

Happiness Grows from Trees



FY 3/2018 Financial Overview and FY 3/2019 Forecast

(Information meeting for fiscal year ended March 31, 2018)



May 14, 2018

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FY3/18 Results



FY3/18 Results

1. Summary

◇ See p. 4 of Fact Book

- Net sales came in at over ¥1.2 trillion, the highest ever. Recurring income was up slightly year on year.
- US business income did not make up for decrease in domestic business income (non-consolidated), so net income was down.

(Billion yen)

(Consolidated)	As reported in financial statements			
	FY3/17	FY3/18	Change	Pct.
Net sales	1,113.4	1,222.0	+108.6	+9.8%
Gross profit	204.1	219.3	+15.2	+7.4%
SG&A expenses	150.1	166.3	+16.2	+10.8%
Operating income	54.0	53.0	-1.0	-1.8%
Recurring income	57.8	57.9	+0.0	+0.0%
Net income attributable for owners of parents	34.5	30.1	-4.4	-12.7%

FY3/18 Results

1. Summary (excluding the effect of actuarial gains and losses)

- There was an actuarial difference of +¥2.3 billion (decrease in cost). There was an actuarial difference of +¥5.0 billion (decrease in cost) in the previous year.
- Recurring income excluding actuarial gains and losses was ¥55.6 billion (YoY increase of 5.1%).

<Reference>

(Consolidated)	Excluding the effect of actuarial gains and losses			
	FY3/17	FY3/18	Change	Pct.
Net sales	1,113.4	1,222.0	+108.6	+9.8%
Gross profit	204.1	219.3	+15.2	+7.4%
SG&A expenses	155.1	168.6	+13.5	+8.7%
Operating income	49.0	50.7	+1.7	+3.5%
Recurring income	52.9	55.6	+2.7	+5.1%
Net income attributable to owners of parent	31.1	28.6	-2.5	-8.2%

(Billion yen)

Effect of actuarial gains and losses	
FY3/17	FY3/18
-5.0	-2.3
5.0	2.3
5.0	2.3
3.4	1.6

FY3/18 Results

2. Segment Sales and Recurring Income

◇ See p. 4 of Fact Book

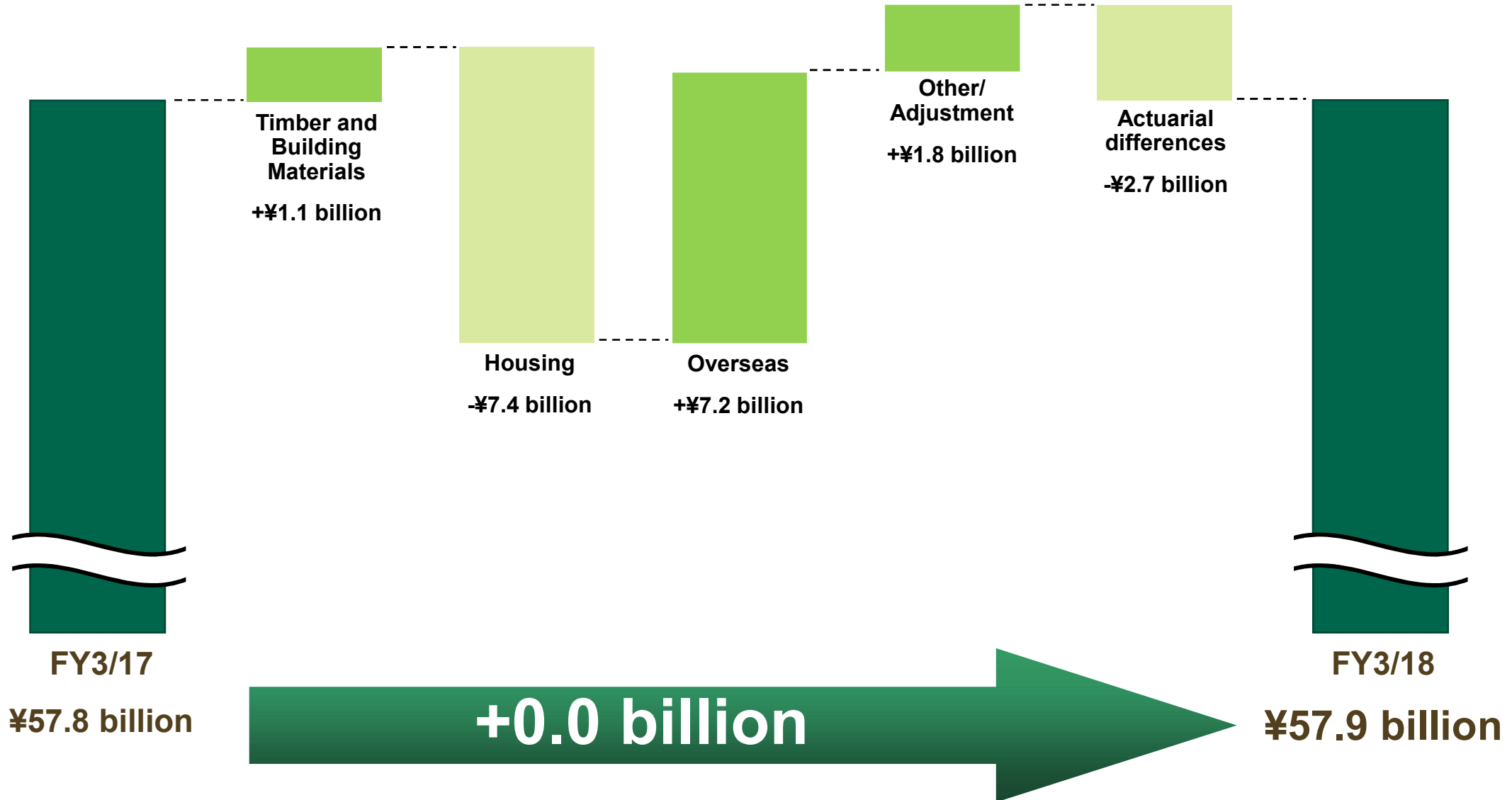
(Billion yen)

