



Financial Results for the First Quarter of FY Ending March, 2015

SUMITOMO FORESTRY CO., LTD.

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Contents

1. 1Q FY3/15 Results	2
Summary of Financial Results		
Financial Results by Segment		
Changes in Recurring Income (year-on-year)		
Housing Business Sales (Stand-alone)		
Profit and Loss Performance by Business in Overseas Business		
2. FY3/15 Forecast	7
Summary of Earnings Forecast for the First Half/Full Year		
Earnings Forecast by Segment for Full Year		
Housing Business Sales Forecast (Stand-alone)		
Profit and Loss Forecast by Business in Overseas Business		
3. Orders Received and Full Year Forecast	11
4. Balance Sheet	12

1Q FY3/15 Results

Summary of Financial Results

- The sharp reactive decline in surge demand accompanying with the consumption tax hike continues in the domestic housing market.
- Net sales increased thanks primarily to smooth progress on construction on remaining orders received up to the end of the previous fiscal year for custom-built detached housing and wooden apartments and in the overseas business, conversion of an equity method affiliate into a consolidated subsidiary in the fiscal year ended March 31, 2014.
- In conjunction with increased revenues, both operating and recurring losses shrank.

(Billion yen)	1Q FY3/14		1Q FY3/15		Change	Pct.
Net sales		175.0		192.5	+17.5	+10.0%
Gross profit	13.3%	23.3	14.2%	27.4	+4.1	+17.7%
SG&A expenses		28.7		31.6	+2.9	+10.2%
Operating income	(3.1%)	(5.4)	(2.2%)	(4.2)	+1.2	—
Recurring income	(2.7%)	(4.7)	(2.1%)	(4.0)	+0.7	—
Net income	(1.7%)	(3.0)	(1.6%)	(3.0)	(0.0)	—

