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For Immediate Release

Sumitomo Forestry Co., Ltd.

**Sumitomo Forestry Group 2018 Medium-Term Management Plan****Promoting reform for a new stage**

Sumitomo Forestry announced today that it has established a new medium-term management plan for the three year period from fiscal 2016 to fiscal 2018.

**1. Aim of Medium-term Management Plan**

- The main theme of this medium-term management plan will be “promoting reform for a new stage.” As the business environment in Japan and other countries goes through significant changes, the aim will be to develop a business structure that allows for sustainable growth.
- Toward that end, the Group will build a new earnings portfolio capable of adapting to the changes of the times in accordance with the three basic policies below with the objective of solidifying the business foundation.

**2. Numerical Targets**

- The aim will be to achieve ¥1.17 trillion in net sales and ¥55 billion in recurring income in fiscal 2018, the target year of the plan.
- The target for ROE, which is a targeted performance indicator, will be to secure a return of at least 10%.
- Over the next three years, a record high investment of around ¥150 billion will be made to develop future sources of revenue and ensure sustainable growth.

	FY2015 results (FY3/2016)	<b>FY2018 plan (FY3/2019)</b>
Net sales	¥1.04 trillion	<b>¥1.17 trillion</b>
Recurring income	¥30.5 billion	<b>¥55.0billion</b>
Profit for the year attributable to owners of the parent	¥9.7 billion	<b>¥31.5 billion</b>
ROE (return on equity)	4.0%	<b>10% or higher</b>

### **3. Three Basic Policies**

#### **(1) Promotion of strategy that anticipates changes in social environment**

- In Japan, the new housing market is entering a shrinking equilibrium stage, while values and lifestyles are diversifying, creating new markets. In addition to efforts in the renovation and rental housing markets, the Group will promote businesses that adapt to these growth markets, making full use of its management resources, including expanding the nursing care field and use of domestic timber and growing demand for renewable energy such as wood biomass power generation.
- In the custom-built detached housing and timber and building materials businesses, which are the main businesses, efforts will be made to increase added value and reduce costs to increase profitability and grow market share. These efforts will be made in anticipation of the reactionary drop in demand following the second consumption tax hike and further dwindling of birthrates and aging of the population while capturing last-minute demand ahead of the tax hike.

#### **(2) Development of diverse sources of revenue in global market**

- The Group's overseas business is currently built around the wooden board manufacturing business, which is centered on Southeast Asia and Oceania, and the housing and real estate business, which is centered on the United States and Australia, but in the coming years the overseas business domain will be expanded.
- In the timber and building materials distribution business in particular, a new supply chain will be built under the direction of Singapore in collaboration with local subsidiaries and manufacturing bases in each country. This will be done to strengthen the Group's responsiveness in emerging markets where population increases and economic development is expected to lead to increased demand for timber and building materials.
- Against the backdrop of expansion of the overseas housing business, peripheral businesses such as material procurement and sales will be created, and efforts will be made to expand operations overseas, including the rental housing and greening businesses, which are not easily impacted by real estate market conditions.
- In regards to forest resources, which are expected to increase in value from the standpoint of resources and energy, the Group is looking into acquiring mountain forests overseas and expanding the plantation forest operations.

#### **(3) Reform of wood asset value**

- As environmental consciousness increases globally, the role of forests and timber is taking on increasing significance. Under these circumstances, the Group will take a medium- to long-term view, not stopping at the use of timber related to existing business fields but also cultivating new fields of use to raise asset value.
- As for the R&D that will be required, R&D investments will be doubled during the three years of the medium-term management plan, and partnerships will be formed with external research institutes to accelerate R&D.

#### 4. Return to shareholders

-The Company recognizes return to shareholders as one of its highest priorities. Profits are distributed at an appropriate level according to the profit situation considering the balance of the management base, financial condition, cash flow, etc. in a comprehensive manner, and the basic policy is to engage in stable, continuous distribution of dividends.

-In the future, the Company will continue to provide stable dividends based on the above policy.

(Reference) Trend in dividends per share

Accounting term	FY 3/2013	FY 3/2014	FY 3/2015	FY 3/2016	FY 3/2017 forecast
Amount of Dividends per Share	17 yen	19 yen	21.5 yen	24 yen	30 yen

The Sumitomo Forestry Group's corporate philosophy is "to utilize timber as a renewable, healthy and environmentally friendly natural resource, and to contribute to a prosperous society through all types of housing-related services." Since the Group's founding in 1691, it has expanded its business by tapping into the potential of timber and increasing the added value.

This foundation will not change, but as a corporate group capable of contributing to people, communities and societies in Japan and other countries the Sumitomo Forestry Group will achieve sustainable growth while responding flexibly to the changing times.

(Notice)

The forecast figures in this release are based on projections deemed logical at the time when it was prepared. Actual performance may differ materially from these projections.