



**Briefing for the Fiscal Year Ended
March 31, 2014**

**Earnings Summary and
Business Strategy**

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May 9, 2014

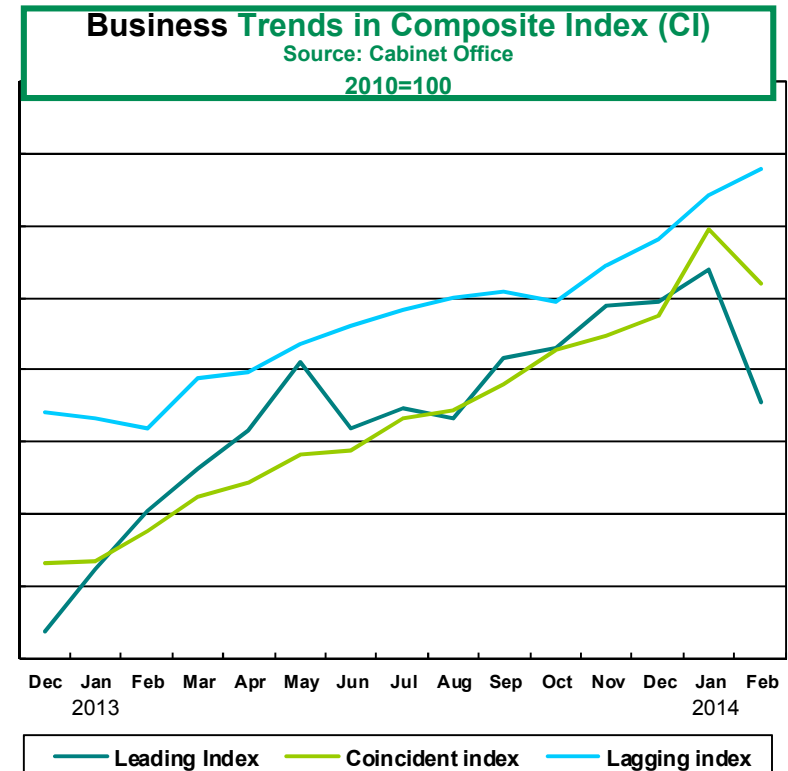
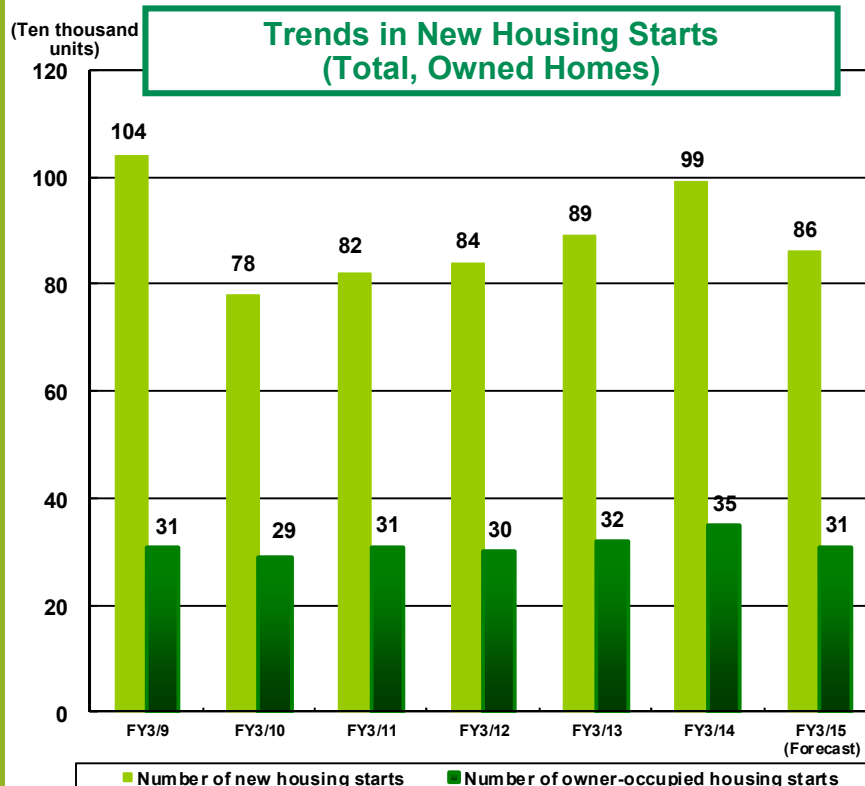
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Recognition of Near-Term Business Environment

