



Happiness Grows from Trees



SUMITOMO FORESTRY

Progress on Sumitomo Forestry Group 2018 Medium-Term Management Plan

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<Japan>

<Short-term business environment>

Although there has been a gentle recovery, the economy continues to lack vigor, particularly in the area of consumer spending. In part because of the effect of the postponement of the consumption tax hike, the domestic housing market is also stagnant.

<Medium- to long-term business environment>

With the progression of the declining birthrate and aging society associated with the population decline, a new market will be born for a mature society.

<Overseas>

<Short-term business environment>

The global economy is in chaos due to political instability in the United States and Europe and increasing tension on the Korean peninsula. There is a growing sense of uncertainty about the future.

<Medium- to long-term business environment>

The middle class will rise, particularly in emerging countries, and changes unique to a growth market will be brought about.

We will execute strategies that accurately address changes and put the strengths of our Group to maximum use.

Over the next three years, Sumitomo Forestry will further solidify the business foundation for sustainable growth and “promote reform for a new stage.”



	FY3/16 Results (*)	FY3/19 Plan
Net sales	¥1,040.5 billion	¥1,170.0 billion
Recurring income	¥30.5 billion	¥55.0 billion
Net income attributable to owners of parent	¥9.7 billion	¥31.5 billion
ROE (Return on equity)	4.0%	10% or more

*At time of establishment

FY3/17 Results: Company-wide results are strong. Although we achieved the highest profits ever, issues remained, including sluggish housing orders.

FY3/18 Forecast: In regards to overall net sales and net income, the target in the Medium-Term Management Plan will be achieved.

*Excluding actuarial gains/losses

Billion yen

(Consolidated)	FY3/16 Results	FY3/17 Results	Change	FY3/18 Forecast	Change	FY3/19 Plan	Change
Net sales	1,040.5	1,113.4	+72.8	1,241.0	+127.6	1,170.0	-71.0
Recurring income	42.0 (30.5)	52.9 (57.8)	+10.8 (+27.3)	52.5	- 0.4	55.0	+2.5
Net income attributable to owners of parent	17.4 (9.7)	31.1 (34.5)	+13.6 (+24.8)	33.0		31.5	-1.5
ROE	7.1% (4.0%)	12.0% (13.3%)	+4.9pt (+9.3pt)	11.5%	-	10.0% or more	-

*Parenthesis under FY3/16 and FY3/17 are as reported in financial statements.

The target for FY3/19 in the Medium-Term Management Plan is the minimum for the next stage, so at this point it remains unchanged.

Progress on Medium-Term Management Plan (By Segment)

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*Excluding actuarial gains/losses Billion yen

(Consolidated)	FY3/16 Results	FY3/17 Results	Change	FY3/18 Forecast	Change	FY3/19 Plan	Change
Net sales	1,040.5	1,113.4	+72.8	1,241.0	+127.6	1,170.0	-71.0
Timber and Building Materials	427.0	424.4	-2.5	440.0	+15.6	420.0	-20.0
Housing	454.6	466.3	+11.7	475.0	+8.7	485.0	+10.0
Overseas	187.9	247.9	+60.0	346.0	+98.1	294.0	-52.0
Other	16.9	23.0	+6.1	36.0	+13.0	39.8	+3.8
Adjustment	-45.8	-48.2	-2.4	-56.0	-7.8	-68.8	-12.8
Recurring income	42.0 (30.5)	52.9 (57.8)	+10.8 (+27.3)	52.5	-0.4	55.0	+2.5
Timber and Building Materials	3.4	4.5	+1.1	5.0	+0.5	4.5	-0.5
Housing	31.5	32.3	+0.8	28.0	-4.3	33.0	+5.0
Overseas	13.1	19.3	+6.2	22.0	+2.7	21.4	-0.6
Other	-1.0	2.2	+3.2	2.5	+0.3	3.6	+1.1
Adjustment	-4.9 (-16.4)	-5.5 (-0.5)	-0.6 (+15.9)	-5.0	+0.5	-7.5	-2.5

