

Happiness Grows from Trees



Earnings Briefing FY Ending March 31, 2018 – Second Quarter Financial Results and Full Year Forecast –

(Information meeting for 2Q FY ending March 31, 2018)



November 10, 2017

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Second Quarter of FYE March 2018 Results



Second Quarter of FYE March 2018 Results

1. Summary ◇ See p. 4 of Fact Book

- Net sales and recurring income both increased, owing primarily to the overseas housing and real estate, biomass power generation and overseas forestation businesses.
- New inclusion of Edge Homes and Bloomfield in the consolidated results contributed to an increase in recurring income as did new businesses of Wisdom, Mombetsu Biomass Power Plant and the New Zealand forestry business.

(Billion yen)

(Consolidated)	2Q FY3/17	2Q FY3/18	Change	Pct.
Net Sales	513.6	562.1	+48.5	+9.5%
Gross Profit	91.2	98.8	+7.6	+8.3%
SG&A Expenses	75.2	82.8	+7.6	+10.1%
Operating Income	16.1	16.1	-0	-0.1%
Recurring Income	17.9	18.9	+0.9	+5.3%
Net Income Attributable to Parent Company Shareholders	10.3	10.3	-0	-0.0%

Second Quarter of FYE March 2018 Results

2. Segment Sales and Recurring Income

◇ See p. 4 of Fact Book

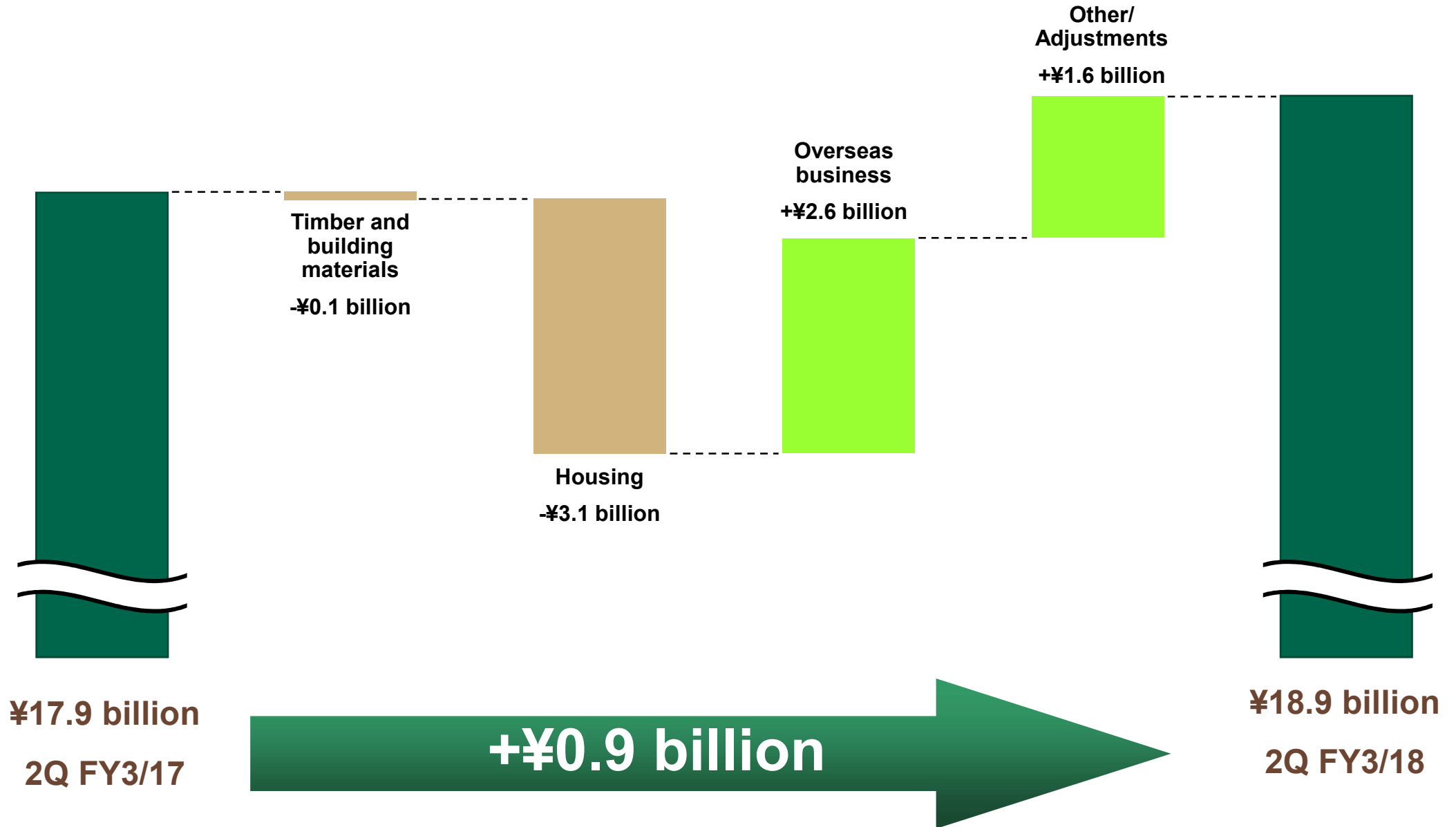
(Billion yen)

