



Annual Report 2010 (Year ended March 31, 2010)

# Build and Sustain



# Build and Sustain

Our businesses are based on wood, the sustainable resource.

We plant trees and nurture them. We harvest the trees to make building materials. After harvesting, we plant trees again. We build high-quality wood construction homes and provide support services that enable generations to enjoy living in them. We are expanding our business activities through a basic posture of “build and sustain,” looking ahead to a prosperous future. As the structure of the global economy and of the industry change dramatically, concern for the environment and resources is growing. Building upon more than three centuries of history, we firmly believe our wood-centered businesses and our commitment to sustainability will enable us to become an even more valued member of society and will become the driving force for growth in the future.

Forestry  
Business

Distribution of Timber  
and Building Materials



Manufacturing of Wooden  
Building Materials

## Timber and Building Materials Business

The leading trader of timber and building materials in Japan, we also contribute to sustainability of the world's forest resources.

New Custom-Built  
Housing



Renovation Business

## Housing Business

As the top brand for custom-built wood houses in Japan, we provide safe, secure, and comfortable homes that meet a broad range of living and lifestyle needs.

# Grow. Build. Su



Environmental Business

### Forestry and Environmental Business

We manage approximately 42,600 hectares of Company-owned forests, which comprise 1/900th of the total land area in Japan. We are also working to create environment-related businesses around the world, including those related to reduction of CO<sub>2</sub> emissions.

Spec Housing Development

Real Estate Development



### Real Estate Business

We conduct spec housing development, and sales / management of spec condominiums for leasing and sale, manage properties, broker real estate, and operate private-pay elderly care facilities.

Senior Citizen Businesses



### Overseas Business

We are engaged in upstream and downstream wood-related businesses, including plantation forestry, manufacture and distribution of timber and building materials, and housing development.



Housing Business

Plantation Forestry Business

Manufacturing of Wooden Building Materials  
Distribution of Timber and Building Materials

# stain.

# for Sustainable Growth

## In Australia



Overseas Housing

Equity Position in a Leading Australian Wood Construction House Builder

In 2009, Sumitomo Forestry acquired a 50% equity position in the Henley Properties Group, one of Australia's leading homebuilders, and launched our full-scale entry into the housing development market in Australia.

## Over 50%



Sustainable Wood Products

Development of Environmentally Sound Products

Sumitomo Forestry is accelerating development of environmentally sound products such as *KIKORIN-PLYWOOD* made from 50% or more timber from certified or plantation forests.

Sumitomo Forestry Group is engaged in a wide range of initiatives to achieve a recovery of revenue and profits in a continued harsh operating environment, and to expand growth businesses including overseas, real estate, and renovation operations, as well as exploring new business opportunities related to the environment.

We will expand our revenue and profit bases by capitalizing on opportunities overseas, where strong growth is projected, and in renovation, where there exists significant latent demand. And we will do this while contributing to the solution of social and environmental issues, such as the aging of society, CO<sub>2</sub> emissions, and disappearing forests.

We aim for continuous growth through businesses that share a connection through wood, the sustainable natural resource.

# Looking to the Expanding Con

# Carbon Offset

280,000 ha



Overseas Plantation

## Large-Scale Reforestation Project in Indonesia to Create 280,000 Hectares of Forests

Sumitomo Forestry launched a large-scale reforestation project in Indonesia that will ultimately create approximately 280,000 hectares of forests, contributing to the recovery of biodiversity.

