

# **Earnings Briefing FY Ending March, 2013**

## **~ Second Quarter Financial Results and Full Year Forecast**

(Information meeting for 2Q FY ending March 31, 2013)

**November 7, 2012**



SUMITOMO FORESTRY CO.,LTD.

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# **Second Quarter of FYE March 2013 Results**

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## 1. Summary ◇ See earnings announcement, p14

- While net sales finished below the initial forecast, operating income, recurring income and net income exceeded the initial forecasts.
- Recurring income for the second quarter under review achieved the second highest profit level ever for a second quarter after previous year.

(Billion yen)

| (Consolidated)      | 2Q<br>FY3/12 | 2Q<br>FY3/13 | Change      | Pct.          | 2Q FY3/13<br>Initial plan | Change      | Pct.          |
|---------------------|--------------|--------------|-------------|---------------|---------------------------|-------------|---------------|
|                     | Net sales    | <b>395.1</b> |             |               | <b>392.1</b>              |             |               |
| Gross profit        | <b>63.6</b>  | <b>63.1</b>  | <b>-0.4</b> | <b>-0.7%</b>  | <b>64.0</b>               | <b>-0.9</b> | <b>-1.4%</b>  |
| SG&A<br>expenses    | <b>54.2</b>  | <b>56.3</b>  | <b>+2.1</b> | <b>+3.9%</b>  | <b>58.0</b>               | <b>-1.7</b> | <b>-2.9%</b>  |
| Operating<br>income | <b>9.4</b>   | <b>6.8</b>   | <b>-2.6</b> | <b>-27.4%</b> | <b>6.0</b>                | <b>+0.8</b> | <b>+14.0%</b> |
| Recurring<br>income | <b>9.8</b>   | <b>7.5</b>   | <b>-2.3</b> | <b>-23.3%</b> | <b>6.0</b>                | <b>+1.5</b> | <b>+24.8%</b> |
| Net income          | <b>5.6</b>   | <b>3.6</b>   | <b>-2.0</b> | <b>-36.1%</b> | <b>3.0</b>                | <b>+0.6</b> | <b>+20.3%</b> |

## 2. Segment Sales and Recurring Income

◇ See earnings announcement, p14  
(Billion yen)

| (Consolidated)                | Net sales    |              |        |        |
|-------------------------------|--------------|--------------|--------|--------|
|                               | 2Q<br>FY3/12 | 2Q<br>FY3/13 | Change | Pct.   |
| Timber and building materials | 203.0        | 194.5        | -8.4   | -4.2%  |
| Housing                       | 187.0        | 191.9        | +4.9   | +2.6%  |
| Overseas                      | 16.4         | 18.7         | +2.3   | +13.9% |
| Others                        | 6.9          | 7.4          | +0.5   | +7.7%  |
| Adjustment                    | -18.2        | -20.4        | -2.2   | -      |
| Total                         | 395.1        | 392.1        | -2.9   | -0.7%  |

|                               | Recurring income |              |        |        |
|-------------------------------|------------------|--------------|--------|--------|
|                               | 2Q<br>FY3/12     | 2Q<br>FY3/13 | Change | Pct.   |
| Timber and building materials | 2.7              | 1.9          | -0.7   | -27.8% |
| Housing                       | 8.7              | 7.2          | -1.5   | -16.9% |
| Overseas                      | -0.8             | -0.9         | -0.0   | -      |
| Others                        | 0.3              | 0.4          | +0.0   | +16.0% |
| Adjustment                    | -1.1             | -1.1         | -0.1   | -      |
| Total                         | 9.8              | 7.5          | -2.3   | -23.3% |

- Timber and building materials:  
Although demand rose sharply during the same quarter last year in the wake of the earthquake disaster, this year has seen demand return to the normal level.
- Housing:  
The number of houses completed declined, but a rise in the unit price supported an increase in net sales.  
The renovation business recorded steady expansion under the effects of numerous measures.
- Overseas:  
Though sales rose for this segment, sluggish results in Australia and China contributed to a recurring loss on a par with the previous quarter.

