

Earnings Briefing FY Ending March 2011

Second Quarter Financial Results and Full Year Forecast

2Q FY Ending March 2011 Earnings Announcement

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SUMITOMO FORESTRY CO.,LTD.

Contents

➤ Financial Summary for the Second Quarter, FY March 2011

1. Overview	••••	P3
2. Sales and Recurring Income	••••	P4
3. Sales and Orders	••••	P5
4. Capital Expenditures	••••	P6
5. Balance Sheets	••••	P7

➤ Earnings Forecasts for FY March 2011

1. Overview	••••	P9
2. Sales and Recurring Income	••••	P10
3. Sales and Orders	••••	P11
4. Capital Expenditures	••••	P12
5. Sales and Recurring Income Margin	••••	P13

➤ Financial Summary for the Second Quarter, FY March 2011

1. Overview

◇ See “Summary of Financial Results” Page 13

- The recovery in the number of new housing starts led to sales and profit growth for both the timber/building materials business and housing business.

(Billion yen)

(Consolidated)	2Q FY March 2010	2Q FY March 2011	YoY Change	% of YoY Change	2Q FY March 2011 Initial Forecast	Change	% of Change
	Net Sales	336.8	373.9	+37.2	+11.0%	350.0	+23.9
Gross Profit	55.7	61.3	+5.5	+9.9%	58.0	+3.3	+5.7%
Selling, General & Admin. Expenses	56.9	56.4	-0.5	-0.8%	58.0	-1.6	-2.7%
Operating Income	-1.1	4.9	+6.0	—	0	+4.9	—
Recurring Income	-0.4	5.1	+5.5	—	0	+5.1	—
Net Income	-1.6	1.5	+3.1	—	-1.0	+2.5	—

2. Sales and Recurring Income by Segment

◇See “Summary of Financial Results” Page 13

(Billion yen)

(Consolidated)	Sales				Recurring Income			
	2Q FY March 2010 (Reference)	2Q FY March 2011	YoY Change	% of YoY Change	2Q FY March 2010 (Reference)	2Q FY March 2011	YoY Change	% of YoY Change
Timber and Building Materials Business	165.3	190.2	+24.9	+15.1%	0.5	2.2	+1.7	+338.8%
Overseas Business	11.2	15.9	+4.7	+41.9%	-1.0	-0.4	+0.6	—
Housing Business	149.0	153.1	+4.1	+2.7%	1.3	4.8	+3.5	+260.7%
Real Estate Business	19.0	26.5	+7.5	+39.7%	-0.2	0.5	+0.7	—
Other	7.5	6.8	-0.8	-10.4%	0.3	0.2	-0	—
Adjustment	-15.2	-18.5	-3.3	—	-1.3	-2.3	-1.0	—
Total	336.8	373.9	+37.2	+11.0%	-0.4	5.1	+5.5	—

- Timber & Building Materials: Strong market conditions owing to recovery in the number of new housing starts
- Overseas: Stable balance of global supply-and-demand for manufacturing; slow recovery of the housing industry in North America
- Housing: Reduced building costs and expenses led to profit growth
- Real Estate: Solid growth in detached spec home business

3. Sales and Orders (non-consolidated)

◇See “Summary of Financial Results” Page 14

- Custom-Built Detached Housing: Increase in the number of completed units driven by support policies
- Wooden Apartments: Increased number of staff and focus on the Tokyo metro led to growth in orders and sales
- Real Estate Development: Significant increase in sales compared with the previous fiscal period sparked by the sale of leasing properties held

(Billion yen)

(Amounts in billion yen)		Orders			
		2Q FY March 2010	2Q FY March 2011	YoY Change	% of YoY Change
Construction Businesses	Custom-built detached housing (Units)	141.0 4,628	143.7 4,621	+2.7 -7	+1.9% -0.2%
	Wooden apartments	3.1	3.7	+0.7	+22.0%
	Other contracts	2.3	0.1	-2.2	-94.8%
	Detached spec homes				
	Land for custom- built housing				
	Real estate development				
	Other				

(Amounts in billion yen)		Sales			
		2Q FY March 2010	2Q FY March 2011	YoY Change	% of YoY Change
Construction Businesses	Custom-built detached housing (Units)	115.2 3,713	118.8 3,862	+3.6 +149	+3.1% +4.0%
	Wooden apartments	1.5	1.8	+0.3	+18.3%
	Other contracts	3.6	2.8	-0.8	-23.0%
	Detached spec homes	3.5	4.9	+1.4	+38.2%
	Land for custom- built housing	2.0	2.8	+0.8	+39.0%
	Real estate development	1.5	7.0	+5.5	+353.1%
	Other	3.7	3.2	-0.5	-14.0%

※Orders are indicated as the number of orders less the total number cancelled.