(Consolidated)	Net Sales				Recurring income			
	2Q FY3/17	2Q FY3/18	Change	Pct.	2Q FY3/17	2Q FY3/18	Change	Pct.
Timber and Building Materials Business	209.6	212.7	+3.1	+1.5%	2.4	2.3	-0.1	-5.5%
Housing Business	210.4	207.5	-3.0	-1.4%	10.9	7.8	-3.1	-28.5%
Overseas Business	108.4	149.6	+41.2	+37.9%	6.7	9.2	+2.6	+38.6%
Other	8.1	17.7	+9.6	+119.5%	0.3	2.1	+1.9	+705.9%
Adjustments	-23.0	-25.4	-2.4	-	-2.4	-2.6	-0.2	-
Total	513.6	562.1	+48.5	+9.5%	17.9	18.9	+0.9	+5.3%

- Timber and building materials: Sales increased, primarily as a result of increased handling of fuel materials and domestic materials including exports.
- Housing: Income decreased due to a decrease in the number of houses completed resulting from a decrease in the backlog of orders received at term end and an increase in SG&A expenses.
- Overseas: Income increased owing to the contribution of housing companies newly included in consolidated results and growth of existing housing companies.
- Other: Income increased owing to contribution to results by Mombetsu Biomass Power Plant and the New Zealand forestry business.

Second Quarter of FYE March 2018 Results

3. Changes in Recurring Income (YoY)



Second Quarter of FYE March 2018 Results

4. Housing Business Orders Received and Sales

◇ See p. 14 and 15 of Fact Book

- Custom-build detached houses: The number of orders received increased by 12 as a result of strengthened efforts targeting first-time buyers. The number of houses completed was down 267, while completed housing unit prices were up 1 million yen.
- Apartments: Both the number and amount of orders received fell below that of the previous year due to intensified competition.

(Billion yen)		Orders received				Sales				
		2Q FY3/17	2Q FY3/18	Change	Pct.	2Q FY3/17	2Q FY3/18	Change	Pct.	
Contract business	(Units)	(3,971)	(3,983)	(+12)	(+0.3%)	(3,670)	(3,403)	(- 267)	(-7.3%)	
	(Unit price)	(34.1 mil. yen)	(33.3 mil. yen)	(- 0.8 mil. yen)	(-2.3%)	(38.0 mil. yen)	(39.0 mil. yen)	(+1.0 mil. yen)	(+2.6%)	
	Custom-build detached houses	154.4	150.4	-4.0	-2.6%	139.5	132.6	-6.8	-4.9%	
	Apartments	11.9	10.8	-1.0	-8.8%	7.1	8.4	+1.3	+18.5%	
	Other contracts	1.0	1.6	+0.6	+64.9%	2.0	1.4	-0.5	-27.1%	
Spec homes and development business	Detached spec home					4.8	5.7	+0.9	+19.1%	
	Land for custom-built housing					2.5	2.8	+0.3	+13.2%	
	Existing home renovation (Resale of Renovated Homes)					1.9	1.5	-0.4	-22.1%	
	Other					4.1	3.6	-0.5	-11.4%	
		Net Sales Total		161.7	155.9	-5.7	-3.5%			
		Profit Ratio		25.3%	24.7%	-0.6%				
		Gross Profit		40.9	38.6	-2.3	-5.7%			