## 3. Housing Business Orders Received and Sales (Non-Consolidated)

◇ See earnings announcement, p15

- Custom-built detached houses: The per-house unit price for orders received rose due to factors such as a higher percentage of homes outfitted with environmentally sound equipment.
- Real estate development: Sales of currently owned properties advanced, with net sales much higher YoY.
- Factors behind the lower profit ratio included the increased rate of real estate development and a revaluation loss for land for spec homes.

(Billion yen)

| (Billion yen) |                                      | Orders received  |                  |               |                  | Sales            |                  |               |                  |
|---------------|--------------------------------------|------------------|------------------|---------------|------------------|------------------|------------------|---------------|------------------|
|               |                                      | 2Q FY3/12        | 2Q FY3/13        | Change        | Pct.             | 2Q FY3/12        | 2Q F3/13         | Change        | Pct.             |
| Contract Work | Custom-built detached houses (Units) | 150.5<br>(4,606) | 159.4<br>(4,628) | +8.9<br>(+22) | +5.9%<br>(+0.5%) | 131.2<br>(4,076) | 133.5<br>(4,037) | +2.3<br>(-39) | +1.8%<br>(-1.0%) |
|               | Wooden apartments                    | 5.5              | 5.3              | -0.2          | -3.5%            | 2.6              | 2.5              | -0.0          | -1.6%            |
|               | Other contracts                      | 0.5              | 0.1              | -0.4          | -80.4%           | 0.3              | 0.1              | -0.2          | -69.4%           |
|               | Spec homes                           |                  |                  |               |                  | 4.1              | 5.4              | +1.3          | +32.9%           |
|               | Land for custom-built housing        |                  |                  |               |                  | 2.3              | 2.2              | -0.1          | -5.0%            |
|               | Real estate development              |                  |                  |               |                  | 2.3              | 4.3              | +2.0          | +84.2%           |
|               | Others                               |                  |                  |               |                  | 6.6              | 3.6              | -3.0          | -45.5%           |

\* Note: Results for orders received indicate figures after subtracting the total number of properties for which contracts were cancelled during the term under review from the total number of orders received during the said term.

|                 |       |       |       |       |
|-----------------|-------|-------|-------|-------|
| Total net sales | 149.3 | 151.6 | +2.3  | +1.5% |
| Profit Ratio    | 25.3% | 24.4% | -0.9% |       |
| Gross profit    | 37.8  | 37.1  | -0.7  | -1.9% |

