

Happiness Grows from Trees



# **FY Ending March 31, 2020 – Second Quarter Financial Results and Full Year Forecast –**



November 11, 2019

## Notes

- **“Net income attributable to parent company shareholders” is expressed as “net income.”**
- **The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) has been applied early from the beginning of FY3/20, and accounting policies have been changed.**
- **The Environment and Resources Business has been added to segment disclosures as of the beginning of FY3/20.**

# © Contents

	Second Quarter of FYE March 2020 Results	FYE March 2020 Full Year Forecast
1. Summary	P.4	P.13
2. Segment Sales and Recurring Income	P.5	P.14
3. Changes in Recurring Income	P.6	P.15
4. Domestic Housing Business Orders Received and Sales	P.7	P.16
5. Renovation Business Orders Received and Sales	P.8	P.17
6. Overseas Housing and Real Estate Segment Sales and Recurring Income	P.9	P.18
7. Investments	P.10	P.19
8. Balance Sheet and Cash Flow	P.11	—

# Second Quarter of FYE March 2020 Results



# Second Quarter of FYE March 2020 Results

## 1. Summary

(billion yen)

(Consolidated)	FY3/19 2Q	FY3/20 2Q	Change	Pct.
Net Sales	592.9	529.7	-63.1	-10.6%
Gross Profit	103.1	116.0	+12.9	+12.5%
SG&A Expenses	85.8	91.0	+5.2	+6.0%
Operating Income	17.3	25.0	+7.7	+44.4%
Recurring Income	18.7	25.7	+7.0	+37.2%
Net Income	10.6	12.6	+2.0	+18.4%

- Net sales: Year-on-year decrease due to switching to use of net amount for recording revenue from timber and building material transactions
- Operating income/Recurring income: Increased with application of percentage-of-completion method of revenue recognition in domestic custom-built detached housing business

## Second Quarter of FYE March 2020 Results

### 2. Segment Sales and Recurring Income

(billion yen)

(Consolidated)	Net Sales				Recurring Income			
	FY3/19 2Q	FY3/20 2Q	Change	Pct.	FY3/19 2Q	FY3/20 2Q	Change	Pct.
Timber and Building Materials	235.2	116.9	-118.3	-50.3%	3.4	2.9	-0.5	-15.7%
Housing and Construction	201.1	233.7	+32.5	+16.2%	4.0	12.2	+8.2	+205.2%
Overseas Housing and Real Estate	154.3	176.4	+22.1	+14.3%	11.5	10.9	-0.6	-5.4%
Environment and Resources	9.7	9.1	-0.6	-6.2%	2.0	1.8	-0.2	-11.3%
Other	11.1	11.3	+0.2	+2.0%	-0.4	0.4	+0.8	-
Adjustment	-18.6	-17.6	+1.0	-	-1.8	-2.5	-0.7	-
<b>Total</b>	<b>592.9</b>	<b>529.7</b>	<b>-63.1</b>	<b>-10.6%</b>	<b>18.7</b>	<b>25.7</b>	<b>+7.0</b>	<b>+37.2%</b>

Timber and Building Materials: Domestic imported plywood market sluggish, increase in variable costs and decrease in sales to Japan in New Zealand MDF manufacturing business.

Housing and Construction: Increase in income owing to impact of strong orders for custom-built detached houses and renovation in previous year and application of percentage-of-completion method of revenue recognition

