

Happiness Grows from Trees



SUMITOMO FORESTRY

# **Financial Results for the Third Quarter of FY Ending March 2018**

**SUMITOMO FORESTRY CO., LTD.**

**January 30, 2018**

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## 3Q FY3/18 Results Summary of Financial Results

- Net sales, operating income and recurring income all surpassed the results of the same period of the previous year.
- Both inclusion of the US and Australian housing companies in consolidated results and organic growth of existing companies of the overseas business drove company-wide results.
- Profit attributable to owners of the parent was down year on year.

(Billion yen)	3Q FY3/17		3Q FY3/18		Change	Pct.
	Profit ratio	Amounts	Profit ratio	Amounts		
Net sales		771.8		856.5	+84.7	+11.0%
Gross profit	17.5%	134.7	17.2%	147.5	+12.8	+9.5%
SG&A expenses		112.0		124.0	+12.0	+10.7%
Operating income	2.9%	22.7	2.8%	23.6	+0.8	+3.6%
Recurring income	3.4%	26.0	3.2%	27.6	+1.6	+6.0%
Profit for the year attributable to owners of the parent	2.0%	15.5	1.6%	14.1	-1.4	-8.9%

# 3Q FY3/18 Results

## Summary of Financial Results by Segment

- Timber and Building Materials  
⇒ Rising plywood prices, favorable performance of fuel chip sales and domestic material exports resulted in increased revenues, but earnings were sluggish, and recurring income was flat.
- Housing ⇒ Both revenues and earnings were down due to the impact of a significant decrease in the number of custom-built detached houses sold.
- Overseas ⇒ Both revenues and earnings increased substantially with the expansion of the housing and real estate business.
- Other ⇒ Both revenues and earnings were up thanks to the contribution of the favorably performing New Zealand forestation business and biomass power generation business.

(Billion yen)		3Q FY3/17	3Q FY3/18	Change	Pct.
Net sales	Timber and Building Materials	319.3	327.8	+8.5	+2.7%
	Housing	303.3	299.8	-3.5	-1.2%
	Inc. Renovation	47.3	49.2	+1.9	+4.0%
	Overseas	167.9	241.8	+73.9	+44.0%
	Other	14.4	26.5	+12.1	+84.3%
	Adjustment	-33.0	-39.4	-6.3	-
	Total	771.8	856.5	+84.7	+11.0%
Recurring income	Timber and Building Materials	1.4% 4.3	1.3% 4.3	-0.1	-1.3%
	Housing	4.1% 12.3	2.8% 8.4	-3.9	-31.4%
	Inc. Renovation	2.7% 1.3	4.1% 2.0	+0.7	+57.4%
	Overseas	6.9% 11.5	6.4% 15.6	+4.0	+35.2%
	Other	6.5% 0.9	11.1% 2.9	+2.0	+213.2%
	Adjustment	-3.0	-3.6	-0.6	-
	Total	3.4% 26.0	3.2% 27.6	+1.6	+6.0%

# 3Q FY3/18 Results

## Housing Business Sales (non-consolidated)

- Custom-built detached houses ⇒ Both monetary amount and number of units were down year on year due to a substantial decrease in the backlog of orders received as of the beginning of the year.
- Apartments/Spec Homes ⇒ Trended higher year on year.

		(Billion yen)	3Q FY3/17	3Q FY3/18	Change	Pct.
Contract business	Custom-built detached houses (Amounts)		195.7	189.3	-6.4	-3.3%
	(Units)		(5,099)	(4,837)	(-262)	(-5.1%)
	Million yen (Unit price)		(38.4)	(39.1)	(+0.8)	(+2.0%)
	Apartments (Amounts)		10.1	10.8	+0.8	+7.5%
	(Units)		(678)	(681)	(+3)	(+0.4%)
	Other contracts (Amounts)		3.1	2.2	-0.9	-29.3%
	Spec Homes (Amounts)		7.0	8.4	+1.4	+20.6%
	(Units)		(184)	(210)	(+26)	(+14.1%)
	Million yen (Unit price)		(37.8)	(40.0)	(+2.1)	(+5.7%)
Land for custom-built housing (Amounts)		3.2	3.9	+0.7	+20.3%	
Existing home renovation (Resale of Renovated Homes) (Amounts)		2.8	2.0	-0.8	-28.0%	
Other (Amounts)		6.1	5.3	-0.8	-13.0%	
Total (Amounts)		228.0	222.0	-6.0	-2.6%	
Gross profit ratio (%)		(25.2%)	(24.6%)	(-0.6%)	-	
Gross profit (Amounts)		57.5	54.6	-2.8	-4.9%	

# 3Q FY3/18 Results

## Overseas Business Sales and Recurring Income

- Manufacturing ⇒ Went according to plan for the most part.
- Housing and Real Estate ⇒ The US and Australian housing businesses were strong, and both net sales and recurring income were up. In the first nine months, a total of 6,413 units were sold.

