

# Financial Overview

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Information meeting for fiscal year ended March 31, 2010

May 14, 2010



SUMITOMO FORESTRY CO.,LTD.

# Contents

## ➤ FY3/10 Results

- |   |          |
|---|----------|
| 1. Summary (excluding actuarial gains and losses) | •••• P3  |
| 2. Summary  | •••• P4  |
| 3. Sales and Operating Income                     | •••• P5  |
| 4. Housing Business Orders and Sales              | •••• P7  |
| 5. SG&A Expenses                                  | •••• P8  |
| 6. Balance Sheets                                 | •••• P9  |
| 7. Investments                                    | •••• P10 |

## ➤ FY3/11 Forecast

- |                                      |          |
|--------------------------------------|----------|
| 1. Overview                          | •••• P12 |
| 2. Sales and Operating Income        | •••• P13 |
| 3. Housing Business Orders and Sales | •••• P15 |
| 4. Investments                       | •••• P16 |

# FY3/10 Results

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# 1. Summary (excluding actuarial gains and losses)

Weak demand in Japan and overseas for timber and building materials and small number of new housing starts

Recurring income from business operations (excluding actuarial gains and losses) is ¥7.1 billion (down 36.4% from previous FY)

(Billion yen)

(Consolidated)	Excluding actuarial gains and losses				Actuarial gains and losses	
	FY3/09	FY3/10	Change	Pct.	FY3/09	FY3/10
Net sales	823.8	723.9	-99.9	-12.1%		
Gross profit	133.5	124.3	-9.2	-6.9%		
SG&A expenses	121.7	116.9	-4.8	-3.9%	5.0	(2.4)
Operating income	11.8	7.4	-4.5	-37.6%	(5.0)	2.4
Recurring income	11.2	7.1	-4.1	-36.4%	(5.0)	2.4
Net income	4.0	1.0	-3.1	-76.2%	(3.0)	1.4

## 2. Summary

◇ See earnings announcement, page 42

- ◆ Actuarial gain: ¥2.4 billion due to improvement in return on pension plan assets
- ◆ Extraordinary gains: ¥4.3 billion due to change in retirement benefit system and items
- ◆ Extraordinary losses: ¥3.2 billion due to fixed asset impairment losses, head office relocation expenses, etc.

⇒ **Recurring income**  
**¥9.5 billion (+53.7%)**

⇒ **Net income**  
**¥2.4 billion (+131.2%)**

<b>(Consolidated)</b>	As reported in financial statements				FY3/10 Forecast (as of 4/30/10)
	FY3/09	FY3/10	Change	Pct.	
Net sales	823.8	723.9	-99.9	-12.1%	723.0
Gross profit	133.5	124.3	-9.2	-6.9%	—
SG&A expenses	126.7	114.5	-12.1	-9.6%	—
Operating income	6.8	9.7	+2.9	+42.6%	9.7
Recurring income	6.2	9.5	+3.3	+53.7%	9.4
Net income	1.0	2.4	+1.3	+131.2%	2.3

(Billion yen)

FY3/10 Forecast

(as of 4/30/10)

723.0

—

—

9.7

9.4

2.3

## 3. Sales and Operating Income

◇See earnings announcement, page 42

### ◆Timber and Building Materials Business

- ◆Impacted by decline in new housing starts in Japan
- ◆Overseas, production decreased in response to global inventory reductions
- ◆Recovery began in second half as inventory reductions ended

(Billion yen)

(Consolidated)	Net sales			Operating income		Operating Income (without actuarial gains/losses)		
	FY3/09	FY3/10	Pct.	FY3/09	FY3/10	FY3/09	FY3/10	Pct.
Timber and Building Materials	433.6	361.8	-16.6%	2.1	0.9	3.0	0.4	-86.2%
Housing and Housing-related	406.4	375.7	-7.6%	8.4	13.7	12.2	12.0	-1.6%
Others	16.1	15.9	-1.1%	0.9	0.9	1.0	0.9	-11.2%
Elimination and/or Corporate	(32.2)	(29.4)	—	(4.6)	(5.8)	(4.4)	(5.9)	—
Total	823.8	723.9	-12.1%	6.8	9.7	11.8	7.4	-37.6%
				Effect of actuarial gains/losses	(5.0)	2.4		