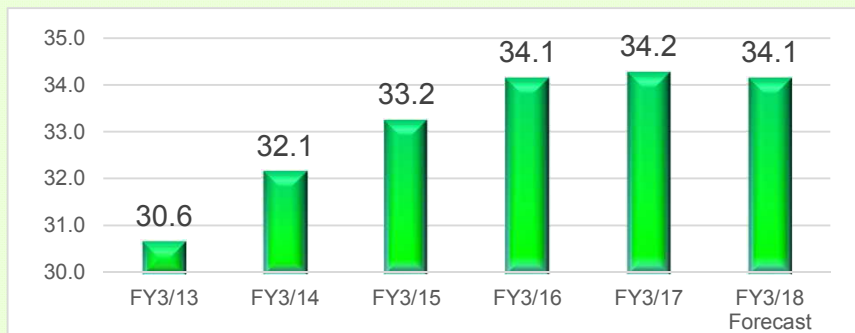
*Parenthesis under FY3/16 and FY3/17 are as reported in financial statements.

Efforts to Achieve Medium-Term Management Plan (1)

Custom-built detached housing business-1

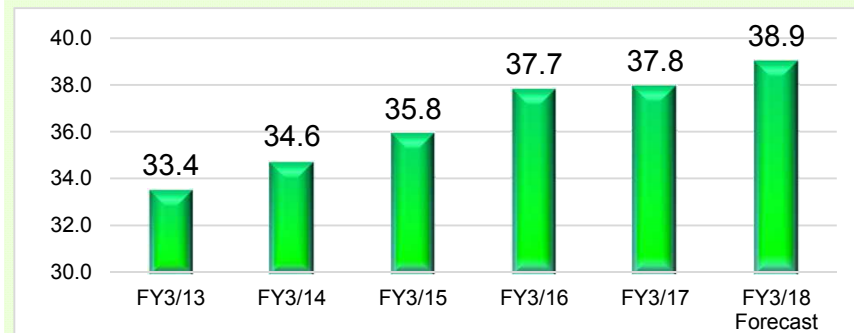
Trend in unit prices for custom-built detached houses

(Million yen)



Trend in completed unit prices for custom-built detached houses

(Million yen)



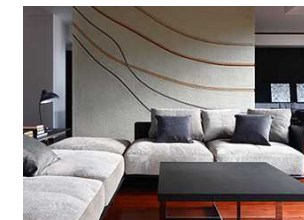
Komazawa Model Home
(Estate design)



Tachikawa Model Home
(Estate design)



Yagoto Model Home
(Estate design)

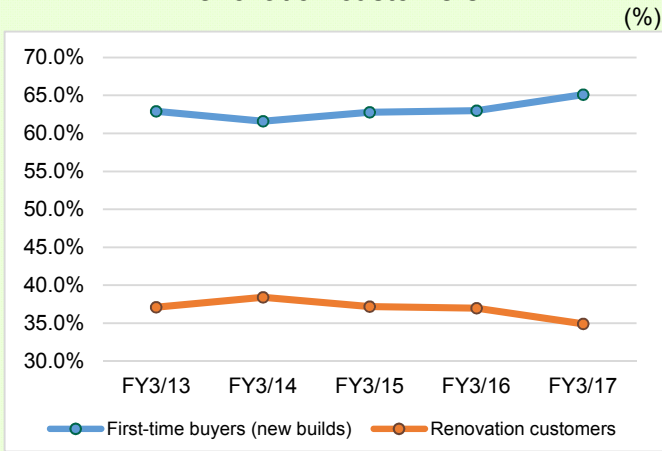


Profitability will increase with the promotion of higher added value. At the same time, orders are low and flat, so the challenge for this year was turning things around by strengthening proposal skills.

Efforts to Achieve Medium-Term Management Plan (2)

Custom-built detached housing business-2

Trend in orders from first-time buyers and renovation customers



<The Forest BF>



Strong walls

Our original sturdy and durable Kizure Panels or D Panels absorb the vibrations of earthquakes.