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

Second Quarter of FYE March 2018 Results

5. Renovation Business Orders Received and Sales

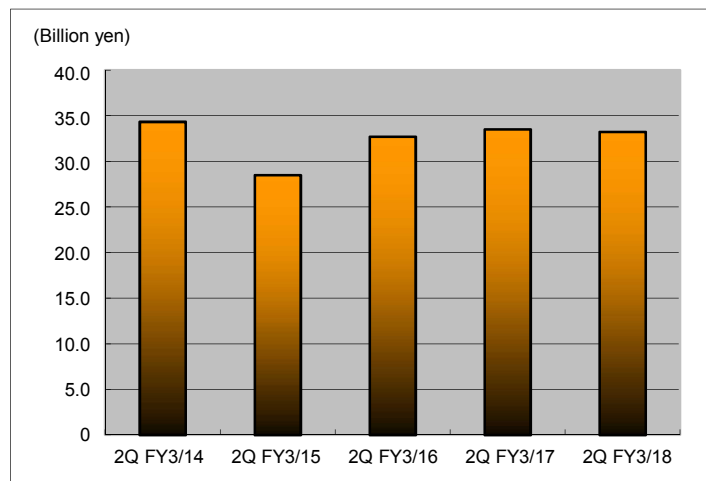
◇ See p. 12 of Fact Book

<Sumitomo Forestry Home Tech>

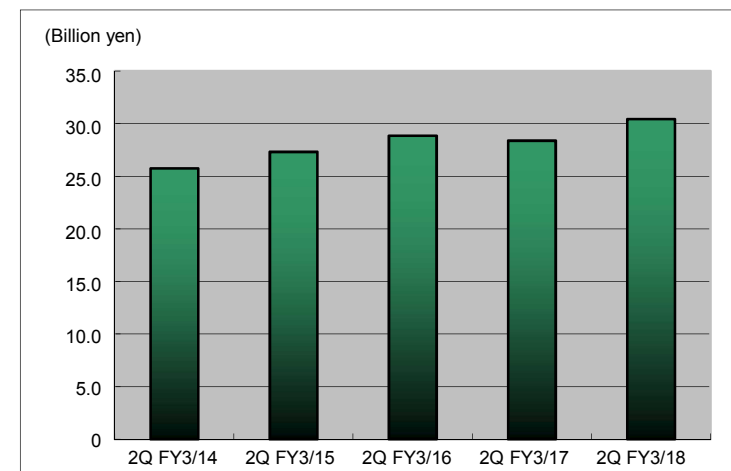
- Orders received: Remained at same level as previous year due to lack of vigor in market.
- Construction completed: Surpassed 30 billion yen, exceeding previous year's performance owing to increase in backlog of orders received at beginning of term.

(Billion yen)	2Q FY3/17	2Q FY3/18	Change	Pct.
Orders Received	33.5	33.3	-0.3	-0.8%
Construction Completed	28.4	30.4	+2.1	+7.2%
Backlog of orders Received at Term End	29.3	29.0	-0.4	-1.2%

◆ Trends in Orders Received



◆ Trends in Construction Completed



Second Quarter of FYE March 2018 Results

6. Overseas Segment Sales and Recurring Income

(Billion yen)

Overseas Segment	Net Sales				Recurring income			
	2Q FY3/17	2Q FY3/18	Change	Pct.	2Q FY3/17	2Q FY3/18	Change	Pct.
Manufacturing	24.9	22.7	-2.2	-8.7%	1.6	1.7	+0.1	+5.9%
Housing and Real Estate	83.8	127.4	+43.6	+52.0%	8.0	12.3	+4.3	+53.6%
Other, Consolidated Adjustments, etc.	-0.3	-0.5	-0.3	-	-3.0	-4.8	-1.8	-
Total	108.4	149.6	+41.2	+37.9%	6.7	9.2	+2.6	+38.6%

- Manufacturing: Increased income from MDF manufacturing business in New Zealand contributed to results.
- Housing and Real Estate: Business expanded owing to contribution to income by newly consolidated companies and organic growth of existing housing companies.

