

Happiness Grows from Trees



# Earnings Summary and Business Strategy

## for the Fiscal Year Ended March 31, 2015



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# Business Environment

## Japan's economy on mild recovery while consumer confidence continues to return

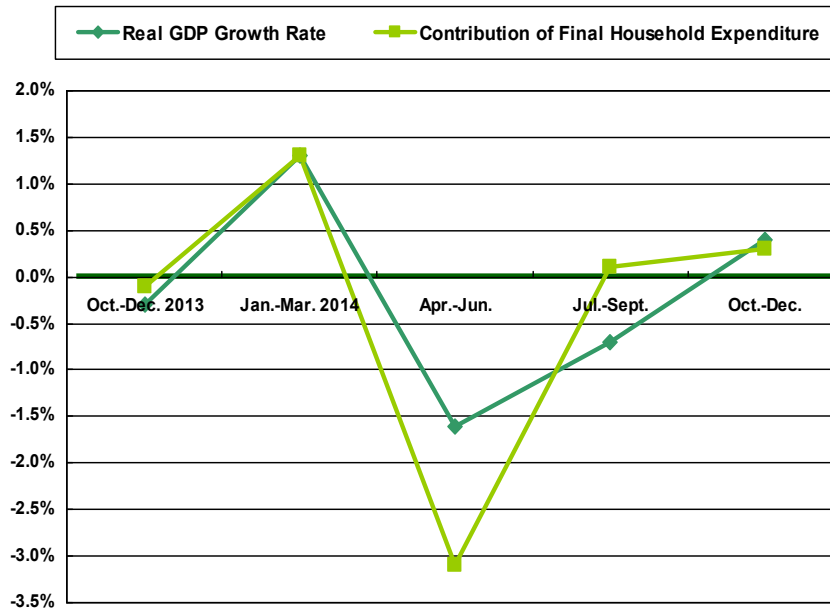
### Japan

- In Japan, consumer spending became stagnant temporarily due to an increase in the consumption tax, but consumer confidence showed signs of returning against a backdrop of higher wages and low oil prices.
- Customer movement in the domestic housing market is slow. However, there is a sense that interest rates have bottomed out, and various government support measures have led to the possibility that a wait-and-see approach of customers might change.
- The total number of new housing starts in FY3/16 is expected to be 890,000 and owner-occupied housing starts are expected to total 290,000.

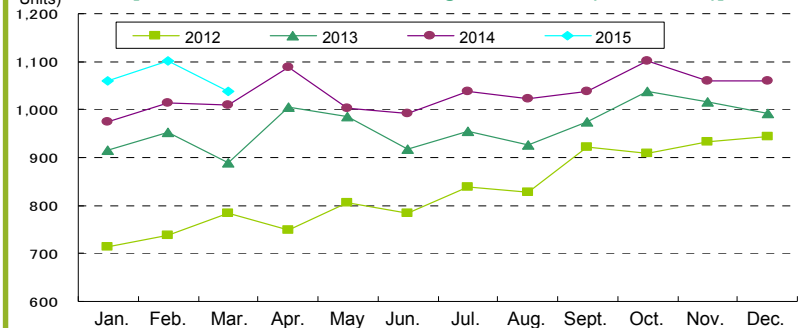
### Overseas

- Trends in monetary and other policies need to be watched in the US, but the forecast is for the economy to stay steady.
- In Europe, there is risk related to the problems in Greece, but the economy is slowly recovering.
- In Australia, there is concern about the continued high level of unemployment, but housing investments are bullish.

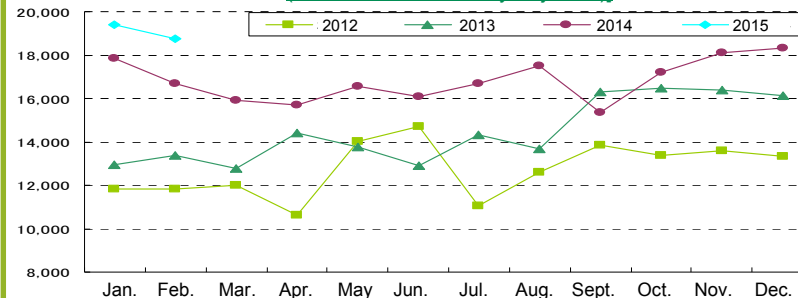
[Real GDP Growth Rate (Seasonally Adjusted) and Contribution of Final Household Expenditure to Real GDP Growth Rate (Seasonally Adjusted)]



