[TRANSLATION]

This document is an unofficial English translation of the original Notice and Proxy Statement published in Japanese language. While the Company exercised due care in the translation, it makes no warranty, express or implied, as to the accuracy and completeness of the information contained in this English translation.

Sumitomo Forestry Co., Ltd.
8-1, Marunouchi 1-chome
Chiyoda-ku, Tokyo

June 7, 2005

Dear Fellow Shareholder:

NOTICE OF THE SIXTY-FIFTH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We are pleased to invite you to attend our Sixty-fifth Ordinary General Meeting of Shareholders to be held as follows.

If you are unable to attend the meeting in person, please carefully read the attached proxy statement, complete the enclosed proxy card to vote your shares in favor of or against the proposals, and return it to us after affixing your seal thereupon.

Sincerely,

Ryu Yano
President and Director

Particulars of the Meeting:

1. Date and Time: Wednesday, June 29, 2005 at 10:00 a.m.

2. Place: The Main Conference Room of Tokyo Headquarters on the 14th Floor of Marunouchi Trust Tower North at 8-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo

   (The place of the meeting has been changed this year. For more information, please see "Guide Map to the Place of the

Meeting" attached hereto.)

3. Purposes of the meeting:

Matters to be reported:

1. To hear reports on the Business Report, Consolidated Balance Sheet and Consolidated Profit and Loss Statement, and Non-consolidated Balance Sheet and Non-consolidated Profit and Loss Statement for the 65th business term (from April 1, 2004 up to March 31, 2005); and

2. To report the results of audits of the Consolidated Financial Statements for the 65th business term by the Company's Independent Auditors and the Board of Statutory Auditors.

Matters to be resolved:

1st Item of Business:	Approval of the proposed Appropriation of Profit for the 65th business term
2nd Item of Business:	Amendments to the Articles of Incorporation The summary of this item of business is described in the attached proxy statement.
3rd Item of Business:	Election of one Director
4th Item of Business:	Election of two Statutory Auditors
5th Item of Business:	Payment of Retirement Allowances to the Directors and the Statutory Auditors
6th Item of Business:	Revision of the Aggregate Amount of Remuneration to Directors

If you attend the meeting in person, please submit the enclosed proxy card at the reception desk.

PROXY STATEMENT

1. Number of the voting rights held by total shareholders: 173,778 voting rights

2. Items of Business and Referential Information

1st Item of Business: Approval of the proposed Appropriation of Profit for the 65th business term

The proposed Appropriation of Profit should be made considering the reinforcement of management bases and financial structure of the Company together, which is as described in the attached document.

The Board of Director declared payment of a final dividend of 6.50 yen per share in line with the Company's basic policy to pay dividends on a stable and continuous basis, considering the operating performance for the current business term and other relevant factors together.

Accordingly, the annual dividend for the current business term, including the interim dividend, will be 13 yen per share.

2nd Item of Business: Amendments to the Articles of Incorporation

1. Reasons for the proposed amendments

(1) The Company has decided to abolish its retirement allowance plans for Directors and Statutory Auditors. Accordingly, the Company proposes that the required amendments be made to the provisions concerning remunerations to Directors and Statutory Auditors (Articles 19 and 26 of the Articles of Incorporation currently in effect), which will become effective as at the close of the general meeting.

(2) Three years have passed since the Company had adopted the executive officer system in June 2002, with the view to speeding up its decision-making process and promoting management efficiency. During this period, the Company has been able to get divided functions of, and allocated responsibilities for, management and business executions

entrenched within the Company. Given this, the Company submits a proposal for inclusion of a new provision relating to the limitation on the number of Directors (Article 17 of the amended Articles of Incorporation).

(3) The Company will renumber the articles to reflect the inclusion of a new article.

