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Financial Results for the First Quarter of FY Ending March 2014

 SUMITOMO FORESTRY CO.,LTD.

Company-owned forest (Shikoku)

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Summary of Financial Results

- Trends in the domestic housing market were stable, as evidenced by the increase in new housing starts.
- Amid a solid business environment, our sales grew, primarily attributable to brisk sales of timber and building materials in the domestic distribution business.
- However, profit declined reflecting an increase in SG&A expenses for business expansion.

(Billion yen)

	1Q FY3/13		1Q FY3/14		Change	Pct.
Net sales		162.3		175.0	+12.7	+7.8%
Gross profit	14.0%	22.8	13.3%	23.3	+0.5	+2.1%
SG&A expenses		27.8		28.7	+0.9	+3.3%
Operating income	(3.1%)	(5.0)	(3.1%)	(5.4)	(0.4)	—
Recurring income	(2.3%)	(3.8)	(2.7%)	(4.7)	(0.9)	—
Net income	(1.7%)	(2.8)	(1.7%)	(3.0)	(0.2)	—

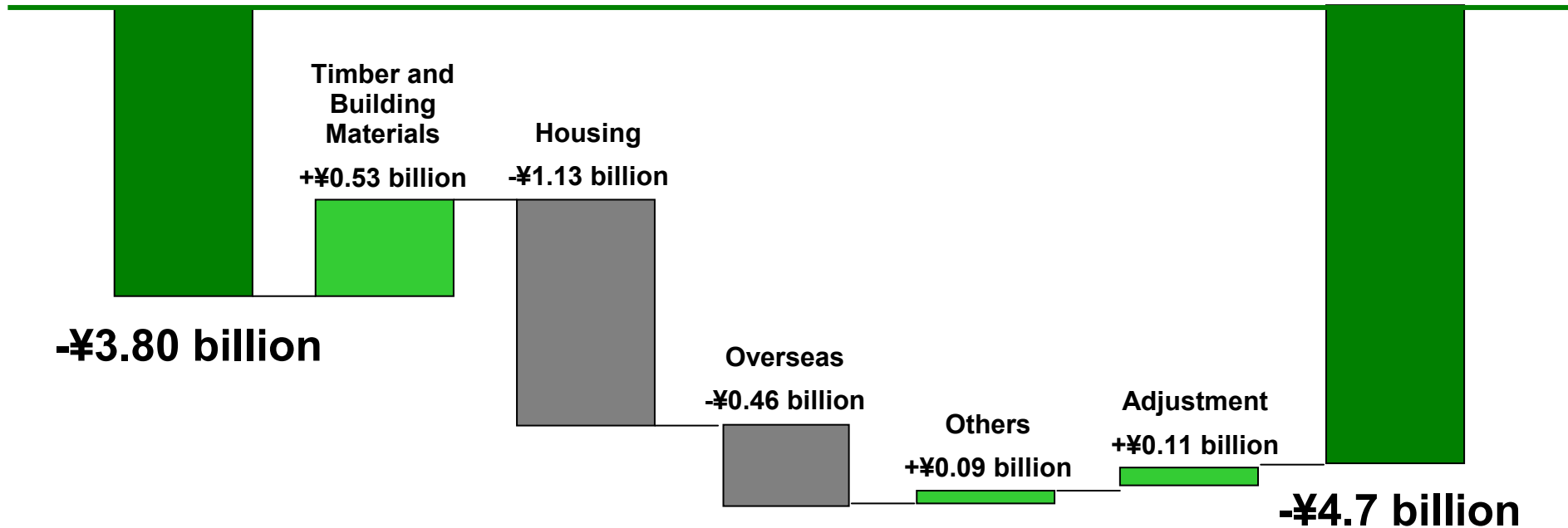
Summary of Financial Results by Segment

- Timber and Building Materials Business
Sales and profits rose owing to an increase in transaction volume in timber and building materials distribution business and a rise in the unit price for imported merchandise.
- Housing Business
Although sales were on a par with those in the previous period, profit decline due to a decrease in the number of houses completed and a rise in SG&A expenses in the custom-built detached houses business, and due to upfront spending in the renovation business.
- Overseas Business
We booked a recurring loss of roughly ¥400 million due to factors such as a decrease in foreign exchange gains compared to the previous period, undermining the solid earnings performance in the building materials manufacturing business in Indonesia, earnings improvement in the building materials manufacturing business in Australia, and a sales increases in the US housing business.

