

[TRANSLATION]

The following is an unofficial English translation, “the Notice of Convocation of the 71<sup>st</sup> Ordinary General Meeting of Shareholders” by Sumitomo Forestry Corporation (hereinafter referred to as the “Company”) to be held on June 24, 2011. The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.

June 2, 2011

To All Shareholders

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

## NOTICE OF CONVOCATION OF THE 71ST ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

We would like to express our appreciation for your courtesies always shown us.

We would also like to express our heartfelt sympathy and condolences to people suffered from Great East Japan Earthquake disaster.

We are pleased to invite you to attend our 71st Ordinary General Meeting of Shareholders (hereinafter referred to as the “Meeting”) to be held as follows.

**If you are unable to attend the Meeting, you can exercise your voting rights by paper form or by electromagnetic means (Internet, etc.). Please review the “Reference Documents for the General Meeting of Shareholders” as follows and exercise your voting rights in accordance with the “Guidance Notes on the Exercise of Voting Rights” (see pages 2-3 below).**

1. **Date and Time:** Friday, 24th June 2011 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:**
  1. **Matters to be reported:**
    1. Report on the Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements for the 71st Business term (from 1st April 2010 to 31st March 2011); and
    2. Report on the Results of Audits of the Consolidated Financial Statements for the 71st Business term by the Accounting Auditors and the Board of Company Auditors.

### Proposals to be resolved:

- Proposal No 1 :** Appropriation of Surplus
- Proposal No 2 :** Election of two Directors
- Proposal No 3 :** Election of two Company Auditors
- Proposal No 4 :** Payment of bonuses to directors

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

(1) Method of Exercising Voting Rights

- a. If you attend the Meeting in person, please submit the enclosed voting form to the receptionist at the meeting.
- b. If you are unable to attend the Meeting in person, please exercise your voting rights via either by postal mail or by electromagnetic means.

**Voting by Paper Form**

Please indicate your approval or disapproval of each agenda item on the enclosed voting form, and return it to our share register agent no later than 5:30 p.m. on Thursday, June 23rd, 2011.

**Voting by Electromagnetic means**

Please exercise your voting rights in accordance with the “Guide to Exercising Voting Rights by Electromagnetic means” on page 3, and register your approval or disapproval of each agenda item to be voted on no later than 5:30 p.m. on Thursday, June 23rd, 2011.

(2) Matters of Exercising Voting Rights

- a. If you exercise your voting rights both by paper form and by electromagnetic means, we will only accept the vote registered by electromagnetic means as valid.
- b. If you exercise your voting rights more than once by electromagnetic means, we will only accept the last exercise of your voting rights as valid.

– End –

---

If there are any items that require amendments to the Reference Documents for the General Meeting of Shareholders, the Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements by the day before the Meeting, we will announce the amendments by mail or by posting them on our website (<http://sfc.jp/english/>).

## **【Guide to Exercising Voting Rights by Electromagnetic means】**

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

- (1) Exercising Voting Rights via the Internet by your personal computer is available only by accessing the website as noted below. This site is also available via the Internet by cellular phone.

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

- (2) Please access the voting website for exercising voting rights by your personal computer or your cellular phone, and enter the voting code and password written on the enclosed voting form. Then register your approval or disapproval of each agenda item no later than 5:30 p.m. on Thursday, June 23rd, 2011, following the instructions on the screen.
- (3) Any access fees to internet service providers and any communication fees (including but not limited to telephone fees) for the usage of the website for voting shall be borne by the shareholders.
- (4) When you exercise voting right by your personal computer, you need to use Microsoft® Internet Explorer 6.0 or newer version as the internet browser software to access the voting website. (Microsoft is a trademark of Microsoft Corporation in the United States, registered in the United States and other countries.)
- (5) When you exercise voting right by cellular phone, a type of cellular phones with 128-bit SSL communication only can access the online voting system because of security purposes. Other models are not compatible with this system.

Please contact the following Help Desk for inquiries about exercising voting rights via the Internet.

**Agent for Shareholder Registry Management:**

**The Sumitomo Trust & Banking Co., Ltd.**

**Stock Transfer Agency Department (Help Desk)**

**Phone (toll-free within Japan): 0120-186-417 (AM9:00~PM9:00)**

### **2. Electronic Voting Platform for Institutional Investors**

Institutional investors, who have applied to use “Electronic Voting Platform for Institutional Investors” operated by ICJ Inc. in advance, may use the voting platform to exercise your voting rights.

– End –

## CONSOLIDATED BALANCE SHEET

As of March 31, 2011

(Millions of Yen)

<u>Assets</u>	
I Current assets:	
(1) Cash and deposits	¥ 55,618
(2) Notes and accounts receivable-trade	112,427
(3) Accounts receivable from completed construction contracts	6,024
(4) Short-term investment securities	20,000
(5) Merchandise and finished goods	13,843
(6) Work in process	1,123
(7) Raw materials and supplies	4,049
(8) Real estate for sale	31,492
(9) Costs on uncompleted construction contracts	31,242
(10) Deferred tax assets	7,915
(11) Short-term loans receivable	1,204
(12) Accounts receivable-other	45,513
(13) Other	4,260
(14) Allowance for doubtful accounts	<u>(1,272)</u>
	<u>333,439</u>
II Noncurrent assets:	
1. Property, plant and equipment:	
(1) Buildings and structures	28,830
(2) Machinery, equipment and vehicles	13,865
(3) Land	26,048
(4) Lease assets	3,615
(5) Construction in progress	3,062
(6) Other	<u>12,181</u>
	<u>87,602</u>
2. Intangibles assets:	
(1) Goodwill	201
(2) Other	<u>6,867</u>
	<u>7,068</u>
3. Investments and other assets:	
(1) Investment securities	48,458
(2) Long-term loans receivable	2,512
(3) Deferred tax assets	1,354
(4) Other	12,130
(5) Allowance for doubtful accounts	<u>(3,146)</u>
	<u>61,309</u>
	<u>155,978</u>
Total assets	¥ <u>489,417</u>

## CONSOLIDATED BALANCE SHEET

As of March 31, 2011

(Millions of Yen)

