

Happiness Grows from Trees



Earnings Briefing FY Ending March 31, 2019 – Second Quarter Financial Results and Full Year Forecast –

(Information meeting for 2Q FY ending March 31, 2019)



November 9, 2018

Notes

- “Net income attributable to parent company shareholders” is expressed as “net income.”
 - Figures for second quarter of previous year have been changed in conjunction with determination of provisional accounting treatment.
 - 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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Second Quarter of FYE March 2019 Results



Second Quarter of FYE March 2019 Results

1. Summary ◇ See p. 5 of Fact Book

- Expansion of the US housing business, gain on sales of investment securities and other factors made up for the decrease in the number of completed units in custom-built detached housing and apartments in the domestic housing business, resulting in increased revenues and earnings.

(Consolidated)	2Q FY3/18	2Q FY3/19	Change	Pct.
Net Sales	562.1	592.9	+30.7	+5.5%
Gross Profit	98.1	103.1	+5.0	+5.1%
SG&A Expenses	82.6	85.8	+3.2	+3.9%
Operating Income	15.5	17.3	+1.8	+11.6%
Recurring Income	18.3	18.7	+0.4	+2.4%
Net Income Attributable to Parent Company Shareholders	10.0	10.6	+0.6	+6.1%

Second Quarter of FYE March 2019 Results

2. Segment Sales and Recurring Income

◇ See p. 5 of Fact Book

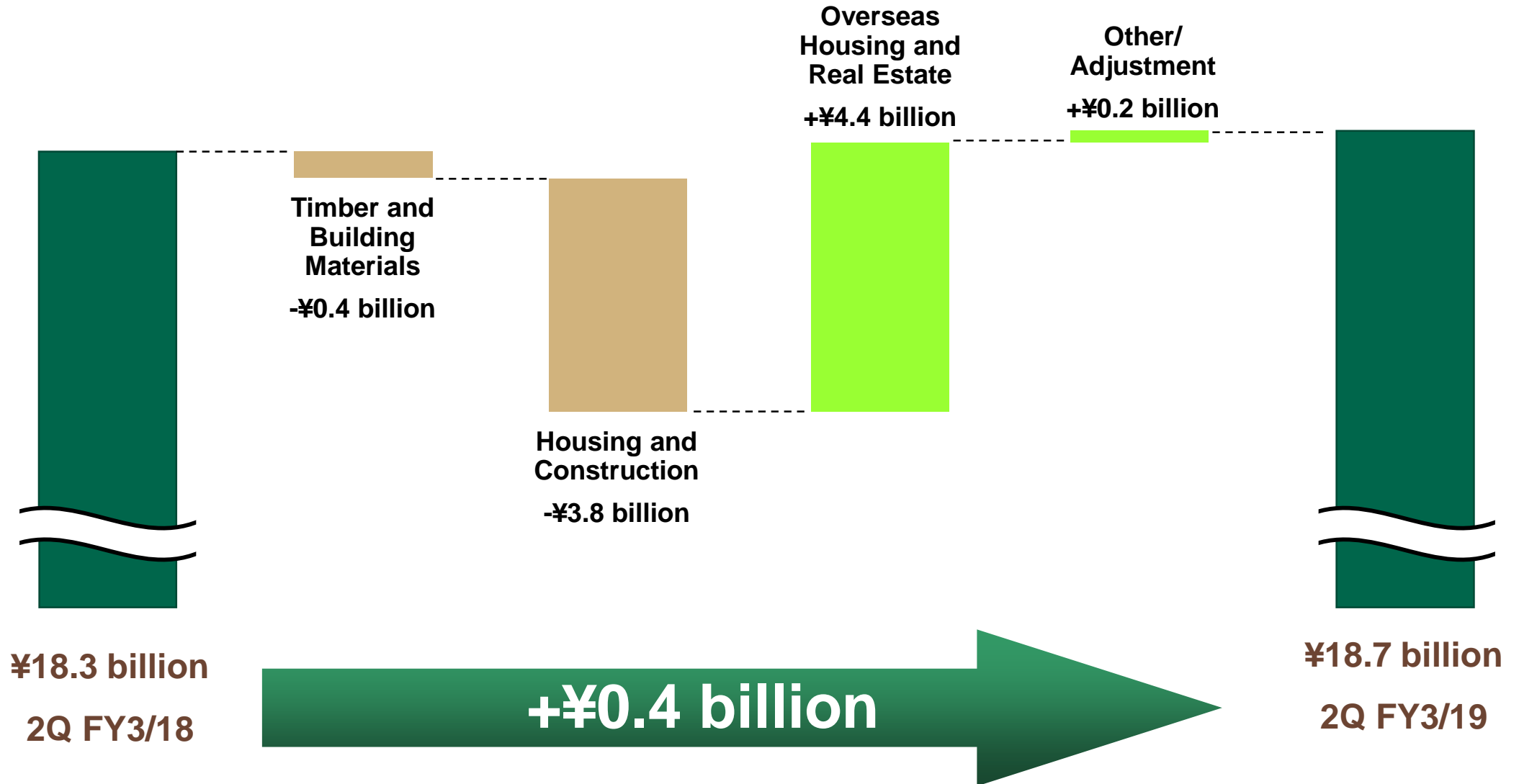
(Billion yen)