The domestic housing market is uncertain due to the effects of the sharp reactive decline resulting from the hike in consumption tax

- Although there is concern over the impact of the consumption tax hike, the domestic economy is performing steadily against a backdrop of a recovery in corporate earnings and steady consumer spending.
- As for overseas economies, the U.S. economy is on a gentle upward trend. The European economy is showing signs of recovery, especially in the UK, while the economies in China and other newly emerging countries in Asia are slowing down somewhat.
- In the domestic housing market, FY3/15 new housing starts are expected to total 860,000 and owner-occupied housing starts are expected to total 310,000, due in part to the impact of the sharp reactive decline accompanying the consumption tax hike.



FYE March 2014 Results and Forecast of FYE March 2015

FY 3/14 results: Increased revenues and earnings against a backdrop of robust demand in domestic housing market

FY 3/15 forecast: Expansion of growth businesses, increase in net sales and recurring income steady from previous term at 30 billion yen level

- In FY 3/14, the timber and building materials and housing businesses drove overall performance thanks in part to stronger profits resulting from the bullish market environment and the surge demand ahead of the consumption tax hike.
- In FY 3/15, efforts will be made to handle the sharp reactive decline accompanying the consumption tax hike while at the same time accelerating the expansion of growth businesses and preparing the earnings structure for next year and beyond.

FY3/14 Results and FY3/15 Plan

(Billion yen)

(Consolidated)	FY3/13	FY3/14	YoY	FY3/15 Forecast	YoY
Net Sales	845.2	973.0	+15.1%	990.0	+1.8%
Operating Income	25.3	33.4	+31.9%	31.0	-7.2%
Recurring Income	27.0	33.6	+24.4%	32.0	-4.7%
Net Income	15.9	22.5	+41.5%	18.0	-20.1%