1Q FY3/15 Results

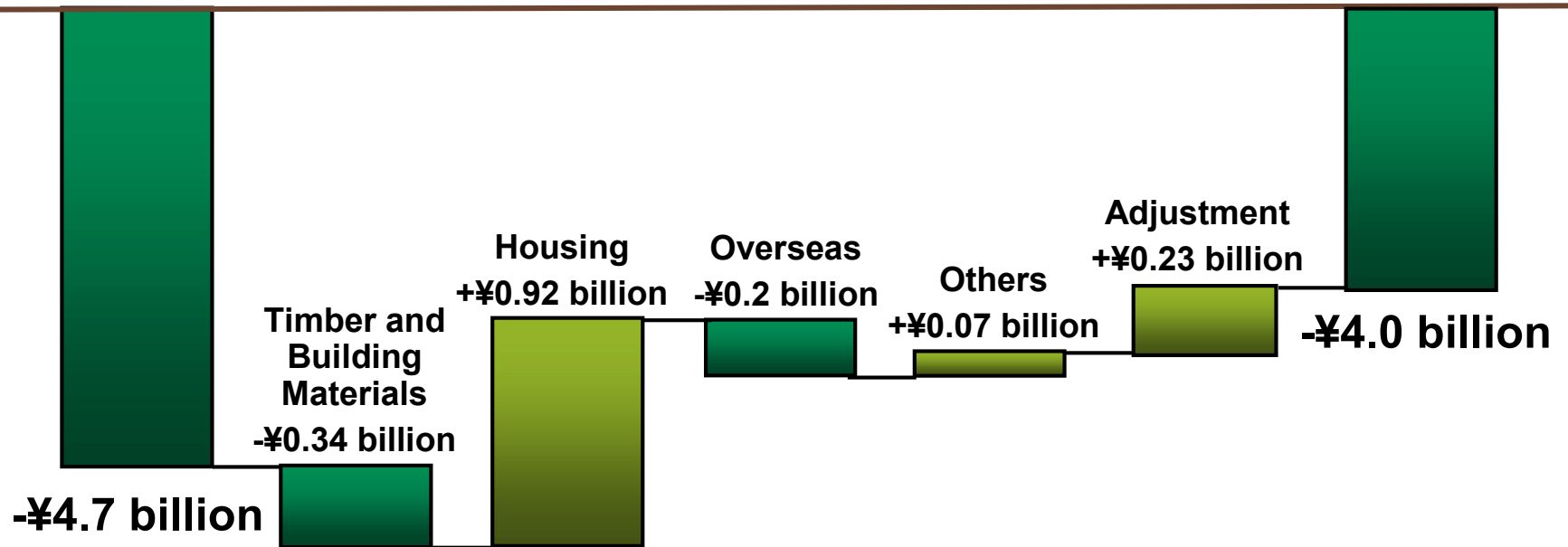
Summary of Financial Results by Segment

- Timber and Building Materials ⇒ The decrease in the number of new housing starts resulted in a decrease in the volume handled.
- Housing ⇒ Revenues increased as a result of an increase in deliveries of custom-built detached housing. The impact of the sharp rise in the price of materials was within the scope of the initial plan. The impact of the increase in labor will be seen after the second quarter.
- Overseas ⇒ Revenues increased thanks to the conversion of the Henley Group into a consolidated subsidiary. Profits declined owing in part to the impact of foreign exchange losses associated with some subsidiaries in the resources and manufacturing business.

		(Billion yen)		1Q FY3/14	1Q FY3/15	Change	Pct.
<Net sales>	Timber and Building Materials			107.1	106.7	(0.4)	(0.4%)
	Housing			63.7	70.4	+6.8	+10.6%
	Inc. Renovation			10.6	11.0	+0.4	+3.6%
	Overseas			9.9	22.0	+12.1	+121.8%
	Others			4.0	3.9	(0.2)	(4.2%)
	Adjustment			(9.7)	(10.5)	(0.8)	—
	Total			175.0	192.5	+17.5	+10.0%
<Recurring income>	Timber and Building Materials	1.3%	1.3	0.9%	1.0	(0.3)	(25.1%)
	Housing	(8.9%)	(5.6)	(6.7%)	(4.7)	+0.9	—
	Inc. Renovation	(2.4%)	(0.3)	(3.4%)	(0.4)	(0.1)	—
	Overseas	(4.5%)	(0.4)	(2.9%)	(0.6)	(0.2)	—
	Others	4.7%	0.2	6.6%	0.3	+0.1	+35.1%
	Adjustment	—	(0.1)	—	0.1	+0.2	—
	Total	(2.7%)	(4.7)	(2.1%)	(4.0)	+0.7	—

1Q FY3/15 Results

Changes in Recurring Income (year-on-year)



Timber and Building Materials Business

Recurring income was down ¥0.34 billion year-on-year as a result of a decrease in net sales.

Housing Business

Recurring income was up ¥0.92 billion thanks to an increase in completed custom-built detached housing projects.

Overseas Business

Recurring income was down ¥0.2 billion owing in part to the impact of foreign exchange.

1Q FY3/15 Results

Housing Business Sales (Stand-alone)

- Custom-built detached houses ⇒ Construction starts on orders received the previous fiscal year proceeded smoothly, and both the number and amount of units sold increased. Unit prices were also trending upward at the time the orders were received, so they exceeded the same period of the previous year.
- Wooden apartments ⇒ As with custom-built detached housing, orders received in the previous fiscal year increased, so the amount of sales increased.
- Detached spec homes ⇒ Sales struggled, owing in part to the impact of the consumption tax hike.