(Billion yen)

		1Q FY3/13	1Q FY3/14	Change	Pct.
<Net sales>	Timber and Building Materials	95.1	107.1	+12.0	+12.6%
	Housing	64.0	63.7	(0.3)	(0.5%)
	Renovation subtotal	10.3	10.6	+0.3	+2.8%
	Overseas	8.9	9.9	+1.0	+11.8%
	Others	3.6	4.0	+0.4	+11.5%
	Adjustment	(9.3)	(9.7)	(0.5)	—
	Total	162.3	175.0	+12.7	+7.8%
<Recurring income>	Timber and Building Materials	0.9% 0.8	1.3% 1.3	+0.5	+65.4%
	Housing	(7.1%) (4.5)	(8.9%) (5.6)	(1.1)	—
	Renovation subtotal	(1.2%) (0.1)	(2.4%) (0.3)	(0.1)	—
	Overseas	0.1% 0.0	(4.5%) (0.4)	(0.5)	—
	Others	2.9% 0.1	4.7% 0.2	+0.1	+83.9%
	Adjustment	— (0.2)	— (0.1)	+0.1	—
	Total	(2.3%) (3.8)	(2.7%) (4.7)	(0.9)	—

Changes in Recurring Income (year-on-year)



Timber and Building Materials Business	We saw a benefit of roughly ¥500 million owing to an increase in sales.
Housing Business	There was negative impact of roughly ¥1.1 billion due to a decline in the number of houses completed and an increase in expenses.
Overseas Business	Due to factors such as a decrease in foreign exchange gains compared to the previous period, recurring income decreased roughly ¥500 million.

Sales (Housing & Real Estate)

- Custom-built detached houses
Performance was in line with the forecast despite the decrease in the volume and the total value of houses completed. In 2Q, we forecast a rebound in earnings, as the completion of houses is in line with plans. Also, unit price is rising reflecting an increase in the percentage of houses equipped with environmentally sound equipment and an expansion in sales of Big-Frame Construction products.
- Wooden apartments
Earnings trends were solid owing to our focused fortification of this business.
- Detached spec homes
There was a decline in unit price, given the high level of high-end property sales in the same quarter, previous year.

(Billion yen)

(incl. percentage of completion basis)		1Q FY3/13	1Q FY3/14	Change	Pct.
Contract Business	Custom-built detached houses	39.6	37.6	(2.0)	(5.0%)
	Units	1,186	1,090	(96)	(8.1%)
	Unit price (millions)	33.4	34.5	+1.1	+3.4%
	Wooden apartments	0.4	0.9	+0.5	+113.6%
	Units	15	53	+38	+253.3%
	Other contract work	0.1	0.3	+0.2	+351.0%
Detached spec homes		2.7	2.1	(0.7)	(24.1%)
Units		59	50	(9)	(15.3%)
Unit price (millions)		46.2	41.4	(4.8)	(10.4%)
Land for custom-built housing		0.6	0.9	+0.3	+39.1%
Real estate development		1.4	1.5	+0.1	+7.6%
Others		1.6	1.6	(0.0)	(2.3%)
Total		46.4	44.8	(1.6)	(3.5%)

Earnings Forecast for the First Half/Full Year

- In the domestic housing market, we expect performance to remain solid.
- The first half and full year earnings forecast have not changed since the beginning of the fiscal term.