(Consolidated)	Net sales				Recurring income			
	FY3/17	FY3/18	Change	Pct.	FY3/17	FY3/18	Change	Pct.
Timber and Building Materials	424.4	435.5	+11.1	+2.6%	4.5	5.6	+1.1	+25.3%
Housing	466.3	449.2	-17.1	-3.7%	32.3	24.9	-7.4	-22.9%
Overseas	247.9	352.9	+105.0	+42.4%	19.3	26.5	+7.2	+37.2%
Other	23.0	37.0	+14.0	+61.0%	2.2	4.9	+2.7	+122.0%
Adjustment	-48.2	-52.6	-4.4	-	-0.5	-4.1	-3.6	-
Total	1,113.4	1,222.0	+108.6	+9.8%	57.8	57.9	+0.0	+0.0%

- **Timber and Building Materials:**
Revenues and earnings were up owing to focus on fuel materials, domestic material exports, materials for non-residential application, etc.
- **Housing:** Revenues and earnings were down due to low level of backlog of orders received at beginning of year for custom-built detached houses.
- **Overseas:** Revenues and earnings were up owing to strong US housing business with inclusion of Edge Homes and Bloomfield in consolidated results.
- **Other:** Earnings were up substantially owing to contribution by New Zealand forestry business and Mombetsu biomass power generation from beginning of year.

FY3/18 Results

3. Changes in Recurring Income (YoY)



FY3/18 Results

4. Housing Business Orders Received and Sales

◇ See p. 14-15 of Fact Book

- Detached houses: The number of houses completed was down 542 units year on year, but completed housing unit prices rose. The number of orders received was up 181 units year on year.
- Apartments: The amount of orders received was down 23.7% due to worsening of the orders received environment, and the total value of houses completed was down 9.1%.

(Billion yen)		Orders received				Sales			
		FY3/17	FY3/18	Change	Pct.	FY3/17	FY3/18	Change	Pct.
Contract business	(Units)	(7,427)	(7,608)	(+181)	(+2.4%)	(8,098)	(7,556)	(-542)	(-6.7%)
	(Unit price: million yen)	(34.2)	(33.6)	(-0.6)	(-1.7%)	(37.8)	(38.2)	(+0.4)	(+1.0%)
	Custom-built Detached Houses	288.5	290.3	+1.9	+0.6%	306.3	288.6	-17.7	-5.8%
	Apartments	22.5	17.2	-5.3	-23.7%	22.1	20.1	-2.0	-9.1%
	Other Contracts	2.8	1.7	-1.1	-39.3%	3.8	3.0	-0.8	-20.8%
Spec homes and development business	Spec Homes					11.2	12.4	+1.2	+10.3%
	Land					5.7	6.7	+1.0	+16.7%
	Existing Home Renovation					4.4	3.1	-1.3	-29.7%
	Other					8.5	7.6	-0.9	-10.7%

* Orders received are the sum of orders received each FY less the amount of orders that were cancelled during the FY.