(Billion yen)

(incl. percentage of completion basis)		1Q FY3/14	1Q FY3/15	Change	Pct.
Contract business	Custom-built detached houses (Amounts)	37.6	45.9	+8.3	+22.0%
	(Units)	1,090	1,307	+217	+19.9%
	Million yen (Unit price)	34.5	35.1	+0.6	+1.7%
	Wooden apartments (Amounts)	0.9	1.3	+0.5	+55.3%
	(Units)	53	76	+23	+43.4%
	Other contract work (Amounts)	0.3	0.3	+0.0	+1.1%
Detached spec homes (Amounts)	2.1	0.8	(1.3)	(61.9%)	
(Units)	50	21	(29)	(58.0%)	
Million yen (Unit price)	41.4	37.6	(3.9)	(9.3%)	
Land for custom-built housing (Amounts)	0.9	0.8	(0.1)	(13.2%)	
Existing home renovation (Resale of Renovated Homes) (Amounts)	0.5	0.8	+0.2	+42.0%	
Others (Amounts)	2.5	1.6	(0.9)	(34.8%)	
Total (Amounts)	44.8	51.5	+6.7	+15.0%	

1Q FY3/15 Results

Profit and Loss Performance by Business in Overseas Business

- The resources and manufacturing business in Indonesia performed favorably, but in Australia, it struggled.
- Although the appreciation of the New Zealand dollar had a substantial negative impact on the manufacturing business in New Zealand, profit and loss trended according to the initial plan.
- In the housing and real estate business, revenues and earnings were up substantially year-on-year due to conversion of the Henley Group (America and Australia) into a consolidated subsidiary and profit contribution of Bloomfield (America).

(Billion yen)

Overseas segment	Net sales				Recurring income			
	1Q FY3/14	1Q FY3/15	Change	Pct.	1Q FY3/14	1Q FY3/15	Change	Pct.
Resources and Manufacturing	9.4	11.3	+2.0	+21.0%	(0.2)	(0.0)	+0.2	—
Housing and Real Estate	1.0	10.9	+10.0	+1048.3%	(0.0)	0.6	+0.6	—
Other, Consolidated Adjustments, etc.	(0.4)	(0.3)	+0.1	—	(0.2)	(1.2)	(1.0)	—
Total	9.9	22.0	+12.1	+121.8%	(0.4)	(0.6)	(0.2)	—

FY3/15 Forecast

Summary of Earnings Forecast for the First Half/Full Year

- The first half and full year earnings forecast remains unchanged from those announced on May 8.
- In the domestic housing market, the impact of the consumption tax hike has continued, but efforts were concentrated on achieving the targets of this year's plan.

<First Half Forecast>	1H FY3/14	1H FY3/15 Forecast	Change	(Billion yen) Pct.
	Net sales	434.9	465.0	+30.1
Gross profit	69.5	77.0	+7.5	+10.8%
SG&A expenses	59.2	67.0	+7.8	+13.2%
Operating income	10.3	10.0	(0.3)	(3.1%)
Recurring income	10.8	10.5	(0.3)	(3.1%)
Net income	11.1	6.0	(5.1)	(45.8%)

<Full Year Forecast>	FY3/14 Actual	FY3/14 without actuarial gains/losses	FY3/15 Forecast	Change	(Billion yen) Pct.	Without actuarial gains/losses	
						Change	Pct.
Net sales	973.0	973.0	990.0	+17.0	+1.8%	+17.0	+1.8%
Gross profit	160.2	160.2	168.0	+7.8	+4.9%	+7.8	+4.9%
SG&A expenses	126.7	125.7	137.0	+10.3	+8.1%	+11.3	+9.0%
Operating income	33.4	34.4	31.0	(2.4)	(7.2%)	(3.4)	(10.1%)
Recurring income	33.6	34.6	32.0	(1.6)	(4.7%)	(2.6)	(7.5%)
Net income	22.5	23.2	18.0	(4.5)	(20.1%)	(5.2)	(22.4%)

FY3/15 Forecast

Earnings Forecast by Segment for Full Year

- We are sticking with the forecast we issued at the start of the fiscal year for all of our business segments.
- In the timber and building materials business, the number of new housing starts is expected to decrease, so the forecast is for revenues and earnings to decline.
- In the housing business, the number of custom-built detached houses sold is expected to decrease, but revenues are expected to increase thanks to increased sales in the renovation business and others.
- In the overseas business, the plan is for a substantial increase in both revenues and earnings, driven by the housing business in America and Australia.

