

Happiness Grows from Trees



SUMITOMO FORESTRY

Financial Overview

(Information meeting for fiscal year ended March 31, 2014)



May 9, 2014

◎ Contents

➤ Changes in Report on Monthly Orders Received	•••• P 2	➤ FY3/15 Forecast	
➤ FY3/14 Results		1. Summary	•••• P13
1. Summary	•••• P 4	2. Segment Sales and Recurring Income	•••• P14
2. Summary (excluding the effect of actuarial gains and losses)	•••• P 5	3. Changes in Recurring Income (YoY)	•••• P15
3. Segment Sales and Recurring Income	•••• P 6	4. Outlook for Housing Business Orders Received and Sales	•••• P16
4. Changes in Recurring Income (YoY)	•••• P 7	5. Outlook for Renovation Business Orders Received and Sales	•••• P17
5. Housing Business Orders Received and Sales	•••• P 8	6. Overseas Segment Sales and Recurring Income	•••• P18
6. Renovation Business Orders Received and Sales	•••• P 9	7. Investments	•••• P19
7. Overseas Segment Sales and Recurring Income	•••• P10	8. Trends in Gains/Losses, Recurring Income to Net Sales Ratio and ROCE	•••• P20
8. Investments	•••• P11		

Changes in Report on Monthly Orders Received

Changes in Report on Monthly Orders Received from April 2014 Orders Received

<New Disclosure>

April Orders Received	Orders Received
	YoY (Comparison of Cumulative Totals)
Custom-built Detached Houses	-31% (-31%)
Wooden Apartments	-12% (-12%)
Renovation	-24% (-24%)
Total	-29% (-29%)

<Old Disclosure>

April Orders Received	Amount	Units
	YoY (Comparison of Cumulative Totals)	YoY (Comparison of Cumulative Totals)
Custom-built Detached Houses	-31% (-31%)	- (-)



Monthly orders received reports launched for 2 new businesses in addition to custom-built detached housing business

FY3/14 Results



FY3/14 Results

1. Summary ◇ See earnings announcement, p. 44

- ◆ Increased revenues and earnings from solid main businesses and Henley Group subsidiary acquisition.
- ◆ Special factors: ¥2.1 billion gain on step acquisitions, ¥2.1 billion gain on reversal of deferred tax liabilities.

⇒ Net income: ¥ 22.5 billion (+41.5% YoY)

(Billion yen)	As reported in financial statements			
(Consolidated)	FY3/13	FY3/14	Change	Pct.
Net Sales	845.2	973.0	+127.8	+15.1%
Gross Profit	141.4	160.2	+18.7	+13.2%
SG&A Expenses	116.1	126.7	+10.6	+9.2%
Operating Income	25.3	33.4	+8.1	+31.9%
Recurring Income	27.0	33.6	+6.6	+24.4%
Net Income	15.9	22.5	+6.6	+41.5%

FY3/14 Results

2. Summary (excluding the effect of actuarial gains and losses)

- ◆ Actuarial loss -¥1.0 billion: Loss from drop in discount rate and other factors (increase in expenses)
- ◆ Recurring income on an industry basis (excluding the effect of actuarial gains and losses) ¥34.6 billion (+29.9% YoY)

(Billion yen)	Excluding the effect of actuarial gains and losses				Effect of actuarial gains and losses	
	FY3/13	FY3/14	Change	Pct.	FY3/13	FY3/14
(Consolidated)						
Net Sales	845.2	973.0	+127.8	+15.1%		
Gross Profit	141.4	160.2	+18.7	+13.2%		
SG&A Expenses	116.5	125.7	+9.3	+8.0%	-0.4	+1.0
Operating Income	25.0	34.4	+9.5	+37.9%	+0.4	-1.0
Recurring Income	26.6	34.6	+8.0	+29.9%	+0.4	-1.0
Net Income	15.7	23.2	+7.5	+47.6%	+0.2	-0.7

FY3/14 Results

3. Segment Sales and Recurring Income ◇ See earnings announcement, p. 44

(Billion yen)

(Consolidated)	Net Sales				Recurring Income			
	FY3/13	FY3/14	Change	Pct.	FY3/13	FY3/14	Change	Pct.
Timber and Building Materials	401.3	458.6	+57.3	+14.3%	4.7	5.0	+0.2	+5.2%
Housing	430.8	465.4	+34.6	+8.0%	26.2	32.2	+6.0	+22.8%
Overseas	38.7	76.3	+37.7	+97.4%	-1.8	-0.1	+1.7	—
Others	15.4	17.3	+1.9	+12.2%	0.8	0.8	+0.1	+8.9%
Adjustment	-40.9	-44.6	-3.7	—	-2.9	-4.3	-1.4	—
Total	845.2	973.0	+127.8	+15.1%	27.0	33.6	+6.6	+24.4%

➤ Timber and Building Materials:

The substantial increase in number of new housing starts was steadily tied into performance.