Strong studs

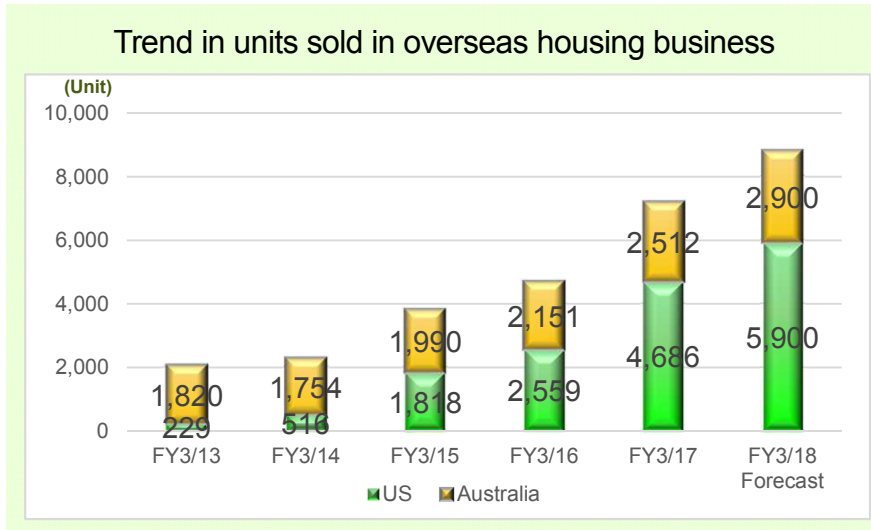
Wooden studs and beams that take advantage of the resiliency of wood are assembled using the traditional framing method and joined securely using our original structural hardware.

<Multi-Balance (MB) Construction Method>

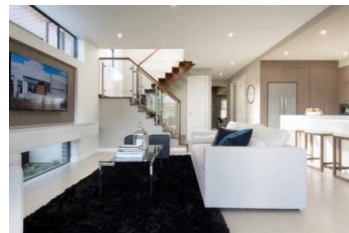


We will strengthen our system for showing land to first-time buyers and tap into latent demand from renovation customers by launching our “The Forest BF” product.

Efforts to Achieve Medium-Term Management Plan (3) Overseas Business



Stake acquired in Edge Homes Group (US) in February 2017



Stake acquired in Wisdom Group (Australia) in July 2016

We will strengthen governance while promoting the organic growth of each company. We will also actively engage in peripheral businesses such as the apartment business and greening works.

Efforts to Achieve Medium-Term Management Plan (4) MOCCA (timber solution) business

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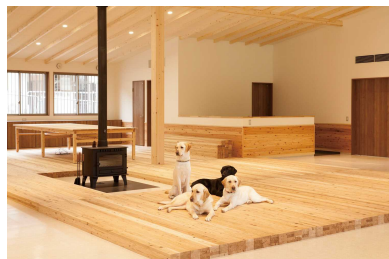
People are taking another look at timber and forestry resources in Japan and other countries, creating an advantageous situation for the Group.



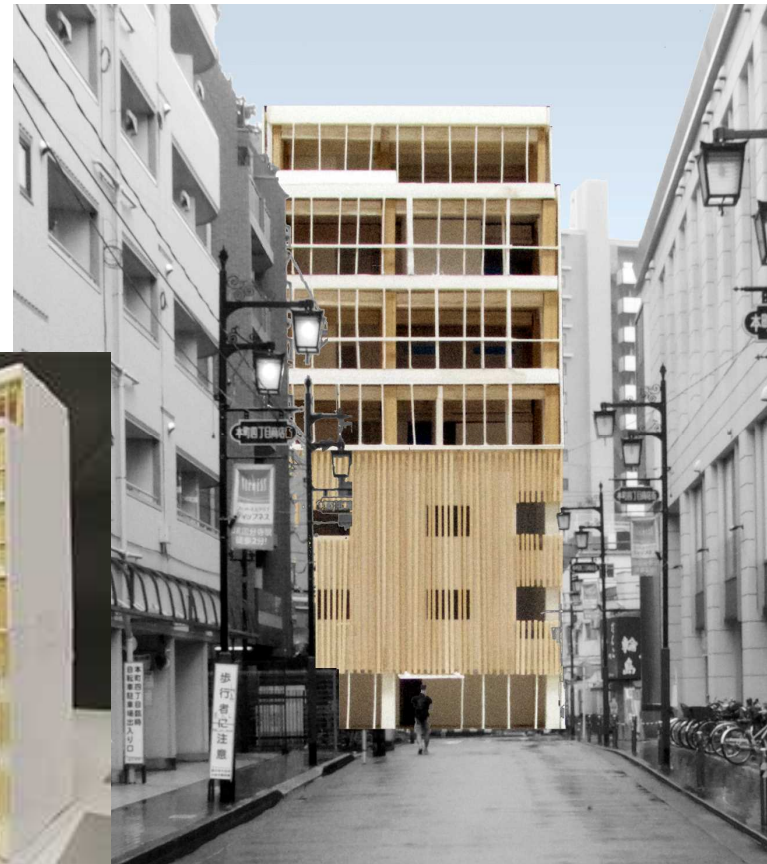
Miyanomori Elementary School
in Higashimatsushima City