<u>Liabilities</u>		
I Current liabilities:		
(1) Notes and accounts payable-trade	¥	93,018
(2) Accounts payable for construction contracts		57,143
(3) Short-term loans payable		18,588
(4) Lease obligations		1,095
(5) Income taxes payable		6,909
(6) Advances received on uncompleted construction contracts		37,524
(7) Deferred tax liabilities		10
(8) Provision for bonuses		8,256
(9) Provision for directors' bonuses		60
(10) Provision for warranties for completed construction		2,007
(11) Provision for loss on disaster		545
(12) Asset retirement obligations		455
(13) Other		<u>18,165</u>
		<u>243,774</u>
II Noncurrent liabilities:		
(1) Bonds payable		15,000
(2) Long-term loans payable		32,101
(3) Lease obligations		2,445
(4) Deferred tax liabilities		8,782
(5) Provision for retirement benefits		6,152
(6) Provision for directors' retirement benefits		61
(7) Provision for loss on business liquidation		1,435
(8) Asset retirement obligations		940
(9) Other		<u>15,616</u>
		<u>82,532</u>
Total liabilities		<u>326,307</u>
<u>Net assets</u>		
I Shareholders' equity		
(1) Capital stock		27,672
(2) Capital surplus		26,872
(3) Retained earnings		107,584
(4) Treasury stock		<u>(267)</u>
		<u>161,861</u>
II Accumulated other comprehensive income		
(1) Valuation difference on available-for-sale securities		4,876
(2) Deferred gains or losses on hedges		154
(3) Foreign currency translation adjustment		<u>(4,005)</u>
		<u>1,025</u>
III Minority interests		224
Total net assets		<u>163,110</u>
Total liabilities and net assets	¥	<u>489,417</u>

CONSOLIDATED STATEMENTS OF INCOME

For the year ended March 31, 2011

	(Millions of Yen)
I Net sales:	¥ 797,493
II Cost of sales:	<u>664,925</u>
Gross profit	<u>132,568</u>
III Selling, general and administrative expenses	<u>118,330</u>
Operating income	<u>14,238</u>
IV Non-operating income:	
1. Interest income	225
2. Purchase discounts	376
3. Dividends income	743
4. Other	<u>2,081</u>
	<u>3,425</u>
V Non-operating expenses:	
1. Interest expenses	1,318
2. Sales discounts	579
3. Equity in losses of affiliated companies	778
4. Other	<u>783</u>
	<u>3,458</u>
Ordinary income	<u>14,206</u>
VI Extraordinary income:	
1. Gain on sales of noncurrent assets	424
2. Gain on sales of investment securities	17
3. Gain on sales of subsidiaries' stock	273
4. Gain on abolishment of retirement benefit plan	53
	<u>767</u>
VII Extraordinary loss:	
1. Loss on retirement of noncurrent assets	227
2. Impairment loss	695
3. Loss on sales of investment securities	5
4. Loss on valuation of investment securities	1,024
5. Loss on disaster	780
6. Loss on adjustment for changes of accounting standard for asset retirement obligations	706
7. Extra retirement payment	378
8. Other	149
	<u>3,964</u>
Income before income taxes	<u>11,010</u>
Income taxes-current	<u>7,926</u>
Income taxes-deferred	<u>(1,998)</u>
Income before minority interests	<u>5,082</u>
Minority interests in loss	<u>(93)</u>
Net income	¥ <u>5,175</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2011

(Millions of Yen)

	Shareholders' equity					Accumulated other comprehensive income			Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment		
Balance as of 31st March 2010	27,672	26,872	105,066	(262)	159,348	5,594	24	(2,378)	342	162,930
Changes of items during the period										
Dividends from surplus			(2,657)		(2,657)					(2,657)
Net income			5,175		5,175					5,175
Purchase of treasury stock				(5)	(5)					(5)
Disposal of treasury stock		(0)		0	0					0
Net changes of items other than shareholders' equity					-	(718)	130	(1,627)	(118)	(2,334)
Total changes of items during the period	-	(0)	2,518	(5)	2,513	(718)	130	(1,627)	(118)	180
Balance as of 31st March 2011	27,672	26,872	107,584	(267)	161,861	4,876	154	(4,005)	224	163,110

## Notes to Consolidated Financial Statements

### Significant fundamental accounting policies for preparing consolidated financial statements

#### 1. Scope of consolidation

There are 45 consolidated subsidiaries. Principal 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: Home Eco Logistics Co., Ltd, and Vina Eco Board Co., Ltd, which we have established during the reporting fiscal year.

Meanwhile, Toyo Plywood Co., Ltd, which was a consolidated subsidiary in the previous fiscal year, is excluded from the scope of consolidation as of 1<sup>st</sup> April 2010 due to an absorption type merger by Sumitomo Forestry Crest Co., Ltd, which is also a consolidated subsidiary and the surviving company. Similarly, Toyo Land Transportation Co., Ltd, previously a consolidated subsidiary, is excluded from the scope of consolidation following of the shares held by the Company during the period.

#### 2. Application of equity method

(1) There are 20 affiliates to which the equity method is applicable, including PT. Rimba Partikel Indonesia, and Henley Arch Unit Trust.

At the same time, PT. Mayangkara Tanaman Industri and PT. Wana Subur Lestari, in which we acquired new shares during the current fiscal year, and Henley USA Unit Trust, Grices Road Unit Trust, Edgewater Homes Pty Ltd. and three other affiliates, which we established during the reporting fiscal year, are included as affiliates under the equity method from the fiscal year under review.

(2) As for equity-method affiliated companies which 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 periods of consolidated subsidiaries. Each company made the financial statement based on its specific accounting periods. The fiscal year of two consolidated subsidiaries, Daiichi Sansho Co., Ltd. and Nihei Co., Ltd. ends on 20<sup>th</sup> March 2011. The fiscal year of Kowa Lumber Co., Ltd. and all foreign consolidated subsidiaries ends on 31<sup>st</sup> December 2010. The fiscal year of the rest of all other domestic consolidated subsidiaries ends on 31<sup>st</sup> March 2011. These financial statements are adopted by the Company for making the consolidated financial statements.