2. Details of the proposed amendments

The details of the proposed amendments are as follows (amended portions underscored):

Articles of Incorporation currently in effect	Proposed amendments
[Newly created]	<u>Article 17. (Number of Directors)</u> <u>The Company shall have not more than ten (10) Directors.</u>
Articles <u>17</u> and <u>18</u>. [Transcription of the relevant provisions omitted]	Articles <u>18</u> and <u>19</u>. [No change]
Article <u>19</u>. (Remuneration) The remuneration <u>and retirement allowances</u> for Directors shall be determined by a resolution of a general meeting of shareholders.	Article <u>20</u>. (Remuneration) The remuneration for Directors shall be determined by a resolution of a general meeting of shareholders.
Articles <u>20</u> through <u>25</u>. [Transcription of the relevant provisions omitted]	Articles <u>21</u> through <u>26</u>. [No change]
Article <u>26</u>. (Remuneration) The remuneration <u>and retirement allowances</u> for Auditors shall be determined by a resolution of a general meeting of shareholders.	Article <u>27</u>. (Remuneration) The remuneration for Auditors shall be determined by a resolution of a general meeting of shareholders.
Articles <u>27</u> through <u>34</u>. [Transcription of the relevant provisions omitted]	Articles <u>28</u> through <u>35</u>. [No change]

3rd Item of Business: Election of one Director

Mr. Shuji Kitamura, Director, will resign as such at the close of the general meeting. The Company recommends that shareholders vote FOR the election of one Director to fill a vacancy resulting from Mr. Kitamura's resignation.

The term of office of the Director elected at this general meeting will expire when the term of office of the remaining Directors currently in office should expire as set forth in the Company's Articles of Incorporation.

Candidate for the Director is as follows.

Name (Date of birth)	Brief personal history and other representations		No. of shares held
Hideyuki Kamiyama (November 29, 1951)	April 1975	Joined the Company	5,000 shares
	April 2002	General Manager of Housing Strategy Division, Housing Headquarters and General Manager of Product Development Division, Housing Headquarters	
	April 2003	General Manager of Housing Administrative Division, Housing Headquarters	
	April 2004	General Manager of Housing Administrative Division, Housing Headquarters and General Manager of Product Development Division, Housing Headquarters	
	June 2004	Executive Officer Appointed as Asst. Executive Manager of Housing Headquarters and General Manager of Housing Administrative Division, Housing Headquarters and General Manager of Product Development Division, Housing Headquarters	
	April 2005	Managing Executive Officer Appointed as Executive Manager of Housing Headquarters (up to the present)	

(Notes) There is no special interest reportable between the candidate and the Company.

4th Item of Business: Election of two Statutory Auditors

Messrs Junji Ikai and Joji Ito, both Statutory Auditors, will resign as such at the close of the general meeting: The Company recommends that shareholders vote FOR the election of two Statutory Auditors to replace them.

Candidates for the Statutory Auditors are as follows.

The Company has obtained the consent of the Board of Statutory Auditors to this item of business.

Candidate No.	Name (Date of birth)	Brief personal history and other representations		No. of shares held
1	Shuji Kitamura (September 25, 1946)	April 1970	Joined the Company	13,369 shares
		June 1998	Director	
		October 1998	Appointed as General Manager of Technology & Production Division, Housing Headquarters	
		February 2002	Appointed as General Manager of East Japan Housing Division, Housing Headquarters	
		April 2002	Managing Director	
			Appointed as Asst. Executive Manager of Housing Headquarters and East Japan Housing Division, Housing Headquarters	
		June 2002	Director	
			Managing Executive Officer	
		April 2003	Appointed as Executive Manager of Collective Housing Headquarters	
		October 2003	Appointed as Executive Manager of Collective Housing Headquarters and General Manager of Business Promotion Division, Collective Housing Headquarters	
		April 2004	Appointed as Executive Manager of Collective Housing Headquarters	
		April 2005	Executive Officer	
			(up to the present)	

Candidate No.	Name (Date of birth)	Brief personal history and other representations	No. of shares held
2	Toshio Kohigashi (October 23, 1947)	April 1972 Joined the Company April 2000 General Manager of Sango Project Division, Housing Headquarters March 2002 General Manager of General Administrative Division and General Manager of Sango Project Division, Housing Headquarters April 2002 General Manager of General Administrative Division and Manager of Niihama Business Office, General Administrative Division May 2003 General Manager of General Administrative Division June 2003 Executive Officer Appointed as General Manager of General Administrative Division April 2005 Executive Officer (up to the present)	4,000 shares

(Notes) There is no special interest reportable between each candidate and the Company.