Net Sales Total	362.1	341.5	-20.6	-5.7%
Profit Ratio	25.4%	24.6%	-0.8%	
Gross Profit	92.1	84.0	-8.1	-8.8%

FY3/18 Results

5. Renovation Business Orders Received and Sales

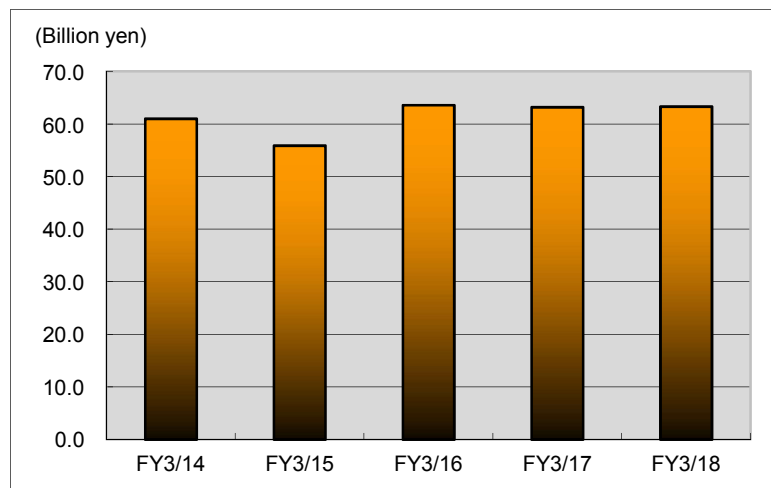
◇ See p. 12 of Fact Book

<Sumitomo Forestry Home Tech>

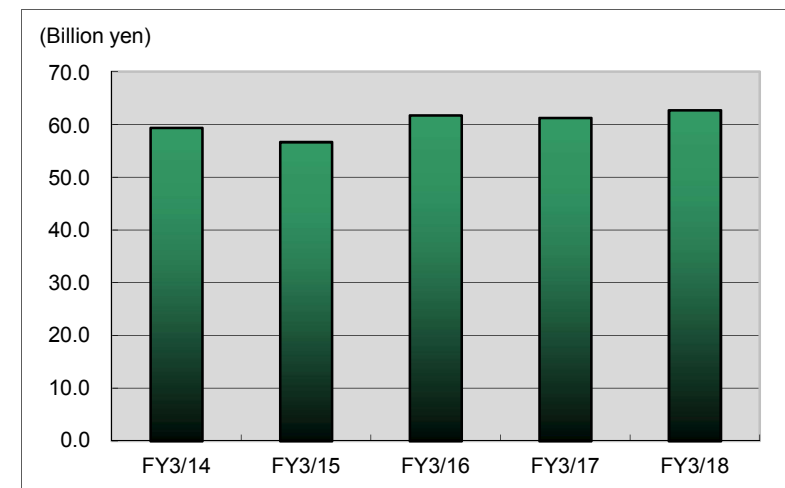
- The market lacked vigor overall, so both orders received and construction completed were up slightly year on year.

(Billion yen)	FY3/17	FY3/18	Change	Pct.
Orders received	63.2	63.3	+0.1	+0.2%
Construction completed	61.2	62.7	+1.5	+2.4%
Backlog of orders received at term end	26.2	26.8	+0.6	+2.3%

◆ Trends in Orders Received



◆ Trends in Construction Completed



FY3/18 Results

6. Overseas Segment Sales and Recurring Income

(Billion yen)

Overseas Segment	Net sales				Recurring income			
	FY3/17	FY3/18	Change	Pct.	FY3/17	FY3/18	Change	Pct.
Manufacturing	51.5	47.2	-4.2	-8.2%	3.9	3.9	+0.0	+0.7%
Housing and Real Estate	196.9	306.7	+109.9	+55.8%	20.3	33.3	+13.0	+64.1%
Other, Consolidated Adjustments, etc.	-0.5	-1.1	-0.6	-	-4.8	-10.7	-5.9	-
Total	247.9	352.9	+105.0	+42.4%	19.3	26.5	+7.2	+37.1%

- Manufacturing:

Profitability increased owing to increase in volume for Japan in MDF manufacturing business and cost reductions in LVL manufacturing business.

- Housing and Real Estate:

The number of units sold in the housing business in the US and Australia rose to 9,223 units (+2,025 compared to previous year).