#### 4. Accounting standards

(1) Valuation standards and methods for important assets

a. Marketable securities

Held-to-maturity debt securities

Amortized cost method. (Straight-line method)



Other securities:

Securities with a market value

Market price method based on closing market price on the last day of the fiscal year.

(Resulting valuation gains and losses are reported in a separate component of net assets: the cost of disposal is calculated by the moving-average method.)

Securities with no market value

Valuation at cost based on the moving-average method.

b. Derivatives

Market price 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 for sale and costs on uncompleted construction contracts are stated at cost using the identification cost method. The amount on the balance sheet is calculated by a method whereby the book value is reduced based on the decline in profitability of inventories.

(2) Method of depreciating significant assets

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

Primarily the declining-balance method is used, however, the straight-line method is used for buildings (excluding building fixtures) acquired on or after 1st April, 1998.

b. Intangible assets(excluding lease assets)

The straight-line method is used. The straight-line method is used for computer software for internal use amortized over its estimated useful life (5 years) .

c. Lease assets

The lease term is set as the number of service years for those lease assets associated with finance lease transactions where there is no transfer of title on the lease property to the lessee, and the straight-line method is adopted with salvage value set to zero.

(3) Standards for significant allowances

a. Allowance for doubtful accounts

An allowance for doubtful accounts is provided to protect against possible losses on collection such as receivables and loans. For ordinary debt, the amount is estimated using historical rate of credit loss. For specific debt with a possibly of default, the amount is estimated considering the possibly of recovery of the individual debt.

b. Provision for bonuses

A provision for bonuses is provided based on estimated bonuses to be paid to employees, which is applicable to the reporting fiscal year.

c. Provision for directors' bonuses

The company and certain consolidated subsidiaries provide a provision for directors' bonuses based on estimated bonuses to be paid to directors, which is applicable to the current year.

d. Provision for warranties for completed construction

A provision for warranties is provided for repair costs which may be required for completed constructions. The provision is estimated based on past experience and future estimates.

e. Provision for loss on disaster

In order to provide for possible expenses incurred assets affected by the Great East Japan Earthquake, an estimate of loss on disaster has been reserved as a provision for loss on disaster.

e. Provision for retirement benefits

A provision for retirement benefits is provided for the necessary amounts 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 reporting 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. Provision for directors' retirement benefits

Certain consolidated subsidiaries provide a provision for retirement benefits based on the estimated benefits to be paid to directors at the end of the reporting fiscal year in accordance with the company's established regulation.

g. Provision for loss on business liquidation

A provision is provided for the possible losses incurred as a result of business liquidation.

(4) Net sales of completed construction contracts and cost of sales of completed construction contracts

For the portion of works certain to be completed by the last day of the reporting fiscal year, the percentage-of-completion method is used, with the estimate based on proportion of direct costs. For other contracts, such as those with a short-period work, the completed-contract method is used.

(5) Main hedge accounting methods

a. Hedge accounting method

Deferred hedge accounting is adopted.

The allocation method of foreign currency transactions is applied to hedge transactions in foreign trade.

A special accounting procedure is applied to interest rate swaps because of meeting the requirements for the special accounting procedure.

b. Hedge instruments

Exchange contract transactions and currency swap transactions are used to control risks arising from fluctuations in foreign currency exchange rates.

Interest rate swap transactions are used to hedge against interest rate risk.

c. Hedge targets

Certain transactions, including planned transactions, and borrowings with interest rate fluctuation risk are within the scope of the hedge targets in accordance with policies laid out in management regulations.

d. Method of assessment for hedge effectiveness

As hedging through forward exchange contracts and currency swap transactions 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) Amortization method and period of goodwill

Goodwill is amortized using the straight-line method over the period during which it is effective, up to a maximum of 20 years. If the amount is insignificant, such account is amortized in the fiscal year when it accrued.

(7) Other important items for compiling consolidated financial statements

Consumption tax

Transactions subject to consumption tax and the local consumption tax are recorded using the tax-excluded method.

Changes in significant accounting policies for preparation of consolidated financial statements

1. Application of accounting standard for asset retirement obligations

The following are applied from the reporting fiscal year: “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, issued on March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, issued on March 31, 2008).

As a result, operating income and ordinary income have each decreased by 67 million yen, and income before income taxes has decreased by 782 million yen.

2. Application of accounting standard for business combinations

The following are applied from the reporting fiscal year: “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on December 26, 2008) and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, issued on December 26, 2008).

Change of presentation method

(Consolidated Statement of income)

1. From the reporting fiscal year, “Income before minority interests” is presented in accordance with the application of “Ordinance partially modifying the Enforcement Regulations of the Companies Act and Accounting Regulations of the Companies, etc.” (Ministry of Justice Ordinance No. 7 of 2009), based on “Accounting Standard for Consolidated Financial Statements” (SSBJ Statement No. 22, issued on December 26, 2008).

Notes to the consolidated balance sheet

(Millions of yen )

1. Collateralized assets and secured liabilities

(1) Collateralized assets

Notes and accounts receivable-trade	¥326
Merchandise and finished goods	¥219
Work in process	¥251
Raw materials and supplies	¥816
Buildings and structures	¥539
Machinery, equipment and vehicles	¥845
<u>Land</u>	<u>¥15</u>
Total	¥3,009

In addition to the above, certificates of deposit for 8 million yen are collateralized as security including closing tree-planting business agreements.

Investment Securities for 9,589 million yen to Japan Customs are collateralized as security.