➤ Housing:

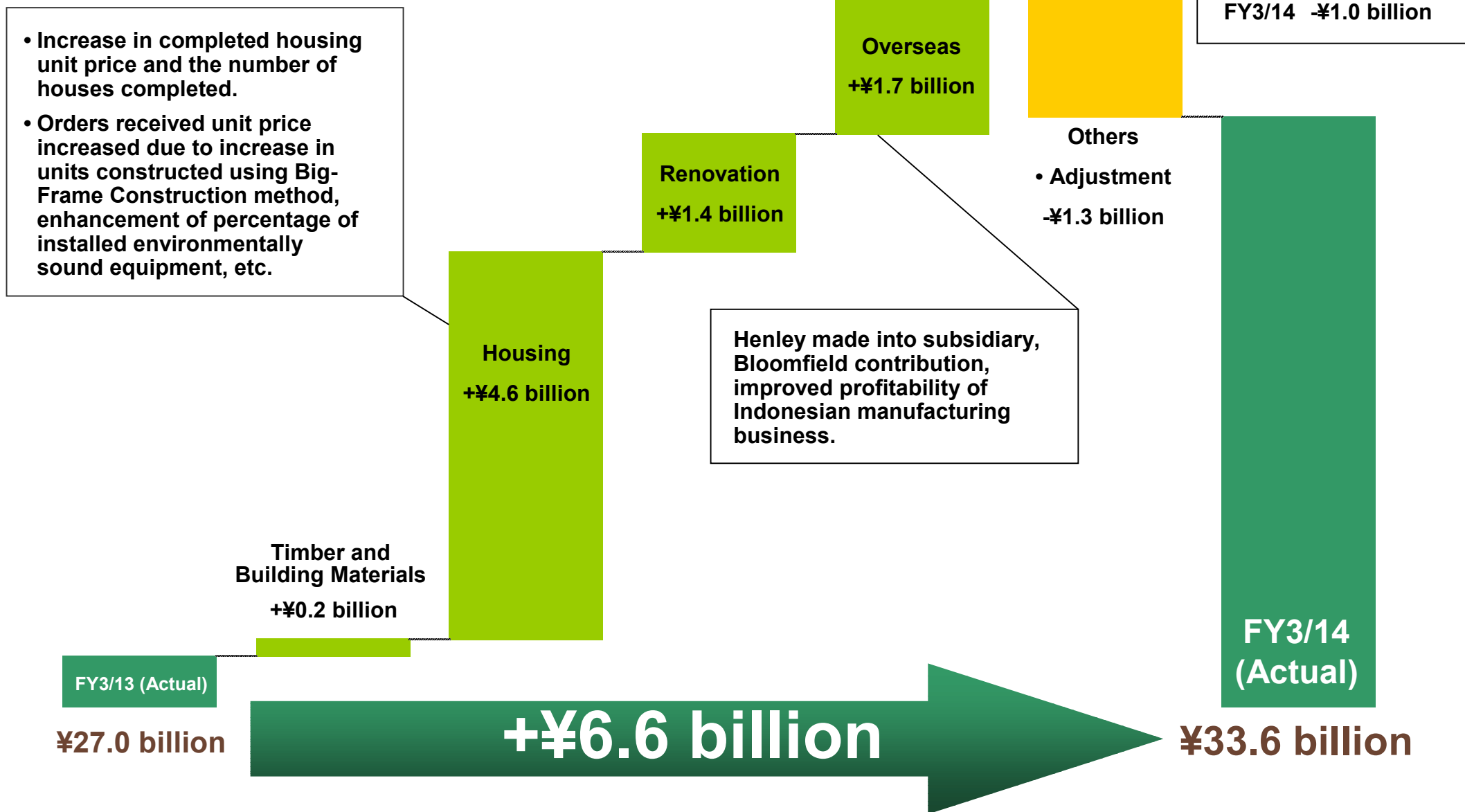
Number of custom-built detached housing units and unit prices both increased. The renovation business also expanded.