5th Item of Business: Payment of Retirement Allowances to the Directors and the Statutory Auditors

In recognition of the services of Mr. Shuji Kitamura, Director, who will resign as such at the close of the general meeting, and Messrs. Junji Ikai and Joji Ito, both Statutory Auditors, who will resign as such at the close of the general meeting, the Company proposes payment of the retirement allowance to each of them to a reasonable extent pursuant to the standards established by the Company.

In addition, the Company has decided to abolish the retirement allowance plans to its Directors and Statutory Auditors as of the close of the general meeting, after reviewing the remuneration structure for its Directors and Statutory Auditors. As a result, the Company also recommends that shareholders approve its payments of retirement allowance to a reasonable extent pursuant to the standards established by the Company to the six Directors and the two Statutory Auditors who will continue to serve, in recognition of their past contributions to the Company while serving as such. The Company requests that shareholders leave the specific amounts, time and method of payment and other relevant matters up to the Board of Directors with respect to the Directors, and discussions among the Statutory Auditors with respect to the Statutory Auditors. The Company intends to pay retirement allowances to its Directors and Statutory Auditors who will continue to serve when each of them retires from his office as such.

Brief personal histories of the Directors and the Statutory Auditors to whom the Company will grant retirement allowances are as follows.

1. Director and Statutory Auditors who will resign as such at the close of the general meeting:

Name	Brief personal history	
Shuji Kitamura	June 1998	Director
	April 2002	Managing Director
	June 2002	Director
		Managing Executive Officer
	April 2005	Executive Officer (up to the present)
Junji Ikai	June 2003	Statutory Auditor (up to the present)
Joji Ito	June 2003	Statutory Auditor (up to the present)

2. Directors and Statutory Auditors who will continue to serve as such after the general meeting

Name	Brief personal history	
Ryu Yano	December 1988	Director
	June 1992	Managing Director
	June 1995	Senior Managing Director
	April 1999	President and Director
	June 2002	President and Director
		President and Executive Officer (up to the present)
Kanji Sugano	June 1993	Director
	June 1995	Managing Director
	April 1999	Senior Managing Director
	April 2002	Vice President and Director
	June 2002	Director
		Vice President and Executive Officer (up to the present)
Akihiro Ueda	June 1995	Director
	June 1998	Managing Director
	April 2002	Senior Managing Director
	June 2002	Director
		Senior Executive Officer
	April 2005	Vice President and Executive Officer (up to the present)
Kazuo Kai	June 1999	Director
	April 2002	Managing Director
	June 2002	Director
		Managing Executive Officer
	April 2005	Senior Executive Officer (up to the present)
Shoichi Takahashi	June 2004	Director
		Managing Executive Officer
	April 2005	Senior Executive Officer (up to the present)
Hideki Nose	June 2004	Director
		Managing Executive Officer (up to the present)
Hiroshi Miki	June 1995	Statutory Auditor (up to the present)
Satohiko Sasaki	June 2000	Statutory Auditor (up to the present)

6th Item of Business: Revision of the Aggregate Amount of Remuneration to Directors

Shareholders approved the aggregate amount of remuneration to the Company’s Directors up to JPY20 million a month at the 62nd Ordinary General Meeting of Shareholders held on June 27, 2002. The Company, however, has decided to revise the aggregate amount of remuneration to its Directors to up to JPY30 million a month to reflect the recent abolition of the retirement allowance plan for Directors, and recommends that shareholders approve this revision. Please note that the Company will not include salaries as employees of employee Directors in the amount of remuneration to Directors as in the past.

