

FY 3/2017 Financial Overview and FY 3/2018 Forecast

(Information meeting for fiscal year ended March 31, 2017)



May 15, 2017

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FY3/17 Results



FY3/17 Results

1. Summary ◇ See p. 4 of Fact Book

- Increased income was achieved in all segments, breaking previous records.
- Net sales increased to over ¥1.1 trillion.
- Of the change in recurring income, ¥16.5 billion was from actuarial differences.

(Billion yen)

(Consolidated)	As reported in financial statements			
	FY3/16	FY3/17	Change	Pct.
Net sales	1,040.5	1,113.4	+72.8	+7.0%
Gross profit	183.1	204.1	+21.0	+11.5%
SG&A expenses	153.0	150.1	-2.9	-1.9%
Operating income	30.1	54.0	+23.9	+79.4%
Recurring income	30.5	57.8	+27.3	+89.6%
Net income for the year attributable to owners of parent	9.7	34.5	+24.8	+255.0%

FY3/17 Results

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

- There was an actuarial difference of +¥5.0 billion (decrease in cost), there was an actuarial loss of -¥11.5 (increase in expenses) in the previous year.
- Recurring income on an industry basis was ¥52.9 billion (YoY increase of 25.7%).
- Net income increased as a result of making Gehan Homes a wholly-owned subsidiary.

(Billion yen)

<Reference>	Excluding the effect of actuarial gains and losses				Effect of actuarial gains and losses	
	FY3/16	FY3/17	Change	Pct.	FY3/16	FY3/17
(Consolidated)						
Net sales	1,040.5	1,113.4	+72.8	+7.0%		
Gross profit	183.1	204.1	+21.0	+11.5%		
SG&A expenses	141.5	155.1	+13.6	+9.6%	+11.5	-5.0
Operating income	41.6	49.0	+7.4	+17.7%	-11.5	+5.0
Recurring income	42.0	52.9	+10.8	+25.7%	-11.5	+5.0
Net income for the year attributable to owners of parent	17.4	31.1	+13.6	+78.2%	-7.7	+3.4

FY3/17 Results

2. Segment Sales and Recurring Income

◇ See p. 4 of Fact Book

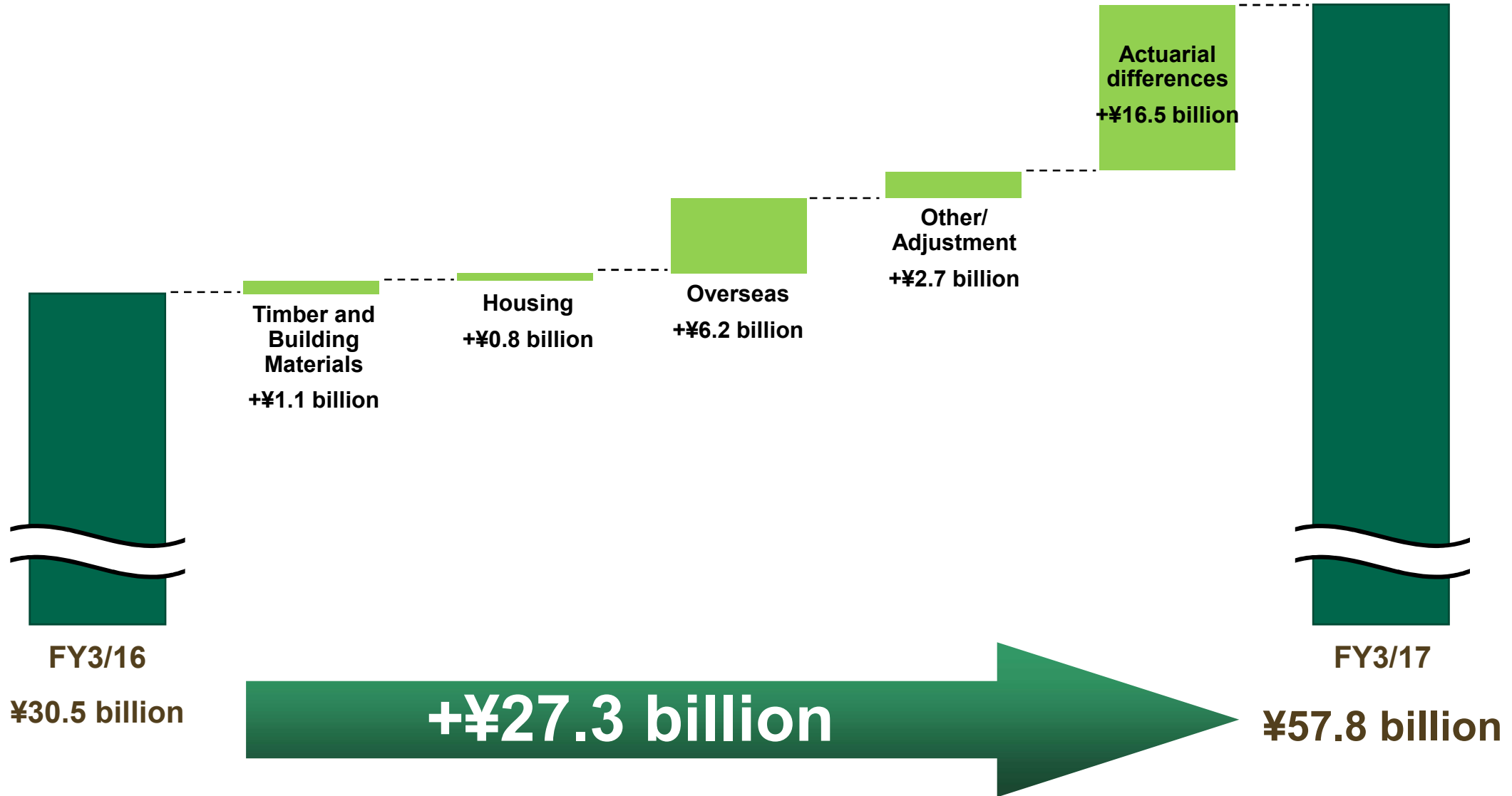
(Billion yen)