➤ Overseas:

The conversion of the Henley Group into a consolidated subsidiary, Bloomfield, in which stake was acquired in the previous year, and the strong Indonesian building materials manufacturing business contributed to improved profitability.

FY3/14 Results

4. Changes in Recurring Income (YoY)



FY3/14 Results

5. Housing Business Orders Received and Sales (Stand-Alone)

➤ Custom-built detached houses:

The orders received unit price increased due to an increase in the installation rate of environmentally sound equipment and in the number of units constructed using the Big-Frame construction method.

◇ See earnings announcement, p. 45

➤ Wooden apartment contract work:

Efforts were poured into business expansion, and both orders received and sales increased.

➤ The decrease in the profit ratio was from the loss on valuation of developed land and housing for sale. The profit ratio of the custom-built detached housing business was up slightly.

(Billion yen)

		Orders Received				Sales			
		FY3/13	FY3/14	Change	Pct.	FY3/13	FY3/14	Change	Pct.
Contract business	(Units)	(9,105)	(9,364)	(+259)	(+2.8%)	(8,999)	(9,243)	(+244)	(+2.7%)
	Custom-built Detached Houses	314.2	339.9	+25.7	+8.2%	300.9	320.3	+19.3	+6.4%
	Wooden Apartments	13.0	15.5	+2.5	+18.9%	9.4	13.1	+3.8	+40.1%
	Other Contracts	0.9	2.6	+1.7	+181.2%	0.3	1.4	+1.1	+402.9%
Spec homes and development business	Spec Homes					11.4	9.7	-1.7	-14.5%
	Land					5.5	5.6	+0.1	+1.3%
	Existing Home Renovation					6.8	9.0	+2.2	+33.3%
	Others					10.6	9.6	-1.0	-9.1%
		Net Sales Total				344.8	368.7	+23.9	+6.9%
		Profitability				24.9%	24.7%	-0.1%	
		Gross Profit				85.7	91.2	+5.5	+6.4%

* Orders received are the sum of orders received each FY less the amount of orders that were cancelled during the FY.

FY3/14 Results

6. Renovation Business Orders Received and Sales

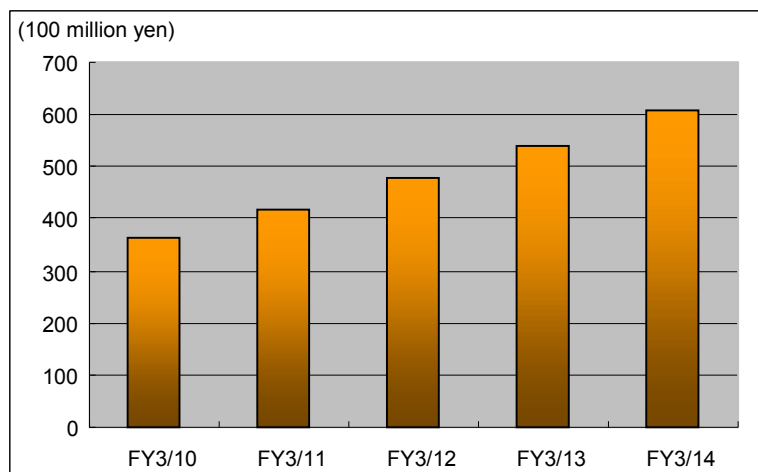
<Sumitomo Forestry Home Tech>

◇ See earnings announcement, p. 45

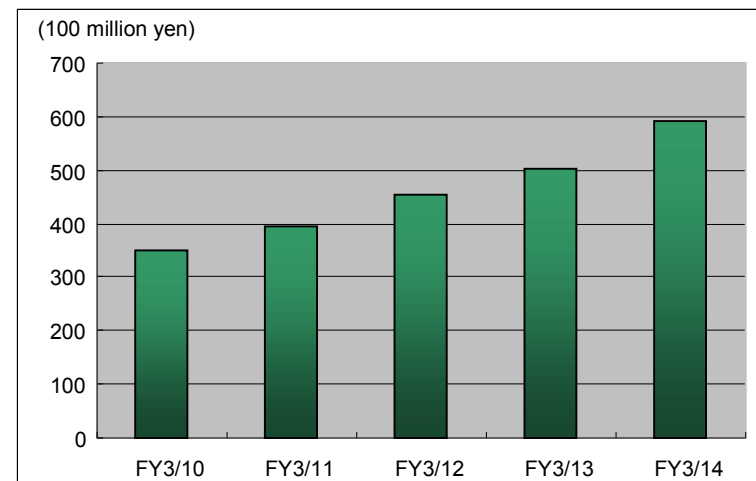
➤ Up until now it has been increasing at a rate of over 10%, aiming for expansion as a future growth business.