● Number of Units Sold by Country

	2Q FY12/16	2Q FY12/17	Change	Pct.
US	2,144	2,683	+539	+25.1%
Australia	1,004	1,358	+354	+35.3%
Total	3,148	4,041	+893	+28.4%

● Conversion rate (average during term)

	US\$/JPY	AU\$/JPY	NZ\$/JPY
2Q FY3/16	111.67	81.90	75.57
2Q FY3/17	112.41	84.76	79.57

Second Quarter of FYE March 2018 Results

7. Investments

◆ Capital Expenditures

<*when acquired>

(Billion yen)

(Consolidated)	2Q FY3/17	2Q FY3/18	Change	Pct.
Tangible Fixed Assets	38.6	7.7	-30.9	-80.0%
Intangible Fixed Assets	1.1	0.7	-0.4	-38.8%
Other	0.2	0.3	+0.1	+43.9%
Total	40.0	8.7	-31.2	-78.1%

◆ Main investments

Domestic and overseas housing display centers ... 3 billion yen

Nursing care-related facilities ... 1.7 billion yen

Second Quarter of FYE March 2018 Results

8. Balance Sheet and Cash Flow

◇ See p. 7-9 of Fact Book

(Billion yen)

	End of March 2017	End of Sep. 2017	Change		End of March 2017	End of Sep. 2017	Change
Cash, deposits, securities	118.0	102.2	-15.8	Payables	182.5	182.4	-0.1
Receivables	123.5	132.2	8.7	Short-term debt (Bank loans)	37.1	40.1	3.0
Finished goods	24.0	25.4	1.4	1Short-term debt (Bonds)	0	20.0	20.0
Real estate for sale	48.3	49.2	0.9	Advances received from customers	48.2	56.6	8.4
Real estate for sale in process	80.4	121.6	41.2	Other current liabilities	56.2	54.4	-1.8
Construction projects in progress	23.9	32.9	9.0	Long-term debt/bonds issued	121.8	112.8	-9.0
Other receivables	45.9	43.4	-2.5	Liability for retirement benefits	18.7	19.0	0.2
Other current assets	50.4	41.8	-8.6	Other long-term liabilities	33.9	44.3	10.4
Total current assets	514.4	548.7	34.3	Liabilities	498.5	529.6	31.1
Tangible fixed assets	145.8	150.8	5.0	Shareholders'equity	242.5	249.3	6.8
Intangible fixed assets	23.5	33.4	9.9	Accumulated other comprehensive income	32.4	36.1	3.7
Investments and other assets	110.7	110.4	-0.2	Non-controlling interests	20.9	28.3	7.4
Total non-current assets	280.0	294.7	14.7	Net assets	295.9	313.7	17.9
Total assets	794.4	843.4	49.0	Total liabilities/net assets	794.4	843.4	49.0

	2Q FY3/17	2Q FY3/18
Operating CF	-0	-10.1
Investing CF	-32.9	-1.1
Free CF	-32.9	-11.1
Financial CF	22.2	-0

FYE March 2018 Full Year Earnings Forecast



FYE March 2018 Full Year Earnings Forecast

1. Summary ◇ See p. 4 of Fact Book

- In the forecast of full-year consolidated financial results, net sales are projected to be 1.22 trillion yen and recurring income is projected to be 53.5 billion yen.
- Net sales have been revised downward from the initial forecast to reflect a decrease in the number of custom-built detached houses completed.
- Recurring income has been revised upward as the overseas and other segments will cover poor results in the housing business.

