

Happiness Grows from Trees



Earnings Summary and Business Strategy for the Second Quarter of the Fiscal Year Ending March 31, 2017

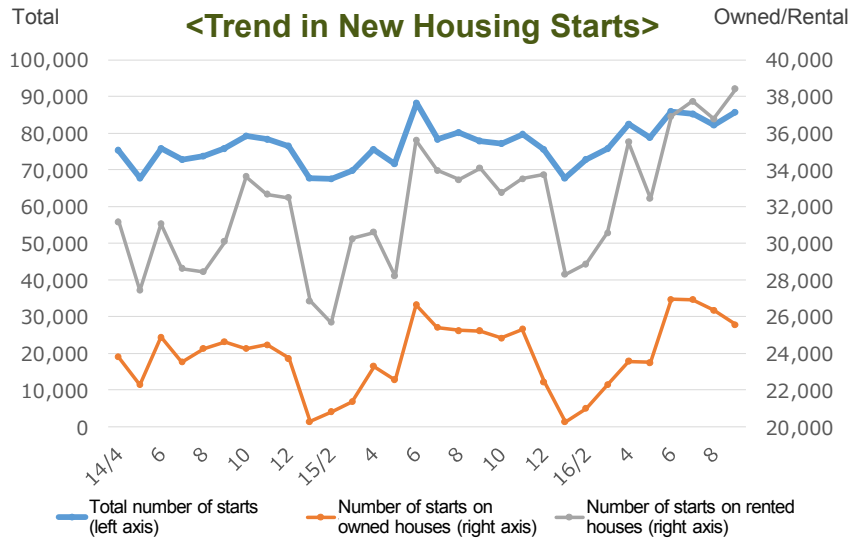
November 8, 2016

Akira Ichikawa, President / Representative Director
SUMITOMO FORESTRY CO., LTD

1. **Business Environment**
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<Japan>

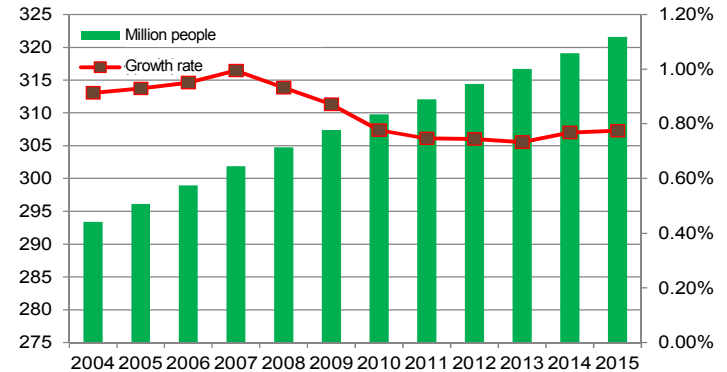
The domestic housing market was driven by rental housing. Although the trend in the number of new housing starts was up, the delay in the consumption tax hike and uncertainty over the future resulted in a stagnant market for new detached houses.



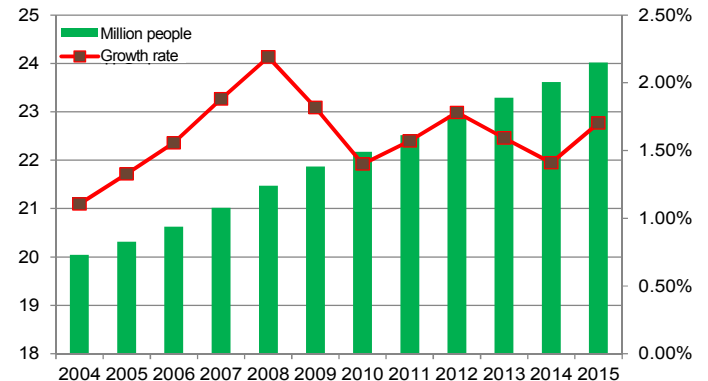
<Overseas>

Although there is concern that economic deceleration in emerging economies will put downward pressure on the global economy, the US and Australian housing markets are strong against a backdrop of increasing populations.

