceeds from sales of investment securities	**546**	2,808	**5,574**
Payments for additional acquisition of stock of consolidated subsidiaries	**(100)**	(1,106)	**(1,021)**
Payments for purchase of stock of subsidiary newly consolidated	**—**	(417)	**—**
Proceeds from purchase of stock of subsidiary newly consolidated	**—**	76	**—**
Payments for long-term loans receivable	**(2,277)**	(3,685)	**(23,237)**
Repayments of long-term loans receivable	**163**	104	**1,659**
Other	**(632)**	17	**(6,449)**
Net cash used in investment activities	**(29,062)**	(17,587)	**(296,556)**
Cash flows from financing activities:			
Increase (decrease) in short-term debt	**1,467**	(2,896)	**14,969**
Payment of lease obligation	**(279)**	—	**(2,844)**
Proceeds from long-term debt	**29,977**	5,439	**305,892**
Repayments of long-term debt	**(4,362)**	(3,845)	**(44,508)**
Dividends paid	**(2,658)**	(2,835)	**(27,118)**
Other	**50**	(123)	**511**
Net cash used in financing activities	**24,196**	(4,262)	**246,902**
Effect of exchange rate changes on cash and cash equivalents	**(717)**	(93)	**(7,320)**
Net increase (decrease) in cash and cash equivalents	**(13,745)**	4,164	**(140,252)**
Cash and cash equivalents at the beginning of the year	**54,475**	50,311	**555,863**
Cash and cash equivalents at the end of the year (Note 11)	**¥40,730**	¥54,475	**$415,611**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Sumitomo Forestry Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2009 and 2008

1. NATURE OF OPERATIONS

Sumitomo Forestry Co., Ltd. (the "Company") and its Group companies are involved in various business activities related to wood and houses, with timberland operations serving as the foundation of its business. Specifically, the Company's operations encompass forest management as well as timber and building materials-related operations, including the procurement, manufacture and sale of timber and building materials; housing-related operations, including the construction, sale, after-sales maintenance and landscaping of custom-built and other homes and sale and brokerage of real estate; and other lifestyle-related businesses, including the leasing and insurance agent business.

2. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The Company and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile.

Effective April 1, 2008, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (PITF No. 18)." In accordance with PITF No. 18, the accompanying consolidated financial statements for the year ended March 31, 2009 have been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with either International Financial Reporting Standards (IFRS) or accounting principles generally accepted in the United States as adjusted for certain items including those for goodwill, actuarial differences and capitalized development costs. Until March 31, 2008, the accompanying consolidated financial statements had been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with accounting principles generally accepted in their countries of domicile. Please see Note 3(s).

The accompanying consolidated financial statements of the Company and consolidated subsidiaries (together, the "Companies") are prepared on the basis of accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of IFRS, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying consolidated financial statements incorporate certain reclassifications and rearrangements in order to present these statements in a form which is more familiar to the readers of these statements outside Japan. In addition, the notes to consolidated financial statements include information which is not required under Japanese GAAP but is presented herein as additional information.

As permitted, amounts of less than one million yen are rounded in this annual report.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation and investments in affiliates

The consolidated financial statements include the accounts of the Company and, with exceptions that are not material, those of its subsidiaries. All significant intercompany transactions and accounts and unrealized intercompany profits are eliminated on consolidation.

The material difference between the cost and underlying net equity of investments in consolidated subsidiaries is deferred and amortized within twenty years. Immaterial differences are expensed when incurred.

Investments in affiliates (15 to 50 percent-owned companies except subsidiaries) in which the ability to exercise significant influence exists are stated at cost plus equity in undistributed earnings (losses). Net consolidated income includes the Company's share of the current net earnings (losses) of such companies, after elimination of unrealized intercompany profits.

(b) Translation of foreign currency transactions and accounts

Current and long-term receivables and payables in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date.

The Company translates the revenue and expense accounts of the foreign consolidated subsidiaries at the average rates of exchange in effect during the year. The balance sheet accounts, except for the components of net assets, are also translated into yen at the rates of exchange in effect at the balance sheet date. The components of net assets are translated at their historical rates.

(c) Statements of cash flows

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, that are readily convertible to known amounts of cash and are near enough to maturity that they present only an insignificant risk of changes in value.

(d) Allowance for doubtful accounts

The allowance for doubtful accounts is stated based on the default ratio sustained over a specific period in the past and the estimated uncollectible amount based on the analysis of certain individual accounts, including probable bad debts and claims in bankruptcy.