## 4. Renovation Business Orders Received and Sales

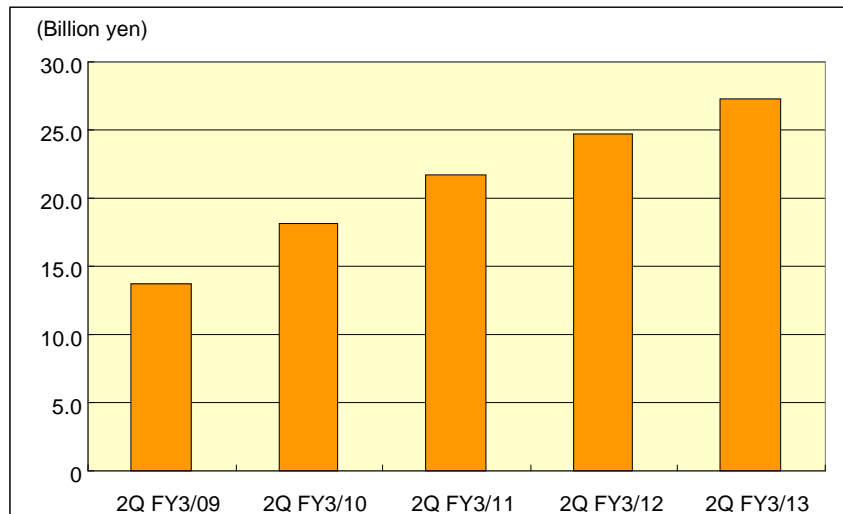
◇ See earnings announcement, p15

### <Sumitomo Forestry Home Tech>

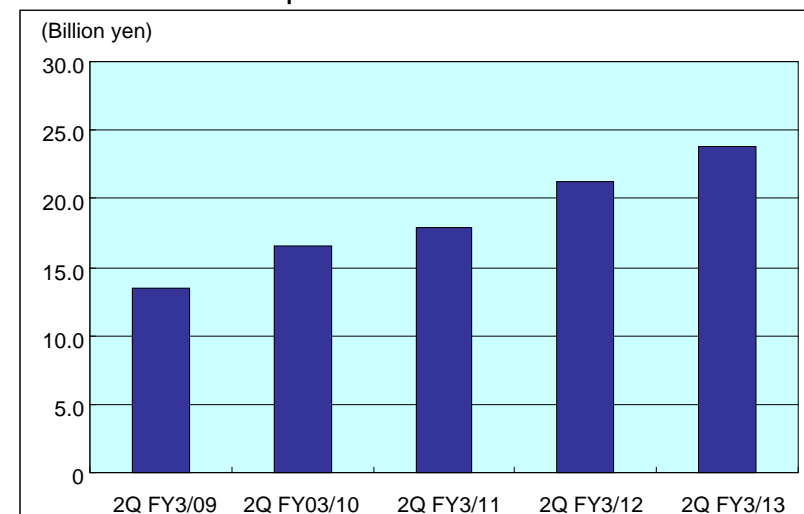
- Solid expansion, with the value of orders received and completions rising at an annual pace above 10%

| (Billion yen)                          | 2Q FY3/12   | 2Q FY3/13   | Change      | Pct.          |
|--|-------------|-------------|-------------|---------------|
| Orders received                        | <b>24.7</b> | <b>27.3</b> | <b>+2.7</b> | <b>+10.8%</b> |
| Completions                            | <b>21.2</b> | <b>23.8</b> | <b>+2.6</b> | <b>+12.4%</b> |
| Backlog of orders received at term end | <b>18.9</b> | <b>21.4</b> | <b>+2.6</b> | <b>+13.5%</b> |

#### ◆ Trends in orders received



#### ◆ Trends in completions



## 5. Capital Expenditures

<\*when acquired>

(Billion yen)

| <b>(Consolidated)</b>         | <b>2Q<br/>FY3/12</b> | <b>2Q<br/>FY3/13</b> | Change      | Pct.           |
|-------------------------------|----------------------|----------------------|-------------|----------------|
| Property, plant and equipment | <b>6.1</b>           | <b>2.9</b>           | <b>-3.2</b> | <b>-52.0%</b>  |
| Intangible assets             | <b>0.7</b>           | <b>0.8</b>           | <b>+0.1</b> | <b>+16.4%</b>  |
| Others                        | <b>0.1</b>           | <b>0.2</b>           | <b>+0.1</b> | <b>+155.5%</b> |
| <b>Total</b>                  | <b>6.9</b>           | <b>3.9</b>           | <b>-3.0</b> | <b>-43.0%</b>  |

### ◆ Main investments for 2Q FY3/13

Model houses ¥1.1 billion

Systems investments ¥0.8 billion

Domestic and overseas manufacturing  
business plant equipment ¥0.8 billion



# Second Quarter of FYE March 2013 Results

## 6. Balance Sheet /Cash Flow

◇ See earnings announcement, p6, 7, 10, 11 (Billion yen)