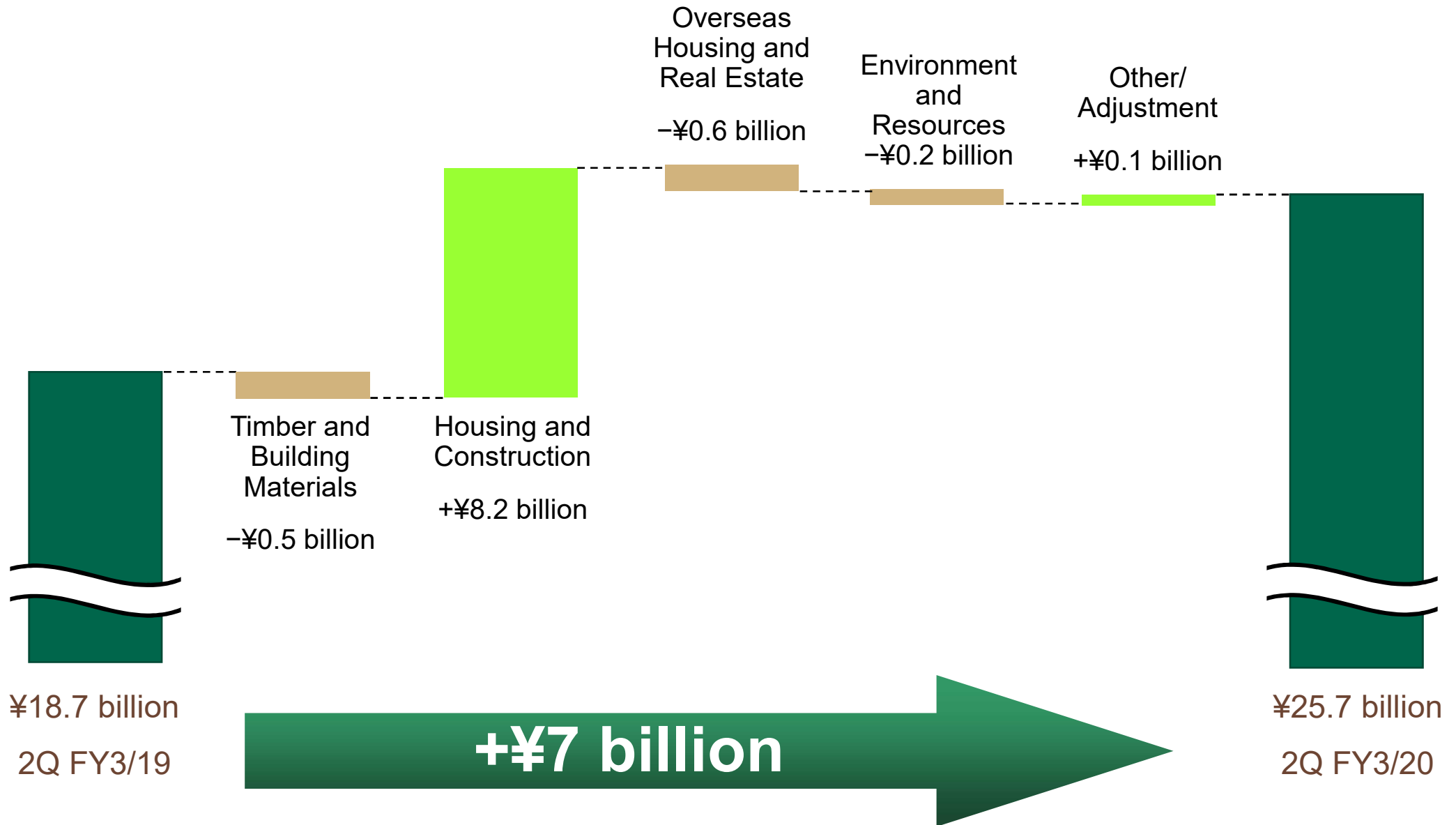
Overseas Housing and Real Estate: Unit sales up in US housing business, however increase in burden from SG&A expenses and amortization of Crescent goodwill

Environment and Resources: Income down due in part to forest fires in New Zealand in February

Other: Increase in equity in earnings of affiliates at Kumagai Gumi

# Second Quarter of FYE March 2020 Results

## 3. Change in Recurring Income (YoY)



# Second Quarter of FYE March 2020 Results

## 4. Domestic Housing Business Orders Received and Sales

(billion yen)

		Orders received				Sales			
		FY3/19 2Q	FY3/20 2Q	Change	Pct.	FY3/19 2Q	FY3/20 2Q	Change	Pct.
Contract business	Custom-built detached houses *1	164.9	143.2	-21.7	-13.2%	129.7	153.9	+24.2	+18.6%
	(Units)	(4,250)	(3,900)	(-350)	(-8.2%)	(3,326)	(3,300)	(-26)	(-0.8%)
	(Unit price(mil. yen)) *2	(34.3)	(34.2)	(-0.1)	-	(39.0)	(38.8)	(-0.2)	-
	Apartments *1	10.1	7.0	-3.1	-30.9%	7.7	7.7	-0.0	-0.6%
	Other contracts	1.3	1.0	-0.2	-19.2%	0.5	1.4	+0.9	+189.0%
Spec home and development business	Detached spec home					4.7	6.3	+1.5	+32.7%
	Land for custom-built housing					2.5	2.8	+0.2	+9.6%
	Existing home renovation					0.9	0.7	-0.1	-17.2%
	Other *1					4.0	3.0	-1.0	-24.8%
<b>Net Sales Total</b>						<b>150.0</b>	<b>175.7</b>	<b>+25.6</b>	<b>+17.1%</b>
<b>Profit Ratio</b>						<b>24.2%</b>	<b>23.6%</b>	<b>-0.6%</b>	
<b>Gross Profit</b>						<b>36.3</b>	<b>41.5</b>	<b>+5.2</b>	<b>+14.3%</b>

\*1: FY3/20 results include impact of the change in the accounting policy on revenue recognition.