This amount is considered sufficient to cover possible losses on collection.

(e) Accrued employees' bonuses

Accrued employees' bonuses are provided based on estimated bonuses to be paid to employees, which are to be charged to income in the current year.

(f) Warranty reserve for completed construction

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

The balance of the reserves at March 31, 2009, which was included in other current liabilities in the accompanying consolidated balance sheets, was ¥1,308 million (US $13,351 thousand).

(g) Accrued employees' retirement benefits

Accrued employees' retirement benefits are provided based on the projected retirement benefit obligation and the plan assets at year-end.

Unrecognized actuarial gains (losses) are amortized in the fiscal year in which they arise.

(h) Accrued retirement benefits to directors and corporate auditors

Accrued retirement benefits to directors and corporate auditors of some subsidiaries are provided based on the amount required at year-end in accordance with established internal regulations.

The balance of these reserves at March 31, 2009, which was included in other long-term liabilities in the accompanying consolidated balance sheets, was ¥139 million (US $1,423 thousand).

(i) Reserve for restructuring costs

The allowance for restructuring costs is stated at the estimated losses on restructuring of discontinued operation and on readjustment of town lots of land, at the end of the fiscal year.

The balance of these reserves at March 31, 2009, which was included in other long-term liabilities in the accompanying consolidated balance sheets, was ¥888 million (US $9,057 thousand).

(j) Marketable securities and investments

Marketable securities and investments are classified and accounted for, depending on management's intent, as follows:
i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost; and ii) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets.

The Company determines cost of securities sold by the moving average method.

(k) Derivatives

Derivatives are stated at fair value.

(l) Inventories

Inventories other than finished goods are stated at cost, which is determined by the specific identification method.

Finished goods are stated at moving average cost.

The amount on the balance sheets is calculated by write-down method based on the decrease in profitability.

(m) Property, plant and equipment

Property, plant and equipment, including significant renewals and additions, are capitalized at cost. Maintenance, repairs, minor renewals and improvements are charged to income. Depreciation is computed, with minor exceptions, by the declining balance method at rates based on the estimated useful lives of the assets according to general class, type of construction and use. In the case of retirement or disposal, the difference between the net book value and salvage or sales proceeds is charged or credited to income.

The Company and its domestic consolidated subsidiaries have reassessed the useful lives of machinery and equipment starting the current consolidated fiscal year pursuant to the amendment of the Corporation Tax Law in FY2008. The effect of this change on the income and segment information for the year ended March 31, 2009 was immaterial.

(n) Timberland

Timberland consists of standing timber and related land. Standing timber, consisting of timber stock in natural forests, purchased forests and planted forests, is classified either as mature timber or growing timber. Mature timber represents costs related to trees that are 21 or more years old, of which costs have been transferred from growing timber. Growing timber represents costs of trees less than 21 years old (see Note 6).

The timber stock from both natural forests and purchased forests is carried at the specific acquisition cost.

The timber stock from planted forests is stated at cost, which consists of sowing, seeding and planting.

Intensive forest management generally practiced in Japan results in high yields of quality logs. Such management, implemented by the Company, includes the following procedures:

Age in Years	Procedures
0	Sowing, seeding at nursery
1	Planting after land preparation
1-6	Weeding
8	Vine cutting
10-14	Salvage cutting
14	Pruning
16-25	Thinning and debranching
Over 50	Final cutting

The charges for weeding, vine cutting, salvage cutting, pruning and thinning and debranching are charged to selling, general and administrative expenses as incurred.

When finally harvested from timberland for sale, the harvested timber has its cost calculated based on the proportion of metric volume of the timber harvested to that of the particular area, applied to the book value of the area. The calculated cost is the cost of sales.

(o) Revenue recognition
Sales are generally recognized at the time the goods are delivered to the customers.

Sales of precut timber, building materials and certain housing equipment, such as system kitchens, system furniture, bathtubs, sinks and other, which are purchased by the Company and sold to building contractors for use in house building projects specifically subcontracted from the Company, are recognized upon completion and acceptance of the completed houses by the customers, with the related cost being included in cost of contracts completed.

Contract revenues, representing revenues from custombuilt houses, are recorded when the completed houses are accepted by customers.

