

FY 3/2020 Financial Overview and FY 12/2020 Forecast

(Information meeting for fiscal year ended March 31, 2020)



June 1, 2020

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.
- Since FY12/20, in order to change the fiscal term end from March 31 to the December 31, FY12/20 is planned for 9 months from April to December. (YoY change vs. Third quarter of FY 3/20 results)
- For overseas consolidated subsidiaries with a fiscal term ending in December, profits and losses of the first quarter (January to March 2020) will be incorporated as an increase or decrease of retained earnings at the beginning of the term in the consolidated financial statements for the fiscal term ending December 31, 2020.

FY 3/20 Results

FY 3/20 Results

1. Summary

(billion yen)

(Consolidated)	FY3/19	FY3/20	Change	Pct.
Net Sales	1,308.9	1,104.1	-204.8	-15.6%
Gross Profit	232.1	242.7	+10.5	+4.5%
SG&A Expenses	182.9	191.3	+8.4	+4.6%
Operating Income	49.2	51.4	+2.1	+4.3%
Recurring Income	51.4	58.8	+7.4	+14.4%
Net Income	29.2	27.9	-1.3	-4.5%
Recurring Income	54.8	61.4	+6.5	+11.9%

- Net sales: Year-on-year decrease due to switching to use of net amount for recording revenue from timber and building material transactions
- Recurring income: Record-high profits thanks to strong performance in the US housing business
【Impact of COVID-19】
- There is no impact on the results of overseas subsidiaries as their profits and losses until December 2019 was incorporated.
- In custom-built detached housing business, a partial delivery is delayed due to a shortage of Chinese-made housing equipment, housing systems and fixtures, but the impact on business results is minimal due to the application of the percentage-of-completion method to all units from FY 3/20.

FY 3/20 Results

2. Segment Sales and Recurring Income

(billion yen)

(Consolidated)	Net Sales				Recurring Income			
	FY3/19	FY3/20	Change	Pct.	FY3/19	FY3/20	Change	Pct.
Timber and Building Materials	487.1	223.6	-263.5	-54.1%	8.0	6.1	-1.9	-23.6%
Housing and Construction	452.8	474.0	+21.2	+4.7%	21.6	22.6	+1.0	+4.5%
Overseas Housing and Real Estate	364.9	399.4	+34.5	+9.5%	25.8	34.5	+8.7	+33.8%
Environment and Resources	19.5	19.3	-0.3	-1.3%	4.0	3.6	-0.5	-11.5%
Other	22.3	23.4	+1.2	+5.2%	0.1	1.5	+1.4	-
Adjustment	-37.7	-35.6	+2.1	-	-8.1	-9.4	-1.4	-
Total	1,308.9	1,104.1	-204.8	-15.6%	51.4	58.8	+7.4	+14.4%

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

Housing & Construction : Increase in income due to the abundant backlog of orders at the beginning of the period resulting from the surge in demand of consumption tax hike

Overseas Housing and Real Estate : Unit sales up in US housing business, favorable sales of properties developed by Crescent

Environment and Resources : Income down due in part to the sluggish log market in China and the impact of the forest fires in New Zealand last year.

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FY 3/20 Results

3. Domestic Housing Business Orders Received and Sales

(billion yen)

		Orders received				Sales							
		FY3/19	FY3/20	Change	Pct.	FY3/19	FY3/20	Change	Pct.				
Contract business	Custom-built detached houses	343.2	289.3	-53.9	-15.7%	291.9	311.0	+19.1	+6.5%				
	(Units)	(8,513)	(7,726)	(-787)	(-9.2%)	(7,628)	(7,427)	(-201)	(-2.6%)				
	(Unit price(mil. yen))	(35.3)	(34.6)	(-0.7)	-	(38.3)	(39.0)	(+0.7)	-				
	Apartments	20.9	18.3	-2.6	-12.4%	17.8	18.0	+0.1	+0.8%				
	Other contracts	5.2	1.6	-3.6	-68.8%	1.7	3.9	+2.2	+135.8%				
Spec home and development business	Detached spec home					11.9	14.0	+2.1	+17.2%				
	Land for custom-built housing					6.3	7.9	+1.6	+25.9%				
	Existing home renovation					2.0	1.3	-0.7	-33.1%				
	Other					8.3	5.9	-2.5	-29.7%				
									Net Sales Total	339.9	361.9	+22.0	+6.5%
									Profit Ratio	24.2%	23.5%	-0.8p	
									Gross Profit	82.3	84.9	+2.6	+3.2%

*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 were not included.

