

Earnings Briefing for the Fiscal Year Ended March 31, 2013 Earnings Summary and Business Strategy

The Power of Forests Empowers the Future

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SUMITOMO FORESTRY CO., LTD.

May 10, 2013

- **Business Conditions**
- **FYE March 2013 Results**
- **Full Year Forecast of FYE March 2014 Results**
- **Performance Trends**
- **A Look Back at the Past 3 Years**
- **New Objectives**
- **Towards Achieving Objectives**
- **Return to Shareholders**

Domestic and Overseas Economic Climates

- With respect to the domestic economy, with high stock prices and a weakening yen, etc. there is an increasing sense of expectation in the revitalization of the economy.
- As regards to overseas, the US economy is in a clear upswing while there is a sense of a slowdown in newly emerging countries such as China and India. The European economy is also stagnant.

New Housing Starts

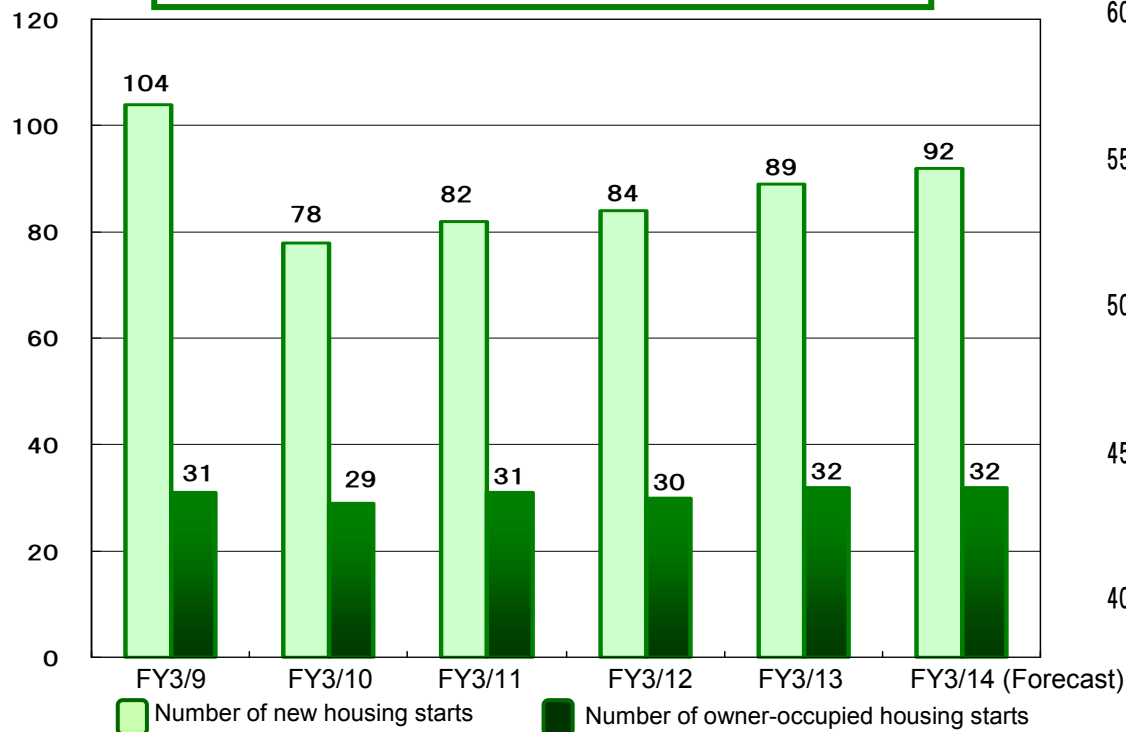
- FY3/14 new housing starts expected to total 920,000 and owner-occupied housing starts expected to total 320,000.
- Efforts directed towards consumption tax countermeasures and reconstruction demand promoted laterally across the group.