(2) Secured debt	
Short-term loans payable	¥153
Long-term loans payable	¥538
Total	¥691
2. Accumulated depreciation of property, plant and equipment	¥71,700
3. Liabilities guaranteed.	
(1) Guarantee on loans and so on of affiliates from financial institutions	
Dongwha SFC Housing Co., Ltd.	¥53
Kawasaki Biomass Electric Power Co., Ltd	¥2,730
Cascadia Resort Communities LLC	¥42
Purchasers with housing loans applied	¥20,907
Others	¥1
Total	¥25,733
(2) Guarantee on rent payment	
Sumikyo Co., Ltd.	¥175

Notes to consolidated statements of changes in net assets (Millions of yen)

1. The number of shares outstanding as of the end date of the reporting fiscal year	
Common stock	177,410,239
2. The number of common stock for treasury as of the end date of the reporting fiscal year	
Common stock	270,845

3. Items related to dividend

(1) Dividend payment

Resolution	Type of stock	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Base date	Effective date
Ordinary General Meeting of Shareholders on 25th June 2010	Common stock	1,329	7.50	31st March 2010	28th June 2010
Board of Directors' Meeting on 10th November 2010	Common stock	1,329	7.50	30th September 2010	3th December 2010

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

The following matters are due to be resolved at the Meeting.

Resolution	Type of stock	Total amount of dividend (Millions of yen)	Source of dividend	Dividend per share (Yen)	Base date	Effective date
Ordinary General Meeting of Shareholders on 24th June 2011	Common stock	1,329	Retained earnings	7.50	31st March 2011	27th June 2011

**Notes on financial instruments**

1. Matters relating to the state of financial instruments

The Company and its consolidated subsidiaries (“The Group”) invest temporary surplus funds in highly safe and secure financial instruments, and use bank loans as the primary means for raising capital.

The Group is working to reduce customers’ credit risks relating to operating receivables, notes and accounts receivable-trade and accounts receivable other, in accordance with its credit control regulations. In addition, for the securities and investment securities which are primarily held-to-maturity bonds and securities, the Group grasps financial conditions and other aspects of the issuing entities (corporate customers). The Group also consistently reviews the ownership of financial instruments excluding bonds held to maturity, in consideration of its relationships with corporate customers. Almost all operating debts, notes and accounts payable–trade and accounts payable for construction contracts, are payable within one year.

The Group uses loans payable primarily to finance its operations and capital investment. The Group takes steps to stabilize its interest cost by interest rate swaps against the risk of interest rate fluctuations for the part of its long-term loans payable.

With respect to derivatives, the Group seeks to use them within the certain limit, in the light of the past records relating to ordinary business transactions in foreign currency and so on, and also utilize derivatives to surplus fund management with a certain limitation. The Group will not engage in speculation transaction.

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

The amounts stated in consolidated balance sheets, market value and their differences as of March 31, 2011 are shown in the table below. For your information, accounting items for which an accurate grasp of market value is recognized to be extremely difficult are not stated in this table.

	Amount stated in consolidated balance sheets*1 (Millions of yen)	Market value*1 (Million of yen)	Difference (Millions of yen)
(1) Cash and deposits	55,618	55,618	—
(2) Notes and accounts receivable-trade	112,427	112,427	—
(3) Market securities and investment securities			
1) Bonds held to maturity	1,047	1,051	3
2) Other securities	53,729	53,729	—
(4) Accounts receivable-other	45,513	45,513	—
Total assets	268,335	268,338	3
(5) Notes and accounts payable-trade	(93,018)	(93,018)	—
(6) Accounts payable for construction contracts	(57,143)	(57,143)	—
(7) Long-term loans payable *2	(39,069)	(39,464)	△395
Total liabilities	(189,231)	(189,626)	△395
(8) Derivatives transactions*3			
1) Hedge accounting not applied	25	25	—
2) Hedge accounting applied	291	291	—
Total derivatives	315	315	—

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

\*2 Includes long-term loans payable 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-trade and (4) accounts receivable-other  
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 exchange quote value. The market value stated for bonds is the exchange quote value or the value indicated by financial institutions.

(5) Notes and accounts payable-trade and (6) Accounts payable for construction contracts  
Book value is stated for these items because short-term settlement makes their market value and book value almost the same.

(7) Long-term loans payable

Book value is stated for long-term loans payable 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 credit condition of the Company did not significantly change after the loan offer. The present value is calculated for long-term borrowings with a fixed interest rate. The present value is calculated by similar loans payable from the aggregate amount of principal and interest for long-term borrowings classified according to fixed terms. (\*)

(\*)For long-term loans payable subject to special accounting for interest rate swaps, the aggregate amount of principal and interest based on the interest rate swap is comprised.

(8) Derivatives

The market value of exchange contracts is the value exchange quote value or the value indicated by financial institutions.

The market value of derivatives, to which special accounting for interest rate swaps is applied, is stated as part of the market value of long-term loans payable because these derivatives is operated accounting treatment collectively with the hedged long-term loans payable.

(Note 2) Unlisted shares (stated as 1,355 million yen in consolidated balance sheets), preferred shares (stated as 3,000 million yen) and affiliates shares (stated as 9,326 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 rental houses and so on 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 sheet (Millions of yen)	Market value (Millions of yen)
15,637	16,572

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

(Note 2) The amounts based on real estate appraisal by independent real estate appraisers and the amounts based on indices assumed to reflect market value appropriately are adopted as the market value of major properties and the market value of other properties at the end of the reporting fiscal year respectively.

Notes to per-share information

Net assets per share	¥919.54
Net income per share	¥29.21

NON-CONSOLIDATED BALANCE SHEET  
As of March 31, 2011

(Millions of yen)