\*2: Calculated from orders received at time of contract signing for units ordered this period. Orders received for additional construction not included.

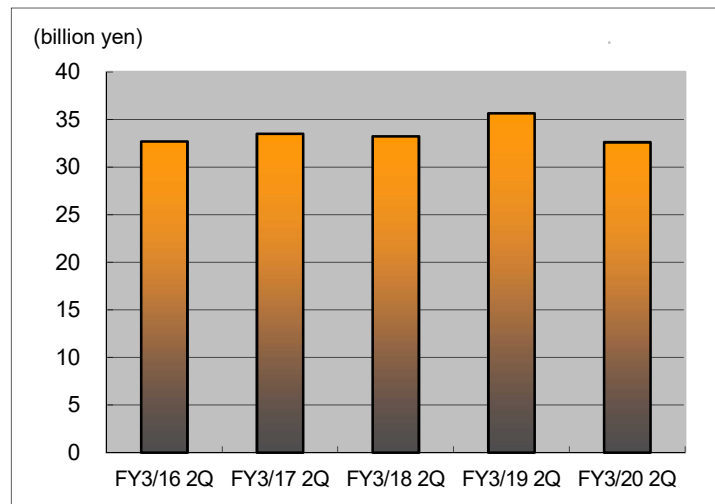


## 5. Renovation Business Orders Received and Sales

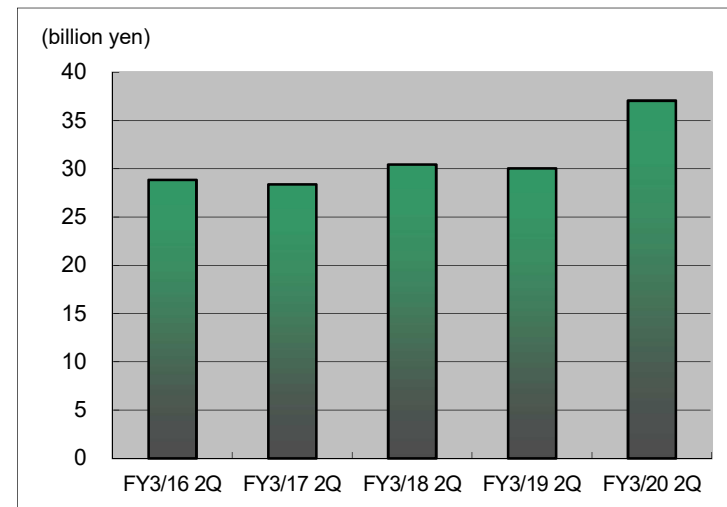
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(billion yen)	FY3/19 2Q	FY3/20 2Q	Change	Pct.
Orders Received	35.7	32.6	-3.0	-8.5%
Net Sales	31.8	38.7	+6.9	+21.7%
Construction Completed	30.0	37.1	+7.0	+23.4%
Backlog of Orders Received at Term End	32.4	29.3	-3.1	-9.6%

#### ◆ Trends in Orders Received



#### ◆ Trends in Construction Completed



## Second Quarter of FYE March 2020 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 2Q	FY3/20 2Q	Change	Pct.	FY3/19 2Q	FY3/20 2Q	Change	Pct.
Affiliate Total	154.6	177.5	+22.9	+14.8%	15.0	15.4	+0.4	+2.9%
USA	115.6	143.5	+27.9	+24.2%	12.8	13.5	+0.7	+5.4%
Australia	38.7	33.6	-5.0	-13.0%	1.8	1.8	-0.0	-1.7%
others	0.4	0.4	+0.0	+0.6%	0.3	0.1	-0.2	-81.6%
Other, Consolidated Adjustments, etc.	-0.3	-1.1	-0.8	-	-3.4	-4.5	-1.1	-
<b>Total</b>	<b>154.3</b>	<b>176.4</b>	<b>+22.1</b>	<b>+14.3%</b>	<b>11.5</b>	<b>10.9</b>	<b>-0.6</b>	<b>-5.4%</b>