4. Capital Expenditures

※Acquisition Base

(Billion yen)

(Consolidated)	2Q FY March 2010	2Q FY March 2011	YoY Change	% of YoY Change
Tangible Fixed Assets	5.5	6.6	+1.1	+19.8%
Intangible Fixed Assets	0.5	1.6	+1.1	+211.2%
Other	0.1	0.1	+0	+8.5%
Total	6.1	8.3	+2.2	+36.1%

◆2Q FY March 2011 Major Investment Results

Real Estate Investments	2.7 billion yen
Construction of Particle Board Factory in Vietnam	2.2 billion yen
System Investments	0.6 billion yen

5. Balance Sheets/Cash Flow

◇See "Summary of Financial Results" Pages 5,6,7, 9,10

(Billion yen)

	10/3	10/9	Change		10/3	10/9	Change
Cash, deposits, securities	71.7	62.7	-9.0	Payables	147.6	147.4	-0.2
Receivables	107.4	117.9	+10.5	Short-term loans	12.3	16.7	+4.3
Finished Goods, logs and lumber	17.2	19.2	+1.9	Other current liabilities	59.5	73.8	+14.2
Developed land and housing for sale	26.3	28.2	+1.8	Long-term loans/bonds	51.0	46.7	-4.3
Other current assets	85.1	90.8	+5.8	Other long-term liabilities	36.4	35.8	-0.6
Total Current assets	307.8	318.8	+11.1	Total Liabilities	306.8	320.3	+13.5
Buildings and structures	29.7	30.6	+0.9	Shareholders' equity	159.3	159.5	+0.2
Land	26.7	27.0	+0.3	Valuation and translation adjustments	3.2	-1.4	-4.6
Investment securities	51.1	46.8	-4.3	Minority interest	0.3	0.3	+0
Other fixed assets	54.5	55.5	+1.1				
Total fixed assets	162.0	160.0	-2.0	Net assets	162.9	158.5	-4.4
Total assets	469.7	478.8	+9.1	Total liabilities and net assets	469.7	478.8	+9.1

	09/9	10/9
Operating cash flows	13.6	0.8
Investment cash flows	-15.0	-18.5
Free cash flows	-1.4	-17.7
Financing cash flows	11.5	-0.5

➤ Earnings Forecasts for FY March 2011

1. Overview

◇See “Summary of Financial Results” Page 13

- Approx. 830,000 new housing starts projected
- 8,850 completed houses expected for custom-built detached housing business, 150 more than initial forecasts
- Recurring income increases by 8.9 billion yen Year-on-Year (excludes Year-on-Year actuarial losses)

(Billion yen)

(Consolidated)	FY March 2010	FY March 2011 Forecast	YoY Change	% of YoY Change
Net Sales	723.9	770.0	+46.1	+ 6.4%
Gross Profit	124.3	133.0	+ 8.7	+ 7.0%
SG&A Expenses	114.5	117.5	+ 3.0	+ 2.6%
Operating Income	9.7	15.5	+ 5.8	+ 59.0%
Recurring Income	9.5	16.0	+ 6.5	+ 69.0%
Net Income	2.4	7.5	+ 5.1	+ 215.5%

FY March 2011 Initial Forecast	Change	% of Change
760.0	+10.0	+ 1.3%
128.5	+ 4.5	+ 3.5%
116.5	+ 1.0	+ 0.9%
12.0	+ 3.5	+ 29.2%
12.0	+ 4.0	+ 33.3%
6.0	+ 1.5	+ 25.0%

•Base (Excluded actuarial difference in accounting for retirement benefits obligations)