(p) Income taxes
The Companies accrue income taxes based on taxable income. The Companies include many items for financial reporting purposes which, in the case of expenses, are not currently deductible and, in the case of income, are not currently taxable.

Income taxes based on temporary differences between tax and financial reporting purposes are reflected as deferred income taxes in the consolidated financial statements using the asset and liability method.

(q) Appropriations of retained earnings
Appropriations of retained earnings reflected in the accompanying consolidated financial statements are recorded upon approval by shareholders as required under Japanese law.

(r) Earnings per share of common stock
The computation of net income and cash dividends per share is based on the average number of shares outstanding during each period.

(s) New accounting pronouncements
(Accounting standard for valuation of inventory)
Although inventories held for ordinary sales have been carried at cost using the moving-average method or the specific cost method until the year ended March 31, 2008, effective from the current consolidated fiscal year, "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 issued on July 5, 2006) is applied, inventories are carried at cost (the amount on balance sheet is calculated by written down the carrying value based on lower profitability) using the moving average method or the specific cost method. As a result, operating income decreased ¥1,697 million (US $17,312 thousand) and income before income taxes decreased ¥2,117 million (US $21,605 thousand).

(Accounting standard for lease transactions)
Finance lease transactions that do not transfer ownership had been accounted for in a similar manner to the accounting treatment for ordinary operating lease transactions. However, effective from the fiscal year ended March 31, 2009, the Company has adopted the "Accounting Standards for Lease Transactions" (ASBJ Statement No. 13 on June 17, 1993, issued by the First Committee of the Business Accounting Council, and revised on March 30, 2007) and "Implementation Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 on January 18, 1994, issued by the Accounting Practice Committee of the Japanese Institute of Certified Public Accountants, and revised on March 30, 2007) to account for such transactions in a manner similar to the accounting treatment for ordinary sale and purchase transactions.
The Company continues to account for finance lease transactions that do not transfer ownership, and that commenced before the initial year of the adoption of new accounting standards in the same manner as operating lease transactions.

Its effect on earning is insignificant.

(Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement)
Effective from the fiscal year ended March 31, 2009, the Company has applied the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement" (Practical Issues Task Force No.18 issued on May 17, 2006) and has made revisions required for consolidated accounting.

Its effect on earning is insignificant.

(t) Reclassifications
Certain accounts in the consolidated financial statements for the year ended March 31, 2008 have been reclassified to conform to presentation in 2009.

4.
U.S. DOLLAR AMOUNTS
The U.S. dollar amounts are included solely for convenience and have been translated, as a matter of arithmetical computation only, at the rate of ¥98 = US $1, the approximate exchange rate prevailing in the Japanese foreign exchange market at March 31, 2009. This translation should not be construed as a representation that the yen amounts actually represent, or have been or could be converted into, U.S. dollars.

5.
SECURITIES
The carrying amount and aggregate fair value of the securities classified as available-for-sale and held-to-maturity at March 31, 2009 and 2008 were as follows:

	Millions of yen			
	2009			
	Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥27,151	¥7,191	¥(3,303)	¥31,038
Debt securities	—	—	—	—
Held-to-maturity:				
Debt securities	412	4	(0)	416
Other	¥16,900	¥ —	¥ —	¥16,900

	Millions of yen			
	2008			
	Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥29,166	¥15,975	¥(1,775)	¥43,366
Debt securities	—	—	—	—
Held-to-maturity:				
Debt securities	400	—	—	400
Other	¥15,000	¥ —	¥ —	¥15,000

	Thousands of U.S. dollars			
	2009			
	Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$277,050	$73,374	$(33,709)	$316,715
Debt securities	—	—	—	—
Held-to-maturity:				
Debt securities	4,207	36	(1)	4,242
Other	$172,449	$ —	$ —	$172,449

Proceeds from sales of available-for-sale securities and the corresponding gross gains and losses, which are included in other gains (losses), net in the accompanying consolidated statements of income for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Proceeds	¥43	¥2,808	$436
Gross gains	16	2,247	167
Gross losses	4	—	36

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2009			
	Available-for-sale	Held-to-maturity	Available-for-sale	Held-to-maturity
Due within one year	¥—	¥17,194	$—	$175,452
Due after one year through five years	—	—	—	—
Due after five years through ten years	—	118	—	1,203
	¥—	¥17,312	$—	$176,655

The difference between the above cost and the amounts shown in the accompanying consolidated balance sheets principally consisted of non-marketable securities and equity securities of unconsolidated subsidiaries and affiliates.

