

[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.**

June 3, 2010

To All Shareholders

Akira Ichikawa  
President/Director  
Sumitomo Forestry Co., Ltd.  
3-2, Otemachi 1-chome  
Chiyoda-ku, Tokyo

## **NOTICE OF THE 70TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We are pleased to invite you to attend our 70th Ordinary General Meeting of Shareholders to be held as follows.

**If you are unable to attend the Meeting, you may exercise your voting rights in writing or by electromagnetic means (Internet, etc.). Please exercise your voting rights in accordance with the “Guidance Notes on the Exercise of Voting Rights” (see pages 2-3 below) after examining the “Reference Documents for the General Meeting of Shareholders” set forth below.**

Particulars of the Meeting:

- 1. Date and Time:** Friday, 25th June 2010 at 10:00 a.m.
- 2. Place:** The Main Conference Room of the Company on the 8th Floor of Keidanren Kaikan at 3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo
- 3. Agenda:**
  - Matters to be reported:**
    1. To hear reports on the Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements for the 70th business term (from 1st April 2009 to 31st March 2010); and
    2. To report the results of audits of the Consolidated Financial Statements for the 70th business term by the Company’s Independent Auditors and the Board of Statutory Auditors.

**Proposal to be acted on:**

- No 1 :** Approval of the appropriation of surplus
- No 2 :** Payment of bonus to directors for the 70th business term
- No 3 :** Election of seven Directors
- No 4 :** Election of one Statutory Auditor

**4. Guidance Notes on the Exercise of Voting Rights:**

(1) Method of Exercising Voting Rights

- a. If you can attend the meeting, please submit the enclosed voting form directly at the meeting.
- b. If you are unable to attend the meeting in person, you may exercise your voting rights via either postal mail or Internet.

**Voting by Paper Form**

Please indicate your consent/dissent concerning the items shown on the enclosed voting form, and return the form to the Agent for Shareholder Registry Management by Thursday, 24th June 2010 at 5:30 p.m. (JST).

**Voting Electronically**

Please exercise your voting rights based on the “Guide to Exercising Voting Rights Electronically” on page 3, and enter your consent/dissent concerning the items to be voted on by Thursday, 24th June 2010 at 5:30 p.m. (JST).

(2) Items Decided with Regard to Exercising Voting Rights

- a. In the case of exercising voting rights both by paper form and electronically, the electronic version will be considered effective.
- b. In the case of exercising voting rights electronically multiple times, the final exercise of voting rights will be considered effective.

– End –

---

Should any descriptions of the Reference Documents for the General Meeting of Shareholders, the Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements be corrected, we will send the corrections **by mail or post them on our website** (<http://sfc.jp/english/>).

## **【Guide to Exercising Voting Rights Electronically】**

### **1. Exercising Voting Rights via the Internet**

- (1) Online voting is available only by accessing the website noted below. This site is also available through the Internet via cellular phone.

Online voting site: <http://www.webdk.net>

If your cellular phone is equipped with a barcode reader, you may use the two-dimensional code at right in order to access the online voting site.

- (2) When voting online, enter the voting code and password indicated on the enclosed voting form. Then indicate your consent/dissent concerning for each item by following the instructions displayed on the screen. This should be done by Thursday, 24th June 2010 at 5:30 p.m. (JST).
- (3) Any costs related to connecting to a shareholder's Internet provider, as well as communication charges (including telephone charges) for accessing the online voting site, shall be borne by the shareholder.
- (4) When voting via PC, Microsoft® Internet Explorer version 5.5 SP2 or newer, or Netscape version 6.2 or newer, browser software and compatible hardware..  
(Microsoft is a registered trademark of Microsoft Corporation in the United States and other countries. Netscape is a registered trademark of Netscape Communications Corporation in the United States and other countries.)
- (5) When voting via cellular phone, for security purposes, only 128-bit SSL communication compatible cellular phones can access the online voting system. Other models are not compatible with this system.

<p>Please contact the following Help Desk for inquiries about online voting. Agent for Shareholder Registry Management: <b>The Sumitomo Trust &amp; Banking Co., Ltd.</b> Stock Transfer Agency Department (Help Desk) Phone (toll-free within Japan): <b>0120-186-417</b> (24 hours)</p>
---

### **2. Exercising Voting Rights via the Voting Rights Exercise Platform**

In addition to the method mentioned above Exercising Voting Rights via the Internet, institutional investors and shareholders who have registered in advance may use the voting platform operated by ICJ Inc. to exercise their voting rights.

– End –



(Current titles and responsibilities underscored):

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and significant concurrent positions held by the candidate	Number of shares held
1	Ryu Yano (April 21, 1940)	April 1963      Joined the Company December 1988      Director June 1992      Managing Director June 1995      Senior Executive Director April 1999      President/Director June 2002      President and Executive Officer April 2010 <u>Chairman of the Board</u>	67,575 shares
2	Akira Ichikawa (November 12, 1954)	April 1978      Joined the Company April 2005      Appointed as General Manager of Administration Department, Housing Division April 2007      General Manager of Corporate Planning Division June 2007      Executive Officer Appointed as General Manager of Corporate Planning Division June 2008      Director Managing Executive Officer (Corporate Planning, General Administrative, Personnel, Finance, Information Systems and Internal Audit) April 2009      (Corporate Planning, General Administrative, Corporate Communications, Personnel, Finance, Information Systems and Internal Audit) April 2010 <u>President/Director</u> <u>President and Executive Officer</u>	9,300 shares
3	Mamoru Inoue (August 12, 1948)	April 1972      Joined the Company June 2004      Executive Officer April 2005      Appointed as Asst. Executive Manager of Business Headquarters and General Manager of Building Materials Division, Business Headquarters August 2005      Counselor, Ataka Kenzai Co., Ltd. October 2005      President, Ataka Kenzai Co., Ltd. April 2006      Managing Executive Officer Appointed as Executive Manager of Business Development Headquarters June 2006 <u>Director</u> April 2007 <u>Appointed as Divisional Manager of Overseas Business Headquarters</u> June 2008 <u>Senior Managing Executive officer</u> (important positions concurrently held at other companies) <u>Chairman, Nelson Pine Industries Ltd.</u>	11,900 shares

