

Happiness Grows from Trees



# FY 3/2019 Financial Overview and FY 3/2020 Forecast

(Information meeting for fiscal year ended March 31, 2019)



May 13, 2019

## Notes

- “Profit attributable to owners of parent” is expressed as “net income.”
- We will apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) early beginning with FY 3/20.
- Segments have been recombined as of beginning of FY 3/19 as follows:
  - Overseas Manufacturing Business
    - Transferred from Overseas segment to Timber and Building Materials segment
  - Overseas segment
    - Changed to Overseas Housing and Real Estate segment
- We have a new Environment and Resources segment as of beginning of FY3/20.
- The comparison of FY3/19 results and FY3/20 forecast is based on the business segments as of FY3/19.

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# FY 3/2019 Results



# FY 3/19 Results

## 1. Summary

◇ See p. 4-5 of Fact Book

- Net sales increased mainly as a result of an increase in the number of units sold in the US housing business, inclusion of Mark III and the Crescent Group in the scope of consolidation, and increased sales in the distribution business.
- Recurring income and net income decreased as a result of the effect of actuarial differences and other factors.

(billion yen)

(Consolidated)	FY3/18	FY3/19	Change	Pct.
Net Sales	1,222.0	1,308.9	+86.9	+7.1%
Gross Profit	219.3	232.1	+12.8	+5.9%
SG&A Expenses	166.3	182.9	+16.6	+10.0%
Operating Income	53.0	49.2	-3.8	-7.1%
Recurring Income	57.9	51.4	-6.4	-11.1%
Net Income	30.1	29.2	-1.0	-3.2%

# FY 3/19 Results

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

- Actuarial loss of ¥3.4 billion (increase in costs), actuarial differences from previous year of ¥2.3 billion (decrease in costs).
- Recurring income excluding actuarial gains and losses was ¥54.8 billion (down 1.3% year on year).

<Reference>	Excluding the effect of actuarial gains and losses				(billion yen)	
	FY3/18	FY3/19	Change	Pct.	Effect of actuarial gains and losses FY3/18	FY3/19
(Consolidated)						
Net Sales	1,222.0	1,308.9	+86.9	+7.1%		
Gross Profit	219.3	232.1	+12.8	+5.9%		
SG&A Expenses	168.6	179.5	+10.9	+6.5%	-2.3	3.4
Operating Income	50.7	52.7	+1.9	+3.8%	2.3	-3.4
Recurring Income	55.6	54.8	-0.7	-1.3%	2.3	-3.4
Net Income	28.6	31.5	+3.0	+10.4%	1.6	-2.4

# FY 3/19 Results

## 2. Segment Sales and Recurring Income

◇ See p. 4-5 of Fact Book

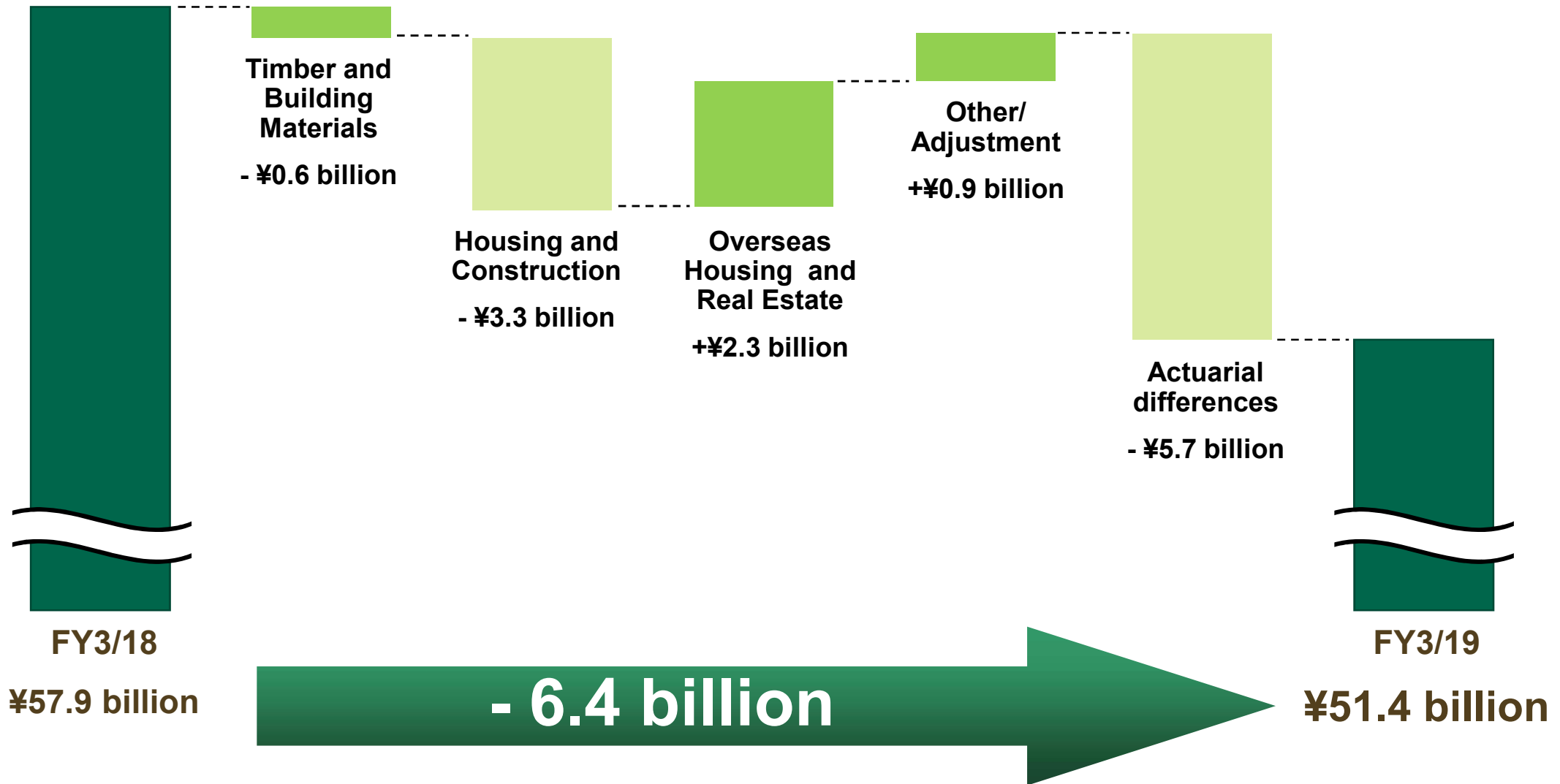
(billion yen)

