

Happiness Grows from Trees



SUMITOMO FORESTRY

Financial Results for the First Quarter of FY Ending March, 2017

SUMITOMO FORESTRY CO., LTD.

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1Q FY3/17 Results

Summary of Financial Results

- In the custom-built detached housing business, the number of completed and delivered units increased, and results in the housing business were higher than the same period of the previous year.
- Results in the overseas business were also higher than the same period of the previous year thanks in part to the inclusion of the DRB Group, in which stakes were acquired, in the consolidated results.
- Overall, losses shrank year on year in conjunction with increased revenues.

(Billion yen)	1Q FY3/16		1Q FY3/17		Change	Pct.
	Profit Ratio	Amounts	Profit Ratio	Amounts		
Net sales		195.8		207.7	+11.9	+6.1%
Gross profit	14.6%	28.6	15.4%	31.9	+3.4	+11.8%
SG&A expenses		34.8		37.0	+2.2	+6.2%
Operating income	-3.2%	-6.3	-2.4%	-5.1	+1.2	—
Recurring income	-3.0%	-5.8	-1.9%	-4.0	+1.8	—
Net income attributable to parent company shareholders	-2.7%	-5.3	-1.8%	-3.7	+1.6	—

1Q FY3/17 Results

Summary of Financial Results by Segment

- Timber and Building Materials Business
 - ⇒ Both revenues and earnings increased due primarily to increase in net sales and profitability of import products.
- Housing Business
 - ⇒ Revenues increased, shrinking losses compared to previous year due primarily to impact of increase in number of completed and delivered units in main custom-built detached housing business.
- Overseas Business
 - ⇒ Overall, overseas housing business trended favorably, including new consolidated subsidiary, resulting in increased revenues and earnings.

(Billion yen)		1Q FY3/16	1Q FY3/17	Change	Pct.		
Net sales	Timber and Building Materials Business	101.3	103.5	+2.2	+2.1%		
	Housing Business	60.4	63.7	+3.3	+5.5%		
	Inc. Renovation	11.4	11.1	-0.3	-2.6%		
	Overseas Business	40.8	47.8	+7.0	+17.2%		
	Other	4.0	3.9	-0.1	-2.2%		
	Adjustments	-10.8	-11.3	-0.5	–		
	Total	195.8	207.7	+11.9	+6.1%		
Recurring income	Timber and Building Materials Business	0.5%	0.5	0.9%	1.0	+0.5	+104.4%
	Housing Business	-12.3%	-7.4	-11.0%	-7.0	+0.4	–
	Inc. Renovation	-5.8%	-0.7	-9.7%	-1.1	-0.4	–
	Overseas Business	4.8%	2.0	5.5%	2.7	+0.7	+34.0%
	Other	-4.4%	-0.2	2.2%	0.1	+0.3	–
	Adjustments		-0.7		-0.7	-0.0	–
	Total	-3.0%	-5.8	-1.9%	-4.0	+1.8	–

1Q FY3/17 Results

Housing Business Sales (non-consolidated)

- Custom-built detached houses
 - ⇒ Both monetary amount and number of houses were up compared to previous year. Completed housing unit prices were also up year on year due to increase in Big Frame construction ratio.
- Apartments
 - ⇒ Sales increased steadily against backdrop of strong market environment.

		(Billion yen)	1Q FY3/16	1Q FY3/17	Change	Pct.
Contract business	Custom-built detached houses (Amounts)		34.5	37.0	+2.5	+7.2%
	(Units)		(855)	(897)	(+42)	(+4.9%)
	Million yen (Unit price)		(40.4)	(41.2)	(+0.9)	(+2.1%)
	Apartments (Amounts)		0.9	1.3	+0.3	+38.2%
	(Units)		(55)	(116)	(+61)	(110.9%)
	Other contracts (Amounts)		0.4	0.8	+0.4	+85.2%
Detached spec homes	(Amounts)		1.8	1.3	-0.5	-27.4%
	(Units)		(48)	(36)	(-12)	(-25.0%)
	Million yen (Unit price)		(38.2)	(37.0)	(-1.2)	(-3.2%)
Land for custom-built housing	(Amounts)		0.4	0.8	+0.4	+95.2%
Existing home renovation (Resale of Renovated Homes)	(Amounts)		0.8	0.7	-0.1	-13.2%
Other	(Amounts)		1.3	1.4	+0.1	+4.0%
Total	(Amounts)		40.3	43.3	+3.0	+7.5%
Gross profit ratio	(%)		(23.1%)	(23.4%)	(+0.3%)	–
Gross profit	(Amounts)		9.3	10.1	+0.8	+8.9%

1Q FY3/17 Results

Profit and Loss Performance by Business in Overseas Business

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- Manufacturing
 - ⇒ Business results surpassed those of previous year, primarily due to recovery of wooden board manufacturing subsidiary in New Zealand.
- Housing and Real Estate
 - ⇒ Overall, US and Australian housing businesses trended favorably, and results from DRB Group, in which stakes were acquired in January, were included from 1Q, resulting in increased revenues and earnings.