(Billion yen)	FY3/13	FY3/14	Change	Pct.
Order Received	53.8	61.0	+7.2	+13.4%
Construction Completed	50.3	59.3	+9.0	+17.9%
End of Term Remaining Orders Received	21.4	23.1	+1.7	+7.8%

◆ Trends in Orders Received



◆ Trends in Construction Completed



7. Overseas Segment Sales and Recurring Income

(Billion yen)

Overseas Segment	Net Sales				Recurring Income			
	FY3/13	FY3/14	Change	Pct.	FY3/13	FY3/14	Change	Pct.
Resources and Manufacturing	35.4	45.1	+ 9.7	+27.5%	0.1	0.8	+0.7	+475.1%
Housing and Real Estate	4.4	32.9	+ 28.5	+652.9%	-0.1	2.3	+2.4	—
Other, Consolidated Adjustments, etc.	-1.1	-1.7	-0.6	—	-1.9	-3.3	-1.4	—
Total	38.7	76.3	+ 37.7	+97.4%	-1.8	-0.1	+1.7	—

Resources and manufacturing:

The profitability of favorably performing KTI (Indonesia) and Alpine (Australia) contributed to increased revenues and earnings.

Housing and real estate:

Revenues and earnings were up substantially after converting Henley to a subsidiary and application of the new equity method with Bloomfield.

FY3/14 Results

8. Investments

◆ Capital Expenditures

<when acquired>

(Billion yen)

(Consolidated)	FY3/13	FY3/14	Change	Pct.
Tangible Fixed Assets	7.1	14.7	+7.7	+108.8%
Intangible Fixed Assets	2.9	2.4	-0.5	-16.4%
Others	0.3	0.3	-0.1	-26.5%
Total	10.3	17.4	+7.1	+69.1%

◆ Main investments

Domestic and overseas housing display centers ... ¥4.3 billion

Mombetsu biomass power generation business ... ¥4.1 billion

Factory equipment of domestic and overseas manufacturing business ... ¥3.1 billion

IT investments ... ¥2.8 billion

FY3/15 Forecast



FY3/15 Forecast

1. Summary ◇ See earnings announcement, p. 44

- The impact of the sharp reactive decline in the number of new housing starts in Japan is unavoidable.
- Earnings will increase thanks to the contribution of the overseas business and other factors, but recurring income will fall ¥1.6 billion to ¥32 billion.
- Principal factors for the increase in SG&A expenses: Mostly the impact of Henley full-year accounting and Gehan. Strategic expenses for strengthening and expanding growth businesses such as the renovation, wooden apartment, existing home renovation (resale of renovated homes) and wood-use integration businesses are expected to rise. (Billion yen)

(Consolidated)	FY3/14	FY3/15	Change	Pct.	FY3/14 (Without actuarial gains/losses)	Without actuarial gains/losses	
	Actual	Forecast				Change	Pct.
Net Sales	973.0	990.0	+17.0	+1.8%	973.0	+17.0	+1.8%
Gross Profit	160.2	168.0	+7.8	+4.9%	160.2	+7.8	+4.9%
SG&A Expenses	126.7	137.0	+10.3	+8.1%	125.7	+11.3	+9.0%
Operating Income	33.4	31.0	-2.4	-7.2%	34.4	-3.4	-10.0%
Recurring Income	33.6	32.0	-1.6	-4.7%	34.6	-2.6	-7.5%
Net Income	22.5	18.0	-4.5	-20.1%	23.2	-5.2	-22.4%

FY3/15 Forecast

2. Segment Sales and Recurring Income

◇ See earnings announcement, p. 44

(Billion yen)

(Consolidated)	Net Sales				Recurring Income			
	FY3/14	FY3/15	Change	Pct.	FY3/14	FY3/15	Change	Pct.
Timber and Building Materials	458.6	420.0	-38.6	-8.4%	5.0	4.2	-0.8	-15.2%
Housing	465.4	470.0	+4.6	+1.0%	32.2	28.5	-3.7	-11.5%
Overseas	76.3	128.0	+51.7	+67.7%	-0.1	2.5	+2.6	—
Others	17.3	15.0	-2.3	-13.2%	0.8	0.7	-0.1	-14.8%
Adjustment	-44.6	-43.0	+1.6	—	-4.3	-3.9	+0.4	—
Total	973.0	990.0	+17.0	+1.8%	33.6	32.0	-1.6	-4.7%

➤ **Timber and building materials:**

Decrease in revenue and earnings due to unavoidable impact of decreased number of new housing starts.

