

Happiness Grows from Trees



SUMITOMO FORESTRY

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

SUMITOMO FORESTRY CO., LTD.

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3Q FY3/16 Results Summary of Financial Results

- Overseas businesses drove overall results, and net sales, operating income and recurring income exceeded the previous year's results.
- An extraordinary loss was recorded in relation to impairment of some fixed assets, so net income attributable to parent company shareholders fell below the previous year's results.

(Billion yen)	3Q FY3/15		3Q FY3/16		Change	Pct.
	Profit Ratio	Amounts	Profit Ratio	Amounts		
Net sales		699.3		730.1	+30.8	+4.4%
Gross profit	16.3%	113.9	16.8%	122.8	+8.9	+7.8%
SG&A expenses		99.2		105.1	+5.9	+5.9%
Operating income	2.1%	14.7	2.4%	17.7	+3.0	+20.7%
Recurring income	2.4%	16.8	2.4%	17.6	+0.9	+5.2%
Net income attributable to parent company shareholders	1.1%	7.9	0.6%	4.0	-3.9	-48.9%

3Q FY3/16 Results

Summary of Financial Results by Segment

- Timber and Building Materials
⇒ Profit declined in part due to delay in recovery of building materials manufacturing business.
- Housing ⇒ Revenue and profit declined due to decrease in number of custom-built detached houses completed and delivered, which is a mainstay.
- Overseas ⇒ Substantial increase in revenue and profit as housing businesses in US and Australia trended favorably.
- Other ⇒ Loss recorded in relation to impairment resulting from review of business plan in Indonesian forestation business. (“Equity-method investment loss” as it is equity-method affiliate)

		(Billion yen)		3Q FY3/15	3Q FY3/16	Change	Pct.
Net sales	Timber and Building Materials			321.3	320.5	-0.8	-0.2%
	Housing			301.8	292.9	-8.9	-3.0%
	Inc. Renovation			42.6	47.0	+4.5	+10.6%
	Overseas			97.1	138.5	+41.4	+42.7%
	Other			11.5	12.3	+0.8	+6.9%
	Adjustment			-32.5	-34.2	-1.7	-
	Total			699.3	730.1	+30.8	+4.4%
Recurring income	Timber and Building Materials	1.1%	3.4	0.9%	2.9	-0.6	-16.9%
	Housing	3.5%	10.6	3.5%	10.1	-0.5	-4.9%
	Inc. Renovation	3.9%	1.7	3.6%	1.7	+0.0	+2.0
	Overseas	3.4%	3.3	6.3%	8.7	+5.4	+161.7%
	Other	7.0%	0.8	-9.5%	-1.2	-2.0	-
	Adjustment	-	-1.4	-	-2.9	-1.4	-
	Total	2.4%	16.8	2.4%	17.6	+0.9	+5.2%

3Q FY3/16 Results

Housing Business Sales (non-consolidated)

- Custom-built detached houses
 - ⇒ Both monetary amount and number of houses were down compared to previous year due to smaller backlog of orders at beginning of year, but completed housing unit prices went up.
- Apartments ⇒ Sales increased steadily against backdrop of strong market environment.

		(Billion yen)	3Q FY3/15	3Q FY3/16	Change	Pct.
Contract business	Custom-built detached houses (Amounts)		207.6	190.4	-17.2	-8.3%
	(Units)		(5,763)	(5,016)	(-747)	(-13.0%)
	Million yen (Unit price)		(36.0)	(38.0)	(+1.9)	(+5.4%)
	Apartments (Amounts)		6.6	9.6	+3.0	+46.4%
	(Units)		(465)	(545)	(+80)	(+17.2%)
	Other contracts (Amounts)		2.1	1.3	-0.9	-40.5%
	Detached spec homes (Amounts)		5.8	7.5	+1.6	+28.0%
	(Units)		(159)	(193)	(+34)	(+21.4%)
	Million yen (Unit price)		(36.7)	(38.7)	(+2.0)	(+5.4%)
Land for custom-built housing (Amounts)		3.1	2.9	-0.2	-7.6%	
Existing home renovation (Resale of Renovated Homes) (Amounts)		3.6	3.2	-0.4	-12.3%	
Other (Amounts)		5.9	5.2	-0.7	-11.2%	
Total (Amounts)		234.7	220.0	-14.7	-6.3%	
Gross profit ratio (%)		(24.1%)	(25.2%)	(+1.1%)	-	
Gross profit (Amounts)		56.7	55.4	-1.2	-2.2%	

3Q FY3/16 Results

Profit and Loss Performance by Business in Overseas Business

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- Manufacturing ⇒ MDF manufacturing subsidiaries in New Zealand and Australia had solid results owing to steady sales and recovery of exchange rate levels.
- Housing and Real Estate ⇒ Housing business in US and Australia trended favorably. Additionally, revenue and profit both increased substantially due in part to contribution of Gehan Homes Group, which was made consolidated subsidiary in May 2014, to full-year results.