- Number of Units Sold by Country

	FY3/17	FY3/18	Change	Pct.
US	4,686	6,380	+1,694	+36.2%
Australia	2,512	2,843	+331	+13.2%
Total	7,198	9,223	+2,025	+28.1%

- Conversion rate (average during term)

	US\$/JPY	AU\$/JPY	NZ\$/JPY
FY3/17	108.74	80.83	75.72
FY3/18	112.19	86.01	79.73

FY3/18 Results

7. Investments

◆ Capital Expenditures <*Expense basis>

(Billion yen)

(Consolidated)	FY3/17	FY3/18	Change	Pct.
Tangible Fixed Assets	50.9	17.1	-33.9	-66.5%
Intangible Fixed Assets	2.8	2.2	-0.7	-23.7%
Other	0.3	1.3	+1.0	+273.5%
Total	54.1	20.6	-33.6	-62.0%

◆ Main investments

Domestic and overseas housing display centers . . . ¥6.4 billion

Software investments . . . ¥2.5 billion

Construction of private-pay elderly care facilities, etc. . . . ¥4.0 billion

FY3/18 Results

8. Balance Sheet and Cash Flow

◇ See p. 7-9 of Fact Book

(Billion yen)

	FY3/17	FY3/18	Change		FY3/17	FY3/18	Change
Cash, deposit, securities	118.0	110.9	-7.1	Payables	182.5	181.9	-0.6
Receivables	123.5	135.6	12.2	Short-term debt (Bank loans)	37.1	40.5	3.4
Finished goods	24.0	26.5	2.5	Short-term debt (Bonds)	0.0	20.0	20.0
Real estate for sale	48.3	55.8	7.5	Advances received from customers	48.2	50.2	2.0
Real estate for sale in process	80.4	138.5	58.1	Other current liabilities	56.2	64.9	8.8
Construction projects in progress	23.9	25.3	1.4	Long-term debt/bonds issues	121.8	134.4	12.6
Other receivables	45.9	41.7	-4.2	Liability for retirement benefits	18.7	16.7	-2.0
Other current assets	50.4	37.9	-12.5	Other long-term liabilities	33.9	49.4	15.5
Total current assets	514.4	572.1	57.7	Liabilities	498.5	558.0	59.5
Tangible fixed assets	145.8	153.1	7.3	Shareholders' equity	242.5	273.5	31.0
Intangible fixed assets	23.5	29.1	5.6	Accumulated other comprehensive income	32.4	38.1	5.7
Investments and other assets	110.7	149.4	38.7	Non-controlling interests	20.9	34.0	13.1
Total non-current assets	280.0	331.6	51.6	Net assets	295.9	345.6	49.8
Total assets	794.4	903.7	109.3	Total liabilities/net assets	794.4	903.7	109.3

(Billion yen)

- Increase in “Real estate for sale” from inclusion of Bloomfield Homes in consolidated results and land acquisitions in existing businesses.
- Increase in “Investment securities” from acquisition of equity shares in Kumagai Gumi.

	FY3/17	FY3/18
Operating CF	40.3	13.7
Investing CF	-62.4	-46.2
Free CF	-22.0	-32.5
Financial CF	14.3	25.2

FY3/19 Forecast



FY3/19 Forecast

1. Summary

◇ See p. 5 of Fact Book

- Net sales to increase ¥1.310 trillion, while recurring income remains almost flat at ¥57.5 billion.
- Work to enhance functions and streamline business through reorganization.

(Billion yen)

(Consolidated)	FY3/18 Actual	FY3/19 Forecast	Change	Pct.
Net sales	1,222.0	1,310.0	+88.0	+7.2%
Gross profit	219.3	231.5	+12.2	+5.6%
SG&A expenses	166.3	177.0	+10.7	+6.4%
Operating income	53.0	54.5	+1.5	+2.8%
Recurring income	57.9	57.5	-0.4	-0.6%
Net income attributable to owners of parent	30.1	31.5	+1.4	+4.5%

*Without actuarial differences

SG&A expenses	168.6	177.0	+8.4	+5.0%
Recurring income	55.6	57.5	+1.9	+3.5%

FY3/19 Forecast

2. Segment Sales and Recurring Income

◇ See p. 5 of Fact Book

(Billion yen)