#### ● Number of Units Sold by Country

(Units)

	FY3/19 2Q	FY3/20 2Q	Change	Pct.
USA	3,167	3,506	+339	+10.7%
Australia	1,281	1,109	-172	-13.4%
<b>Total</b>	<b>4,448</b>	<b>4,615</b>	<b>+167</b>	<b>+3.8%</b>

#### ● Conversion rate (average during term)

	US\$/JPY	AU\$/JPY	NZ\$/JPY
FY3/19 2Q	108.71	83.87	77.83
FY3/20 2Q	110.05	77.71	73.93

## 7. Investments

### ◆ Capital Expenditures

< \*acquired basis >

(billion yen)

(Consolidated)	FY3/19 2Q	FT3/20 2Q	Change	Pct.
Tangible Fixed Assets	7.2	11.4	+4.2	+58.3%
Intangible Fixed Assets	1.3	1.3	+0.0	+1.6%
Other	0.4	0.8	+0.4	+93.8%
<b>Total</b>	<b>8.9</b>	<b>13.4</b>	<b>+4.6</b>	<b>+51.6%</b>

### ◆ Main investments

- US profit-earning real estate development … 4.4 billion yen
- Domestic and overseas housing display centers … 2.4 billion yen
- New research building at Tsukuba Research Institute … 0.9 billion yen

# Second Quarter of FYE March 2020 Results

## 8. Balance Sheet and Cash Flow

(billion yen)

	End of March 2019	End of September 2020	Change		End of March 2019	End of September 2020	Change
Cash, deposits, securities	87.7	59.0	-28.7	Payables	194.1	195.4	1.2
Receivables	145.2	162.5	17.3	Short-term debt	61.5	48.3	-13.2
Finished goods	30.1	30.1	0.1	Commercial paper	-	-	-
Real estate for sale	63.7	63.7	-0.0	Advances received from customers	52.2	36.2	-16.0
Real estate for sale in process	173.5	180.6	7.2	Other current liabilities	65.9	72.0	6.1
Construction projects in progress	26.9	13.9	-13.1	Long-term debt/bonds issued	182.4	199.1	16.7
Other receivables	46.0	47.7	1.7	Liability for retirement benefits	19.8	20.0	0.2
Other current assets	36.7	39.3	2.6	Other long-term liabilities	41.5	40.5	-1.1
<b>Total current assets</b>	<b>609.8</b>	<b>596.8</b>	<b>-13.0</b>	<b>Liabilities</b>	<b>617.5</b>	<b>611.4</b>	<b>-6.1</b>
Tangible fixed assets	170.0	171.7	1.7	Shareholders' equity	294.1	296.6	2.6
Intangible fixed assets	26.6	23.0	-3.5	Accumulated other comprehensive income	24.2	17.6	-6.6
Investments and other assets	164.6	167.3	2.7	Non-controlling interests	35.2	33.3	-1.9
<b>Total non-current assets</b>	<b>361.2</b>	<b>362.1</b>	<b>0.9</b>	<b>Net assets</b>	<b>353.5</b>	<b>347.5</b>	<b>-5.9</b>
<b>Total assets</b>	<b>971.0</b>	<b>958.9</b>	<b>-12.0</b>	<b>Total liabilities/net assets</b>	<b>971.0</b>	<b>958.9</b>	<b>-12.0</b>

	FY3/19 2Q	FY3/20 2Q
Operating CF	-12.7	-8.1
Investing CF	-53.3	-17.2
Free CF	-65.9	-25.4
Financial CF	4.0	-2.7

# FYE March 2020 Full Year Earnings Forecast



# FYE March 2020 Full Year Earnings Forecast

## 1. Summary

(billion yen)

(Consolidated)	FY3/19	FY3/20 Forecast	Change	Pct.
Net Sales	1,308.9	1,117.0	-191.9	-14.7%
Gross Profit	232.1	239.0	+6.9	+3.0%
SG&A Expenses	182.9	188.0	+5.1	+2.8%
Operating Income	49.2	51.0	+1.8	+3.6%
Recurring Income	51.4	57.0	+5.6	+10.8%
Net Income	29.2	30.0	+0.8	+2.9%