(Consolidated)	Net Sales				Recurring Income			
	FY3/18	FY3/19	Change	Pct.	FY3/18	FY3/19	Change	Pct.
Timber and Building Materials	465.2	487.1	+21.9	+4.7%	8.6	8.0	-0.6	-7.0%
Housing and Construction	449.2	452.8	+3.6	+0.8%	24.9	21.6	-3.3	-13.4%
Overseas Housing and Real Estate	306.0	364.9	+58.9	+19.3%	23.5	25.8	+2.3	+9.9%
Other	37.0	40.4	+3.4	+9.2%	4.9	5.2	+0.3	+5.5%
Adjustment	-35.4	-36.3	-0.9	-	-4.1	-9.2	-5.1	-
Total	1,222.0	1,308.9	+86.9	+7.1%	57.9	51.4	-6.4	-11.1%

- Timber and Building Materials: Revenue up as a result of increased price of plywood and other products, but earnings down due to increased costs at NPIL.
- Housing and Construction: Earnings down due to increase in SG&A despite increase in the number of houses completed.
- Overseas Housing and Real Estate: Revenue up approx. 20% year on year owing to increase in number of units sold in United States, and earnings up 10% year on year as a result of recording the real estate valuation difference.
- Other: Revenue and earnings up owing to stable Mombetsu Biomass Power Generation operations and launch of Hachinohe Biomass Power Generation operations.

# FY 3/19 Results

## 3. Changes in Recurring Income (YoY)





# FY 3/19 Results

## 4. Domestic Housing Business Orders Received and Sales

◇ See p.16-17 of Fact Book

- Detached houses: Number of orders received up 12% year on year, amount of ordered received up 18% year on year. Both number of delivered units and amount of houses completed up 1% year on year.
- Other contracts: Amount of ordered received exceeded ¥5 billion due to efforts to strengthen orders for medium- and large- scale architectural structures.

(billion yen)

		Orders received				Sales				
		FY3/18	FY3/19	Change	Pct.	FY3/18	FY3/19	Change	Pct.	
Contract business	(Units)	(7,608)	(8,513)	(+905)	(+11.9%)	(7,556)	(7,628)	(+72)	(+1.0%)	
	(Unit price(mil. yen))	(33.6)	(35.3)	(+1.7)	-	(38.2)	(38.3)	(+0.1)	-	
	Custom-built detached houses	290.3	343.2	+52.9	+18.2%	288.6	291.9	+3.3	+1.2%	
	Apartments	17.2	20.9	+3.7	+21.4%	20.1	17.8	-2.3	-11.4%	
	Other contracts	1.7	5.2	+3.5	+205.3%	3.0	1.7	-1.3	-44.8%	
Spec home and development	Detached spec home					12.4	11.9	-0.4	-3.5%	
	Land for custom-built housing					6.7	6.3	-0.4	-6.2%	
	Existing home renovation					3.1	2.0	-1.1	-35.9%	
	Other					7.6	8.3	+0.7	+9.3%	
		<b>Net Sales Total</b>				341.5	339.9	-1.5	-0.5%	
		<b>Profit Ratio Gross Profit</b>				24.6%	24.2%	-0.4%	-1.7	-2.0%