The Company's Stance

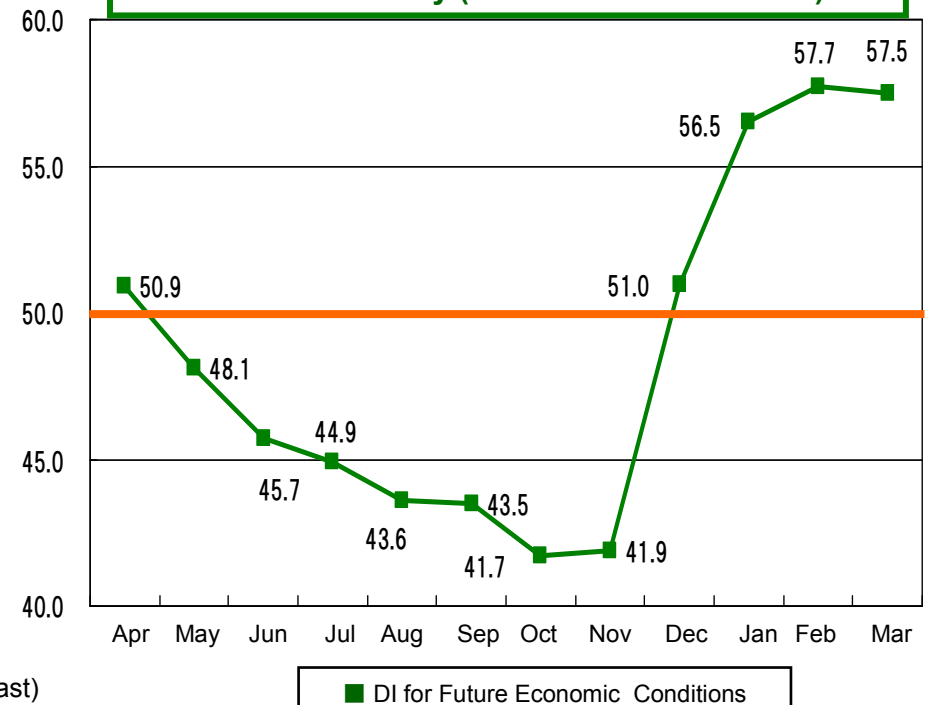
- While flexibly dealing with changes in business, we will have a long-term vision and build a strong earnings structure unswayed by short-term changes in the business environment.

(10 thousand units)

Trends in New Housing Starts (Total, Owned Homes)



Trends in the Results of FY/13 Economy Watchers Survey (Source: Cabinet Office)



Increased Sales and Profits Lead by the Housing Business

- Against the backdrop of a solid domestic housing market, FY3/13 earnings were progressing well.
- Overall there were increased sales and profits. It resulted from increased sales and profits in the housing business, steady performance in the timber and building materials business and also a reduction in the losses in overseas business.
- While there are issues which need to be resolved, such as improvements in the sales and income of overseas business, etc., we continue to move forward with the resolution of these problems.

FY3/13 Results

(Billion yen)

(Consolidated)	FY3/12	FY3/13	YoY
Net Sales	831.9	845.2	+1.6%
Operating income	19.2	25.3	+32.0%
Recurring income	20.7	27.0	+30.3%
Net income	9.3	15.9	+71.8%

Without actuarial gains/losses

(Billion yen)

FY3/12	FY3/13	YoY
831.9	845.2	+1.6%
24.1	25.0	+3.6%
25.6	26.6	+3.9%
12.2	15.7	+28.5%

Against the Backdrop of a Strong Domestic Housing Market, Planning for Continued Increases in Sales and Profits

- Domestic housing market forecasted to trend strongly and planning for increased sales and profits in the timber and building materials business and custom-built detached housing business.
- With respect to the increase in consumption tax, forecast a certain degree of last-minute orders in the first half of the fiscal year .
- We anticipate that the housing related market, including timber and building materials, will become active in the second half of the fiscal year.
- Measures taking a firm view of market environment from the coming fiscal year onward are essential.

