



Earnings Briefing for the Fiscal Year Ended March 31, 2012  
Earnings Summary and Business Strategy

Akira Ichikawa, President / Representative Director  
SUMITOMO FORESTRY CO., LTD.  
May 11, 2012

**(1)FY3/12 Earnings Summary**

**(2)FY3/13 Earnings Forecasts**

**(3)Business Reorganization**

**(4)Business Strategy**

**(5)Our Technical Capabilities**

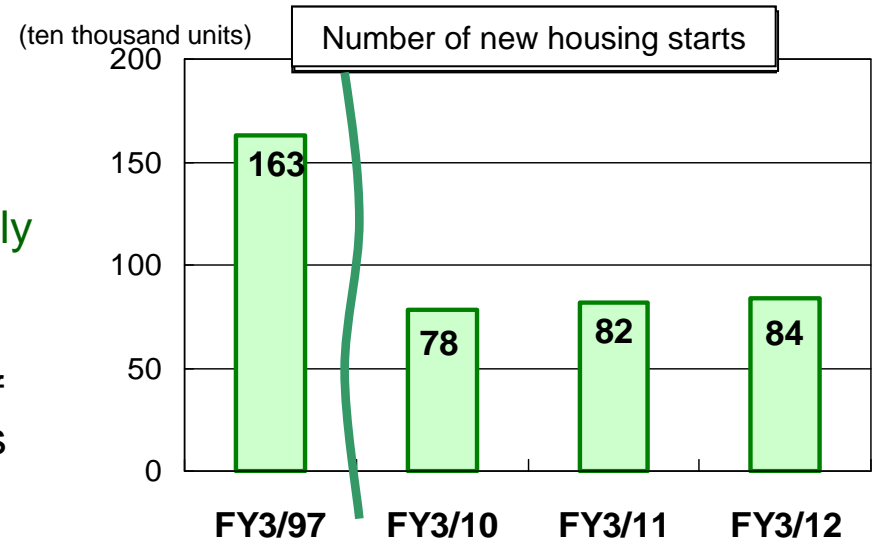
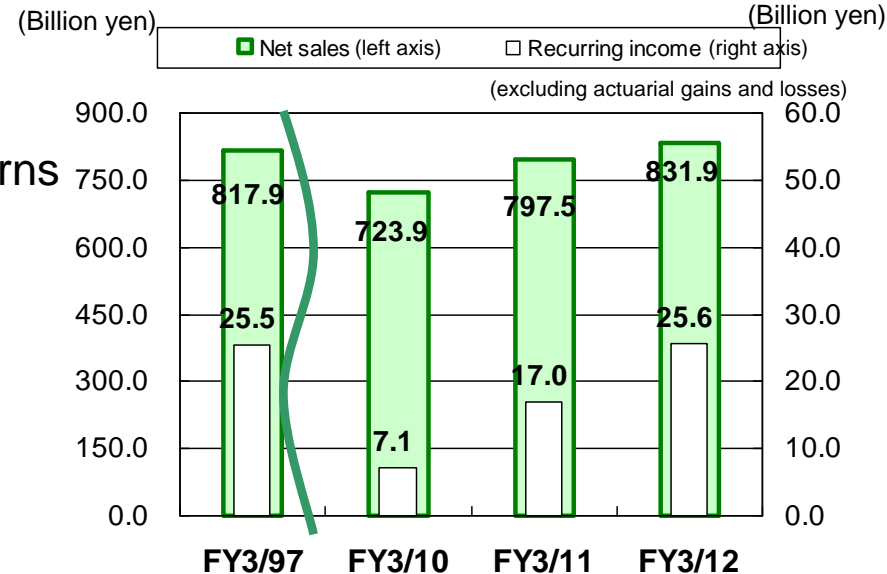
## Toward a Structure that is Capable of Generating Stable Recurring Income of ¥20 Billion

### <Market Environment>

- Relatively firm housing market trends despite concerns surrounding the impact of the earthquake disaster

### <FY3/12 Earnings Summary>

- Achieved a **substantial increase in earnings** thanks largely to successful efforts to bolster profitability
- Recurring income on an industry basis (excluding actuarial gains and losses) above ¥20 billion **for the first time since FY3/97**
- New housing starts in FY3/97 totaled **approximately 1.6 million**
- Clear indications that a structure that is capable of generating stable recurring income of ¥20 billion is falling into place