(Billion yen)

(Consolidated)	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%
Net Income Attributable to Parent Company Shareholders	34.5	30.0	-4.5	-13.1%

FY3/18 Initial plan	Change	Pct.
1,241.0	-21.0	-1.7%
223.5	-6.0	-2.7%
173.0	-5.0	-2.9%
50.5	-1.0	-2.0%
52.5	+1.0	+1.9%
33.0	-3.0	-9.1%

*Without actuarial differences

SG&A Expenses	155.1	168.0	+12.9	+8.3%
Recurring Income	52.9	53.5	+0.6	+1.2%

FYE March 2018 Full Year Earnings Forecast

2. Segment Sales and Recurring Income

◇ See p. 4 of Fact Book

(Billion yen)

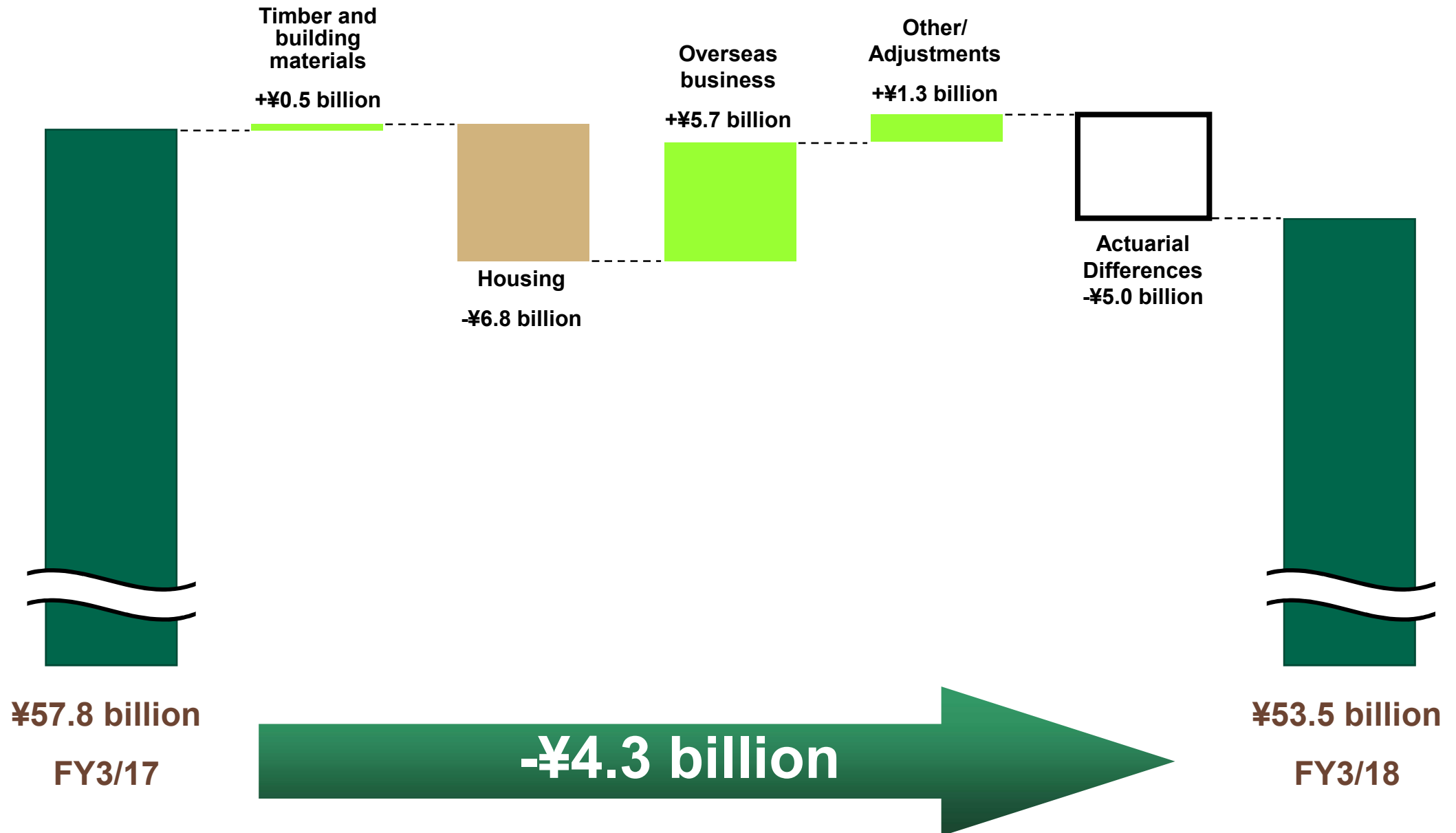
(Consolidated)	Net Sales				Recurring income				
	FY3/17	FY3/18 Forecast	Change	Pct.	FY3/17	FY3/18 Forecast	Change	Pct.	Change from initial plan
Timber and Building Materials Business	424.4	436.0	+11.6	+2.7%	4.5	5.0	+0.5	+12.2%	-
Housing Business	466.3	459.0	-7.3	-1.6%	32.3	25.5	-6.8	-21.2%	-2.5
Overseas Business	247.9	348.0	+100.1	+40.4%	19.3	25.0	+5.7	+29.5%	+3.0
Other	23.0	37.0	+14.0	+61.0%	2.2	3.0	+0.8	+35.0%	0.5
Adjustments	-48.2	-60.0	-11.8	-	-0.5	-5.0	-4.5	-	-
Total	1,113.4	1,220.0	+106.6	+9.6%	57.8	53.5	-4.3	-7.5%	1.0