SETSUNA



Guide dog training facility



Kokubunji Flavor Life Head Office Building

In the MOCCA (timber solution) business, we are promoting the cultivation of new project routes and development of a construction system for business expansion.



Mombetsu biomass power generation



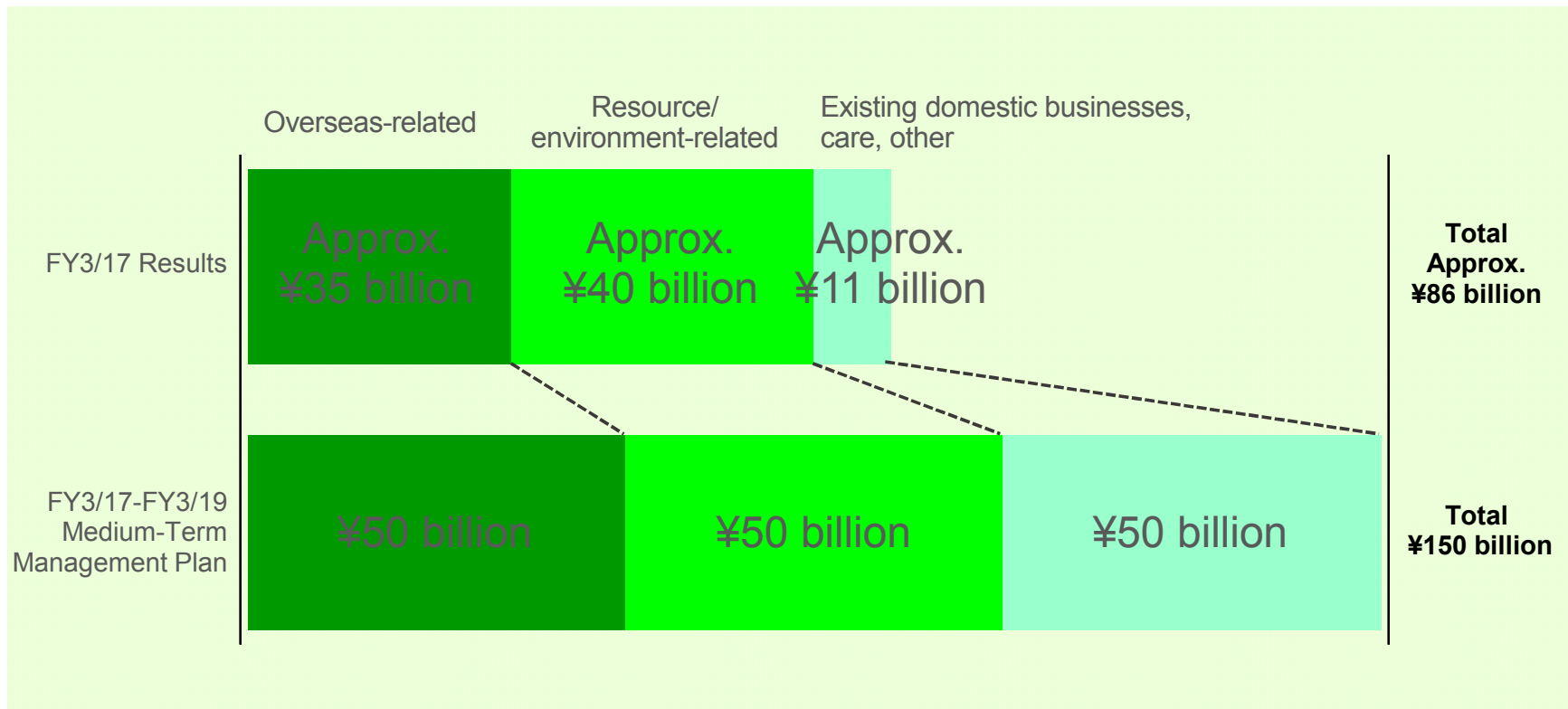
Mountain forest in New Zealand



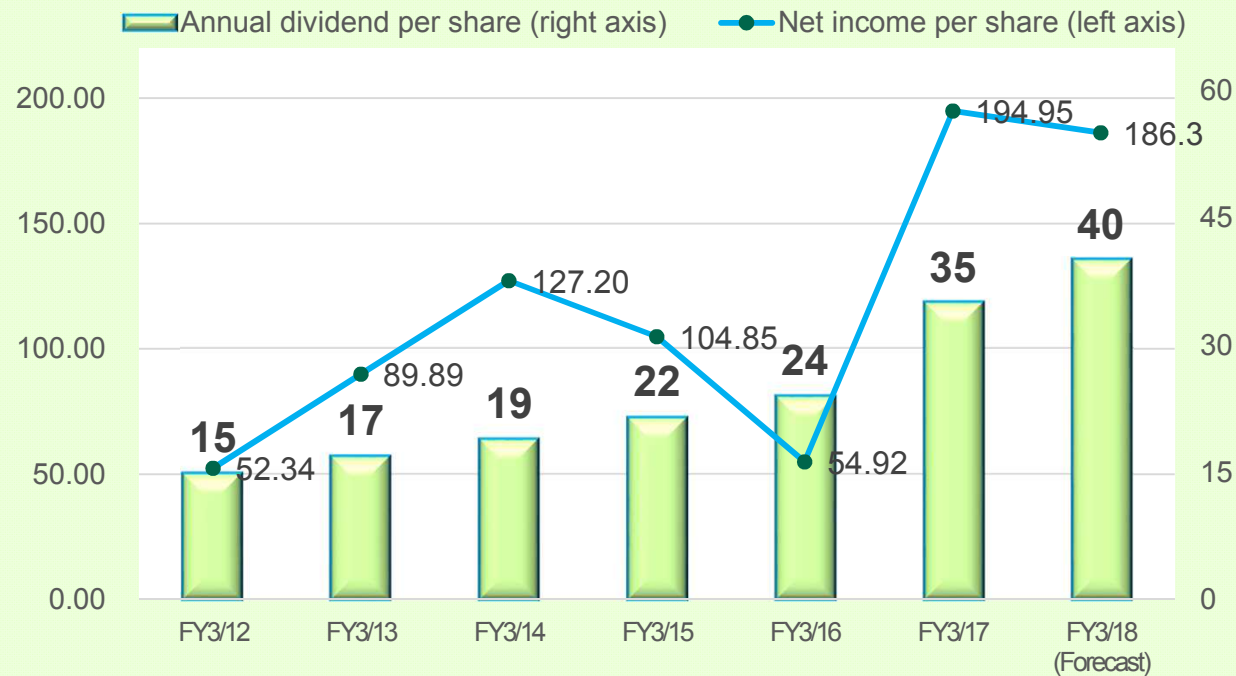
Nelson Pine Industries Ltd.


Capturing the increased demand for timber and forestry resources in Japan and other countries, we will expand our business domains and contribute to the realization of a sustainable society.

In FY3/17, we invested ¥86 billion of the three year total of ¥150 billion set forth in the Medium-Term Management Plan. While tying this into solid earnings, we will continue to make investments for growth.



It is our basic policy is to engage in continuous and stable distribution of dividends. We are increasing the FY3/17 year-end dividend from the initial forecast of 15 yen to 20 yen. Including the forecast for this year, we are set to have increased dividends for six consecutive terms.





Happiness Grows from Trees

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Thank you for listening.