## Target Recurring Income in Excess of ¥20 Billion for a Second Consecutive Fiscal Year on the back of a Firm Domestic Housing Market

### <Market Environment>

- Considerable downside risk due mainly to forecast issues regarding nuclear and electric power as well as the debt crisis in Europe
- New housing starts expected to total **850,000** unchanged from FY3/12

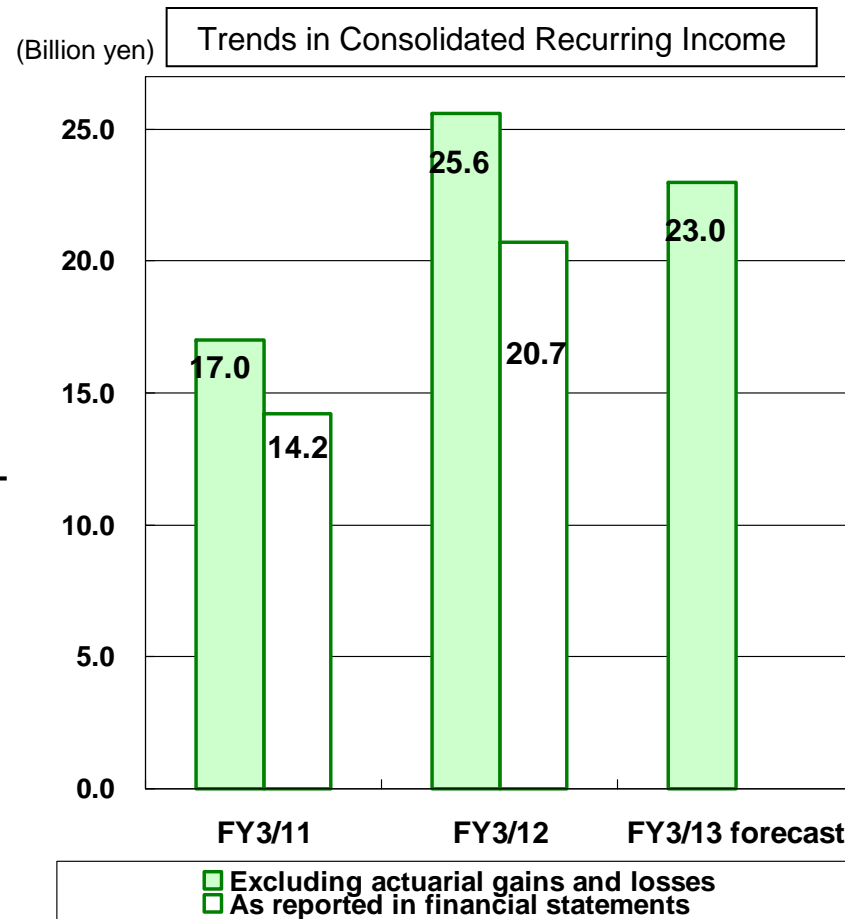
### <FY3/13 Plan>

- Expectations are for profits to remain stable in the core timber and building materials as well as custom-built detached housing businesses; earnings are forecast to improve in the remodeling and overseas businesses

Net sales	<b>¥845 billion</b>	(+1.6% YoY)
Recurring income	<b>¥23 billion</b>	(+11.0% YoY)

(Excluding actuarial gains and losses)

Recurring income	<b>¥23 billion</b>	(-10.3% YoY)
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## Establish a Robust Earnings Platform by Taking Advantage of Management Resources

### <Future Market Environment>

- 「Expansion in the stock housing market including the renovation market」
- 「Overseas market growth」
- 「Contraction in the domestic new housing market」



Promote reorganization to **ensure the efficient application and use of management resources** taking into consideration future business conditions