<US Population Trend>



<Australian Population Trend>



Over the next three years, Sumitomo Forestry will further solidify the business foundation for sustainable growth and “**Promote Reform for a New Stage.**”



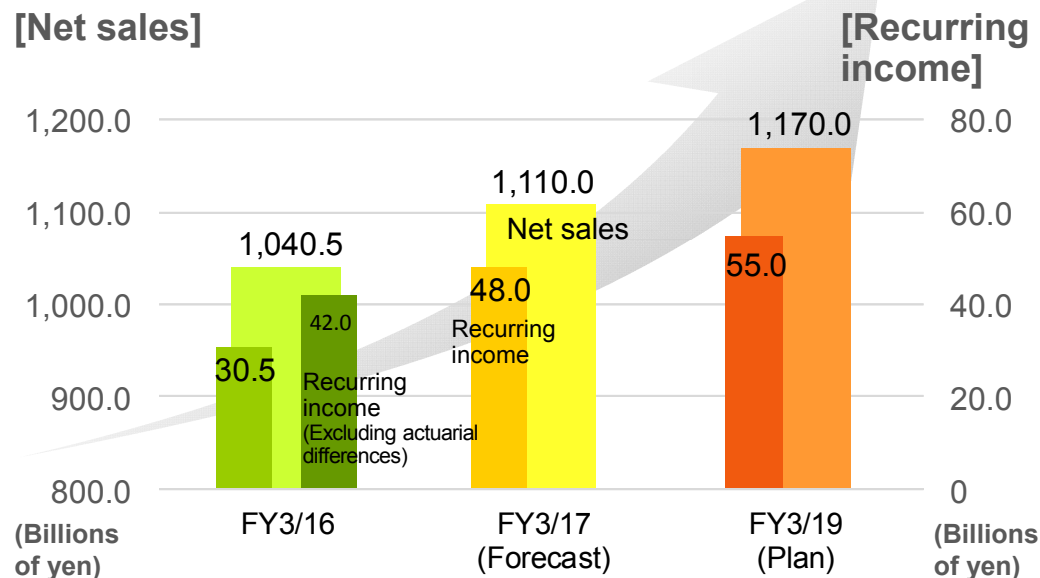
<Numerical Targets of Medium-Term Management Plan>

	3/16 Results	3/19 Plan
Net sales	¥1.04 trillion	¥1.17 trillion
Recurring income	¥30.5 billion	¥55.0 billion
Net income attributable to owners of parent	¥9.7 billion	¥31.5 billion
Return on equity (ROE)	4.0%	10% or higher

3. FY3/2017 Full-Year Forecast and Medium-Term Management Plan

<Achieving Targets of FY3/19 Medium-Term Management Plan>

We will strengthen our adaptability to changes in the social and market environment and steadily implement a strategy in line with the basic policy of our Medium-Term Management Plan.



<Trend in Business Results>

				(Billions of yen)	
	FY3/16	FY3/17 (Forecast)	Change	FY3/19 (Plan)	Comp. to FY3/17
Net sales	1,040.5	1,110.0	+69.5	1,170.0	+60.0
Recurring income	30.5	48.0	+17.5	55.0	+7.0
Recurring income (Excluding actuarial differences)	(42.0)	—	—	—	—

4. FY3/2017 Full-Year Forecast and Medium-Term Management Plan [By Segment]

<Comparison with Final Targets of Medium-Term Management Plan by Segment> (Billions of yen)

Net Sales	FY3/16	FY3/17 (Forecast)	Change
Timber and building materials	427.0	426.0	-1.0
Housing	454.6	468.0	+13.4
Overseas	187.9	237.0	+49.1
Other	16.9	22.5	+5.6
Adjustment	-45.8	-43.5	+2.3
Total	1,040.5	1,110.0	+69.5

FY3/19 (Plan)	Comp. to FY3/17
420.0	-6.0
485.0	+17.0
294.0	+57.0
39.8	+17.3
-68.8	-25.3
1,170.0	+60.0

Recurring Income	FY3/16	FY3/17 (Forecast)	Change
Timber and building materials	3.4	4.5	+1.1
Housing	31.5	31.5	-0.0
Overseas	13.1	16.0	+2.9
Other	-1.0	1.0	+2.0
Adjustment	-16.4	-5.0	+11.4
Total	30.5	48.0	+17.5

FY3/19 (Plan)	Comp. to FY3/17
4.5	+0.0
33.0	+1.5
21.4	+5.4
3.6	+2.6
-7.5	-2.5
55.0	+7.0