(Consolidated)	Net sales				Recurring income			
	FY3/16	FY3/17	Change	Pct.	FY3/16	FY3/17	Change	Pct.
Timber and Building Materials	427.0	424.4	-2.5	-0.6%	3.4	4.5	+1.1	+32.9%
Housing	454.6	466.3	+11.7	+2.6%	31.5	32.3	+0.8	+2.7%
Overseas	187.9	247.9	+60.0	+31.9%	13.1	19.3	+6.2	+47.5%
Other	16.9	23.0	+6.1	+36.2%	-1.0	2.2	+3.2	-
Adjustment	-45.8	-48.2	-2.4	-	-16.4	-0.5	+15.9	-
Total	1,040.5	1,113.4	+72.8	+7.0%	30.5	57.8	+27.3	+89.6%

- Timber and Building Materials: Profitability was up on imports, and controlling costs, including reducing inventory, resulted in increased income.
- Housing: Construction trended favorably, and an increase in the number of houses completed resulted in increased revenues and earnings.
- Overseas: Revenues and earnings were up owing to a recovery in manufacturing business earnings and the contribution of DRB and Wisdom to the results.
- Other: Revenues and earnings were up owing to Mombetsu biomass power generation operations and a recovery in overseas afforestation business earnings.

FY3/17 Results

3. Changes in Recurring Income (YoY)



FY3/17 Results

4. Housing Business Orders Received and Sales ◇ See p. 14-15 of Fact Book

- Detached houses: The number of houses completed was up 136 units, and completed housing unit prices also rose. The number of orders received was down 3.9% year on year.
- Apartments: Work progressed steadily on the backlog of orders received, and the total value of houses completed was up 7.9%.

(Billion yen)		Orders received				Sales			
		FY3/16	FY3/17	Change	Pct.	FY3/16	FY3/17	Change	Pct.
Contact business	(units)	(7,730)	(7,427)	(-303)	(-3.9%)	(7,962)	(8,098)	(+136)	(+1.7%)
	(Unit price: million yen)	(34.1)	(34.2)	(+0.2)	(+0.5%)	(37.7)	(37.8)	(+0.2)	(+0.4%)
	Custom-build Detached Houses	297.5	288.5	-9.0	-3.0%	299.8	306.3	+6.5	+2.2%
	Apartments	23.0	22.5	-0.4	-1.9%	20.5	22.1	+1.6	+7.9%
	Other Contracts	4.4	2.8	-1.5	-35.3%	2.1	3.8	+1.7	+80.7%
Spec homes and development business	Spec Homes					11.6	11.2	-0.4	-3.4%
	Land					4.9	5.7	+0.8	+16.4%
	Existing Home Renovation					4.8	4.4	-0.4	-7.4%
	Other					8.0	8.5	+0.5	+6.6%
		Net Sales Total		351.7	362.1	+10.4	+2.9%		
		Profit Ratio		25.5%	25.4%	Δ0.1%			
		Gross Profit		89.9	92.1	+2.3	+2.5%		

