

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, 2011 and 2010, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, 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, 2011 and 2010, 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, 2011 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 24, 2011

Sumitomo Forestry Group at a Glance

(As of June 30, 2011)

Domestic



Sumitomo Forestry Crest Co., Ltd.

Manufacture and sales of various types of plywood, building components for housing, furniture, synthetic resin adhesive, etc.

Sumitomo Forestry Wood Products Co., Ltd.

Forest management; various forestry businesses; procurement and sales of Japanese timber, etc.

Sumirin Sash Co., Ltd.

Secondary processing and sales of aluminum sashes; exterior finishing

Igeto Co., Ltd.

Sales of housing materials and fixtures

Daichisansho Co., Ltd.

Sales of construction materials; interior and exterior finishing

Japan Bioenergy Holdings Co., Ltd.

Management direction and holding of shares in wood chip supply companies

Nihe Co., Ltd.

Sales of construction materials; ancillary work

Northern Tech Co., Ltd.

Exterior wall finishing; renovation; sales and installation of housing fixtures

Home Eco Logistics Co., Ltd.

Distribution services for home building materials

Japan Bioenergy Co., Ltd.

Intermediate processing of industrial waste products, and supply and sales of wood chips

Sumikyo Wintec Co., Ltd.

Sales of door and window sashes for housing and low- and mid-rise buildings; sales of exterior finishing materials

Sumikyo Co., Ltd.

Sales of door and window sashes for housing; sales and installation of sidings; sales of exterior finishing materials

Kawasaki Biomass Electric Power Co., Ltd.

Electric power generation using wood-chip biomass; wholesale electric power

Nichiha Fuji Tec Co., Ltd.

Manufacture and sales of construction materials



Sumitomo Forestry Home Engineering Co., Ltd.

Construction and construction supervision of Sumitomo Forestry's custom-built wooden homes

Sumitomo Forestry Landscaping Co., Ltd.

Urban greening; landscaping for private residences; plant rental, etc.

Sumitomo Forestry Archi Techno Co., Ltd.

CAD and CAM work, site surveys, analysis of foundation and application for housing performance evaluation for Sumitomo Forestry's custom-built wooden homes

Sumitomo Forestry Home Tech Co., Ltd.

Renovation and maintenance of Sumitomo Forestry's custom-built wooden homes and renovation of regular detached houses, as well as condominiums



Sumitomo Forestry Residential Co., Ltd.

Management and renovation of condominiums and apartments

Sumitomo Forestry Home Service Co., Ltd.

Sales agent for land and housing

Sumirin Life Assist Co., Ltd.

Management of nursing care facilities and housing for senior citizens

Meikan Honchosha PFI Co., Ltd.

Redevelopment of headquarters, etc., of Nagoya Port Authority

Fill Care Co., Ltd.

Management of nursing care facilities for senior citizens, etc.



Sumitomo Forestry Information Systems Co., Ltd.

Development of computer systems, etc.

Sumirin Agro-Products Co., Ltd.

Production and sales of nursery compost, culture soil for gardening, soil conditioning materials, fertilizer, etc.

Sumirin Business Service Co., Ltd.

Staffing business, training, administration outsourcing services

Sumirin Enterprises Co., Ltd.

Various services for insurance agency, equipment leasing, travel agency and sales, etc.

Kawanokita Development Co., Ltd.

Management of the Takinomiya Country Club golf course

Overseas



Forestry Business

- 1 **Kowa Lumber Co., Ltd. (Japan)**
Import / export and sales of logs; export of forestry equipment and equipment parts
- 2 **Open Bay Timber Ltd. (Papua New Guinea)**
Large-scale afforestation; log harvesting and export
- 3 **PT. Mayangkara Tanaman Industri (Indonesia)**
Large-scale afforestation; log harvesting
- 4 **PT. Wana Subur Lestari (Indonesia)**
Large-scale afforestation; log harvesting

Manufacturing of Building Materials

- 5 **PT. Kutai Timber Indonesia (Indonesia)**
Manufacture and sales of plywood, secondary processed plywood, processed timber products and particle board
- 6 **Probolingo Factory**
- 7 **Surabaya Branch**
- 8 **Samarinda Branch**
- 9 **Fuxin Sumirin Wood Products Co., Ltd. (China)**
Manufacture and sales of plywood, processing timber
- 10 **Sumitomo Forestry Australia Pty Ltd. (Australia)**
Oversight and participation in management of affiliates in Australia
- 11 **Alpine MDF Industries Pty Ltd. (Australia)**
Manufacture and sales of medium density fiberboard (MDF)
- 12 **Sumitomo Forestry NZ Ltd. (New Zealand)**
Holding company
- 13 **Nelson Pine Industries Ltd. (New Zealand)**
Manufacture and sales of medium density fiberboard (MDF), veneer and laminated veneer lumber (LVL)
- 14 **Shouei Furniture Co., Ltd. (Thailand)**
Manufacture and sales of furniture
- 15 **PT. Rimba Partikel Indonesia (Indonesia)**
Manufacture and sales of particle board
- 16 **Jakarta Office**
- 17 **PT. AST Indonesia (Indonesia)**
Manufacture and sales of materials for musical instruments and wooden building materials
- 18 **PT. Sinar Rimba Pasifik (Indonesia)**
Manufacture and sales of wooden interior products
- 19 **Vina Eco Board Co., Ltd. (Vietnam)**
Manufacture and sales of particle board