(Consolidated)	Net Sales				Recurring Income			
	2Q FY3/18	2Q FY3/19	Change	Pct.	2Q FY3/18	2Q FY3/19	Change	Pct.
Timber and Building Materials Business	226.7	235.2	+8.5	+3.8%	3.9	3.4	-0.4	-11.1%
Housing and Construction Business	207.5	201.1	-6.4	-3.1%	7.8	4.0	-3.8	-48.9%
Overseas Housing and Real Estate Business	127.0	154.3	+27.3	+21.5%	7.1	11.5	+4.4	+62.7%
Other	17.7	20.1	+2.4	+13.8%	2.1	2.1	+0.0	+1.7%
Adjustment	-16.8	-17.9	-1.1	-	-2.6	-2.4	+0.2	-
Total	562.1	592.9	+30.7	+5.5%	18.3	18.7	+0.4	+2.4%

- Timber and Building Materials: Revenues increased owing to favorable sales of import products, but earnings were down, primarily due to increased costs in the manufacturing business.
- Housing and Construction: The number of completed units 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: Results remained flat due to launch of operations at new power plant and upfront investment in the elderly care business.

Second Quarter of FYE March 2019 Results

3. Change in Recurring Income (YoY)



Second Quarter of FYE March 2019 Results

4. Domestic Housing Business Orders Received and Sales

◇ See p. 14 and 15 of Fact Book

- Custom-built detached houses: The number of orders received increased by 7%, primarily as a result of strengthened efforts targeting first-time home buyers. The number of houses completed was down 77, while completed housing unit prices remained flat.
- Apartments: Both the number of orders received and the number of units completed were down due to the impact of sluggish demand.

(Billion yen)		Orders received				Sales				
		2Q FY3/18	2Q FY3/19	Change	Pct.	2Q FY3/18	2Q FY3/19	Change	Pct.	
Contract business	(Units)	(3,983)	(4,250)	(+267)	(+6.7%)	(3,403)	(3,326)	(-77)	(-2.3%)	
	(Unit price)	(33.3 mil. yen)	(34.3 mil. yen)	(+1.0 mil. yen)	-	(39.0 mil. yen)	(39.0 mil. yen)	(+0.0 mil. yen)	-	
	Custom-built detached houses	150.4	164.9	+14.5	+9.7%	132.6	129.7	-2.9	-2.2%	
	Apartments	10.8	10.1	-0.7	-6.7%	8.4	7.7	-0.6	-7.7%	
	Other contracts	1.6	1.3	-0.3	-19.3%	1.4	0.5	-1.0	-67.1%	
Spec home and development business	Detached spec home					5.7	4.7	-0.9	-16.7%	
	Land for custom-built housing					2.8	2.5	-0.3	-10.1%	
	Existing home renovation (Resale of Renovated Homes)					1.5	0.9	-0.6	-41.1%	
	Other					3.6	4.0	+0.4	+12.2%	
						Net Sales Total	155.9	150.0	-5.9	-3.8%
						Profit Ratio	24.7%	24.2%	-0.6%	
						Gross Profit	38.6	36.3	-2.3	-6.0%