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

FY3/17 Results

5. Renovation Business Orders Received and Sales

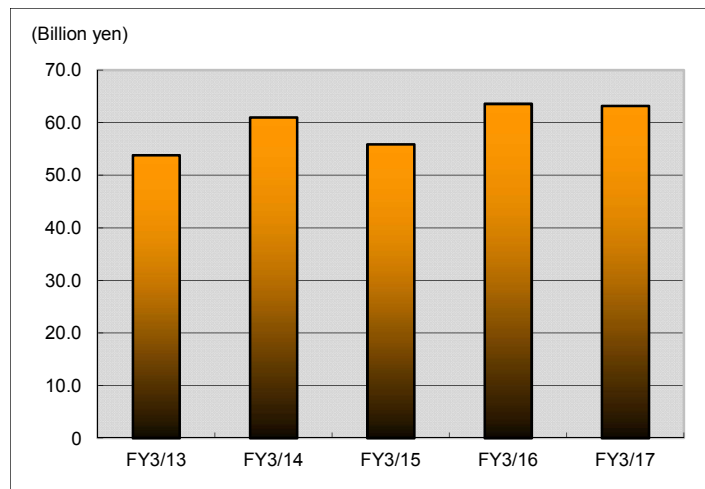
◇ See p. 12 of Fact Book

<Sumitomo Forestry Home Tech>

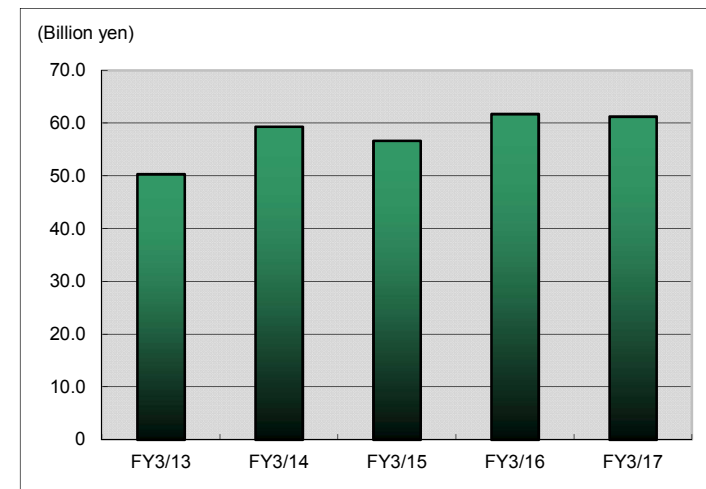
- The market lacked vigor overall, so both orders received and construction completed were around the same level as the previous year.

(Billion yen)	FY3/16	FY3/17	Change	Pct.
Orders received	63.6	63.2	-0.4	-0.6%
Construction completed	61.7	61.2	-0.5	-0.8%
Backlog of orders received at term end	24.2	26.2	+2.0	+8.1%

◆ Trends in Orders Received



◆ Trends in Construction Completed



FY3/17 Results

6. Overseas Segment Sales and Recurring Income

(Billion yen)

Overseas Segment	Net sales				Recurring income			
	FY3/16	FY3/17	Change	Pct.	FY3/16	FY3/17	Change	Pct.
Manufacturing	54.6	51.5	-3.1	-5.7%	2.6	3.9	+1.2	+46.7%
Housing and Real Estate	134.2	196.9	+62.7	+46.7%	15.2	20.3	+5.1	+33.3%
Other, Consolidated Adjustments, etc.	-0.8	-0.5	+0.3	-	-4.8	-4.8	-0.1	-
Total	187.9	247.9	+60.0	+31.9%	13.1	19.3	+6.2	+47.5%

Manufacturing: Cost reductions in the MDF manufacturing business and the exchange rate contributed to improved revenue.

Housing and Real Estate:

The number of units sold in the housing business in North America and Australia rose to 7,198 units (+2,488 compared to previous year).

*Overseas resources business will be transferred to the other segment in FY3/16 in conjunction with reorganization.

