

Happiness Grows from Trees



SUMITOMO FORESTRY

Financial Results for the First Quarter of FY Ending March, 2016

SUMITOMO FORESTRY CO., LTD.

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1Q FY3/16 Results

Summary of Financial Results

- In the custom-built detached housing business, the number of completed and delivered units declined against the backdrop of a small backlog of orders received at the beginning of the period, and results in the housing business were lower than the same period of the previous year.
- At the same time, results trended favorably in the overseas business, especially the housing and real estate business.
- Overall, net sales were around the same level as the previous year, while operating loss, recurring loss and net loss attributable to parent company shareholders grew.

(Billion yen)	1Q FY3/15		1Q FY3/16		Change	Pct.
	Profit Ratio	Amounts	Profit Ratio	Amounts		
Net sales		192.5		195.8	+3.3	+1.7%
Gross profit	14.2%	27.4	14.6%	28.6	+1.2	+4.4%
SG&A expenses		31.6		34.8	+3.2	+10.2%
Operating income	-2.2%	-4.2	-3.2%	-6.3	-2.0	-
Recurring income	-2.1%	-4.0	-3.0%	-5.8	-1.9	-
Net income attributable to parent company shareholders	-1.6%	-3.0	-2.7%	-5.3	-2.3	-

1Q FY3/16 Results

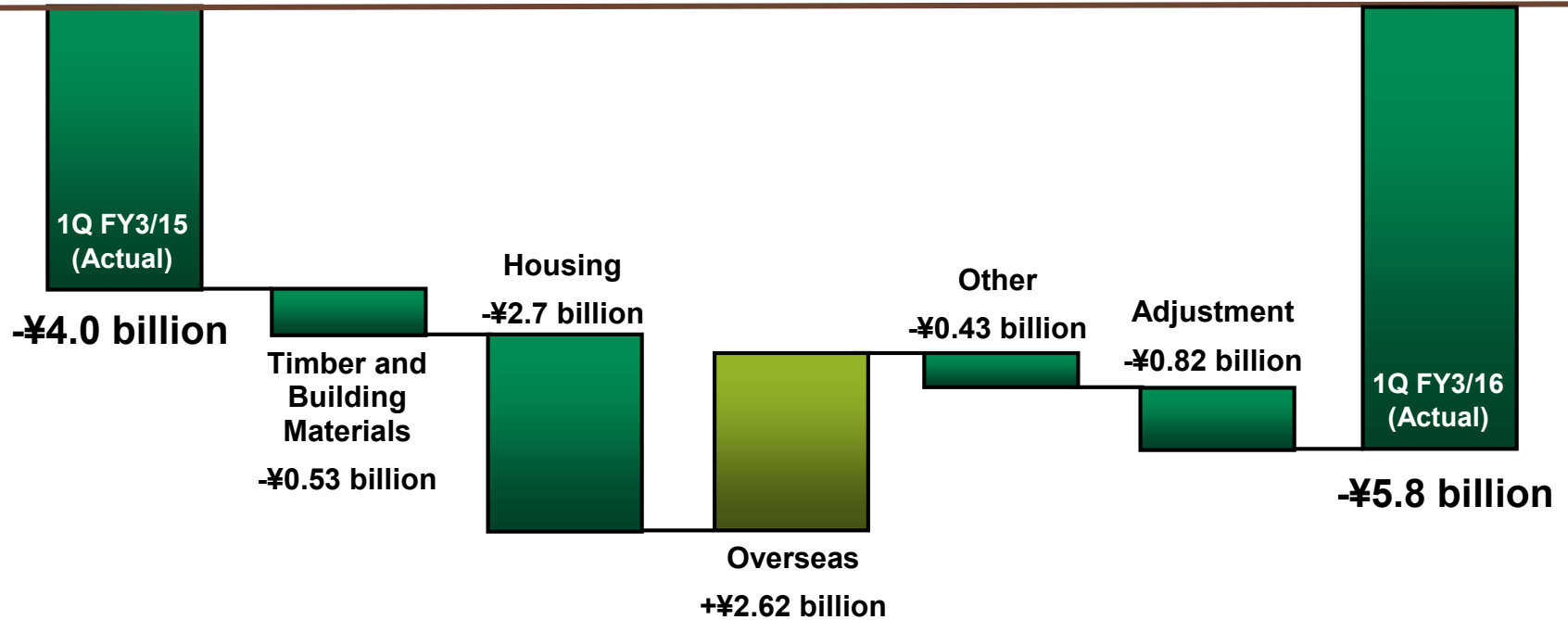
Summary of Financial Results by Segment

- Timber and Building Materials
 - ⇒ The timber and building materials market was stagnant in the 1Q, so revenue and earnings were down.
- Housing
 - ⇒ Overall results fell short of the previous year, with the number of completed and delivered units in the custom-build detached housing business falling and the impact of declining profits in the renovation business.
- Overseas
 - ⇒ In the overseas housing and real estate business, sales were favorable due to strong housing markets in the United States and Australia. Both revenues and earnings increased substantially.