<u>Assets</u>		
I	Current assets:	
(1)	Cash and deposits	¥ 48,582
(2)	Notes receivable-trade	46,153
(3)	Accounts receivable-trade	56,523
(4)	Accounts receivable from completed construction contracts	3,375
(5)	Short-term investment securities	20,000
(6)	Merchandise and finished goods	9,292
(7)	Real estate for sale	30,401
(8)	Costs on uncompleted construction contracts	18,795
(9)	Advance payments-trade	512
(10)	Prepaid expenses	947
(11)	Deferred tax assets	5,936
(12)	Short-term loans receivable	9
(13)	Short-term loans receivable from subsidiaries and affiliates	8,558
(14)	Accounts receivable-other	67,814
(15)	Other	404
(16)	Allowance for doubtful accounts	<u>(2,870)</u>
		<u>314,431</u>
II	Noncurrent assets:	
	1. Property, plant and equipment:	
(1)	Buildings	12,639
(2)	Structures	390
(3)	Machinery and equipment	95
(4)	Vehicles	6
(5)	Tools, furniture and fixtures	777
(6)	Land	11,763
(7)	Forest	8,782
(8)	Forestation projects	186
(9)	Lease assets	3,072
(10)	Construction in progress	<u>447</u>
		<u>38,157</u>
	2. Intangibles assets:	
(1)	Telephone subscription right	183
(2)	Leasehold right	4
(3)	Right of using forest road	204
(4)	Right of using facilities	2
(5)	Software	4,069
(6)	Lease assets	<u>3</u>
		<u>4,465</u>
	3. Investments and other assets:	
(1)	Investment securities	38,417
(2)	Stocks of subsidiaries and affiliates	22,125
(3)	Investments in other securities of subsidiaries and affiliates	6
(4)	Investments in capital of subsidiaries and affiliates	2,286
(5)	Long-term loans receivable	486
(6)	Long-term loans receivable from employees	29
(7)	Long-term loans receivable from subsidiaries and affiliates	17,457
(8)	Claims provable in bankruptcy, claims provable in rehabilitation and other	3,017
(9)	Long-term prepaid expenses	678
(10)	Other	4,119
(11)	Allowance for doubtful accounts	<u>(5,095)</u>
		<u>83,526</u>
		<u>126,148</u>
	Total assets	¥ <u>440,578</u>



NON-CONSOLIDATED BALANCE SHEET

As of March 31, 2011

(Millions of yen)

<u>Liabilities</u>	
I	Current liabilities:
(1)	Notes payable-trade ¥ 7,016
(2)	Accounts payable-trade 71,665
(3)	Accounts payable for construction contracts 74,259
(4)	Current portion of long-term loans payable 6,300
(5)	Lease obligations 1,260
(6)	Accounts payable-other 6,962
(7)	Income taxes payable 4,974
(8)	Accrued consumption taxes 1,077
(9)	Accrued expenses 929
(10)	Advances received 957
(11)	Advances received on uncompleted construction contracts 31,756
(12)	Deposits received 21,134
(13)	Unearned revenue 1,614
(14)	Provision for bonuses 5,400
(15)	Provision for directors' bonuses 60
(16)	Provision for warranties for completed construction 1,836
(17)	Provision for loss on disaster 495
(18)	Asset retirement obligations 447
(19)	Other 42
	<u>238,185</u>
II	Noncurrent liabilities:
(1)	Bonds payable 15,000
(2)	Long-term loans payable 24,700
(3)	Guarantee deposited 4,978
(4)	Lease obligations 1,643
(5)	Deferred tax liabilities 4,810
(6)	Provision for retirement benefits 277
(7)	Provision for loss on business of subsidiaries and affiliates 2,826
(8)	Provision for loss on business liquidation 1,435
(9)	Asset retirement obligations 795
(10)	Other 1,760
	<u>58,225</u>
	<u>296,410</u>
<u>Net assets</u>	
I	Shareholders' equity:
1.	Capital stock 27,672
2.	Capital surplus:
(1)	Legal capital surplus 26,613
(2)	Other capital surplus 259
	<u>26,872</u>
3.	Retained earnings:
(1)	Legal retained earnings 2,857
(2)	Other retained earnings
1)	Reserve for reduction entry 1,347
2)	General reserve 76,687
3)	Retained earnings brought forward 3,754
	<u>81,788</u>
	<u>84,645</u>
4.	Treasury stock: (267)
	<u>138,921</u>
II	Valuation and translation adjustments
(1)	Valuation difference on available-for-sale securities 5,046
(2)	Deferred gains or losses on hedges 201
	<u>5,247</u>
	<u>144,168</u>
	<u>144,168</u>
	<u>440,578</u>
	¥ <u>440,578</u>

## NON-CONSOLIDATED STATEMENTS OF INCOME

For the year ended March 31, 2011

	(Millions of yen)
I Net sales:	
1. Net sales	¥ 366,268
2. Net sales of completed construction contracts	<u>281,247</u>
	<u>647,515</u>
II Cost of sales:	
1. Cost of sales	348,810
2. Cost of sales of completed construction contracts	<u>206,871</u>
	<u>555,681</u>
Gross profit	<u>91,834</u>
III Selling, general and administrative expenses	<u>83,535</u>
Operating income	<u>8,299</u>
IV Non-operating income:	
1. Interest income	403
2. Interest on securities	18
3. Purchase discounts	336
4. Dividends income	2,867
5. Other	<u>968</u>
	<u>4,591</u>
V Non-operating expenses:	
1. Interest expenses	566
2. Interest on bonds	203
3. Sales discounts	477
4. Other	341
	<u>1,586</u>
Ordinary income	<u>11,304</u>
VI Extraordinary income:	
1. Gains on sales noncurrent assets	46
2. Gains on sales of investment securities	<u>17</u>
	<u>63</u>
VII Extraordinary loss:	
1. Loss on sales of noncurrent assets	114
2. Loss on valuation of investment securities	1,014
3. Loss on disaster	592
4. Loss on adjustment for changes of accounting standard for asset retirement obligations	653
5. Loss on valuation of stocks of subsidiaries and affiliates	<u>3,731</u>
	<u>6,104</u>
Income before income taxes	<u>5,264</u>
Income taxes-current	<u>4,798</u>
Income taxes-deferred	<u>(1,864)</u>
Net income	¥ <u>2,329</u>

## NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2011

(Millions of yen)

	Shareholders' equity								Valuation and translation adjustments		Total net assets	
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities		Deferred gains or losses on hedges
		legal Capital surplus	Other capital surplus		Other Retained earnings							
					Reserve for reduction entry	General reserve	Retained earnings brought forward					
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
Changes of items during the period												
Reversal of general reserve						(800)	800		-			-
Dividends from surplus							(2,657)		(2,657)			(2,657)
Net income							2,329		2,329			2,329
Purchase of treasury stock								(5)	(5)			(5)
Disposal of treasury stock			(0)					0	0			0
Net changes of items other than shareholders' equity										(732)	181	(551)
Total changes of items during the period	-	-	(0)	-	-	(800)	472	(5)	(333)	(732)	181	(884)
Balance as of 31st March 2011	27,672	26,613	259	2,857	1,347	76,687	3,754	(267)	138,921	5,046	201	144,168

## Notes to Non-Consolidated Financial Statements

### Summary of significant accounting policies

#### 1. Valuation standards and method for securities

- (1) Held-to-maturity securities  
Amortized cost method. (Straight-line method)
- (2) Shares held in subsidiaries and affiliated companies  
Valuation at cost based on the moving-average method.
- (3) Other securities:  
Securities with a market value  
Market price method based on closing market price on the last day of the current fiscal year.  
(Resulting valuation gains and losses are reported in a separate component of net assets: the cost of disposal is calculated by the moving-average method.)  
  