The Company now has seven Directors. If the third Item of Business is ratified and adopted as proposed, the Company will still have seven Directors.

CONSOLIDATED BALANCE SHEET

March 31, 2005

(Yen in millions)

Assets		
Current assets:		
Cash and cash in banks	¥	25,188
Notes receivable and accounts receivable-trade		85,052
Accounts receivable-housing construction		5,269
Marketable securities		31,045
Inventories		19,757
Real estate for sale		10,775
Work in process		14,171
Deferred tax assets		8,513
Short-term loans		9,841
Other receivables		36,797
Other assets		2,349
Allowance for doubtful accounts		(692)
		248,066
Non-current assets:		
Property, plant and equipment:		
Buildings and other structures		16,093
Machinery, equipment and vehicles		16,810
Land		17,542
Construction in progress		2,206
Other property, plant and equipment		12,455
		65,106
Intangibles:		
Consolidation adjustment account		1,434
Other intangibles		5,454
		6,887
Investments and other assets:		
Investment securities		40,485
Long-term loans		339
Deferred tax assets		1,193
Other investments/assets		10,169
Allowance for doubtful accounts		(1,561)
		50,625
		122,618
Total assets	¥	370,684

CONSOLIDATED BALANCE SHEET

March 31, 2005

(Yen in millions)

Liabilities		
Current liabilities:		
Notes payable and accounts payable-trade	¥	54,919
Accounts payable-housing construction		55,734
Short-term borrowings		7,291
Corporate bonds due within one year		60
Income taxes payable		4,197
Advances received for construction		34,038
Allowance for bonuses		7,518
Warranty reserve for completed construction		1,067
Allowance for losses on restructuring		1,867
Other liabilities		13,796
		180,487
Non-current liabilities:		
Corporate bonds		220
Long-term borrowings		8,009
Deferred tax liabilities		2,259
Allowance for retirement benefits		13,915
Retirement allowance for directors		800
Other non-current liabilities		11,972
		37,176
		217,663
Minority's Interest		
Minority's interest		521
		521
Shareholders' Equity		
Common stock		27,672
Capital reserves		25,654
Earned surplus		90,807
Other securities valuation difference		9,243
Foreign currency translation adjustment account		(380)
Treasury stock		(496)
		152,500
Total liabilities, minority's interest and shareholders' equity	¥	370,684

CONSOLIDATED PROFIT AND LOSS STATEMENT

Year ended March 31, 2005

(Yen in millions)

Net sales:			
Sales	¥	356,686	
Sales of completed construction		366,507	723,193
Cost of sales:			
Cost of sales		329,631	
Cost of completed construction		267,980	597,611
Gross profit on sales			125,582
Selling, general and administrative expenses		107,116	107,116
Operating profit			18,466
Non-operating income:			
Interests and dividends		1,068	
Income from equity-method investments		329	
Other income		1,346	2,744
Non-operating expenses:			
Interests		1,053	
Other expenses		1,464	2,517
Ordinary profit			18,692
Extraordinary gain:			
Gains on sales of non-current assets		37	
Gains on sales of investment securities		806	844
Extraordinary loss:			
Impairment loss		36	
Losses on sales of investment securities		36	
Appraisal losses on investment securities		5	
Head office relocation expenses		509	
Losses on restructuring		3,284	3,870
Net income before income taxes			15,666
Income taxes - Current			7,688
- Deferred			(161)
Minority interests in earnings			124
Net income			¥ 8,014

Significant Accounting Policies Regarding the Preparation of Consolidated Financial Statements