6.
TIMBERLAND

The investment in timberland at March 31, 2009 and 2008 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Standing timber:			
Mature timber	¥10,491	¥10,763	$107,054
Growing timber	245	282	2,499
	10,736	11,044	109,553
Land	651	483	6,640
	¥11,387	¥11,527	$116,193

The timberland accounts at March 31, 2009 and 2008 were reduced by ¥268 million (US $2,739 thousand) and ¥268 million in aggregate, representing the accumulated deferred gains from disposals of timberland.

7.
SHORT-TERM AND LONG-TERM DEBT

Short-term debt at March 31, 2009 and 2008 generally represented short-term borrowings which bore interest of 2.93% and 4.90% per annum, respectively. Long-term debt at March 31, 2009 and 2008 was summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Loans, principally from banks and insurance companies, due 2009 to 2036 with interest of 1.86%:			
Secured			
Loans from banks or other	¥ 1,644	¥ 2,960	$ 16,771
Unsecured			
Loans from banks or other	35,209	10,810	359,277
Lease obligation	2,364	—	24,119
	39,216	13,770	400,167
Portion due within one year			
Loans from banks or other	708	5,360	7,223
Lease obligation	514	—	5,248
	1,222	5,360	12,471
	¥37,994	¥ 8,411	$387,696

The following assets were pledged to secure bank loans and long-term debt at March 31, 2009 and 2008:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cash and time deposit	¥ 90	¥ —	$ 920
Receivables— Notes and accounts, trade	760	428	7,754
Finished goods, logs and lumber	2,103	1,153	21,459
Land	1,028	245	10,490
Buildings and structures	2,202	3,789	22,465
Machinery and equipment	5,660	9,561	57,756
Construction in progress	995	—	10,152
Timberland	929	1,556	9,482
	¥13,767	¥16,732	$140,478

In addition to the above, certificates of deposit as security on entering into tree-planting business agreements for the years ended March 31, 2009 and 2008 were ¥12 million (US $126 thousand) and ¥15 million, respectively.

The aggregate annual maturities of long-term debt and lease obligation at March 31, 2009 were as follows:

	Long-term dept		Lease obligation	
YEARS ENDING MARCH 31	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2009	¥ 708	$ 7,223	¥ 514	$ 5,248
2010	1,354	13,815	716	7,303
2011	6,527	66,603	716	7,309
2012	6,272	63,996	355	3,620
2013	10,056	102,608	57	584
Thereafter	11,937	121,803	5	55
	¥36,853	$376,048	¥2,364	$24,119

8. INCOME TAXES

Income taxes in Japan applicable to the Companies generally comprise Corporation Tax, Enterprise Tax and Prefectural and Municipal Inhabitants Taxes. The effective statutory tax rate for fiscal 2009 was 40.0%.

The chart below shows the differences in the statutory tax rate and effective income tax rate.

	2009	2008
Statutory tax rate	40.0%	40.0%
Non-deductible expense for purposes	16.6	6.3
Per capita portion of inhabitant tax	13.7	5.0
Amortization of goodwill	5.4	4.9
Valuation allowance	(87.8)	36.4
Adjustment on prior year income taxes	(9.6)	(7.7)
Taxes on undistributed earnings of overseas subsidiaries	64.3	—
Other	7.3	(4.7)
	49.9%	80.2%

The significant components of deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Accrued employees' bonuses	¥ 3,213	¥ 3,276	$ 32,784
Devaluation of real estate for sale and other assets	4,598	5,071	46,915
Pension and severance costs	7,292	5,921	74,408
Tax loss carryforwards	2,542	1,885	25,936
Impairment loss	1,554	1,359	15,862
Other	5,515	5,460	56,275
Gross deferred tax assets	24,714	22,974	252,180
Valuation allowance	(9,946)	(10,511)	(101,490)
Total deferred tax assets	14,768	12,463	150,690
Deferred tax liabilities:			
Deferred gains on sales of property	(1,242)	(897)	(12,670)
Gain on securities contributed to employee retirement benefit trusts	(1,590)	(1,590)	(16,228)
Unrealized gain on available-for-sale securities	(1,318)	(4,909)	(13,444)
Land revaluation differences	(1,309)	(1,309)	(13,358)
Taxes on undistributed earnings of overseas subsidiaries	(1,262)	—	(12,882)
Other	(2,633)	(3,019)	(26,870)
Gross deferred tax liabilities	(9,354)	(11,724)	(95,452)
Net deferred tax assets	¥ 5,413	¥ 739	$ 55,238