Securities with no market value  
Cost method based on the moving-average method.

#### 2. Valuation standards and method for inventories

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 identification method. The amount on the balance sheet is calculated by the method which the book value is reduced on decline in profitability of inventories.

#### 3. Method of depreciation of noncurrent assets

- (1) Property, plant and equipment (excluding lease assets)  
The declining-balance method is used, however, the straight-line method is used for buildings (excluding building fixtures) acquired on or after 1st April, 1998.
- (2) Intangible assets (excluding lease assets)  
The straight-line method is used. The straight-line method is used for computer software for internal use amortized over its estimated useful life (5 years).
- (3) Lease assets  
The lease term is set as the number of service years for those lease assets associated with finance lease transactions where there is no transfer of title on the lease property to the lease, and the straight-line method is adopted with salvage value set to zero.

#### 4. Standards for allowance

- (1) Allowance for doubtful accounts  
An allowance for doubtful accounts is provided to protect against possible losses on collection such as receivables and loans. For ordinary debt, the amount is estimated using historical rate of credit loss. For specific debt with a possibly of default, the amount is estimated considering the possibly of recovery of the individual debt.

(2) Provision for bonuses

A provision for bonuses is provided based on estimated bonuses to be paid to employees, which is applicable to the current fiscal year.

(3) Provision for directors' bonuses

A provision for directors' bonuses is provided based on estimated bonuses to be paid to directors, which is applicable to the current year.

(4) Provision for warranties for completed construction

A provision for warranties is provided for repair costs which may be required for completed constructions. The provision is estimated based on past experience and future estimates.

(5) Provision for loss on disaster

In order to provide for possible expenses incurred assets affected by the Great East Japan Earthquake, an estimate of loss on disaster has been reserved as provision for loss on disaster.

(6) Provision for retirement benefits

A provision for retirement benefits is provided for the necessary amounts based on the estimates of retirement benefit obligations and pension assets at the end of the current fiscal year. Should the total estimated figure for pension assets at the end of the current 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.

(7) Provision for losses of affiliates operations

An allowance for losses of affiliated companies' operations is provided to prepare for the possible losses such as operations of golf courses, and so on.

(8) Provision for loss on business liquidation

A provision is provided for the possible losses incurred as a result of business liquidation.

5. Net sales of completed construction contracts and cost of sales of completed construction contracts

For the portion of works certain to be completed by the last day of the current fiscal year, the percentage-of-completion method is used, with the estimate based on proportion of direct costs. For other contracts, such as those with a short-period work, the completed-contract method is used.

6. Main hedge accounting methods

(1) Hedge accounting method

Deferred hedge accounting is adopted.

The allocation method of foreign currency transactions is applied to hedge transactions in foreign trade.

A special accounting procedure is applied to interest rate swap because of meeting the requirements for the special accounting procedure.

(2) Hedge instruments

Exchange contract transactions and currency swap transactions are used to control risks arising from fluctuations in foreign currency exchange rates.

Interest rate swap transactions are used to hedge against interest rate risk.

(3) Hedge targets

Certain transactions, including planned transactions, and debt payable with interest rate fluctuation risk are within the scope of the hedge targets in accordance with policies laid out in management regulations.

(4) Method of assessment for hedge effectiveness

As hedging through forward exchange contracts and currency swap transactions 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 consolidated financial statements

Consumption tax

Transactions subject to consumption tax and the local consumption tax are recorded using the tax-excluded method.

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

Application of accounting standard for asset retirement obligations

The following are applied from the current fiscal year: “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, issued on March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, issued on March 31, 2008).

As a result, operating income and ordinary income have each decreased by 66 million yen, and income before income taxes has decreased by 727 million yen.

Notes to non-consolidated balance sheet

(Millions of yen)

1. Collateralized assets

Investment Securities of 9,589 million yen are collateralized as security with Customs.

2. Accumulated depreciation on property, plant and equipment ¥16,907

3. Accumulated reduction entry on property, plant and equipment ¥696

4. Liabilities guaranteed

(1) Guarantee on loans, and so on of affiliated companies from financial institutions

Sumitomo Forestry Australia Pty Ltd.	¥4,721
Sumitomo Forestry Seattle, Inc.	¥3,972
PT. Kutai Timber Indonesia	¥3,284
Sumitomo Forestry (Singapore) Ltd.	¥3,238
Kawasaki Biomass Electric Power Co., Ltd	¥2,730
Vina Eco Board Co., Ltd.	¥1,391
Fuxin Sumirin Wood Products Co., Ltd	¥1,083
Fill Care Co., Ltd.	¥935
Paragon Wood Product (Shanghai) Co., Ltd.	¥317
Japan Bio Energy	¥218
PT. AST Indonesia	¥208
Paragon Wood Product (Dalian) Co., Ltd.	¥193
Sumikyo Co., Ltd.	¥175
Alpine MDF Industries Pty Ltd.	¥86
Dongwha SFC Housing Co., Ltd.	¥53
Sumikyo Wintec Co., Ltd.	¥1

Total ¥22,606

(2) Guarantee on other loans from financial institutions	
Purchasers with housing loans applied	¥22,871
Others	¥1
Total	¥22,872

5. Monetary receivables from and payables to subsidiaries and affiliates	
Short-term monetary receivables	¥46,090
Long-term monetary receivables	¥17,457
Short-term monetary payables	¥48,373
Long-term monetary payables	¥1,576

Notes to non-consolidated statements of income

(Millions of yen)

