

Business Strategies by Segment



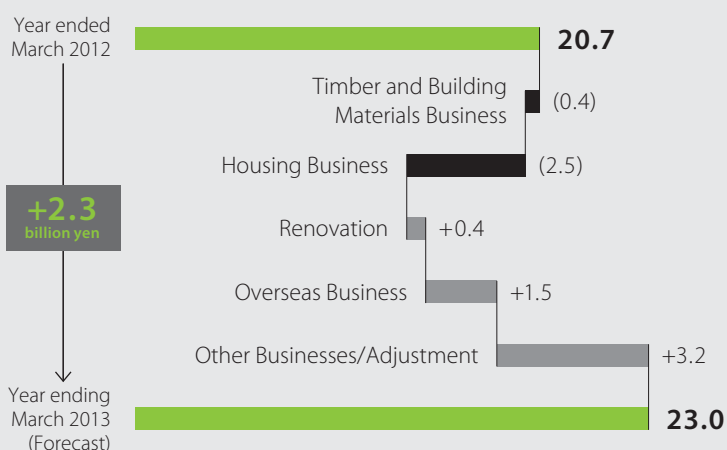
At a Glance

Changes in the Reporting Segments The scope of the reporting segments has been changed as of April 1, 2012

Previous Segments	New Segments
Timber and Building Materials Business <ul style="list-style-type: none"> Domestic Distribution of Timber and Building Materials and Manufacturing of Building Materials 	Timber and Building Materials Business <ul style="list-style-type: none"> Domestic Distribution of Timber and Building Materials and Manufacturing of Building Materials Overseas Distribution
Overseas Business <ul style="list-style-type: none"> Overseas Distribution of Timber and Building Materials and Manufacturing of Building Materials Overseas Housing 	Housing Business <ul style="list-style-type: none"> Custom-Built Detached Housing and Apartments Stock Housing Business <ul style="list-style-type: none"> Renovation Existing Home Renovation Real Estate Brokerage and Management New Spec Homes
Housing Business <ul style="list-style-type: none"> Custom-Built Detached Housing and Apartments Renovation 	Overseas Business <ul style="list-style-type: none"> Overseas Resource and Manufacturing Overseas Housing and Real Estate
Real Estate Business <ul style="list-style-type: none"> Real Estate Development, Brokerage and Management Detached Spec Homes, etc. 	Other Businesses <ul style="list-style-type: none"> Manufacture and Sale of Farming and Gardening Materials, Insurance Agency Services, etc.
Other Businesses <ul style="list-style-type: none"> Manufacture and Sale of Farming and Gardening Materials, Insurance Agency Services, etc. 	Adjustment <ul style="list-style-type: none"> Forestry Management and Environmental Business Head Office Departments
Adjustment <ul style="list-style-type: none"> Forestry Management, Environmental Businesses Head Office Departments 	



Forecasts for Recurring Income by Segment (Billions of yen)



Housing Business

Earnings set to decline due to increased expenses despite measures to increase profitability by adding value in the custom-built detached housing business

Overseas Business

Losses set to narrow on improved profitability of housing businesses in America and the MDF manufacturing business in Australia

Other Businesses and Adjustments

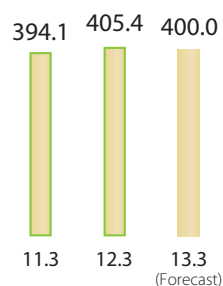
Earnings set to improve, due to exclusion of impact from actuarial difference relating to retirement benefits in year ended March 2012 (-4.9 billion yen)

Timber and Building Materials Business

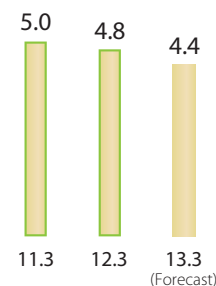


We operate a distribution business, which sources high quality timber and building materials from Japan and overseas for marketing to domestic and overseas customers, and a manufacturing business which makes materials for wooden buildings in Japan.