➤ **Housing:**

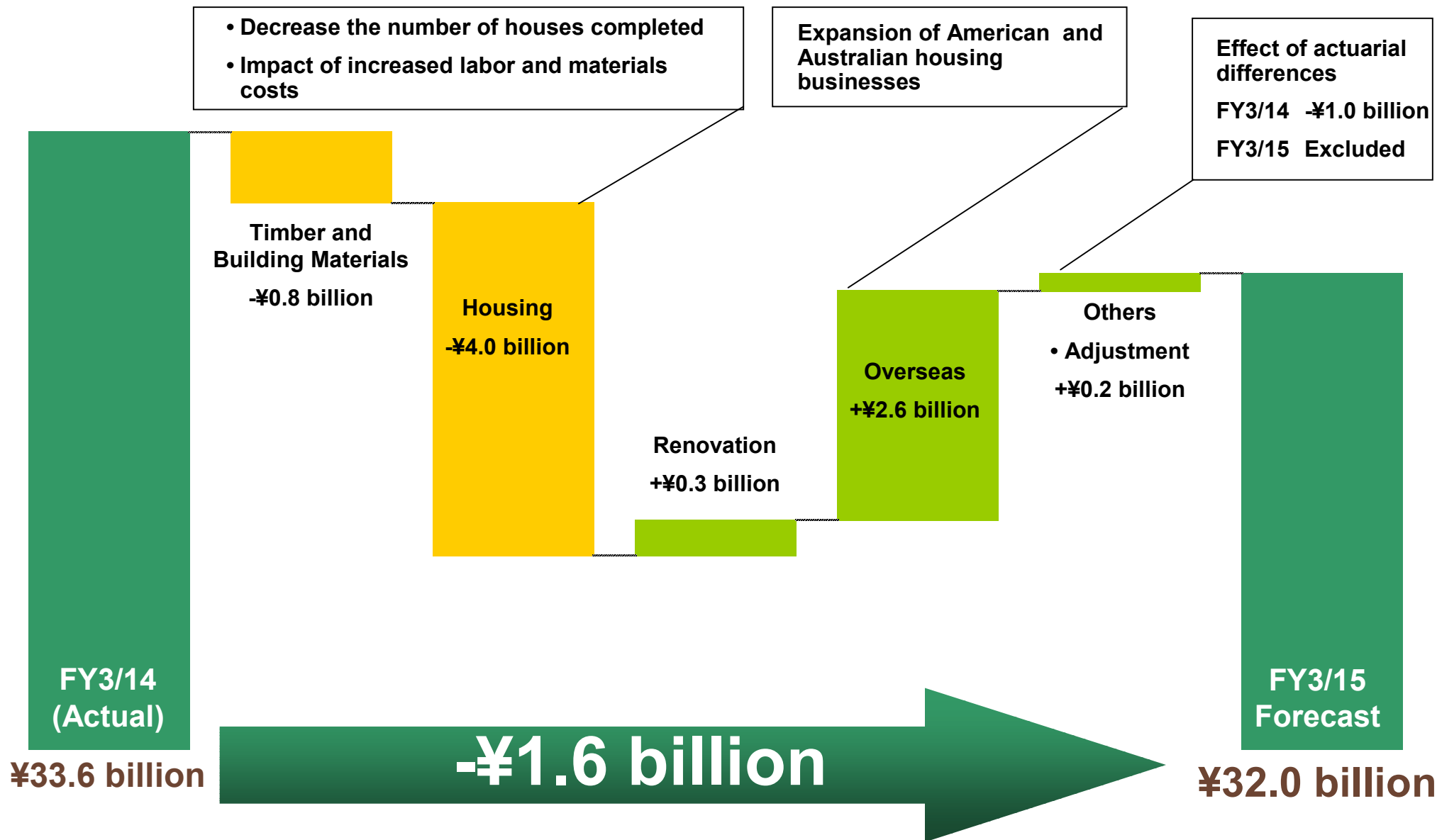
Decreased earnings anticipated due to impact of decreased number of custom-built detached houses completed and increased labor and materials costs.

➤ **Overseas:**

Contribution to results from American and Australian housing businesses anticipated.