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

# FY 3/19 Results

## 5. Renovation Business Orders Received and Sales

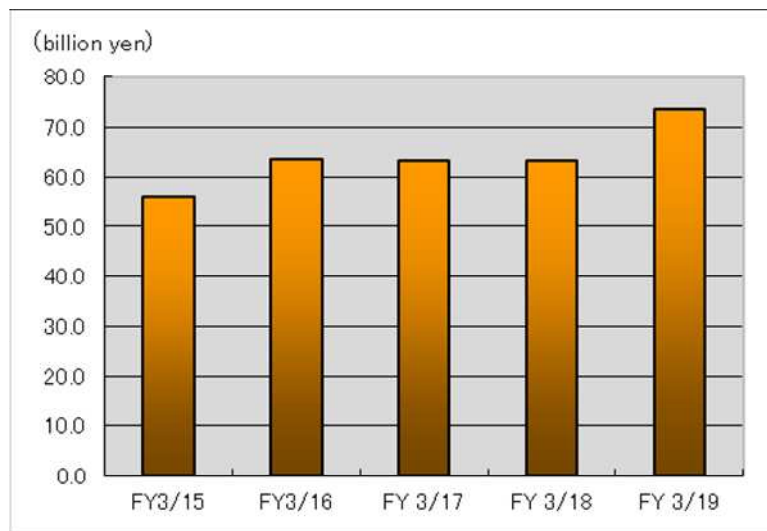
◇ See p. 14 of Fact Book

### <Sumitomo Forestry Home Tech>

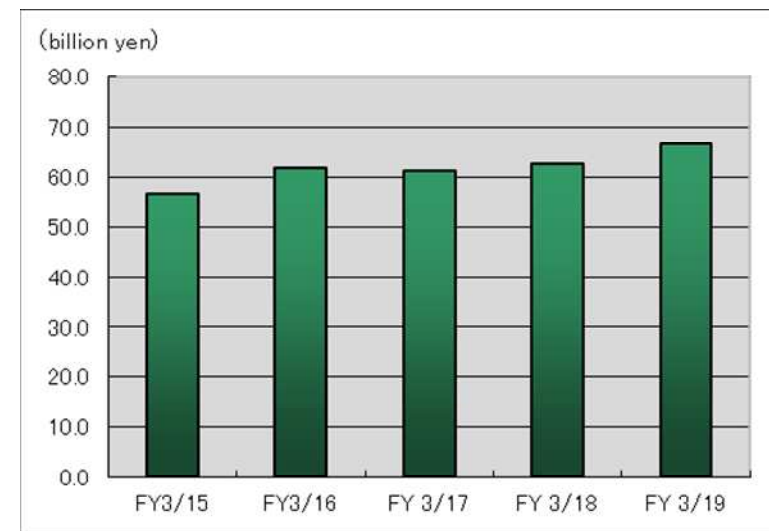
- Orders received, construction completed, and backlog of orders received at term end all up owing primarily to increase in orders for high-end property.

(billion yen)	FY3/18	FY3/19	Change	Pct.
Orders received	63.3	73.7	+10.3	+16.3%
Construction Completed	62.7	66.7	+4.0	+6.4%
Backlog of Orders Received at Term End	26.8	33.7	+6.9	+25.9%

### ◆ Trends in Orders Received



### ◆ Trends in Construction Completed



# FY 3/19 Results

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

(billion yen)

	Net Sales				Recurring Income			
	FY3/18	FY3/19	Change	Pct.	FY3/18	FY3/19	Change	Pct.
<b>Affiliate Total</b>	306.8	366.3	+59.5	+19.4%	30.5	33.9	+3.4	+11.2%
Other, Consolidated Adjustments, etc.	-0.8	-1.4	-0.6	-	-7.0	-8.1	-1.1	-
<b>T o t a l</b>	306.0	364.9	+58.9	+19.3%	23.5	25.8	+2.3	+9.9%

### ● Conversion rate (average during term)

	US\$/JPY	AU\$/JPY	NZ\$/JPY
<b>FY3/18</b>	112.19	86.01	79.73
<b>FY3/19</b>	110.44	82.53	76.43

### ● Number of Units Sold by Country

	FY3/18	FY3/19	Change	Pct.
<b>US</b>	6,380	7,073	+693	+10.9%
<b>Australia</b>	2,843	2,645	-198	-7.0%
<b>Total</b>	9,223	9,718	+495	+5.4%

- Australia: Adjustment phase continues; number of units sold down 198 units year on year.
- United States: Revenue and earnings up owing to expansion of existing businesses and year on year increase of 693 units in number of units sold.