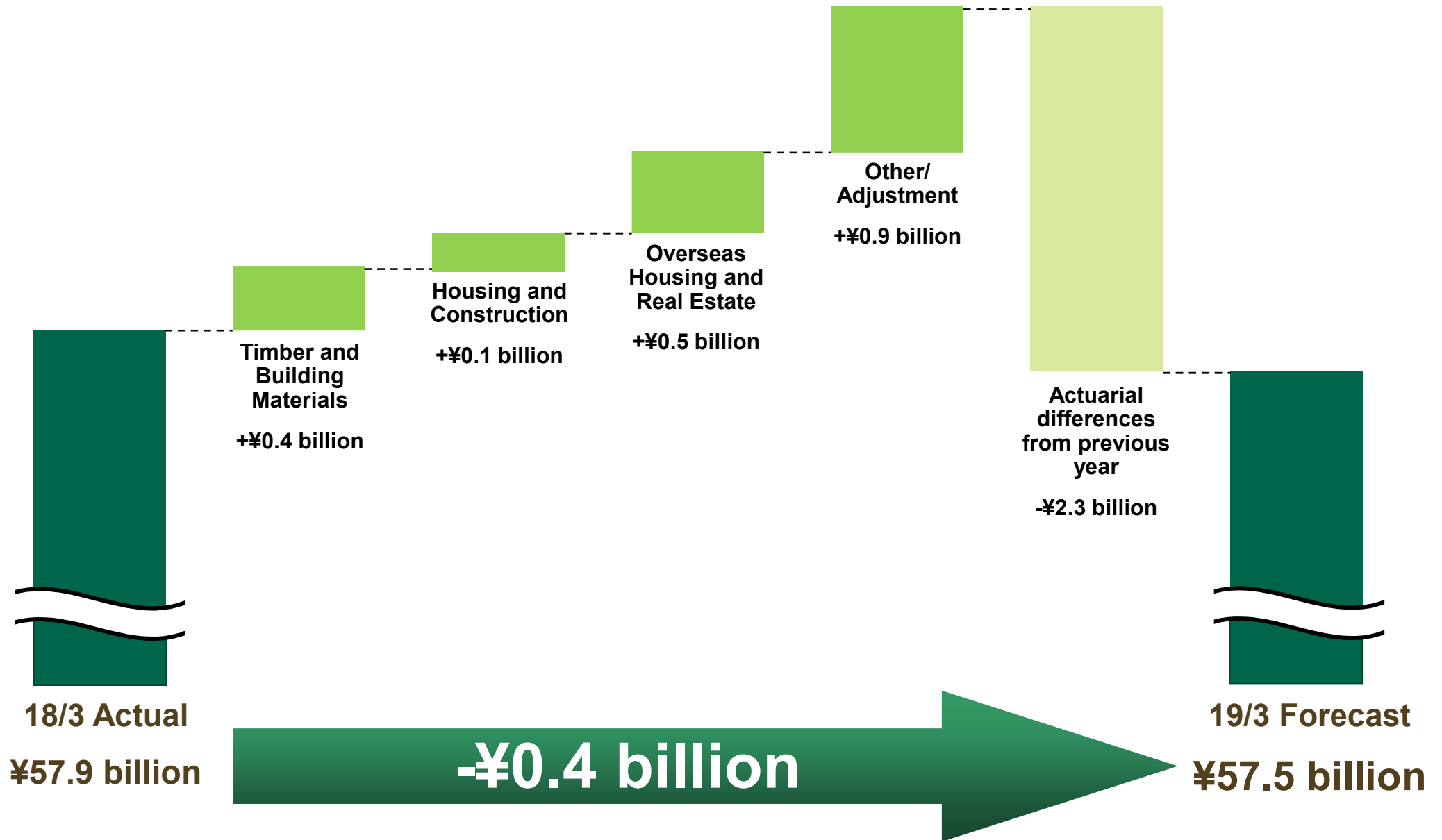
(Consolidated)	Net sales				Recurring income			
	FY3/18 Actual	FY3/19 Forecast	Change	Pct.	FY3/18 Actual	FY3/19 Forecast	Change	Pct.
Timber and Building Materials	465.2	485.5	+20.3	+4.4%	8.6	9.0	+0.4	+4.9%
Housing and Construction	449.2	471.0	+21.8	+4.9%	24.9	25.0	+0.1	+0.2%
Overseas Housing and Real Estate	306.0	348.5	+42.5	+13.9%	23.5	24.0	+0.5	+2.2%
Other	37.0	42.5	+5.5	+14.8%	4.9	5.5	+0.6	+11.5%
Adjustment	-35.4	-37.5	-2.1	-	-4.1	-6.0	-1.9	-
Total	1,222.0	1,310.0	+88.0	+7.2%	57.9	57.5	-0.4	-0.6%

* FY3/18 profit and loss in Timber and Building Materials, Overseas Housing and Real Estate and Adjustment segments have been recalculated in line with the reorganization.

- **Timber and building materials:**
Continue efforts for fuel materials and work on integration of manufacturing and sales and enhancement of marketing functions.
- **Housing:** Increase in completed custom-built detached housing and renovations.
- **Overseas:** The US and Australian housing businesses will contribute to earnings through organic growth. Promote housing business in Asia.
- **Other:** Launch operations at Hachinohe biomass power generation, promote occupancy at nursing care facilities, etc.

FY3/19 Forecast

3. Changes in Recurring Income (YoY)



FY3/19 Forecast

4. Housing Business Orders Received and Sales

◇ See p. 14-15 of Fact Book

- Custom-built Detached Houses: Enhance proposal capabilities according to demand, including rebuilds / new builds and with / without land, and aim for orders received of 7,900 units (YoY increase of 3.8%).
- Apartments: Orders received and sales will both be up year on year owing to establishment of branches and other measures to improve orders received.

