

Financial Results for the Third Quarter **of FY Ending March, 2012** SUMITOMO FORESTRY CO.,LTD.



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Summary of Third Quarter Results (Cumulative)

- The domestic housing market grew steadily, in part because of measures aimed at stimulating home purchases.
- Net sales and income were up significantly, driven by business results in the Timber and Building Materials and Housing businesses, our core businesses.

(Billion yen)	3Q FY3/11 (cumulative)		3Q FY3/12 (cumulative)		Pct.	
Net sales	569.2		609.4		+40.1	+7.1%
Gross profit	16.3%	93.0	16.2%	98.7	+5.7	+6.1%
SG&A expenses	85.0		82.9		-2.1	-2.5%
Operating income	1.4%	7.9	2.6%	15.8	+7.8	+98.6%
Recurring income	1.5%	8.5	2.7%	16.4	+7.8	+91.9%
Net income	0.5%	2.6	1.3%	7.7	+5.0	+191.6%

Third Quarter Results by Segment (Cumulative)

- Business results in the Timber and Building Materials and Housing businesses were strong against the backdrop of a robust domestic housing market.
- In our overseas businesses, the Building Materials Manufacturing business fell below plan in Australia and China, and growth in the Housing business generally was also weak.

		(Billion yen)			
		3Q FY3/11 (cumulative)	3Q FY3/12 (cumulative)	Pct.	
<Net sales >	Timber and Building Materials	294.6	305.7	+11.1	+3.8%
	Overseas	24.8	27.5	+2.7	+10.7%
	Housing	230.5	263.3	+32.8	+14.2%
	Real Estate	37.2	31.1	-6.0	-16.2%
	Others	10.0	8.8	-1.2	-12.2%
	Adjustment	-27.8	-27.0	+0.8	—
	Total	569.2	609.4	+40.1	+7.1%
<Recurring Income>	Timber and Building Materials	1.3% 3.8	1.3% 4.1	+0.3	+8.4%
	Overseas	-1.5% -0.4	-5.5% -1.5	-1.1	—
	Housing	3.4% 7.9	5.8% 15.2	+7.3	+92.2%
	Real Estate	2.5% 0.9	1.5% 0.5	-0.4	-48.8%
	Others	3.1% 0.3	5.4% 0.5	+0.2	+53.5%
	Adjustment	— -4.0	— -2.3	+1.6	—
	Total	1.5% 8.5	2.7% 16.4	+7.8	+91.9%

FY3/12 Full Year Forecast (Company)

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- There are no changes in the forecast values for net sales, operating income and recurring income released with the Summary of Financial Results for 2Q.
- Net income has been revised downward from the previous forecast because of an impairment loss on building materials manufacturing facilities at certain overseas subsidiaries reported as an extraordinary loss in the third quarter.

(Billion yen)	FY3/11 (actual)		FY3/11 (actual) without actuarial differences		Full year forecast		Pct.		Pct. without actuarial differences	
Net sales		797.5	—	—	830.0	+32.5	+4.1%	—	—	—
Gross profit	16.6%	132.6	—	—	16.7% 138.5	+5.9	+4.5%	—	—	—
SG&A expenses		118.3	115.5	115.5	115.5	-2.8	-2.4%	-0.0	-0.0%	-0.0
Operating income	1.8%	14.2	2.1%	17.0	2.8% 23.0	+8.8	+61.5%	+6.0	+35.0%	+6.0
Recurring income	1.8%	14.2	2.1%	17.0	2.8% 23.0	+8.8	+61.9%	+6.0	35.3%	+6.0
Net income	0.6%	5.2	0.9%	6.9	1.2% 10.0	+4.8	+93.2%	+3.1	+46.0%	+3.1

<Extraordinary gains (loss)>

Extraordinary loss

Recognition of impairment loss on fixed assets at MDF plant in Australia and in our Chinese plywood business etc.

(Billion yen)	Forecast as of 2Q	Forecast as of 3Q	Compared with previous forecast
Extraordinary gains	0.3	0.5	+0.2
Extraordinary loss	0.3	3.5	+3.2
Extraordinary gains (loss)	0.0	-3.0	-3.0

- There is no change in the full year forecast by segment from the forecast values released with the Summary of Financial Results for 2Q.
- Timber and Building Materials ⇒ The current market in the domestic distribution business is stable.
- Overseas ⇒ Forecast revised downward to reflect weak growth in the Building Materials Manufacturing business and difficulties in the US housing business.
- Housing ⇒ Higher housing prices per unit, plus growth in the number of homes sold.
- Real Estate ⇒ Drop in net sales projected because of low rental property sales, but we expect to achieve current FY plan.