FY3/15 Forecast

3. Changes in Recurring Income (YoY)



FY3/15 Forecast

4. Outlook for Housing Business Orders Received and Sales

◇ See earnings announcement, p. 45

- ◆ Custom-built detached housing: Impact of sharp reactive decline to persist through the first half. Efforts will also be made to strategically concentrate investment into the three major metropolitan areas and raise the unit price of orders received, so the reactive decline is expected to be overcome in the second half.
- ◆ Orders received and sales of wooden apartments, sales of detached spec homes both expected to exceed the prior term.
- ◆ Renovation: Renovation property sales will increase, despite decreased revenue from sale of existing properties in the prior term.

(Billion yen)		Orders Received				Sales			
		FY3/14	FY3/15	Change	Pct.	FY3/14	FY3/15	Change	Pct.
Contract business	(Units)	(9,364)	(9,000)	(-364)	(-3.9%)	(9,243)	(9,000)	(-243)	(-2.6%)
	Custom-built Detached Houses	339.9	313.5	-26.4	-7.8%	320.3	313.5	-6.8	-2.1%
	Wooden Apartments	15.5	16.5	+1.0	+6.4%	13.1	14.8	+1.7	+12.7%
	Other Contracts	2.6	1.5	-1.1	-41.4%	1.4	2.0	+0.6	+45.4%
Spec homes and development business	Spec Homes					9.7	12.0	+2.3	+23.4%
	Land					5.6	6.8	+1.2	+21.9%
	Existing Home Renovation					9.0	8.0	-1.0	-11.1%
	Others					9.6	7.0	-2.6	-27.3%

Net Sales Total	368.7	364.1	-4.6	-1.2%
-----------------	-------	-------	------	-------

Profitability	24.7%	24.4%	-0.3%	
Gross Profit	91.2	89.0	-2.2	-2.4%

* Orders received are the sum of orders received each FY less the amount of orders that were cancelled during the FY.

FY3/15 Forecast

5. Outlook for Renovation Business Orders Received and Sales

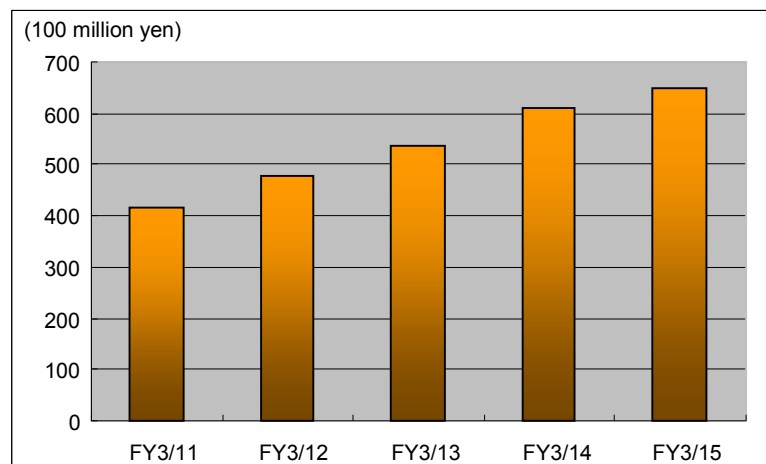
<Sumitomo Forestry Home Tech>

◇ See earnings announcement, p. 45

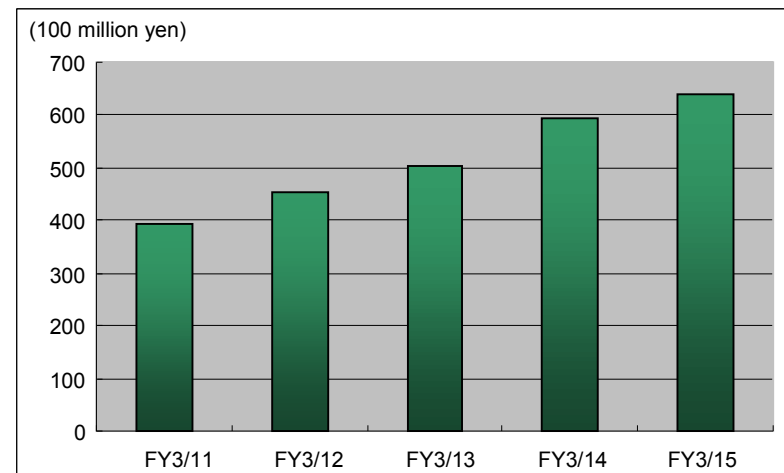
- In addition to expanding bases at two locations, the strategy for the three major metropolitan areas will be strengthened, and efforts will be poured into condominium renovations.
- The number of houses completed is expected to be up 8% YoY, and recurring income is expected to be up 8% to ¥4.4 billion.