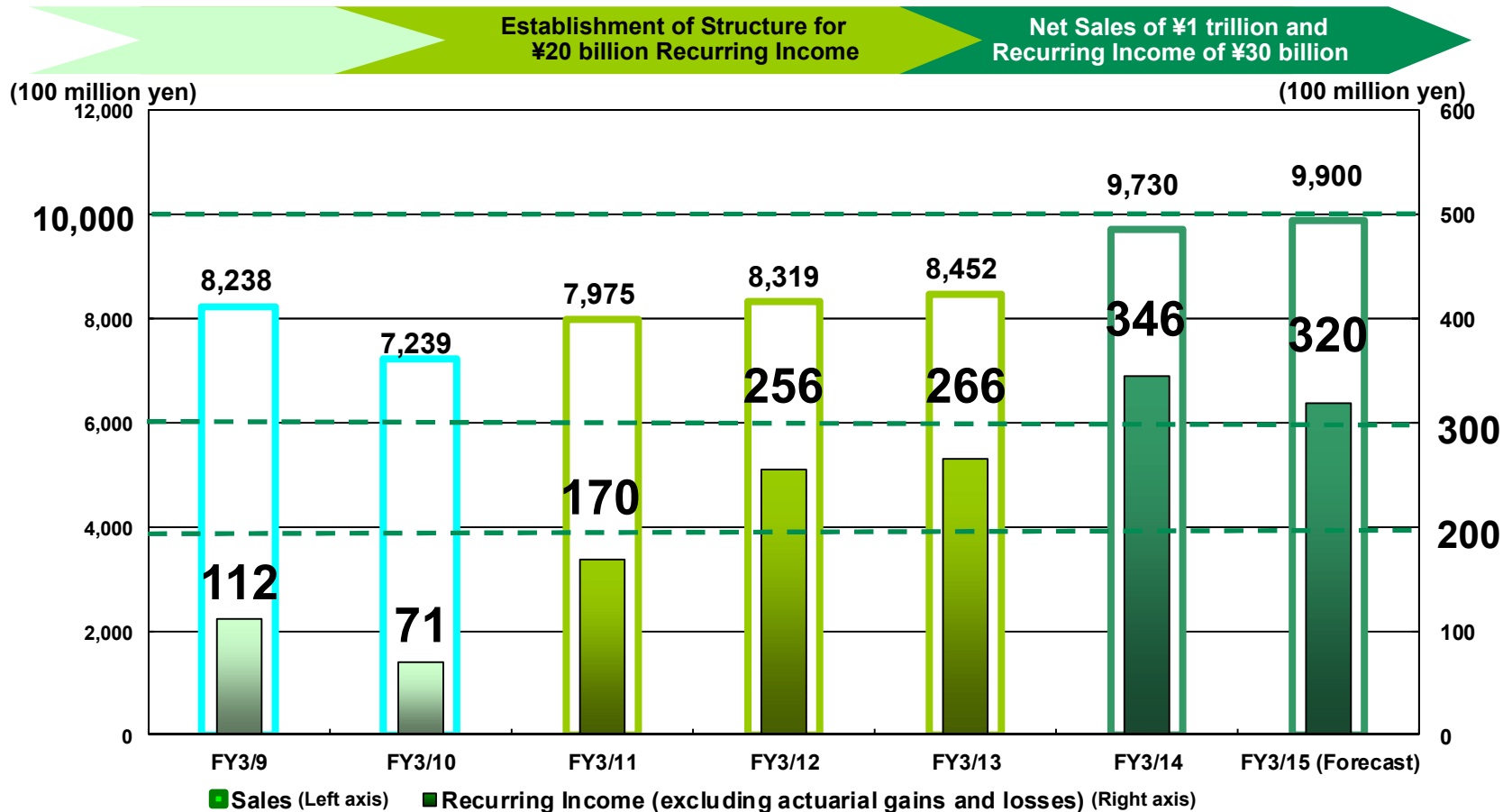
(Billion yen)

Actuarial Gains and Losses Associated with Retirement Benefits	0.4	-1.0	—	—	—
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Medium-Term Objective

To establish a business structure capable of steadily achieving net sales of ¥1 trillion and recurring income of ¥30 billion

- Make bolstering of earnings power the top priority from FY3/11 to FY 3/13 and establish a business structure capable of steadily producing recurring income of ¥20 billion.
- Starting from FY 3/14, work on establishing a structure for net sales of ¥1 trillion and recurring income of ¥30 billion within about three years.



Main Business (Timber and Building Materials Business, Custom-built Detached Houses Business)

The main businesses will respond to market changes based on an improved earnings structure

- New markets will be cultivated in the Timber and building materials business utilizing the global network and accumulated know-how as Japan's leading timber and building materials trading company.
- Drawing attention to the positive qualities of wood, we will highlight the superiority of technical capabilities in the custom-built detached housing business.
- We will also continue to invest management resources in the apartment business.



[Domestic timber]



Solar power generation

[Environmentally sound equipment]



[Proto-housing display center]



[Concept garden called Hagukumi]

	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15 (Forecast)
	Establishment of Structure for ¥20 billion Recurring Income				Net Sales of ¥1 trillion and Recurring Income of ¥30 billion	
Number of New Housing Starts (Thousand units)	775	819	841	893	987	860
Timber and Building Materials Business Sales (Billion yen)	345.4	394.1	405.3	401.3	458.6	420.0
Custom-built Detached Housing Business Sales (Units)	8,580	8,721	9,007	8,999	9,243	9,000

Growth Business (1) Overseas Business (Resources and Manufacturing Business)