### 3. Sales and Operating Income ◇See earnings announcement, page 42

## ◆ Housing and Housing-related Businesses

- ◆ Decline in number of custom-built houses sold
- ◆ Rigorous measures to cut costs and lower expenses
- ◆ Steady growth in renovation business

(Billion yen)

(Consolidated)	Net sales			Operating income		Operating Income (without actuarial gains/losses)		
	FY3/09	FY3/10	Pct.	FY3/09	FY3/10	FY3/09	FY3/10	Pct.
Timber and Building Materials	433.6	361.8	-16.6%	2.1	0.9	3.0	0.4	-86.2%
Housing and Housing-related	406.4	375.7	-7.6%	8.4	13.7	12.2	12.0	-1.6%
Others	16.1	15.9	-1.1%	0.9	0.9	1.0	0.9	-11.2%
Elimination and/or Corporate	(32.2)	(29.4)	—	(4.6)	(5.8)	(4.4)	(5.9)	—
Total	823.8	723.9	-12.1%	6.8	9.7	11.8	7.4	-37.6%
Effect of actuarial gains/losses				(5.0)	2.4			

## 4. Housing Business Orders and Sales ◇See earnings announcement, page 43

### ◆ Custom-built detached houses:

Order backlog down from previous FY because of the recession

Number of houses completed down by **717** and sales down **10.1%**

(Billion yen)

		Orders Received				Sales			
		FY3/09	FY3/10	Change	Pct.	FY3/09	FY3/10	Change	Pct.
Construction	<Units>	<8,703>	<8,593>	<-110>	-1.3%	<9,297>	<8,580>	<-717>	-7.7%
	Custom-built detached houses	268.9	265.2	-3.7	-1.4%	294.6	264.8	-29.8	-10.1%
	Wooden Apartment	6.4	7.0	+0.5	+8.2%	5.7	5.6	-0.1	-1.7%
	Reinforced concrete	4.4	2.1	-2.3	-51.6%	4.0	4.1	+0.1	+2.6%
Real estate	Spec homes	3.1	4.8	+1.6	+52.5%	3.3	4.0	+0.7	+22.8%
	Real estate development	0.5	0.7	+0.1	+23.7%	—	1.0	+1.0	—
	Land	8.5	12.2	+3.7	+43.6%	7.6	10.8	+3.2	+42.1%

\*Orders received are the sum of orders received during each FY less the amount of orders that were cancelled during the FY.



# 5. SG&A Expenses

◇See earnings announcement, page 42

**FY3/10 SG&A expenses: ¥114.5 billion**

- ◆ **Down ¥4.8 billion (3.9%) excluding actuarial gains/losses**
- ◆ **Lowered expenses according to initial plan**
- ◆ **Made investments aimed at growth in businesses that are to become major contributors to earnings**
  - Larger workforce and more business sites
  - Advertising and marketing

(Billion yen)

(Consolidated)	FY3/09	FY3/10	Change	Change	
				Actuarial gains/losses	Others
SG&A expenses	126.7	114.5	-12.1	-7.4	-4.8

(actuarial gains/losses included in above expenses)

(+5.0)

(-2.4)

## 6. Balance Sheets

◇See earnings announcement, pages 13, 14, 18, 19

(Billion yen)