4	Hideyuki Kamiyama (November 29, 1951)	April 1975 June 2004 April 2005  June 2005 April 2007  June 2008  June 2009 April 2010	Joined the Company Executive Officer Managing Executive Officer Appointed as Executive Manager of Housing Headquarters <u>Director</u> (Corporate Planning, General Administrative, Finance, Information Systems and Internal Audit) <u>Appointed as Divisional Manager of Timber &amp; Building Materials Headquarters</u> <u>Senior Managing Executive Officer</u> <u>Appointed as Divisional Manager of Real Estate Business Headquarters</u>	15,200 shares
5	Shigehiko Shiozaki (May 16, 1952)	April 1975 June 2005  April 2006 June 2006 April 2007  April 2010	Joined the Company Executive Officer Appointed as General Manager of Personnel Division <u>Managing Executive Officer</u> <u>Director</u> Appointed as Divisional Manager of Housing Business Headquarters ( <u>Intellectual Property and Tsukuba Research Institute</u> ) <u>Appointed as Divisional Manager of Forestry &amp; Environment Headquarters</u>	14,100 shares
6	Hitoshi Hayano (July 10, 1953)	April 1977 June 2005  April 2006 June 2006 April 2007  April 2010	Joined the Company Executive Officer General Manager of Corporate Planning Division <u>Managing Executive Officer</u> <u>Director</u> Appointed as Divisional Manager of Real Estate Business Headquarters <u>Appointed as Divisional Manager of Housing Headquarters</u>	19,800 shares
7	Shigeru Sasabe (February 28, 1959)	April 1977 April 2005  April 2007 June 2008  September 2008  October 2008  April 2010	Joined the Company General Manager of Building Materials Procurement & Logistics Department, Housing Headquarters General Manager of Personnel Division Executive Officer Appointed as General Manager of Personal Division Appointed as General Manager of General Administration Division and Personnel Division Appointed as General Manager of General Administration Division <u>Managing Executive Officer</u> ( <u>Corporate Planning, General Administrative, Environmental Management, Corporate Communications, Personnel, Finance, Information Systems and Internal Audit</u> )	3,821 shares

Note:

There is no other special interest reportable between each remaining candidate and the Company.

**Proposal No 4 : Election of one Statutory Auditor**

It is proposed that one Statutory Auditor be elected for further reinforcement and improvement of the audit system in the Company.

Candidate for the standby Statutory Auditor is as follows.

The company has obtained the consent of the Board of Statutory Auditors to this item of business.  
(Current titles and significant concurrent positions underscored):

Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and significant concurrent positions held by the candidate	Number of shares held
Satoshi Teramoto (June 29, 1941)	February 1966    Joined Miyasaka Accounting Office March 1969      Registered as a certified public accountant August 1982     Representative partner of Daiichi Audit Corporation January 1986    Representative partner of Century &. Co April 2000      Representative partner of Ota Showa Century &. Co May 2000       Senior partner of Ota Showa Century &. Co May 2002       Vice President of Ernst & Young Japan (Ernst & Young ShinNihon LLC) June 2003 <u>Chief Executive Officer of CPA Common Facility Co-operative</u> June 2007       Retired from Ernst & Young Japan (Ernst & Young ShinNihon LLC)	0 shares

Notes:

1. There is no special interest reportable between the candidate and the Company.
2. Satoshi Teramoto is a candidate for Outside Statutory Auditor as defined in Item 8, Paragraph 3, Article 2 of the Companies Act. In addition, Mr. Teramoto satisfies the conditions as candidate for independent board member stipulated in the securities listing regulations and related rules of relevant securities exchanges.
3. Reasons for recommending Mr. Teramoto as a candidate for Outside Statutory Auditor:  
As a certified public accountant, he has acquired specialized knowledge in finance and accounting, as well as abundant experience. He also has considerable insight with respect to corporate auditing, thus the Company determines that he is capable of appropriately executing his duties as Outside Statutory Auditor.
4. When this proposal is approved, the Company will enter into an agreement with Satoshi Teramoto, based on Paragraph 1, Article 427 of the Companies Act, limiting his liability for damages as prescribed in Paragraph 1, Article 423 of the Companies Act Article. Total liability shall be limited to the figure stipulated by Paragraph 1, Article 425 of the Companies Act.

– End –

## CONSOLIDATED BALANCE SHEET

As of March 31, 2010

(Yen in millions)

<u>Assets</u>	
I Current assets:	
(1) Cash and cash in banks	¥ 52,714
(2) Notes receivable and accounts receivable-trade	102,355
(3) Accounts receivable-housing construction	5,071
(4) Marketable securities	19,000
(5) Merchandise and finished goods	12,236
(6) Goods in process	1,086
(7) Raw materials and supplies	3,908
(8) Real estate for sale	26,333
(9) Work in process	32,420
(10) Deferred tax assets	6,308
(11) Short-term loans	859
(12) Other receivables	42,599
(13) Other assets	3,719
(14) Allowance for doubtful accounts	<u>(836)</u>
	<u>307,772</u>
II Fixed assets:	
Property, plant and equipment:	
(1) Buildings and other structures	29,718
(2) Machinery, equipment and vehicles	15,884
(3) Land	26,692
(4) Lease assets	3,379
(5) Construction in progress	439
(6) Other property, plant and equipment	<u>12,757</u>
	<u>88,870</u>
Intangibles assets:	
(1) Goodwill	309
(2) Other intangibles assets	<u>6,328</u>
	<u>6,637</u>
Investments and other assets:	
(1) Investment securities	51,094
(2) Long-term loans	3,094
(3) Deferred tax assets	1,138
(4) Prepaid pension cost	1,595
(5) Other investments/assets	11,574
(6) Allowance for doubtful accounts	<u>(2,037)</u>
	<u>66,459</u>
	<u>161,966</u>
Total assets	¥ <u>469,738</u>



## CONSOLIDATED BALANCE SHEET

As of March 31, 2010

(Yen in millions)

<u>Liabilities</u>		
I Current liabilities:		
(1) Notes payable and accounts payable-trade	¥	86,553
(2) Accounts payable-housing construction		61,029
(3) Short-term borrowings		12,323
(4) Lease obligations		815
(5) Income taxes payable		2,205
(6) Advances received for construction		31,077
(7) Deferred tax liabilities		10
(8) Allowance for bonuses		7,337
(9) Allowance for bonuses to directors		35
(10) Warranty reserve for completed construction		1,256
(11) Other liabilities		<u>16,794</u>
		<u>219,434</u>
II Long-term liabilities:		
(1) Straight bonds		15,000
(2) Long-term borrowings		36,008
(3) Lease obligations		2,640
(4) Deferred tax liabilities		9,358
(5) Allowance for retirement benefits		5,390
(6) Retirement allowance for directors		164
(7) Allowance for losses on restructuring		1,306
(8) Other long-term liabilities		<u>17,509</u>
		<u>87,374</u>
Total liabilities		<u>306,808</u>
<u>Equity</u>		
I Shareholders' equity		
(1) Common stock		27,672
(2) Capital surplus		26,872
(3) Retained earnings		105,066
(4) Treasury stock		<u>(262)</u>
		<u>159,348</u>
II Valuation and translation adjustments		
(1) Other securities valuation difference		5,594
(2) Deferred gains or losses on hedges		24
(3) Foreign currency translation adjustment account		<u>(2,378)</u>
		<u>3,241</u>
III Minority interests		342
Total equity		<u>162,930</u>
Total liabilities and equity	¥	<u>469,738</u>