Sales (Billions of yen)



Recurring Income (Billions of yen)

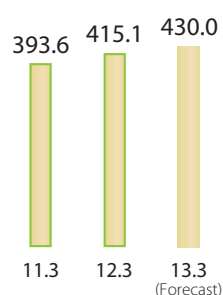


Housing Business

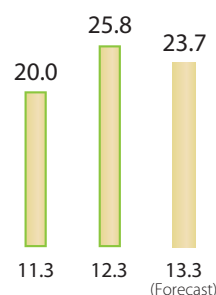


Centered on custom-built detached homes, we operate a wide range of lifestyle-related businesses, including stock housing business such as renovation, real estate brokerage and management, and new detached spec home businesses.

Sales (Billions of yen)



Recurring Income (Billions of yen)

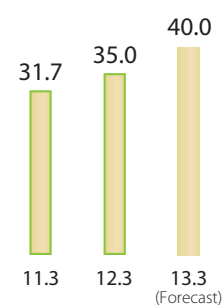


Overseas Business

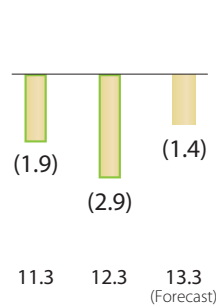


We engage in plantation forestry and building materials manufacturing, and also offer housing products mainly in the United States and other Pacific Rim countries.

Sales (Billions of yen)



Recurring Income (Billions of yen)

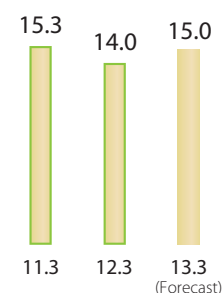


Other Businesses

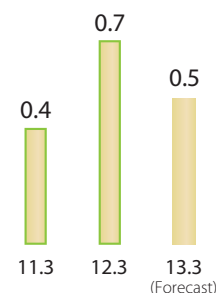


We conduct businesses including manufacture and sale of farming and gardening materials, property insurance agency services for home-buyers, as well as management of residential care facilities for the elderly.

Sales (Billions of yen)



Recurring Income (Billions of yen)



*1. Figures are rounded when less than one unit.

*2. Sales and recurring income of each segment shown include inter-segment transactions. For the years ended March 2011 and March 2012, figures for new segments are calculated based on the old segments, for reference only.

Timber and Building Materials Business

Volume of timber and building materials handling in Japan

No.1

Fiscal 2011

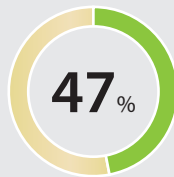
Sales

405.4 billion yen

Recurring Income

4.8 billion yen

Percentage of Total Sales



► Basic Policy

Establishing a system for stably generating earnings in the global market

Immediately after the Great East Japan Earthquake, there was a temporary tight supply and demand situation for panels and other imported wood building materials. However, as the leading company in handled volumes for timber and building materials in Japan, we worked to normalize the situation by drawing on our international network to boost supplies. The Group remains committed to ensuring stable supplies of building materials, and managing optimal supplies to meet market demand. As the Japanese new housing market will gradually shrink in the future, we are pursuing domestic regional strategies to reinforce distribution functions optimized to meet the needs of each region. Also, we are implementing global distribution strategies to expand our distribution operations in the Pacific Rim region via strategic integration of purchasing from overseas and sales to both Japan and overseas customers. Moreover, we are streamlining the domestic distribution organization to improve efficiency and are introducing a lean personnel system to maintain and increase our market share. To create a new revenue base for the future, we will focus our management resources on overseas distribution businesses and address the renovation and environmental-equipment markets.

Through these strategies, we will maintain and increase stable earnings from the timber and building materials business, one of our core operations, as a longer-term measure. We will accelerate the development of overseas markets to establish a stable earnings structure in the global and domestic market.

► Domestic Distribution Business

Improving efficiencies, increasing current market share, and tapping growth markets

In the domestic distribution business, by leveraging our leading market share in Japan and our expertise, we will pursue area strategies to address the problems business partners are facing, such as improvement of distribution efficiency, while also reinforcing our region-based sales channels. Moreover, we will increase our per-capita earning capabilities by rebuilding our organizational structure to optimize our human resources system and improve efficiencies.

