

Earnings Summary and Business Strategy for the Second Quarter of the Fiscal Year Ending March 31, 2015

Happiness Grows from Trees

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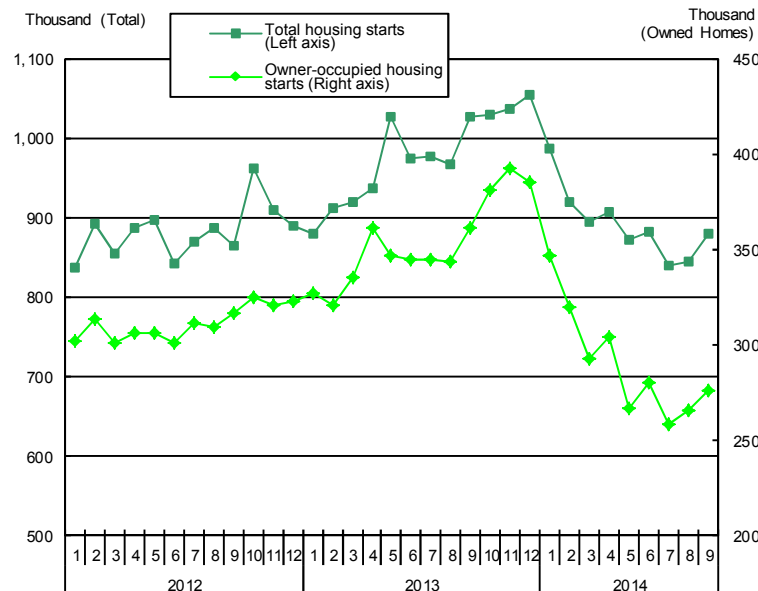
Business Conditions

Domestic Housing Market More Sluggish Than Anticipated

Domestic

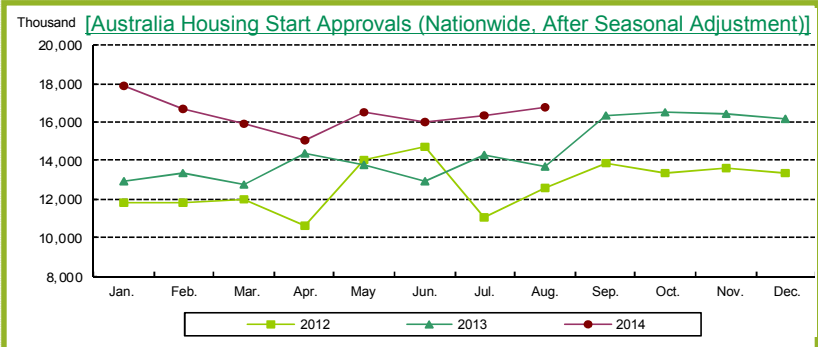
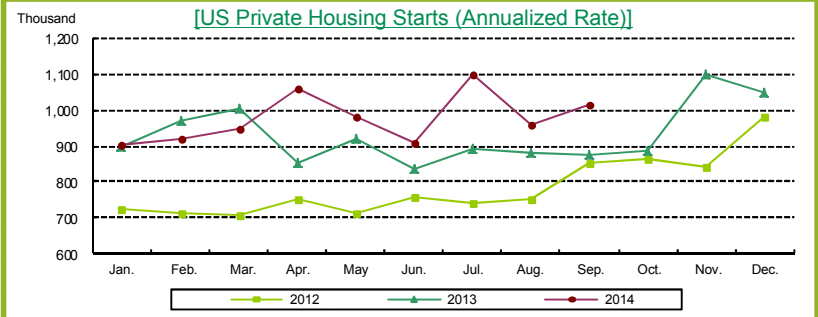
- The reactive decline accompanying the consumption tax hike was larger than expected, and the pace of economic recovery is lagging.
- The negative impact of the reactive decline has been especially protracted in the housing market.

[Trends in New Housing Starts (Seasonal Adjustment, Annualized Rate)]



Overseas

- The US economy is trending favorably.
- The Australian economy is showing signs of slowing down, but housing investments are strong thanks to low interest rates.
- Geopolitical risk is rising to the surface in Ukraine, the Middle East and Hong Kong, so there is a risk that economies may swing downward.



Second Quarter of FYE March 2015 Results

Favorable Results from Growth of Overseas Business

<Net sales>

- The decrease in revenue in the timber and building materials business accompanying the decrease in the number of new housing starts was made up for by the favorably performing overseas business and the housing business, which saw an increase in deliveries of completed orders resulting from surge demand in the previous year.