|   | End of March 2012 | End of Sep. 2012 | Change      |   | End of March 2012 | End of Sep. 2012 | Change      |
|---|-------------------|------------------|-------------|---|-------------------|------------------|-------------|
| Cash, deposits, securities                  | 79.9              | 89.5             | +9.7        | Payables  | 155.4             | 154.3            | -1.1        |
| Receivables                                 | 124.9             | 118.6            | -6.3        | Short-term debt   | 20.8              | 20.1             | -0.7        |
| Finished goods                              | 21.0              | 20.3             | -0.7        | Advances received on uncompleted construction contracts | 38.6              | 48.9             | +10.4       |
| Developed land and housing for sale         | 34.9              | 30.4             | -4.5        | Other current liabilities                               | 39.7              | 33.8             | -5.9        |
| Costs on uncompleted construction contracts | 28.4              | 33.5             | +5.1        | Long-term debt /Bonds issued                            | 43.3              | 46.2             | +2.9        |
| Other current assets                        | 59.9              | 62.4             | +2.4        | Other long-term liabilities                             | 36.5              | 36.0             | -0.4        |
| <b>Total current assets</b>                 | <b>348.9</b>      | <b>354.7</b>     | <b>+5.8</b> | <b>Liabilities</b>                                      | <b>334.2</b>      | <b>339.3</b>     | <b>+5.1</b> |
| Property, plant and equipment               | 85.6              | 85.4             | -0.2        | Shareholders' equity                                    | 168.5             | 170.8            | +2.3        |
| Intangible assets                           | 8.4               | 8.4              | +0.0        | Accumulated other comprehensive income                  | 0.6               | -1.2             | -1.8        |
| Investments and other assets                | 60.5              | 61.1             | +0.5        | Minority interests                                      | 0.2               | 0.8              | +0.6        |
| <b>Total noncurrent assets</b>              | <b>154.6</b>      | <b>154.9</b>     | <b>+0.3</b> | <b>Net assets</b>                                       | <b>169.3</b>      | <b>170.4</b>     | <b>+1.1</b> |
| <b>Assets</b>                               | <b>503.5</b>      | <b>509.7</b>     | <b>+6.2</b> | <b>Total liabilities/net assets</b>                     | <b>503.5</b>      | <b>509.7</b>     | <b>+6.2</b> |

|              | 2Q FY3/12 | 2Q FY3/13 |
|--------------|-----------|-----------|
| Operating CF | 7.5       | 16.2      |
| Investing CF | -13.3     | 16.7      |
| Free CF      | -5.8      | 0.5       |
| Financing CF | -3.6      | 0.1       |

# **FYE March 2013 Earnings Forecasts**

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## 1. Summary ◇ See earnings announcement, p14

- We project about 850,000 new housing starts in the period, unchanged from the initial forecast.
- Impact from the scheduled rate hike in the consumption tax not factored in. Recurring income forecast at ¥23 billion.
- Moving to a stage anticipating a structure that is capable of generating stable recurring income of ¥20 billion.

(Billion yen)

| <b>(Consolidated)</b> | FY3/12       | FY3/13<br>(Forecast) | Change      | Pct.           | FY3/13<br>Initial forecast | Change | Pct. |
|-----------------------|--------------|----------------------|-------------|----------------|----------------------------|--------|------|
|                       | Net sales    | <b>831.9</b>         |             |                | <b>845.0</b>               |        |      |
| Gross profit          | <b>136.9</b> | <b>140.5</b>         | <b>+3.6</b> | <b>+ 2.7%</b>  | <b>140.5</b>               | —      | —    |
| SG&A expenses         | <b>117.7</b> | <b>118.0</b>         | <b>+0.3</b> | <b>+ 0.3%</b>  | <b>118.0</b>               | —      | —    |
| Operating income      | <b>19.2</b>  | <b>22.5</b>          | <b>+3.3</b> | <b>+ 17.2%</b> | <b>22.5</b>                | —      | —    |
| Recurring income      | <b>20.7</b>  | <b>23.0</b>          | <b>+2.3</b> | <b>+ 11.0%</b> | <b>23.0</b>                | —      | —    |
| Net income            | <b>9.3</b>   | <b>13.0</b>          | <b>+3.7</b> | <b>+ 40.2%</b> | <b>13.0</b>                | —      | —    |

•Without actuarial gains/losses

|                  |             |             |             |               |
|------------------|-------------|-------------|-------------|---------------|
| Operating income | <b>24.1</b> | <b>22.5</b> | <b>-1.6</b> | <b>-6.7%</b>  |
| Recurring income | <b>25.6</b> | <b>23.0</b> | <b>-2.6</b> | <b>-10.3%</b> |