To meet the opportunities presented by the promising renovation market in Japan, we will enhance the sales of environmentally sound equipment for which demand is set to grow in the future, such as solar power systems, home energy management system (HEMS) equipment and storage batteries, etc.



Japan Housing Open Platform, a cloud-based service for the house building industry



Environmentally sound product
"KIKORIN-PLYWOOD"



We will continue to expand sales by increasing users and upgrading the services of Japan Housing Open Platform cloud service, which we have already launched for the house-building industry. Also, we will develop the distribution system business for home-building materials. Furthermore, we are expanding sales of our lineup of environmentally sound products, such as the Group's proprietary *KIKORIN-PLYWOOD* panels.

► Overseas Distribution Business

Leveraging the Group's network to accelerate our global development

With an eye to medium-to-long-term growth in the world economy, chiefly in emerging markets, we reviewed our system of running overseas distribution businesses. We are setting up a platform for an integrated global strategy for our overseas products, and are working to increase trading of our timber and building materials from our units in other countries. Based on sales from Group manufacturing sites, up until the present time we have distributed our overseas products in countries such as Indonesia, and we will utilize the expertise acquired in these operations in the investment of management resources for the acceleration of the development of our businesses in China, Vietnam, and other countries in the Pacific Rim region where demand for timber is rapidly increasing.

In June 2012, we established Sumitomo Forestry (Shanghai) Ltd. in Shanghai as our second timber and building materials distribution site in China, following our first site in Dalian. In July, we also established a subsidiary in Ho Chi Minh City, Vietnam. Our subsidiary in Shanghai will develop our business in the Yangtze Delta region and other areas where growth potential is expected, and it will support the growth of our overall business in China, such as housing businesses and consulting services for Group companies. Our subsidiary in Vietnam will distribute Vietnamese building materials to customers in Vietnam, and also handle products of other manufacturers, aiming to expand the sales volume of timber and building materials in the Vietnam market.

The Group will work to establish a global sales system that is optimized to the markets in each country and region, also further bolster our procurement capabilities, by fully utilizing our overseas network in over twenty countries that we have created over many years.

Establishing distribution subsidiaries in Vietnam and Shanghai

In 2012, the Group established a subsidiary in Shanghai in June, and also a distribution subsidiary (Sumitomo Forestry (Vietnam) Ltd.) in Ho Chi Minh City of Vietnam in July, aiming to strengthen its business foundation in the Pacific Rim region.

In China, we have developed businesses such as plywood manufacturing, distribution (Dalian) and wooden housing. Moreover, we are reinforcing the business foundations for housing, distribution of timber and building materials, and manufacturing of building materials in China. For example, we have established a subsidiary that supports the Group's operations such as CAD drafting. In the distribution business for timber and building materials, an established distribution subsidiary in Dalian, Sumitomo Forestry (Dalian) Ltd., together with our new business site in Shanghai, Sumitomo Forestry (Shanghai) Ltd., enable us to expand our sales network in China nationwide. We also bolstered sales networks in the Yangtze Delta region

(Shanghai City, Zhejiang Province, and Jiangsu Province), which is China's largest economic zone.

In Vietnam in 2010, we established Vina Eco Board Co., Ltd. (VECO) to manufacture particle boards (PB) in Vietnam, and commercial production started in May 2012. Sumitomo Forestry (Vietnam) Ltd. enhances the distribution of VECO's PB within Vietnam, as well as handling other manufacturers' products to expand the Group's sales volumes for timber and building materials in the Vietnam market.



Staff of Sumitomo Forestry (Shanghai) and Sumitomo Forestry (Dalian)



Products of Vina Eco Board Co., Ltd. (VECO)

Housing Business

Total number of custom-built wooden homes sold **250,000** units

Approximately

Fiscal 2011

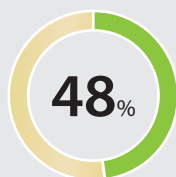
Sales

415.1 billion yen

Recurring Income

25.8 billion yen

Percentage of Total Sales



Earthquake Energy-Absorbing Panels (GS Panels)

These panels significantly reduce damage to the building by converting earthquake energy into heat energy through special rubber. Panels are able to maintain their earthquake resistance for a long period.