1. Scope of consolidation

There are 40 consolidated subsidiaries that include Sumitomo Forestry Component House Co., Ltd., Sumitomo Forestry Two-By-Four Homes Co., Ltd., Sumitomo Forestry Crest Co., Ltd., Sumitomo Forestry Home Service Co., Ltd., Sumitomo Forestry Landscaping Co., Ltd., Sumitomo Forestry Home Tech. Co., Ltd., Sun Step Co., Ltd., PT. Kutai Timber Indonesia, Alpine MDF Industries Pty Ltd, and Nelson Pine Industries Limited. Tokyo Sumirin Construction Co., Ltd. and 15 other direct-run construction subsidiaries that were all individual consolidated subsidiaries in the previous fiscal year, were integrated as one entity on April 1, 2004. Hence, the number of consolidated subsidiaries decreased by 15. Kanto Sumirin Base Techno Co., Ltd. and AL Tatemono Kikaku Co., Ltd., which were consolidated subsidiaries in the preceding fiscal year, were renamed Higashinihon Sumirin Base Techno Co., Ltd. and Step Kanri Center Co., Ltd. on April 1, 2004 and July 20, 2004, respectively.

2. Application of equity method

(1) There are six affiliated companies to which the equity method is applicable, including PT. Rimba Partikel Indonesia, PT. AST Indonesia, and Bennett-SFS LLC.

(2) As for equity-method affiliated companies whose dates of settlement differ from the date of consolidated statements, their financial statements for the corresponding fiscal year are used.

3. Accounting periods of consolidated subsidiaries

The domestic consolidated subsidiaries' fiscal year all fall on March 31. In preparing the consolidated financial statements for the fiscal year under review, their statements as of March 31, 2005 are used. Meanwhile, the overseas consolidated subsidiaries' fiscal year all fall on December 31, and their statements as of December 31, 2004 are used for preparing the consolidated financial statements.
Of the domestic consolidated subsidiaries, Sun Step, Step Kanri Center (Tokyo), Step Kanri Center (Osaka), Step Kanri Center (Nagoya), and Sunclay Co., Ltd. changed their fiscal year-end from December 31 to March 31. When preparing the consolidated financial statements for the previous year, their statements as of December 31 were used. Accordingly, the consolidated financial statements for the fiscal year under review include their earnings for 15 months. However, the change does not significantly affect the consolidated financial statements for the year under review.
* There are three companies with the same name of Step Kanri Center based in Tokyo, Osaka and Nagoya. For convenience, they are denoted as Step Kanri Center (Tokyo), Step Kanri Center (Osaka), and Step Kanri Center (Nagoya), respectively.

4. Accounting standards

(1) Valuation standards and methods for principal assets

a. Marketable securities

Held-to-maturity securities
Stated at amortized cost using the straight-line method.

Other securities with a market value
Principally carried at market value. The difference between the acquisition cost and the

carrying value of other securities, including unrealized gains and losses, is recognized in "Other securities valuation difference." The cost of other securities sold is computed based on the moving-average method.

Other securities with no market value

Carried at cost based on the moving-average method.

b. Inventories

Merchandise is carried at cost using the moving-average method, while real estate held for sale and work in process are stated at cost using the specific cost method.

(2) Depreciation Method

a. Property, plant and equipment

Depreciated using mainly the declining-balance method. Buildings (excluding building fixtures) acquired on or after April 1, 1998 are depreciated using the straight-line method.

b. Intangible assets

Amortized using straight-line method. Computer software for internal use is amortized over estimated useful life (5 years) using straight-line method.