(Billion yen)		Orders received				Sales			
		FY3/18	FY3/19 Forecast	Change	Pct.	FY3/18	FY3/19 Forecast	Change	Pct.
Contract business	(Units)	(7,608)	(7,900)	(+292)	(+3.8%)	(7,556)	(7,700)	(+144)	(+1.9%)
	(Unit price: million yen)	(33.6)	(33.7)	(+0.1)	(+0.2%)	(38.2)	(38.9)	(+0.7)	(+1.9%)
	Custom-built Detached Houses	290.3	299.0	+8.7	+3.0%	288.6	300.0	+11.4	+4.0%
	Apartments	17.2	23.6	+6.4	+37.2%	20.1	21.5	+1.4	+6.9%
	Other Contracts	1.7	8.0	+6.3	+366.6%	3.0	3.8	+0.8	+27.0%
Spec homes and development business	Spec Homes					12.4	14.0	+1.6	+13.3%
	Land					6.7	7.1	+0.4	+6.2%
	Existing Home Renovation					3.1	2.0	-1.1	-35.4%
	Other					7.6	7.6	-0.0	-0.4%

* Orders received are the sum of orders received each FY less the amount of orders that were cancelled during the FY.

Net sales total	341.5	356.0	+14.5	+4.3%
Profit Ratio	24.6%	24.2%	-0.5%	
Gross Profit	84.0	86.0	+2.0	+2.3%

FY3/19 Forecast

5. Renovation Business Orders Received and Sales

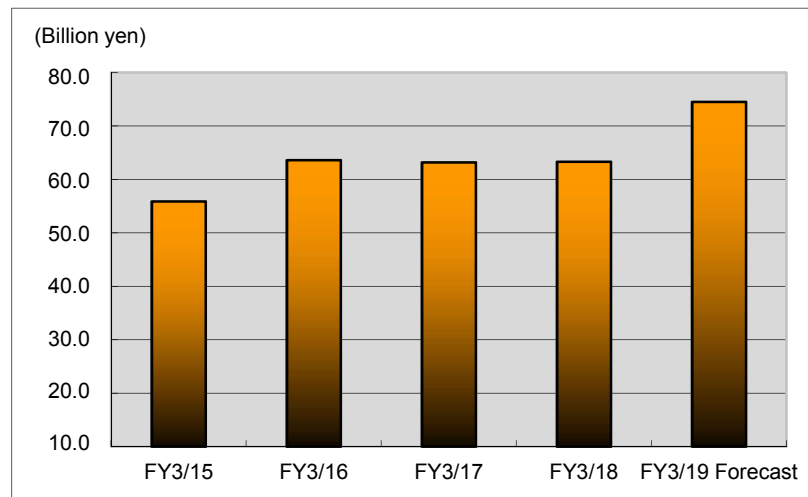
◇ See p. 12 of Fact Book

<Sumitomo Forestry Home Tech>

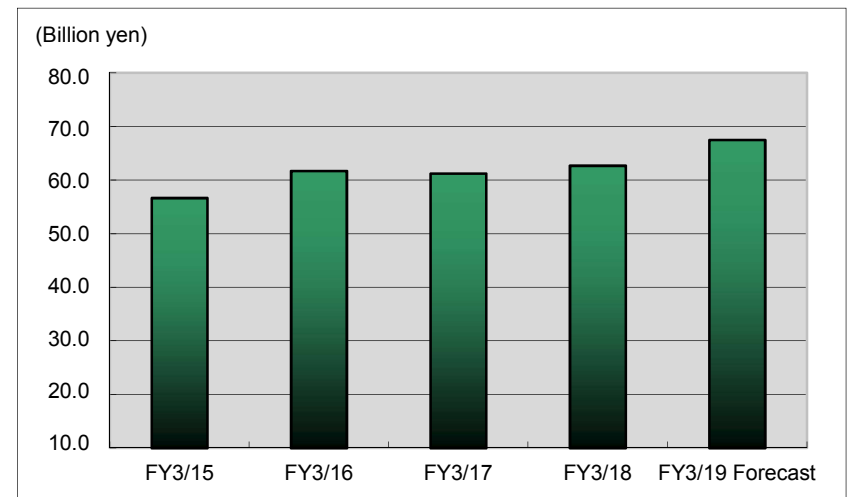
- Improve operational efficiency, increase interior consultants and execute differentiation strategy leveraging technological superiority.