FY3/14 Full Year Forecast

(Billion yen)

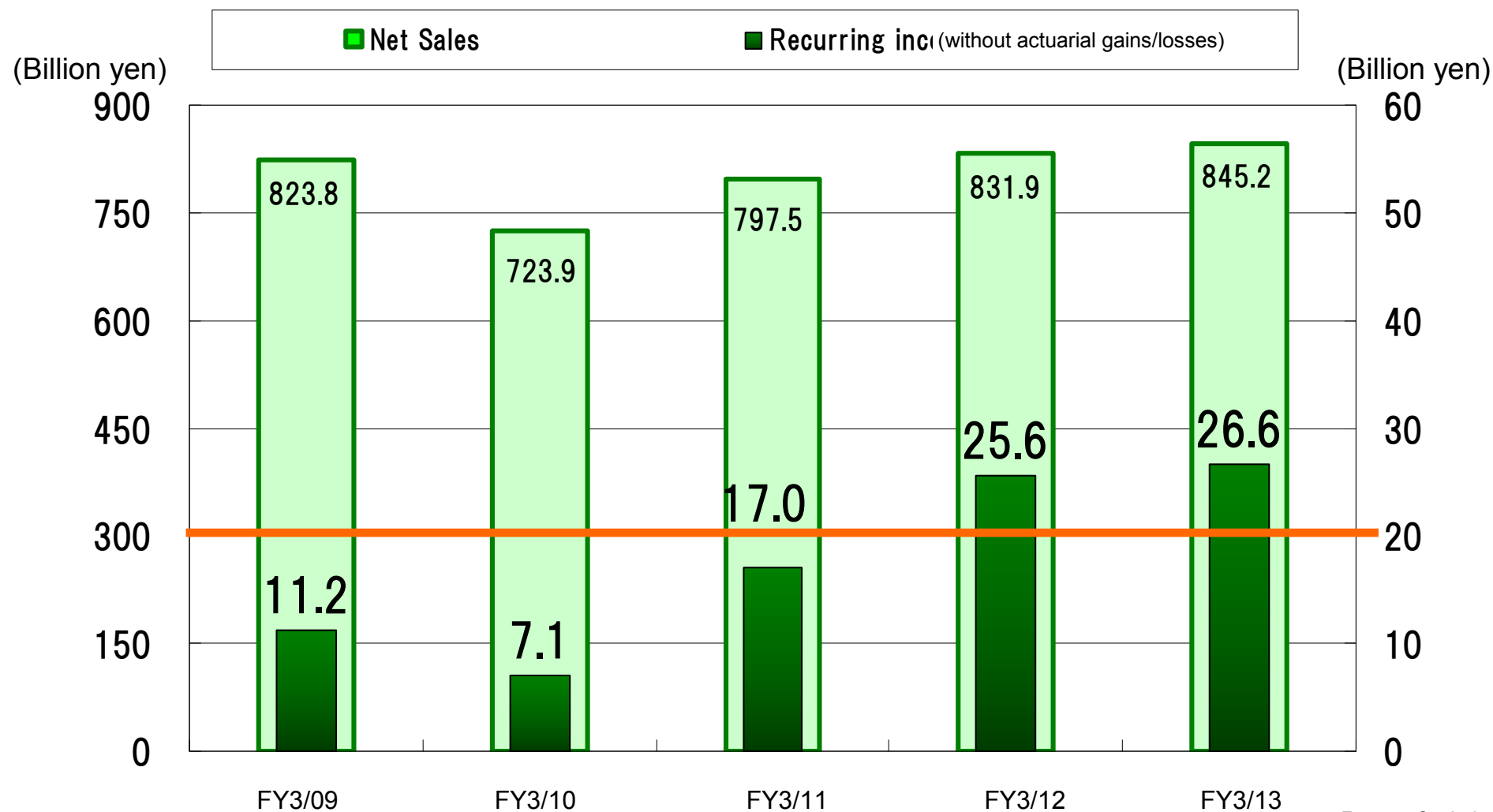
(Consolidated)	FY3/13	FY3/14 Forecast	YoY
Net Sales	845.2	900.0	+6.5%
Operating income	25.3	27.5	+8.6%
Recurring income	27.0	28.0	+3.8%
Net income	15.9	16.0	+0.5%

Without actuarial gains/losses
(Billion yen)

FY3/13	YoY
845.2	+6.5%
25.0	+10.1%
26.6	+5.1%
15.7	+1.9%

Establishment of Structure for Recurring Income of ¥20 billion

- Judged to have established a structure for recurring income of ¥20 billion in the 3 years from FY3/11.