<Recurring income>

- In addition to the increased earnings in the favorably performing overseas business resulting primarily from conversion of the Henley Group, which is engaged in the housing business in Australia and the United States, into a consolidated subsidiary and the effect of M&A, there were also increased earnings associated with increased revenue in the housing business. As a result, overall performance surpassed that of the previous year.

1H FY3/15 Results

(Billion yen)

(Consolidated)	1H FY3/14	1H FY3/15	Pct.
Net sales	434.9	469.6	+8.0%
Operating income	10.3	12.2	+18.4%
Recurring income	10.8	13.3	+22.8%
Net income	11.1	7.3	(34.3%)

Full Year Forecast of FYE March 2015

Initial Overall Full Year Forecast Remains Unchanged

<Full Year Forecast>

- Although results were favorable in the first half, considering the current domestic market environment and order trends, second half results are expected to falter, especially in the housing business.
- In light of current orders received, the forecast for FY3/15 orders and sales is being lowered.

(Custom-built detached housing: Orders/sales forecast)

Units orders received 9,000 -> 8,500

Units sold 9,000 -> 8,700

- The full year forecast will remain unchanged with the overseas business covering the decline in the domestic housing market.

Full Year Forecast of FYE March 2015

(Billion yen)

(Consolidated)	FY3/14	FY3/15 Forecast	Pct.
Net sales	973.0	990.0	+1.8%
Operating income	33.4	31.0	(7.2%)
Recurring income	33.6	32.0	(4.7%)
Net income	22.5	18.0	(20.1%)

Medium-Term Objective

Aim to Establish a Stable Income Structure Resistant to Changes in the Business Environment

FY3/11 Results

New housing starts	approximately	820,000
Owner-occupied housing starts	approximately	310,000
Custom-built detached houses sold		8,721
Consolidated net sales		¥797.5 billion
Recurring income (without actuarial differences)		¥17.0 billion