(Billion yen)		FY3/14		FY3/15		Change	Pct.
Net sales	Timber and Building Materials	458.6	420.0	(38.6)	(8.4%)		
	Housing	465.4	470.0	+4.6	+1.0%		
	Inc. Renovation	62.2	66.9	+4.7	+7.6%		
	Overseas	76.3	128.0	+51.7	+67.7%		
	Other	17.3	15.0	(2.3)	(13.2%)		
	Adjustment	(44.6)	(43.0)	+1.6	–		
	Total	973.0	990.0	+17.0	+1.8%		
Recurring income	Timber and Building Materials	1.1%	5.0	1.0%	4.2	(0.8)	(15.2%)
	Housing	6.9%	32.2	6.1%	28.5	(3.7)	(11.5%)
	Inc. Renovation	6.6%	4.1	6.6%	4.4	+0.3	+14.2%
	Overseas	(0.2%)	(0.1)	2.0%	2.5	+2.6	–
	Other	4.8%	0.8	4.7%	0.7	(0.1)	(14.8%)
	Adjustment	–	(4.3)	–	(3.9)	+0.4	–
	Total	2.3%	33.6	3.2%	32.0	(1.6)	(4.7%)

FY3/15 Forecast

Housing Business Sales Forecast (Stand-alone)

- Our earnings forecast remains unchanged since the start of the fiscal year.
- Custom-built detached housing sales are expected to be down for the full year compared to the previous year, but the plan is for wooden apartments to top the previous year.

(Billion yen)

(incl. percentage of completion basis)		FY3/14	FY3/15	Change	Pct.
Contract business	Custom-built detached houses (Amounts)	320.3	313.5	(6.8)	(2.1%)
	(Units)	9,243	9,000	(243)	(2.6%)
	Million yen (Unit price)	34.6	34.8	+0.2	+0.5%
	Wooden apartments (Amounts)	13.1	14.8	+1.7	+12.7%
	(Units)	1,124	1,250	+126	+11.2%
	Other contracts (Amounts)	1.4	2.0	+0.6	+45.4%
	Detached spec homes (Amounts)	9.7	12.0	+2.3	+23.4%
	(Units)	242	300	+58	+23.9%
	Million yen (Unit price)	40.2	40.0	(0.2)	(0.4%)
Land for custom-built housing (Amounts)	5.6	6.8	+1.2	+21.9%	
Existing home renovation (Resale of Renovated Homes) (Amounts)	9.0	8.0	(1.0)	(11.1%)	
Other (Amounts)	9.6	7.0	(2.6)	(27.3%)	
Total (Amounts)	368.7	364.1	(4.6)	(1.2%)	

FY3/15 Forecast

Profit and Loss Forecast by Business in Overseas Business

- Remains unchanged since the start of the fiscal year.
- The resources and manufacturing business was in the red for the first quarter, but the targets of the full year plan are expected to be met.
The difficult circumstances in New Zealand and Australia have already been reflected in the plan.
- In the housing and real estate business, stake was acquired in the Gehan Homes Group (America) in May, and it was converted into a consolidated subsidiary. Profit and loss from the group will be included in the consolidated results starting with the second quarter. This is expected to contribute to a substantial increase in revenues and earnings.
- Conversion of the Henley Group (America and Australia) into a consolidated subsidiary and profit from Bloomfield (America) will contribute to achieving full-year earnings plans.