Significant Increase in Sales and Profits Principally in Main Business

Comparison with FY3/10

Timber and Building Materials Business

- Executed penetration into new business domains, such as participation in the 3PL business undertaking housing materials distribution and the commencement of biomass power generation business.

Housing Business

<Custom-Built Detached Housing Business>

- Thoroughly implemented cost reductions and business streamlining improving ordinary income ratio.

<Renovation>

- Expanded outlets, increased staff and upgraded product lineup.

Overseas Business

- Implemented an expansion in business scale, such as the acquisition of a US cabinet company and establishment of particleboard factory in Vietnam, etc.

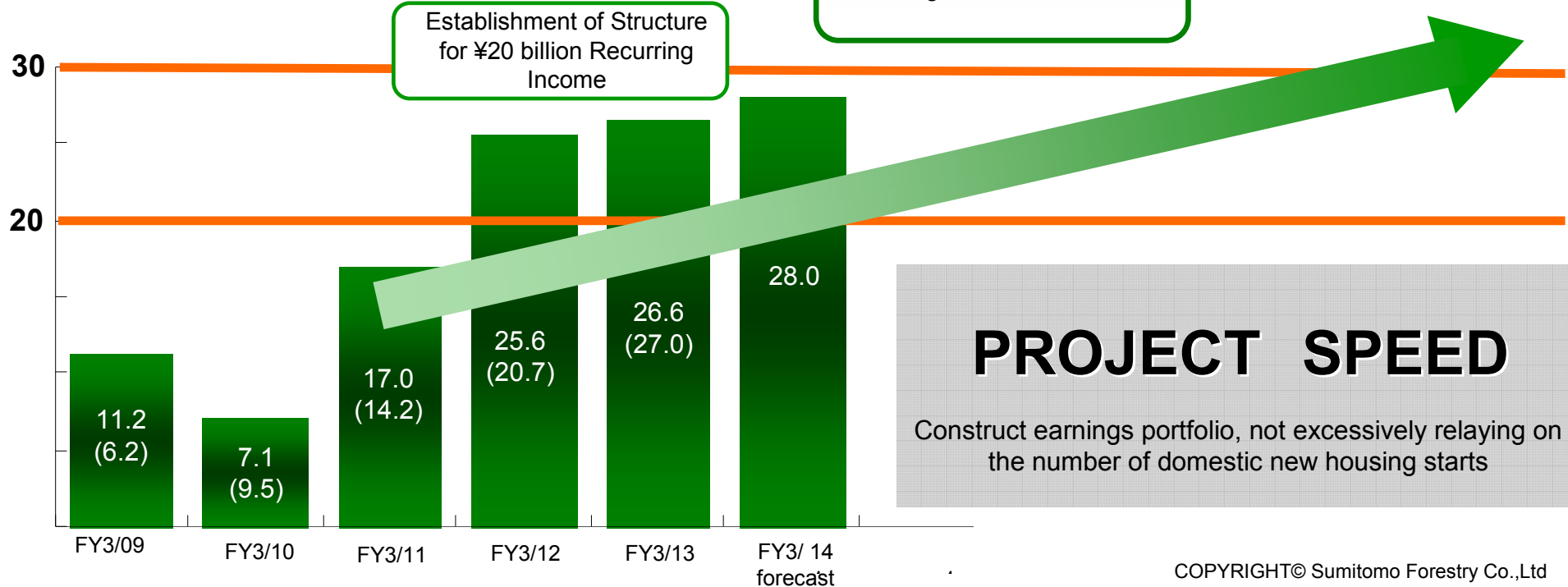
	FY3/10		FY3/13		(Billion yen) vs. FY3/10	
Timber and building materials business	345.4		401.3		+55.9	+16.2%
	2.1		4.7		+2.6	+119.8%
	0.6%		1.2%			
Housing business	374.7		430.8		+56.1	+15.0%
	12.3		26.2		+13.9	+113.0%
	3.3%		6.1%			
Out of which Renovation	37.5		53.0		+15.5	+41.5%
	1.6		2.7		+1.1	+73.8%
	4.2%		5.1%			
Overseas business	21.7		38.7		+16.9	+77.9%
	-2.7		-1.8		+0.9	-
	-12.5%		-4.8%			
Other	17.0		15.4		-1.6	-9.2%
	0.5		0.8		+0.3	+57.2%
	2.8%		4.9%			
Adjustment	-34.8		-40.9		-6.1	-
	-5.1		-3.2		+1.9	-
	-		-			
Total	723.9		845.2		+121.3	+16.8%
	7.1		26.6		+19.5	+275.0%
	1.0%		3.2%			