Operating Income	7.4	15.5	+ 8.1	+109.9%
Recurring Income	7.1	16.0	+ 8.9	+125.3%

2. Sales and Recurring Income by Segment

◇See “Summary of Financial Results” Page 13

(Billion yen)

(Consolidated)	Sales					Recurring Income				
	FY March 2010 (Reference)	FY March 2011 Forecast	YoY Change	% of YoY Change	Change from Initial Forecast	FY March 2010 (Reference)	FY March 2011 Forecast	YoY Change	% of YoY Change	Change from Initial Forecast
Timber and Building Materials Business	341.4	372.0	+30.6	+9.0%	+15.0	2.0	3.7	+1.7	+84.5%	+0.6
Overseas Business	25.5	34.0	+ 8.5	+33.5%	-4.0	-2.6	-0.4	+2.2	—	-0.7
Housing Business	338.3	345.0	+ 6.7	+2.0%	0	13.3	17.8	+4.6	+34.3%	+5.4
Real Estate Business	38.2	47.0	+ 8.8	+23.1%	+3.0	-1.0	0.7	+1.7	—	+0.1
Other	15.2	13.0	-2.2	-14.3%	0	0.6	0.3	-0.3	-48.5%	+0.1
Adjustment	-34.6	-41.0	-6.4	—	-4.0	-2.8	-6.1	-3.3	—	-1.5
Total	723.9	770.0	+46.1	+6.4%	+10.0	9.5	16.0	+6.5	+69.0%	+4.0

◆Second Half Projection

➤Timber & Building Materials: Continued stable markets

➤Housing: Expected to meet initial forecast; focus on reducing costs and expenses

Recommence Housing fairs in Tokyo, Osaka and Nagoya and increase TV commercials

3. Sales and Orders (non-consolidated)

◇See "Summary of Financial Results" Page 14

- Custom-Built Detached Housing Orders: Step-up measures; reached initial forecast of 9,000 units
- Custom-Built Detached Housing Sales: Forecast of 8,850 units (+270 YoY, +150 compared with initial forecast)

(Billion yen)

(Amounts in billion yen)		Orders			
		FY March 2010	FY March 2011	YoY Change	% of YoY Change
Construction Businesses	Custom-built detached housing	265.2	283.0	+17.8	+6.7%
	(Units)	8,593	9,000	+407	+4.7%
	Wooden apartments	7.0	8.5	+1.5	+22.0%
	Other contracts	3.1	0.4	-2.7	-87.0%
	Detached spec homes business				
	Land for custom-built housing				
	Real estate development				
	Other				

(Amounts in billion yen)		Sales			
		FY March 2010	FY March 2011	YoY Change	% of YoY Change
Construction Businesses	Custom-built detached housing	264.2	275.0	+10.8	+4.1%
	(Units)	8,580	8,850	+270	+3.1%
	Wooden apartments	5.6	6.7	+1.1	+19.0%
	Other contracts	8.0	3.4	-4.6	-57.6%
	Detached spec homes business	7.9	9.4	+1.5	+19.7%
	Land for custom-built housing	6.0	4.9	-1.1	-18.4%
	Real estate development	2.0	11.0	+9.0	+454.0%
	Other	7.3	7.6	+0.3	+3.7%

※ Orders (projected amounts) are indicated as the number of orders less the total number cancelled.

4. Capital Expenditures

※Acquisition Base

(Billion yen)

(Consolidated)	FY March 2010	FY March 2011	YoY Change	% of YoY Change	Initial Forecast
Tangible Fixed Assets	10.6	16.0	+5.4	+50.4%	18.0
Intangible Fixed Assets	1.6	3.4	+1.8	+117.8%	2.8
Other	0.4	0.2	-0.2	-49.4%	0.2
Total	12.6	19.6	+7.0	+55.7%	21.0