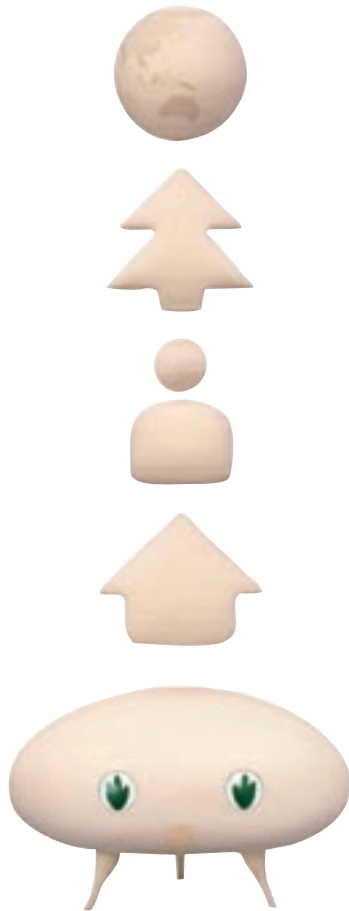


Wood Biomass Energy  
& Carbon Offset

## Wood Biomass Energy and Carbon Offset Programs Launched

Sumitomo Forestry is expanding its carbon-neutral wood biomass energy businesses and also advancing its carbon offset program in which plantation forests in Indonesia absorb the equivalent of the total CO<sub>2</sub> released by housing development activities in Japan.

# Future tinuously.



# Kikorin and Friends of the Earth

Kikorin and Friends of the Earth are featured in the design of this logo mark, which expresses the Sumitomo Forestry Group's corporate philosophy of contributing directly through our businesses to the Earth's environment, to the Forests and the living things who inhabit the forests, and to the lives of people around the world.

*"Kikorin"* is the mascot of the Sumitomo Forestry Group.

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# Financial Highlights

Sumitomo Forestry Co., Ltd. and Consolidated Subsidiaries

Years ended March 31

	Millions of yen					Thousands of U.S. dollars*1
	2010	2009	2008	2007	2006	2010
<b>Operating Results:</b>						
Net sales	¥723,923	¥823,810	¥861,357	¥911,674	¥791,128	\$7,784,116
Gross profit	124,269	133,493	135,277	141,117	127,853	1,336,226
Operating income	9,747	6,837	7,235	20,405	15,446	104,805
Recurring income*2	9,465	6,160	7,659	21,259	16,800	101,774
Net income	2,377	1,028	1,115	11,954	10,842	25,559
<b>Financial Position:</b>						
Total assets	469,738	427,738	450,730	500,136	464,193	5,050,951
Interest-bearing debt	66,786	49,127	25,816	25,739	22,067	718,130
Total net assets*3	162,930	156,192	173,089	188,855	175,206	1,751,939
<b>Cash Flows:</b>						
Cash flows from operating activities	37,239	(8,161)	26,106	7,084	16,626	400,419
Cash flows from investment activities	(19,117)	(29,062)	(17,587)	(7,102)	(8,998)	(205,561)
Cash flows from financing activities	11,546	24,196	(4,262)	665	(14,039)	124,146
<b>Per Share Data:</b>						
	Yen					U.S. dollars*1
Net income	¥ 13.42	¥ 5.80	¥ 6.29	¥ 67.43	¥ 61.28	\$0.14
Net assets	917.82	880.94	975.99	1,059.20	996.03	9.87
Cash dividends	15.00	15.00	15.00	15.00	13.00	0.16
<b>Financial Ratios:</b>						
	%					
Operating income margin	1.3	0.8	0.8	2.2	2.0	
Return on assets (ROA)*4	2.1	1.4	1.6	4.4	4.0	
Return on equity (ROE)*4	1.5	0.6	0.6	6.6	6.6	
Equity ratio	34.6	36.5	38.4	37.5	37.7	
Interest-bearing debt ratio*5	29.1	23.9	13.0	12.1	11.2	

\*1. Japanese yen amounts have been translated into U.S. dollar amounts, at the rate of ¥93 = US\$1, the approximate exchange rate prevailing in the Japanese foreign exchange market at March 31, 2010.

\*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, foreign exchange losses, miscellaneous expenses, and other expenses from normal business activities.

\*3. 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.

\*4. 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 / Shareholders' equity

\*5. Interest-bearing debt ratio = Interest-bearing debt / (Interest-bearing debt + Shareholders' equity)