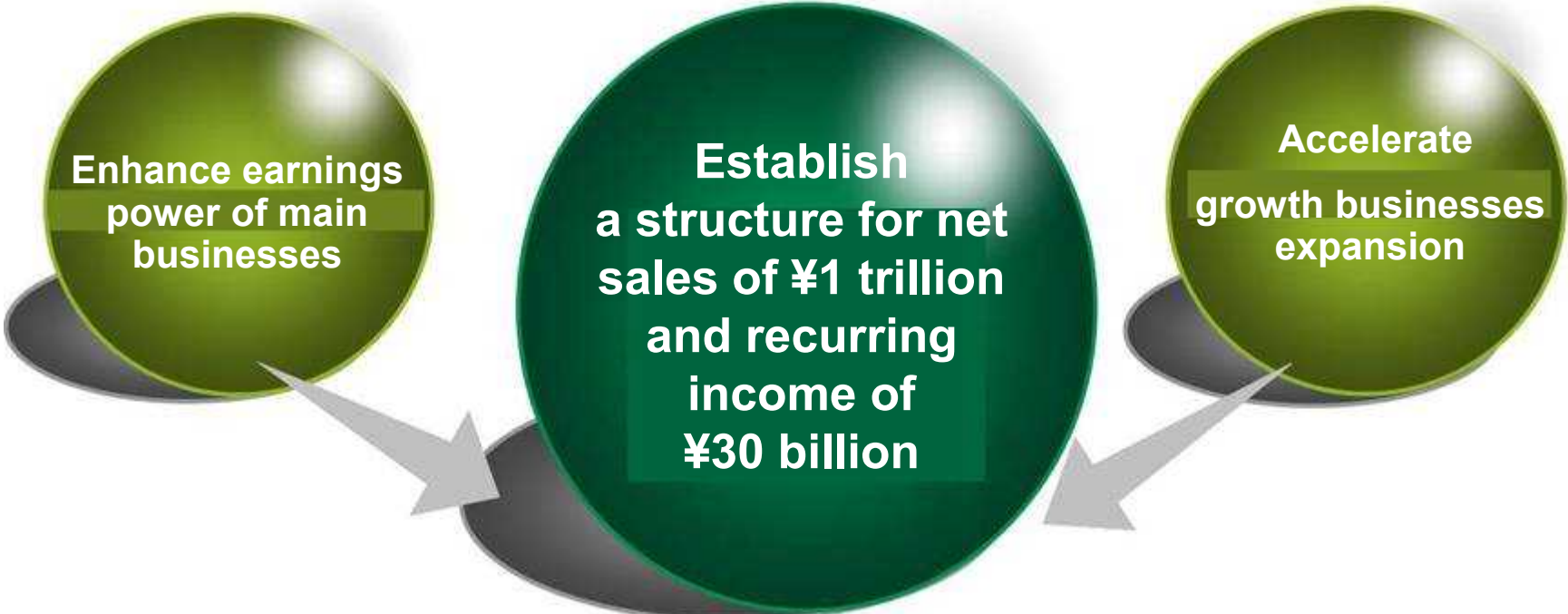
FY3/15 Full Year Forecast

New housing starts (Forecast)		860,000
Owner-occupied housing starts (Forecast)		300,000
Custom-built detached houses sold (Forecast)		8,700
Consolidated net sales (Forecast)		¥990.0 billion
Recurring income (Forecast)		¥32.0 billion

Enhance earnings power of main businesses

Establish a structure for net sales of ¥1 trillion and recurring income of ¥30 billion

Accelerate growth businesses expansion



Timber and Building Materials, Custom-Built Detached Houses & Apartment Businesses

Leverage Characteristics to Respond to Market Changes and Customer Needs

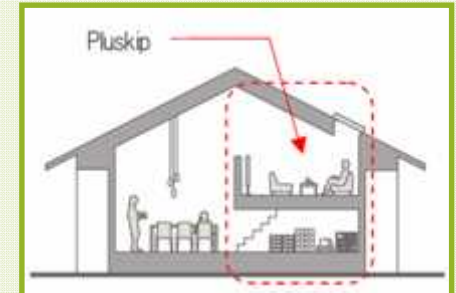
Timber and Building Materials Business

- Maintain efficiency and cultivate new markets to strengthen business foundation.



Custom-Built Detached Houses

- Develop product strategy tailored to customer needs.
- Enhance support for customers that have strong preferences for design and other aspects of creating living spaces with DPG (Design Partner Group)
- Provide products tailored to various needs, such as one-story and female-oriented products.



Apartment Business

- Steadily pick up needs related to the inheritance tax and differentiate from competitors by providing high-quality products.



Renovation and Leasing Housing/Domestic Businesses

Latent Demand in Renovation and Leasing Housing Market is Substantial

Renovation Business

- As the housing market struggles, orders are stagnant in the renovation business, especially large-scale projects.
- The forecast for orders and completed houses this year is being lowered from the initial forecast.
- There is substantial latent demand for renovation.
- We will leverage our technology and pour efforts into condominium renovation.

(Billion yen)

	FY3/14	FY3/15 Initial forecast	FY3/15 forecast
Amount of orders	61.0	65.0	59.0
Value of houses completed	59.3	64.0	58.2

Detached Housing Stock
Approx. 28.6 million

Wooden houses
account for more
than **90%**

Source: Ministry of Internal
Affairs and Communications
2013 Housing and Land Survey

[Government Targets for Earthquake Resistance of Housing Stock]

Below the resistance standards
Roughly 21%



[2008]
The number of houses built according to old earthquake resistance standards before they were revised in 1981 is estimated at around 10 million or 21%



Below the resistance standards
Roughly 5%



[2020]
The housing earthquake resistance rate will rise to around 95%
*According to data from Ministry of Land, Infrastructure, Transport and Tourism



<Condominium renovation>

MOCCA (Timber Solutions) Business

- Work steadily on developing technology for large wooden buildings and accumulating know-how.



<Plant facility>

Biomass Power Generation Business

- Capital participation in biomass power generation business with other companies in Tomakomai, following previous endeavors in Kawasaki and Mombetsu.



<Kawasaki Biomass Power Co., Ltd.>

Overseas Businesses

American and Australian Housing Businesses Drive Performance

Resources and Manufacturing Business

- Differentiate ourselves from our competitors by steadily providing high-quality products.
- Improve the Group's presence in newly emerging countries and growth market by improving productivity and reducing cost.