Net deferred tax assets were included in the consolidated balance sheets at March 31, 2009 and 2008 as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Current assets — Deferred income taxes	¥6,647	¥5,588	$67,824
Investment and other assets — Deferred income taxes	1,761	1,599	17,966
Current liabilities — Other	(6)	(71)	(57)
Long-term liabilities — Deferred income taxes	(2,989)	(6,377)	(30,495)
Net deferred tax assets	¥5,413	¥ 739	$55,238

9.
OTHER GAINS (LOSSES), NET

Other gains (losses), net, for the years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Gain on foreign exchange	**¥ —**	¥ 59	**$ —**
Loss on foreign exchange	**(1,047)**	—	**(10,681)**
Gain on sales of property, plant and equipment	**149**	155	**1,523**
Loss on disposal of property, plant and equipment	**(243)**	(152)	**(2,482)**
Other, net	**(6)**	(55)	**(65)**
	¥(1,147)	¥ 7	**$(11,705)**

10.
RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses charged to selling, general and administrative expenses for the years ended March 31, 2009 and 2008 were ¥1,174 million (US $11,979 thousand) and ¥1,023 million, respectively.

11.
CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Cash and time deposits	**¥23,854**	¥39,591	**$243,407**
Short-term investments	**16,900**	15,000	**172,449**
Less: Cash deposits and short-term investments which mature or become due over three months after the date of acquisition	**(24)**	(116)	**(245)**
Cash and cash equivalents	**¥40,730**	¥54,475	**$415,611**

12.
SHAREHOLDERS' EQUITY

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Commercial Code. The Law provides that an amount equivalent to 10% of cash dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends. Legal reserve and additional paid-in capital may be reversed without limitation and no further appropriation is required when the sum of legal reserve and additional paid-in capital equals 25% of the common stock.

The Law also provides that the common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of shareholders.

The balances of the legal reserve of the Company at March 31, 2009 and 2008, which were included in retained earnings in the accompanying consolidated balance sheets, were ¥2,857 million (US $29,154 thousand) and ¥2,857 million, respectively.

Year-end dividends are approved by shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. In addition, semi-annual interim dividends may be paid upon resolution of the Board of Directors, subject to limitations imposed by the Law.

13.
FINANCE LEASES

(Lessee)

Finance leased charges to the Companies for the years ended March 31, 2009 and 2008 were ¥4,296 million (US $43,840 thousand) and ¥4,706 million, respectively.

Finance lease transactions that do not transfer ownership and that commenced on or before March 31, 2008, are accounted for in a similar manner to the accounting treatment for ordinary operating lease transactions. If capitalized, the following amounts would be recorded in the financial statements (in equivalent amounts):

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Buildings and structures	**¥8,481**	¥12,199	**$86,543**
Machinery and equipment	**5,106**	6,327	**52,102**
Other	**107**	147	**1,096**
Accumulated depreciation	**(8,570)**	(9,051)	**(87,449)**
Accumulated impairment loss	**—**	(1)	**—**
	¥5,125	¥ 9,620	**$52,292**

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Depreciation	**¥4,180**	¥4,557	**$42,651**
Interest expenses	**117**	150	**1,189**

Depreciation expenses are calculated based on the straightline method over the lease periods of the leased assets, with no residual value of the assets at the end of the lease periods.

Interest expenses are calculated by subtracting the amount equivalent to the acquisition cost from the total lease fee. The resulting differences, which are of an amount equivalent to the total interest payments over the lease periods, are allocated to each period by the interest method. The present values of future lease payments of the Companies at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Current obligation	¥2,707	¥4,100	$27,618
Long-term obligation	2,506	5,629	25,575
Present value of lease payments	5,213	9,729	53,193
Impairment loss on leased assets	¥ —	¥ 0	$ —

Disclosure of information concerning lease transaction as lessor has been omitted, due to insignificance of disclosure of such information in the financial statements.

14. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2009 and 2008, for loans guaranteed amounted to ¥15,150 million (US $154,589 thousand) and ¥20,372 million, respectively, and for notes discounted and endorsed in the ordinary course of business amounted to ¥0 million (US $0 thousand) and ¥277 million, respectively.