# FY 3/19 Results

## 7. Investments

### ◆ Capital Expenditures

(billion yen)

(Consolidated)	FY3/18	FY3/19	Change	Pct.
Tangible Fixed Assets	17.1	17.1	△ 0.0	-0.0%
Intangible Fixed Assets	2.2	3.2	+1.0	+46.1%
Other	1.3	2.1	+0.8	+60.3%
Total	20.6	22.3	+1.8	+8.7%

### ◆ Main breakdown of capital expenditures

Domestic and overseas housing display centers . . . ¥4.6 billion

Commercial real estate in United States . . . ¥4.1 billion

System investments . . . ¥3.2 billion

# FY 3/19 Results

## 8. Balance Sheet and Cash Flow

◇ See p. 8-10 of Fact Book

(billion yen)

	End of March 2018	End of March 2019	Change		End of March 2018	End of March 2019	Change
Cash, deposits, securities	110.9	87.7	-23.1	Payables	181.9	194.1	12.3
Receivables	135.6	145.2	9.6	Short-term debt (Bank loans)	40.5	61.5	21.0
Finished goods	26.5	30.1	3.6	Short-term debt (Bonds)	20.0	-	-20.0
Real estate for sale	55.8	63.7	8.0	Advances received from customers	50.2	52.2	2.0
Real estate for sale in process	138.5	173.5	35.0	Other current liabilities	63.5	65.9	2.4
Construction projects in progress	25.3	26.9	1.6	Long-term debt/bonds issued	134.4	182.4	48.0
Other receivables	41.7	46.0	4.2	Liability for retirement benefits	16.7	19.8	3.1
Other current assets	31.3	36.7	5.3	Other long-term liabilities	46.3	41.5	-4.8
<b>Total current assets</b>	<b>565.6</b>	<b>609.8</b>	<b>44.2</b>	<b>Liabilities</b>	<b>553.5</b>	<b>617.5</b>	<b>64.0</b>
Tangible fixed assets	153.1	170.0	16.9	Shareholders' equity	273.5	294.1	20.6
Intangible fixed assets	29.1	26.6	-2.5	Accumulated other comprehensive income	38.1	24.2	-13.9
Investments and other assets	151.4	164.6	13.2	Non-controlling interests	34.0	35.2	1.2
<b>Total non-current assets</b>	<b>333.5</b>	<b>361.2</b>	<b>27.6</b>	<b>Net assets</b>	<b>345.6</b>	<b>353.5</b>	<b>7.9</b>
<b>Total assets</b>	<b>899.1</b>	<b>971.0</b>	<b>71.9</b>	<b>Total liabilities/net assets</b>	<b>899.1</b>	<b>971.0</b>	<b>71.9</b>

(billion yen)

- Consolidation of Mark III and Crescent Group and increase real estate for sale in overseas.
- Interest-bearing debt increased due to increase in investments.

	FY3/18	FY3/19
Operating CF	13.7	40.7
Investing CF	-46.2	-71.7
Free CF	-32.5	-31.0
Financial CF	25.2	11.5

# FY3/20 Forecast



# FY 3/20 Results

## 1. Summary

◇ See p. 6 of Fact Book

- Net sales down 14% year on year due to impact of change in Accounting Standard for Revenue Recognition.
- Net sales up 6% year on year if impact of net presentation is excluded for comparison, recurring income up 11% and net income up 3 % for increased revenue and earnings.

(billion yen)

(Consolidated)	FY3/19	FY3/20 Forecast	Change	Pct.	Applied of Accounting Standard for Revenue Recognition		
					FY3/20 Forecast	Change	Pct.
Net Sales	1,308.9	1,389.0	+80.1	+6.1%	1,123.0	-185.9	-14.2%
Gross Profit	232.1	243.0	+10.9	+4.7%	243.0	+10.9	+4.7%
SG&A Expenses	182.9	190.5	+7.6	+4.2%	190.5	+7.6	+4.2%
Operating Income	49.2	52.5	+3.3	+6.6%	52.5	+3.3	+6.6%
Recurring Income	51.4	57.0	+5.6	+10.8%	57.0	+5.6	+10.8%
Net Income	29.2	30.0	+0.8	+2.9%	30.0	+0.8	+2.9%

\*Without actuarial differences

SG&A Expenses	179.5	190.5	+11.0	+6.1%
Recurring Income	54.8	57.0	+2.2	+3.9%

# FY 3/20 Results

## 2. Segment Sales and Recurring Income

◇ See p. 6 of Fact Book

(billion yen)

(Consolidated)	Net Sales				Recurring Income				Applied of Accounting Standard for Revenue Recognition FY 3/20 Forecast	
	FY3/19	FY3/20 Forecast	Change	Pct.	FY3/19	FY3/20 Forecast	Change	Pct.	Net Sales	Recurring Income
Timber and Building Materials	487.1	503.0	+15.9	+3.3%	8.0	8.0	+0.0	+0.2%	245.0	8.0
Housing and Construction	452.8	485.0	+32.2	+7.1%	21.6	25.5	+3.9	+18.1%	478.0	25.5
Overseas Housing and Real Estate	364.9	396.5	+31.6	+8.7%	25.8	26.0	+0.2	+0.7%	396.5	26.0
Environment and Resources	-	-	-	-	-	-	-	-	20.0	3.0
Other	40.4	43.5	+3.1	+7.6%	5.2	5.5	+0.3	+5.7%	24.5	1.0
Adjustment	-36.3	-39.0	-2.7	-	-9.2	-8.0	+1.2	-	-41.0	-6.5
<b>Total</b>	<b>1,308.9</b>	<b>1,389.0</b>	<b>+80.1</b>	<b>+6.1%</b>	<b>51.4</b>	<b>57.0</b>	<b>+5.6</b>	<b>+10.8%</b>	<b>1,123.0</b>	<b>57.0</b>

