

Happiness Grows from Trees



SUMITOMO FORESTRY

Financial Results for the First Quarter of FY Ending March, 2018

SUMITOMO FORESTRY CO., LTD.

July 28, 2017

Contents

1. 1Q FY3/18 Results	2
2. FY3/18 Forecast	6
3. Orders Received and Full Year Forecast	10
4. Balance Sheet	11

1Q FY3/18 Results

Summary of Financial Results

- In the custom-built detached housing business, the number of completed and delivered units dropped, and results in the housing business were lower than the same period of the previous year.
- Results in the overseas business were higher than the same period of the previous year owing to making the Wisdom Group and the Edge Homes Group consolidated subsidiaries and improved results of existing companies.
- Personnel and other SG&A expenses increased substantially, but they were covered by the earnings-increasing effects of M&As and other activities, so overall losses shrank year on year.
- A gain on step acquisitions associated with making Bloomfield a consolidated subsidiary was recorded as an extraordinary gain.

(Billion yen)	1Q FY3/17		1Q FY3/18		Change	Pct.
	Profit ratio	Amounts	Profit ratio	Amounts		
Net sales		207.7		228.7	+21.0	+10.1%
Gross profit	15.4%	31.9	15.4%	35.2	+3.2	+10.1%
SG&A expenses		37.2		40.4	+3.2	+8.7%
Operating income	-2.5%	-5.3	-2.3%	-5.2	+0.0	-
Recurring income	-2.0%	-4.2	-1.6%	-3.7	+0.5	-
Profit for the year attributable to owners of the parent	-1.8%	-3.8	1.2%	2.7	+6.5	-

1Q FY3/18 Results

Summary of Financial Results by Segment

- Timber and Building Materials
 - ⇒ Both revenues and earnings increased due primarily to an increase in sales in Japan and other countries.
- Housing
 - ⇒ Although profitability increased in the renovation business, due primarily to a decrease in the number of custom-built detached houses completed and delivered, results were lower than in the same period of the previous year.
- Overseas
 - ⇒ Overall, overseas housing business trended favorably, including new consolidated subsidiaries, resulting in increased revenues and earnings.

(Billion yen)		1Q FY3/17	1Q FY3/18	Change	Pct.		
Net sales	Timber and Building Materials	103.5	105.6	+2.2	+2.1%		
	Housing	63.7	63.4	-0.3	-0.4%		
	Inc. Renovation	11.1	12.5	+1.4	+12.3%		
	Overseas	47.8	64.1	+16.2	+33.9%		
	Other	3.9	8.1	+4.2	+106.2%		
	Adjustment	-11.3	-12.6	-1.3	-		
	Total	207.7	228.7	+21.0	+10.1%		
Recurring income	Timber and Building Materials	0.9%	1.0	1.0%	1.0	+0.0	+3.1%
	Housing	-11.0%	-7.0	-12.6%	-8.0	-1.0	-
	Inc. Renovation	-9.7%	-1.1	-4.7%	-0.6	+0.5	-
	Overseas	5.1%	2.5	5.8%	3.7	+1.3	+51.1%
	Other	2.2%	0.1	7.8%	0.6	+0.5	+626.9%
	Adjustment		-0.7		-1.1	-0.3	-
	Total	-2.0%	-4.2	-1.6%	-3.7	+0.5	-

1Q FY3/18 Results

Housing Business Sales (non-consolidated)

- Custom-built detached houses
 - ⇒ Due primarily to decrease in backlog of orders received at end of previous year, both amount and number of units decreased year on year. Completed housing unit prices were up year on year due primarily to impact of increase in Big Frame construction ratio.
- Apartments
 - ⇒ Sales increased steadily against backdrop of strong market environment.

		(Billion yen)	1Q FY3/17	1Q FY3/18	Change	Pct.
Contract business	Custom-built detached houses (Amounts)		37.0	34.3	-2.7	-7.4%
	(Units)		(897)	(816)	(-81)	(-9.0%)
	Million yen (Unit price)		(41.2)	(42.0)	(+0.8)	(+1.9%)
	Apartments (Amounts)		1.3	1.9	+0.7	+54.1%
	Other contracts (Amounts)		0.8	0.4	-0.4	-49.4%
	Spec Homes (Amounts)		1.3	2.0	+0.7	+51.7%
	Land for custom-built housing (Amounts)		0.8	0.8	-0.0	-4.3%
	Existing home renovation (Resale of Renovated Homes) (Amounts)		0.7	0.7	+0.0	+0.8%
	Other (Amounts)		1.4	1.4	+0.0	+2.7%
	Total (Amounts)		43.3	41.6	-1.7	-4.0%
Gross profit ratio (%)			(23.4%)	(22.8%)	(-0.6%)	-
Gross profit (Amounts)			10.1	9.5	-0.7	-6.5%

1Q FY3/18 Results

Overseas Business Sales and Recurring Income

- Manufacturing
 - ⇒ Performance of wooden board manufacturing subsidiary in New Zealand was strong. Results from Alpine, which was transferred at end of March, are no longer included, so overall results were around same level as same period of previous year.
- Housing and Real Estate
 - ⇒ Overall, housing business trended favorably in the U.S. and Australia, and results of Wisdom Group and Edge Homes Group were included starting in 1Q, so both revenue and earnings were up.

