

Happiness Grows from Trees



# **FY 3/2019**

## **– Third Quarter Financial Results and Full Year Forecast –**



January 31, 2019

## Notes

- “Profit attributable to owners of parent” is expressed as “net income.”
- Segments have been recombined as of beginning of this year as follows:

Overseas Manufacturing Business

→ Moved to Timber and Building Materials segment

Overseas segment

→ Changed to Overseas Housing and Real Estate segment

Results and forecasts for this year are compared with figures from previous year reflecting recombination of segments.

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# Third Quarter of FY 3/2019 Results



# Third Quarter of FY 3/2019 Results

## 1. Summary ◇ See p. 2 of Fact Book

- The US housing business grew, but domestic custom-built detached housing sales decreased, resulting in a drop in recurring income.
- Net income was up year on year due in part to sales of investment securities and other such factors.

(Billion yen)

(Consolidated)	3Q FY 3/18	3Q FY 3/19	Change	Pct.
Net Sales	<b>856.5</b>	<b>907.0</b>	<b>+50.5</b>	<b>+5.9%</b>
Gross Profit	<b>147.5</b>	<b>155.2</b>	<b>+7.6</b>	<b>+5.2%</b>
SG&A Expenses	<b>124.0</b>	<b>131.0</b>	<b>+7.1</b>	<b>+5.7%</b>
Operating Income	<b>23.6</b>	<b>24.1</b>	<b>+0.6</b>	<b>+2.4%</b>
Recurring Income	<b>27.6</b>	<b>26.5</b>	<b>-1.1</b>	<b>-4.1%</b>
Profit Attributable to Owners of Parent	<b>14.1</b>	<b>15.6</b>	<b>+1.5</b>	<b>+10.4%</b>

# Third Quarter of FY 3/2019 Results

## 2. Segment Sales and Recurring Income

◇ See p. 2 of Fact Book

(Consolidated)	Net Sales				Recurring Income			
	3Q FY 3/18	3Q FY 3/19	Change	Pct.	3Q FY 3/18	3Q FY 3/19	Change	Pct.
Timber and Building Materials Business	<b>349.2</b>	<b>365.8</b>	<b>+16.6</b>	<b>+4.7%</b>	<b>6.6</b>	<b>6.2</b>	<b>-0.4</b>	<b>-5.8%</b>
Housing and Construction Business	<b>299.7</b>	<b>292.2</b>	<b>-7.6</b>	<b>-2.5%</b>	<b>8.4</b>	<b>3.6</b>	<b>-4.9</b>	<b>-57.7%</b>
Overseas Housing and Real Estate Business	<b>207.2</b>	<b>246.6</b>	<b>+39.4</b>	<b>+19.0%</b>	<b>13.2</b>	<b>16.6</b>	<b>+3.4</b>	<b>+25.5%</b>
Other	<b>26.5</b>	<b>29.6</b>	<b>+3.0</b>	<b>+11.4%</b>	<b>2.9</b>	<b>3.4</b>	<b>+0.5</b>	<b>+15.6%</b>
Adjustment	<b>-26.2</b>	<b>-27.1</b>	<b>-1.0</b>	<b>-</b>	<b>-3.6</b>	<b>-3.3</b>	<b>+0.3</b>	<b>-</b>
Total	<b>856.5</b>	<b>907.0</b>	<b>+50.5</b>	<b>+5.9%</b>	<b>27.6</b>	<b>26.5</b>	<b>-1.1</b>	<b>-4.1%</b>

- Timber and Building Materials: Revenues increased owing to favorable sales of imports and other products, but earnings were down, primarily due to increased costs in the manufacturing business.
- Housing and Construction: The number of units sold was down due to a delay in construction starts for properties subject to ZEH subsidies and lower orders received from the previous year.
- Overseas Housing and Real Estate: Expansion of the US housing business made up for the drop in sales of spec homes in Australia, resulting in increased revenues and earnings.
- Other: Revenues and earnings were up, owing in part to launch of operations at new biomass power generation plant.