(winner of the FY 2011 Good Design Awards)



mamato

In designing this home, we listened to the voices of mothers wishing for homes that reduce housework and create an environment conducive to bringing up children.

► Basic Policy

Focusing on new housing construction and the stock housing market, responding to overall housing needs

Our forecast is that the housing market in Japan in fiscal 2012 will remain strong, continuing from fiscal 2011, due to ongoing measures such as facilitating home purchases including tax deductions for home loans, expansion of the scope of gift tax exemption for the purpose of housing acquisition, and the preferential interest rate *Flat 35S Eco* program applicable to homes with superior levels of energy conservation and earthquake resistance.

The Group will focus on the overall housing market, regardless of whether for new housing or stock housing, and actively meet social needs for housing that is safe, earthquake-resistant and energy-efficient. Also, we will strengthen our measures to meet restoration-related demand from disaster areas. Especially in our stock housing business, we restructured our organization and combined our renovation business, existing home renovation business (resale of renovated homes), rental management business, and real estate brokerage business into a single business segment. We will expand these businesses, by effectively utilizing our technological expertise in the housing business. We also transferred our detached spec home business and MOCCA (wood use integration) business to the housing business segment in order to enhance collaboration among each business and to further development.

► Custom-Built Housing Business

Providing homes offering earthquake resistance and energy conservation, meeting the diverse housing needs of each region

We continue to increase sales of our custom-built wooden homes that offer high levels of earthquake resistance and safety by utilizing our Big-Frame construction method, which has enjoyed a significant growth in sales, and *Earthquake Energy-Absorbing Panels (GS panels)*. Additionally, we work to increase the penetration of products with superior environmental performance that contribute to power saving, such as our *Ryuoanbou* design concept. Furthermore, we work to expand the sales of solar power systems, household fuel cells, and other environmental equipment.

We develop a diverse range of home-building proposals, whether for residential, rental housing, or commercial use. In the three largest urban markets (Tokyo, Osaka, and Nagoya), where rebuilding demand is strong and there are good prospects for order growth, we will reinforce marketing activities by focusing on two-family homes, three-storied wooden homes,



ikiki, Two-family homes

In response to the increase in working parents, this product is designed to fulfill their needs in terms of housework, child-raising, and work responsibilities.



Sumai Haku housing fair

Potential customers can experience our earthquake resistance technologies and the appeal of wooden homes.

and rental units in our apartment business to increase the per-order unit price. Our strategy targets a widening range of customers.

We continue to hold *Sumai Haku* housing fairs where potential customers can experience our housing products and get a better understanding of our technologies and features. We hold regional-based *small Sumai Haku* housing fairs in other regions in Japan, and further strengthen *Web Sumai Haku* housing fairs on the Internet. Other methods that we intend to use to actively attract customers include sales initiatives to secure introductions from up to 250,000 owners of *Sumitomo Forestry Home* houses and from ordinary companies.

► Stock Housing Business

Expanding our stock housing business, particularly our renovation business

In the renovation business, where demand is likely to expand, we are upgrading our products and services to meet customers' diversifying needs. These are renovation services for traditional Japanese-style homes, in which we utilize our expertise and technological capabilities, and *Smart Reforest*, a renovation package product which ensures earthquake resistance and improves power saving and energy conservation, and our lineup of fixed-price renovation products. We continue to prioritize activities to increase sales in the Tokyo metropolitan area, which is the largest renovation market in Japan.

Further, we are strengthening our diversified stock housing business, which encompasses the sale of pre-owned homes, resale of renovated homes and management of rental properties to generate stable earnings while increasing inter-Group cooperation.

Wood-use integration business (MOCCA)

The Group's MOCCA business seeks to expand the possibilities of domestic timber and to develop its wider use by increasing applications through the greater use of wood construction and wood materials in non-residential building structures. Against the backdrop of the enactment in 2010 of new legislation promoting the use of timber in public buildings, we are optimistic that wood construction will increase and that more wood materials will be used for interiors in the non-housing sector. We make full use of the appeal of timber in our sales activities to promote its greater use in the construction of public and cultural facilities. For example, we have recently completed wood construction projects for elderly-care facilities, in which we were also able to use large amounts of wood in the interiors.