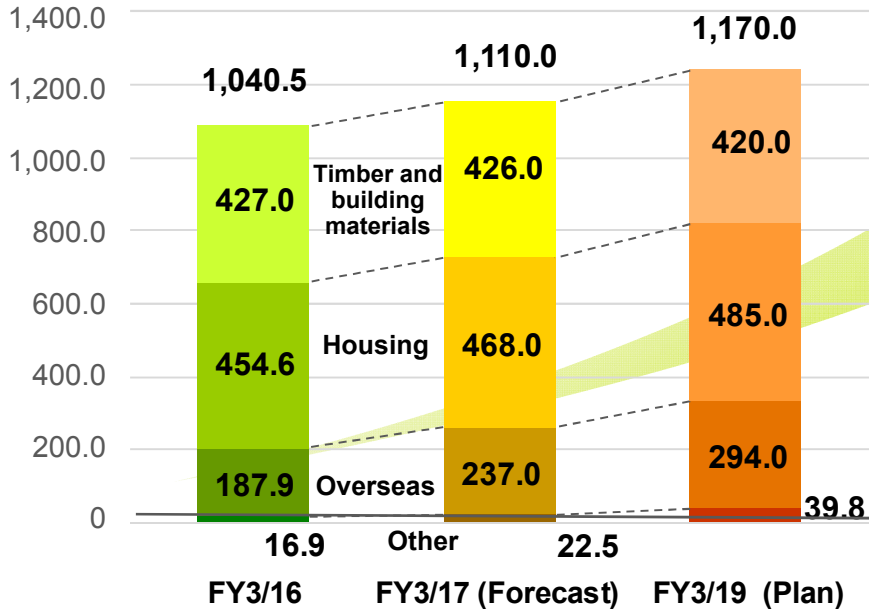
4. FY3/2017 Full-Year Forecast and Medium-Term Management Plan [By Segment]

<Issues by Segment>

- Timber and building materials: Strengthening of response to growth markets and overseas expansion
- Housing: Increasing of share in custom-built detached housing market and expansion of peripheral businesses such as renovation and apartments
- Overseas: Early establishment of system for selling 8,000 houses in US and Australia and increasing of profitability of manufacturing business
- Other: Steady raising of profit from biomass power generation, expansion of nursing care-related businesses and other diversification of earnings

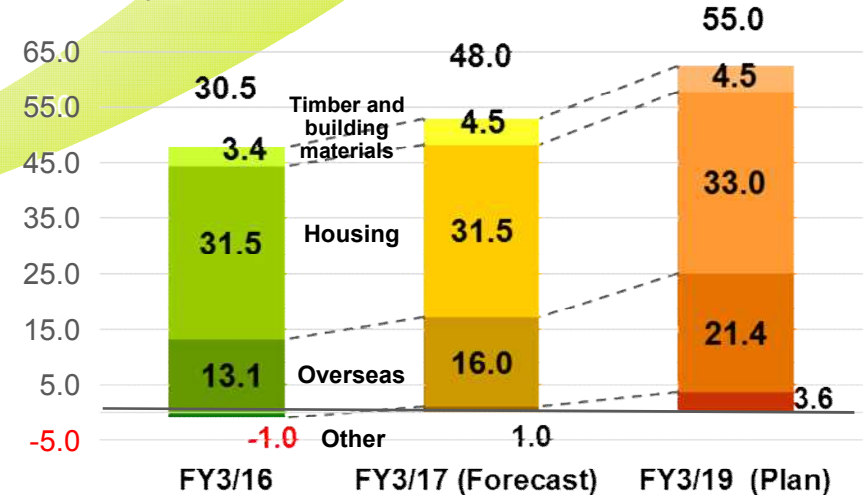
(Billions of yen)

<Trend in Net Sales>



<Trend in Recurring Income>

(Billions of yen)



*Adjusted segments not shown on graph but included in totals

5. FY3/17 Business Strategies (1)

Timber and Building Materials/Housing [1] (Custom-built Detached Houses) 7



Investment in India-based Spacewood

<Housing (Custom-built detached houses)>

Raise level of orders for custom-built detached houses leveraging our strengths of technology, construction and on-site capabilities