(3) Calculation Basis of Allowances

a. Allowance for doubtful accounts

An allowance for doubtful accounts has been established for the possible losses from uncollectible monetary rights such as receivables and loans. An allowance is estimated based on individual evaluation for doubtful monetary rights, and by the historical rate of credit loss for normal monetary rights.

b. Allowance for bonuses

An allowance for bonuses has been provided based on estimated bonuses to be paid to employees which should be charged to income in the current year.

c. Warranty reserve for completed constructions

A warranty reserve has been provided for repair costs which may be required for the completed constructions. The reserve is estimated based on the past experience and future estimates.

d. Allowance for losses on restructuring

An allowance has been provided for the possible losses incurred as a result of restructuring.

e. Allowance for retirement benefits

An allowance for retirement benefits has been established to prepare a disbursement scheme of such benefits for executive officers and employees. The portion for the employees has been posted based on the value of retirement benefit obligations and the estimated value of pension assets at the end of the current fiscal year. Prior service costs and unrecognized actuarial losses are to be processed en bloc for the year in which they are incurred. The amount required for disbursement to executive officers at the end of the fiscal year has been recorded in accordance with the established company policy.

f. Retirement allowance for directors

An allowance for retirement benefit has been provided based on the estimated benefits to be paid to directors at the year-end in accordance with established company policy.

(4) Accounting for Leases

Financing leases, other than those under which the ownership of the leased assets is regarded to be transferred to the lessee, are accounted for as ordinary operating leases.

(5) Accounting for Hedge

a. Accounting for hedge

Hedged foreign trade transactions are accounted for under the allocation method. (The allocation method requires recognized foreign currency receivables or payables to be translated using the corresponding foreign exchange contract rate.)

b. Instruments used for hedge

In order to manage risks arising from fluctuations in foreign currency exchange rates, the Company enters into foreign exchange contracts.

c. Hedged items

The Company hedges certain foreign trade transactions including forecasted transactions within the scope of established company policy.

d. Effectiveness of hedge

As hedging through foreign exchange contracts is recognized as highly effective, the evaluation of its effectiveness is omitted.

(6) Other important items for compiling consolidated financial statements

Consumption Tax

Transactions subject to consumption tax and the local consumption tax are recorded under net tax method.

5. Valuation for assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries are fully valued at market value.

6. Depreciation of consolidation adjustment account

The consolidation adjustment account is amortized evenly over a five-year period. In case the amount is insignificant, such account is depreciated in the fiscal year when it accrued.

Notes to Consolidated Balance Sheet

(1) Any amount less than one million yen is rounded off to the nearest million.

(2) Accumulated depreciation of fixed assets ¥46,679 million

(3) Assets pledged ¥18,191 million

(4) Amount guaranteed by the Group ¥11,490 million

Notes to Consolidated Profit and Loss Statement

(1) Any amount less than one million yen is rounded off to the nearest million.

(2) Net income per share ¥ 45.28

NON-CONSOLIDATED BALANCE SHEET

March 31, 2005

(Yen in millions)

Assets		
Current assets:		
Cash and cash in banks	¥	18,197
Notes receivable		41,245
Accounts receivable-trade		36,876
Accounts receivable-housing construction		1,527
Marketable securities		31,045
Inventories		12,208
Real estate for sale		10,543
Work in process		9,357
Advance payments		108
Prepaid expenses		675
Deferred tax assets		9,046
Short-term loans		10,355
Other receivables		50,158
Other assets		153
Allowance for doubtful accounts		(1,427)
		230,066
Non-current assets:		
Property, plant and equipment:		
Buildings		6,362
Other structures		600
Machinery and equipment		164
Vehicles		17
Tools, furniture and fixtures		894
Land		9,372
Forest		8,374
Forestation projects		522
Construction in progress		1,917
		28,222
Intangibles:		
Facility utilization and other rights		514
Computer software		4,393
		4,907
Investments and other assets:		
Investment securities		39,222
Stock of affiliated companies		11,700
Long-term loans		6,632
Deferred tax assets		3,950
Other investments/assets		7,127
Allowance for doubtful accounts		(1,729)
		66,901
		100,030
Total assets	¥	330,096

NON-CONSOLIDATED BALANCE SHEET

March 31, 2005

(Yen in millions)