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Guarantee on loans from financial institutions			
PT. AST Indonesia	¥ 196	¥ —	$ 2,005
Dongwha SFC Housing Co., Ltd.	42	200	427
Cascadia Resort Communities LLC	46	—	464
Purchasers with housing loans applied	14,667	19,961	149,661
Other	0	0	1
Guarantee on rent payment			
Sumikyo Co. Ltd.	199	211	2,031
	¥15,150	¥20,372	$154,589

15. DERIVATIVES AND HEDGING ACTIVITIES

The Companies enter derivative contracts as needed in relation to normal foreign currency-denominated transactions, and to manage funds within a limited scope. The Companies enter into foreign exchange forward contracts, foreign currency swaps and interest rate swaps. Foreign exchange forward contracts and foreign currency swaps are utilized to hedge currency risk exposure. Interest rate swaps are utilized to hedge against possible future changes in interest rates on borrowings. Some derivative contracts are entered into to manage funds.

Foreign exchange forward contracts and foreign currency swaps carry risks related to changes in foreign exchange markets. Interest rate swaps carry risks related to changes in interest rate markets. The Companies believe that credit risk relating to derivative instruments is very low since the contracts entered into are spread among highly creditworthy financial institutions both in Japan and abroad.

With these risks in mind, transactions are executed and managed in accordance with internal rules and policies by the responsible section of each Group Company, and the status of derivative positions is reported regularly to the Board of Directors.

Hedge accounting is used for derivative transactions.

(1) Hedge accounting method: Appropriated accounting for foreign currency transactions is applied to foreign exchange hedging transactions.

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

(2) Hedging method: Foreign exchange forward contracts and foreign currency swaps are utilized for foreign exchange risks.

Interest rate swap transactions are utilized for interest rate risks.

(3) Scope of hedging: Certain transactions, including planned transactions and loan payables with interest rate risk, in accordance with policies laid out in management regulations.

(4) Hedge effectiveness evaluation method: The Companies believe foreign exchange forward contracts and foreign currency swaps to be highly effective as hedging instruments; therefore, effectiveness evaluation is not carried out.

A special accounting procedure is used for interest rate swaps; therefore, effectiveness evaluation is not carried out.

The outstanding contract amounts and unrealized gains or losses of financial derivatives of the Companies at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Currency-related			
Forward foreign currency exchange contracts:			
Sell (Yen)			
Notional Amount			
Maturing within one year	¥4,836	¥—	$49,351
Maturing after one year	—	—	—
Fair Value	5,098	—	52,017
Unrealized gains (losses)	(261)	—	(2,666)
Sell (U.S. dollar)			
Notional Amount			
Maturing within one year	694	—	7,085
Maturing after one year	—	—	—
Fair Value	793	—	8,089
Unrealized gains (losses)	¥ (98)	¥—	$ (1,004)

The market price at the end of the fiscal year is based on the forward foreign exchange rate then prevailing in the market.

Items for which hedge accounting is applied are excluded from the above table disclosure.

16. EMPLOYEES' RETIREMENT BENEFITS AND PENSION PLANS

The Company and some of its consolidated subsidiaries offer their employees both a lump-sum benefit at retirement and a non-contributory funded defined-benefit pension plan. A certain domestic subsidiary uses Smaller Enterprise Retirement Allowance Mutual Aid Plan. Others offer a lump-sum benefit at retirement only.

These plans are open to employees who meet set conditions, but substantially all employees are eligible.

Retirement benefits are calculated based on the employee's basic rate of pay, length of service, termination circumstance and other factors. The employees of the companies that adopt a defined-benefit pension plan may opt for either a lump-sum payment or annuity payments.

The liability for employees' retirement benefits at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligation	¥(53,871)	¥(51,303)	$(549,703)
Fair value of plan assets	35,457	36,239	361,809
Unrecognized actuarial loss	—	—	—
Unrecognized prior service cost	—	—	—
Prepaid pension cost	—	—	—
Net liability for retirement benefits	¥(18,414)	¥(15,063)	$(187,894)

The components of net periodic benefit costs for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost	¥3,161	¥3,249	$32,257
Interest cost	980	934	10,000
Expected return on plan assets	(1,286)	(1,329)	(13,123)
Recognized actuarial loss	4,986	4,533	50,877
Amortization of prior service cost	13	—	136
Expense of changing accounting method	578	166	5,893
Net periodic benefit costs	¥8,432	¥7,554	$86,040

Certain consolidated subsidiaries have adopted the conventional method in calculating their projected benefit obligation.