◆ 2H and full year forecast

- Timber and building materials: Both revenues and earnings are expected to increase owing to increased sales of fuel materials and domestic materials and expansion of the overseas distribution business.
- Housing: Both detached houses and apartments are expected to see poor results with income down 2.5 billion from the initial forecast.
- Overseas: Revenues and earnings expected to increase substantially owing to contributions from a robust housing business and the MDF manufacturing business.
- Other: Profitability expected to increase owing to the overseas forestation and biomass power generation businesses.

FYE March 2018 Full Year Earnings Forecast

3. Changes in Recurring Income (YoY)



FYE March 2018 Full Year Earnings Forecast

4. Housing Business Orders Received and Sales

◇ See p. 14 and 15 of Fact Book

- Custom-built detached houses: Proposals tailored to customer needs will be further promoted, and we will continue to approach first-time buyers to increase orders received. The number of houses completed is expected to fall by 100 compared to the initial forecast to 7,600 in light of first half orders and other factors.

(Billion yen)		Orders received				Sales				
		FY3/17	FY3/18 Forecast	Change	Pct.	FY3/17	FY3/18 Forecast	Change	Pct.	
Contract business	(Units)	(7,427)	(7,800)	(+373)	(+5.0%)	(8,098)	(7,600)	(-498)	(-6.1%)	
	(Unit price)	(34.2 mil. yen)	(33.7 mil. yen)	(- 0.5 mil. yen)	(-1.5%)	(37.8 mil. yen)	(38.5 mil. yen)	(+0.7 mil. yen)	(+1.8%)	
	Custom-build detached houses	288.5	293.0	+4.5	+1.6%	306.3	292.6	-13.7	-4.5%	
	Apartments	22.5	21.7	-0.8	-3.7%	22.1	20.7	-1.4	-6.4%	
	Other contracts	2.8	5.0	+2.2	+76.9%	3.8	3.1	-0.7	-18.0%	
Spec homes and development business	Detached spec home					11.2	11.8	+0.6	+5.3%	
	Land for custom-built housing					5.7	6.7	+1.0	+16.9%	
	Existing home renovation (Resale of Renovated Homes)					4.4	2.8	-1.6	-36.4%	
	Other					8.5	8.8	+0.3	+3.0%	
		Net Sales Total		362.1	346.5	-15.6	-4.3%			
		Profit Ratio		25.4%	24.6%	-0.8%				
		Gross Profit		92.1	85.4	-6.7	-7.3%			