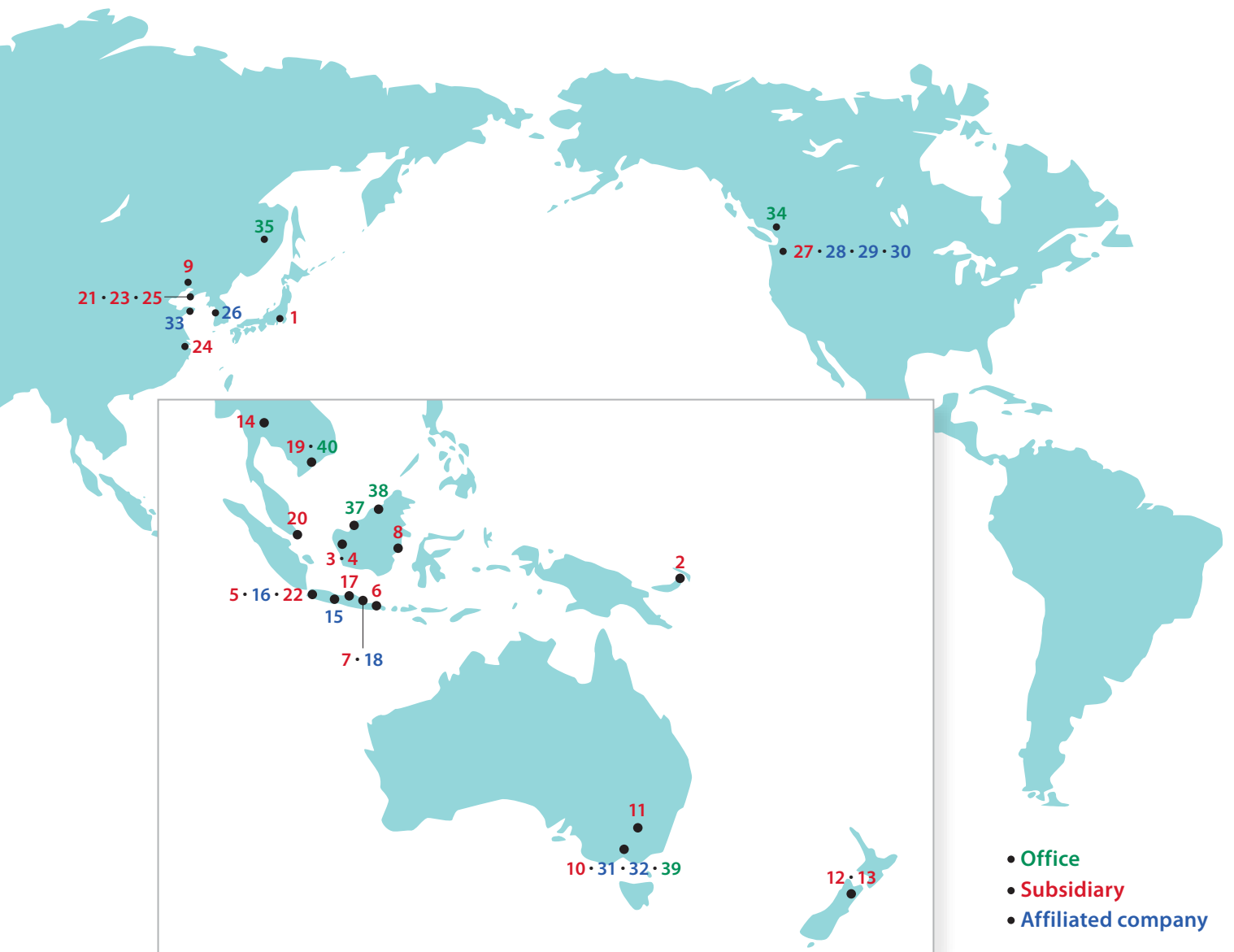


Distribution of Timber and Building Materials

- 20 **Sumitomo Forestry (Singapore) Ltd. (Singapore)**
Procurement and sales of timber and building materials; investment and financing
- 21 **Sumitomo Forestry (Dalian) Ltd. (China)**
Import / export and wholesale of timber and building materials
- 22 **PT. Sumitomo Forestry Indonesia (Indonesia)**
Procurement and sales of timber and building materials

Housing Businesses

- 23 **Paragon Wood Product (Dalian) Co., Ltd. (China)**
Design and construction of wooden housing; interior design and construction of housing and offices
- 24 **Paragon Wood Product (Shanghai) Co., Ltd. (China)**
Interior design and construction of housing and office; manufacturing, processing and sales of trusses
- 25 **Dalian Sumirin Information Technology Service Co., Ltd. (China)**
CAD work and other business processing
- 26 **Dongwha SFC Housing Co., Ltd. (Korea)**
Construction and sales of wooden detached homes
- 27 **Sumitomo Forestry Seattle, Inc. (U.S.A.)**
Oversight and participation in management of affiliates in U.S.A.; procurement and sales of timber and building materials
- 28 **Cascadia Resort Communities, LLC (U.S.A.)**
Land development, housing business
- 29 **SFC Homes, LLC (U.S.A.)**
Construction and sales of detached homes



- 30** Henley USA, LLC (U.S.A.)
Construction and sales of detached homes
- 31** Henley Properties Group (Australia)
Construction and sales of detached wooden homes
- 32** Grices Road Management Pty Ltd. (Australia)
Land development for collective housing



- 33** Yantai Golden Bridge Enterprise Co., Ltd. (China)
Brokerage of rental housing

- Overseas Offices**
- 34** Vancouver Office
 - 35** Khabarovsk Office
 - 36** Amsterdam Office
 - 37** Sibiu Office
 - 38** Kota Kinabalu Office
 - 39** Melbourne Office
 - 40** Ho Chi Minh Office