

Independent Auditor's Report

The Board of Directors
Sumitomo Forestry Co., Ltd.

We have audited the accompanying consolidated financial statements of Sumitomo Forestry Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sumitomo Forestry Co., Ltd. and its consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.



June 22, 2012

Sumitomo Forestry Group at a Glance

(As of July 3, 2012)

Domestic

Timber and Building Materials Business Segment

1 Sumitomo Forestry Wood Products Co., Ltd.	Forest management; various forestry businesses; procurement and sales of Japanese timber, etc.
2 Sumitomo Forestry Crest Co., Ltd.	Manufacture and sales of various types of plywood, building components for housing, furniture, synthetic resin adhesive, etc.
3 Sumirin Sash Co., Ltd.	Secondary processing and sales of aluminum sashes; exterior finishing
4 Sumikyo Wintec Co., Ltd.	Sales of door and window sashes for housing and low- and mid-rise buildings; sales of exterior finishing materials
5 Sumikyo Co., Ltd.	Sales of door and window sashes for housing; sales and installation of sidings; sales of exterior finishing materials
6 Igeto Co., Ltd.	Sales of housing materials and fixtures
7 Daiichisansho Co., Ltd.	Sales of construction materials; interior and exterior finishing
8 Nihei Co., Ltd.	Sales of construction materials; ancillary work
9 Home Eco Logistics Co., Ltd.	Distribution services for home building materials
10 Nichiha Fuji Tec Co., Ltd.	Manufacture and sales of construction materials
11 Japan Bioenergy Holdings Co., Ltd.	Management direction and holding of shares in wood chip supply companies
12 Japan Bioenergy Co., Ltd.	Intermediate processing of industrial waste products, and supply and sales of wood chips
13 Kawasaki Biomass Electric Power Co., Ltd.	Electric power generation using wood-chip biomass; wholesale electric power

Housing Business Segment

14 Sumitomo Forestry Home Service Co., Ltd.	Sales agent for land and housing
15 Sumitomo Forestry Residential Co., Ltd.	Management and renovation of condominiums and apartments
16 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
17 Sumitomo Forestry Landscaping Co., Ltd.	Urban greening; landscaping for private residences; plant rental, etc.
18 Sumitomo Forestry Home Engineering Co., Ltd.	Construction and construction supervision of Sumitomo Forestry's custom-built wooden homes
19 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
20 Meikan Honchosha PFI Co., Ltd.	Redevelopment of headquarters, etc. of Nagoya Port Authority

Other Business Segment

21 Sumitomo Forestry Information Systems Co., Ltd.	Development of computer systems, etc.
22 Sumirin Enterprises Co., Ltd.	Various services for insurance agency, equipment leasing, travel agency and sales, etc.
23 Sumirin Business Service Co., Ltd.	Staffing business, training, administration outsourcing services
24 Sumirin Agro-Products Co., Ltd.	Production and sales of nursery compost, culture soil for gardening, soil conditioning materials, fertilizer, etc.
25 Kawanokita Development Co., Ltd.	Management of the Takinomiya Country Club golf course
26 Fill Care Co., Ltd.	Management of nursing care facilities for senior citizens, etc.

Overseas

Timber and Building Materials Business Segment

1 Shouei Furniture Co., Ltd. (Thailand)	Manufacture and sales of furniture
2 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
3 PT. Sumitomo Forestry Indonesia (Indonesia)	Procurement and sales of timber and building materials
4 Sumitomo Forestry (Dalian) Ltd. (China)	Import / export and wholesale of timber and building materials
5 Sumitomo Forestry (Singapore) Ltd. (Singapore)	Procurement and sales of timber and building materials; investment and financing
6 Sumitomo Forestry (Shanghai) Ltd. (China)	Procurement and sales of timber and building materials, wholesale in China, management of housing business in China and providing consultation service for Group companies in China
7 Sumitomo Forestry (Vietnam) Ltd. (Vietnam)	Wholesale of timber and building materials in Vietnam, import / export of timber and building materials