<First Half Forecast>			1H FY3/14 Forecast	Change	(Billion yen) Pct.		
	1H FY3/13						
Net sales	392.1		420.0	+27.9	+7.1%		
Gross profit	63.1		67.5	+4.4	+6.9%		
SG&A expenses	56.3		59.5	+3.2	+5.7%		
Operating income	6.8		8.0	+1.2	+17.0%		
Recurring income	7.5		7.8	+0.3	+4.2%		
Net income	3.6		4.1	+0.5	+13.6%		
<Full Year Forecast>	FY3/13 Actual	FY3/13 without actuarial gains/losses	FY3/14 Forecast	Change	(Billion yen) Pct.	Without actuarial gains/losses	
						Change	Pct.
Net sales	845.2	845.2	900.0	+54.8	+6.5%	+54.8	+6.5%
Gross profit	141.4	141.4	149.5	+8.1	+5.7%	+8.1	+5.7%
SG&A expenses	116.1	116.5	122.0	+5.9	+5.1%	+5.5	+4.8%
Operating income	25.3	25.0	27.5	+2.2	+8.6%	+2.5	+10.1%
Recurring income	27.0	26.6	28.0	+1.0	+3.8%	+1.4	+5.1%
Net income	15.9	15.7	16.0	+0.1	+0.5%	+0.3	+1.9%

Earnings Forecast by Segment for Full year

- We are sticking with the forecast we issued at the start of the fiscal year for all of our business segments.
- We aim for sales and profit growth in the timber and building materials business and the housing business, reflecting solid trends in the domestic housing market.
- In the overseas business, we aim to trim our losses, as we expect demand in Indonesia to drive earnings in the building materials manufacturing business and as we anticipate earnings improvement in the housing businesses in the US and Australia.

		(Billion yen)			
		FY3/13	FY3/14 Forecast	Change	Pct.
<Net sales>	Timber and Building Materials	401.3	430.0	+28.7	+7.2%
	Housing	430.8	450.0	+19.2	+4.5%
	Renovation subtotal	53.0	59.6	+6.6	+12.4%
	Overseas	38.7	44.0	+5.3	+13.8%
	Others	15.4	16.0	+0.6	+3.9%
	Adjustment	(40.9)	(40.0)	+0.9	—
	Total	845.2	900.0	+54.8	+6.5%
<Recurring income>	Timber and Building Materials	1.2% 4.7	1.1% 4.9	+0.2	+4.2%
	Housing	6.1% 26.2	6.3% 28.2	+2.0	+7.5%
	Renovation subtotal	5.1% 2.7	5.5% 3.3	+0.6	+22.0%
	Overseas	(4.8%) (1.8)	(2.3%) (1.0)	+0.8	—
	Others	4.9% 0.8	5.0% 0.8	+0.0	+6.0%
	Adjustment	— (2.9)	— (4.9)	(2.0)	—
	Total	3.2% 27.0	3.1% 28.0	+1.0	+3.8%

Sales Forecast (Housing & Real Estate)

- In 1Q, the number of houses completed in the custom-built detached houses business dropped versus the same quarter a year earlier but we made progress in line with plans. Accordingly, we believe we will achieve our full-year earnings plans.
- Sales of detached spec homes and wooden apartments will surpass sales in the previous year.
- In the real estate development business, we aim for an increase in sales reflecting progress in the sale of existing properties.