\*Without actuarial differences

SG&A Expenses	179.5	188.0	+8.5	+4.7%
Recurring Income	54.8	57.0	+2.2	+3.9%

- Initial forecasts for recurring income and net income left as-is
- Income increased even when excluding actuarial differences recorded in previous year

# FYE March 2020 Full Year Earnings Forecast

## 2. Segment Sales and Recurring Income

(billion yen)

(Consolidated)	Net Sales				Recurring Income			
	FY3/19	FY3/20 Forecast	Change	Pct.	FY3/19	FY3/20 Forecast	Change	Pct.
Timber and Building Materials	487.1	245.0	-242.1	-49.7%	8.0	6.0	-2.0	-24.8%
Housing and Construction	452.8	485.0	+32.2	+7.1%	21.6	25.5	+3.9	+18.1%
Overseas Housing and Real Estate	364.9	385.0	+20.1	+5.5%	25.8	28.0	+2.2	+8.5%
Environment and Resources	19.5	19.0	-0.5	-2.7%	4.0	3.0	-1.0	-25.2%
Other	22.3	24.5	+2.2	+10.0%	0.1	1.0	+0.9	-
Adjustment	-37.7	-41.5	-3.8	-	-8.1	-6.5	+1.6	-
<b>Total</b>	<b>1,308.9</b>	<b>1,117.0</b>	<b>-191.9</b>	<b>-14.7%</b>	<b>51.4</b>	<b>57.0</b>	<b>+5.6</b>	<b>+10.8%</b>

Timber and Building Materials: Trend continued from first half

Housing and Construction: Increased income resulting from increase in properties under construction, and application of percentage-of-completion method. Number of completed and delivered units slight increased.

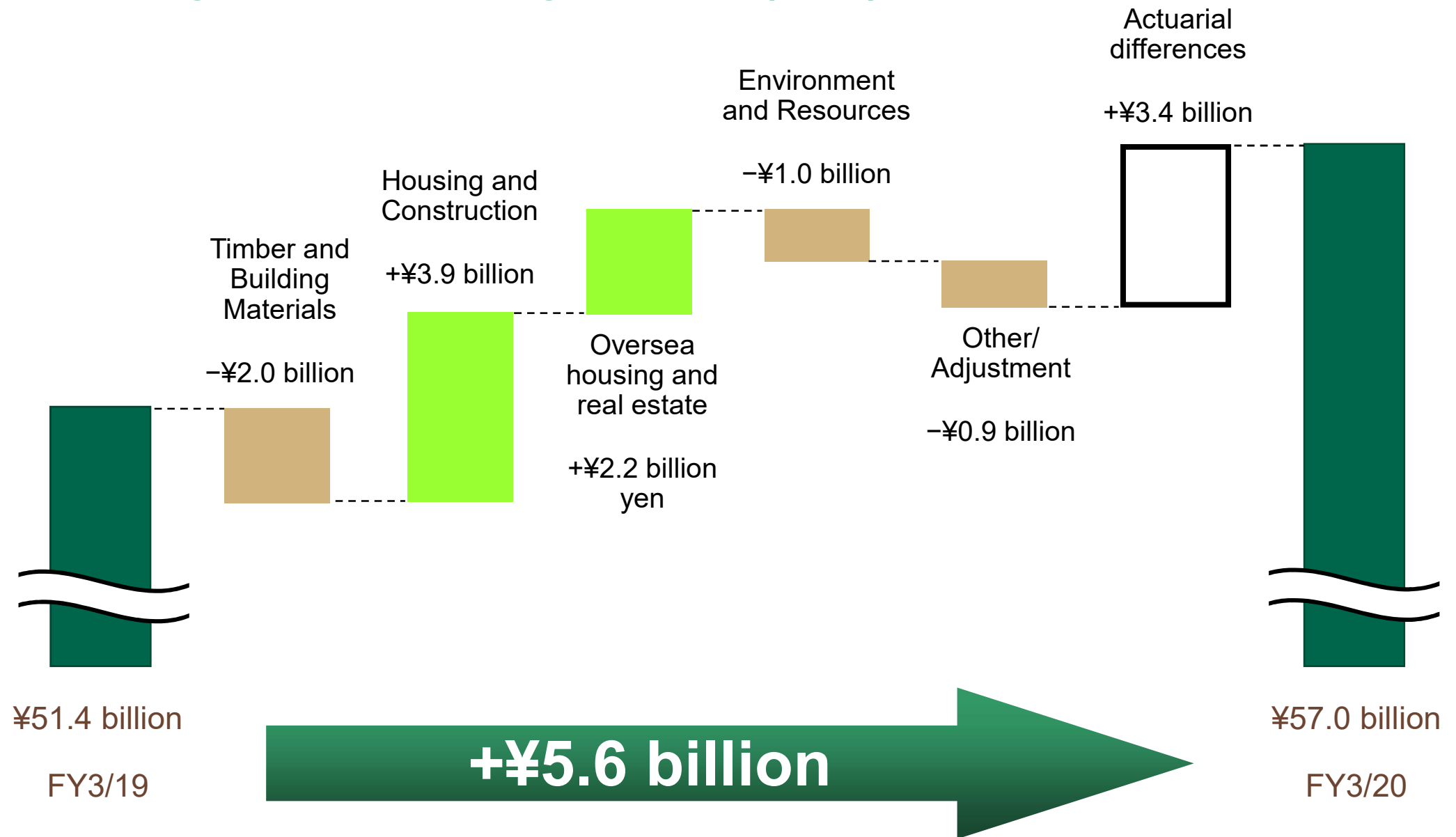
Overseas Housing Real Estate: Crescent development property sales contributed to increase in income