[Number of Permits for Housing Starts in US (Annualized)]



[Number of Permits for Housing Starts in Australia (Nationwide/Seasonally Adjusted)]



## FYE March 2015 Results

Overall results were strong thanks to growth of overseas business, but issue of sluggish orders received for custom-built detached houses in Japan remains

### FY 3/15 results

(Billion yen)

(Consolidated)	FY3/14	FY3/15	YoY
<b>Net Sales</b>	<b>973.0</b>	<b>997.3</b>	<b>+2.5%</b>
<b>Operating Income</b>	<b>33.4</b>	<b>34.0</b>	<b>+1.7%</b>
<b>Recurring Income</b>	<b>33.6</b>	<b>36.4</b>	<b>+8.5%</b>
<b>Net Income</b>	<b>22.5</b>	<b>18.6</b>	<b>-17.6%</b>

<b>Actuarial Gains and Losses Associated with Retirement Benefits</b>	<b>-1.0</b>	<b>-0.3</b>	<b>-</b>
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- Impact of sharp reactive decline accompanying consumption tax hike has lasted longer than anticipated, so timber and building materials and housing businesses are struggling.
- Meanwhile, results of overseas business have improved substantially owing to inclusion of Henley in full-year results and M&A and other efforts in overseas housing business.
- Growth in overseas business segment boosted overall results, and excluding net income for which there were special factors, all results exceeded those of FY3/14.
- Some issues remain, including sluggish orders received for custom-built detached houses and stagnation in renovation business in Japan.

## FYE March 2016 Full Year Forecast

Net sales will be at ¥1 trillion level for first time, and recurring income of over ¥30 billion will be secured for three consecutive periods

### FY3/16 Plan

(Billion yen)

(Consolidated)	FY3/15	FY3/16 plan	YoY
<b>Net Sales</b>	<b>997.3</b>	<b>1,062.0</b>	<b>+6.5%</b>
<b>Operating Income</b>	<b>34.0</b>	<b>35.0</b>	<b>+3.0%</b>
<b>Recurring Income</b>	<b>36.4</b>	<b>36.5</b>	<b>+0.2%</b>
Profit for the Year Attributable to Owners of Parent	<b>18.6</b>	<b>19.5</b>	<b>+5.0%</b>

<b>Actuarial Gains and Losses Associated with Retirement Benefits</b>	<b>-0.3</b>	<b>-</b>	<b>-</b>
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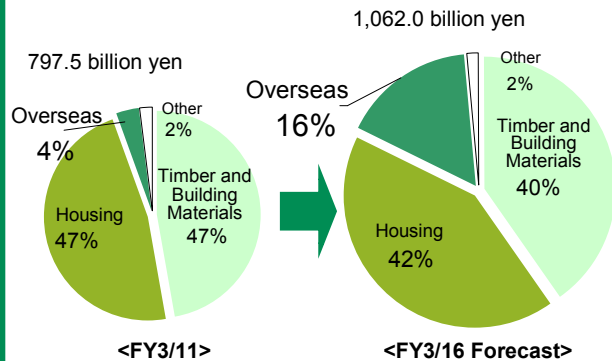
- Housing business will secure profits on par with FY3/15 to ensure net sales of ¥1 trillion and three consecutive periods with recurring income of ¥30 billion or more. Timber and building materials business will work to raise level of profits, and overseas business will grow further.
- In housing business, decrease in sales of custom-built detached houses will be covered by expansion of renovation and apartment businesses.
- Overseas business will improve results even further, primarily in US housing business, which is performing favorably.
- Efforts will also be poured into expanding markets such as timber solutions and lifestyle services businesses.

# Medium-Term Objective

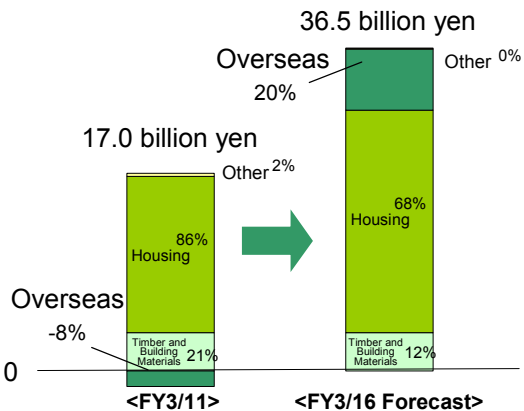
## Steadily achieve medium-term objective and move to next step

- FY3/16 is final year for current medium-term objective of establishing a structure for net sales of ¥1 trillion and recurring income of ¥30 billion.
- Efforts up to now have improved results of overseas business, and business portfolio has changed.
- Medium-term objective is only a checkpoint. Aim is for group to continually evolve and become corporate group capable of sustainable growth.