#### <Timber and Building Materials Business>

Promote a uniform and integrated global strategy

#### <Housing Business>

Pick up the pace of stock housing business expansion

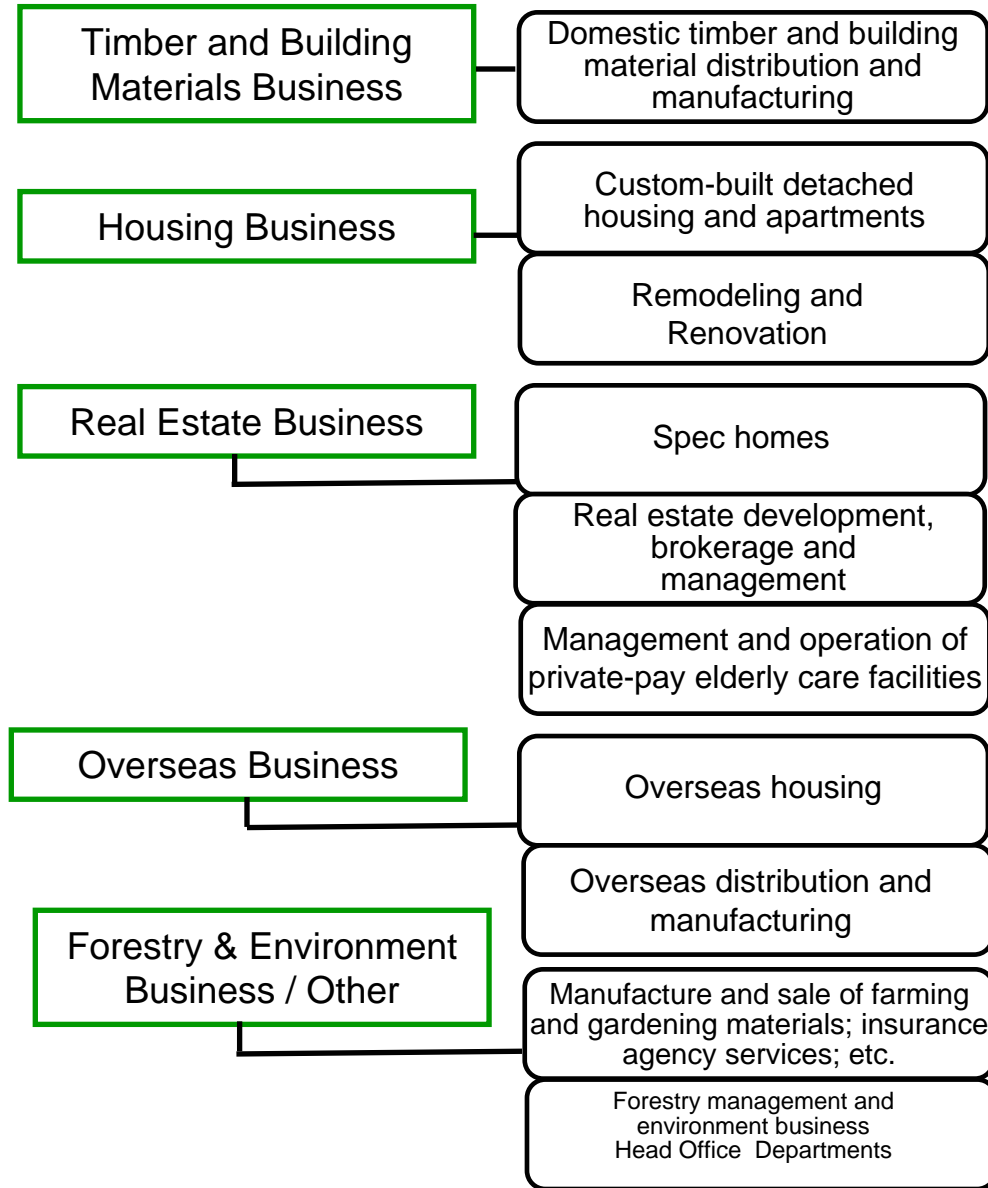
#### <Overseas Business>

Engage in finely tuned business management and accelerate new business growth

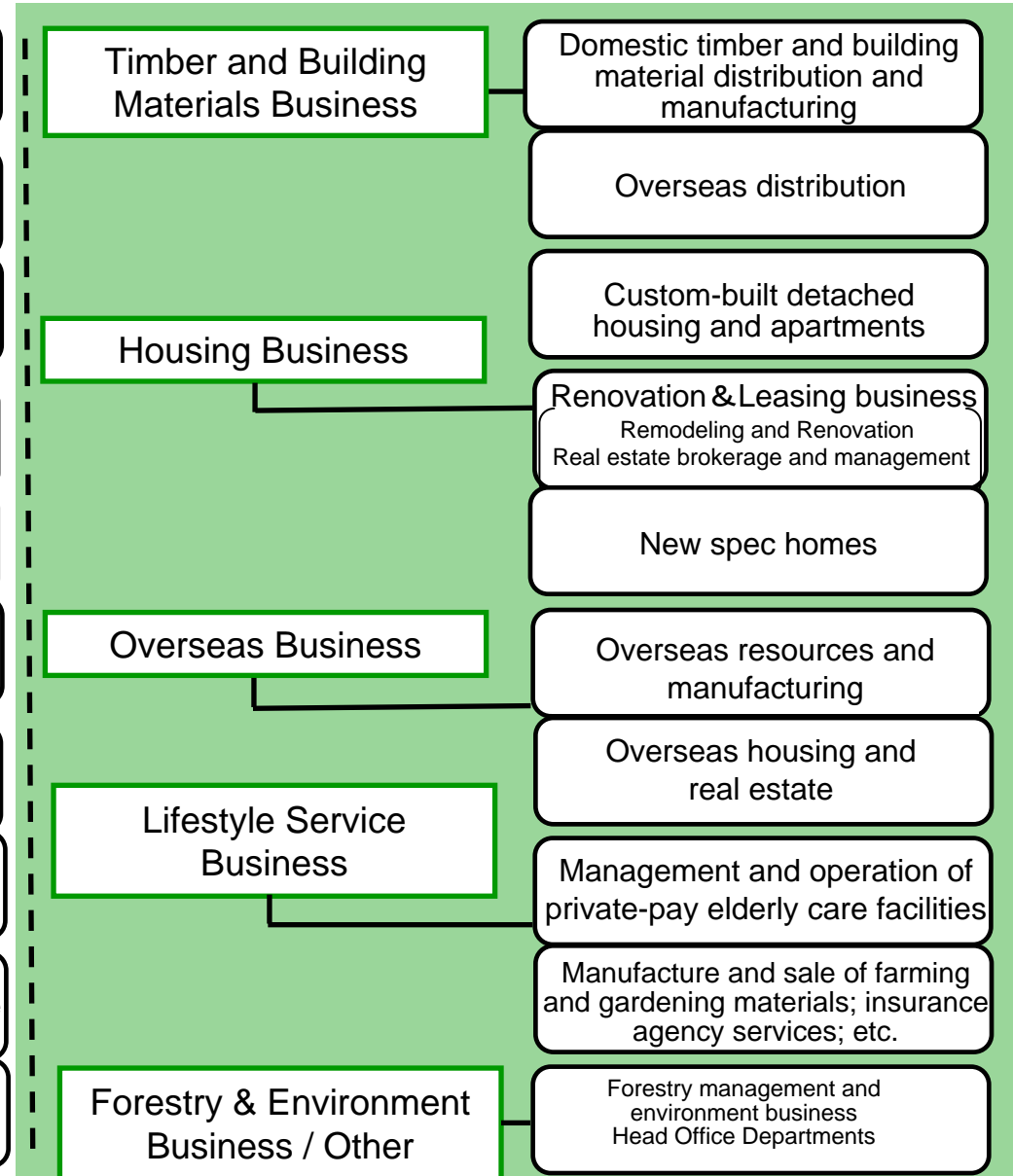
#### <Lifestyle Service Business>

Expand into business fields that do not depend on the number of housing starts

## <Former>

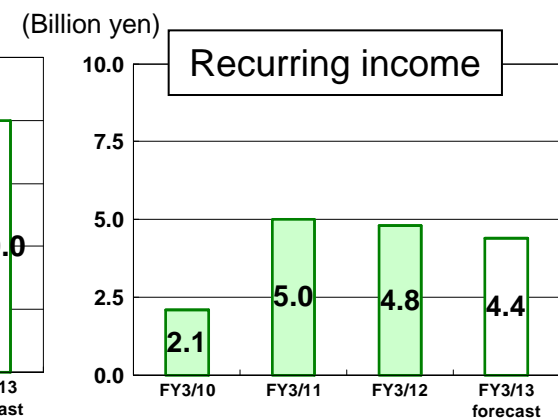
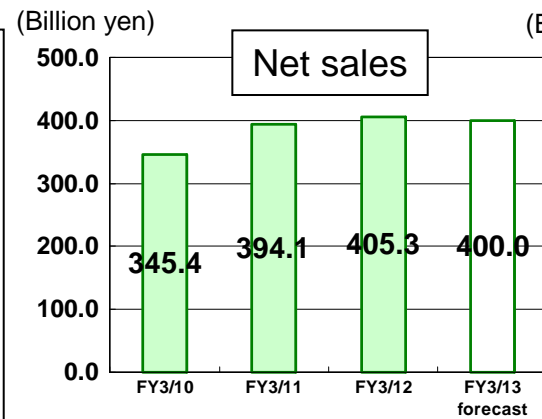
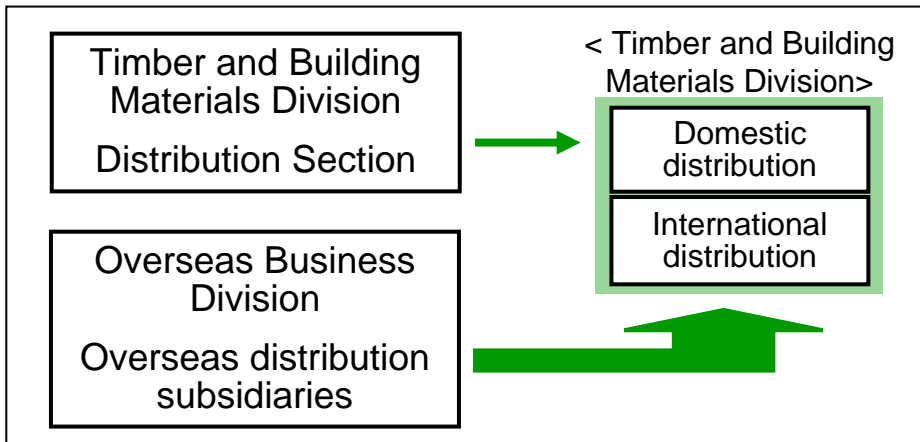


## <New>



## <Timber and Building Materials Business> Accelerating Global Development and Strengthening the Domestic Distribution Function

- We are engaging in uniform and integrated global development while taking full advantage of worldwide distribution networks
- We are promoting a distribution strategy in each domestic region utilizing ongoing **JHOP** and **3PL services**
- We are strengthening capabilities in markets that are expected to experience growth including environmental materials and the renovation field



Note: Performance trends are based on new segment classifications

## <Housing Business>

Addressing the Needs of a Growing Renovation & Leasing Market based on a Broad Approach toward the Overall Concept of “the Home”

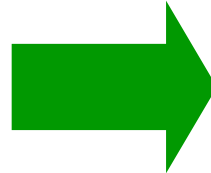
### <Custom-Built Detached Housing Business>

- Implementing measures aimed at increasing market share in major metropolitan cities, capturing reconstruction demand in areas devastated by disaster, and addressing safety, security as well as energy conservation needs



### <Renovation & Leasing Business>

- Expanding the renovation & leasing business  
April 2012: Launched smart Reforest