Environment and Resources: Increased fuel costs in power generation business, drop in timber prices for exports to China in New Zealand reforestation business

Other: Increase in equity in earnings of affiliates at Kumagai Gumi, increase in number of tenants in elderly care business

# FYE March 2020 Full Year Earnings Forecast

## 3. Changes in Recurring Income (YoY)





## 4. Domestic Housing Business Orders Received and Sales

(billion yen)

		Orders received				Sales			
		FY3/19	FY3/20 Forecast	Change	Pct.	FY3/19	FY3/20 Forecast	Change	Pct.
Contract business	Custom-built detached houses *1	343.2	298.0	-45.2	-13.2%	291.9	312.5	+20.6	+7.0%
	(Units)	(8,513)	(7,700)	(-813)	(-9.6%)	(7,628)	(7,700)	(+72)	(+0.9%)
	(Unit price(mil. yen)) *2	(35.3)	(34.0)	(-1.3)	-	(38.3)	(39.1)	(+0.9)	-
	Apartments *1	20.9	16.6	-4.3	-20.5%	17.8	18.0	+0.2	+1.0%
	Other contracts	5.2	2.5	-2.7	-52.2%	1.7	4.0	+2.3	+142.2%
Spec home and development business	Detached spec home					11.9	15.5	+3.6	+29.9%
	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 *1					8.3	5.8	-2.5	-30.5%
<b>Net Sales Total</b>						<b>339.9</b>	<b>363.1</b>	<b>+23.2</b>	<b>+6.8%</b>
<b>Profit Ratio</b>						<b>24.2%</b>	<b>23.6%</b>	<b>-0.6%</b>	
<b>Gross Profit</b>						<b>82.3</b>	<b>85.6</b>	<b>+3.3</b>	<b>+4.0%</b>

\*1: FY3/20 results include impact of the change in the accounting policy on revenue recognition.

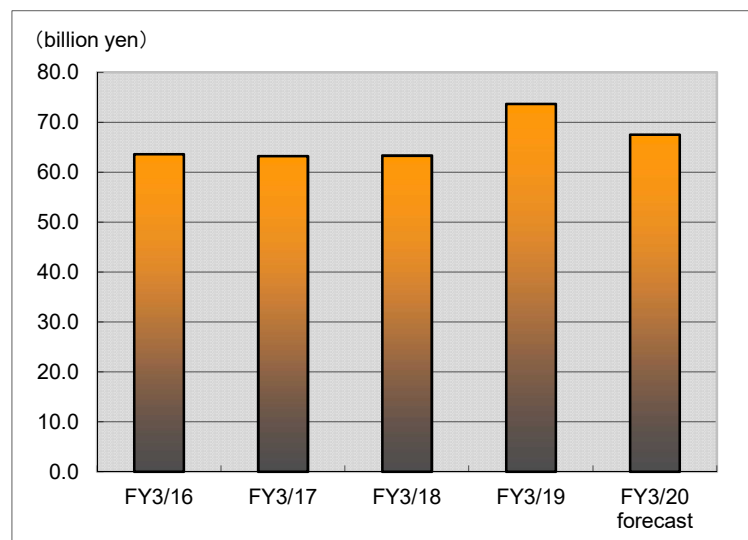
\*2: Calculated from orders received at time of contract signing for units ordered this period. Orders received for additional construction not included.