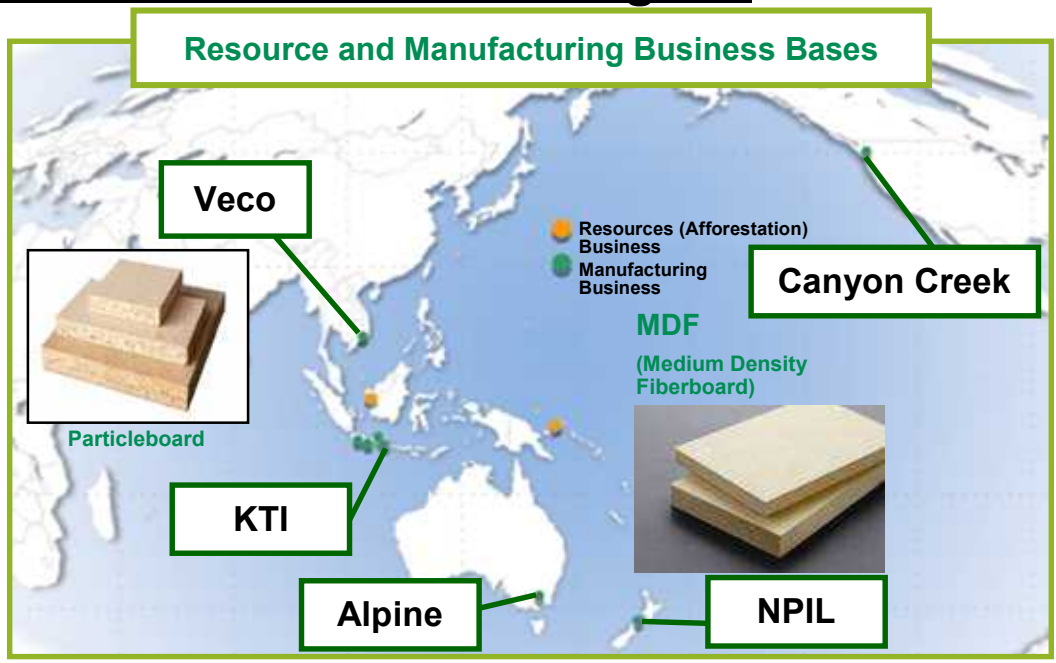
Overall, the overseas business has developed into a business that plays a part in the group earnings portfolio

We will increase the production capacity of our manufacturing business and acquire demand from newly emerging countries, which is expected to increase as the economies grow

- Over many years, the resource and manufacturing business has expanded while staying rooted in the community.
- We will increase the production capacity and acquire demand from the growing markets of newly emerging countries.



[The Plywood factory in Indonesia (KTI)]



FY3/10 FY3/11 FY3/12 FY3/13 FY3/14 FY3/15 (Forecast)

Establishment of Structure for ¥20 billion Recurring Income **Net Sales of ¥1 trillion and Recurring Income of ¥30 billion**

Overall Net Sales in Overseas Business (Billion yen)	21.7	31.7	35.0	38.7	76.3	128.0
Overall Recurring Income in Overseas Business (Billion yen)	-2.7	-1.9	-2.9	-1.8	-0.1	2.5

The number of units sold in the overseas housing business is increasing steadily

- The number of units sold in the U.S. has grown to the level of 2,000 per year with the acquisition of 51% ownership of Texas housing company Gehan Homes Group.
- The number of units sold is also expected to increase in Australia (Henley) as the market recovers.
- We will continue to execute strategies according to local circumstances and promote business expansion.