* 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 2019 Results

5. Renovation Business Orders Received and Sales

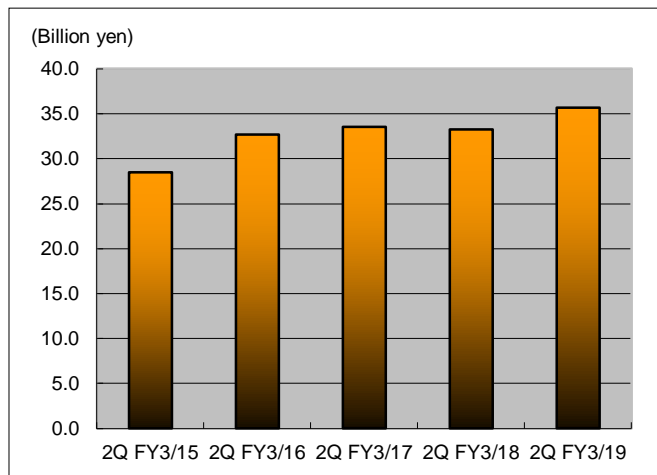
◇ See p. 12 of Fact Book

<Sumitomo Forestry Home Tech>

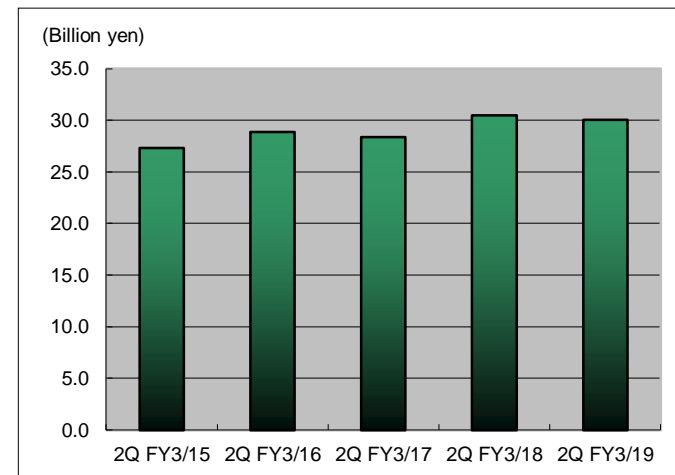
- Orders received: Up 7% year on year owing to emphasis on differentiation, such as seismic resistance technology.
- Construction completed: Down slightly year on year due to construction delays associated with an increase in orders received for large-scale properties.

(Billion yen)	2Q FY3/18	2Q FY3/19	Change	Pct.
Orders Received	33.3	35.7	+2.4	+7.2%
Construction Completed	30.4	30.0	-0.4	-1.3%
Backlog of Orders Received at Term End	29.0	32.4	+3.4	+11.8%

◆ Trends in Orders Received



◆ Trends in Construction Completed



Second Quarter of FYE March 2019 Results

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

(Billion yen)

Overseas Housing and Real Estate Segment	Net Sales				Recurring Income			
	2Q FY3/18	2Q FY3/19	Change	Pct.	2Q FY3/18	2Q FY3/19	Change	Pct.
Affiliate Total	127.4	154.6	+27.2	+21.3%	12.3	15.8	+3.5	+28.8%
Other, Consolidated Adjustments, etc.	-0.4	-0.3	+0.1	-	-5.2	-4.3	+0.9	-
Total	127.0	154.3	+27.3	+21.5%	7.1	11.5	+4.4	+62.7%

- US: Bloomfield Group results contributed from the beginning of the year, and the number of units sold increased.
- Australia: Spec home sales decreased, resulting in decreased revenues and earnings.