(Billion yen)		FY3/11 (actual)	FY3/11 (actual) without actuarial differences	Full year forecast (as of 3Q)		Pct.		Pct. without actuarial differences	
<Net sales >	Timber and Building Materials	390.2	—	402.0	+11.8	+3.0%	—		
	Overseas	33.2	—	39.0	+5.8	+17.4%	—		
	Housing	346.3	—	373.0	+26.7	+7.7%	—		
	Real Estate	50.9	—	45.0	-5.9	-11.6%	—		
	Others	13.5	—	11.0	-2.5	-18.7%	—		
	Adjustment	-36.7	—	-40.0	-3.3	—	—		
	Total	797.5	—	830.0	+32.5	+4.1%	—		
	<Recurring Income>	Timber and Building Materials	4.8	—	1.3% 5.1	+0.3	+5.2%	—	
Overseas		-1.8	—	-5.9% -2.3	-0.5	—	—		
Housing		19.0	—	6.3% 23.4	+4.4	+23.2%	—		
Real Estate		0.9	—	1.3% 0.6	-0.3	-33.6%	—		
Others		0.5	—	4.5% 0.5	-0.0	0.3%	—		
Adjustment		-9.2	-6.4	— -4.3	+4.9	—	+2.1	—	
Total		14.2	17.0	2.8% 23.0	+8.8	+61.9%	+6.0	+35.3%	

1. Actuarial gains and losses related to retirement benefits (“actuarial differences”)

- Difference etc. between projected and actual investment performance on pension assets.
- Difference from change etc. to estimated value of projected benefit obligation (discount rate).

2. Sumitomo Forestry Group accounting treatment

- The above actuarial differences are “fully reported in the fiscal year when incurred” as a “general and administrative expense.”
- The Company does not have an “unrecognized actuarial difference” and maintains a sound financial condition because it fully expenses all costs in the fiscal year when they are incurred.

3. Effect for the current fiscal year

- These actuarial differences will be determined by the financial environment at the end of the fiscal year and fully reported in the fourth quarter.
- The effect of the “difference between projected and actual investment performance on pension assets” calculated provisionally at the end of December in 2011 is -¥4.0 billion*

* This trial calculation value remains a calculated amount at this time and is expected to vary with changes in the future financial environment.

Actuarial differences in conjunction with a change in the discount rate used to calculate the projected benefit obligation are not included.

The FY3/12 full year forecast released at this time does not incorporate the effect of these actuarial differences.

< Reference >

(Billion yen)

(Change in effect from actuarial differences)

	2007/3	2008/3	2009/3	2010/3	2011/3
Actuarial differences related to retirement benefits	1.9	-4.5	-5.0	2.4	-2.8
Consolidated recurring income	21.3	7.7	6.2	9.5	14.2
Consolidated recurring income (without actuarial differences)	19.4	12.2	11.2	7.1	17.0

(Reference data)

	2007/3	2008/3	2009/3	2010/3	2011/3
Nikkei Stock Average (yen) *1	17,288	12,526	8,110	11,090	9,755
20-yr. JGB Yield to subscribers (%) *2	2.05	2.14	1.92	2.16	2.13

*1 “Nikkei Stock Average” is the Nikkei Stock Average on the last business day in March.

*2 “20-year JGB yield to subscribers” is the yield to subscribers of 20-year JGB issued in March of each fiscal year.

Orders Received/Sales and Full Year Forecast

- Both the amount and units for custom-built detached housing increased as a result of deliveries being concentrated in December because of the impact of the reduction in the mortgage loan tax deduction.
- Sale of detached spec homes also began to recover from the second half of the year, and we expect to achieve our full year plan.

(Billion yen)

		3Q FY3/11 (cumulative)	3Q FY3/12 (cumulative)	Pct.		FY3/11 (Actual)	FY3/12 Forecast	Pct.	
Contract Work	Custom-built detached housing (Amounts)	176.9	206.8	+29.9	+16.9%	270.9	293.0	+22.1	+8.2%
	(Units)	5,702	6,336	+634	+11.1%	8,721	9,000	+279	+3.2%
	Unit price (millions)	31.0	32.6	+1.6	+5.2%	31.1	32.6	+1.5	+4.8%
	Apartments (Amounts)	2.5	3.1	+0.6	+23.3%	6.7	7.8	+1.1	+16.8%
	(Units)	254	305	+51	+20.1%	724	780	+56	+7.7%
	Other contracts (Amounts)	3.3	0.6	-2.7	-83.0%	3.6	0.6	-3.0	-83.1%
Spec homes (Amounts)	7.9	7.0	-0.9	-11.3%	9.6	9.8	+0.2	+2.4%	
(Units)	187	162	-25	-13.4%	226	230	+4	+1.8%	
Unit price (millions)	42.4	43.4	+1.0	+2.4%	42.3	42.6	+0.3	+0.7%	
Land for custom-built housing (Amounts)	3.9	3.4	-0.5	-11.9%	5.8	4.3	-1.5	-25.7%	
Real estate development (Amounts)	7.8	4.0	-3.7	-48.0%	9.7	7.0	-2.7	-27.9%	
Others (Amounts)	5.0	8.9	+3.9	+78.9%	6.9	10.5	+3.6	+51.8%	

Orders Received/Sales and Full Year Forecast

- Orders received for custom-built detached housing are increasing in both amount and number of units and growing steadily.
- This is the result of enhanced promotions, including sales promotion event and TVCM.
- We will hold *Housing Expo 2012* in Osaka, Nagoya and Tokyo in February with the goal of achieving the Group's full year plan.
- As a result of strengthening our sales and marketing organization we also expect to achieve our full year plan for apartments.