● Number of Units Sold by Country

	FY3/16	FY3/17	Change	Pct.
US	2,559	4,686	+2,127	+83.1%
Australia	2,151	2,512	+361	+16.8%
Total	4,710	7,198	+2,488	+52.8%

● Conversion rate (average during term)

	US\$/JPY	AU\$/JPY	NZ\$/JPY
FY3/16	12.105	9.106	8.471
FY3/17	10.874	8.083	7.572

FY3/17 Results

7. Investments

◆ Capital Expenditures

<*When acquired>

(Billion yen)

(Consolidated)	FY3/16	FY3/17	Change	Pct.
Tangible Fixed Assets	18.0	50.9	+32.9	+182.3%
Intangible Fixed Assets	2.0	2.8	+0.8	+41.9%
Other	0.4	0.3	-0.1	-12.9%
Total	20.4	54.1	+33.7	+164.7%

◆ Main investments

Acquisition of a forest asset in New Zealand ... ¥30.3 billion

Biomass power generation equipment ... ¥8.6 billion

Domestic and overseas housing display centers ... ¥7.4 billion

Domestic and overseas factory equipment ... ¥2.5 billion

FY3/17 Results

8. Balance Sheet and Cash Flow

◇ See p. 7-8 of Fact Book

(Billion yen)

	FY3/16	FY3/17	Change		FY3/16	FY3/17	Change
Cash, deposits, securities	117.5	118.0	0.5	Payables	176.4	182.5	6.0
Receivables	127.1	123.5	-3.7	Short-term debt (Bank loans)	27.6	37.1	9.5
Finished goods	26.1	24.0	-2.1	Short-term debt (Bonds)	5.0	0.0	-5.0
Real estate for sale	43.2	48.2	5.0	Advances received from customers	48.6	48.2	-0.4
Real estate for sale in process	56.4	79.8	23.4	Other current liabilities	55.6	56.1	0.5
Construction projects in progress	23.9	23.9	0.0	Long-term debt/bonds issued	82.1	121.8	39.7
Other receivables	47.0	45.9	-1.1	Liability for retirement benefits	23.7	18.7	-5.0
Other current assets	50.2	50.4	0.2	Other long-term liabilities	26.0	33.8	7.8
Total current assets	491.5	513.7	22.2	Liabilities	445.1	498.3	53.2
Tangible fixed assets	108.7	145.8	37.1	Shareholders' equity	221.0	242.5	21.5
Intangible fixed assets	18.4	23.4	5.0	Accumulated other comprehensive income	22.4	32.4	9.9
Investments and other assets	91.7	110.7	19.0	Non-controlling interests	21.8	20.4	-1.4
Total non-current assets	218.8	279.9	61.1	Net assets	265.3	295.3	30.1
Total assets	710.3	793.6	83.3	Total liabilities/net assets	710.3	793.6	83.3

Total assets increased as a result of expansion of the overseas housing business and acquisition of a forest in Nelson, New Zealand.

	FY3/16	FY3/17
Operating CF	45.7	40.3
Investing CF	-10.0	-62.4
Free CF	35.7	-22.0
Financial CF	1.8	14.3

FY3/18 Forecast



FY3/18 Forecast

1. Summary ◇ See p. 4 of Fact Book

- Net sales of ¥1,241 trillion, recurring income of ¥52.5 billion
- Recurring income remained over ¥50 billion owing to expansion of the overseas housing business, the biomass power generation business and the overseas forestation business.

(Billion yen)

(Consolidated)	FY3/17 Actual	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%
Net income for the year attributable to owners of parent	34.5	33.0	-1.5	-4.4%