(Billion yen)	Net sales				Recurring income			
	1Q FY3/16	1Q FY3/17	Change	Pct.	1Q FY3/16	1Q FY3/17	Change	Pct.
Manufacturing	12.6	12.1	-0.4	-3.5%	0.2	0.7	+0.5	+188.2%
Housing and Real Estate	28.4	35.8	+7.5	+26.3%	2.9	3.3	+0.4	+14.6%
Other, Consolidated Adjustments, etc.	-0.1	-0.1	+0	-	-1.2	-1.4	-0.2	-
Total	40.8	47.8	+7.0	+17.2%	2.0	2.7	+0.7	+34.0%

FY3/17 Forecast

Summary of Earnings Forecast for the First Half/Full Year

- We are sticking with the first half and full-year forecasts announced on May 12.
- The consumption tax hike was postponed again, but it is unclear what impact the postponement will have on market trends and our performance, so at this point we are not revising our earnings forecasts.
- The earnings forecasts do not include actuarial differences associated with retirement benefit accounting.

<First Half Forecast> (Billion yen)

	1H FY3/16	1H FY3/17 Forecast	Change	Pct.
Net sales	486.4	529.5	+43.1	+8.9%
Gross profit	83.1	90.5	+7.4	+8.9%
SG&A expenses	70.3	77.5	+7.2	+10.3%
Operating income	12.9	13.0	+0.1	+1.0%
Recurring income	13.5	14.0	+0.5	+4.0%
Net income attributable to parent company shareholders	6.9	7.5	+0.6	+8.9%

<Full Year Forecast> (Billion yen)

	FY3/16 Actual	FY3/17 Forecast	Change	Pct.
Net sales	1,040.5	1,150.0	+109.5	+10.5%
Gross profit	183.1	205.0	+21.9	+11.9%
SG&A expenses	153.0	159.0	+6.0	+3.9%
Operating income	30.1	46.0	+15.9	+52.9%
Recurring income	30.5	48.0	+17.5	+57.3%
Net income attributable to parent company shareholders	9.7	27.0	+17.3	+177.6%

FY3/17 Forecast

Earnings Forecast by Segment for Full Year

- We are sticking with our initial forecast for all of our business segments.
- In the timber and building materials business, the market environment continues to improve, and we will pour efforts into achieving the targets of the full-year plan.
- In the housing business, we will promote improved profitability through the provision of high value-added housing and operational reform.
- In the overseas business, we expect results to trend favorably, driven by the housing and real estate business.

Net sales

(Billion yen)		FY3/16	FY3/17 Forecast	Change	Pct.
Timber and Building Materials Business		427.0	448.0	+21.0	+4.9%
Housing Business		454.6	481.0	+26.4	+5.8%
Inc. Renovation		64.9	71.9	+7.0	+10.9%
Overseas Business		187.9	258.0	+70.1	+37.3%
Other		16.9	23.5	+6.6	+39.3%
Adjustments		-45.8	-60.5	-14.7	–
Total		1,040.5	1,150.0	+109.5	+10.5%

Recurring income

Timber and Building Materials Business	0.8%	3.4	1.0%	4.5	+1.1	+34.2%
Housing Business	6.9%	31.5	6.7%	32.0	+0.5	+1.5%
Inc. Renovation	4.1%	2.7	4.8%	3.5	+0.8	+30.9%
Overseas Business	7.0%	13.1	6.0%	15.5	+2.4	+18.4%
Other	-6.1%	-1.0	4.3%	1.0	+2.0	–
Adjustments		-16.4		-5.0	+11.4	–
Total	2.9%	30.5	4.2%	48.0	+17.5	+57.3%

FY3/17 Forecast

Housing Business Sales Forecast (non-consolidated)

- We are sticking with our initial forecast.
- Custom-built detached housing
 - ⇒ Both amount and number of units in 1Q exceeded that of previous year. We expect full-year performance to exceed that of previous year as well.
- Apartment
 - ⇒ We expect completed contracts to increase in 2Q and beyond.

		(Billion yen)	FY3/16	FY3/17 Forecast	Change	Pct.
Contract business	Custom-built detached houses (Amounts)		299.8	307.0	+7.2	+2.4%
	(Units)		(7,962)	(8,100)	(+138)	(+1.7%)
	Million yen (Unit price)		(37.7)	(37.9)	(+0.2)	(+0.6%)
	Apartments (Amounts)		20.5	23.5	+3.0	+14.6%
	(Units)		(1,324)	(1,620)	(+296)	(+22.4%)
	Other contracts (Amounts)		2.1	4.7	+2.6	+124.8%
	Detached spec homes (Amounts)		11.6	12.1	+0.5	+4.3%
	(Units)		(303)	(320)	(+17)	(+5.6%)
	Million yen (Unit price)		(38.3)	(37.8)	(-0.5)	(-1.3%)
Land for custom-built housing (Amounts)		4.9	4.5	-0.4	-8.6%	
Existing home renovation (Resale of Renovated Homes) (Amounts)		4.8	4.5	-0.3	-5.4%	
Other (Amounts)		8.0	8.1	+0.1	+1.1%	
Total (Amounts)		351.7	364.4	+12.7	+3.6%	
Gross profit ratio (%)		(25.5%)	(25.5%)	(0%)	—	
Gross profit (Amounts)		89.9	92.9	+3.0	+3.4%	

FY3/17 Forecast

Profit and Loss Forecast by Business in Overseas Business

- Remains unchanged since the start of the fiscal year.
- We believe the targets of the full-year plan are achievable in light of 1Q results and the circumstances of overseas group companies from January to June.
- The results of the DRB Group, which is engaged in the housing business on the US east coast, have been included in our consolidated results starting in the 1Q.