<Particle board manufacturing business in Vietnam>

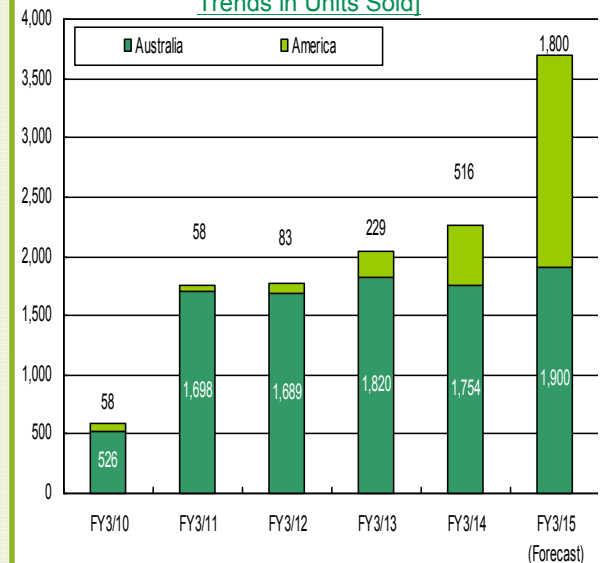


<Plywood manufacturing business in Indonesia>

Housing and Real Estate Business

- American and Australian housing businesses have performed favorably.
- Each group company is performing favorably, and the full year sales forecast is being raised against a backdrop of favorable conditions in the US housing market.
- Henley is continuing to streamline, and profitability has improved.
- We will promote business expansion while also paying attention to risk management.

[American and Australian Housing Businesses Trends in Units Sold]

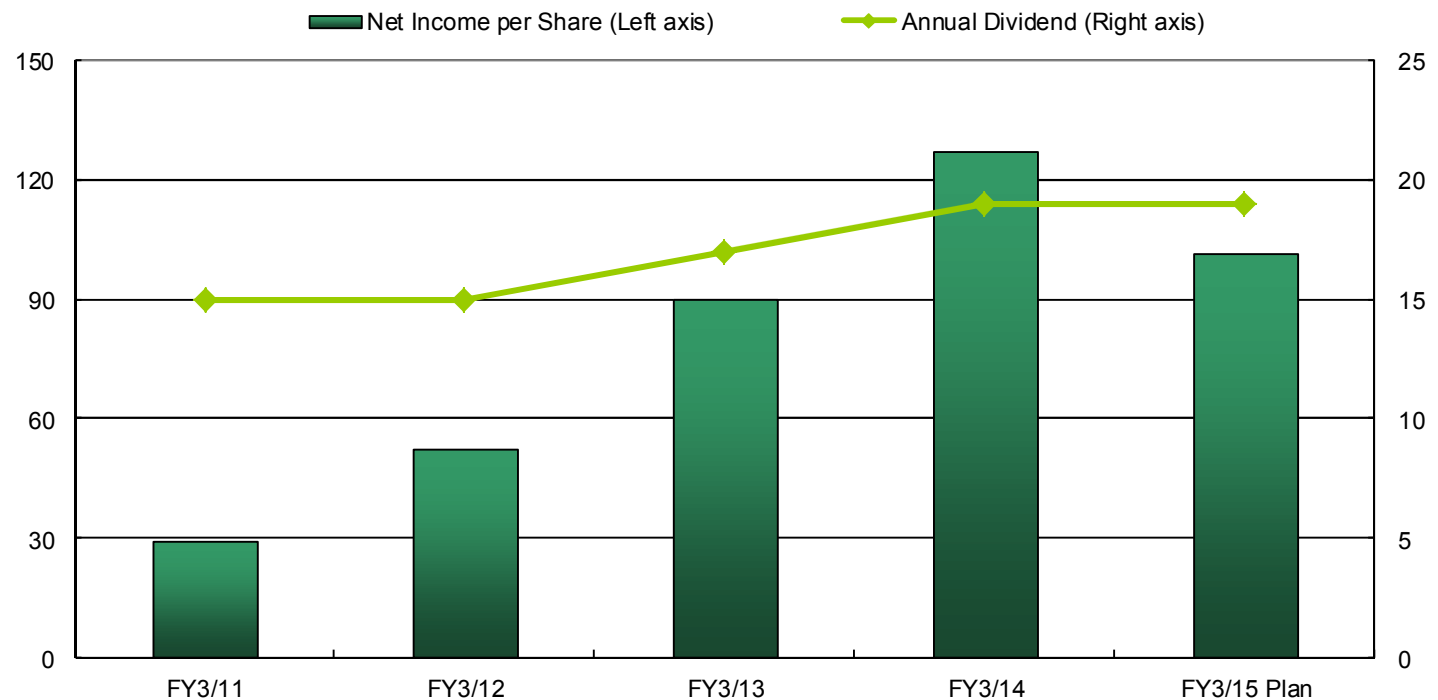


Return to Shareholders

Continuation of Steady Dividends

Shareholder Return Measures

- We are on the way to achieving our medium-term objectives, so we will continue to pay steady dividends.
- 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.



Happiness Grows from Trees



SUMITOMO FORESTRY

Thank you