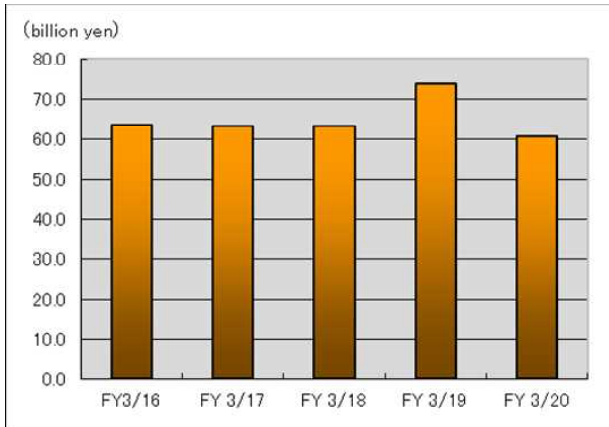
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FY 3/20 Results

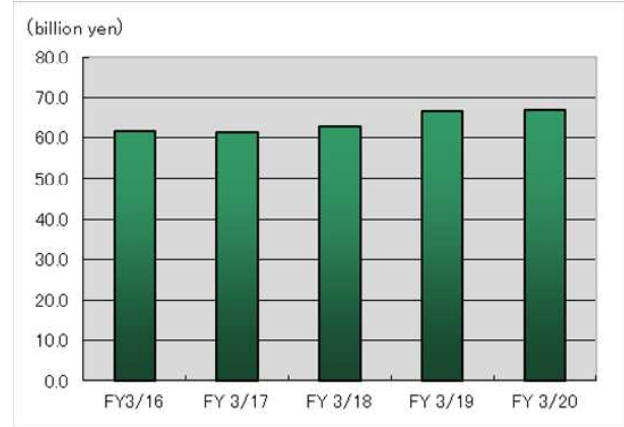
4. Renovation Business Orders Received and Sales

(billion yen)	FY3/19	FY3/20	Change	Pct.
Orders received	73.7	60.7	-13.0	-17.6%
Net Sales	70.3	70.2	-0.1	-0.1%
Construction Completed	66.7	67.0	+0.3	+ .4%
Backlog of Orders Received at Term End	33.7	24.8	-8.9	-26.5%

◆ Trends in Orders Received



◆ Trends in Construction Completed



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FY 3/20 Results

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

(billion yen)

	Net Sales				Recurring Income			
	FY3/19	FY3/20	Change	Pct.	FY3/19	FY3/20	Change	Pct.
Affiliate Total	366.3	401.5	+35.3	+9.6%	33.8	42.9	+9.1	+26.8%
USA	285.0	327.4	+42.4	+14.9%	29.2	38.5	+9.4	+32.1%
Australia	80.6	73.5	-7.1	-8.8%	4.4	4.3	-0.1	-2.1%
others	0.7	0.7	-0.0	-0.5%	0.3	0.1	-0.2	-0.8%
Other, Consolidated Adjustments, etc.	-1.4	-2.2	-0.8	-	-8.0	-8.4	-0.3	-
Total	364.9	399.4	+34.5	+9.5%	25.8	34.5	+8.7	+33.8%

● Number of Units Sold by Country

	FY3/19	FY3/20	Change	Pct.
US	7,073	7,973	+900	+12.7%
Australia	2,645	2,417	-228	-8.6%
Total	9,718	10,390	+672	+6.9%

● Conversion rate (average during term)

	US\$/JPY	AU\$/JPY	NZ\$/JPY
FY3/19	110.44	82.53	76.43
FY3/20	109.01	75.80	71.86

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FY 3/20 Results

6. Investments

(billion yen)

(Consolidated)	FY3/19	FY3/20	Change	Pct.
Tangible Fixed Assets	17.1	32.4	+15.3	+89.9%
Intangible Fixed Assets	3.2	3.5	+0.3	+9.4%
Other	2.1	2.3	+0.2	+8.6%
Total	22.3	38.2	+15.8	+70.8%

◆ Main investments

Construction of new elderly care facilities	··· 8.9 billion yen
US profit earning real estate development	··· 8.4 billion yen
Domestic and overseas housing display centers	··· 5.1 billion yen
IT investments	··· 3.5 billion yen
Production equipment in manufacturing business	··· 2.9 billion yen