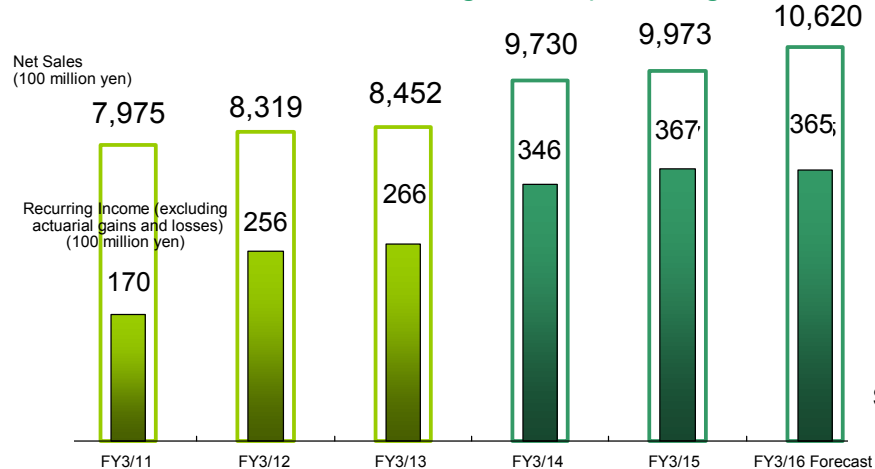
<Trend in Composition of Net Sales by Segment>



<Trend in Composition of Recurring Income by Segment>



<Trends in Net Sales and Recurring Income (Excluding Actuarial Gains and Losses)>

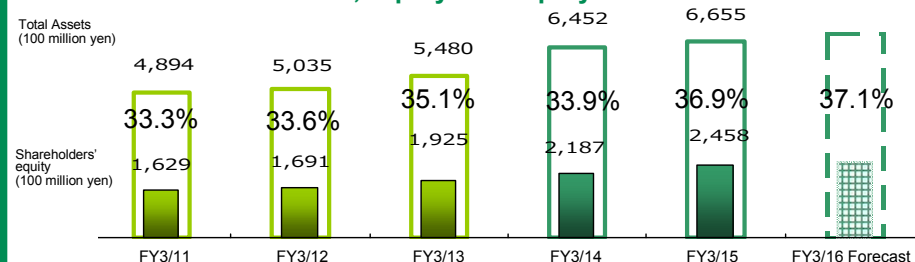


Toward new step in FY3/17 and beyond

Establishment of Structure for ¥20 billion Recurring Income

Net Sales of ¥1 trillion and Recurring Income of ¥30 billion

<Trends in Total Assets, Equity and Equity Ratio>



## Domestic Business (1) Main Business

Timber and building materials business will expand share while custom-built detached houses business will attempt to increase orders received, primarily with high value-added offerings

### Timber and Building Materials Business

- We plan to increase our domestic share by expanding sales of biomass fuels such as woodchips and renovation materials and enhancing the provision of distribution system and other functions while at the same time promoting the expansion of our overseas distribution business.
- We will also pour efforts into strengthening exports of domestic timber to Asia, which will also contribute to revitalization of the forestry in Japan.



<Domestic timber exports>



<Biomass energy resources>

### Custom-built Detached Houses Business

- We will pour efforts into increasing orders received based on the keywords of high added value and increasing share.
- Through showrooms of the Estate Design Project, we will draw attention to our technical, design and construction capabilities and have people experience the quality space of Sumitomo Forestry Home houses.
- We will attempt to expand our share in urban areas through development of twin bolt columns and introduction of urban strategic products like BF-Fireproof.