Overseas Business Segment

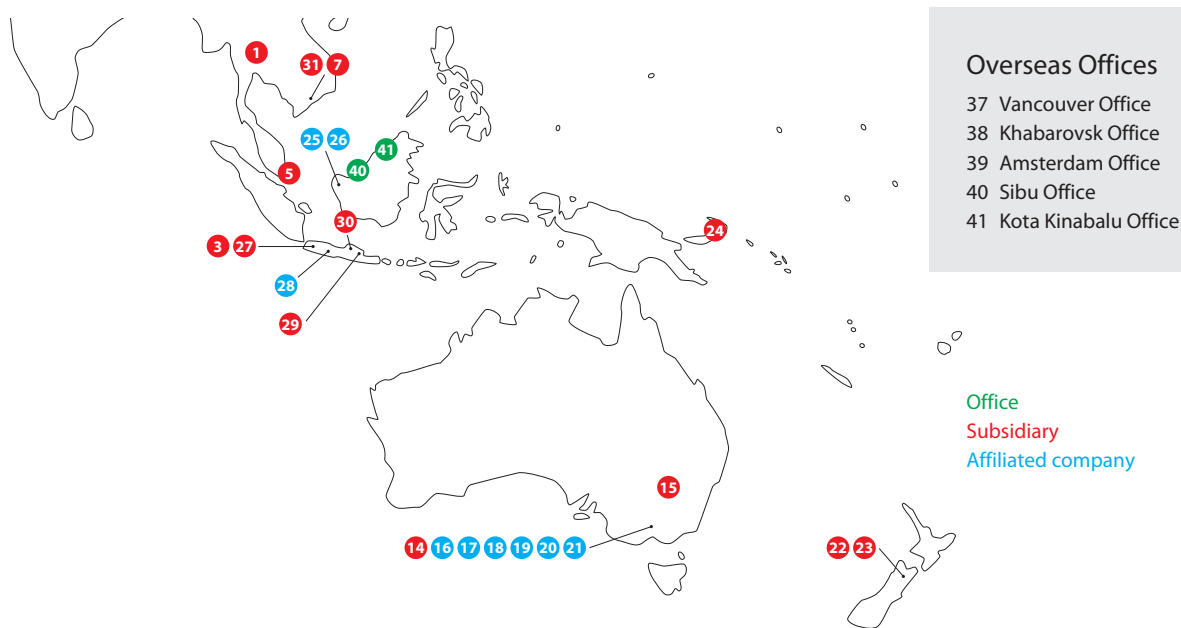
8 Kowa Lumber Co., Ltd. (Japan)	Import / export and sales of logs; export of forestry equipment and equipment parts
9 SFC Homes, LLC (U.S.A.)	Construction and sales of detached homes
10 Canyon Creek Cabinet Company (U.S.A.)	Manufacture and sales of kitchen cabinets
11 Cascadia Resort Communities, LLC (U.S.A.)	Land development, housing business
12 Creekstone Development, LLC (U.S.A.)	Land development and sales of housing lots
13 Henley USA, LLC (U.S.A.)	Construction and sales of detached homes
14 Sumitomo Forestry Australia Pty Ltd. (Australia)	Oversight and participation in management of affiliates in Australia
15 Alpine MDF Industries Pty Ltd. (Australia)	Manufacture and sales of medium density fiberboard (MDF)
16 Grices Road Management Pty Ltd. (Australia)	Land development
17 SPJR Land Development Pty Ltd. (Australia)	Holding company of land development company
18 Henley USA Pty Ltd. (Australia)	Holding company of Henley USA, LLC



19 Henley Properties (QLD) Pty Ltd. (Australia)	Construction and sales of detached wooden homes and collective housing
20 Henley Arch Pty Ltd. (Australia)	Construction and sales of detached wooden homes and collective housing
21 Edgewater Homes Pty Ltd. (Australia)	Sales of detached wooden homes and collective housing
22 Sumitomo Forestry NZ Ltd. (New Zealand)	Holding company
23 Nelson Pine Industries Ltd. (New Zealand)	Manufacture and sales of medium density fiberboard (MDF), veneer and laminated veneer lumber (LVL)
24 Open Bay Timber Ltd. (Papua New Guinea)	Large-scale afforestation; log harvesting and export
25 PT. Mayangkara Tanaman Industri (Indonesia)	Large-scale afforestation; log harvesting
26 PT. Wana Subur Lestari (Indonesia)	Large-scale afforestation; log harvesting
27 PT. Kutai Timber Indonesia (Indonesia)	Manufacture and sales of plywood, secondary processed plywood, processed timber products and particle board
28 PT. Rimba Partikel Indonesia (Indonesia)	Manufacture and sales of particle board
29 PT. Sinar Rimba Pasifik (Indonesia)	Manufacture and sales of wooden interior products
30 PT. AST Indonesia (Indonesia)	Manufacture and sales of materials for musical instruments and wooden building materials
31 Vina Eco Board Co., Ltd. (Vietnam)	Manufacture and sales of particle board
32 Fuxin Sumirin Wood Products Co., Ltd. (China)	Manufacture and sales of plywood, processing timber
33 Paragon Wood Product (Dalian) Co., Ltd. (China)	Design and construction of wooden housing; interior design and construction of housing and offices
34 Paragon Wood Product (Shanghai) Co., Ltd. (China)	Interior design and construction of housing and office; manufacturing, processing and sales of trusses
35 Dalian Sumirin Information Technology Service Co., Ltd. (China)	CAD work and other business processing

Housing Business Segment

36 Yantai Golden Bridge Enterprise Co., Ltd. (China)	Brokerage of rental housing
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Organization Chart

(As of April 1, 2012)