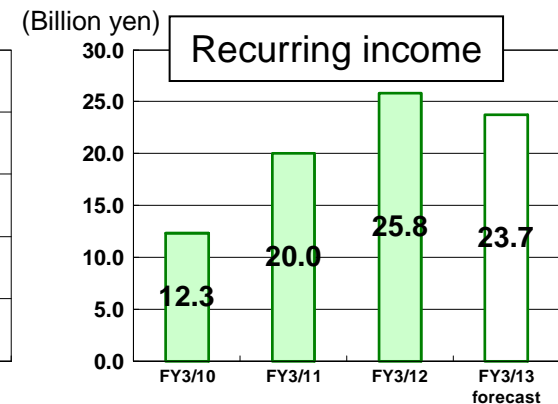
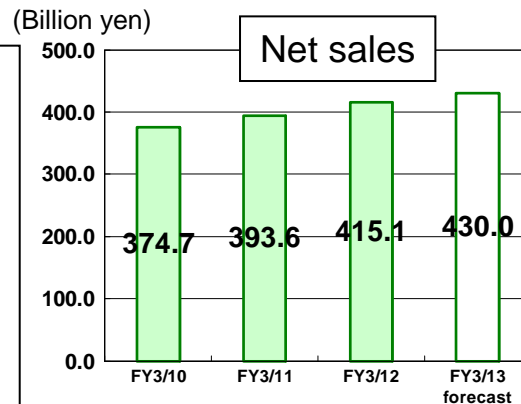
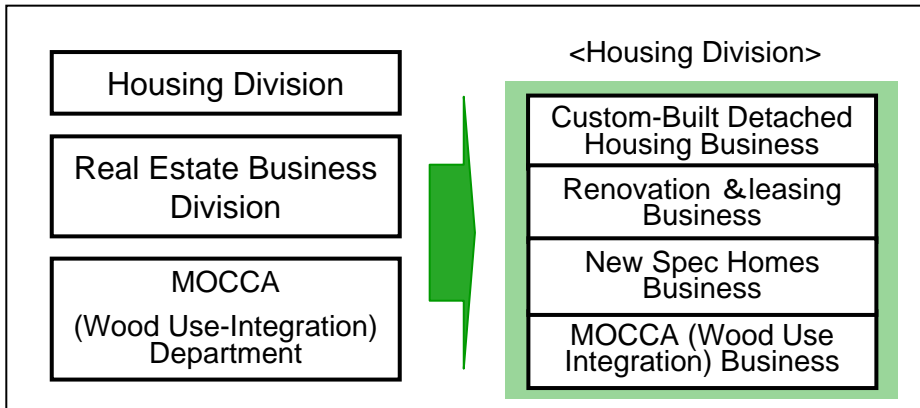


### <MOCCA (Wood Use Integration) Business>

- Promoting the broadening application of wood resources

#### <smart Reforest>

Targeting renovation measures aimed at eliminating utility costs by introducing cutting-edge facilities that combine energy generation, saving, and storage properties after enhancing basic home functions that provide safe, secure, and more convenient living environments through earthquake resistance and insulation renovation.



Note: Performance trends are based on new segment classifications



## Robust Sales of Products that Utilize the Big-Frame Construction Method Developed through the Application of Cutting-Edge Technologies

<Activities aimed at securing further evolution in the construction of wooden houses>

- Developed a homebuilding material precutting technique (1988)
  - ⇒ Helped secure labor savings in construction work while shortening construction periods
- Put in place a CAD / CAM system (1990)
  - ⇒ Put in place a system to facilitate drawing measurement and the identification of detailed on-site production costs
- Introduced laminated engineered wood (1993)
  - ⇒ Enhanced quality and precision; developed *Super Cypress* in 2002



*Super Cypress*

<The Big-Frame (BF) Construction Method>

- The culmination of research and development into **housing, recognized as a quality asset**, as a part of efforts to break free from the scrap and build concept in domestic housing
- Used to ensure a highly rigid and robust structural framework using large columns and beams; offers a high degree of planning freedom