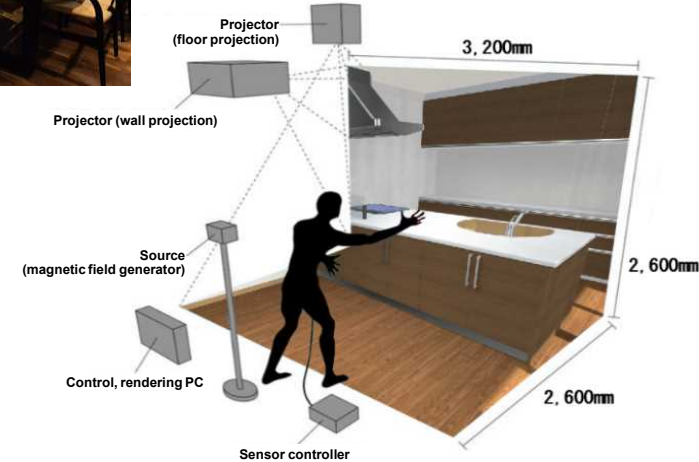


<Timber and building materials>

Work on strengthening fuel business, improving profitability of building material manufacturing business and strengthening overseas distribution business.



4-story BF-Fireproof “Machikado Ichiban” display center to be opened in Sumida-ku, Tokyo



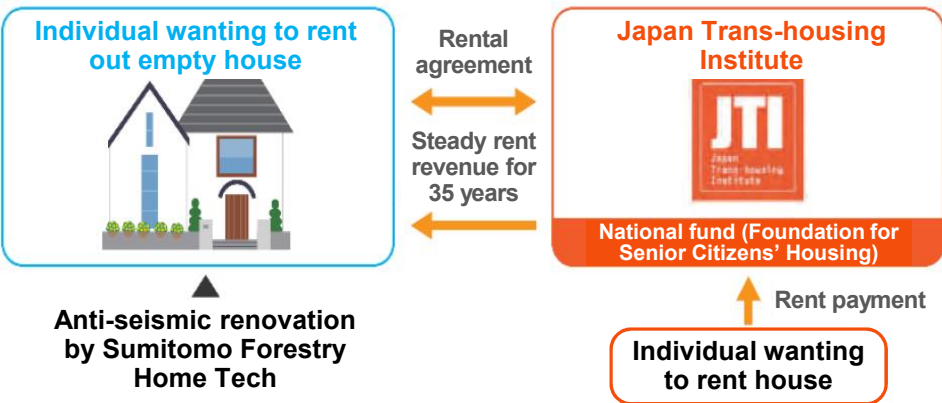
Introduction of virtual reality system in housing showrooms

6. FY3/17 Business Strategies (2)

Housing [2] (Renovation/Apartments)

<Housing (Renovation business)>

Renovation industry first: Launch of system to receive up to 35-year rental housing warranty from JTI (Japan Trans-housing Institute)



Open apartment showroom in Shinjuku equipped to offer apartment management consultations, exhibitions and seminars

<Housing (Apartments)>

Strengthen our product appeal and approach to owners. Launch products with rich security features based on the perspective of female employees and open new types of showrooms.

Built-in storage in living room walls

Bathroom ventilating dryer

Intercom with recording function

住友林業の賃貸住宅
Forest Maison konoka
フォレストメゾン コノカ

Accent cloth

Washstand

7. FY3/17 Business Strategies (3)

Overseas

<Manufacturing business>

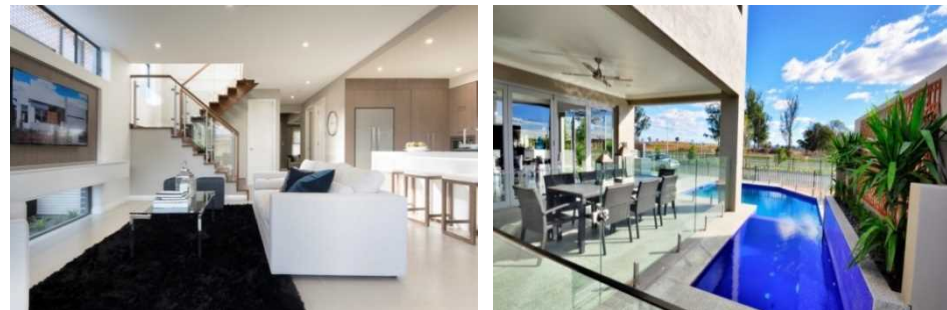
In our manufacturing business, we will supply high value-added products, increase productivity and continuously reduce costs to promote strengthening of our earnings structure.



Nelson Pine Industries Ltd.
MDF/LVL manufacturing plant

<Overseas housing and real estate business>

In July, we acquired a stake in the Wisdom Group, an Australian housing company. We aim to quickly establish a system for selling 8,000 houses in the United States and Australia and make that a foothold for full-scale entry into the greening business.