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FY 3/20 Results

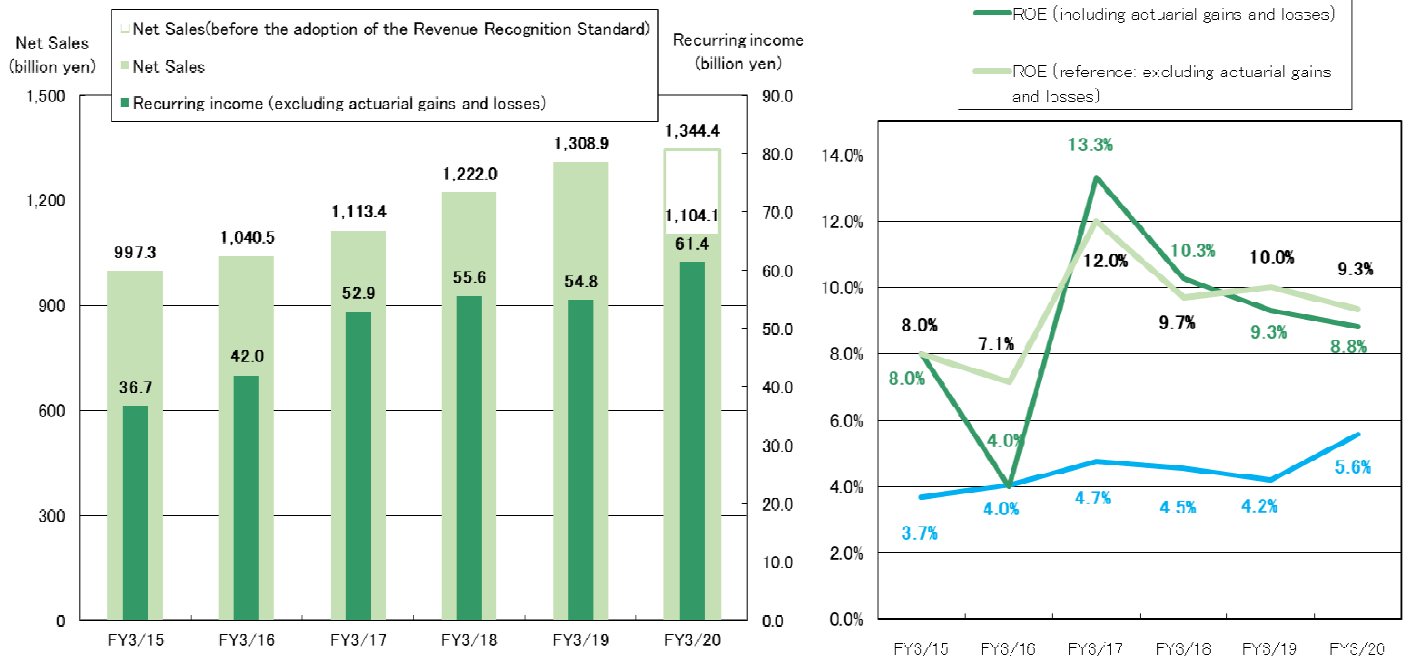
7. Balance Sheet and Cash Flow

				(billion yen)			(billion yen)			
	End of March 2019	End of March 2020	Change		End of March 2019	End of March 2020	Change		FY3/19	FY3/20
Cash, deposits, securities	87.7	96.4	8.7	Payables	194.1	192.5	-1.7	Operating CF	40.7	45.7
Receivables	145.2	157.8	12.6	Short-term debt(Bank loans)	61.5	39.4	-22.1	Investing CF	-71.7	-38.9
Finished goods	30.1	28.4	-1.7	Advances received from customers	52.2	35.2	-17.0	Free CF	-31.0	6.8
Real estate for sale, Real estate for sale in process	237.2	252.1	14.9	Other current liabilities	65.9	95.8	29.9	Financial CF	11.5	1.1
Construction projects in progress	26.9	14.2	-12.8	Long-term debt/bonds issued	182.4	220.6	38.2			
Other receivables	46.0	46.4	0.4	Liability for retirement benefits	19.8	22.6	2.8			
Other current assets	36.7	40.8	4.1	Other long-term liabilities	41.5	41.6	0.1			
Total current assets	609.8	636.1	26.2	Liabilities	617.5	647.7	30.2			
Tangible fixed assets	170.0	179.4	9.4	Shareholders' equity	294.1	307.3	13.2			
Intangible fixed assets	26.6	22.5	-4.1	Accumulated other comprehensive income	24.2	15.2	-9.0			
Investments and other assets	164.6	166.8	2.2	Non-controlling interests	35.2	34.6	-0.6			
Total non-current assets	361.2	368.7	7.6	Net assets	353.5	357.1	3.6			
Total assets	971.0	1,004.8	33.8	Total liabilities/net assets	971.0	1,004.8	33.8			

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FY 3/20 Results

8. Change in Profit and loss, Recurring income to net sales ratio and ROE



* Recurring income excludes actuarial difference.