Transactions with subsidiaries and affiliates	
Net sales	¥30,807
Purchase of goods	¥116,478
Non-operating income	
Interest income	¥356
Dividends income	¥2,135
Other	¥129
Non-operating expenses	¥114

Notes to non-consolidated statements of changes in net assets

The number of common stock of treasury stock as of the end of the current fiscal year	
Common stock	270,845

Notes to deferred income tax accounting

(Millions of yen)

Details of the main reason for occurrence of deferred tax assets and liabilities	
Deferred tax assets	
Allowance for doubtful accounts	¥2,707
Provision for bonuses	¥2,448
Loss on valuation of real estate for sale and so on	¥2,386
Accrued expenses from transfer to defined benefit pension plan	¥1,229
Provision for loss on business of subsidiaries and affiliates	¥1,130
Loss on valuation of stocks of subsidiaries and affiliates	¥4,212
Loss on valuation of investment securities and golf club membership	¥2,053
Provision for warranties for completed construction	¥735
Other	¥3,764
Subtotal deferred tax assets	¥20,664
Valuation reserve	△¥12,330
Total deferred tax assets	¥8,334
Deferred tax liabilities	
Reserve for reduction entry on noncurrent assets	¥897
Gain on contribution of securities to retirement benefit trust	¥1,590
Valuation difference on available-for-sale securities	¥2,790
Other	¥1,931
Total deferred tax liabilities	¥7,209
Deferred tax liabilities in net	¥1,125

Notes to fixed assets used by lease

(Millions of yen)

Among finance lease transactions where there is no transfer of title on the lease property to the lessee, ordinary accounting processing similar to ordinary lease transactions is conducted on those transactions where the lease transaction commences on or prior to 31<sup>st</sup> March, 2008; the details are as follows:

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

	The amount equivalent to acquisition value	The amount equivalent to accumulated depreciation	The amount equivalent to balance as of the end of the current fiscal year
Buildings	3,562	3,295	267
Vehicles	281	217	64
Tools, furniture and fixtures	536	424	111
Total	4,379	3,936	442

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

Less than one year	¥436
<u>Over one year</u>	<u>¥52</u>
Total	¥488

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

Lease expenses	¥1,356
The amount equivalent to depreciation	¥1,330
The amount equivalent to interest expenses	¥26

4. Calculation method for the amount equivalent to depreciation

Straight-line method with lease term as service life and residual value as zero is used.

5. Calculation method for the amount equivalent to interest payment

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



Notes to related party transactions

1. Affiliates and so on

(Millions of yen)

Type	Name of company	Share of voting rights owned by the Company	Relationship		Transaction description	Transaction amount (* 5)	Accounting item	Year-End balance (* 5)
			Interlocking directors and so on	Business relationship				
Subsidiary	Sumitomo Forestry Crest Co., Ltd.	Direct 100.0%	7 interlocking directors	Sale of lumber and building materials, procurement of building materials	Loan (* 1)	5,105	Long-term loan receivable	6,464
Subsidiary	Sumitomo Forestry Home Engineering Co., Ltd.	Direct 100.0%	16 interlocking directors	Paid supply of materials and construction of ordered housing	Construction of housing ordered by the Company (* 2)	78,922	Accounts receivable Accounts payable for construction contracts	23,911 22,039
Subsidiary	Sumitomo Forestry Home Tech Co. Ltd.	Direct 100.0%	12 interlocking directors	After Maintenance of housing	Deposit of surplus fund to the Company (* 3)	-	Deposits received	10,496
Subsidiary	Sumirin Life Assist Co., Ltd.	Direct 100.0%	5 interlocking directors	-	Loan (* 1)	-	Long-term loan receivable	5,789
Subsidiary	Sumitomo Forestry Australia Pty Ltd.	Direct 100.0%	3 interlocking directors	-	Debt guarantee (* 4)	4,721	-	-

(\*1) Loans are determined taking into consideration market interest rates.

(\*2) Transaction terms and the policy for determining transaction terms are determined in the same way as for general transaction conditions.

(\*3) Transaction amounts are not shown, because transactions perform repeatedly and purpose for this is to centralize fund management within the Group.

(\*4) The Company guarantees debt for loans borrowed from financial institutions.

(\*5) Transaction amounts do not include consumption tax, while year-end balances include consumption tax.

2. Directors and major individual shareholders, etc.

(Millions of yen)

Type	Name of company	Share of voting rights the Company owns (or owned by affiliate)	Relationship		Transaction description (* 1)	Transaction amount	Accounting item	Year-end balance
			Interlocking directorate	Business relationship				
Director	Hideyuki Kamiyama	Direct (0.0%)	-	-	Contracting of housing construction	17 (* 2)	-	-
Director	Shigeru Sasabe	Direct (0.0%)	-	-	Contracting of housing construction	17 (* 3)	Advances received on uncompleted construction contracts	17 (* 3)
Close Relative of Director	Keita Nose (* 4)		-	-	Contracting of housing construction	23 (* 2)	-	-

(\*1) Transaction terms and the policy for determining transaction terms are determined in the same way as for general transaction conditions.

(\*2) Transaction amounts do not consumption tax.

(\*3) Transaction amounts and year-end balances include consumption tax.

(\*4) Son of Hideki Nose, who resigned as a director of the Company 25<sup>th</sup> June 2010.

Notes to per-share information

Net assets per share	¥813.87
Net income per share	¥13.15

## Reference Document for the General Meeting of Shareholders

### Proposal No 1 : Appropriation of Surplus

We propose to appropriate the surplus from a comprehensive view towards reinforcement of our management base and financial strength as follows.

#### 1. Year-end Dividend for the 71st Business term

This dividend is determined set at 7.5yen per share by the result that take into the account of operating performance for the 71st Business term and other relevant factors in accordance with the Company basic policy(i.e.; the dividend of surplus should be distributed stably and continuously from a comprehensive view of returning the Company's profit to the shareholders).

Therefore, the annual dividend for the 71st Business term is 15 yen per share including the interim dividends.