# Third Quarter of FY 3/2019 Results

## 3. Domestic Housing and Renovation Business Orders Received and Sales

◇ See p. 4-5 of Fact Book

(Billion yen)		Orders received				Sales			
		3Q FY 3/18	3Q FY 3/19	Change	Pct.	3Q FY 3/18	3Q FY 3/19	Change	Pct.
Contract business	(Units)	(5,532)	(6,159)	(+627)	(+11.3%)	(4,837)	(4,682)	(-155)	(-3.2%)
	(Unit price)	(33.6 mil. yen)	(34.3 mil. yen)	(+0.7 mil. yen)	-	(39.1 mil. yen)	(39.3 mil. yen)	(+0.2 mil. yen)	-
	Custom-built detached houses	211.4	237.4	+26.0	+12.3%	189.3	184.0	-5.3	-2.8%
	Apartments	14.5	14.4	-0.1	-0.8%	10.8	9.8	-1.1	-9.9%
	Other contracts	1.7	2.6	+0.9	+51.7%	2.2	1.0	-1.2	-54.5%
Spec home and development business	Detached spec home					8.4	7.3	-1.1	-12.7%
	Land for custom-built housing					3.9	3.4	-0.5	-12.1%
	Existing home renovation (Resale of Renovated Homes)					2.0	1.2	-0.9	-43.4%
	Other					5.3	5.9	+0.6	+10.8%
				Net Sales Total		222.0	212.6	-9.4	-4.2%
				Profit Ratio		24.6%	23.9%	-0.7%	
				Gross Profit		54.6	50.9	-3.7	-6.8%

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

(Billion yen)		Orders received				Sales			
		3Q FY 3/18	3Q FY 3/19	Change	Pct.	3Q FY 3/18	3Q FY 3/19	Change	Pct.
Renovation business (Sumitomo Forestry Home Tech)		47.6	53.7	+6.2	+12.9%	46.6	47.4	+0.9	+1.9%



# Third Quarter of FY 3/2019 Results

## 4. Overseas Housing and Real Estate Segment Sales and Recurring Income

(Billion yen)

Overseas Housing and Real Estate Segment	Net Sales				Recurring Income			
	3Q FY 3/18	3Q FY 3/19	Change	Pct.	3Q FY 3/18	3Q FY 3/19	Change	Pct.
Affiliate Total	<b>207.8</b>	<b>247.4</b>	<b>+39.7</b>	<b>+19.1%</b>	<b>21.4</b>	<b>24.0</b>	<b>+2.6</b>	<b>+12.3%</b>
Other, Consolidated Adjustments, etc.	<b>-0.5</b>	<b>-0.8</b>	<b>-0.3</b>	<b>-</b>	<b>-8.2</b>	<b>-7.4</b>	<b>+0.7</b>	<b>-</b>
Total	<b>207.2</b>	<b>246.6</b>	<b>+39.4</b>	<b>+19.0%</b>	<b>13.2</b>	<b>16.6</b>	<b>+3.4</b>	<b>+25.5%</b>

### ●Number of Units Sold by the Country

	3Q FY 3/18	3Q FY 3/19	Change	Pct.
US	4,339	4,956	+617	+14.2%
Australia	2,074	1,960	-114	-5.5%
Total	6,413	6,916	+503	+7.8%

### ●Conversion rate (average during term)

	US\$/JPY	AU\$/JPY	NZ\$/JPY
3Q FY 3/18	111.95	85.72	80.07
3Q FY 3/19	109.64	83.08	76.72



# Third Quarter of FY 3/2019 Results

## 5. Balance Sheet

(Billion yen)