Liabilities		
Current liabilities:		
Notes payable	¥	22,142
Accounts payable-trade		24,303
Accounts payable-housing construction		64,319
Short-term borrowings		1
Other payables		5,699
Income taxes payable		3,162
Accrued consumption taxes		293
Accrued expenses		588
Advances from customers		898
Advances received for construction		29,327
Deposits received		9,814
Unearned income		1,033
Allowance for bonuses		5,200
Warranty reserve for completed construction		833
Allowance for losses on restructuring of affiliated companies		1,867
Other liabilities		75
		169,553
Non-current liabilities:		
Deposits received for guarantees		3,988
Allowance for retirement benefits		11,121
Retirement allowance for directors		530
Allowance for losses of affiliated company operations		3,150
		18,789
		188,343
Shareholders' Equity		
Common stock		27,672
Capital reserves:		
Capital legal surplus		25,651
Additional paid-in capital		3
Gains on sales of treasury stock		3
		25,654
Earned surplus:		
Legal earned surplus		2,857
Voluntary reserve		68,625
Reserve for deferred income taxes		1,638
Unconditional reserve		66,987
Unappropriated profits at end of the year		8,299
		79,782
Other securities valuation difference		9,142
Treasury stock		(496)
		141,754
Total liabilities and shareholders' equity	¥	330,096

NON-CONSOLIDATED PROFIT AND LOSS STATEMENT

Year ended March 31, 2005

(Yen in millions)

Net sales:			
Sales	¥	290,768	
Sales of completed constructions		308,085	598,853
Cost of sales:			
Cost of sales		278,497	
Cost of completed construction		229,529	508,025
Gross profit on sales			90,828
Selling, general and administrative expenses		76,837	76,837
Operating profit			13,991
Non-operating income:			
Interests and dividends		1,856	
Other income		886	2,742
Non-operating expenses:			
Interests		343	
Other expenses		912	1,256
Ordinary profit			15,477
Extraordinary gain:			
Gains on sales of non-current assets		37	
Gains on sales of investment securities		806	844
Extraordinary loss:			
Impairment loss		924	
Losses on sales of investment securities		36	
Appraisal losses on equity of affiliated companies		209	
Losses on restructuring of affiliated companies		3,908	
Head office relocation expenses		487	5,564
Net income before income taxes			10,757
Income taxes - Current			5,500
- Deferred			(1,879)
Net income			7,136
Unappropriated retained earnings brought forward			2,307
Interim dividends			1,144
Unappropriated profits at end of the year			¥ 8,299

Summary of Significant Accounting Policies

1. Valuation Basis and Method of Securities

a. Held-to-maturity securities
Stated at amortized cost using the straight-line method.

b. Investment in subsidiaries and affiliated companies
Stated at cost based on the moving-average method.

c. Other securities with a market value
Principally carried at market value. The difference between the acquisition cost and the carrying value of other securities, including unrealized gains and losses, is recognized in "Other securities valuation difference." The cost of other securities sold is computed based on the moving-average method.

Other securities with no market value
Carried at cost based on the moving-average method.

2. Valuation Basis and Method of Inventories, Real estate for sale and Work in process

Inventories are carried at cost using the moving-average method. Real estate for sale and work in process are stated at cost using the specific cost method.

3. Depreciation Method

Property, plant and equipment
Depreciated using the declining-balance method. Buildings (excluding building fixtures) acquired on or after April 1, 1998 are depreciated using the straight-line method.

Intangible assets
Amortized using straight-line method. Computer software for internal use is amortized over estimated useful life (5 years) using straight-line method.

4. Calculation Basis of Allowances

Allowance for doubtful accounts
An allowance for doubtful accounts has been established for the possible losses from uncollectible monetary rights such as receivables and loans. An allowance is estimated based on individual evaluation for doubtful monetary rights, and by the historical rate of credit loss for normal monetary rights.

Allowance for bonuses
An allowance for bonuses has been provided based on estimated bonuses to be paid to employees which should be charged to income in the current year.