(Billion yen)	FY3/14	FY3/15	Change	Pct.
Orders Received	61.0	65.0	+4.0	+6.6%
Construction Completed	59.3	64.0	+4.7	+7.9%
End of Term Remaining Orders Received	23.1	24.1	+1.0	+4.3%

◆ Trends in Orders Received



◆ Trends in Construction Completed



6. Overseas Segment Sales and Recurring Income

(Billion yen)

Overseas Segment	Net Sales				Recurring Income			
	FY3/14	FY3/15	Change	Pct.	FY3/14	FY3/15	Change	Pct.
Resources and Manufacturing	45.1	47.3	+2.2	+4.9%	0.8	0.6	-0.2	-21.5%
Housing and Real Estate	32.9	81.5	+48.6	+147.9%	2.3	5.6	+3.3	+142.5%
Other, Consolidated Adjustments, etc.	-1.7	-0.8	+0.9	—	-3.3	-3.7	-0.5	—
Total	76.3	128.0	+51.7	+67.7%	-0.1	2.5	+2.6	—

Resources and manufacturing:

Although the business in Indonesia (KTI) will continue performing favorably, worsening conditions in New Zealand (NPIL) will result in increased revenues but decreased earnings.

Housing and real estate:

Conversion of Henley into subsidiary, full-year contribution of Bloomfield and contribution of Gehan will result in substantial increase in revenues and earnings.

FY3/15 Forecast

7. Investments

◆ Capital Expenditures

<when acquired>

(Billion yen)

(Consolidated)	FY3/14	FY3/15	Change	Pct.	FY3/13
Tangible Fixed Assets	14.7	13.7	-1.0	-6.9%	7.1
Intangible Fixed Assets	2.4	3.0	+0.6	+23.1%	2.9
Others	0.3	0.4	+0.1	+52.6%	0.3
Total	17.4	17.1	-0.3	-1.9%	10.3