<Twin- bolt column>



<Yagoto Showroom (inside)>



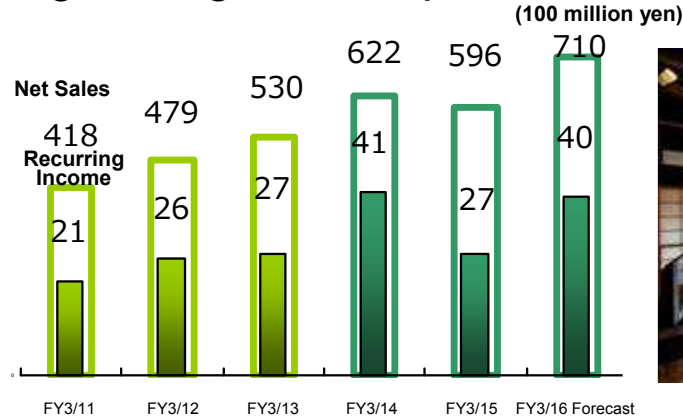
<Komazawa Showroom No. 1 (inside)>

# Domestic Business (2) Growth Business

## Renovation and apartment businesses will improve results by strengthening sales capabilities

### Renovation Business

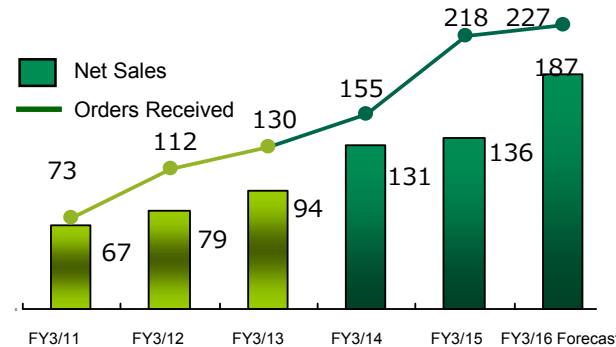
- Renovation business struggled in FY3/15 due to sharp reactive decline from consumption tax hike, but aim will be for net sales of ¥100,000 million again in FY3/16, and efforts will be made to expand business.



<Renovated traditional Japanese home>

### Apartment Business

- Apartment business operations will be further expanded thanks to favorable market environment and strengthening of sales.



4-story apartment/residence ForestMaison BF-Fireproof

### The MOCCA ( timber solution ) Business, Biomass Power Generation Business, Elderly Care Business

- We will continue to engage in businesses in new fields, including the timber solution business, which promotes adoption of wood construction and material, and the biomass power generation business.
- This year we will also expand our elderly care business and enter the day service business.



<Day service facility (Day Forest Mizonokuchi)>



<Timber solution business (restaurant)>



# Overseas Business

Earnings power growing steadily as a result of M&A, and business is growing into one of Sumitomo Forestry's main businesses

## Manufacturing Business

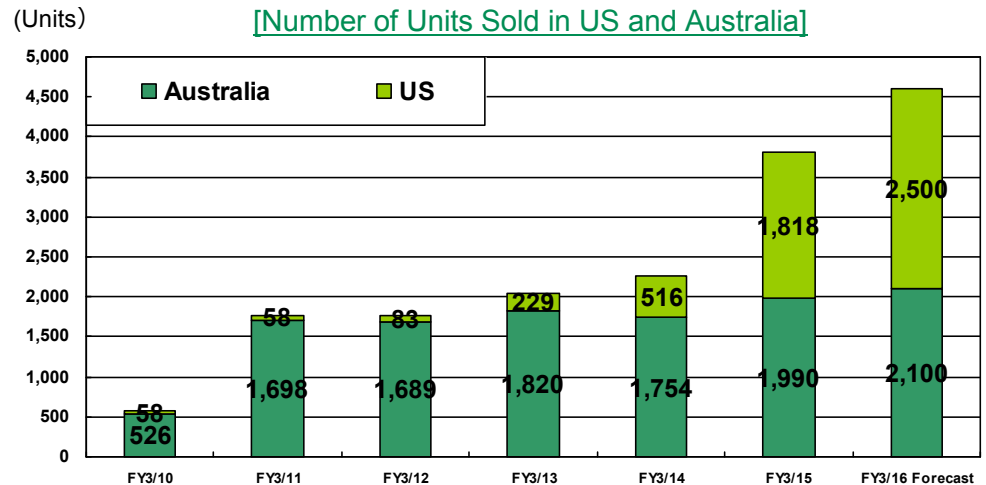
- Region and company-specific problems exist, such as impact of currency exchange.
- Volume of wooden board production is increasing group-wide, and challenge will be to strengthen marketing in Southeast Asia and achieve cost competitiveness.
- Promoting market strategy leveraging high quality and high added value.