(Billion yen)	FY3/18	FY3/19 Forecast	Change	Pct.
Orders received	63.3	74.5	+11.2	+17.7%
Construction completed	62.7	67.5	+4.8	+7.7%
Backlog of orders received at term end	26.8	33.8	+7.0	+26.1%

◆ Trends in Orders Received



◆ Trends in Construction Completed



FY3/19 Forecast

6. Overseas Housing and Real Estate Segment Sales and Recurring Income

(Billion yen)

Overseas Housing and Real Estate Segment	Net sales				Recurring income			
	FY3/18	FY3/19 Forecast	Change	Pct.	FY3/18	FY3/19 Forecast	Change	Pct.
Housing and Real Estate	306.7	348.8	+42.1	+13.7%	33.4	32.5	-0.9	-2.6%
Other, Consolidated Adjustments, etc.	-0.8	-0.3	+0.5	-	-9.9	-8.5	+1.4	-
Total	306.0	348.5	+42.5	+13.9%	23.5	24.0	+0.5	+2.2%

- The US and Australian Housing Businesses:
Expand business scale to 9,850 units (+6.8%)
- Asian Housing Business:
Promote business in Vietnam, Thailand and Indonesia.

● Conversion rate (average during term)

	US\$/JPY	AU\$/JPY	NZ\$/JPY
FY3/18	112.19	86.01	79.73
FY3/19 (Forecast)	110.00	87.00	79.00

● Number of Units Sold by Country

	FY3/18	FY3/19 Forecast	Change	Pct.
US	6,380	7,000	+620	+9.7%
Australia	2,843	2,850	+7	+0.2%
Total	9,223	9,850	+627	+6.8%

FY3/19 Forecast

7. Investments

◆ Capital Expenditures <*Expense basis>

(Billion yen)

(Consolidated)	FY3/18	FY3/19 Forecast	Change	Pct.
Tangible Fixed Assets	17.1	23.8	+6.8	+39.6%
Intangible Fixed Assets	2.2	3.9	+1.8	+81.8%
Other	1.3	0.7	-0.6	-47.0%
Total	20.6	28.5	+7.9	+38.5%