Model house by Australian-based Wisdom Group

8. FY3/17 Business Strategies (4)

Other (Resources/Environment/Energy/Lifestyle Services)

<Resources, environment and energy business>

In May we concluded a partnership agreement with Renova, Inc., a company which develops and operates renewable energy power plants. In December, we will launch operations of the Mombetsu Biomass Power Plant, one of the largest in Japan.



Mombetsu Biomass Power Plant
Capacity: 50 MW (Enough to supply about 60,000 regular households)

< Lifestyle services business >

We will expand our number of elderly care facilities from the current 12 to 20 by March 2019 and provide the peace of mind and excellent service only we can.



Opening in February next year, **Grand Forest Gakugei University** has spaces offering the warmth of wood thanks to the work of our wood use integration division.

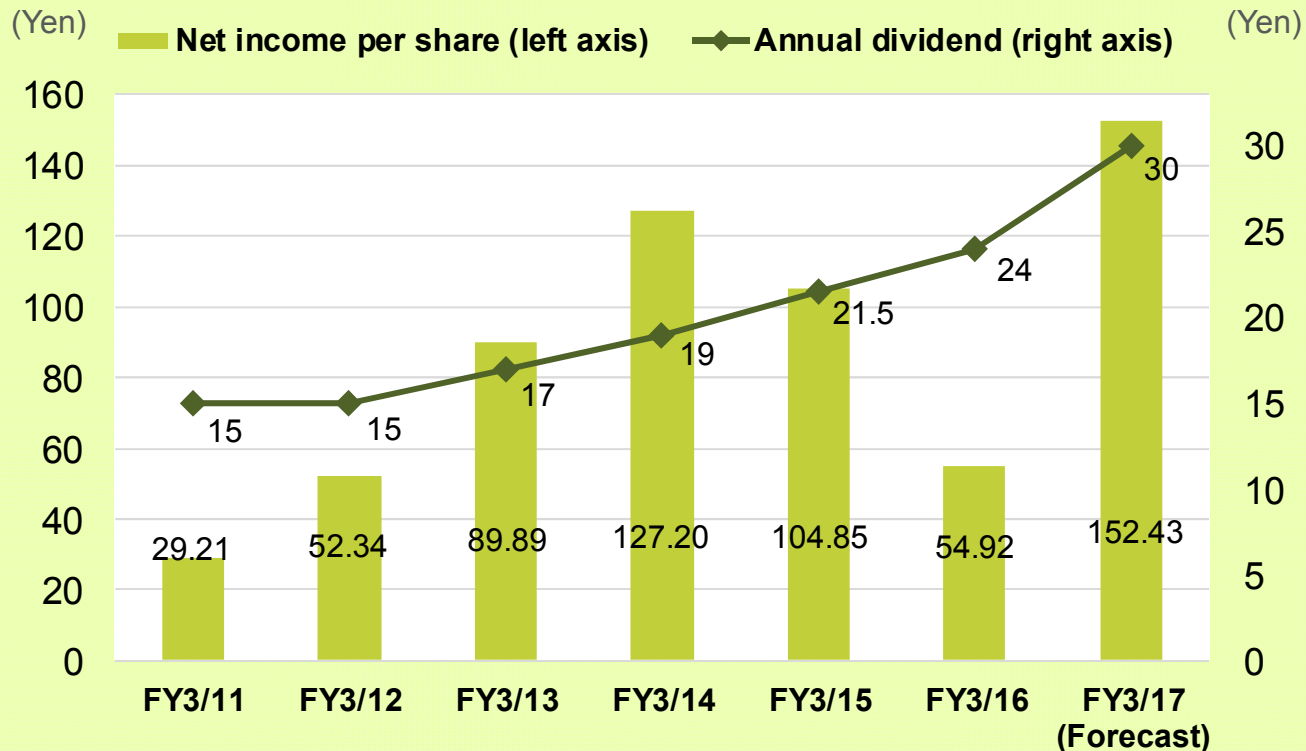


Wooden interior and indirect lighting create a space that improves the quality of sleep.



Improve cognitive function by using fingertips and reminisce while touching plants.

- Sumitomo Forestry recognizes return to shareholders as one of its highest priorities. The basic policy is to engage in stable, continuous distribution of dividends according to the profit situation considering the management base, financial condition, cash flow, etc. in a comprehensive manner.
- In the future, stable dividends will be maintained, taking into account the balance with record high growth investments.



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SUMITOMO FORESTRY

Thank you for listening.