		End of March 2018	End of December 2018	Change			End of March 2018	End of December 2018	Change
Assets	Cash, deposits, securities	110.9	64.3	-46.5	Liabilities and Net Assets	Payables	181.9	181.2	-0.6
	Receivables	135.6	144.2	8.5		Short-term debt (Bank loans)	40.5	68.3	27.8
	Finished goods	26.5	31.2	4.7		Commercial paper	-	30.0	30.0
	Real estate for sale	55.8	67.3	11.5		Short-term debt (Bonds)	20.0	-	-20.0
	Real estate for sale in process	138.5	188.9	50.4		Advances received from customers	50.2	60.9	10.6
	Construction projects in progress	25.3	46.1	20.8		Other current liabilities	63.5	60.3	-3.2
	Other receivables	41.7	41.8	0		Long-term debt/bonds issued	134.4	181.8	47.4
	Other current assets	31.3	41.6	10.2		Liability for retirement benefits	16.7	16.4	-0.3
						Other long-term liabilities	46.3	39.5	-6.8
Total current assets		565.6	625.2	59.6	Liabilities		553.5	638.4	84.9
Non-current assets	Tangible fixed assets	153.1	176.5	23.3	Shareholders' equity	273.5	282.0	8.4	
	Intangible fixed assets	29.1	31.0	1.9	Accumulated other comprehensive income	38.1	24.6	-13.5	
	Investments and other assets	151.4	152.4	1.1	Non-controlling interests	34.0	40.1	6.1	
	Total non-current assets	333.5	359.9	26.3	Net assets		345.6	346.6	1.0
Total assets		899.1	985.0	85.9	Total liabilities/net assets		899.1	985.0	85.9

# **FY 3/2019 Full Year Earnings Forecast**



# FY 3/2019 Full Year Earnings Forecast

## 1. Summary ◇ See p. 2 of Fact Book

- The forecast for net sales is unchanged at 1.31 trillion yen.
- Other items have been revised to reflect the inclusion of US-based Crescent in the consolidated results. Recurring income is forecast at 55.0 billion yen.

(Billion yen)

(Consolidated)	FY 3/18	FY 3/19 Forecast	Change	Pct.
Net Sales	<b>1,222.0</b>	<b>1,310.0</b>	<b>+88.0</b>	<b>+7.2%</b>
Gross Profit	<b>219.3</b>	<b>230.0</b>	<b>+10.7</b>	<b>+4.9%</b>
SG&A Expenses	<b>166.3</b>	<b>178.5</b>	<b>+12.2</b>	<b>+7.3%</b>
Operating Income	<b>53.0</b>	<b>51.5</b>	<b>-1.5</b>	<b>-2.9%</b>
Recurring Income	<b>57.9</b>	<b>55.0</b>	<b>-2.9</b>	<b>-5.0%</b>
Profit Attributable to Owners of Parent	<b>30.1</b>	<b>30.0</b>	<b>-0.1</b>	<b>-0.4%</b>

FY 3/19 Initial plan	Change	Pct.
<b>1,310.0</b>	<b>+0</b>	<b>+0.0%</b>
<b>232.5</b>	<b>-2.5</b>	<b>-1.1%</b>
<b>178.0</b>	<b>+0.5</b>	<b>+0.3%</b>
<b>54.5</b>	<b>-3.0</b>	<b>-5.5%</b>
<b>57.5</b>	<b>-2.5</b>	<b>-4.3%</b>
<b>31.5</b>	<b>-1.5</b>	<b>-4.8%</b>

\*Without actuarial differences

SG&A Expenses	<b>168.6</b>	<b>178.5</b>	<b>+9.9</b>	<b>+5.9%</b>
Recurring Income	<b>55.6</b>	<b>55.0</b>	<b>-0.6</b>	<b>-1.0%</b>

# FY 3/2019 Full Year Earnings Forecast

## 2. Segment Sales and Recurring Income

◇ See p. 2 of Fact Book

(Billion yen)

(Consolidated)	Net Sales				Recurring Income				
	FY 3/18	FY 3/19 Forecast	Change	Pct.	FY 3/18	FY 3/19 Forecast	Change	Pct.	Change from initial plan
Timber and Building Materials Business	465.2	485.5	+20.3	+4.4%	8.6	8.0	-0.6	-6.8%	-
Housing and Construction Business	449.2	460.0	+10.8	+2.4%	24.9	24.0	-0.9	-3.8%	-
Overseas Housing and Real Estate Business	306.0	365.0	+59.0	+19.3%	23.5	23.0	-0.5	-2.1%	-2.5
Other	37.0	42.5	+5.5	+14.8%	4.9	5.5	+0.6	+11.5%	-
Adjustment	-35.4	-43.0	-7.6	-	-4.1	-5.5	-1.4	-	-
Total	1,222.0	1,310.0	+88.0	+7.2%	57.9	55.0	-2.9	-5.0%	-2.5

- No significant changes from previous forecast in any segment.
- In the Overseas Housing and Real Estate segment, US-based Crescent will be included in the consolidated results.