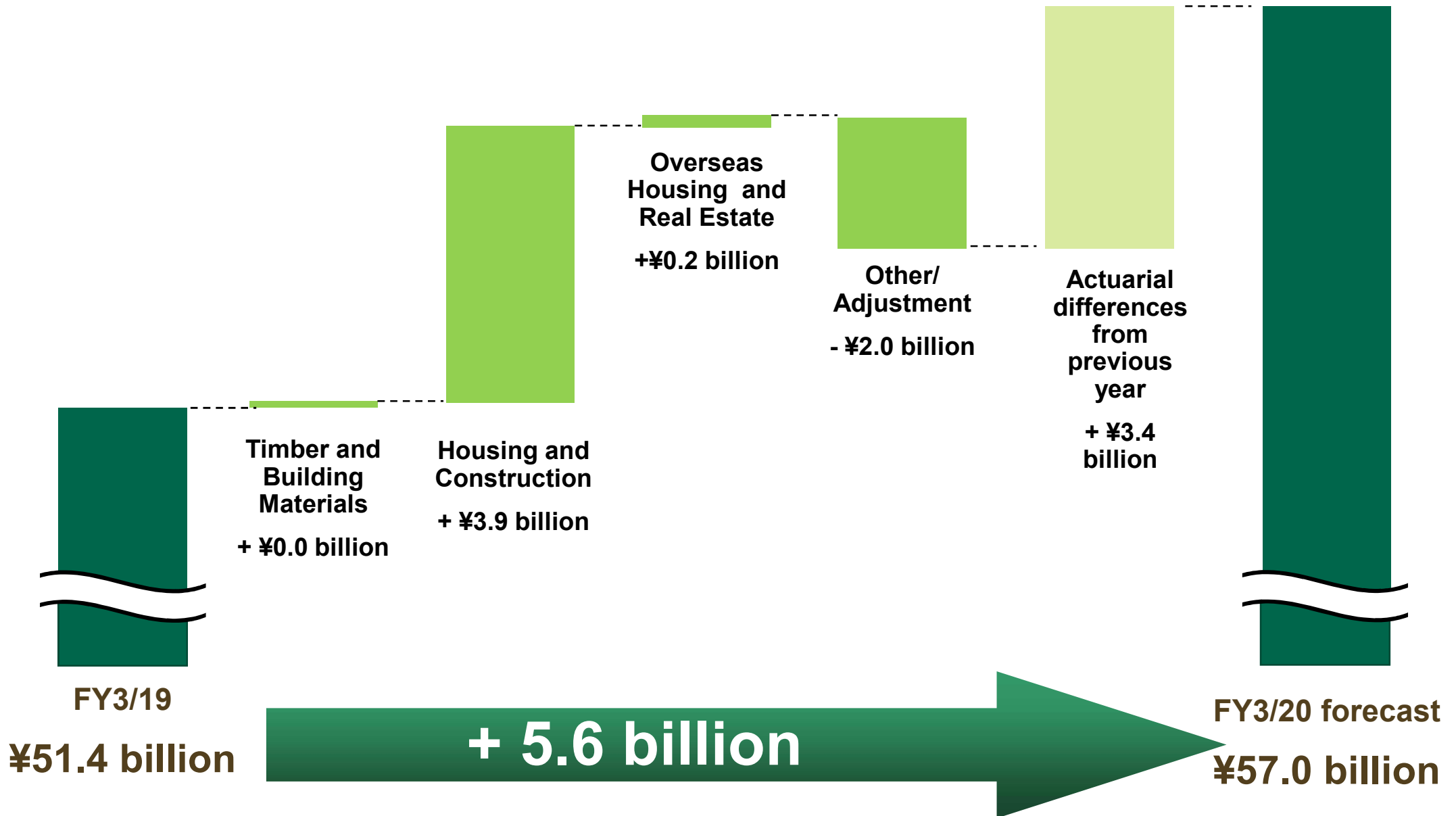
\*Beginning of FY3/20, we will have a new Environment and Resources segment. We will apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) early beginning with FY3/20.

- Timber and Building Materials: Reorganization from product-based organization to customer business category-based sales structure resulted in increased sales.
- Housing and Construction: Steadily tying increased backlog of orders into housing starts and houses completed resulted in increased revenue and earnings.
- Overseas Housing and Real Estate: Revenue up due to expansion of housing business in United States despite decrease in number of units sold in Australia. Meanwhile, affordability declined in both United States and Australia, so earnings only up slightly.
- Other: Work to improve profitability by increasing occupancy rate in Elderly Care Business.



# FY 3/20 Results

## 3. Changes in Recurring Income (YoY)



# FY 3/20 Results

## 4. Domestic Housing Business Orders Received and Sales

◇ See p. 16-17 of Fact Book

➤ Custom-built Detached Houses: Reactionary drop is expected, with number of orders received at 8,000 units (down 6% year on year). Number of delivered units planned at 8,100 units, up 6% year on year.