*Without actuarial differences

SG&A expenses	155.1	173.0	+17.9	+11.5%
Recurring income	52.9	52.5	-0.4	-0.7%

FY3/18 Forecast

2. Segment Sales and Recurring Income

◇ See p. 4 of Fact Book

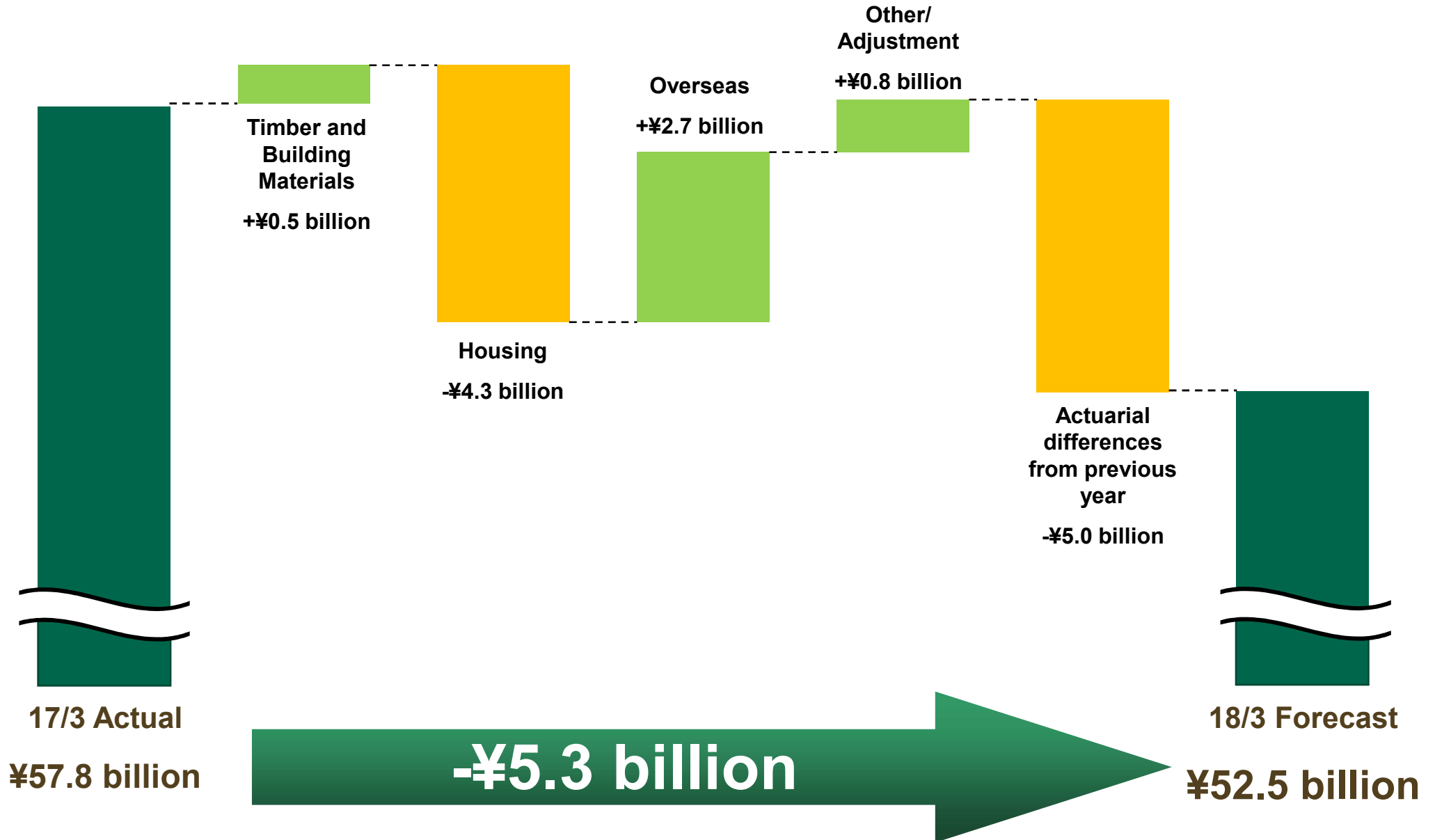
(Billion yen)

(Consolidated)	Net Sales				Recurring Income			
	FY3/17 Actual	FY3/18 Forecast	Change	Pct.	FY3/16	FY3/17	Change	Pct.
Timber and Building Materials	424.4	440.0	+15.6	+3.7%	4.5	5.0	+0.5	+12.2%
Housing	466.3	475.0	+8.7	+1.9%	32.3	28.0	-4.3	-13.4%
Overseas	247.9	346.0	+98.1	+39.6%	19.3	22.0	+2.7	+13.9%
Other	23.0	36.0	+13.0	+56.7%	2.2	2.5	+0.3	+12.5%
Adjustment	-48.2	-56.0	-7.8	-	-0.5	-5.0	-4.5	-
Total	1,113.4	1,241.0	+127.6	+11.5%	57.8	52.5	-5.3	-9.2%

- Timber and building materials: We will focus on sales of materials not affected by the new residential housing market, such as non-housing and fuel materials.
- Housing: The number of houses completed will decrease (8,098 units → 7,700 units).
- Overseas: Wisdom and Edge Homes will contribute to earnings from the beginning of the year. Existing housing companies will expand their businesses.
- Other: The biomass power generation (business) and overseas forestation business will contribute to results.