		3Q FY3/11 (cumulative)	3Q FY 3/12 (cumulative)	Pct.		FY3/11 (actual)	FY3/12 Forecast	(Billion yen) Pct.	
Contract Work	Custom-built detached housing (Amounts)	205.7	215.5	+9.8	+4.7%	284.4	292.0	+7.6	+2.7%
	(Units)	6,495	6,577	+82	+1.3%	8,926	9,000	+74	+0.8%
	Unit price (millions)	31.7	32.8	+1.1	+3.4%	31.9	32.4	+0.6	+1.8%
	Apartments (Amounts)	5.6	8.2	+2.7	+48.0%	7.3	10.5	+3.2	+43.0%
	(Units)	584	714	+130	+22.3%	775	950	+175	+22.6%
	Other contracts (amounts)	0.1	0.6	+0.4	+360.1%	0.2	1.0	+0.8	+526.6%

Scenes from last year's housing fairs



Overall view of hall (Tokyo hall)



Full-size actual structure using the Big-Frame construction method

<Schedule for 2012 housing Expo>

- Osaka site (Kyocera Dome Osaka)
February 4 (Sat.), 5 (Sun.)
- Nagoya site (Port Messe Nagoya)
February 11 (Sat.), 12 (Sun.)
- Tokyo site (Makuhari Messe Halls 9 & 10)
February 18 (Sat.), 19 (Sun.)

Third Quarter of FY3/12 Results

(Billion yen)

	End FY11	3Q FY3/12	Change		End FY11	3Q FY3/12	Change
Cash, deposits, securities	75.6	50.6	-25.0	Payables	150.2	159.5	+9.4
Receivables	118.5	129.7	+11.3	Short-term loans	18.6	20.6	+2.0
Finished goods, logs and lumber	19.0	20.9	+1.9	Advances received on uncompleted construction contracts	37.5	46.7	+9.2
Developed land and housing for sale	31.5	31.1	-0.4	Other current liabilities	37.5	31.8	-5.7
Costs on uncompleted construction contracts	31.2	38.7	+7.4	Long-term loans/bonds	47.1	43.0	-4.1
Other current assets	57.6	75.9	+18.3	Provision for employees' retirement benefits	6.2	5.4	-0.7
Total current assets	333.4	346.9	+13.5	Other long-term liabilities	29.3	27.7	-1.6
Buildings and structures	28.8	27.6	-1.2	Total liabilities	326.3	334.8	+8.5
Land	26.0	25.7	-0.3	Shareholders' equity	161.9	166.9	+5.0
Investment securities	48.5	43.6	-4.8	Accumulated other comprehensive income	1.0	-3.0	-4.0
Other fixed assets	52.6	55.0	+2.4	Minority interests	0.2	0.2	+0.0
Total fixed assets	156.0	152.0	-4.0	Net assets	163.1	164.1	+1.0
Total assets	489.4	498.9	+9.5	Total liabilities and net assets	489.4	498.9	+9.5

Balance Sheet Points

Note: Based on current accounting standards

- Current assets increased mainly as a result of the growth in receivables that accompanied higher sales.
- Current liabilities increased mainly because of the larger number of properties under construction, which spurred rising advances received on uncompleted construction contracts.
- Accumulated other comprehensive income decreased by ¥4.0 billion as a result of lower market prices on stock holdings and the effect of the yen's appreciation.

(Billion yen)	12/3 3Q	FY3/12 Forecast
Property, plant and equipment	7.9	12.7
Intangible assets (Software)	1.2	3.1
Others	0.1	0.1
Total	9.3	15.9

© Major investments

(Billion yen)	12/3 3Q	FY3/12 Forecast
Construction of a particle board factory in Vietnam	3.8	4.7
Housing display centers	1.1	3.0
Systems investments	1.1	3.1
Other plant related capital expenditures	0.9	1.8

Successor seedlings from Rikuzentakata City's "Pine of Hope" successfully cultivated



"Pine of Hope"

- On March 11, "Takata Matsubara," a place of scenic beauty made famous by its pine forest of roughly 70,000 trees, vanished with only a single pine tree left behind.
- Sumitomo Forestry was a participant in the project team formed to save the lone "Pine of Hope" and cultivate successor trees.
- The team succeeded in cultivating new seedlings as a result of low-temperature treatment over six months at Sumitomo Forestry's Tsukuba Research Institute.



Pinecones from which seeds were gathered



Successor seedlings are growing well



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The forecast figures in this presentation are based on projections deemed logical at the time when it was prepared. Actual performance may differ materially from these projections.