After the Great East Japan Earthquake, local governments in the affected area actively adopt the measures of reconstruction plans, including a wood biomass power generation business that utilizes the abundant timber resources of the Tohoku area, and promotion of use of

locally produced timber for public emergency housing and facilities as a measure to revitalize the forestry industry. We are reviewing new production and consumption channels.

Based on our track record and expertise in timber, we will continue to promote our wood-built city concept as a low-carbon settlement model, bringing people and waste-free forestry together and creating jobs.



A wooden private elderly-care facility (two-by-four system, three stories)

Overseas Business

Forest area managed
in the overseas
forestry business

Approximately

200,000 ha

Fiscal 2011

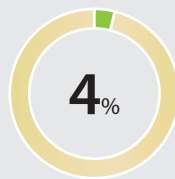
Sales

35.0 billion yen

Recurring Income

-2.9 billion yen

Percentage of Total Sales



► Basic Policy

Accelerating the growth of new businesses, rapidly rebuilding our underperforming businesses

The Group intends that overseas businesses become a main earnings driver in the future. The overseas business consists of resources, manufacturing, housing, and real estate. We are aiming to create upstream-to-downstream, vertically integrated businesses related to wood in our operating areas of Southeast Asia, Oceania, North America, China and other Pacific Rim regions. The Group is also working to create horizontal synergies by strengthening alliances between Group companies, creating a mutual backup system for manufacturing businesses, and sharing business approaches.

Currently, the building materials production business in Australia and the housing business in the United States are struggling as a result of market slumps. However, the building materials production business in Southeast Asia remains strong, earnings varying depending on region and nature of business. In fiscal 2012, a loss is expected in the overseas business overall, following that of fiscal 2011. After identifying the underlying causes for earnings headwinds, we plan to develop countermeasures as a matter of urgency and aggressively invest management resources in new businesses.

► Overseas Resources and Manufacturing Business

Fast growth at new businesses

In the overseas manufacturing business, the Group plans to turn around struggling established businesses one by one. In new businesses, commercial production of particle boards has started in Vietnam, and the Group will develop its business with a focus on sales to customers within Vietnam, whose economy has been growing steadily. The Group is also aiming to increase earnings by manufacturing and marketing products that precisely reflect market needs, particularly in the Pacific Rim region where high growth is expected the medium-to-long term.

The Group's resource business is based on forestation in countries such as Indonesia, Papua New Guinea, and New Zealand. The trees cultivated are used as the raw materials for our wood products. This business also contributes to the environment by restoring degraded forests and preserving biodiversity. To rapidly make it into a source of earnings, we are reinforcing



Plywood manufacturing process



PT. Kutai Timber Indonesia (Indonesia)



A Home built by Henley Homes* (Australia)

cooperation within the Group, enhancing information-sharing, and strengthening our sales organization. We will further expand the total area of forests we manage, which currently stands at around 200,000 hectares, to realize additional economies of scale.

► Overseas Housing and Real Estate Business

Preparing for a market recovery, continuing with earnings reforms

The Group is developing housing businesses in the United States, Australia and China. However the business environment remains harsh. In addition to the housing market slump in the United States in fiscal 2011, there has been a deceleration in the economy of previously buoyant Australia.

However, in early 2012, the US market showed moderate recovery and in the longer term we expect a steady increase in the population of Australia. Accordingly, we can expect growth in the housing market. These are two of the leading wooden housing markets in the world, and we expect to continue to develop them aggressively. In addition, in China, interest in wooden housing has risen amid environmental concerns. We intend to create a stable production system using our know-how to meet this demand.

* Sumitomo Forestry Australia Pty Ltd., a wholly owned Sumitomo Forestry Group company, has a 50% equity stake in the Henley Homes

Our particle board plant in Vietnam begins commercial production

—Responding to the continuing increase in demand for timber in Asia

In May 2012, the Sumitomo Forestry Group's Vietnamese unit, Vina Eco Board Co., Ltd., began commercial production of particle boards (PB). Demand has been growing in this market in conjunction with the country's economic growth. Vietnamese companies have also been increasing their production of furniture for export to the United States, Europe, and Japan, and so demand for PB is also expected to increase, as it is the main raw material. Our subsidiary's products will be sold under the VECO brand. Going forward, it will collaborate with the other companies in the Sumitomo Forestry Group to expand its product lineup and to improve its proposal and marketing capabilities for its customers in Vietnam. The plant currently has the largest production capability in Vietnam, and it is also one of the biggest production sites within the Group. It is stably procuring its raw materials of timber and wood waste from suppliers within Vietnam, manufacturing and selling high quality products that are also environmentally sound and cost-competitive.