➤ Apartments: Number of delivered units at same level as previous year. Increase number of branch personnel and accelerate business expansion.

(billion yen)

		Orders received				Sales			
		FY3/19	FY3/20 Forecast	Change	Pct.	FY3/19	FY3/20 Forecast	Change	Pct.
Contract business	(Units)	(8,513)	(8,000)	(-513)	(-6.0%)	(7,628)	(8,100)	(+472)	(+6.2%)
	(Unit price (mil. yen) )	(35.3)	(33.5)	(-1.8)	-	(38.3)	(38.4)	(+0.1)	-
	Custom-built detached houses	343.2	305.6	-37.6	-11.0%	291.9	309.7	+17.8	+6.1%
	Apartments	20.9	20.9	+0.0	+0.1%	17.8	17.9	+0.1	+0.4%
	Other contracts	5.2	7.0	+1.8	+33.7%	1.7	4.0	+2.3	+142.2%
Spec home and development	Detached spec home					11.9	15.8	+3.9	+32.5%
	Land for custom-built housing					6.3	6.1	-0.2	-2.8%
	Existing home renovation					2.0	1.2	-0.8	-39.5%
	Other					8.3	7.2	-1.1	-13.7%

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

<b>Net Sales Total</b>	339.9	361.9	+22.0	+6.5%
<b>Profit Ratio Gross Profit</b>	24.2%	23.7%	-0.5%	+4.2%
	82.3	85.8	+3.5	

# FY 3/20 Results

## 5. Renovation Business Orders Received and Sales

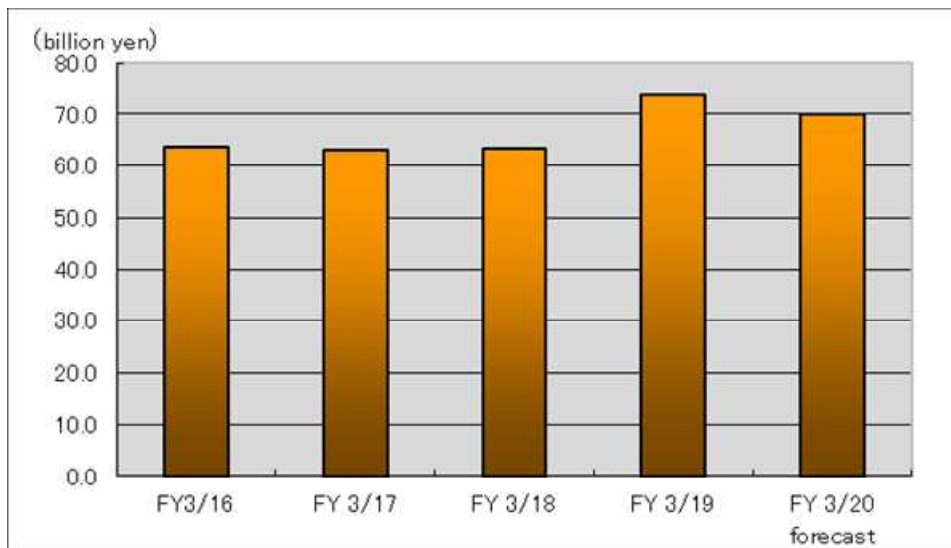
<Sumitomo Forestry Home Tech>

◇ See p. 14 of Fact Book

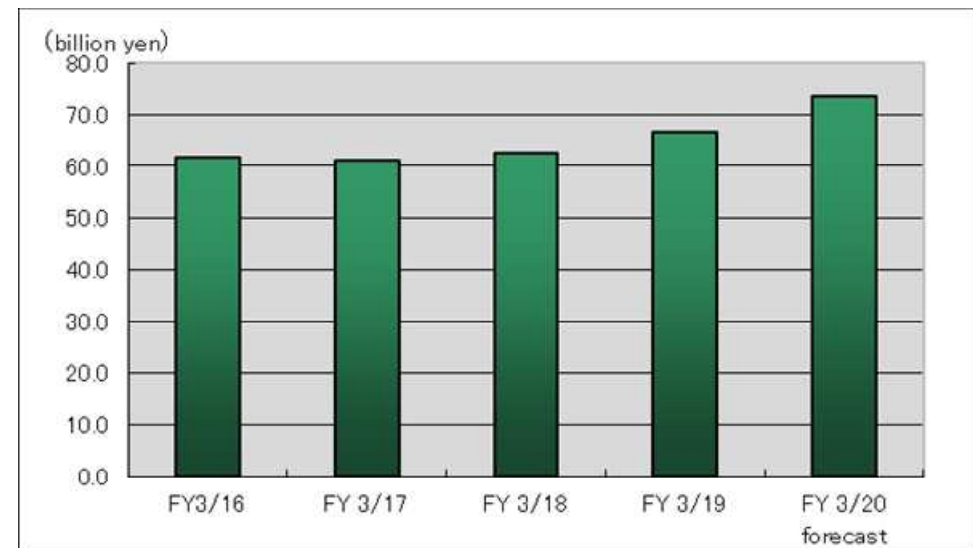
- Improve operational efficiency, increase interior consultants and execute differentiation strategy leveraging technological superiority.