● Number of Units Sold by the Country

	2Q FY3/18	2Q FY3/19	Change	Pct
US	2,683	3,167	484	+18.0%
Australia	1,358	1,281	-77	-5.7%
Total	4,041	4,448	407	+10.1%

● Conversion rate (average during term)

	US\$/JPY	AU\$/JPY	NZ\$/JPY
2Q FY3/18	112.41	84.76	79.57
2Q FY3/19	108.71	83.87	77.83

Second Quarter of FYE March 2019 Results

7. Investments

◆ Capital Expenditures

<*when acquired>

(Billion yen)

(Consolidated)	2Q FY3/18	2Q FY3/19	Change	Pct.
Tangible Fixed Assets	7.7	7.2	-0.6	-7.3%
Intangible Fixed Assets	0.7	1.3	+0.6	+85.1%
Other	0.3	0.4	+0.1	+25.5%
Total	8.7	8.9	+0.1	+1.3%

◆ Main investments

Domestic and overseas housing display centers ... 3.3 billion yen

Production equipment in manufacturing business ... 0.7 billion yen

Second Quarter of FYE March 2019 Results

8. Balance Sheet and Cash Flow

◇ See p. 7-9 of Fact Book

(Billion yen)

	End of March 2018	End of Sep. 2018	Change		End of March 2018	End of Sep. 2018	Change
Cash, deposits, securities	110.9	46.4	-64.5	Payables	181.9	177.8	-4.0
Receivables	135.6	135.5	-0.1	Short-term debt (Bank loans)	40.5	49.2	8.7
Finished goods	26.5	30.2	3.7	Short-term debt (Bonds)	20.0	-	-20.0
Real estate for sale	55.8	64.3	8.5	Advances received from customers	50.2	57.5	7.2
Real estate for sale in process	138.5	174.1	35.7	Other current liabilities	63.5	61.0	-2.5
Construction projects in progress	25.3	31.9	6.6	Long-term debt/bonds issued	134.4	172.9	38.5
Other receivables	41.7	43.0	1.2	Liability for retirement benefits	16.7	16.5	-0.2
Other current assets	31.3	35.7	4.4	Other long-term liabilities	46.3	44.7	-1.6
Total current assets	565.6	561.2	-4.4	Liabilities	553.5	579.6	26.2
Tangible fixed assets	153.1	172.3	19.2	Shareholders' equity	273.5	280.7	7.1
Intangible fixed assets	29.1	33.2	4.1	Accumulated other comprehensive income	38.1	33.0	-5.1
Investments and other assets	151.4	164.2	12.8	Non-controlling interests	34.0	37.6	3.6
Total non-current assets	333.5	369.7	36.2	Net assets	345.6	351.3	5.7
Total assets	899.1	930.9	31.8	Total liabilities/net assets	899.1	930.9	31.8

	2Q FY3/18	2Q FY3/19
Operating CF	-10.1	-12.7
Investing CF	-1.1	-53.3
Free CF	-11.1	-65.9
Financial CF	-0.0	4.0

FYE March 2019 Full Year Earnings Forecast



FYE March 2019 Full Year Earnings Forecast

1. Summary ◇ See p. 5 of Fact Book

- In the forecast of full-year consolidated financial results, Net Sales are projected to be 1.31 trillion yen and Recurring Income is projected to be 57.5 billion yen.
- Net sales and recurring income have been left as-is. The breakdown of segment net sales and income has been revised.