Warranty reserve for completed constructions
A warranty reserve has been provided for repair costs which may be required for the completed constructions. The reserve is estimated based on the past experience and future estimates.

Allowance for losses on restructuring of affiliated companies
An allowance for losses on restructuring of affiliated companies has been provided based

on loss estimated, as stipulated by Article 43 of Commercial Code Implementation Rules.

Allowance for retirement benefits

An allowance for retirement benefits has been established to prepare a disbursement scheme of such benefits for executive officers and employees. The portion for the employees has been posted based on the value of retirement benefit obligations and the estimated value of pension assets at the end of the current fiscal year. Prior service costs and unrecognized actuarial losses are to be processed en bloc for the year in which they are incurred. The amount required for disbursement to executive officers at the end of the fiscal year has been recorded in accordance with the established company policy.

Retirement allowance for directors

An allowance for retirement benefit has been provided based on the estimated benefits to be paid to directors at the year-end in accordance with established company policy. The allowance is as stipulated in Article 43 of Commercial Code Implementation Rules.

Allowance for losses of affiliated company operations

An allowance for losses of affiliated companies' operations has been provided to prepare for the possible losses such as operations of golf courses, etc., as stipulated by Article 43 of Commercial Code Implementation Rules.

5. Accounting for Leases

Financing leases, other than those under which the ownership of the leased assets is regarded to be transferred to the lessee, are accounted for as ordinary operating leases.

6. Accounting for Hedge

(1) Accounting for hedge

Hedged foreign trade transactions are accounted for under the allocation method. (The allocation method requires recognized foreign currency receivables or payables to be translated using the corresponding foreign exchange contract rate.)

(2) Instruments used for hedge

In order to manage risks arising from fluctuations in foreign currency exchange rates, the Company enters into foreign exchange contracts.

(3) Hedged items

The Company hedges certain foreign trade transactions including forecasted transactions within the scope of established company policy.

(4) Effectiveness of hedge

As hedging through foreign exchange contracts is recognized as highly effective, the evaluation of its effectiveness is omitted.

7. Other important items for compiling financial statements

Consumption Tax

Transactions subject to the consumption tax and the local consumption tax are recorded under net tax method.

Notes to Non-Consolidated Balance Sheet

(1) Any amount less than one million yen is rounded off to the nearest million.

(2) Short-term monetary receivables due from affiliated companies ¥27,109 million

Long-term monetary receivables due from affiliated companies ¥6,458 million

Short-term monetary payables due to affiliated companies ¥28,248 million

(3) Accumulated depreciation of fixed assets ¥8,564 million

(4) Accumulated reduced book value of fixed assets by deferred capital gains ¥787 million

(5) In addition to property, plant and equipment included in the balance sheet, the Company uses houses in the housing exhibition area under lease agreements.

(6) Amount guaranteed by the Company ¥19,704 million

(7) Net assets as stipulated by Article 124, Item 3 of Commercial Code Implementation Rules ¥9,142 million

Notes to Non-Consolidated Profit and Loss Statement

(1) Any amount less than one million yen is rounded off to the nearest million.

(2) Sales to affiliated companies ¥12,363 million

(3) Purchase from affiliated companies ¥73,825 million

(4) Non-operating transactions with affiliated companies ¥317 million

(5) Net income per share ¥ 40.32

STATEMENT OF PROPOSED APPROPRIATION OF PROFIT

(Yen)

Unappropriated profits at end of the year	¥ 8,299,370,799
Total	8,299,370,799

The proposed appropriation of the above unappropriated profits at end of the year is as follows:

Dividends (6.5 yen per share)	1,143,678,855
Directors' bonuses	40,000,000
Unconditional reserve	4,800,000,000
Unappropriated retained earnings to be carried forward	¥ 2,315,691,944

(Note) Interim dividends in the amount of ¥1,144,202,638 (6.5 yen per share) were paid out at December 10, 2004.