(Billion yen)	Net sales				Recurring income			
	3Q FY3/17	3Q FY3/18	Change	Pct.	3Q FY3/17	3Q FY3/18	Change	Pct.
Manufacturing	37.0	34.8	-2.2	-5.9%	2.6	2.6	+0	+0.1%
Housing and Real Estate	131.2	207.8	+76.6	+58.3%	12.9	21.2	+8.3	+64.9%
Other, Consolidated Adjustments, etc.	-0.4	-0.8	-0.4	—	-4.0	-8.3	-4.3	—
<b>Total</b>	<b>167.9</b>	<b>241.8</b>	<b>+73.9</b>	<b>+44.0%</b>	<b>11.5</b>	<b>15.6</b>	<b>+4.0</b>	<b>+35.2%</b>

# FY3/18 Forecast

## Summary of Earnings Forecast for the Full Year

- The full-year earnings forecast will be left as-is from the previous forecast (provided for 2Q).
- Actuarial differences associated with retirement benefit accounting have not been reflected in the forecast numbers.

### <Full Year Forecast>

(Billion yen)

	FY3/17	FY3/18 Forecast	Change	Pct.
Net sales	1,113.4	1,220.0	+106.6	+9.6%
Gross profit	204.1	217.5	+13.4	+6.5%
SG&A expenses	150.1	168.0	+17.9	+11.9%
Operating income	54.0	49.5	-4.5	-8.3%
Recurring income	57.8	53.5	-4.3	-7.5%
Profit for the year attributable to owners of the parent	34.5	30.0	-4.5	-13.1%

\*Without actuarial differences

SG&A expenses	155.1	168.0	+12.9	+8.3%
Recurring income	52.9	53.5	+0.6	+1.2%

# FY3/18 Forecast

## Earnings Forecast by Segment for Full Year

The previous forecasts for each segment have been left as-is.

- Timber and Building Materials  
⇒ Focus will be on expanding sales of fuel chips and domestic materials and on expanding overseas distribution business.
- Housing ⇒ Detached housing and apartments both expected to be down year on year.
- Overseas ⇒ Strong performance by the housing and real estate business to lead to expansion of business scale.
- Other ⇒ Earnings to improve thanks to overseas forestation business and biomass power generation business.

(Billion yen)		FY3/17	FY3/18 Forecast	Change	Pct.
Net sales	Timber and Building Materials	424.4	436.0	+11.6	+2.7%
	Housing	466.3	459.0	-7.3	-1.6%
	Inc. Renovation	64.7	68.1	+3.4	+5.3%
	Overseas	2,47.9	348.0	+100.1	+40.4%
	Other	23.0	37.0	+14.0	+61.0%
	Adjustment	-48.2	-60.0	-11.8	—
	Total	1,113.4	1,220.0	+106.6	+9.6%
Recurring income	Timber and Building Materials	1.0% 4.5	1.1% 5.0	+0.5	+12.2%
	Housing	6.9% 32.3	5.6% 25.5	-6.8	-21.2%
	Inc. Renovation	3.5% 2.2	4.4% 3.0	+0.8	+34.0%
	Overseas	7.8% 19.3	7.2% 25.0	+5.7	+29.5%
	Other	9.7% 2.2	8.1% 3.0	+0.8	+35.0%
	Adjustment	-0.5	-5.0	-4.5	—
	Total	5.2% 57.8	4.4% 53.5	-4.3	-7.5%



# FY3/18 Forecast

## Housing Business Sales Forecast (non-consolidated)

- Forecasts for custom-built detached houses and apartments will both be left as-is from previous forecasts.

		(Billion yen)	FY3/17	FY3/18 Forecast	Change	Pct.
Contract business	Custom-built detached houses (Amounts)		306.3	292.6	-13.7	-4.5%
	(Units)		(8,098)	(7,600)	(-498)	(-6.1%)
	Million yen (Unit price)		(37.8)	(38.5)	(+0.7)	(+1.8%)
	Apartments (Amounts)		22.1	20.7	-1.4	-6.4%
	(Units)		(1,551)	(1,390)	(-161)	(-10.4%)
	Other contracts (Amounts)		3.8	3.1	-0.7	-18.0%
Spec Homes (Amounts)		11.2	11.8	+0.6	+5.3%	
(Units)		(292)	(300)	(+8)	(+2.7%)	
Million yen (Unit price)		(38.4)	(39.3)	(+1.0)	(+2.5%)	
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	8.8	+0.3	+3.0%	
Total (Amounts)		362.1	346.5	-15.6	-4.3%	
Gross profit ratio (%)		(25.4%)	(24.6%)	(-0.8%)	-	
Gross profit (Amounts)		92.1	85.4	-6.7	-7.3%	

# FY3/18 Forecast Overseas Business Sales and Recurring Income

Progress in Manufacturing business and Housing and Real Estate business to be as anticipated.