(Billion yen)	Net sales				Recurring income			
	FY3/16	FY3/17 Forecast	Change	Pct.	FY3/16	FY3/17 Forecast	Change	Pct.
Manufacturing	54.6	51.1	-3.5	-6.4%	2.6	2.1	-0.5	-18.8%
Housing and Real Estate	134.2	206.8	+72.7	+54.1%	15.2	18.9	+3.7	+24.3%
Other, Consolidated Adjustments, etc.	-0.8	0.1	+0.9	-	-4.8	-5.6	-0.8	-
Total	187.9	258.0	+70.1	+37.3%	13.1	15.5	+2.4	+18.4%

Orders Received and Full Year Forecast

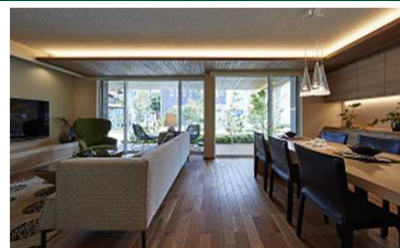
- Both monetary amount and number of houses were down in custom-built detached housing business in 1Q. Orders received unit price stayed at high level due to increase in ratio of Big-Frame construction method orders.
- We will work on expanding sales of zero-energy houses (ZEH) and implementing various campaigns to increase orders received.
- Orders received in apartment and renovation businesses trending higher than previous year. We will pour efforts into achieving targets of full-year plan.

		(Billion yen)							
		1Q FY3/16	1Q FY3/17	Change	Pct.	FY3/16 Actual	FY3/17 Forecast	Change	Pct.
Order received	Custom-built detached houses (Amounts)	74.0	73.7	-0.2	-0.3%	297.5	310.8	+13.3	+4.5%
	(Units)	1,906	1,894	-12	-0.6%	7,730	8,200	+470	+6.1%
	Million yen (Unit price)	33.8	33.9	+0.1	+0.4%	34.1	33.4	-0.7	-2.0%
	Apartments (Amounts)	5.6	5.6	+0.1	+1.4%	23.0	25.5	+2.5	+11.0%
	(Units)	358	346	-12	-3.4%	1,523	1,750	+227	+14.9%
	Renovation (Amounts)	14.4	15.6	+1.1	+7.7%	63.6	71.6	+8.0	+12.6%
	Other contracts (Amounts)	0	0.3	+0.3	-	4.4	4.5	+0.1	+3.0%

GRANDSQUARE
Tachikawa
Display Center



Outside



Inside



Penthouse

Balance Sheet

(Billion yen)	FY3/16	1Q FY3/17	Change		FY3/16	1Q FY3/17	Change
Cash, deposits/ Marketable securities	117.5	74.7	-42.8	Payables	176.4	143.8	-32.7
Receivables	127.1	121.9	-5.3	Short-term debt/bonds issued	32.6	36.1	+3.5
Finished goods,logs and lumber,boards,others	26.1	25.4	-0.7	Advances received from customers	48.6	66.0	+17.4
Construction projects in progress	23.9	43.3	+19.4	Accrued income taxes	7.6	1.2	-6.4
Real estate for sale	43.2	43.9	+0.7	Provision for Bonuses	11.0	5.7	-5.3
Real estate for sale in process	56.4	60.7	+4.3	Other current liabilities	37.0	34.7	-2.3
Short-term loans Receivable	31.7	39.7	+8.0	Total current liabilities	313.3	287.5	-25.8
Other receivables	47.0	32.2	-14.8	Long-term debt/bonds Issued	82.1	101.4	+19.3
Other current assets	18.5	21.9	+3.4	Liability for retirement benefit	23.7	23.5	-0.3
Total current assets	491.5	463.7	-27.8	Other long-term Liabilities	26.0	25.4	-0.6
Buildings and structures	32.1	30.7	-1.4	Total long-term liabilities	131.8	150.3	+18.5
Land	26.8	26.7	-0.1	Shareholders' equity	221.0	207.4	-13.6
Investment securities	74.9	71.3	-3.6	Accumulated other comprehensive income	22.4	16.5	-5.9
Other noncurrent assets	84.0	82.7	-1.2	Non-controlling interests	20.7	13.4	-7.3
Total noncurrent assets	217.7	211.4	-6.4	Total net assets	264.1	237.3	-26.8
Total assets	709.2	675.0	-34.2	Total liabilities/net assets	709.2	675.0	-34.2

- The size of our assets is expanding, particularly in the overseas housing and real estate business, so there has been an increase in developed land and housing for sale and real estate for sale in process.
- At the same time, payment of construction costs for construction completed and delivered 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, 2016.

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Note: 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.