(Billion yen)	Net sales				Recurring income			
	3Q FY3/15	3Q FY3/16	Change	Pct.	3Q FY3/15	3Q FY3/16	Change	Pct.
Manufacturing	37.1	40.5	+3.4	+9.1%	0.6	1.7	+1.1	+196.5%
Housing and Real Estate	61.1	98.5	+37.4	+61.3%	5.4	11.4	+6.0	+112.5%
Other, Consolidated Adjustments, etc.	-1.0	-0.4	+0.6	–	-2.6	-4.4	-1.8	–
Total	97.1	138.5	+41.4	+42.7%	3.3	8.7	+5.4	+161.7%

FY3/16 Forecast

Summary of Earnings Forecast for the Full Year

- We are revising operating income upward from the full-year forecast of the second quarter results announcement based on the upswing in profit from overseas businesses and net income attributable to parent company shareholders downward due to an increase in extraordinary losses.
- Actuarial gains and losses associated with retirement benefits are not incorporated into the full-year forecast.

<Full Year Forecast> (Billion yen)	FY3/15	FY16/3 Forecast	Change	Pct.	FY3/16		
					Previous (2Q) Full-Year Forecast	Difference	Percentage
Net sales	997.3	1,050.0	+52.7	+5.3%	1,050.0	—	—
Gross profit	169.5	183.0	+13.5	+8.0%	182.0	+1.0	+0.5%
SG&A expenses	135.5	143.0	+7.5	+5.5%	143.0	—	—
Operating income	34.0	40.0	+6.0	+17.7%	39.0	+1.0	+2.6%
Recurring income	36.4	40.0	+3.6	+9.8%	40.0	—	—
Net income attributable to parent company Shareholders	18.6	17.5	-1.1	-5.8%	22.0	-4.5	-20.5%

FY3/16 Forecast

Earnings Forecast by Segment for Full Year

- Net sales has been left as-is in every segment.
- The recurring income forecast for overseas has been increased by ¥1 billion as profit from the US and Australian housing businesses exceeded expectations, while the forecast for the Other segment has been decreased by ¥1 billion as a result of impairment.

		(Billion yen)		FY3/15	FY3/16 Forecast	Change	Pct.	Difference from Previous (2Q) Forecast	Percentage of Change
Net sales	Timber and Building Materials			423.0	430.5	+7.5	+1.8%	—	—
	Housing			453.9	459.0	+5.1	+1.1%	—	—
	Inc. Renovation			59.6	67.5	+7.9	+13.2%	—	—
	Overseas			147.0	186.0	+39.0	+26.5%	—	—
	Other			16.6	17.0	+0.4	+2.6%	—	—
	Adjustment			-43.3	-42.5	+0.8	—	—	—
	Total			997.3	1,050.0	+52.7	+5.3%	—	—
Recurring income	Timber and Building Materials	1.0%	4.0	0.9%	3.8	-0.2	-5.9%	—	—
	Housing	6.2%	28.3	6.6%	30.5	+2.2	+7.8%	—	—
	Inc. Renovation	4.4%	2.7	5.2%	3.5	+0.8	+32.0%	—	—
	Overseas	4.2%	6.1	6.5%	12.0	+5.9	+95.9%	+1.0	+9.1%
	Other	7.1%	1.2	5.3%	-0.9	-2.1	—	-1.0	—
	Adjustment			-3.2	-5.4	-2.2	—	—	—
	Total	3.7%	36.4	3.8%	40.0	+3.6	+9.8%	—	—

FY3/16 Forecast

Housing Business Sales Forecast (non-consolidated)

- Custom-built detached houses
⇒ We fully expect to achieve the full-year forecast based on progress up to the third quarter and the status of housing starts.
- Apartments ⇒ We expect to achieve the full-year forecast.

		(Billion yen)	FY3/15	FY3/16 Forecast	Change	Pct.
Contract business	Custom-built detached houses (Amounts)		313.4	299.3	-14.1	-4.5%
	(Units)		(8,743)	(8,000)	(-743)	(-8.5%)
	Million yen (Unit price)		(35.8)	(37.4)	(+1.6)	(+4.4%)
	Apartments (Amounts)		13.6	18.7	+5.1	+37.8%
	(Units)		(1,014)	(1,340)	(+326)	(+32.1%)
	Other contracts (Amounts)		2.8	2.8	+0.0	+0.3%
	Detached spec homes (Amounts)		10.2	11.7	+1.5	+15.0%
	(Units)		(272)	(300)	(+28)	(+10.3%)
	Million yen (Unit price)		(37.4)	(39.0)	(+1.6)	(+4.3%)
Land for custom-built housing (Amounts)		5.5	5.8	+0.3	+4.9%	
Existing home renovation (Resale of Renovated Homes) (Amounts)		5.7	6.4	+0.7	+12.6%	
Other (Amounts)		8.0	9.3	+1.3	+15.9%	
Total (Amounts)		359.2	354.0	-5.2	-1.4%	
Gross profit ratio (%)		(24.6%)	(25.4%)	(+0.8%)	-	
Gross profit (Amounts)		88.3	89.8	+1.5	+1.7%	

FY3/16 Forecast Profit and Loss Forecast by Business in Overseas Business

- We acquired stakes in the Dan Ryan Builders Group (DRB Group), which is engaged in the housing business on the east coast of the United States. However, at the end of the year, only the balance sheet will be consolidated. It will begin contributing to performance next year.
- Based on its performance from December 2014 statements, the DRB Group sells 1,248 houses a year, and our target of establishing a system for selling 5,000 houses in the US is within sight.