(1) Type of dividend property:

Cash

(2) Value of dividend property to shareholders and the total amount of annual dividends :

7.5 yen per Ordinary Share

Total amount:

15 yen

(3) Effective date of dividend of the surplus:

27th June, 2011

#### 2. Appropriation of other surplus

(1) The item of surplus to be increase, and the amount thereof:

Retained earnings brought forward	300,000,000 yen
-----------------------------------	-----------------

(2) The item of surplus to be decrease, and the amount thereof:

General reserve	300,000,000 yen
-----------------	-----------------

**Proposal No 2 : Election of two Directors**

Two directors, Mamoru Inoue and Shigehiko Shiozaki, will resign at the closing of the General Meeting. Accordingly, the Company proposes the election of two Directors. The term of directors, who will elect at the General Meeting, is until the same expiration of the term of the other current directors as set forth in article 22 of the Article of Incorporation. The candidates for the Directors are as follows.

(Current positions, responsibilities and significant concurrent positions are underscored):

No.	Name (Date of birth)	Career summary, positions and responsibility in the Company, and significant concurrent positions	Number of the Company's shares held
1	Hideo Watabe (August 4, 1952)	April 1976    Joined the Company June 2006    Executive Officer Deputy Divisional Manager of Apartment Division and General Manager of Tokyo branch, Apartment Division April 2007    Deputy Divisional Manager of Real Estate Business Division and General Manager of Real Estate Solution Department, Real Estate Business Division. June 2009 <u>Managing Executive Officer</u> April 2010    Divisional Manager of Real Estate Business Division and General Manager of Real Estate Solution Department, Real Estate Business Division October 2010 <u>Divisional Manager of Real Estate Business Division</u>	11,000shares
2	Ken Wada (December 26, 1956)	July 1983    Joined the Company April 2004    General Manager of Marketing Planning Department, Housing Division April 2007    General Manager of Fukuoka Branch , Housing Division April 2008    Deputy Divisional Manager of Housing Division(Headquarters of Marketing Planning and SUCCEED) June 2008    Executive Officer April 2009    Deputy Divisional Manager of Housing Division(Headquarters of Marketing Planning, Corporate Marketing and Forest Maison) April 2010 <u>Managing Executive Officer</u> Deputy Divisional Manager of Housing Division(Headquarters of Marketing planning and FOREST MAISON) General Manager of Marketing Strategy Department, Housing Division April 2011 <u>Deputy Divisional Manager of Housing Division (Headquarters of Marketing)</u>	22,500shares

Note:

1. None of the candidates above has any special interest with the Company.
2. SUCCEED and FOREST MAISON are brands of the Company's leasing housing.

**Proposal No 3: Election of two Company Auditors**

One Company Auditor, Satohiko Sasaki, will reach the expiration of the term and one Company Auditor, Syouchi Takahashi, will resign at the closing of the Meeting.

Therefore, we propose the election of two Company Auditors.

The candidates for the Company Auditors are as follows.

The Board of Company Auditors has already approved this proposal.

(Current positions, and significant concurrent positions are underscored):

No.	Name (Date of birth)	Career summary, positions in the Company, and significant concurrent positions	Number of the Company's shares held
1	Shigehiko Shiozaki (May 16, 1952)	<p>April 1975      Joined the Company</p> <p>April 2006      Managing Executive Officer</p> <p>June 2006      <u>Director</u></p> <p>April 2007      Divisional Manager of Housing Division</p> <p>April 2010      Headquarters of Intellectual Property and Tsukuba Research Institute</p> <p>                    Divisional Manager of Forestry &amp; Environment Division</p> <p>April 2011      <u>Special assignment</u></p>	17,600shares
2	Satohiko Sasaki (August 24, 1935)	<p>April 1996      <u>Emeritus Professor at the University of Tokyo</u></p> <p>October 1996    Professor of the College of Bioresource Science, Nihon University</p> <p>October 1999    Dean of the College of Bioresource Science, Nihon University</p> <p>June 2000      <u>Company Auditor of the Company</u></p> <p>September 2003 Vice President of Nihon University</p> <p>July 2005      <u>Chairman of Japan International Forestry Promotion and Cooperation Center</u></p> <p>September 2005 Professor of University Research Center, Nihon University</p> <p>                    Adviser of Center for Natural Environment Sciences, Nihon University</p> <p>December 2006 <u>Member of The Japan Academy</u></p> <p>June 2009      <u>Chief Director of Japan International Forestry Promotion and Cooperation Center</u></p>	0shares

Notes:

- None of the candidates above has any special interest with the Company.
- Mr. Sasaki is a candidate for the Outside Company Auditor as set forth in Article 2, Paragraph 3, item 8 of the Ordinance for Enforcement of the Companies Act. The Company now registers him as Independent Auditor stipulated in the securities listing regulations of Tokyo Stock Exchange Group, Inc. and Osaka Securities Exchange Co., Ltd. If he is reappointed, the Company will register him as Independent Auditor again.
- The reason for recommending Mr. Sasaki as a candidate for the Outside Corporate Auditor: He has abundant experiences in Forest Science and Resource concern to the Company's business, thus the Company determined him as an appropriate Outside Company Auditor. He has not participated in corporate management in any form, however, we determined that he is able to perform as the Outside Company Auditor because he had enough experiences about conducting organization as Dean of Tokyo University and Dean and Vice President of Nihon University.
- Mr. Sasaki is now Outside Company Auditor, and his term of office as the Outside Company Auditor will be 11years at the closing of the General Meeting.
- The Company has entered into an agreement for "Limited Liability to officers etc. for damage, stipulated in Paragraph 1, Article 423 of the Companies Act" with Mr. Sasaki pursuant to Paragraph 1, Article 427 of the Companies Act. Total liability of his shall be limited to the amount stipulated in Paragraph 1, Article 425 of the Companies Act. The company will enter into the same agreement with him again provide that this proposal is approved.

**Proposal No 4: Payment of Bonuses to Directors**

The Company proposes to pay bonuses total amount of 600,000,000 yen for seven Directors in office at the end of the current fiscal year, taking into the operating performance for the 71st Business term and other relevant factors comprehensively.

The Company proposes that decision for the amounts of bonus to each Directors is determined by The Board of Directors.

– End –