Assumptions used for the years ended March 31, 2009 and 2008 were set forth as follows:

	2009	2008
Discount rate	2.1%	2.0%
Expected rate of return on plan assets	3.6%	3.7%
Recognition period of actuarial gain / loss	1 year	1 year

17. SEGMENT INFORMATION

a) Industry segment information —

The Companies' business is classified into the following three segments based on the similarities of the types and nature of business:

Timber and building materials: manufacturing or purchasing and sale of timber and building materials

Housing: construction of houses, buildings and their exteriors, gardening, planting, sale of interiors and brokerage of real estate

Other: leasing, insurance agent business and other

The tables below present sales, operating expenses and operating income information by segment.

	Millions of yen					
YEAR ENDED MARCH 31, 2009	Timber and Building Materials	Housing	Other	Total	Elimination and / or Corporate	Consolidated
Sales and contract revenues:						
Unaffiliated customers	¥413,995	¥406,064	¥ 3,751	¥823,810	¥ —	¥823,810
Intersegment transfers	19,652	287	12,303	32,243	(32,243)	—
Total	433,648	406,351	16,054	856,053	(32,243)	823,810
Operating expenses	431,594	397,904	15,119	844,616	(27,643)	816,973
Operating income	¥ 2,054	¥ 8,447	¥ 936	¥ 11,436	¥ (4,599)	¥ 6,837
Identifiable assets, depreciation and capital investment:						
Identifiable assets	¥197,259	¥149,543	¥11,449	¥358,251	¥69,487	¥427,738
Depreciation and amortization	3,890	2,860	854	7,604	873	8,477
Impairment loss	—	—	—	—	532	532
Capital investment	5,272	18,960	850	25,082	1,156	26,238

YEAR ENDED MARCH 31, 2008	Millions of yen: Timber and Building Materials	Housing	Other	Total	Elimination and / or Corporate	Consolidated
Sales and contract revenues:						
Unaffiliated customers	¥450,889	¥406,862	¥ 3,605	¥861,357	¥ —	¥861,357
Intersegment transfers	20,056	824	12,129	33,009	(33,009)	—
Total	470,945	407,687	15,734	894,366	(33,009)	861,357
Operating expenses	467,615	398,890	14,765	881,270	(27,149)	854,121
Operating income	¥ 3,330	¥ 8,797	¥ 969	¥ 13,096	¥ (5,860)	¥ 7,235
Identifiable assets, depreciation and capital investment:						
Identifiable assets	¥219,251	¥129,440	¥ 9,071	¥357,762	¥92,968	¥450,730
Depreciation and amortization	3,493	2,492	786	6,772	486	7,258
Capital investment	4,834	5,023	886	10,743	752	11,494

YEAR ENDED MARCH 31, 2009	Thousands of U.S. dollars: Timber and Building Materials	Housing	Other	Total	Elimination and / or Corporate	Consolidated
Sales and contract revenues:						
Unaffiliated customers	$4,224,443	$4,143,505	$ 38,275	$8,406,223	$ —	$8,406,223
Intersegment transfers	200,534	2,930	125,545	329,009	(329,009)	—
Total	4,424,977	4,146,435	163,820	8,735,232	(329,009)	8,406,223
Operating expenses	4,404,022	4,060,240	154,273	8,618,535	(282,075)	8,336,460
Operating income	$ 20,955	$ 86,195	$ 9,547	$ 116,697	$ (46,934)	$ 69,763
Identifiable assets, depreciation and capital investment:						
Identifiable assets	$2,012,847	$1,525,949	$116,829	$3,655,625	$709,049	$4,364,674
Depreciation and amortization	39,693	29,188	8,710	77,591	8,908	86,498
Impairment loss	—	—	—	—	5,424	5,424
Capital investment	53,797	193,465	8,674	255,936	11,801	267,737

b) Geographical segment information —

The Companies' business is classified into two segments based on geographic proximity. Other includes Asia, North America and Oceania.