# FY 3/2019 Full Year Earnings Forecast

## 3. Domestic Housing and Renovation Business Orders Received and Sales

◇ See p. 4-5 of Fact Book

- Orders received for custom-built detached houses have been strong, so the previous forecast has been revised upward by 400 to 8,500. Other items have been left as-is from the previous forecast.

(Billion yen)		Orders received				Sales				
		FY 3/18	FY 3/19 Forecast	Change	Pct.	FY 3/18	FY 3/19 Forecast	Change	Pct.	
Contract business	(Units)	(7,608)	(8,500)	(+892)	(+11.7%)	(7,556)	(7,700)	(+144)	(+1.9%)	
	(Unit price)	(33.6 mil. yen)	(33.9 mil. yen)	(+0.3 mil. yen)	-	(38.2 mil. yen)	(38.6 mil. yen)	(+0.4 mil. yen)	-	
	Custom-built detached houses	290.3	323.9	+33.5	+11.5%	288.6	297.2	+8.6	+3.0%	
	Apartments	17.2	20.0	+2.8	+16.3%	20.1	18.3	-1.8	-9.0%	
	Other contracts	1.7	4.5	+2.8	+162.4%	3.0	1.9	-1.1	-36.5%	
Spec home and development business	Detached spec home					12.4	13.6	+1.2	+10.0%	
	Land for custom-built housing					6.7	6.0	-0.7	-10.3%	
	Existing home renovation (Resale of Renovated Homes)					3.1	2.3	-0.8	-25.7%	
	Other contracts					7.6	8.4	+0.8	+10.1%	
		Net Sales Total		341.5	347.7	+6.2	+1.8%			
		Profit Ratio		24.6%	24.2%	-0.4%				
		Gross Profit		84.0	84.3	+0.3	+0.3%			

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

(Billion yen)		Orders received				Sales			
		FY 3/18	FY 3/19 Forecast	Change	Pct.	3Q FY 3/18	FY 3/19 Forecast	Change	Pct.
Renovation business (Sumitomo Forestry Home Tech)		63.3	71.0	+7.7	+12.1%	62.7	66.0	+3.3	+5.3%

# FY 3/2019 Full Year Earnings Forecast

## 4. Overseas Housing and Real Estate Segment Sales and Recurring Income

- No changes to the forecast for number of units sold. The previous forecast will be left as-is.

(Billion yen)

Overseas Housing and Real Estate Segment	Net Sales				Recurring Income				
	FY 3/18	FY 3/19 Forecast	Change	Pct.	FY 3/18	FY 3/19 Forecast	Change	Pct.	Change from initial plan
Affiliate Total	<b>306.7</b>	<b>365.5</b>	<b>+58.7</b>	<b>+19.2%</b>	<b>33.4</b>	<b>36.1</b>	<b>+2.8</b>	<b>+8.3%</b>	-
Other, Consolidated Adjustments, etc.	<b>-0.8</b>	<b>-0.5</b>	<b>+0.3</b>	-	<b>-9.9</b>	<b>-13.1</b>	<b>-3.3</b>	-	<b>-2.5</b>
Total	<b>306.0</b>	<b>365.0</b>	<b>+59.0</b>	<b>+19.3%</b>	<b>23.5</b>	<b>23.0</b>	<b>-0.5</b>	<b>-2.1%</b>	<b>-2.5</b>

### ● Number of Units Sold by Country

	FY 3/18	FY 3/19 Forecast	Change	Pct.
US	6,380	7,100	+720	+11.3%
Australia	2,843	2,750	-93	-3.3%
Total	9,223	9,850	+627	+6.8%

### ● Conversion rate (average during term)

	US\$/JPY	AU\$/JPY	NZ\$/JPY
FY 3/18	112.19	86.01	79.73
FY 3/19 (Forecast)	110.00	83.00	76.50

**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.**