(Billion yen)	Net sales				Recurring income			
	1Q FY3/17	1Q FY3/18	Change	Pct.	1Q FY3/17	1Q FY3/18	Change	Pct.
Manufacturing	12.1	11.0	-1.2	-9.7%	0.7	0.7	-0.0	-2.7%
Housing and Real Estate	35.8	53.3	+17.5	+48.8%	3.3	4.6	+1.3	+38.8%
Other, Consolidated Adjustments, etc.	-0.1	-0.2	-0.1	-	-1.6	-1.6	-0.0	-
Total	47.8	64.1	+16.2	+33.9%	2.5	3.7	+1.3	+51.1%

FY3/18 Forecast

Summary of Earnings Forecast for the Full Year

- We are sticking with the full-year forecasts announced on May 12.
- Orders for custom-built detached houses, which are behind the full-year plan, will recover.
- The earnings forecasts do not include actuarial differences associated with retirement benefit accounting.

<Full Year Forecast> (Billion yen)	FY3/17	FY3/18 Forecast	Change	Pct.
Net sales	1,113.4	1,241.0	+127.6	+11.5%
Gross profit	204.1	223.5	+19.4	+9.5%
SG&A expenses	150.1	173.0	+22.9	+15.2%
Operating income	54.0	50.5	-3.5	-6.5%
Recurring income	57.8	52.5	-5.3	-9.2%
Profit for the year attributable to owners of the parent	34.5	33.0	-1.5	-4.4%

FY3/18 Forecast

Earnings Forecast by Segment for Full Year

- We are sticking with our initial forecast for all of our business segments.
- The market for timber and building materials is relatively stable, so efforts will be made to achieve the targets of the full-year plan.
- In the housing business, we will promote improvement in profitability through the provision of high value-added housing and operational reform.
- In the overseas business, we expect results to trend favorably, driven by the housing and real estate business.

(Billion yen)		FY3/17	FY3/18 Forecast	Change	Pct.
Net sales	Timber and Building Materials	424.4	440.0	+15.6	+3.7%
	Housing	466.3	475.0	+8.7	+1.9%
	Inc. Renovation	64.7	69.3	+4.6	+7.1%
	Overseas	247.9	346.0	+98.1	+39.6%
	Other	23.0	36.0	+13.0	+56.7%
	Adjustment	-48.2	-56.0	-7.8	-
	Total	1,113.4	1,241.0	+127.6	+11.5%
Recurring income	Timber and Building Materials	1.0% 4.5	1.1% 5.0	+0.5	+12.2%
	Housing	6.9% 32.3	5.9% 28.0	-4.3	-13.4%
	Inc. Renovation	3.5% 2.2	4.3% 3.0	+0.8	+33.9%
	Overseas	7.8% 19.3	6.4% 22.0	+2.7	+13.9%
	Other	9.7% 2.2	6.9% 2.5	+0.3	+12.5%
	Adjustment	-0.5	-5.0	-4.5	-
	Total	5.2% 57.8	4.2% 52.5	-5.3	-9.2%

FY3/18 Forecast

Housing Business Sales Forecast (non-consolidated)

- We are sticking with the forecast we issued at the start of the fiscal year.
- Custom-built detached houses
 - ⇒ Both the amount and number of units were down year on year in the first quarter, but the full-year plan will be left as-is.
- Apartments
 - ⇒ We expect completed contracts to increase in 2Q and beyond.

		(Billion yen)	FY3/17	FY3/18 Forecast	Change	Pct.
Contract business	Custom-built detached houses (Amounts)		306.3	300.0	-6.3	-2.1%
	(Units)		(8,098)	(7,700)	(-398)	(-4.9%)
	Million yen (Unit price)		(37.8)	(38.9)	(+1.1)	(+2.9%)
	Apartments (Amounts)		22.1	25.1	+3.0	+13.4%
	Other contracts (Amounts)		3.8	3.7	-0.1	-2.1%
Spec Homes (Amounts)		11.2	12.0	+0.8	+7.1%	
Land for custom-built housing (Amounts)		5.7	6.7	+1.0	+16.9%	
Existing home renovation (Resale of Renovated Homes) (Amounts)		4.4	2.8	-1.6	-36.4%	
Other (Amounts)		8.5	8.7	+0.2	+1.9%	
Total (Amounts)		362.1	359.0	-3.1	-0.9%	
Gross profit ratio	(%)	(25.4%)	(24.8%)	(-0.7%)	-	
Gross profit	(Amounts)	92.1	89.0	-3.1	-3.4%	

FY3/18 Forecast Overseas Business Sales and Recurring Income

- We are sticking with the forecast we issued at the start of the fiscal year.
- We believe the targets of the full-year plan are achievable in light of 1Q results and the circumstances of overseas group companies from January to June.