## CONSOLIDATED STATEMENT OF INCOME

For the year ended March 31, 2010

		(Yen in millions)
I	Net sales:	¥ <u>723,923</u>
II	Cost of sales:	<u>559,654</u>
	Gross profit	<u>124,269</u>
III	Selling, general and administrative expenses	<u>114,522</u>
	Operating income	<u>9,747</u>
IV	Non-operating income:	
	1. Interest income	521
	2. Purchase discount	459
	3. Dividend income	528
	4. Foreign exchange gains	1,194
	5. Other income	<u>1,445</u>
		<u>4,147</u>
V	Non-operating expenses:	
	1. Interest expenses	1,162
	2. Sales discount	486
	3. Investment loss from equity method	2,244
	4. Other expenses	<u>537</u>
		<u>4,429</u>
	Ordinary profit	<u>9,465</u>
VI	Extraordinary gain:	
	1. Gains on sales of fixed assets	69
	2. Gains on sales of investment securities	173
	3. Impact of application of Accounting Standards for Construction Contracts	321
	4. Gain on transfer to defined contribution pension plan	1,714
	5. Amortization of unrecognized prior service costs	<u>2,068</u>
		<u>4,346</u>
VII	Extraordinary loss:	
	1. Losses on retirement of fixed assets	283
	2. Impairment loss	2,049
	3. Appraisal losses on investment securities	179
	4. Costs from relocation of head office	255
	5. Legal settlement payments	<u>462</u>
		<u>3,228</u>
	Income before income taxes and minority interests	<u>10,583</u>
	Income taxes - Current	3,001
	- Deferred	5,228
	Minority interests in losses	<u>(24)</u>
	Net income	¥ <u>2,377</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2010

(Yen in millions)

	Shareholders' equity					Valuation and translation adjustments			Minority interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Other securities valuation difference	Deferred gains or losses on hedges	Translation adjustment		
Balance as of 31st March 2009	27,672	26,872	105,346	(260)	159,630	2,359	29	(5,961)	135	156,192
Changes of items during the period										
Dividends from retained earnings			(2,657)		(2,657)					(2,657)
Net income			2,377		2,377					2,377
Purchase of treasury stock				(2)	(2)					(2)
Disposal of treasury stock		(0)		0	0					0
Net changes of items other than shareholders' equity						3,235	(5)	3,583	207	7,020
Total changes of items during the period	-	(0)	(280)	(2)	(282)	3,235	(5)	3,583	207	6,738
Balance as of 31st March 2010	27,672	26,872	105,066	(262)	159,348	5,594	24	(2,378)	342	162,930

## Notes to Consolidated Financial Statements

### Significant accounting policies regarding the preparation of consolidated financial statements

#### 1. Scope of consolidation

There are 45 consolidated subsidiaries. Major consolidated subsidiaries are Sumitomo Forestry Crest Co., Ltd., Sumitomo Forestry Residential Co., Ltd., Sumitomo Forestry Home Engineering Co., Ltd., Sumitomo Forestry Home Service Co., Ltd., Sumitomo Forestry Landscaping Co., Ltd., Sumitomo Forestry Home Tech Co., Ltd., PT. Kutai Timber Indonesia, Alpine MDF Industries Pty Ltd., and Nelson Pine Industries Ltd. Included in the scope of consolidation from the fiscal year under review are: former equity method affiliate PT. AST Indonesia, following acquisition of its shares; Bennett-SFS LLC, by takeover; and newly established consolidated subsidiary PT. Sinar Rimba Pasifik.

At the same time, Step Kanri Center (Tokyo) Co., Ltd. and three other companies that were consolidated subsidiaries in the previous fiscal year were excluded from the scope of consolidation as of April 1, 2009 through their absorption into the consolidated subsidiary Sumitomo Forestry Residential Co., Ltd., the surviving entity in the merger. Likewise, a former consolidated subsidiary Nabeshima Kenzai Co., Ltd. was absorbed by merger on the same day into consolidated subsidiary Igeto Co., Ltd. and former consolidated subsidiary Sumirin Base Techno Co., Ltd. was absorbed by merger into consolidated subsidiary Sumitomo Forestry Archi Techno Co., Ltd. on January 1, 2010. All three companies are now excluded from the scope of consolidation from the fiscal year under review. Three companies were wound up - Sumirin Investments Pty Ltd. and Sumirin Australia Pty Ltd., on April 13, and Pacific Wood Products, LLC on December 17, 2009 - and as a result are no longer included in the scope of consolidation.

Sun Step Co., Ltd. a consolidated subsidiary in the previous fiscal year changed its name to Sumitomo Forestry Residential Co., Ltd. on April 1, 2009. Sumirin Holdings Pty Ltd. on April 30, 2009 became Sumitomo Forestry Australia Pty Ltd. and Sumirin CAD Systems Co., Ltd. on January 1, 2010 became Sumitomo Forestry Archi Techno Co., Ltd.

#### 2. Application of equity method

- (1) There are 12 affiliated companies to which the equity method is applicable, including PT. Rimba Partikel Indonesia, and Henley Arch Unit Trust. PT. AST Indonesia, an affiliate under the equity method in the previous fiscal year, is no longer included under the scope of equity method affiliates following additional purchases of its shares. Bennett-SFS LLC is no longer included under the scope of equity method affiliates following its takeover and inclusion in the scope of consolidation. At the same time, Henley Arch Unit Trust and Henley Arch Pty Ltd. and their subsidiaries, in which we acquired new shares during the fiscal year under review, are included as affiliates under the equity method from the fiscal year under review.
- (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

There are three different accounting period of consolidated subsidiaries. Each company made the financial statement based on its specific accounting period. The fiscal year for two consolidated subsidiaries, Daiichi Sansho Co., Ltd. and Nihei Co., Ltd. ends on 20<sup>th</sup> March. The closing date of Kowa Lumber Co., Ltd. and all foreign consolidated subsidiaries falls on 31<sup>st</sup> December. The fiscal year of the rest of all other domestic consolidated subsidiaries falls on 31<sup>st</sup> March. These financial statements are adopted by the Company for making the consolidated financial statements.