* Top line: Net sales, Middle line: Recurring income (without actuarial differences), Bottom line: Recurring Income to Net Sales Ratio

Establishment of Structure for Recurring Income of ¥20 billion

After 3 Years Aiming for Construction of Structure for Net Sales of ¥1 trillion and Recurring Income of ¥30 billion

Recurring income: Billion yen (without actuarial differences)
 Figures in () include actuarial differences



Growth Strategy Directed Towards a New Stage

Main Businesses



Continue flexible response to changes in the market environment and increased efficiency and further reinforce earnings foundation

<Timber and Building Materials Business >

- Bolster the handling of environmentally-friendly equipment, renovation materials and domestic materials.
- Expand the overseas distribution business focusing on emerging markets.

<Custom-built Detached Housing Business>

- Based on a market analysis of each region and customer preferences, flexibly respond to changes in the market environment.
- Further promote increased business efficiency and maintain and expand earnings.



Growth Businesses



Expand scale to bolster earnings

<Overseas Business>

- Reconstruct business and regional portfolios.
- Increase the speed of the expansion of business scale adding variation and keeping in view M&A

<Renovation and Leasing Housing Business (Renovation)>

- Increase in the scale and activities of business and rapidly achieve net sales of ¥100 billion.

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- Expand apartment business and detached spec homes business.

- Also focus on next generation growth businesses such as renovation and leasing housing business, including the renovation business, wood-built city concept business and biomass power generation business.



Founded in 1691



Commenced Forest Management
Origin of Upstream and Downstream Businesses



Procure Timber from Overseas,
Development of Nationwide Distribution of Timber and Building Materials



Quick to Introduce CAD / CAM and Precutting,
Modernization of the Construction of Wooden Houses



Manufacture of Wood Panel Board Overseas and Sales of Wooden Housing



Large-scale Forestry Overseas based on Accumulated know-how

Bring out the potential of new “wood” and expand business while increasing value-added

Main Businesses

Growth Businesses

From now on as well, the Sumitomo Forestry Group will develop new businesses appropriate to the times on the basis of “contributing to realization of an affluent society through the utilization of wood, a natural material, and through improvements in housing life.”

As the Result of the Establishment of a Structure for Recurring Income of ¥20 billion, Implement a Dividend Increase

FY3/12 Dividend Record

Interim Dividend	¥7.5/share	
Year-end Dividend	¥7.5/share	<u>Annual Dividend</u> ¥15/share

FY3/13 Proposed Dividend

Interim Dividend	¥7.5/share	
Year-end Dividend	¥9.5/share	<u>Annual Dividend</u> ¥17/share

FY3/14 Forecasted Dividend

Interim Dividend	¥9.5/share	
Year-end Dividend	¥9.5/share	<u>Annual Dividend</u> ¥19/share

Our basic policy is to undertake a continuous and stable return of profits to our shareholders comprehensively taking into consideration revenue levels, the state of retained earnings and future business development.

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.