- Manufacturing ⇒ Recurring income stayed at same level despite selling Australia-based Alpine previous year.
- Housing and Real Estate ⇒ Business scale to expand thanks to inclusion of new companies in consolidated results and organic growth of each company.



(Billion yen)	Net sales			
	FY3/17	FY3/18 Forecast	Change	Pct.
Manufacturing	51.5	46.6	-4.9	-9.5%
Housing and Real Estate	196.9	302.7	+105.8	+53.7%
Other, Consolidated Adjustments, etc.	-0.5	-1.3	-0.8	-
<b>Total</b>	<b>247.9</b>	<b>348.0</b>	<b>+100.1</b>	<b>+40.4%</b>

Recurring income			
FY3/17	FY3/18 Forecast	Change	Pct.
3.9	3.7	-0.2	-5.5%
20.3	32.0	+11.7	+57.9%
-4.8	-10.7	-5.8	-
<b>19.3</b>	<b>25.0</b>	<b>+5.7</b>	<b>+29.5%</b>

# Orders Received and Full Year Forecast

- 3Q**
  - Orders received for custom-built detached houses were down year on year in terms of both monetary amount and number of units.
- Full-year forecast**
  - There are signs of a recovery in orders received, but situation remains difficult.
  - In full-year forecast, number of custom-built detached houses will be revised to 7,500 (down 300 from previous forecast), amount will be revised to ¥282 billion (down ¥11 billion from previous forecast), number of apartments will be revised to 1,200 (down 200 from previous forecast), and amount will be revised to ¥19.1 billion (down ¥2.6 billion from previous forecast).

		(Billion yen)	3Q FY3/17	3Q FY3/18	Change	Pct.	FY3/17 Actual	FY3/18 Forecast	Change	Pct.
Order received	Custom-built detached houses (Amounts)		217.6	211.4	-6.2	-2.9%	288.5	282.0	-6.5	-2.2%
	(Units)		(5,570)	(5,532)	(-38)	(-0.7%)	(7,427)	(7,500)	(+73)	(+1.0%)
	Million yen (Unit price)		(34.2)	(33.6)	(-0.7)	(-2.0%)	(34.2)	(33.7)	(-0.5)	(-1.5%)
	Apartments (Amounts)		17.1	14.5	-2.6	-15.3%	22.5	19.1	-3.4	-15.3%
	(Units)		(1,120)	(814)	(-306)	(-27.3%)	(1,519)	(1,200)	(-319)	(-21.0%)
	Renovation (Amounts)		48.5	47.6	-0.9	-1.8%	63.2	65.0	+1.8	+2.8%
	Other contracts (Amounts)		1.6	1.7	+0.2	+9.9%	2.8	5.0	+2.2	+76.9%



## Balance Sheet

(Billion yen)	FY3/17	3Q FY3/18	Change		FY3/17	3Q FY3/18	Change
Cash, deposits, securities	118.0	76.8	-41.2	Payables	182.5	173.9	-8.6
Receivables	123.5	135.0	+11.6	Short-term debt	37.1	75.2	+38.1
Finished goods	24.0	25.6	+1.6	Current portion of bonds	0	20.0	+20.0
Developed land and housing for sale	48.3	51.7	+3.4	Advances received on uncompleted construction contracts	48.2	59.0	+10.7
Real estate for sale in process	80.4	135.4	+55.1	Other current liabilities	56.2	51.2	-4.9
Costs on uncompleted construction contracts	23.9	43.3	+19.4	Long-term debt/bonds issued	121.8	112.9	-8.9
Other receivables	45.9	38.3	-7.6	Net defined benefit liability	18.7	19.0	+0.2
Other current assets	50.4	47.7	-2.7	Other long-term liabilities	33.9	48.0	+14.0
<b>Total current assets</b>	<b>514.4</b>	<b>553.8</b>	<b>+39.5</b>	<b>Total liabilities</b>	<b>498.5</b>	<b>559.1</b>	<b>+60.6</b>
Property, plant and equipment	145.8	151.9	+6.1	Shareholders' equity	242.5	257.5	+15.0
Intangible assets	23.5	30.2	+6.7	Accumulated other Comprehensive income	32.4	42.2	+9.9
Investment securities	110.7	154.5	+43.8	Non-controlling interests	20.9	31.6	+10.6
<b>Total noncurrent assets</b>	<b>280.0</b>	<b>336.6</b>	<b>+56.6</b>	<b>Total assets</b>	<b>295.9</b>	<b>331.3</b>	<b>+35.5</b>
<b>Total assets</b>	<b>794.4</b>	<b>890.4</b>	<b>+96.1</b>	<b>Total liabilities/net assets</b>	<b>794.4</b>	<b>890.4</b>	<b>+96.1</b>

- The scale is expanding, primarily in the overseas business, so there has been a significant increase in Developed land and housing for sale and Real estate for sale in process.
- The balance of Investment securities has increased as a result of the capital and business alliance with Kumagai Gumi and M&As.

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**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.