#### 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. Derivatives

Market method

###### c. Inventories

Merchandise and finished goods, work in process, and materials and supplies are carried at cost primarily using the moving-average method, while real estate held for sale and work in process are stated at cost using the specific cost method. The amount on balance sheet is calculated by writing down the carrying value based on lower profitability.

##### (2) Depreciation method

###### a. Property, plant and equipment (excluding lease assets)

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

###### b. Intangible assets (excluding lease assets)

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

###### c. Lease assets

The lease term is used as the service years for the lease assets on finance lease transactions that do not transfer ownership, and the straight-line method is adopted with salvage value set to zero.

##### (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. Allowance for bonuses to directors

To provide for the payment of bonuses to directors, the estimated amount of directors' bonus payments during the fiscal year is provided to the allowance for bonuses to directors.

d. Warranty reserve for completed construction

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.

e. Allowance for retirement benefits

To provide retirement benefits for employees, the Company makes provisions based on the estimates of retirement benefit obligations and pension assets at the end of the fiscal year under review. Should the total estimated figure for pension assets at the end of the fiscal year exceed the total estimated figure for retirement benefit obligations, the surplus is recognized as prepaid pension cost. Actuarial difference is recognized on a lump-sum basis in the year of occurrence.

f. Retirement allowance for directors

For some consolidated subsidiaries, we have provided an allowance for retirement benefit based on the estimated benefits to be paid to directors at the year-end in accordance with the company's established policy.

g. Allowance for losses on restructuring

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

(4) Sales of completed construction and cost of completed construction

For the portion of works certain to be completed up to the end of the current fiscal year, we use the percentage-of-completion method, with the estimate based on proportion of direct costs.

Other contracts, such as those with a short-period work, use the completed-contract method.

(5) Hedge accounting

a. Hedge accounting

Hedged foreign trade transactions are accounted for under the allocation method.

A special accounting procedure is used for interest rate swaps as they satisfy the requirements for a special accounting procedure.

b. Instruments used for hedging

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

Interest rate swap transactions are used against interest rate risk.

c. Hedged items

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

Interest rate swap transactions are used against interest rate risk.

d. Effectiveness of hedging

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

As a special accounting procedure is applied to interest rate swap transactions, the evaluation of their 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. Amortization of goodwill and negative goodwill

Goodwill is amortized using the straight-line method over the period that is affected by it, up to a maximum of 20 years. In case the amount is insignificant, such account is amortized in the fiscal year when it accrued.

## Changes in significant accounting policies for preparation of consolidated financial statements

### 1. Construction income and cost of completed works

With regard to accounting standards employed for the recognition of revenues resulting from construction work undertaken for customers, we previously recognized the total lump-sum amount of the completed contract values at completion, using the completed-contract method. However, with effect from the fiscal year ended March 31, 2010, the Accounting Standards for Construction Contracts (ASBJ Statement No. 15, issued on December 27, 2007) and the Guidance on Application of Accounting Standards for Construction Contracts (ASBJ Guidance No. 18, issued on December 27, 2007) have been applied to construction contracts. With regard to construction contracts in effect at the beginning of the fiscal year, or commenced during the year under review, the percentage-of-completion method is applied when the percentage of construction already completed by the end of the reporting period can be estimated fairly reliably (the estimation is based on the proportion of direct costs incurred for each work phase as compared with the estimated total cost for the entire contract). The completed-contract method is applied when construction has started before the end of the fiscal year (except for short-period work).

As a result of this change, net sales, operating income and ordinary profit for the reporting period decreased by 518 million yen, 159 million yen and 159 million yen, respectively, while income before income taxes increased by 162 million yen, compared with the application of the previous accounting standards.

### 2. Employees' retirement benefits

Beginning in the current accounting period, the partially amended "Accounting Standard for Retirement Benefits" (3) (ASBJ Statement No. 19, issued on July 31, 2008), has been applied for calculation of employees' retirement benefits.

An 899 million yen expense was booked, representing the projected employee benefit obligation differential following application of the standard. As a result, operating income, ordinary profit and income before income taxes all increased by 899 million yen.

(Additional information)

#### 1. Accounting standards for financial instruments

Beginning in the current accounting period, "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, issued on March 10, 2008) and "The Guidance on Application of Indication for the Market Value, etc. of Financial Instruments" (ASBJ Statement No. 19, issued on March 10, 2008), have been applied for calculation of financial instruments.

#### 2. Accounting standards for disclosure of the market value, etc. for leasehold and other types of real estate

Beginning in the current accounting period, "Accounting Standards for Disclosure of the Market Value, etc. for Leasehold Properties and Other Types of Real Estate" (ASBJ Statement No. 20, issued on November 28, 2008) and "The Guidance on Application of Accounting Standards for Disclosure of the Market Value, etc. of Leasehold Properties and Other Types of Real Estate" (ASBJ Statement No.23, issued on November 28, 2008) have been applied for calculation of leasehold properties and other types of real estate.

## Change of presentation method

(Consolidated Statement of income)

The items separately recorded as "Sales" "Sales of completed construction" and "Cost of sales" "Cost of completed construction" in the previous consolidated financial year are in the block recorded as "Sales" and "Cost of sales" beginning in the current fiscal year.

"Sales," "Sales of completed construction" and "Cost of sale" "Cost of completed construction" in the current fiscal year amounted to 395,923 million yen, 328,000 million yen, 361,405 million yen, and 238,249 million yen respectively.



Notes to consolidated balance sheet

(Yen in millions)

1. Assets pledged as collateral

(1) Assets pledged as collateral	
Notes receivable and accounts receivable-trade	¥285
Merchandise and finished goods	¥349
Goods in process	¥222
Raw materials and supplies	¥895
Buildings and other structures	¥16
Machinery, equipment and vehicles	¥1,148
<u>Land</u>	<u>¥247</u>
Total	¥3,163

In addition to the above, certificates of deposit of 12 million yen are deposited as security on closing tree-planting business agreements, etc.

Investment Securities of 9,199 million yen are deposited as security with Japan Customs.