	09/3	10/3	Change		09/3	10/3	Change
Cash, deposits, securities	41.0	71.7	+30.7	Payables	126.9	147.6	+20.6
Receivables	111.1	107.4	-3.6	Short-term loans	10.6	12.3	+1.7
Finished goods, logs and lumber	20.5	17.2	-3.3	Other current liabilities	59.0	59.5	+0.6
Developed land and housing for sale	21.6	26.3	+4.7	Long-term loans/bonds	36.1	51.0	+14.9
Other current assets	84.0	85.1	+1.0	Provision for retirement benefits	18.4	5.4	-13.0
<b>Total Current assets</b>	<b>278.2</b>	<b>307.8</b>	<b>+29.5</b>	Other long-term liabilities	20.5	31.0	+10.5
Buildings and structures	26.6	29.7	+3.1	<b>Total liabilities</b>	<b>271.5</b>	<b>306.8</b>	<b>+35.3</b>
Land	28.3	26.7	-1.6	Shareholders' equity	159.6	159.3	-0.3
Investment securities	35.1	51.1	+16.0	Valuation and translation adjustments	-3.6	3.2	+6.8
Other fixed assets	59.5	54.5	-5.0	Minority interests	0.1	0.3	+0.2
<b>Total fixed assets</b>	<b>149.5</b>	<b>162.0</b>	<b>+12.5</b>	<b>Net assets</b>	<b>156.2</b>	<b>162.9</b>	<b>+6.7</b>
<b>Total assets</b>	<b>427.7</b>	<b>469.7</b>	<b>+42.0</b>	<b>Total liabilities and net assets</b>	<b>427.7</b>	<b>469.7</b>	<b>+42.0</b>

**Total assets up ¥42.0 billion from FY3/09**

**Increase in cash and deposits due to bond issue**  
**Increase in investment securities, mainly overseas**

	09/3	10/3
Operating cash flows	-8.2	37.2
Investment cash flows	-29.1	-19.1
Free cash flows	-37.2	18.1
Financing cash flows	24.2	11.5

## 7. Investments

### ◆ Capital Expenditures

(\*when acquired)

(Billion yen)

(Consolidated)	FY3/09	FY3/10	Change	Pct.
Property, plant and equipment	24.1	10.6	-13.4	-55.8%
Software	1.5	1.5	+0.0	+2.6%
Others	0.7	0.4	-0.2	-37.0%
Total	26.2	12.6	-13.6	-52.0%

- ◆ In response to the challenging operating environment, investments were restricted to activities that can produce the greatest benefits.

# **FY3/11 Forecast**

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# 1. Summary

◇ See earnings announcement, page 42

- ◆ Improving profitability
- ◆ Continue actions to cut costs and lower expenses
- ◆ Reallocate human resources and make investments that produce results

(Billion yen)

(Consolidated)	FY3/10 (actual)	FY3/11 (forecast)	Change	Pct.
Net sales	723.9	760.0	+36.1	+5.0%
Gross profit	124.3	128.5	+4.2	+3.4%
SG&A expenses	114.5	116.5	+2.0	+1.7%
Operating income	9.7	12.0	+2.3	+23.1%
Recurring income	9.5	12.0	+2.5	+26.8%
Net income	2.4	6.0	+3.6	+152.4%

FY3/10 *1	Without actuarial gains/losses	
	Change	Pct.
723.9	+36.1	+5.0%
124.3	+4.2	+3.4%
116.9	-0.4	-0.3%
7.4	+4.6	+62.5%
7.1	+4.9	+69.0%
1.0	+5.0	+525.8%

(\*1 without actuarial gains/losses)

## 2. Sales and Operating Income

◇See earnings announcement, page 42

### ◆Timber and Building Materials Business

#### ◆Japan

Anticipate a slow recovery in prices of timber and building materials

Distribution: Leverage access to large amount of information backed by industry leadership

Manufacturing: Raise efficiency by reorganizing operations

#### ◆Overseas

Manufacturing: Improvement in global supply-demand dynamics and production at full capacity

(Billion yen)