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

FYE March 2018 Full Year Earnings Forecast

5. Renovation Business Orders Received and Sales

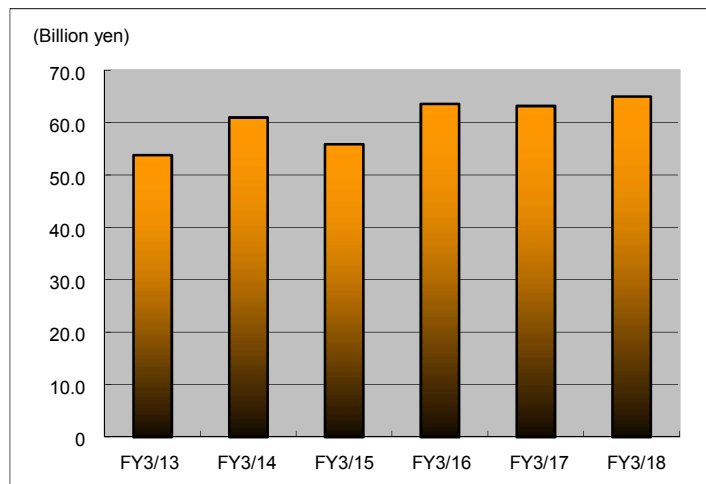
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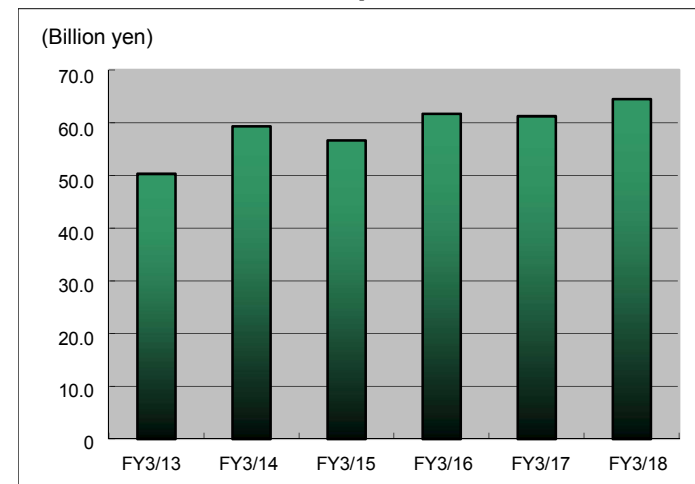
- We expect to achieve the targets of the plan as we promote differentiation based on technology under the banner of renovations with true value.

(Billion yen)	FY3/17	FY3/18 Forecast	Change	Pct.
Orders Received	63.2	65.0	+1.8	+2.8%
Construction Completed	61.2	64.5	+3.3	+5.3%
Backlog of Orders Received at Term End	26.2	26.7	+0.5	+1.9%

◆ Trends in Orders received



◆ Trends in Construction Completed



FYE March 2018 Full Year Earnings 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	46.6	-4.9	-9.5%	3.9	3.7	-0.2	-5.5%
Housing and Real Estate	196.9	302.7	+105.8	+53.7%	20.3	32.0	+11.7	+57.9%
Other, Consolidated Adjustments, etc.	-0.5	-1.3	-0.8	-	-4.8	-10.7	-5.8	-
Total	247.9	348.0	+100.1	+40.4%	19.3	25.0	+5.7	+29.5%

- Manufacturing: Down slightly because the shares in Alpine were sold in previous year.
- Housing and Real Estate: Business to expand owing to newly consolidated companies and organic growth of housing companies.

● Number of Units Sold by Country

	FY12/16	FY12/17 Forecast	Change	Pct.
US	4,686	6,200	+1,514	+32.3%
Australia	2,512	2,900	+388	+15.4%
Total	7,198	9,100	+1,902	+26.4%

● Conversion rate (average during term)

	US\$/JPY	AU\$/JPY	NZ\$/JPY
FY12/16	108.74	80.83	75.72
FY12/17 (Forecast)	110.00	84.00	80.00

FYE March 2018 Full Year Earnings Forecast

7. Investments

◆ Capital Expenditures

<*when acquired>

(Billion yen)

(Consolidated)	FY3/17	FY3/18 Forecast	Change	Pct.
Tangible Fixed Assets	50.9	21.7	-29.3	-57.5%
Intangible Fixed Assets	2.8	3.1	+0.3	+9.8%
Other	0.3	0.6	+0.2	+61.0%
Total	54.1	25.3	-28.8	-53.2%

◆ Main investments

Domestic and overseas housing display centers ... 5.6 billion yen

Nursing care-related facilities ... 3.6 billion yen

Biomass power generation equipment ... 3.7 billion yen

IT investments ... 3.5 billion yen

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.