(2) Liabilities secured by collateral	
<u>Short-term borrowings</u>	<u>¥69</u>
Total	¥69

2. Accumulated depreciation of property, plant and equipment ¥68,826

3. Amount guaranteed by the Group, etc.

(1) Guarantee on loans from financial institutions	
Dongwha SFC Housing Co., Ltd.	¥62
KAWASAKIBIOMASS ELECTRIC POWER CORPORATION	¥1,394
Cascadia Resort Communities LLC	¥46
Purchasers with housing loans applied	¥20,701
<u>Others</u>	<u>¥0</u>
Total	¥22,202

(2) Guarantee on rent payment	
Sumikyo Co., Ltd.	¥187

Notes to consolidated statements of changes in equity

(Yen in millions)

1. Total outstanding stock as of the end date of the current fiscal year  
Common stock 177,410,239

2. The amount of treasury stock as of the end date of the current fiscal year  
Common stock 263,750

3. Items related to dividend

(1) Dividend payment

Resolution	Type of stock	Total amount of dividend (Yen in millions)	Dividend per share (Yen)	Base date	Effective date
Ordinary General Meeting of Shareholders on 23rd June 2009	Common stock	1,329	7.50	31st March 2009	24th June 2009
Board of Directors' Meeting on 9th November 2009	Common stock	1,329	7.50	30th September 2009	4th December 2009

- (2) Dividends whose base dates belong to the current fiscal year and whose effective dates come after the end of the current fiscal year

We have the following matters to be resolved at the Meeting.

Resolution	Type of stock	Total amount of dividend (Yen in millions)	Source of dividend	Dividend per share (Yen)	Base date	Effective date
Ordinary General Meeting of Shareholders on 25th June 2010	Common stock	1,329	Retained earnings	7.50	31st March 2010	28th June 2010

### **Notes on financial instruments**

#### 1. Matters relating to the state of financial instruments

The Company and its consolidated subsidiaries(The Group) turn over temporary surplus funding with a highly sound financial instruments, and to use loans from banks as a primary means for raising capital.

The Group is working to reduce customers' credit risks relating to notes receivable, accounts receivable and other receivables, which comprise trade receivables, in accordance with its credit control regulations. In addition, the Group periodically notes the market value of securities and investment securities, and the financial conditions and other aspects of issuing firms(corporate customers), with the view that the securities are primarily bonds held to maturity securities. The Group is also consistently reviewing the ownership of financial instruments excluding bonds held to maturity, in consideration of its relationships with corporate customers. Almost all notes and accounts payable - trade, and accounts payable - housing construction have to be paid within one year.

The Group uses borrowed money primarily to finance its operations and capital investment. The Group is taking steps to stabilize its interest cost by performing interest rate swaps against the risk of interest rate fluctuations present in some of its long-term loans payable.

With respect to derivatives, the Group seeks to use them within the scope necessary, in light of the records relating to ordinary business transactions denominated in foreign currency and the like, and to limit trading in derivatives to surplus fund management within a certain limit. The Group will not engage in speculation.

#### 2. Matters relating to the market value of financial instruments

Amounts stated in consolidated balance sheets, market value and their differences as of March 31, 2010 are as follows. For your information, accounting items for which an accurate grasp of market value is recognized as extremely difficult are not stated in the following table.

	Amount stated in consolidated balance sheets*1(million yen)	Market value*1 (million yen)	Difference (million yen)
(1) Cash and deposits	52,714	52,714	—
(2) Notes receivable and accounts receivable - trade	102,355	102,355	—
(3) Marketable securities and investment securities			
1) Bonds held to maturity	792	790	△2

2) Other securities	55,009	55,009	—
(4) Other receivables	42,599	42,599	—
Total assets	253,470	253,468	△2
(5) Notes payable and accounts payable - trade	(86,553)	(86,553)	—
(6) Accounts payable-housing construction	(61,029)	(61,029)	—
(7) Long-term borrowings*2	(36,124)	(36,441)	△317
Total liabilities	(183,706)	(184,023)	△317
(8) Derivatives transactions*3			
1) Hedge accounting not applied	84	84	—
2) Hedge accounting applied	40	40	—
Total derivatives	124	124	—

\*1 Amounts stated under liabilities are shown in brackets.

\*2 Includes long-term borrowings due within one year.

\*3 Assets and liabilities from derivatives transactions are shown in the net amount. If the total is negative figure, the amount is shown in brackets.

(Note 1) Methods for calculating the market value of financial instruments and matters relating to securities and derivatives trading

(1) Cash and deposits, (2) notes and accounts receivable and (4) other receivables

Book value is stated for these items because short-term settlement makes their market value and book value almost the same.

(3) Marketable securities and investment securities

The market value stated for shares is the value quoted on exchanges. The market value stated for bonds is the value quoted on exchanges or the value presented by financial institutions.

(5) Notes and accounts payable and (6) accounts payable—housing construction

Book value is stated for these items because short-term settlement makes their market value and book value almost the same.

(7) Long-term borrowings

Book value is stated for long-term borrowings with a variable interest rate because their market value and book value are assumed to be close. The reasons for this assumption are that the loans reflect market interest rates in the short term and the loan execution did not significantly change the Company's credit conditions. The present value is calculated for long-term borrowings with a fixed interest rate, after deducting an interest rate assumed for similar loans payable from the aggregate amount of principal and interest for long-term borrowings classified(\*) according to fixed terms.

(\*)The long-term borrowings made object of the exceptional transaction of rate swaps are the aggregate amount of principal and interest by the rate of this rate swaps.

(8) Derivatives

The market value of derivatives traded as an exception to interest rate swaps is stated as part of the market value of long-term borrowings because these derivatives have been accounted collectively with long-term borrowings that comprise hedging targets.

(Note 2) Unlisted shares (stated as 1,392 million yen in consolidated balance sheets), preferred shares (stated as 3,000 million yen) and Affiliates shares (stated as 9,901 million yen) are not included in the amount of “(3) Marketable securities and investment securities, 2) Other securities” because they have no market value and it is considered to be very difficult to calculate their prevailing prices.

#### Notes on leasehold properties and other types of real estate

##### 1. Matters relating to the state of leasehold properties and other types of real estate

The Company and some of its consolidated subsidiaries own houses for rent and the like in metropolitan Tokyo and other areas.

##### 2. Matters relating to the market value of leasehold properties and other types of real estate

Amount stated in consolidated balance sheets (million yen)	Market value of the current fiscal year (million yen)
16,486	17,813

(Note 1) The above amount stated in consolidated balance sheets is calculated by deducting the accumulated depreciation and accumulated impairment loss from the acquisition cost.

(Note 2) Amounts based on real estate appraisal by independent real estate appraisers and amounts based on indexes assumed to reflect market value adequately are adopted as the market value of major properties and the market value of other properties at the end of the fiscal year under review, respectively.

#### Notes to per-share information

Equity per share	¥917.82
Net income per share	¥13.42

#### Notes on other matters

##### Revision of the retirement benefits system

The Company revised its retirement benefits system and transferred a portion of its retirement benefits, corresponding to about 25% of the entire allowance, to a defined contribution pension plan in February 2010. The Company also lowered the ratio of whole life annuity and introduced a system under which the relevant portion of the defined contribution pension plan is restructured into a terminable annuity. The Company has been applying “Accounting for the Transfers between Retirement Benefits Plans” (ASBJ Guidance No.1) to the accounting treatment for the revised benefits explained above.