(billion yen)	FY3/19	FY3/20 Forecast	Change	Pct.
Orderes received	73.7	70.0	-3.7	-5.0%
Construction Completed	66.7	73.5	+6.8	+10.2%
Backlog of Orders Received at Term End	33.7	30.2	-3.5	-10.4%

◆ Trends in Orders Received



◆ Trends in Construction Completed



# FY 3/20 Results

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

(billion yen)

Overseas Housing and Real Estate Segment	Net Sales				Recurring Income			
	FY3/19	FY3/20 Forecast	Change	Pct.	FY3/19	FY3/20 Forecast	Change	Pct.
<b>Affiliate Total</b>	366.3	396.9	+30.6	+8.4%	33.9	33.6	-0.3	△0.8%
US	285.0	312.3	+27.3	+9.6%	29.2	29.4	+0.2	+0.8%
Australia	80.6	83.9	+3.3	+4.1%	4.4	4.7	+0.2	+5.5%
Others	0.7	0.7	-0.0	△0.9%	0.3	△0.5	-0.7	-
<b>Other, Consolidated Adjustments, etc.</b>	△1.4	△0.4	+1.0	-	△8.1	△7.6	+0.4	-
<b>Total</b>	364.9	396.5	+31.6	+8.7%	25.8	26.0	+0.2	+0.7%

### ● Conversion rate (average during term)

	US\$/JPY	AU\$/JPY	NZ\$/JPY
FY3/19	110.44	82.53	76.43
FY3/20 Forecast	110.00	80.00	74.00

### ● Number of Units Sold by Country

	FY3/19	FY3/20 Forecast	Change	Pct.
US	7,073	7,720	+647	+9.1%
Australia	2,645	2,500	-145	-5.5%
<b>Total</b>	<b>9,718</b>	<b>10,220</b>	<b>+502</b>	<b>+5.2%</b>

- The US and Australian Housing Businesses: Expand business size to 10,220 units (up 5.2%). Earnings up only slightly due to decrease in profit ratio.
- Asian Housing Business: Hong Kong business terminated. Continuing to promote business in ASEAN.

# FY 3/20 Results

## 7. Investments

### ◆ Capital Expenditures

(billion yen)

(Consolidated)	FY3/19	FY3/20 Forecast	Change	Pct.
Tangible Fixed Assets	17.1	32.5	+15.4	+90.1%
Intangible Fixed Assets	3.2	5.2	+2.0	+63.7%
Other	2.1	1.7	-0.4	-20.3%
Total	22.3	39.3	+17.0	+76.0%