(Consolidated)	Net sales				Operating Income (without actuarial gains/losses)			
	FY3/10	FY3/11	Change	Pct.	FY3/10*	FY3/11	Change	Pct.
Timber and Building Materials	361.8	388.0	+26.2	+7.2%	0.4	4.1	+3.7	+896.8%
Housing and Housing-related	375.7	390.0	+14.3	+3.8%	12.0	13.5	+1.5	+12.3%
Others	15.9	14.0	-1.9	-11.8%	0.9	0.6	-0.3	-32.1%
Elimination and/or Corporate	(29.4)	(32.0)	-2.6	—	(5.9)	(6.2)	-0.3	—
Total	723.9	760.0	+36.1	+5.0%	7.4	12.0	+4.6	+62.5%

## 2. Sales and Operating Income

◇ See earnings announcement, page 42

### ◆ Housing and Housing-related Businesses

#### ◆ Custom-built housing business

Expect increases in sales volume and monetary sales

Plan to increase earnings by managing profit margins and cutting costs

#### ◆ Renovation business, apartment business

Will continue to increase the workforce

#### ◆ Real estate business

Will continue making cautious and effective investments based on each property's risks and returns

(Billion yen)

(Consolidated)	Net sales				Operating Income (without actuarial gains/losses)			
	FY3/10	FY3/11	Change	Pct.	FY3/10*	FY3/11	Change	Pct.
Timber and Building Materials	361.8	388.0	+26.2	+7.2%	0.4	4.1	+3.7	+896.8%
Housing and Housing-related	375.7	390.0	+14.3	+3.8%	12.0	13.5	+1.5	+12.3%
Others	15.9	14.0	-1.9	-11.8%	0.9	0.6	-0.3	-32.1%
Elimination and/or Corporate	(29.4)	(32.0)	-2.6	—	(5.9)	(6.2)	-0.3	—
Total	723.9	760.0	+36.1	+5.0%	7.4	12.0	+4.6	+62.5%

# 3. Housing Business Orders and Sales

◇ See earnings announcement, page 43

- ◆ Custom-built detached housing orders: Anticipate improvements in orders and completions; forecast 407 increase in number of orders
- ◆ Real estate development: Full-scale start of condominium sales and replacement of rental condominium properties
- ◆ Spec homes sales: Strengthen procurement and sales capabilities and expand scale of operations

(Billion yen)

		Orders Received			
		FY3/10	FY3/11	Change	Pct.
Construction	<Units>	<8,593>	<9,000>	<+407>	+4.7%
	Custom-built detached houses	265.2	288.0	+22.8	+8.6%
	Wooden Apartment	7.0	9.1	+2.1	+30.6%
	Reinforced concrete	2.1	0.4	-1.7	-81.3%
Real estate	Spec homes	4.8	5.1	+0.3	+6.5%
	Real estate development	0.7	8.1	+7.4	—
	Land	12.2	14.9	+2.7	+22.3%

Sales			
FY3/10	FY3/11	Change	Pct.
<8,580>	<8,700>	<+120>	+1.4%
264.8	271.0	+6.3	+2.4%
5.6	6.7	+1.1	+19.0%
4.1	7.3	+3.2	+78.6%
4.0	5.1	+1.1	+27.6%
1.0	7.8	+6.8	+664.7%
10.8	15.8	+5.0	+46.0%

\*Orders received are the sum of orders received during each FY less the amount of orders that were cancelled during the FY.



## 4. Investments

### ◆ Capital Expenditures

(\*when acquired)

(Billion yen)

(Consolidated)	FY3/10	FY3/11	Change	Pct.	FY3/09
Property, plant and equipment	10.6	18.0	+7.4	+69.2%	24.1
Software	1.5	2.8	+1.3	+81.9%	1.5
Others	0.4	0.2	-0.2	-52.1%	0.7
Total	12.6	21.0	+8.4	+66.8%	26.2

#### ◆ Major investments

Investments in real estate (rental condominiums, others)

Construction of particleboard factory in Vietnam

Capital expenditures at established overseas production bases

Software to rebuild the IT system for housing operations

**Forecasts in this presentation are based on the current outlook.  
Actual results of operations may differ from these forecasts.**