The effect of the partial retirement benefits transfer to the defined contribution pension plan is 1,714 million yen. The amount of prior service costs accrued as a result of the partial revision of the defined contribution plan is 2,068 million yen. Both of these amounts are posted under extraordinary gains.

## NON-CONSOLIDATED BALANCE SHEET

As of March 31, 2010

(Yen in millions)

<u>Assets</u>		
I Current assets:		
(1) Cash and cash in banks	¥	47,109
(2) Notes receivable		39,642
(3) Accounts receivable-trade		52,338
(4) Accounts receivable-housing construction		3,582
(5) Marketable securities		19,000
(6) Merchandise and finished goods		7,537
(7) Real estate for sale		25,586
(8) Work in process		21,790
(9) Advance payments		376
(10) Prepaid expenses		765
(11) Deferred tax assets		4,371
(12) Short-term loans		9
(13) Short-term loans to affiliated companies		12,272
(14) Other receivables		65,562
(15) Other assets		140
(16) Allowance for doubtful accounts		<u>(2,646)</u>
		<u>297,434</u>
II Fixed assets:		
Property, plant and equipment:		
(1) Buildings		13,218
(2) Other structures		406
(3) Machinery and equipment		158
(4) Vehicles		15
(5) Tools, furniture and fixtures		1,157
(6) Land		11,623
(7) Forest		8,822
(8) Forestation projects		214
(9) Lease assets		3,128
(10) Construction in progress		<u>309</u>
		<u>39,049</u>
Intangibles assets:		
(1) Goodwill		28
(2) Telephone right		183
(3) Land lease right		4
(4) Utilization right of forest road		222
(5) Facility utilization and other rights		3
(6) Computer software		4,007
(7) Lease assets		<u>5</u>
		<u>4,452</u>
Investments and other assets:		
(1) Investment securities		40,422
(2) Stocks of affiliated companies		23,464
(3) Investments in other securities of subsidiaries and affiliates		4
(4) Investment in affiliated companies		631
(5) Long-term loans		184
(6) Long-term loans to employees		37
(7) Long-term loans to affiliated companies		16,279
(8) Receivables and reorganization claim		1,793
(9) Long-term prepaid expenses		802
(10) Prepaid pension cost		1,595
(11) Other investments/assets		4,254
(12) Allowance for doubtful accounts		<u>(3,418)</u>
		<u>86,049</u>
		<u>129,550</u>
Total assets	¥	<u>426,983</u>

## NON-CONSOLIDATED BALANCE SHEET

As of March 31, 2010

(Yen in millions)

<u>Liabilities</u>		
I Current liabilities:		
(1) Notes payable	¥	6,434
(2) Accounts payable-trade		66,637
(3) Accounts payable-housing construction		79,933
(4) Lease obligations		1,037
(5) Other payables		6,539
(6) Income taxes payable		563
(7) Accrued consumption taxes		700
(8) Accrued expenses		800
(9) Advances from customers		695
(10) Advances received for construction		25,530
(11) Deposits received		19,772
(12) Unearned income		1,108
(13) Allowance for bonuses		4,600
(14) Allowance for bonuses to directors		35
(15) Warranty reserve for completed construction		1,075
(16) Other current liabilities		43
		<u>215,502</u>
II Long-term liabilities:		
(1) Straight bonds		15,000
(2) Long-term borrowings		31,000
(3) Deposits received for guarantees		5,122
(4) Lease obligations		2,125
(5) Deferred tax liabilities		5,528
(6) Allowance for losses of affiliated company operations		2,960
(7) Allowance for losses on restructuring		1,306
(8) Other long-term liabilities		3,390
		<u>66,430</u>
Total liabilities		<u>281,932</u>
<u>Equity</u>		
I Shareholders' equity:		
Common stock		27,672
Capital surplus:		
(1) Capital legal surplus		26,613
(2) Other capital surplus		259
		<u>26,872</u>
Retained earnings:		
(1) Legal retained earnings		2,857
(2) Other retained earnings		
1) Reserve for deferred income taxes		1,347
2) General reserve		77,487
3) Retained earnings carried forward		3,281
		<u>82,115</u>
		<u>84,973</u>
Treasury stock		(262)
		<u>139,254</u>
II Valuation and translation adjustments		
(1) Other securities valuation difference		5,778
(2) Deferred gains or losses on hedges		20
		<u>5,798</u>
Total equity		<u>145,052</u>
Total liabilities and equity	¥	<u>426,983</u>

## NON-CONSOLIDATED STATEMENT OF INCOME

For the year ended March 31, 2010

		(Yen in millions)
I	Net sales:	
	1. Sales	¥ 314,557
	2. Sales of completed constructions	<u>278,687</u>
		<u>593,243</u>
II	Cost of sales:	
	1. Cost of sales	300,966
	2. Cost of completed construction	<u>207,615</u>
		<u>508,581</u>
	Gross profit	<u>84,662</u>
III	Selling, general and administrative expenses	<u>81,137</u>
	Operating income	<u>3,525</u>
IV	Non-operating income:	
	1. Interest income	476
	2. Interest on marketable securities	10
	3. Purchase discount	432
	4. Dividend income	1,537
	5. Other income	<u>1,082</u>
		<u>3,538</u>
V	Non-operating expenses:	
	1. Interest expense	722
	2. Sales discount	395
	3. Other expenses	387
		<u>1,503</u>
	Ordinary profit	<u>5,560</u>
VI	Extraordinary gain:	
	1. Gains on sales fixed assets	57
	2. Gains on sales of investment securities	132
	3. Impact of application of Accounting Standards for Construction Contracts	323
	4. Reversal of allowance for doubtful accounts	854
	5. Gain on transfer to defined contribution pension plan	1,714
	6. Amortization of unrecognized prior service costs	<u>2,068</u>
		<u>5,148</u>
VII	Extraordinary loss:	
	1. Losses on retirement of fixed assets	179
	2. Appraisal losses on investment securities	167
	3. Costs from relocation of head office	255
	4. Legal settlement payments	462
	5. Appraisal losses on stocks of affiliates	3,086
	6. Appraisal losses on valuation of investments in capital of subsidiaries and affiliates	100
		<u>4,248</u>
	Income before income taxes	<u>6,460</u>
	Income taxes	
	- Current	489
	- Deferred	<u>4,035</u>
	Net income	¥ <u>1,936</u>

## NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2010

(Yen in millions)