(Billion yen)

(incl. percentage of completion basis)		FY3/13	FY3/14 Forecast	Change	Pct.
Contract Business	Custom-built detached houses	300.9	311.1	+10.2	+3.4%
	Units	8,999	9,150	+151	+1.7%
	Unit price (millions)	33.4	34.0	+0.6	+1.7%
	Wooden apartments	9.4	10.5	+1.1	+12.1%
	Units	858	960	+102	+11.9%
	Other contract work	0.3	3.0	+2.7	+783.3%
Detached spec homes	11.4	11.8	+0.4	+3.7%	
Units	254	280	+26	+10.2%	
Unit price (millions)	44.8	42.1	(2.6)	(5.9%)	
Land for custom-built housing	5.5	6.9	+1.4	+25.3%	
Real estate development	9.6	12.2	+2.6	+27.0%	
Others	7.7	6.5	(1.2)	(15.2%)	
Total		344.8	362.0	+17.2	+5.0%

- In the custom-built detached houses business, 1Q orders received substantially increased both in terms of value and volume.
- We focused on order expansion, carrying out measures such as the opening of technology housing display center and the conversion of existing housing display centers into proto-housing display centers.
- We are sticking with the full-year forecast we issued at the start of the fiscal year.

		1Q FY3/13	1Q FY3/14	Change	Pct.	FY3/13 Actual	FY3/14 Forecast	Change	(Billion yen) Pct.
Orders received	Custom-built detached houses	73.7	89.7	+16.0	+21.7%	314.2	337.5	+23.3	+7.4%
	Units	2,158	2,544	+386	+17.9%	9,105	9,700	+595	+6.5%
	Unit price (millions)	34.1	35.3	+1.1	+3.2%	34.5	34.8	+0.3	+0.8%
	Wooden apartments	2.7	3.9	+1.2	+45.8%	13.0	14.4	+1.4	+10.4%
	Units	258	307	+49	+19.0%	1,138	1,250	+112	+9.8%
	Renovation	12.8	14.2	+1.4	+10.7%	53.8	60.0	+6.2	+11.5%
	Other contract work	0.1	0.0	(0.1)	(73.9%)	1.0	3.5	+2.5	+258.1%



Balance Sheets

(Billion yen)

	End FY3/13	1Q FY3/14	Change		End FY3/13	1Q FY3/14	Change
Cash, deposits, securities	67.2	50.8	(16.3)	Payables	169.6	137.5	(32.1)
Receivable	125.9	127.2	+1.2	Short-term debt	26.0	27.9	+1.9
Finished goods, logs and lumber	22.3	27.0	+4.7	Costs on uncompleted construction contracts	42.3	64.5	+22.1
Developed land and housing for sale	27.9	26.7	(1.2)	Other current liabilities	38.2	31.8	(6.3)
Costs on uncompleted construction contracts	27.1	45.3	+18.3	Current liabilities	276.1	261.7	(14.5)
Accounts receivable- other	47.9	35.6	(12.3)	Long-term debt/bonds	39.2	37.3	(1.9)
Other current assets	49.2	32.0	(17.3)	Provision for employees' retirement benefits	9.7	9.8	+0.1
Total current assets	367.5	344.7	(22.8)	Other long-term liabilities	29.7	29.9	+0.2
Buildings and structures	26.6	27.2	+0.6	Fixed liabilities	78.6	77.0	(1.5)
Land	23.6	23.7	+0.1	Shareholders' equity	181.8	177.1	(4.6)
Investment securities	59.6	66.7	+7.1	Accumulated Other Comprehensive income	10.7	14.5	+3.8
Other fixed assets	70.7	69.0	(1.8)	Minority interest	0.8	0.8	+0.1
Total fixed assets	180.5	186.5	+6.0	Net assets	193.3	192.5	(0.8)
Assets	548.0	531.2	(16.8)	Total liabilities and net assets	548.0	531.2	(16.8)

- A general yearly trend in 1Q due to seasonal factors is a rise in costs on uncompleted construction contracts and advances received on uncompleted construction contracts reflecting an increase in the number of houses under construction.
- Moreover, total assets generally decrease year-on-year reflecting a decline in cash and deposits and accounts payable due to payment of construction costs for construction completed as of the end of the previous fiscal year. This annual trend also held true in 1Q FY3/14.

July 30, 2013

Financial Results for the First Quarter of FY Ending March 2014



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.