* ROE (Reference) excluding actuarial difference is calculated using the effective statutory tax rate, and net assets for each period are not adjusted.

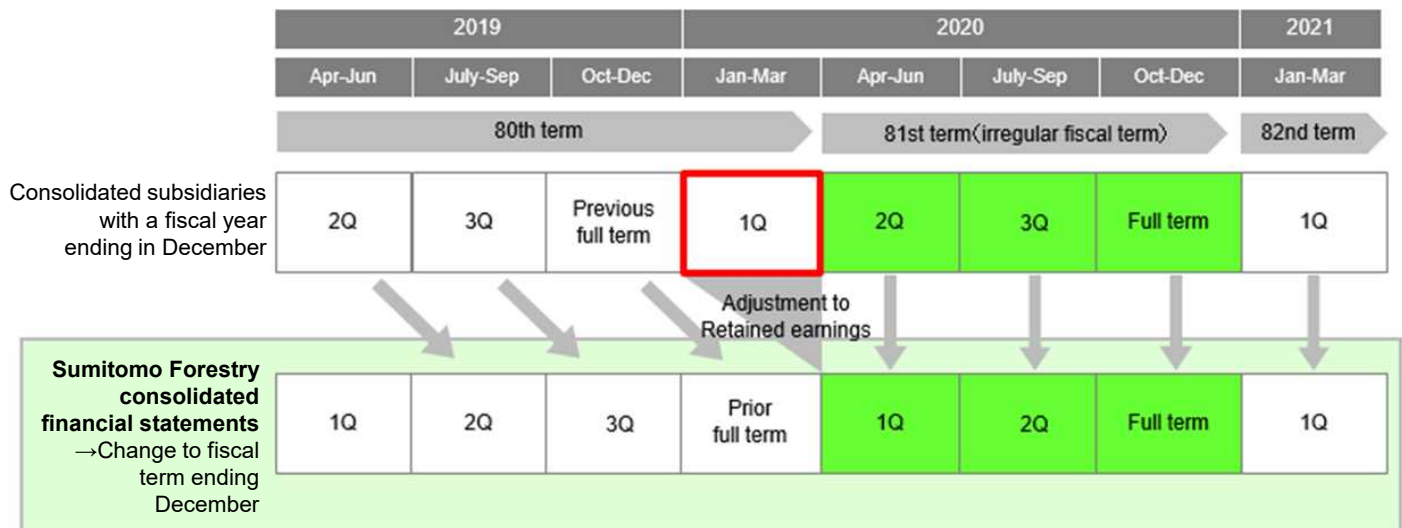
* The sales for FY3/20 are both before and after the adoption of the Revenue Recognition Standard.

FY 12/2020 Forecast

FY 12/20 Forecast

1. Policy on Handling of Consolidated Financial Results for Irregular Fiscal Term

- From this term, Sumitomo Forestry has unified the fiscal year end of our group on December.
⇒FY 12/20 will be the nine months starting on April and ending on December.
- For consolidated subsidiaries with a fiscal term ending in December, profits and losses of the first quarter (January to March 2020) will be incorporated as an increase or decrease of retained earnings at the beginning of the term in the consolidated financial statements for the fiscal term ending December 31, 2020.



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FY 12/20 Forecast

2. Summary

(billion yen)

(Consolidated)	FY3/20 3Q (Already disclosed)	FY12/20 Forecast	Change	Pct.
Net Sales	802.7	744.0	-58.7	-7.3%
Gross Profit	175.4	158.0	-17.4	-9.9%
SG&A Expenses	137.1	145.0	+7.9	+5.7%
Operating Income	38.3	13.0	-25.3	-66.0%
Recurring Income	43.1	15.0	-28.1	-65.2%
Net Income	22.6	3.5	-19.1	-84.5%

- The COVID-19 situation will gradually come under control by the end of the year, but recurring income is expected to decrease significantly.
- The impact on business results is expected to be prolonged due to a significant decline in domestic detached house and renovation orders received.