FY3/18 Forecast

3. Changes in Recurring Income (YoY)



FY3/18 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 and enhance sales force in major metropolitan areas for orders received of 8,000 units (YoY increase of 7.7%).

➤ Apartments: Orders received and sales will both be up year on year owing to enhancement of area strategies.

(Billion yen)		Orders received				Sales				
		FY3/17	FY3/18 Forecast	Change	Pct.	FY3/17	FY3/18 Forecast	Change	Pct.	
Contact business	(units)	(7,427)	(8,000)	(+573)	(+7.7%)	(8,098)	(7,700)	(-398)	(-4.9%)	
	(Unit price: million yen)	(34.2)	(34.1)	(- 0.1)	(-0.4%)	(37.8)	(38.9)	(+1.1)	(+2.9%)	
	Custom-build Detached Houses	288.5	306.0	+17.5	+6.1%	306.3	300.0	-6.3	-2.1%	
	Apartments	22.5	25.0	+2.5	+10.9%	22.1	25.1	+3.0	+13.4%	
	Other Contracts	2.8	7.0	+4.2	+147.7%	3.8	3.7	-0.1	-2.1%	
Spec homes and development business	Spec Homes					11.2	12.0	+0.8	+7.1%	
	Land					5.7	6.7	+1.0	+16.9%	
	Existing Home Renovation					4.4	2.8	+1.6	-36.4%	
	Other					8.5	8.7	+0.2	+1.9%	
						Net sales total	362.1	359.0	-3.1	-0.9%
						Profit ratio	25.4%	24.8%	-0.7%	
						Gross profit	92.1	89.0	-3.1	-3.4%

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

FY3/18 Forecast

5. Renovation Business Orders Received and Sales

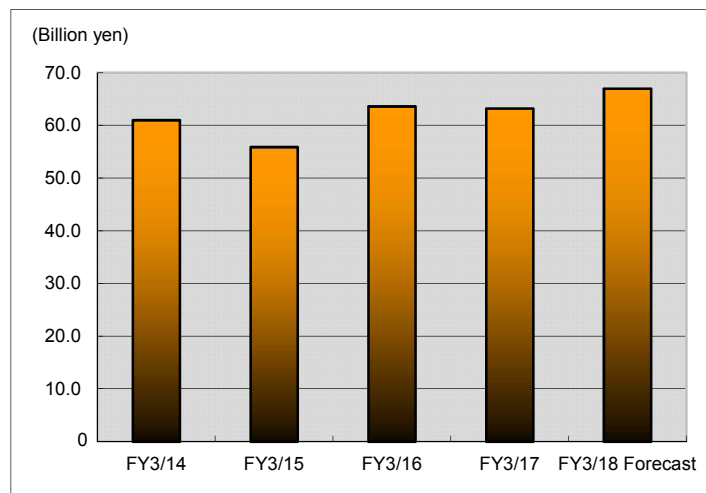
◇ See p. 12 of Fact Book

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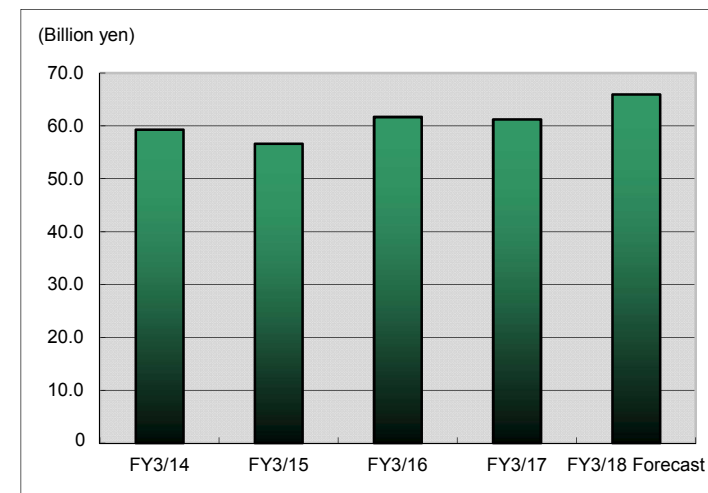
Implement differentiation proposals highlighting technical aspects of aseismic reinforcement and renovation.