	Shareholders' equity								Valuation and translation adjustments		Total Equity	
	Common stock	Capital surplus		Legal retained earnings	Retained earnings			Treasury stock	Total Shareholders' equity	Other securities valuation difference		Deferre-d gains or losses on hedges
		Capital legal surplus	Other capital surplus		Reserve for advanced depreciation	General reserve	Retain-ed earnings carried forward					
Balance as of 31st March 2009	27,672	26,613	259	2,857	1,347	76,787	4,702	(260)	139,977	2,577	28	142,582
Changes of items during the period												
Reserve of reserve for advanced depreciation						700	(700)		-			-
Dividends from retained earnings							(2,657)		(2,657)			(2,657)
Net income							1,936		1,936			1,936
Purchase of treasury stock								(2)	(2)			(2)
Disposal of treasury stock			(0)					0	0			0
Net changes of items other than shareholders' equity										3,201	(8)	3,193
Total changes of items during the period	-	-	(0)	-	-	700	(1,421)	(2)	(723)	3,201	(8)	2,470
Balance as of 31st March 2010	27,672	26,613	259	2,857	1,347	77,487	3,281	(262)	139,254	5,778	20	145,052



## Notes to Non-Consolidated Financial Statements

### Summary of significant accounting policies

#### 1. Valuation basis and method of securities

- (1) Held-to-maturity securities  
Stated at amortized cost using the straight-line method.
- (2) Investment in subsidiaries and affiliated companies  
Stated at cost based on the moving-average method.
- (3) 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. The amount on balance sheet is calculated by writing down the carrying value based on lower profitability.

#### 3. Depreciation method

- (1) Property, plant and equipment(excluding lease assets)  
Depreciated using the declining-balance method. Buildings (excluding building fixtures) acquired on or after 1st April 1998 are depreciated using the straight-line method.
- (2) Intangible assets (excluding lease assets)  
Amortized using straight-line method. Computer software for internal use is amortized over estimated useful life (5 years) using straight-line method.
- (3) Lease assets  
The lease term is used as the service years for the lease assets on finance lease transactions that do not transfer ownership, and the straight-line method is adopted with salvage value set to zero.

#### 4. Calculation basis of allowances

- (1) 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.
- (2) 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.

(3) Allowance for bonuses to directors

To provide for the payment of bonuses to directors, the estimated amount of directors' bonus payments during the fiscal year is provided to the allowance for bonuses to directors.

(4) Warranty reserve for completed construction

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.

(5) Allowance for retirement benefits

To provide retirement benefits for employees, the Company makes provisions based on the estimates of retirement benefit obligations and pension assets at the end of the fiscal year in question. Should the total estimated figure for pension assets at the end of the fiscal year exceed the total estimated figure for retirement benefit obligations, the surplus is recognized as prepaid pension cost. Actuarial difference is recognized on a lump-sum basis in the year of occurrence.

(6) 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.

(7) Allowance for losses on restructuring

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

5. Sales of completed construction and cost of completed construction

For the portion of works certain to be completed up to the end of the current fiscal year, we use the percentage-of-completion method, with the estimate based on proportion of direct costs. Other construction contracts, such as short-period work, use the completed-contract method.

6. Hedge accounting

(1) Hedge accounting

Hedged foreign trade transactions are accounted for under the allocation method.

A special accounting procedure is used for interest rate swaps as they satisfy the requirements for a special accounting procedure

(2) Instruments used for hedging

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

Interest rate swap transactions are used against interest rate risk.

(3) Hedged items

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

Interest rate swap transactions are used against interest rate risk.

(4) Effectiveness of hedging

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

As a special accounting procedure is applied to interest rate swap transactions, the evaluation of their 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.

## Changes in significant accounting policies for preparation of non-consolidated financial statements

### 1. Sales of completed construction and cost of completed construction

With regard to accounting standards employed for the recognition of revenues resulting from construction work undertaken for customers, we previously recognized the total lump-sum amount of the completed contract values at completion, using the completed-contract method. However, with effect from the fiscal year ended March 31, 2010, the Accounting Standards for Construction Contracts (ASBJ Statement No. 15, issued on December 27, 2007) and the Guidance on Application of Accounting Standards for Construction Contracts (ASBJ Guidance No. 18, issued on December 27, 2007) have been applied to construction contracts. With regard to construction contracts in effect at the beginning of the fiscal year, or commenced during the year under review, the percentage-of-completion method is applied when the percentage of construction already completed by the end of the reporting period can be estimated fairly reliably (the estimation is based on the proportion of direct costs incurred for each work phase as compared with the estimated total cost for the entire contract). The completed-contract method is applied when construction has started before the end of the fiscal year (except for short-period work).

As a result of this change, net sales for the reporting period increased by 2,109 million yen, while operating income and ordinary profit decreased by 33 million yen. Income before income taxes increased by 290 million yen, compared with the application of the previous accounting standards.

### 2. Employees' retirement benefits

Beginning in the current consolidated accounting period, the partially amended "Accounting Standard for Retirement Benefits" (3) (ASBJ Statement No. 19, issued on July 31, 2008), has been applied for calculation of employees' retirement benefits.

A 747 million yen expense was booked, representing the projected employee benefit obligation differential following application of the standard. As a result, operating income, ordinary profit and income before income taxes all increased by 747 million yen.

## Notes to non-consolidated balance sheet

(Yen in millions)

### 1. Assets pledged as collateral

Investment Securities of 9,199 million yen are deposited as security with Customs.

2. Accumulated depreciation on property, plant and equipment ¥14,163

3. Accumulated advanced depreciation on property, plant and equipment ¥686

### 4. Amount guaranteed by the Company

#### (1) Guarantee on loans, etc. of affiliated companies from financial institutions

Sumitomo Forestry Australia Pty Ltd.	¥4,861
Sumitomo Forestry Seattle, Inc.	¥4,352
PT. Kutai Timber Indonesia	¥3,861

Sumitomo Forestry (Singapore) Ltd.	¥3,529
KAWASAKIBIOMASS ELECTRIC POWER CORPORATION	¥1,394
Fill Care Co., Ltd.	¥877
Fuxin Sumirin Wood Products Co., Ltd.	¥749
Paragon Wood Product (Shanghai) Co., Ltd.	¥293
Paragon Wood Product (Dalian) Co., Ltd.	¥210
Sumikyo Co., Ltd.	¥187
PT. AST Indonesia	¥186
Dongwha SFC Housing Co., Ltd.	¥62
Sumikyo Wintec Co., Ltd.	¥1
Total	¥20,563

(2) Guarantee on other loans, etc. from financial institutions	
Purchasers with housing loans applied	¥20,659
Others	¥0
Total	¥ 20,659