The Group has received praise in Vietnam due to this business's contribution to creating jobs and reducing greenhouse gases. It has received funding from the International Finance Corporation* (IFC).

* Established in 1956, the IFC is an international organization that is part of the World Bank Group. In addition to providing economic development benefits to its developing country members, it supports sustainable projects that are financially and commercially sound and that also are considerate to the environment and society.



Vina Eco Board Co., Ltd.

Other Businesses

The area of forest managed in Japan

Approximately **1/900** of Japanese land area

Fiscal 2011

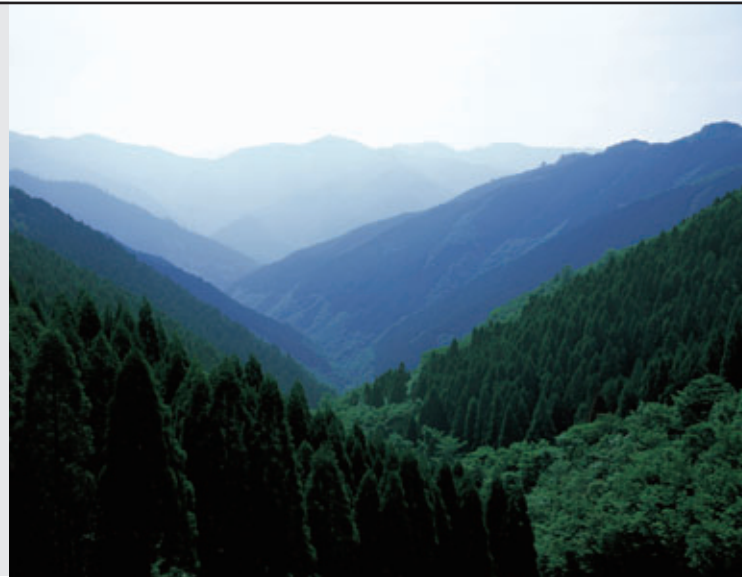
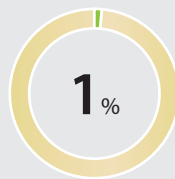
Sales

14.0 billion yen

Recurring Income

0.7 billion yen

Percentage of Total Sales



The Group's forestry management

► Forestry and Environmental Businesses

Achieving sustainable forestry management, developing an environmental business

The Group manages its Group forestry business in an environmentally sound and sustainable manner under a long-term forestry management plan. Under this plan, we currently own and manage approximately 42,900 hectares within Japan (about 1/900th of the nation's land area). We also make use of our technologies and expertise in forestry management services for forests owned by other companies. In addition, we provide forest management consulting service overseas and are involved in various other environmental businesses; for example, we have entered the wood biomass energy field. Under the Japan Verified Emission Reduction (J-VER) system, the Group also acquires and markets offset credits for the CO₂ absorbed by the forests that it owns, and is developing new businesses by acquiring new credits from this system and by other means.

* The Group's forestry business in Japan, which is included in adjustment items, is described within the 'Other Businesses' segment.



Private-pay elderly care facility
Grand Forest Mejiro

► Lifestyle Service Business

Developing a lifestyle-related business and an aging society-related business

In fiscal 2012 the Group newly established its Lifestyle Service Division, in a measure to develop and revitalize lifestyle and elderly care businesses that are independent of the housing market, drawing on core customer bases.

Responding to the needs of an aging society, we have been further improving the quality of nursing services that we provide in our management of private-pay elderly care facilities. Moreover, we continuously work to improve the profitability of this business so that we can use these funds to ensure the stable management of our facilities.

We also undertake property insurance agency services, leasing operations and the manufacture and sales of farming and gardening materials.



The manufacture and sales of farming and gardening materials