(Billion yen)

Overseas segment	Net sales				Recurring income			
	FY3/14	FY3/15	Change	Pct.	FY3/14	FY3/15	Change	Pct.
Resources and Manufacturing	45.1	47.3	+2.2	+4.9%	0.8	0.6	(0.2)	(21.5%)
Housing and Real Estate	32.9	81.5	+48.6	+147.9%	2.3	5.6	+3.3	+142.5%
Other, Consolidated Adjustments, etc.	(1.7)	(0.8)	+0.9	—	(3.3)	(3.7)	(0.5)	—
Total	76.3	128.0	+51.7	+67.7%	(0.1)	2.5	+2.6	—

FY3/15 Orders Received and Full Year Forecast

- In the first quarter, the sharp reactive decline from the consumption tax hike resulted in a substantial year-on-year decrease in both the amount and number of orders received.
- Although the market environment was harsh, we implemented various measures to increase contact with customers and improve orders received.
- We held a design consultation meeting by Web Sumai Haku and Design Partner Group (DPG) and implemented measures to expand sales of Green Smart SolarZ and promote sales of Big-Frame construction method products.

(Billion yen)

		1Q FY3/14	1Q FY3/15	Change	Pct.	FY3/14 Actual	FY3/15 Forecast	Change	Pct.
Order received	Custom-built detached houses								
	(Amounts)	89.7	64.8	(24.9)	(27.8%)	339.9	313.5	(26.4)	(7.8%)
	(Units)	2,544	1,792	(752)	(29.6%)	9,364	9,000	(364)	(3.9%)
	Million yen (Unit price)	31.4	32.4	+1.0	+3.2%	32.1	31.5	(0.6)	(1.8%)
	Wooden apartments								
	(Amounts)	3.9	3.7	(0.2)	(5.6%)	15.5	16.5	+1.0	+6.4%
	(Units)	307	249	(58)	(18.9%)	1,140	1,250	+110	+9.6%
	Renovation	14.2	12.5	(1.7)	(11.6%)	61.0	65.0	+4.0	+6.6%
	Other contracts								
	(Amounts)	0.0	0.0	(0.0)	(88.6%)	2.6	1.5	(1.1)	(41.4%)



Balance Sheet

(Billion yen)	FY3/14	1Q FY3/15	Change		FY3/14	1Q FY3/15	Change
Cash, deposits, securities	118.7	85.5	(33.2)	Payables	191.4	151.9	(39.5)
Receivables	132.9	125.8	(7.1)	Short-term debt /bonds issued	36.4	39.7	+3.3
Finished goods	26.9	28.0	+1.1	Advances received on uncompleted construction contracts	55.1	69.2	+14.1
Costs on uncompleted construction contracts	24.4	40.5	+16.1	Income taxes payable	8.1	1.0	(7.1)
Developed land and housing for sale	31.5	38.7	+7.1	Provision for employees' bonuses	10.5	5.2	(5.3)
Real estate for sale in process	11.1	25.2	+14.0	Other current liabilities	24.6	29.7	+5.1
Short-term loans receivable	33.4	16.1	(17.2)	Current liabilities	326.1	296.7	(29.4)
Accounts receivable, other	54.3	40.5	(13.7)	Long-term debt/ bonds issued	51.6	55.3	+3.6
Other current assets	13.6	17.8	+4.2	Net defined benefit liability	11.0	12.5	+1.5
Total current assets	446.9	418.2	(28.6)	Other long-term liabilities	30.3	30.5	+0.1
Buildings and structures	31.3	30.9	(0.5)	Long-term liabilities	93.0	98.3	+5.3
Land	26.7	26.4	(0.3)	Shareholders' equity	200.9	195.7	(5.3)
Investment securities	65.5	68.1	+2.6	Accumulated other comprehensive income	17.8	19.9	+2.2
Other noncurrent assets	74.8	77.4	+2.5	Minority interests	7.4	10.3	+2.9
Total noncurrent assets	198.3	202.7	+4.3	Net assets	226.1	225.9	(0.1)
Assets	645.2	620.9	(24.3)	Total liabilities/net assets	645.2	620.9	(24.3)

- There was an increase in developed land and housing for sale associated with the conversion of the Gehan Homes Group into a consolidated subsidiary.
- At the same time, payment of construction costs for construction completed as of the end of the previous fiscal year resulted in a decrease in cash and deposits and accounts payable, so total assets also decreased compared to the end of the fiscal year ended March 31, 2014.

Happiness Grows from Trees



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