◆ Main investments

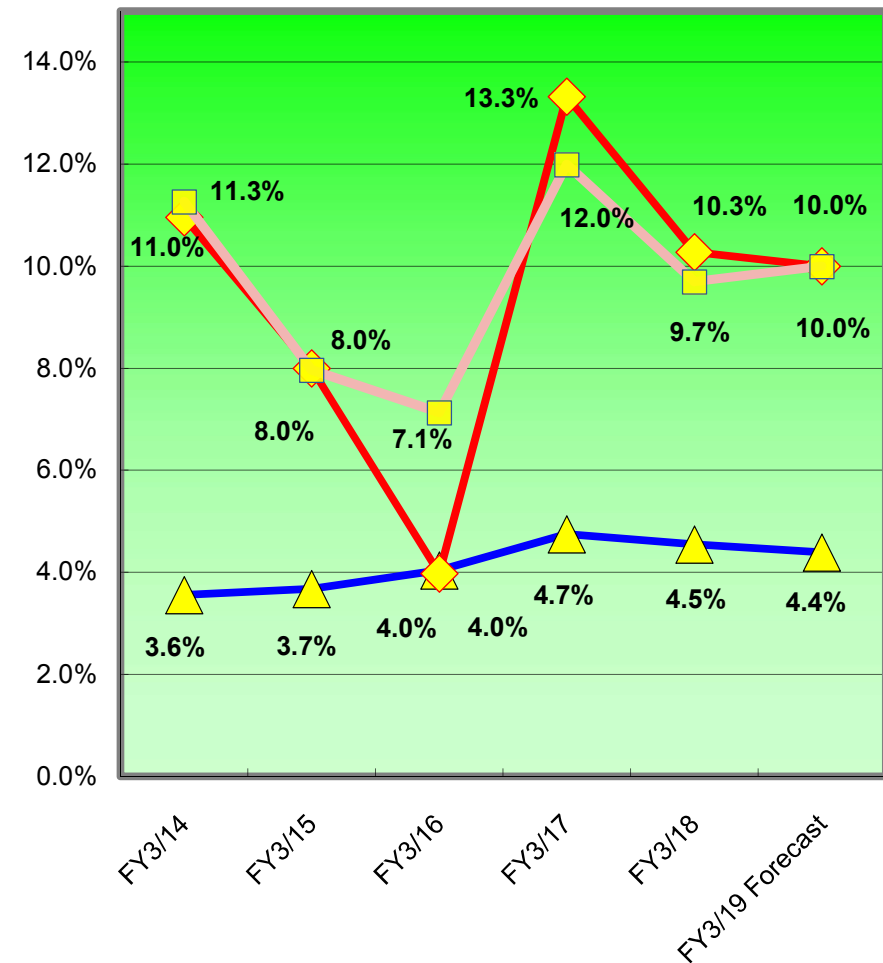
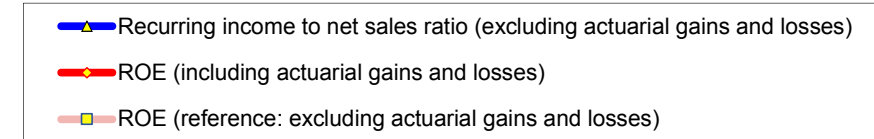
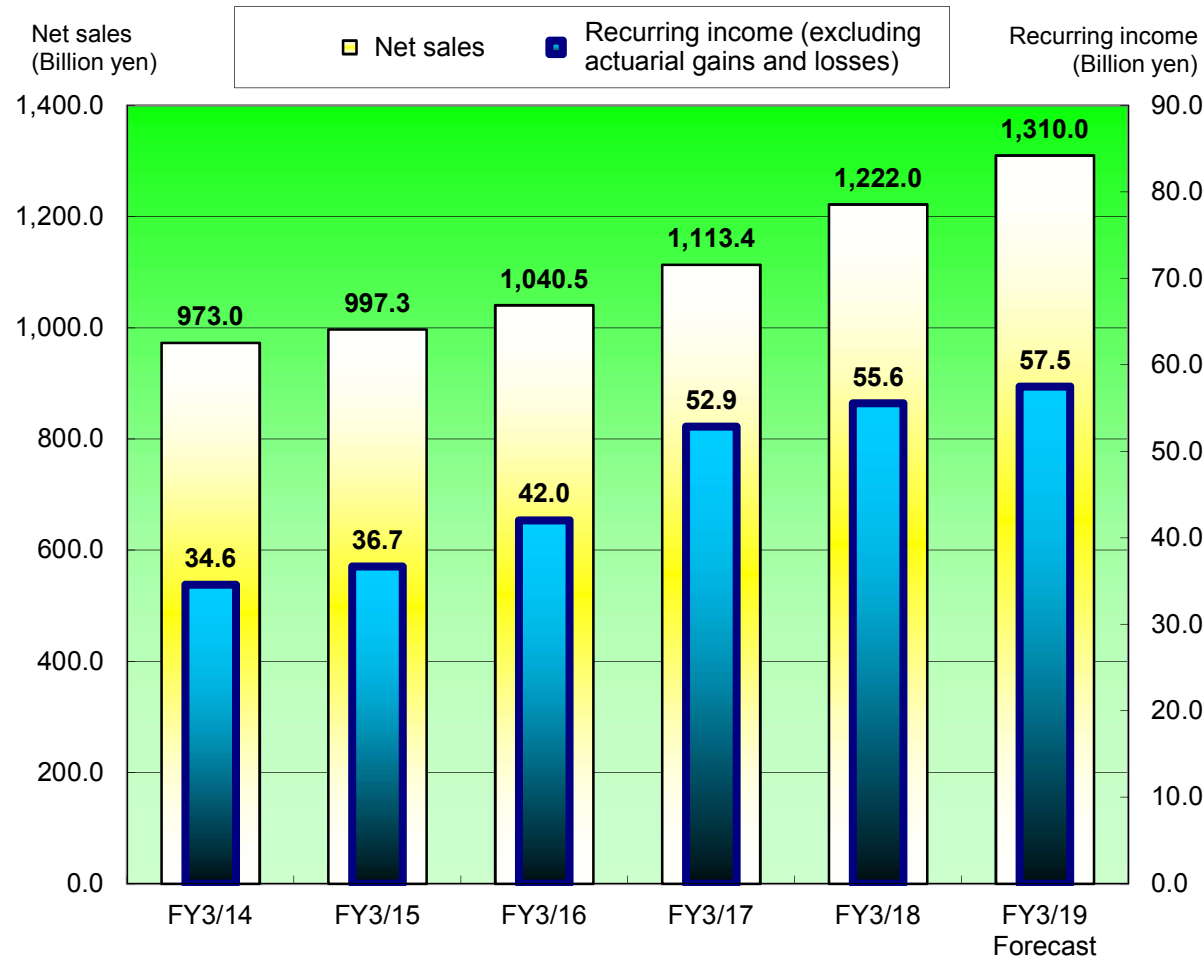
Domestic and overseas housing display centers … ¥7.1 billion

New research building at Tsukuba Research Institute … ¥2.5 billion

Software investment … ¥3.9 billion

FY3/19 Forecast

8. Trends in Gains/Losses, Recurring Income to Net Sales Ratio, and ROE



* Recurring income does not include actuarial gains or losses.
 * ROE excluding actuarial gains and losses (reference value) is calculated using the effective statutory tax rate, and net assets for each year have not been adjusted.

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.