<Vietnam PB manufacturing business>

## Housing and Real Estate Business

- US housing business is planning sales of 2,500 houses this year, being boosted by M&As and favorable market environment.
- After achieving sales plan for FY3/16, aim is to achieve target of 3,000 houses sold throughout US in FY3/17.
- Plan is to sell 2,100 houses in Australia this year.
- In addition to existing business areas Victoria and Queensland, business will be promoted in New South Wales as foundation is laid to establish sales structure to handle 3,000 houses a year.



<Model house in Seattle>



<Model house in Texas>



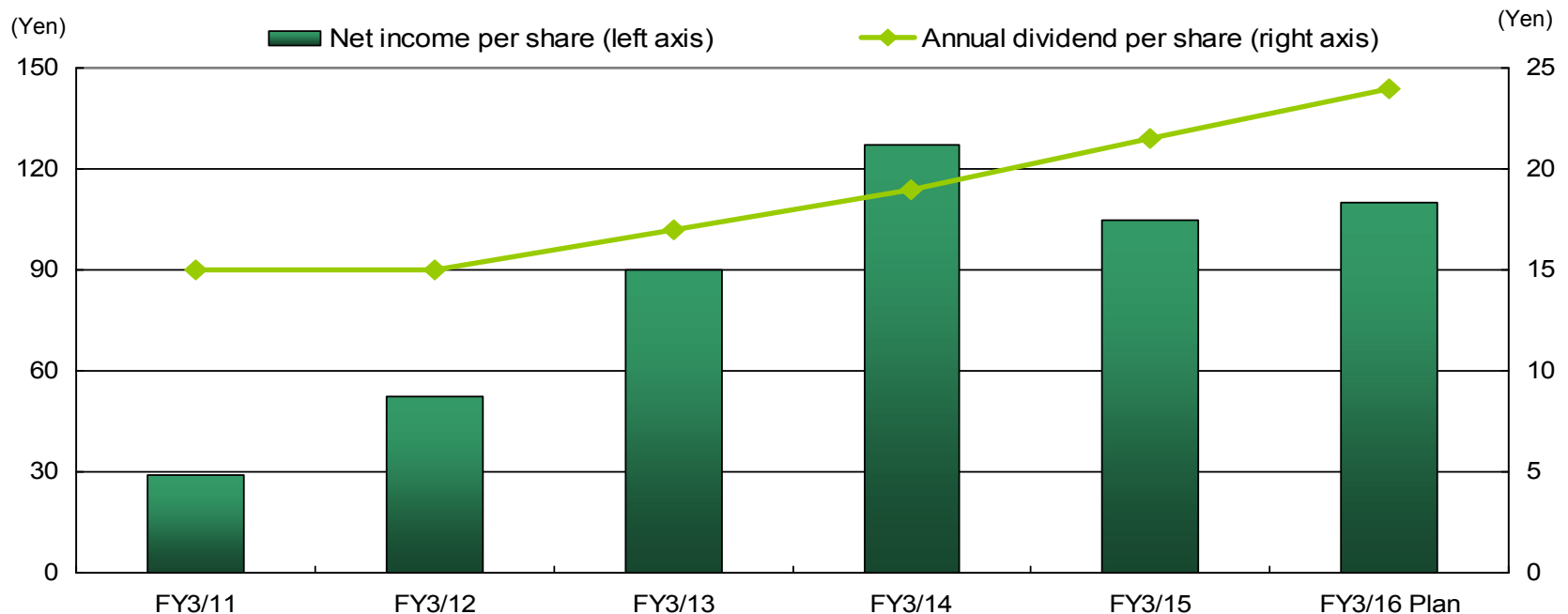
<Model house in Australia>

# Return to Shareholders

## Increase amount and continue steady dividends

### Shareholder Return Policy

- Medium-term objective of establishing a structure for net sales of ¥1 trillion and recurring income of ¥30 billion is within sight, so year-end dividend amount will be increased in June 2015.
- Dividends will be paid in a continuous and steady manner according to income while working to strengthen the profit structure and taking into account the need to balance these distributions with the base of operations, financial position, investment plans and other items.



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**SUMITOMO FORESTRY**

Thank you for listening.