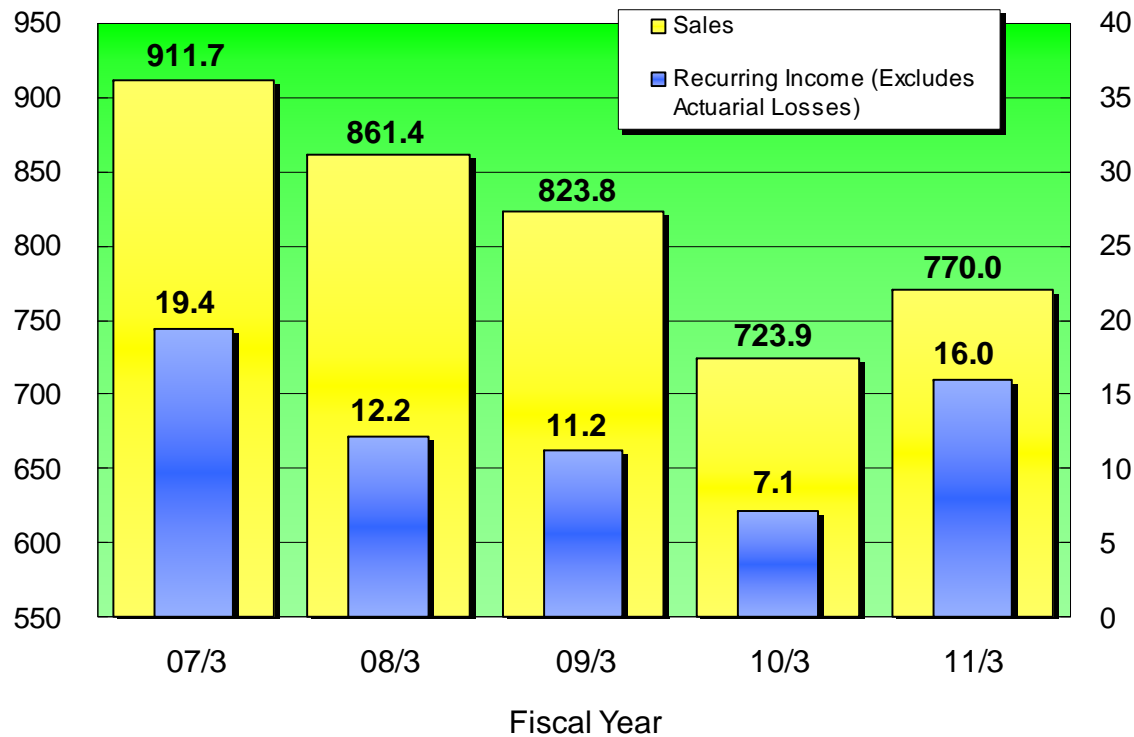
◆ FY March 2011 Major Investment Plans

Real Estate Investments	6.7 billion yen
Construction of Particle Board Factory in Vietnam	2.9 billion yen
Systems Investments	2.4 billion yen
Model Homes	1.4 billion yen
Other Plant Related Capital Expenditures	3.1 billion yen

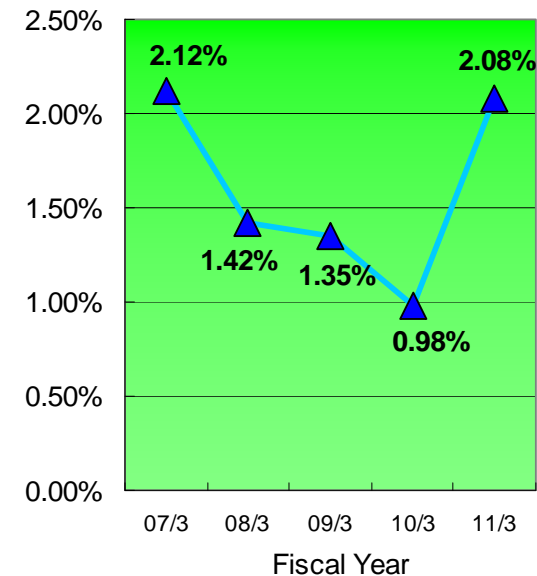
5. Profit/Loss and Recurring Income Margin

Sales (Billion yen)

Recurring Income (Billion yen)



Recurring Income Margin



※ FY11/3 Estimated Figures

※ Recurring income figures prior to FY10/3 excludes actuarial difference for retirement benefits obligations.

The assessment figures in these materials are based on current forecasts and actual financial results may differ from these assessment projections.

