

Message from the Chairman

Our Vision



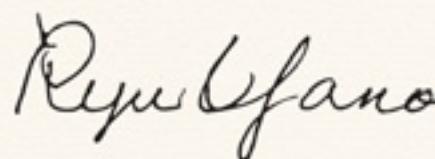
Believing in the Possibilities of Wood and Creating the Future

Over a year has passed since the Great East Japan Earthquake. In the process of recovering from this disaster we have again witnessed the great strength derived from people's conviction and courage as they confront hardship, even amid the enormous sense of loss and anger that remain. With regard to Sumitomo Forestry's support for the recovery effort, we build on the strengths of our business, focused on wood, as we support people's efforts in all aspects of their lives to overcome the difficulties they face.

The world now faces many issues as a result of the confusion that has engulfed politics and economics globally. In recent years, there has also been a spate of natural disasters, not just in Japan but also around the world, and some believe that rainstorms and flooding are becoming more frequent as a result of global warming. But we sense opportunity, drawing on our strength as a group, in the welter of calls for new values in a chaotic world. Whatever adversity we face, we will aggressively seek out businesses to serve as new earnings drivers, and build them into viable concerns.

The Sumitomo Forestry Group's business is closely linked to wood through the extensive forests we manage in and outside Japan, as well as through our operations including timber and construction materials, and wooden housing. Wood, a form of sustainable natural capital for the Earth and humans, is an essential resource: as well as its excellence as a material, forests serve the public good and make an important environmental contribution in the way that they absorb and sequester carbon dioxide. The Sumitomo Forestry Group intends to make even greater efforts to contribute to the environment through its businesses, including the promotion of sustainable forestry, the preservation of biodiversity, and carbon offsetting.

Through our company's history, which spans more than 300 years, we have come to fully realize the intrinsic strength of wood, and our belief in this has underpinned our business activities. Looking to the future, we will continue to implement our corporate philosophy of utilizing timber—a material that is both renewable and kind to people and the environment—while contributing to the realization of a prosperous society through all types of housing-related services. In doing this, our goal is to achieve sustainable growth as we further evolve our timber operations, both growing as a company and contributing to society.



Ryu Yano
Chairman / Representative Director

Message from the President

Growth



Continuing to Grow, with an Unshakable Vision

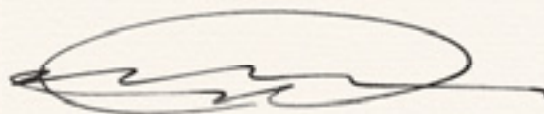
In fiscal 2011, the domestic housing market was buoyant despite concerns about the impact of the Great East Japan Earthquake, in part boosted by government incentives to promote house purchases, including a year-on-year increase in the number of new housing starts. Against this backdrop, the Group's performance was driven by our core operations – the construction of new custom-built detached housing and timber and building materials – leading to an increase in recurring income for the second consecutive year. We will continue to implement steady cost reductions as we work to enhance profitability across all of our operations and build a robust business base.

The business environment in which we find ourselves is set to see significant changes in the future. We envisage a slowdown in the number of new housing starts in the domestic market in the long run due to the fall in population with the declining birth rate and rising numbers of aged, but we expect the renovation and leasing housing market to expand further. Turning to the overseas market, the importance of developing countries, which continue to grow, will only increase. The key to future growth lies in accurately identifying such changes in the times so as to address the needs of people and society.

As a Group with proven expertise in wood, the Sumitomo Forestry Group has consistently pursued the possibilities offered by wood and maximized wood in its operations. In Japan, we have focused our efforts on the evolution of wooden houses, including the use of engineered wood and the development of new housing construction techniques. In addition, we draw on the technology and know-how in wood applications we have cultivated over the course of our long history, to provide people with the optimum homes in which to live; for example, to rejuvenate traditional houses built more than 100 years ago by deploying anti-seismic reinforcement and other state-of-the-art renovation technologies. Overseas, we have expanded the business fields in which we operate from the import of timber and building materials to the manufacturing of building materials, the plantation forestry business, and the housing business, while maintaining our focus on wood.

In developing our business activities, we have always been mindful of the values of different countries and regions, and of the need to respect people's way of living. Our business operations always exist among people's daily lives. In future, we will continue to utilize our experience and technologies to the full as we consistently invest management resources in fields including the growing domestic renovation and leasing housing market and overseas market, focused on developing countries.

The Sumitomo Forestry Group thus aims to achieve further growth by developing high value-added operations that win the approval of people and society, in any business environment.



Akira Ichikawa

President / Representative Director