		(Billion yen)		1Q FY3/15		1Q FY3/16		Change	Pct.
Net sales	Timber and Building Materials		106.7		101.3		-5.4		-5.0%
	Housing		70.4		60.4		-10.0		-14.3%
	Inc. Renovation		11.0		11.4		+0.5		+4.1%
	Overseas		22.0		40.8		+18.8		+85.5%
	Other		3.9		4.0		+0.2		+4.2%
	Adjustment		-10.5		-10.8		-0.3		-
	Total		192.5		195.8		+3.3		+1.7%
Recurring income	Timber and Building Materials	0.9%	1.0	0.5%	0.5		-0.5		-52.4%
	Housing	-6.7%	-4.7	-12.3%	-7.4		-2.7		-
	Inc. Renovation	-3.4%	-0.4	-5.8%	-0.7		-0.3		-
	Overseas	-2.9%	-0.6	4.8%	2.0		+2.6		-
	Other	6.6%	0.3	-4.4%	-0.2		-0.4		-
	Adjustment		0.1		-0.7		-0.8		-
	Total	-2.1%	-4.0	-3.0%	-5.8		-1.9		-

1Q FY3/16 Results

Changes in Recurring Income (year-on-year)



<<Year-on-Year>>

Timber and Building Materials Business

Freight movement was slow year-on-year, and recurring income was down about ¥500 million.

Housing Business

Recurring income was down about ¥2.7 billion due primarily to a decrease in the number of completed and delivered units in the custom-built detached housing business.

Overseas Business

In the overseas housing business, recurring income was up about ¥2.6 billion thanks to favorable sales in the United States and Australia.

1Q FY3/16 Results

Housing Business Sales (non-consolidated)

- Custom-built detached houses
 - ⇒ The number of completed and delivered units was down, but the unit prices were up, keeping the decline in revenue under control.
- Apartments
 - ⇒ Orders received were favorable in the previous period, but their completion will be reflected in the 2Q and later, so 1Q construction completed was down compared to the previous period.

		(Billion yen)	1Q FY3/15	1Q FY3/16	Change	Pct.
Contract business	Custom-built detached houses	(Amounts)	45.9	34.5	-11.4	-24.8%
		(Units)	1,307	855	-452	-34.6%
		Million yen (Unit price)	35.1	40.4	+5.2	+14.9%
	Apartments	(Amounts)	1.3	0.9	-0.4	-31.2%
		(Units)	76	55	-21	-27.6%
	Other contracts	(Amounts)	0.3	0.4	+0.1	+43.6%
	Detached spec homes	(Amounts)	0.8	1.8	+1.0	+132.6%
		(Units)	21	48	+27	+128.6%
		Million yen (Unit price)	37.6	38.2	+0.7	+1.8%
Land for custom-built housing	(Amounts)	0.8	0.4	-0.4	-45.1%	
Existing home renovation (Resale of Renovated Homes)	(Amounts)	0.8	0.8	+0.1	+6.7%	
Other	(Amounts)	1.6	1.3	-0.3	-16.4%	
Total	(Amounts)	51.5	40.3	-11.2	-21.7%	

1Q FY3/16 Results

Profit and Loss Performance by Business in Overseas Business

- Manufacturing
 - ⇒ Net sales and recurring income both increased year-on-year due to factors such as a recovery in the results of the wooden board manufacturing subsidiary in Australia.
- Housing and Real Estate
 - ⇒ Net sales and recurring income both increased year-on-year primarily because of favorable housing sales in the United States and Australia and the Gehan Homes Group, a consolidated subsidiary, not being included in the 1Q FY3/15 results.

(Billion yen)	Net sales			
	1Q FY3/15	1Q FY3/16	Change	Pct.
Manufacturing	11.3	12.6	+1.2	+10.9%
Housing and Real Estate	10.9	28.4	+17.4	+159.4%
Other, Consolidated Adjustments, etc.	-0.3	-0.1	+0.1	-
Total	22.0	40.8	+18.8	+85.5%

Recurring income			
1Q FY3/15	1Q FY3/16	Change	Pct.
-0	0.2	+0.2	-
0.6	2.9	+2.3	+377.3%
-1.2	-1.2	+0	-
-0.6	2.0	+2.6	-

FY3/16 Forecast

Summary of Earnings Forecast for the First Half/Full Year

- The forecast for 1H results is being revised upwards due to expectation that profit levels in the housing and overseas businesses will be higher than the initial forecast.
- In the housing business, this was primarily because costs trended lower than expected, and in the overseas business, it was primarily because the housing and real estate business performed favorably.
- The full-year forecast has not been changed, as the foreign and domestic market environment and economic situation remain uncertain in the 2H and beyond.