5. Monetary receivables from and payables to affiliated companies	
Short-term monetary receivables due from affiliated companies	¥47,178
Long-term monetary receivables due from affiliated companies	¥16,279
Short-term monetary payables due to affiliated companies	¥48,107
Long-term monetary payables due to affiliated companies	¥2,032

Notes to non-consolidated statement of income

(Yen in millions)

Operating transactions with affiliated companies	
Sales	¥27,017
Purchases	¥112,165
Non-operating income	
Interest income	¥471
Dividend income	¥1,020
Other income	¥197
Non-operating expense	¥101

Notes to non-consolidated statements of changes in equity

Total outstanding treasury stock as of the end date of the current fiscal year	
Common stock	263,750

Notes related to tax effect accounting

(Yen in millions)

Details of the occurrence of deferred tax assets and deferred tax liabilities by major cause

Deferred tax assets	
Allowance for doubtful accounts	¥1,987
Reserve for bonuses	¥2,075
Appraisal losses on property for sale, etc.	¥3,004
Accrued expenses from transfer to defined contribution pension plan	¥1,888
Allowance for losses of affiliated company operations	¥1,184
Appraisal losses on stocks of affiliates	¥2,720
Appraisal losses on investment securities and golf club membership	¥1,740
Others	¥2,846

Subtotal deferred tax assets	¥17,444
<u>Valuation reserve</u>	<u>¥ (10,513)</u>
Total deferred tax assets	¥6,931
Deferred tax liabilities	
Accumulated advanced depreciation on fixed assets	¥897
Gain on contribution of securities to retirement benefit trust	¥1,590
Prepaid pension cost	¥638
Other securities valuation difference	¥3,329
<u>Others</u>	<u>¥1,633</u>
Total deferred tax liabilities	¥8,088
Net deferred tax liabilities	¥(1,157)

Notes to fixed assets used under lease

(Yen in millions)

Among finance lease transactions that do not transfer ownership, ordinary accounting processing similar to ordinary lease transactions is conducted on those transactions that whose lease transaction start dates are prior to 31<sup>st</sup> March, 2008; the content of this processing is as follows:

1. Amount equivalent to acquisition value, amount equivalent to accumulated depreciation and amount equivalent to balance as of the end of fiscal year of leased assets

	Amount equivalent to acquisition value	Amount equivalent to accumulated depreciation	Amount equivalent to balance as of the end of fiscal year
Buildings	7,352	5,994	1,358
Vehicles	425	294	131
Tools, furniture and fixtures	1,428	1,100	328
Computer software	1	1	0
Total	9,206	7,390	1,817

2. Amount equivalent to the year-end balance of obligations to be paid in the rest of the lease terms

Less than one year	¥1,340
<u>Over one year</u>	<u>¥587</u>
Total	¥1,927

3. Lease expenses, amount equivalent to depreciation and amount equivalent to interest expenses

Lease expenses	¥2,363
Amount equivalent to depreciation	¥2,331
Amount equivalent to interest expenses	¥62

4. Calculation method for amount equivalent to depreciation

Straight-line method using lease term as service life with zero residual value.

5. Calculation method for amount equivalent to interest payment

We assumed the difference between the total lease payment and the amount equivalent to the acquisition value of a leased asset as the amount equivalent to interest payment, and used interest method for allocation to each period.

Notes to related party transactions

Affiliates

(Yen in millions)

Type	Name of company	Address	Capital amount	Business description	Share of voting rights the Company owns (or owned by affiliate)	Relationship		Transaction description	Transaction amount (Note 5)	Accounting item	Year-end balance (Note 5)
						Interlocking directorate	Business relationship				
Subsidiary	Sumitomo Forestry Home Engineering Co., Ltd.	Shinjyuku-ku, Tokyo	75	Housing and related operations	Direct 100.0%	14 interlocking directors	Paid supply of materials and construction of ordered housing	Construction of housing ordered by the Company (Note 1)	79,174	Accounts receivable Accounts payable on construction	24,606 24,733
Subsidiary	Sumitomo Forestry Home Tech Co. Ltd.	Chiyoda-ku, Tokyo	100	Housing and related operations	Direct 100.0%	9 interlocking directors	After Maintenance of housing	Deposit of surplus fund to the Company (Note 2)	-	Deposits received	9,594
Subsidiary	<b>Sumirin Life Assist Co., Ltd.</b>	Chiyoda-ku, Tokyo	100	Housing and related operations	Direct 100.0%	5 interlocking directors	-	Loan (Note 3)	1,350	Long-term loan receivable	5,789
Subsidiary	Sumitomo Forestry Australia Pty Ltd.	Australia Victoria	thousand of AUSS 81,658	Lumber and building materials	Direct 100.0%	5 interlocking directors	-	Debt guarantee (Note 4)	4,861	-	-
Subsidiary	Sumitomo Forestry Seattle, Inc.	Washington, US	thousand of US\$ 46,750	Lumber and building materials	Direct 100.0%	4 interlocking directors	-	Debt guarantee (Note 4)	4,352	-	-
Subsidiary	Toyo plywood Co., Ltd.	Nagoya, Aichi Prefecture	100	Lumber and building materials	Indirect 100.0%	6 interlocking directors	Sale of lumber and building materials, procurement of building materials	Loan (Note 3)	3,510	Long-term loan receivable	4,385

(Notes)

1. Transaction conditions and decision policy on transaction conditions are similarly treated as general transaction conditions.
2. Transaction amounts are not shown, because transactions have been duplicated as part of efforts to centralize fund management within the Group.
3. Loans are determined taking into consideration market interest rates.
4. The Company guarantees debt for each company's loans borrowed from financial institutions.
5. Transaction amount does not include consumption tax, and year-end balance includes consumption tax.

Notes to per-share information

Equity per share	¥818.82
Net income per share	¥10.93

Notes on other matters

Revision of the retirement benefits system

The Company revised its retirement benefits system and transferred a portion of its retirement benefits, corresponding to about 25% of the entire allowance, to a defined contribution pension plan in February 2010. The Company also lowered the ratio of whole life annuity and introduced a system under which the relevant portion of the defined contribution pension plan is restructured into a terminable annuity. The Company has been applying “Accounting for the Transfer between Retirement Benefits Plans” (ASBJ Guidance No.1) to the accounting treatment for the revised benefits explained above.

The effect of the partial retirement benefits transfer to the defined contribution pension plan is 1,714 million yen. The amount of past service liabilities accrued as a result of the partial revision of the defined contribution plan is 2,068 million yen. Both of these amounts are posted under extraordinary gains.