(Billion yen)	Net sales				Recurring income			
	FY3/15	FY3/16 Forecast	Change	Pct.	FY3/15	FY3/16 Forecast	Change	Pct.
Manufacturing	50.4	53.2	+2.8	+5.6%	0.7	2.6	+1.9	+271.6%
Housing and Real Estate	98.1	133.0	+34.8	+35.5%	9.6	15.0	+5.3	+55.4%
Other, Consolidated Adjustments, etc.	-1.5	-0.2	+1.3	-	-4.2	-5.6	-1.3	-
Total	147.0	186.0	+39.0	+26.5%	6.1	12.0	+5.9	+95.9%

Orders Received and Full Year Forecast

- On a monetary amount basis, third quarter results in the custom-built detached housing business are on pace with the full-year forecast as unit prices for orders received are on the rise, but on a number of units basis achieving the forecast will be a struggle.
- The “Estate Design Project,” which provides high-quality atmospheres with a unique wood design sense, is performing favorably, and a third display center in Tachikawa, Tokyo will be opened, joining the existing ones in Komazawa and Yagoto (Nagoya).

		(Billion yen)	3Q FY3/15	3Q FY3/16	Change	Pct.	FY3/15 Actual	FY3/16 Forecast	Change	Pct.
Order received	Custom-built detached houses (Amounts)		206.0	220.6	+14.6	+7.1%	290.2	309.0	+18.8	+6.5%
	(Units)		(5,566)	(5,720)	(+154)	(+2.8%)	(7,804)	(8,200)	(+396)	(+5.1%)
	Million yen (Unit price)		(32.9)	(34.0)	(+1.0)	(+3.1%)	(33.2)	(34.1)	(+0.9)	(+2.8%)
	Apartments (Amounts)		15.3	17.7	+2.5	+16.1%	21.8	22.7	+0.9	+4.2%
	(Units)		(1,029)	(1,165)	(+136)	(+13.2%)	(1,486)	(1,550)	(+64)	(+4.3%)
	Renovation (Amounts)		42.1	46.8	+4.7	+11.2%	55.9	69.2	+13.3	+23.8%
	Other contracts (Amounts)		1.4	3.3	+1.9	+132.5%	1.4	4.2	+2.8	+192.7%

Komazawa Display Center
(Setagaya-ku, Tokyo)



Yagoto Display Center
(Nagoya, Aichi)



Tachikawa Display Center (Tachikawa, Tokyo)
Opening in February



Balance Sheet

(Billion yen)	FY3/15	3Q FY3/16	Change		FY3/15	3Q FY3/16	Change
Cash, deposits, securities	107.8	80.4	-27.4	Payables	167.6	166.6	-0.9
Receivables	124.2	136.7	12.5	Short-term debt /bonds issued	31.3	31.7	0.3
Finished goods	26.6	26.4	-0.2	Advances received on uncompleted construction contracts	46.8	62.5	15.7
Costs on uncompleted construction contracts	22.9	41.7	18.8	Income taxes payable	4.6	1.2	-3.5
Developed land and housing for sale	39.2	41.3	2.1	Provision for Employees' bonuses	10.0	5.7	-4.3
Real estate for sale in process	37.1	45.7	8.6	Other current liabilities	31.8	38.3	6.5
Short-term loans receivable	32.6	30.8	-1.8	Total current liabilities	292.1	305.9	13.8
Accounts receivable, other	44.6	39.8	-4.8	Long-term debt/bonds issued	66.2	67.6	1.4
Other current assets	15.3	16.7	1.3	Net defined benefit liability	13.1	12.4	-0.6
Total current assets	450.2	459.4	9.2	Other long-term liabilities	33.4	32.3	-1.1
Buildings and structures	31.9	29.9	-2.0	Total long-term liabilities	112.6	112.3	-0.4
Land	27.0	26.6	-0.4	Shareholders' equity	215.6	215.3	-0.2
Investment securities	75.3	81.2	5.9	Accumulated other comprehensive income	30.2	25.1	-5.1
Other noncurrent assets	81.1	77.8	-3.3	Non-controlling interests	15.0	16.3	1.3
Total noncurrent assets	215.3	215.5	0.2	Total assets	260.8	256.8	-4.0
Total assets	665.5	675.0	9.5	Total liabilities/net assets	665.5	675.0	9.5

- 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. Additionally, the increase in costs on uncompleted construction contracts and advances received on uncompleted construction contracts is a normal development associated with progress on construction during the year in the custom-built detached housing business.

Happiness Grows from Trees

SUMITOMO FORESTRY GROUP

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.