<First Half Forecast> (Billion yen)	1H FY3/15	1H FY3/16 Forecast	Change	Pct.	FY3/16	
					Initial Forecast	Difference
Net Sales	469.6	488.0	+18.4	+3.9%	488.0	-
Gross profit	77.8	81.5	+3.7	+4.7%	78.0	+4.5%
SG&A expenses	65.6	70.0	+4.4	+6.7%	71.0	-1.4%
Operating income	12.2	11.5	-0.7	-5.9%	7.0	+64.3%
Recurring income	13.3	12.0	-1.3	-9.9%	7.5	+60.0%
Net income attributable to parent company shareholders	7.3	5.5	-1.8	-24.4%	3.0	+83.3%

<Full Year Forecast> (Billion yen)	FY3/15 Actual	FY3/16 Forecast	Change	Pct.
Net sales	997.3	1,062.0	+64.7	+6.5%
Gross profit	169.5	179.0	+9.5	+5.6%
SG&A expenses	135.5	144.0	+8.5	+6.3%
Operating income	34.0	35.0	+1.0	+3.0%
Recurring income	36.4	36.5	+0.1	+0.2%
Net income attributable to parent company shareholders	18.6	19.5	+0.9	+5.0%

FY3/16 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, our focus in the 2Q and beyond will be on achieving the targets of the full-year plan, as there are signs of an improvement in the market environment.
- In the housing business, we will continue to promote increases in unit prices by providing added value and reductions in cost.
- In the overseas business, the housing and real estate business will continue to drive overall results.

		(Billion yen)					
		FY3/15	FY3/16	Change	Pct.		
Net sales	Timber and Building Materials	423.0	445.0	+22.0	+5.2%		
	Housing	453.9	465.0	+11.1	+2.4%		
	Inc. Renovation	59.6	71.1	+11.5	+19.2%		
	Overseas	147.0	182.0	+35.0	+23.8%		
	Other	16.6	17.0	+0.4	+2.6%		
	Adjustment	-43.3	-47.0	-3.7	-		
	Total	997.3	1,062.0	+64.7	+6.5%		
Recurring income	Timber and Building Materials	1.0%	4.0	1.1%	4.8	+0.8	+18.8%
	Housing	6.2%	28.3	6.0%	28.0	-0.3	-1.1%
	Inc. Renovation	4.4%	2.7	6.6%	4.0	+1.3	+50.9%
	Overseas	4.2%	6.1	4.6%	8.3	+2.2	+35.5%
	Other	7.1%	1.2	0.6%	0.1	-1.1	-91.5%
	Adjustment		-3.2		-4.7	-1.5	-
	Total	3.7%	36.4	3.4%	36.5	+0.1	+0.2%

FY3/16 Forecast

Housing Business Sales Forecast (non-consolidated)

- In the custom-built detached housing business, 1Q results decreased year-on-year, but orders received trended higher, so we will aim to achieve the targets of the initial plan.
- In the apartment business, there are properties to be completed in the 2Q and later, so we expect to achieve the targets of the initial plan.

		(Billion yen)	FY3/15	FY3/16	Change	Pct.
Contract business	Custom-built detached houses (Amounts)		313.4	299.1	-14.3	-4.6%
		(Units)	8,743	8,200	-543	-6.2%
		Million yen (Unit price)	35.8	36.5	+0.6	+1.8%
	Apartments (Amounts)		13.6	18.7	+5.1	+37.8%
		(Units)	1,014	1,340	+326	+32.1%
	Other contracts (Amounts)		2.8	4.1	+1.3	+46.9%
Detached spec homes (Amounts)		10.2	11.8	+1.6	+16.0%	
	(Units)	272	295	+23	+8.5%	
	Million yen (Unit price)	37.4	40.0	+2.6	+6.9%	
Land for custom-built housing (Amounts)		5.5	5.3	-0.2	-4.2%	
Existing home renovation (Resale of Renovated Homes) (Amounts)		5.7	5.9	+0.2	+3.8%	
Other (Amounts)		8.0	8.9	+0.9	+10.9%	
Total (Amounts)			359.2	353.8	-5.4	-1.5%

FY3/16 Forecast

Profit and Loss Forecast by Business in Overseas Business

- Remains unchanged since the start of the fiscal year.
- In the housing and real estate business, the Henley Group (US/Australia), the Gehan Group (US) and Bloomfield (US) are expected to have strong sales in the US and Australia, resulting in increased revenue and earnings, so we expect to achieve the targets of the full-year plan.