(Billion yen)	FY3/17	FY3/18 Forecast	Change	Pct.
Orders received	63.2	67.0	+3.8	+6.0%
Construction completed	61.2	66.0	+4.8	+7.8%
Backlog of orders received at term end	26.2	27.2	+1.0	+3.8%

◆ Trends in Orders Received



◆ Trends in Construction Completed



FY3/18 Forecast

6. Overseas Segment Sales and Recurring Income

(Billion yen)

Overseas Segment	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%

Manufacturing: A high level of profit will be maintained in the MDF manufacturing business.

Housing and Real Estate: The favorable housing business in the United States and Australia will be further improved to expand to 8,800 units sold.

● Number of Units Sold by Country

	FY3/17	FY3/18 Forecast	Change	Pct.
US	4,686	5,900	+1,214	+25.9%
Australia	2,512	2,900	+388	+15.4%
Total	7,198	8,800	+1,602	+22.3%

● Conversion rate (average during term)

	US\$/JPY	AU\$/JPY	NZ\$/JPY
FY3/17	108.74	80.83	75.72
FY3/18 Forecast	110.00	84.00	80.00

FY3/18 Forecast

7. Investments

◆ Capital Expenditures

<*When acquired>

(Billion yen)

(Consolidated)	FY3/17	FY3/18 Forecast	Change	Pct.
Tangible fixed assets	50.9	22.3	-28.7	-56.3%
Intangible fixed assets	2.8	3.1	+0.3	+10.2%
Other	0.3	0.3	-0.0	-6.0%
Total	54.1	25.7	-28.4	-52.5%