Edge Homes house

(Billion yen)	Net sales				Recurring income			
	FY3/17	FY3/18 Forecast	Change	Pct.	FY3/17	FY3/18 Forecast	Change	Pct.
Manufacturing	51.5	46.8	-4.7	-9.1%	3.9	3.3	-0.6	-14.3%
Housing and Real Estate	196.9	300.0	+103.1	+52.4%	20.3	28.8	+8.6	+42.3%
Other, Consolidated Adjustments, etc.	-0.5	-0.7	-0.3	-	-4.8	-10.2	-5.3	-
Total	247.9	346.0	+98.1	+39.6%	19.3	22.0	+2.7	+13.9%

Orders Received and Full Year Forecast

- 1Q results in the custom-built detached housing business were down year on year in terms of both amount and number of units. Orders received unit prices will stay at a high level owing to stable orders for the Big-Frame construction method and combined contracts for exterior work and greening.
- Recovery in orders received will be the highest priority this year. We will increase our appeal to first-time buyers and the premium market segment as well as focus our efforts again on strengthening our total solution proposals and urban housing to bring about a recovery in orders received.
- In the apartment and renovation businesses, we will focus on achieving the targets of the full-year plan.

		(Billion yen)	1Q FY3/17	1Q FY3/18	Change	Pct.	FY3/17 Actual	FY3/18 Forecast	Change	Pct.
Order received	Custom-built detached houses (Amounts)		73.7	70.9	-2.9	-3.9%	288.5	306.0	+17.5	+6.1%
	(Units)		(1,894)	(1,818)	(-76)	(-4.0%)	(7,427)	(8,000)	(+573)	(+7.7%)
	Million yen (Unit price)		(33.9)	(33.8)	(-0.1)	(-0.3%)	(34.2)	(34.1)	(-0.1)	(-0.4%)
	Apartments (Amounts)		5.6	4.5	-1.1	-20.1%	22.5	25.0	+2.5	+10.9%
	Renovation (Amounts)		15.6	15.6	+0.1	+0.5%	63.2	67.0	+3.8	+6.0%
	Other contracts (Amounts)		0.3	1.0	+0.7	+229.7%	2.8	7.0	+4.2	+147.7%

Launched in April 2017:

The Forest BF
(Tachikawa
Display Center)



Exterior



Interior



Wooden deck

Balance Sheet

(Billion yen)	FY3/17	1Q FY3/18	Change		FY3/17	1Q FY3/18	Change
Cash, deposits, securities	118.0	69.5	-48.5	Payables	182.5	149.6	-32.9
Receivables	123.5	122.8	-0.6	Short-term debt	37.1	40.9	+3.8
Finished goods	24.0	23.8	-0.2	Current portion of bonds	—	—	—
Developed land and housing for sale	48.2	49.9	+1.7	Advances received on uncompleted construction contracts	48.2	64.2	+16.0
Real estate for sale in process	79.8	109.6	+29.9	Other current liabilities	56.1	51.2	-4.9
Costs on uncompleted construction contracts	23.9	44.1	+20.1	Long-term debt/bonds issued	121.8	129.3	+7.5
Other receivables	45.9	32.7	-13.2	Net defined benefit liability	18.7	18.9	+0.2
Other current assets	50.4	48.0	-2.4	Other long-term liabilities	33.8	42.0	+8.2
Total current assets	513.7	500.5	-13.2	Total liabilities	498.3	496.1	-2.2
Property, plant and equipment	145.8	154.0	+8.2	Shareholders' equity	242.5	241.7	-0.8
Intangible assets	23.4	35.1	+11.7	Accumulated other comprehensive income	32.4	31.6	-0.7
Investment securities	110.7	106.2	-4.5	Non-controlling interests	20.4	26.4	+6.0
Total noncurrent assets	279.9	295.3	+15.4	Total assets	295.3	299.8	+4.4
Total assets	793.6	795.8	+2.2	Total liabilities/net assets	793.6	795.8	+2.2

- Payment of construction costs for construction completed and delivered as of the end of the previous fiscal year resulted in a decrease in cash and deposits and accounts payable.
- At the same time, our business is expanding, especially the overseas housing and real estate business, so there has been an increase in developed land and housing for sale and real estate for sale in process, and total assets have increased since the year ended March 31, 2017.

Happiness Grows from Trees

SUMITOMO FORESTRY

Note: 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.