## 2. Segment Sales and Recurring Income

◇ See earnings announcement, p14  
(Billion yen)

| (Consolidated)                | Net sales |                      |        |        |                                    | Recurring income |                      |        |        |                                    |
|-------------------------------|-----------|----------------------|--------|--------|------------------------------------|------------------|----------------------|--------|--------|------------------------------------|
|                               | FY3/12    | FY3/13<br>(Forecast) | Change | Pct.   | Change<br>from initial<br>forecast | FY3/12           | FY3/13<br>(Forecast) | Change | Pct.   | Change<br>from initial<br>forecast |
| Timber and building materials | 405.4     | 400.0                | -5.4   | -1.3%  | —                                  | 4.8              | 4.4                  | -0.4   | -8.0%  | —                                  |
| Housing                       | 415.1     | 430.0                | +14.9  | +3.6%  | —                                  | 25.8             | 24.2                 | -1.6   | -6.2%  | +0.5                               |
| Oversea                       | 35.0      | 40.0                 | +5.0   | +14.4% | —                                  | -2.9             | -1.9                 | +1.0   | —      | -0.5                               |
| Other                         | 14.0      | 15.0                 | +1.0   | +6.8%  | —                                  | 0.7              | 0.5                  | -0.2   | -31.3% | —                                  |
| Adjustment                    | -37.6     | -40.0                | -2.4   | —      | —                                  | -7.7             | -4.2                 | +3.5   | —      | —                                  |
| Total                         | 831.9     | 845.0                | +13.1  | +1.6%  | —                                  | 20.7             | 23.0                 | +2.3   | +11.0% | —                                  |

### ◆ Second half and full year forecasts

- Timber and building materials: Second half results forecast to maintain a level exceeding the first half, reflecting solid housing starts.
- Housing: 1. While plans call for strategic cost expenditures, increased income from a rise in the completion unit price supports projections for a ¥500 million increase over the initial forecast.  
2. Full year renovation business recurring income forecast to rise 14% to ¥3 billion YoY.
- Oversea: Despite increased sales in North America, harsh conditions in China and Australia have led to the forecast for a ¥500 million decline compared to the initial projection.

## 3. Housing business Orders Received and Sales Forecast (Non-Consolidated)

◇ See earnings announcement, p15

➤ Custom-built detached houses: Both orders received and completions forecast to achieve the initial forecast of 9,000 units.

-> Orders received and completions forecast to increase due to the rise in unit price.

Custom-built detached housing business profit ratio forecast to be on a par with the previous year.

(Billion yen)

| (Billion yen) |                                      | Orders received  |                  |                |                  | Sales            |                  |              |                  |
|---------------|--------------------------------------|------------------|------------------|----------------|------------------|------------------|------------------|--------------|------------------|
|               |                                      | FY3/12           | FY3/13           | Change         | Pct.             | FY3/12           | FY3/13           | Change       | Pct.             |
| Contract work | Custom-built detached houses (Units) | 295.2<br>(8,962) | 310.5<br>(9,000) | +15.3<br>(+38) | +5.2%<br>(+0.4%) | 294.1<br>(9,007) | 298.0<br>(9,000) | +3.9<br>(-7) | +1.3%<br>(-0.1%) |
|               | Wooden apartments                    | 11.2             | 12.5             | +1.3           | +11.9%           | 7.9              | 9.4              | +1.5         | +19.0%           |
|               | Other contract work                  | 0.6              | 1.2              | +0.6           | +105.0%          | 0.6              | 1.0              | +0.4         | +70.9%           |
|               | Spec homes                           |                  |                  |                |                  | 9.9              | 11.3             | +1.4         | +14.6%           |
|               | Land for custom-built housing        |                  |                  |                |                  | 5.0              | 4.3              | -0.7         | -13.8%           |
|               | Real estate development              |                  |                  |                |                  | 7.3              | 15.0             | +7.7         | +105.3%          |
|               | Other                                |                  |                  |                |                  | 11.4             | 9.4              | -2.0         | -17.6%           |

\* Results for orders received indicate figures after subtracting the total number of properties for which contracts were cancelled during the term under review from the total number of orders received during the same term.