(Billion yen)

(Consolidated)	FY3/18	FY3/19 Forecast	Change	Pct.
Net Sales	1,222.0	1,310.0	+88.0	+7.2%
Gross Profit	219.3	232.5	+13.2	+6.0%
SG&A Expenses	166.3	178.0	+11.7	+7.0%
Operating Income	53.0	54.5	+1.5	+2.8%
Recurring Income	57.9	57.5	-0.4	-0.6%
Net Income Attributable to Parent Company Shareholders	30.1	31.5	+1.4	+4.5%

FY3/19 Initial plan	Change	Pct.
1,310.0	+0.0	+0.0%
231.5	+1.0	+0.4%
177.0	+1.0	+0.6%
54.5	+0.0	+0.0%
57.5	+0.0	+0.0%
31.5	+0.0	+0.0%

*Without actuarial differences

SG&A Expenses	168.6	178.0	+9.4	+5.6%
Recurring Income	55.6	57.5	+1.9	+3.5%

FYE March 2019 Full Year Earnings Forecast

2. Segment Sales and Recurring Income

◇ See p. 5 of Fact Book

(Billion yen)

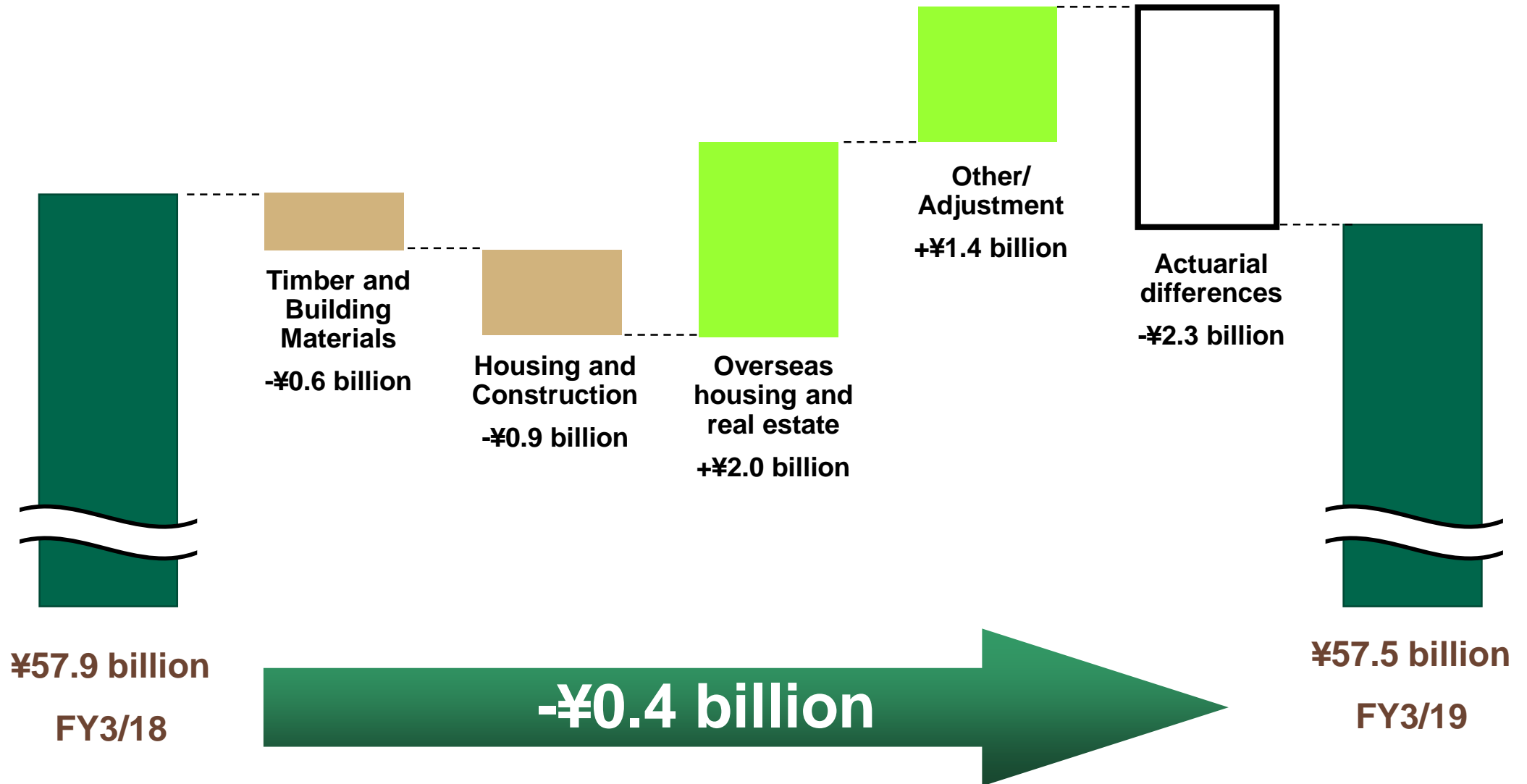
(Consolidated)	Net Sales				Recurring Income				
	FY3/18	FY3/19 Forecast	Change	Pct.	FY3/18	FY3/19 Forecast	Change	Pct.	Change from initial plan
Timber and Building Materials Business	465.2	485.5	+20.3	+4.4%	8.6	8.0	-0.6	-6.8%	-1.0
Housing and Construction Business	449.2	460.0	+10.8	+2.4%	24.9	24.0	-0.9	-3.8%	-1.0
Overseas Housing and Real Estate Business	306.0	365.0	+59.0	+19.3%	23.5	25.5	+2.0	+8.6%	+1.5
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	-	+0.5
Total	1,222.0	1,310.0	+88.0	+7.2%	57.9	57.5	-0.4	-0.6%	-

