

Sumitomo Forestry Co., Ltd.
Financial Results for Third Quarter of Fiscal Year Ending March 31, 2019
Conference Call with Analysts and Institutional Investors - Q&A

Time and date: 4:00 p.m.-4:30 p.m., Thursday, January 31, 2019

Briefer: Tatsumi Kawata, Director and Managing Executive Officer

Question

Please tell us what the “real estate valuation difference” is in relation to consolidated accounting for Crescent.

Answer

The “real estate valuation difference” is the difference between book value and valuation when making a valuation of the real estate of an acquired company. This is not limited to overseas companies but also applies when acquiring a domestic company. In regard to Crescent, goodwill has provisionally been recorded in the amount of 6.6 billion yen, but a portion of that will become “real estate valuation difference” as a result of consolidated accounting. The valuation difference is amortized when the real estate is sold, so the timing of amortization is earlier than goodwill, but looking at it over several years, the total amount of amortization is basically the same as if it were amortized all at once. We expect several billion yen in amortization of this difference in this year’s results.

Question

Tell us about the housing markets in Australia and the United States.

Answer

The Australian housing market is heading into an adjustment phase as has been reported. In the United States, affordability is declining against a backdrop of higher housing prices and interest rates, so there’s no room for blind optimism. As for the future, the US housing market is likely to become stable in the long term, in part because there are plans to stop raising the policy interest rate.

Question

What is the situation for your US housing business by area?

Answer

Sales in the areas in which we operate are relatively favorable, including Texas, Salt Lake City, Utah,

and even the Seattle area where land is scarce and housing prices are high. The market in our business area on the east coast is slightly down compared to Texas and other areas. Conditions in the US housing market vary by area, but the situation in the areas where we have set up operations is not bad.

Question

It seems that orders for domestic detached housing are currently favorable, but what do you make of future trends? Do you think there will be a surge in demand and a reactionary drop like there was the last time the consumption tax was increased (5% to 8%)?

Answer

It's difficult to define a surge, but there's no mistaking that there are some customers who are very concerned about the increase in the consumption tax. However, this time there are also cases where the burden will be smaller after the increase due to government measures to address the reactionary drop. Moreover, the percentage will go from 8% and stop at 10%, so I don't think there will be as much of a surge in demand or a reactionary drop as there was last time.

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