YEAR ENDED MARCH 31, 2009	Millions of yen: Domestic	Other	Total	Elimination and / or Corporate	Consolidated
Sales and contract revenues:					
Unaffiliated customers	¥799,069	¥24,741	¥823,810	¥ —	¥823,810
Intersegment transfers	2,213	7,152	9,365	(9,365)	—
Total	801,282	31,893	833,175	(9,365)	823,810
Operating expenses	790,797	30,583	821,381	(4,408)	816,973
Operating income	¥ 10,484	¥ 1,310	¥ 11,794	¥ (4,957)	¥ 6,837
Identifiable assets, depreciation and capital investment:					
Identifiable assets	¥329,893	¥42,432	¥372,325	¥55,413	¥427,738

YEAR ENDED MARCH 31, 2008	Millions of yen: Domestic	Other	Total	Elimination and / or Corporate	Consolidated
Sales and contract revenues:					
Unaffiliated customers	¥838,115	¥23,242	¥861,357	¥ —	¥861,357
Intersegment transfers	2,161	10,767	12,928	(12,928)	—
Total	840,276	34,009	874,285	(12,928)	861,357
Operating expenses	830,358	31,400	861,758	(7,637)	854,121
Operating income	¥ 9,918	¥ 2,609	¥ 12,527	¥ (5,292)	¥ 7,235
Identifiable assets, depreciation and capital investment:					
Identifiable assets	¥315,034	¥51,838	¥366,872	¥83,858	¥450,730

YEAR ENDED MARCH 31, 2009	Thousands of U.S. dollars				
	Domestic	Other	Total	Elimination and / or Corporate	Consolidated
Sales and contract revenues:					
Unaffiliated customers	$8,153,765	$252,458	$8,406,223	$ —	$8,406,223
Intersegment transfers	22,579	72,983	95,562	(95,562)	—
Total	8,176,344	325,441	8,501,785	(95,562)	8,406,223
Operating expenses	8,069,361	312,074	8,381,435	(44,975)	8,336,460
Operating income	$ 106,983	$ 13,367	$ 120,350	$ (50,587)	$ 69,763
Identifiable assets, depreciation and capital investment:					
Identifiable assets	$3,366,259	$432,975	$3,799,233	$565,441	$4,364,674

c) Overseas sales information —

As the total overseas sales were less than 10% of consolidated net sales, overseas sales information has been omitted.

18.
NET INCOME PER SHARE

The computation of net income per share for the years ended March 31, 2009 and 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Numerator for net income per share:			
Net Income	¥1,028	¥1,115	$10,493
Income not available to common stockholders	—	—	—
Income available to common stockholders	1,028	1,115	10,493
Denominator for net income per share:			
Weighted average number of shares issued	177,163,309	177,190,006	

The diluted net income per share for the years ended March 31, 2009 and 2008 was not presented because there were no shares with dilutive effect.

19.
RELATED PARTY TRANSACTIONS

Effective from the consolidated fiscal year ended March 31, 2009, the Company has adopted the "Accounting Standard for Related Party Disclosures" (ASBJ Statement No. 11, October 17, 2006) and the "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No. 13 October 17, 2006). As a result, transactions between the Company's consolidated subsidiaries and their related parties were newly disclosed for the consolidated fiscal year ended March 31, 2009.

Transactions between the Company's consolidated subsidiaries and affiliates for the consolidated fiscal year ended March 31, 2009 were as follows:

Type	Name of company	Address	Capital amount (thousands of U.S. dollars)	Business description	Share of voting rights owned by the Company (or owned by affiliate)	Business relationship	Transaction description	Transaction amount (millions of yen)	Accounting item	Year-end balance (millions of yen)
Affiliate	Bennett-SFS LLC	Washington, U.S.A.	$14,924	Sales of detached housing	Indirect 50.0%	Financial aid, Interlocking directorate	Loan	¥2,036	Long-term loan receivable	¥5,018

Loans were determined taking into consideration market interest rates.

20.
SUBSEQUENT EVENT

The Company has taken a lawsuit on the rent increase by the lessor. In June 2009, judges handed down an interlocutory decision that granted the lessor's right on rent increase. The lessor's claim amount is approximately ¥700 million (US $ 7,143 thousand) in total. The Company is currently examining measures against the suit.

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011

Tel : +81 3 3503 1100
Fax: +81 3 3503 1197

Report of Independent Auditors

The Board of Directors
Sumitomo Forestry Co., Ltd.

We have audited the accompanying consolidated balance sheets of Sumitomo Forestry Co., Ltd. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sumitomo Forestry Co., Ltd. and consolidated subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4.

Ernst & Young ShinNihon LLC

June 23, 2009