◆ 2 H and full year forecast

- Timber and Building Materials: Revenues will increase with an increase in import products and domestic materials carried, while earnings will decrease due to increased costs in the manufacturing business and other factors.
- Housing and Construction: Earnings are expected to be down due to a decrease in completed apartments and non-residential buildings and an increase in costs such as personnel expenses.
- Overseas Housing Real Estate: Revenues and earnings will be up due to expansion of the US housing sales business and new inclusion of Mark III and Crescent in the scope of consolidation.
- Other: Results will remain flat due to contribution of new power plant and the impact of lower unit prices of New Zealand logs bound for China.

FYE March 2019 Full Year Earnings Forecast

3. Changes in Recurring Income (YoY)



FYE March 2019 Full Year Earnings Forecast

4. Domestic Housing Business Orders Received and Sales

◇ See p. 14 and 15 of Fact Book

- Custom-built detached houses: Orders received are currently strong, so the orders received forecast has been revised upward by 200 to 8,100 units. Based on orders received in the first half and other factors, the number of houses completed will be left as-is at 7,700 units.

(Billion yen)		Orders received				Sales				
		FY3/18	FY3/19 Forecast	Change	Pct.	FY3/18	FY3/19 Forecast	Change	Pct.	
Contract business	(Units)	(7,608)	(8,100)	(+492)	(+6.5%)	(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	306.3	+16.0	+5.5%	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.