[Model House in Australia]



[Model House in Suburbs of Seattle, Washington, USA]



[Model Plan in Texas, USA]

FY3/10

FY3/11

FY3/12

FY3/13

FY3/14

FY3/15
(Forecast)

Establishment of Structure for
¥20 billion Recurring Income

Net Sales of ¥1 trillion and
Recurring Income of ¥30 billion

	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15 (Forecast)
Number of Units Sold in Overseas Housing Business (Units)	584	1,756	1,772	2,049	2,270	3,600
the U.S. (units)	58	58	83	229	516	1,700
Australia (units)	526	1,698	1,689	1,820	1,754	1,900

Growth Business (3) Renovation and Leasing Housing and Other Businesses

We will respond to the housing market and uncover new domestic demand by bringing out the potential of new “wood” and increasing the added value

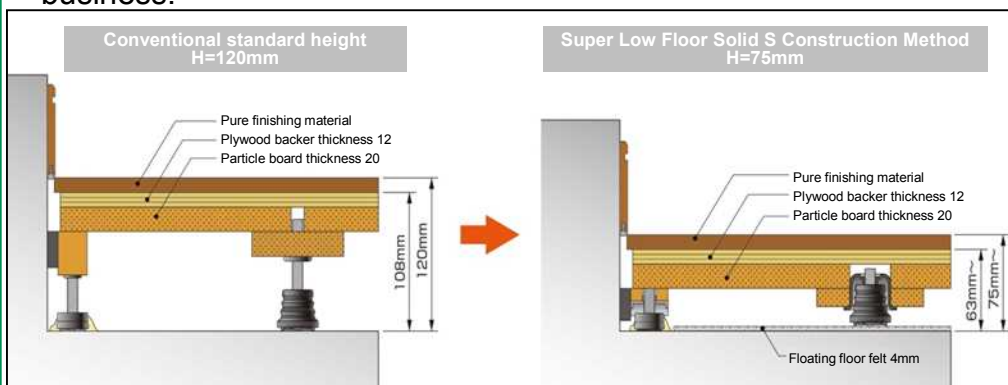
- The renovation business is growing steadily thanks to our strong technical capabilities in the expanding stock housing market.
- The existing condominium renovation business (resale of renovated condominium) continues to get on track.
- We are actively responding to new domestic demand, including the wood-use integration business and the biomass power generation business.



forestia



[Resale of Renovated Condominium: Forestia Ashiya Hamacho]



[Difference Between Conventional and Super Low Floor Solid S Construction Methods Used in Renovation]



[Renovation of traditional Japanese-style Homes]

FY3/10

FY3/11

FY3/12

FY3/13

FY3/14

FY3/15
(Forecast)

Establishment of Structure for
¥20 billion Recurring Income

Net Sales of ¥1 trillion and
Recurring Income of ¥30 billion

Net Sales (Billion Yen) in Renovation Business (Sumitomo Forestry Home Tech)	37.5	41.8	47.9	53.0	62.2	66.9
Recurring Income (Billion Yen) in Renovation Business (Sumitomo Forestry Home Tech)	1.6	2.1	2.6	2.7	4.1	4.4

Return to Shareholders

Our basic policy is to provide dividends on a steady and ongoing basis taking profit levels, revenue levels, the state of retained earnings and future business development into consideration from a comprehensive and long-term perspective

- Passing on profits to shareholders will be one of the highest priorities of management, and dividends will be increased in FY 3/13 and FY 3/14.
- The policy for dividends will be to provide steady dividends as it has been.

FY3/13 Dividend Record

Interim Dividend	¥7.5/share	
Year-end Dividend	¥9.5/share	<u>Annual Dividend ¥17/share</u>

FY3/14 Proposed Dividend

Interim Dividend	¥9.5/share	
Year-end Dividend	¥9.5/share	<u>Annual Dividend ¥19/share</u>

FY3/15 Forecasted Dividend

Interim Dividend	¥9.5/share	
Year-end Dividend	¥9.5/share	<u>Annual Dividend ¥19/share</u>

Brand Communication Strategy

A new brand message has been launched in concert with promotion of the group growth strategy

- A new brand message shared across the group will be prepared to bring out the collective strength of the group and accelerate growth. It will be positioned as the core of brand communication and will be brought out strategically.
- New branding activities will be rolled out based on the brand slogan of "Happiness Grows from Trees."

Happiness Grows from Trees



Happiness Grows from Trees



SUMITOMO FORESTRY

Thank you