|                 |       |       |       |       |
|-----------------|-------|-------|-------|-------|
| Total net sales | 336.1 | 348.4 | +12.3 | +3.7% |
| Profit Ratio    | 25.2% | 24.5% | -0.7% |       |
| Gross Profit    | 84.8  | 85.5  | +0.7  | +0.8% |

## 4. Renovation Business Orders Received and Sales Forecast

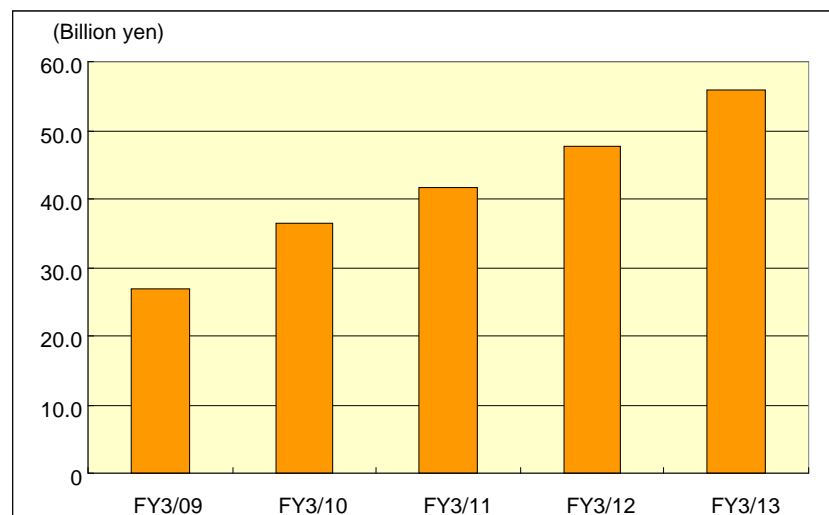
◇ See earnings announcement, p15

### <Sumitomo Forestry Home Tech>

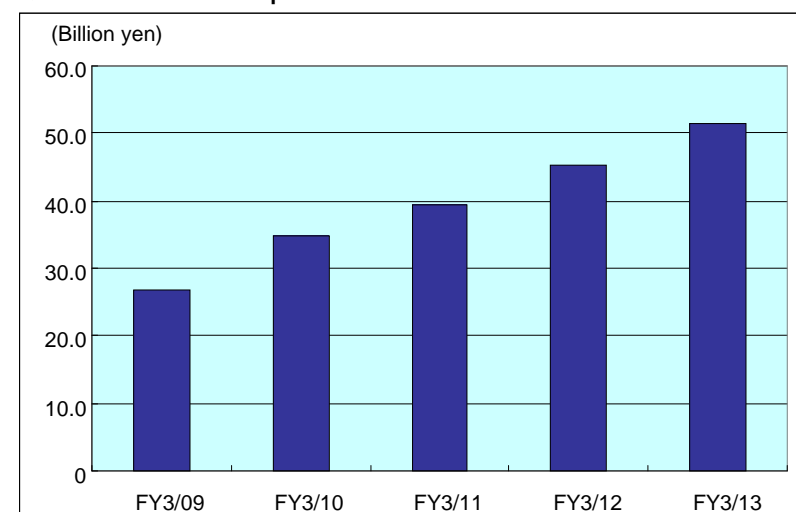
- Strengthened sales capacity through increases in bases and personnel, striving to expand orders received.

| (Billion yen)                          | FY3/12      | FY3/13      | Change      | Pct.          |
|--|-------------|-------------|-------------|---------------|
| Orders Received                        | <b>47.8</b> | <b>55.8</b> | <b>+8.0</b> | <b>+16.8%</b> |
| Completions                            | <b>45.3</b> | <b>53.5</b> | <b>+8.2</b> | <b>+18.2%</b> |
| Backlog of orders received at term end | <b>17.9</b> | <b>20.2</b> | <b>+2.3</b> | <b>+12.8%</b> |

#### ◆ Trends in orders received



#### ◆ Trends in completions





**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.**