FYE March 2019 Full Year Earnings Forecast

5. Renovation Business Orders Received and Sales

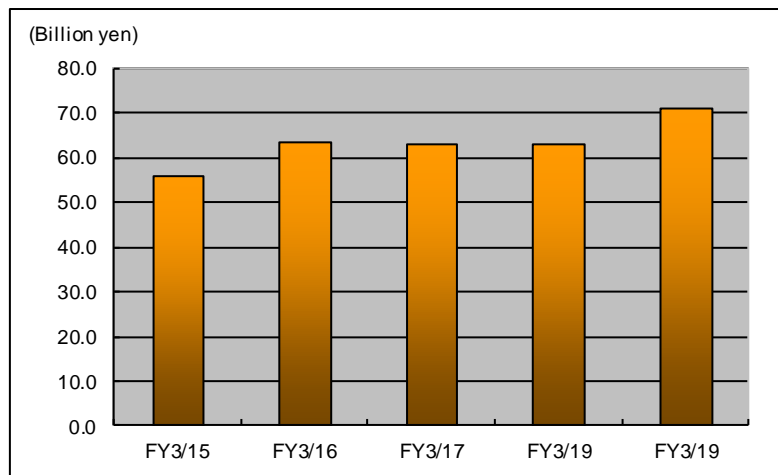
◇ See p. 12 of Fact Book

<Sumitomo Forestry Home Tech>

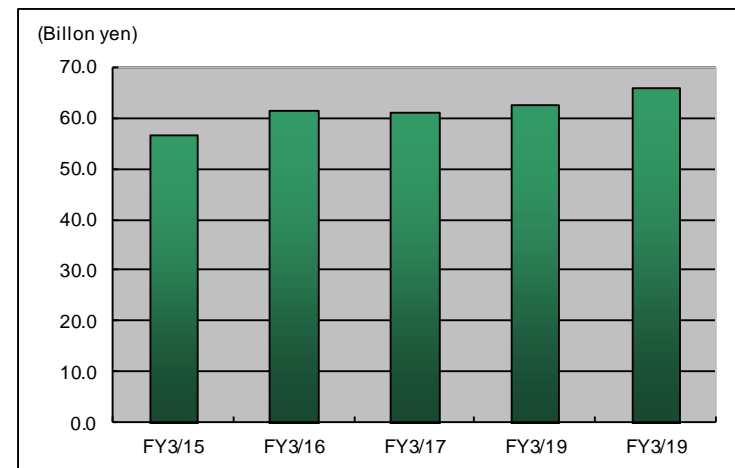
- Orders received and construction completed have been revised downward from the initial plan.

(Billion yen)	FY3/18	FY3/19 Forecast	Change	Pct.
Orders Received	63.3	71.0	+7.7	+12.1%
Construction Completed	62.7	66.0	+3.3	+5.3%
Backlog of Orders Received at Term End	26.8	31.8	+5.0	+18.7%

◆ Trends in Orders Received



◆ Trends in Construction Completed



FYE March 2019 Full Year Earnings 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.
Affiliate Total	306.7	365.5	+58.7	+19.2%	33.4	36.1	+2.8	+8.3%
Other, Consolidated Adjustments, etc.	-0.8	-0.5	+0.3	-	-9.9	-10.6	-0.8	-
Total	306.0	365.0	+59.0	+19.3%	23.5	25.5	+2.0	+8.6%

- US: Initial forecast revised upward by 100 units to 7,100.
- Australia: Market adjustment phase will continue, so initial forecast was revised downward by 100 units to 2,750.

● Number of Units Sold by Country

	2Q FY3/18	2Q FY3/19 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
FY3/18	112.19	86.01	79.73
FY3/19 (Forecast)	110.00	83.00	76.50

FYE March 2019 Full Year Earnings Forecast

7. Investments

◆ Capital Expenditures

<*when acquired>

(Billion yen)

(Consolidated)	FY3/18	FY3/19 Forecast	Change	Pct.
Tangible Fixed Assets	17.1	20.4	+3.3	+19.3%
Intangible Fixed Assets	2.2	3.7	+1.6	+72.3%
Other	1.3	0.6	-0.7	-53.2%
Total	20.6	24.7	+4.2	+20.3%

◆ Main investments

Domestic and overseas housing display centers, etc. ... 6.0 billion yen

IT investments ... 3.9 billion yen

New research building at Tsukuba Research Institute ... 2.5 billion yen

Production equipment in manufacturing business ... 2.0 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.