◆ Main investments

Domestic and overseas housing display centers ... ¥4.7 billion

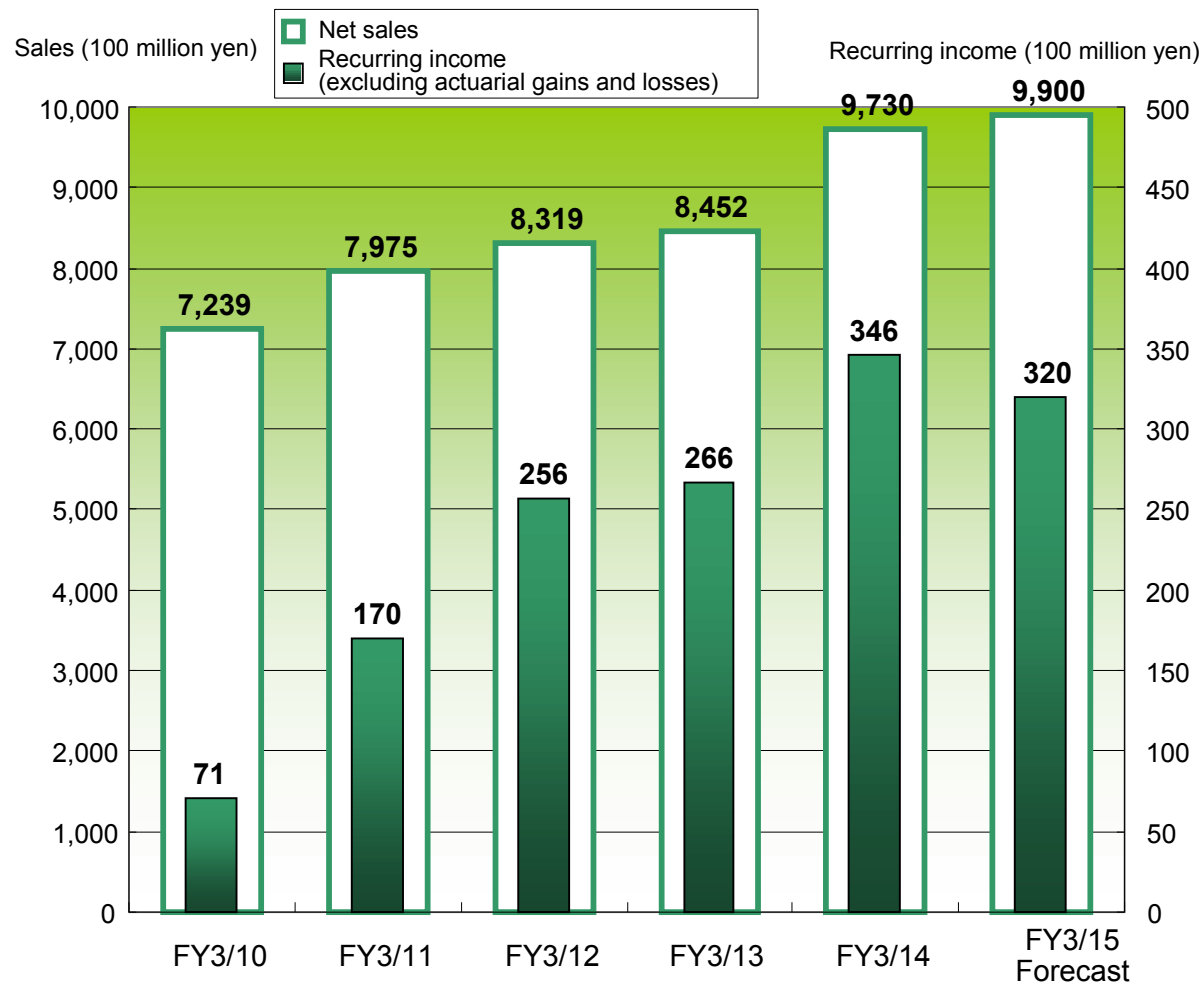
IT investments ... ¥3.8 billion

Capital expenditures in domestic and overseas manufacturing business ... ¥3.2 billion

Mombetsu biomass power generation business ... ¥1.1 billion

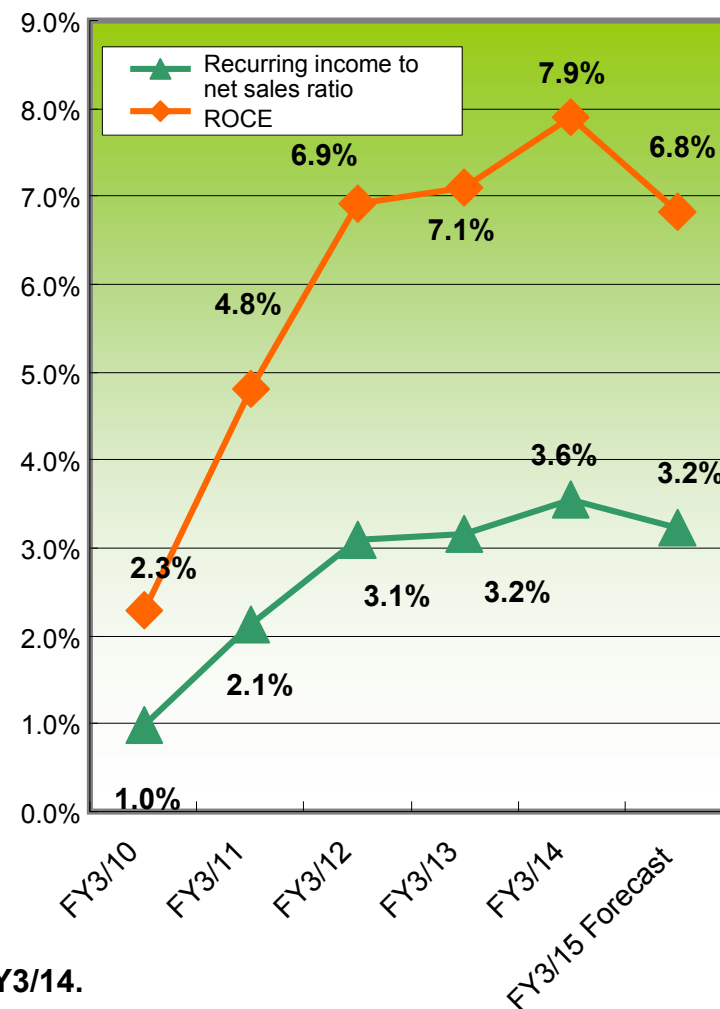
FY3/15 Forecast

8. Trends in Gains/Losses, Recurring Income to Net Sales Ratio and ROCE (excluding the effect of actuarial gains and losses)



*FY3/15 figures are forecast figures.

*Actuarial differences are excluded from recurring income figures prior to FY3/14.



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.