◆ Main Investments

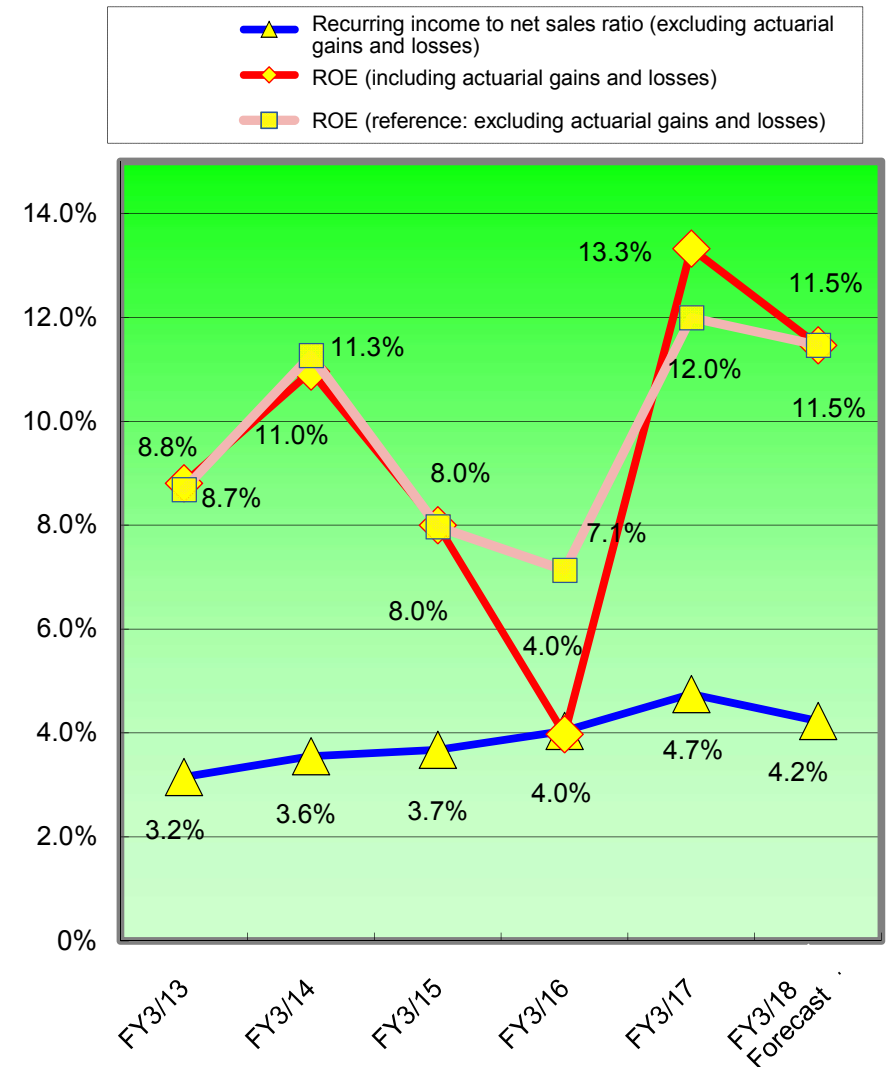
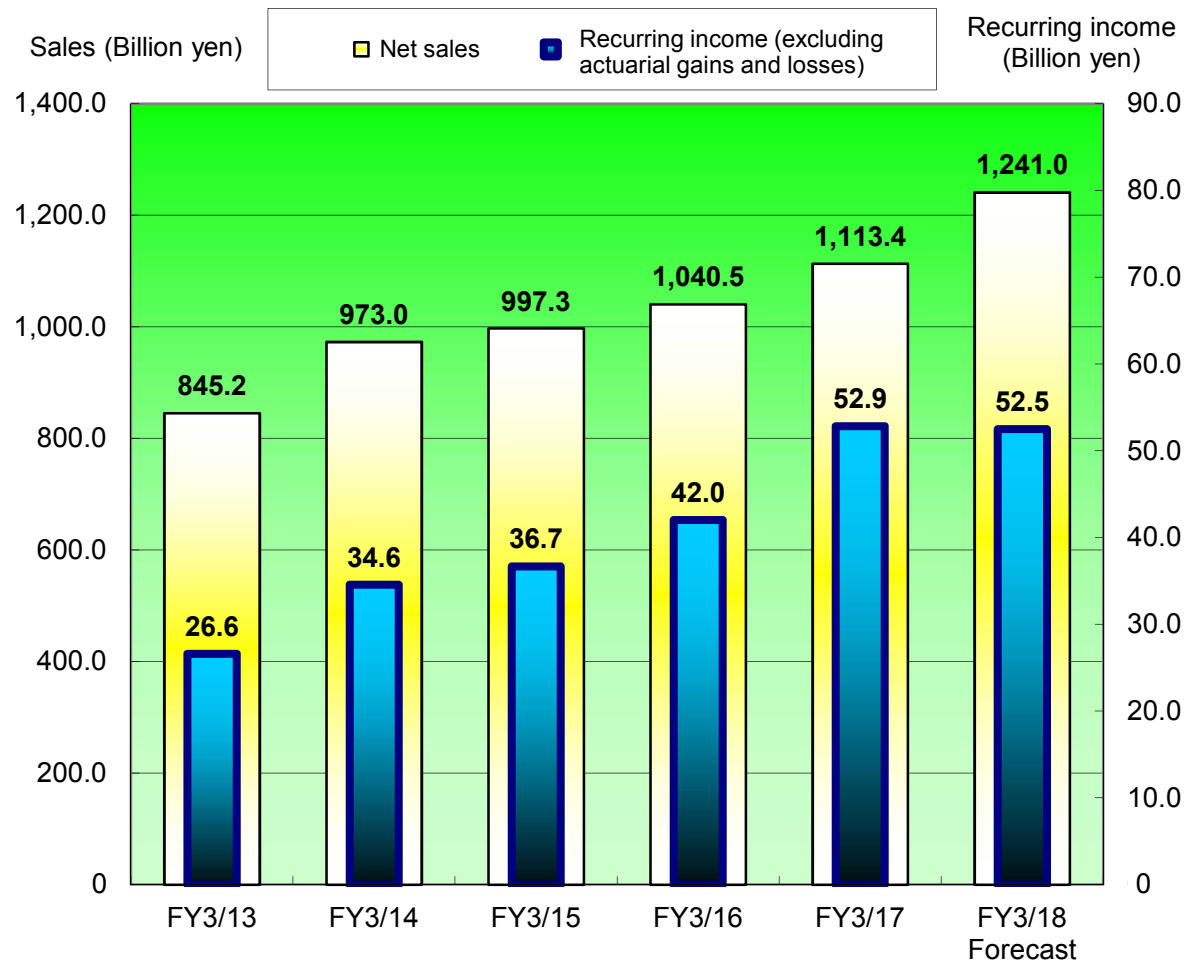
Domestic and overseas housing display centers ... ¥6.5 billion

Biomass power generation equipment ... ¥3.6 billion

Domestic and overseas factory equipment ... ¥3.5 billion

FY3/18 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.**