## 5. Renovation Business Orders Received and Sales

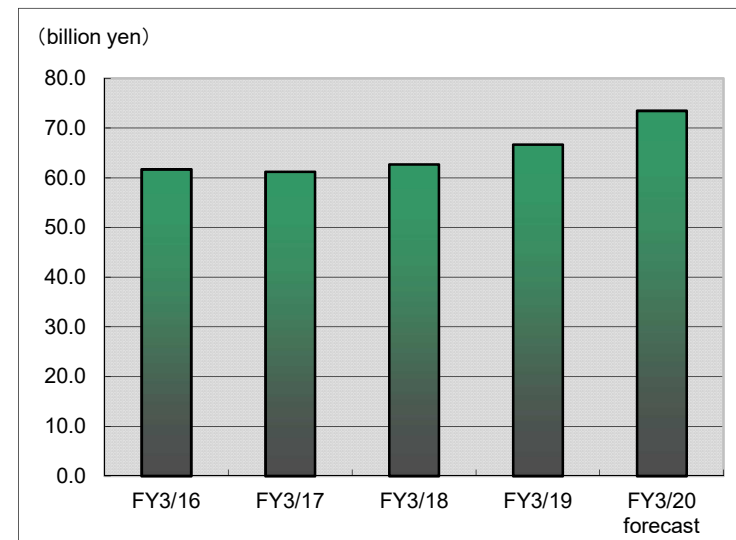
### <Sumitomo Forestry Home Tech>

(billion yen)	FY3/19	FY3/20 Forecast	Change	Pct.
Orderes received	73.7	67.5	-6.2	-8.4%
Net Sales	70.3	76.9	+6.6	+9.4%
Construction Completed	66.7	73.5	+6.8	+10.2%
Backlog of Orders Received at Term End	33.7	27.3	-6.4	-19.0%

#### ◆ Trends in Orders Received



#### ◆ Trends in Construction Completed



## 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.
Affiliate Total	366.3	385.8	+19.5	+5.3%	33.8	36.5	+2.7	+8.0%
USA	285.0	313.7	+28.8	+10.1%	29.2	32.6	+3.4	+11.8%
Australia	80.6	71.4	-9.2	-11.4%	4.4	4.0	-0.4	-9.5%
others	0.7	0.7	-0.0	-1.4%	0.3	-0.1	-0.3	-
Other, Consolidated Adjustments, etc.	-1.4	-0.8	+0.6	-	-8.0	-8.5	-0.5	-
<b>Total</b>	<b>364.9</b>	<b>385.0</b>	<b>+20.1</b>	<b>+5.5%</b>	<b>25.8</b>	<b>28.0</b>	<b>+2.2</b>	<b>+8.5%</b>

### ● Number of Units Sold by Country

(Unit)

	FY3/19	FY3/20 Forecast	Change	Pct.
USA	7,073	7,920	+847	+12.0%
Australia	2,645	2,300	-345	-13.0%
<b>Total</b>	<b>9,718</b>	<b>10,220</b>	<b>+502</b>	<b>+5.2%</b>

### ● Conversion rate (average during term)

	US\$/JPY	AU\$/JPY	NZ\$/JPY
FY3/19	110.44	82.53	76.43
FY3/20 Forecast	108.00	75.00	71.00

## 7. Investments

### ◆ Capital Expenditures

< \* acquired basis >

(billion yen)

(Consolidated)	FY3/19	FY3/20 Forecast	Change	Pct.
Tangible Fixed Assets	18.3	29.9	+11.6	+63.1%
Intangible Fixed Assets	3.2	5.0	+1.8	+56.4%
Other	0.8	1.9	+1.0	+124.8%
<b>Total</b>	<b>22.3</b>	<b>36.7</b>	<b>+14.4</b>	<b>+64.5%</b>

### ◆ Main investments

Construction of new elderly care facilities	··· 9.3 billion yen
IT investments	··· 5.0 billion yen
Domestic and overseas housing display centers	··· 4.7 billion yen
Production equipment in manufacturing business	··· 3.9 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.**