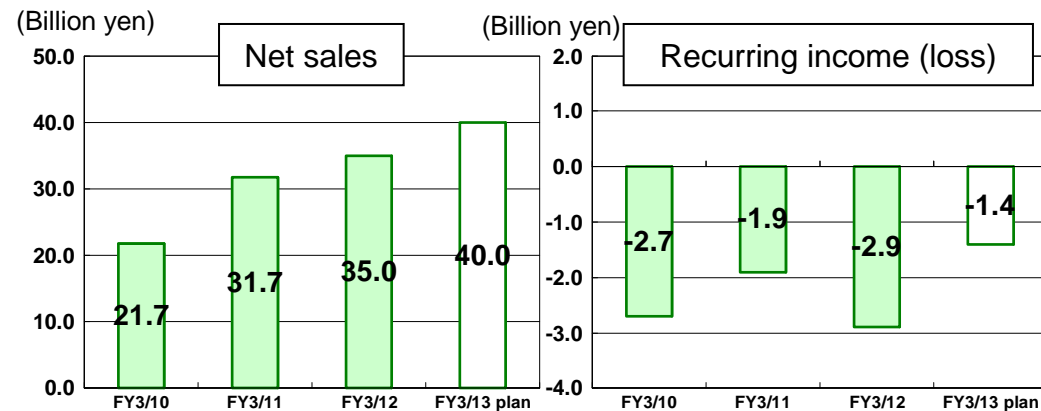
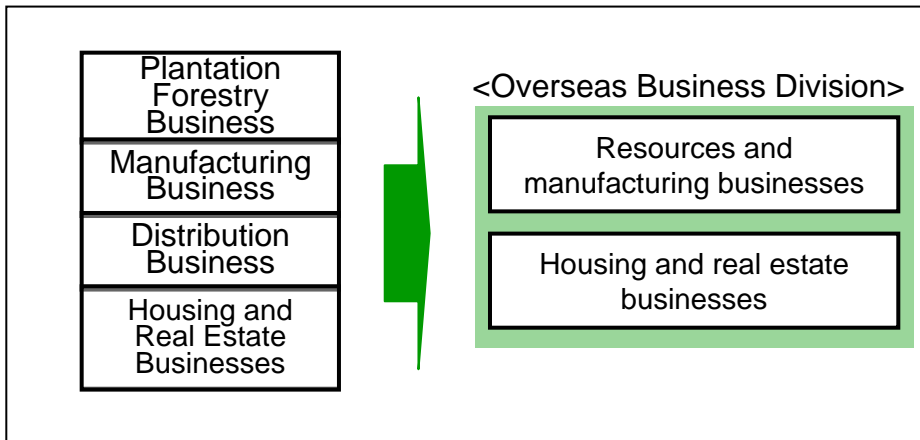


*Big column*

## <Overseas Business>

### Take Steps to Swiftly Rebuild Underperforming Businesses and Accelerate New Business Growth

- Transferring the distribution business to the Timber and Building Materials Division and reorganizing resources and manufacturing as well as housing and real estate activities
- Promoting a review of all businesses while endeavoring to quickly return loss-making business into the black
- Working to develop new businesses and to swiftly secure new earnings streams as a priority business



Note: Performance trends are based on new segment classifications

# Pursuing the Potential of Wood and Boosting Wood Resources Added-Value

Our research and development activities are contributing significantly to the evolution of wooden houses

## Housing-related

- Engaging in housing research that effectively utilizes natural energy
- Investigating the psychological effects of housing on residents

Pursuing new wooden housing and livability

## Wood resource-related

- Engaging in research that helps generate a variety of tree species and greater added-value in wood materials
- Rearing seedlings and breeding a variety of tree species considered appropriate for use as wood materials as well as research into scarce trees

Underpinned by the primary objective of creating high value-added wood materials



Tsukuba Research Institute



Weeping cherry tree at Daigoji Temple

Actual-size vibration testing



## Working to Contribute to Society and the Global Environment in concert with Corporate Growth

Now more than ever in the aftermath of the Great East Japan Earthquake, issues relating to **corporate social responsibility** and **business attitudes** are being called into question

### <Restoration support>

- Established the Tohoku Restoration Support Office



Engaging in Group-wide cross-sectional activities to promote complete restoration over the medium to long term

- Providing restoration support to areas devastated by the disaster focusing on the concepts of “**trees and greenery**”

### <Social and environmental contribution>

Mar. 2012 Put in place the Sumitomo Forestry Group Biodiversity Declaration; incorporated and implemented steps to achieve the common global Aichi Target within business level long-term plans

Apr. 2012 Acquired the highest DBJ Environmental Ratings

The Financing Employing DBJ Environmental Rating S Rank mark



A germinated seedling that has sprouted

A single pine tree of hope



Emergency housing

As a company that is engaged in a variety of tree-based businesses, Sumitomo Forestry is uniquely placed to realize social and environment contributions in concert with corporate growth.

Harnessing this unique position to maximum advantage, the Company will engage in high value-added businesses that are well received by people and society while meeting the expectations of all stakeholders.



**The forecast figures in this presentation are based on projections deemed appropriate at the time this document was prepared. Actual results may differ materially from these projections.**

May 11, 2012



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