### ◆ Main breakdown of capital expenditures

New elderly care facilities ... ¥9.3 billion

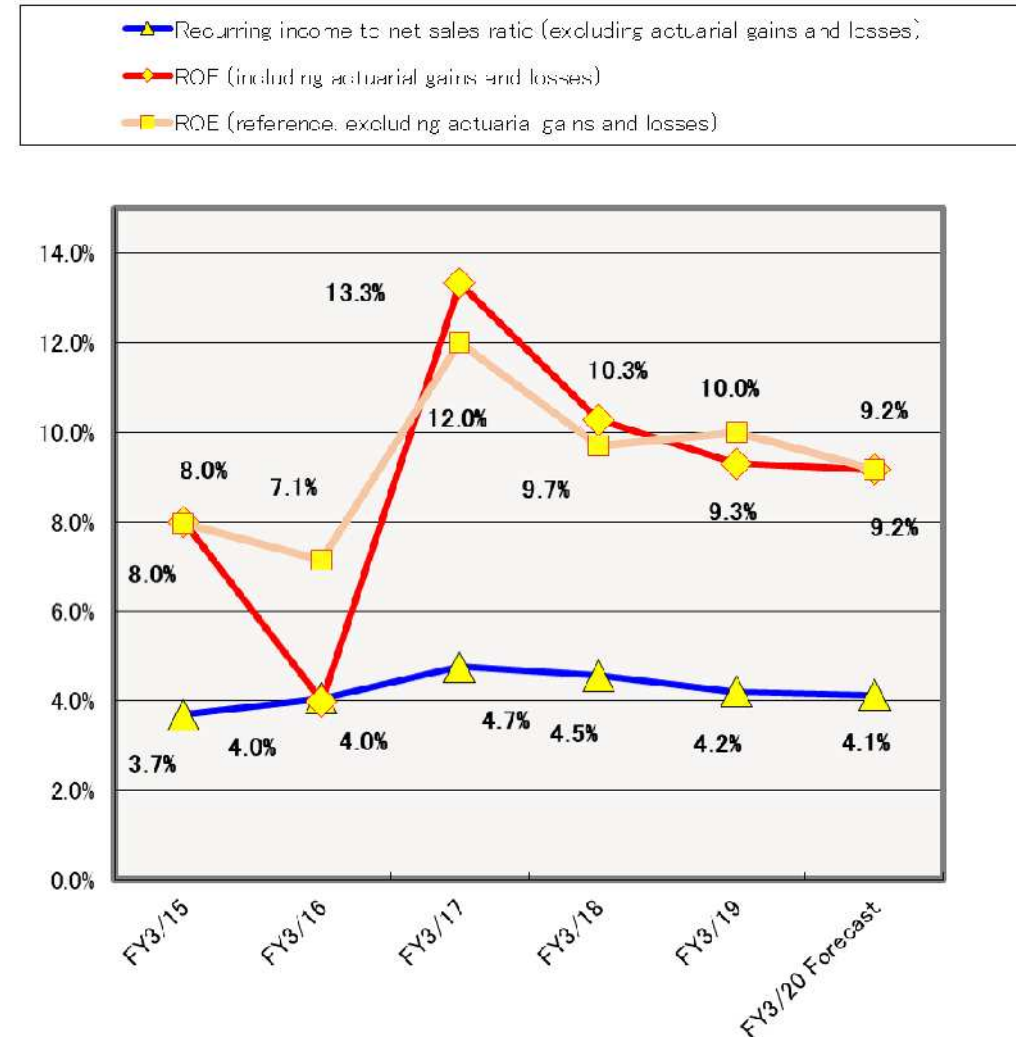
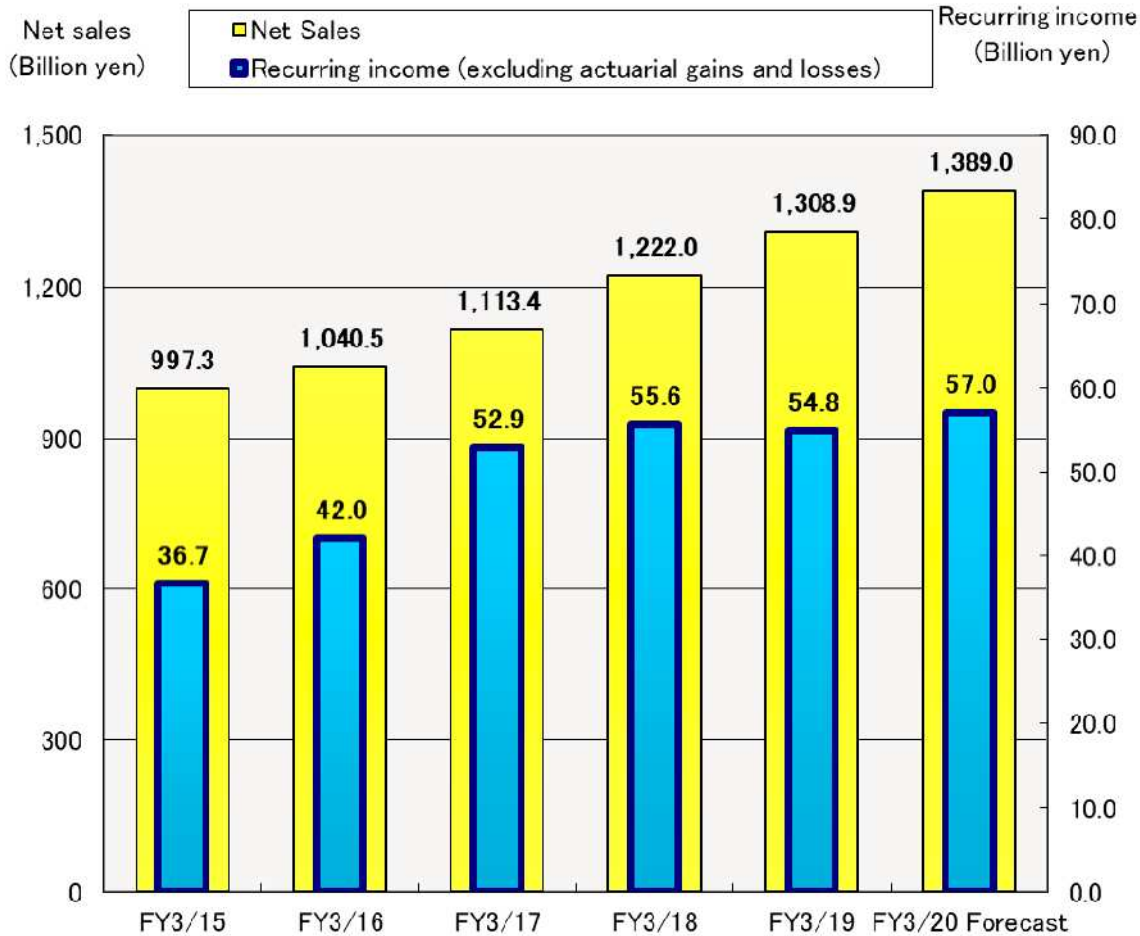
Domestic and overseas manufacturing equipment ... ¥5.5 billion

System investments ... ¥5.2 billion

Domestic and overseas housing display centers ... ¥4.8 billion

# FY 3/20 Results

## 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.

\*FY3/20 forecast for net sales is before application of accounting standard for revenue recognition.

**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.**