Model House in United States



(Billion yen)	Net sales			
	FY3/15	FY3/16	Change	Pct.
Manufacturing	50.4	53.1	+2.7	+5.3%
Housing and Real Estate	98.1	128.7	+30.5	+31.1%
Other, Consolidated Adjustments, etc.	-1.5	0.3	+1.8	–
Total	147.0	182.0	+35.0	+23.8%

Recurring income			
FY3/15	FY3/16	Change	Pct.
0.7	1.6	+0.9	+134.6 %
9.6	10.8	+1.2	+12.4%
-4.2	-4.1	+0.1	–
6.1	8.3	+2.2	+35.5%

FY3/16 Orders Received and Full Year Forecast

- In the custom-built detached housing business, both the amount and number of orders received in the 1Q exceeded that of the previous year.
- Unit prices were up about ¥1.4 million thanks to an increase in the rate of orders received for our proprietary, high-performance “Big-Frame construction method” and promotion of the “Estate Design Project.”
- Web Sumai Haku and various campaigns will be held to increase orders received.
- In the apartment business, both orders received and units completed and delivered trended favorable due to revision of the inheritance tax system and asset utilization demand. In the renovation business, the targets of the initial plan are somewhat high, so we will focus our efforts on achieving them.

		(Billion yen)	1Q FY3/15	1Q FY3/16	Change	Pct.	FY3/15 Actual	FY3/16 Forecast	Change	Pct.
Order received	Custom-built detached Houses (Amounts)		64.8	74.0	+9.2	+14.2%	290.2	313.8	+23.6	+8.1%
	(Units)		1,792	1,906	+114	+6.4%	7,804	8,600	+796	+10.2%
	Million yen (Unit price)		32.4	33.8	+1.4	+4.3%	33.2	33.2	—	—
	Apartments (Amounts)		3.7	5.6	+1.8	+49.5%	21.8	22.7	+0.9	+4.2%
	(Units)		249	358	+109	+43.8%	1,486	1,550	+64	+4.3%
	Renovation (Amounts)		12.5	14.4	+1.9	+15.2%	55.9	69.2	+13.3	+23.8%
	Other contracts (Amounts)		0	0	-0	-2.2%	1.4	4.2	+2.8	+192.7%



Balance Sheet

(Billion yen)	FY3/15	1Q FY3/16	Change		FY3/15	1Q FY3/16	Change
Cash, deposits, securities	107.8	78.4	-29.4	Payables	167.6	137.8	-29.8
Receivables	124.2	120.8	-3.4	Short-term debt /bonds issued	31.3	28.3	-3.0
Finished goods	26.6	26.0	-0.6	Advances received on uncompleted construction contracts	46.8	64.9	+18.1
Costs on uncompleted construction contracts	22.9	41.6	+18.7	Income taxes payable	4.6	1.4	-3.3
Developed land and housing for sale	39.2	41.2	+1.9	Provision for employees' bonuses	10.0	5.3	-4.7
Real estate for sale in process	37.1	39.9	+2.8	Other current liabilities	31.8	39.6	+7.8
Short-term loans receivable	32.6	25.6	-7.0	Current liabilities	292.1	277.2	-14.9
Accounts receivable, other	44.6	33.2	-11.4	Long-term debt/bonds issued	66.2	68.1	+1.9
Other current assets	15.3	18.7	+3.4	Net defined benefit liability	13.1	12.7	-0.4
Total current assets	450.2	425.2	-25.0	Other long-term liabilities	33.4	34.5	+1.1
Buildings and structures	31.9	31.3	-0.6	Long-term liabilities	112.6	115.3	+2.6
Land	27.0	26.9	-0.1	Shareholders' equity	215.6	208.1	-7.4
Investment securities	75.3	81.0	+5.7	Accumulated other comprehensive income	30.2	32.8	+2.6
Other noncurrent assets	81.1	84.2	+3.1	Non-controlling interests	15.0	15.2	+0.2
Total noncurrent assets	215.3	223.4	+8.1	Net assets	260.8	256.1	-4.6
Assets	665.5	648.6	-16.9	Total liabilities/net assets	665.5	648.6	-16.9

- 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, 2015.

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