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FY 12/20 Forecast

3. Segment Sales and Recurring Income

(billion yen)

(Consolidated)	Net Sales				Recurring Income			
	FY3/20 3Q (Already disclosed)	FY12/20 Forecast	Change	Pct.	FY3/20 3Q (Already disclosed)	FY12/20 Forecast	Change	Pct.
Timber and Building Materials	173.6	152.0	-21.6	-12.4%	5.1	1.5	-3.6	-70.9%
Housing and Construction	344.8	316.0	-28.8	-8.3%	15.7	1.0	-14.7	-93.6%
Overseas Housing and Real Estate	280.2	274.0	-6.2	-2.2%	22.9	21.5	-1.4	-6.2%
Environment and Resources	13.5	14.0	+0.5	+3.9%	2.4	1.5	-0.9	-38.5%
Other	17.3	19.0	+1.7	+9.8%	0.7	-0.1	-0.8	-
Adjustment	-26.6	-31.0	-4.4	-	-3.9	-10.4	-6.5	-
Total	802.7	744.0	-58.7	-7.3%	43.1	15.0	-28.1	-65.2%

Timber and Building Materials : Housing starts trend impacted. Sales sluggish through second half. Operations temporarily suspended on production lines in overseas manufacturing business.

Housing and Construction : Number of orders received and completed construction decrease significantly due to restrictions on sales activities during the period of the declaration of a state of emergency and delays in construction starts.

Overseas Housing and Real Estate : Number of contracts down due to restrictions on sales activities. Review of the timing of the sale of properties developed by Crescent.

Environment and Resources : Decline operating ratio due to inspections and repairs of wood biomass power generation businesses.

Adjustments : Provision for bonuses at the end of the fiscal year increased due to the adjustment of bonuses in line with the change in the fiscal year-end.

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FY 12/20 Forecast

4. Domestic Housing Business Orders Received and Sales

(billion yen)

		Orders received				Sales			
		FY3/20 3Q	FY12/20 Forecast	Change	Pct.	FY3/20 3Q	FY12/20 Forecast	Change	Pct.
Contract business	Custom-built detached houses	205.7	148.0	-57.7	-28.0%	228.3	210.0	-18.3	-8.0%
	(Units)	(5,507)	(3,800)	(-1,707)	(-31.0%)	(5,089)	(5,200)	(+111)	(+2.2%)
	(Unit price (mil. yen))	(34.6)	(34.4)	(-0.2)	-	(38.9)	(39.6)	(+0.8)	-
	Apartments	11.8	8.0	-3.8	-32.2%	11.8	13.0	+1.2	+10.1%
	Other contracts	1.1	2.5	+1.4	+125.5%	2.4	1.5	-0.9	-38.2%
Spec home and development business	Detached spec home					8.7	11.5	+2.8	+32.4%
	Land for custom-built housing					4.7	5.5	+0.8	+17.8%
	Existing home renovation					1.0	0.7	-0.3	-31.7%
	Other					4.4	3.8	-0.6	-13.2%
Net Sales Total		261.3	246.0	-15.3	-5.8%				
Profit Ratio		23.5%	23.2%	-0.3p					
Gross Profit		61.4	57.0	-4.4	-7.2%				

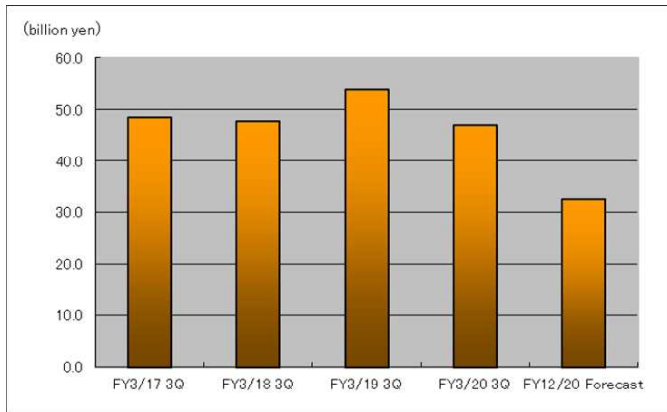
*Calculated from orders received at time of contract signing for units ordered this period. Orders received for additional construction are not included.

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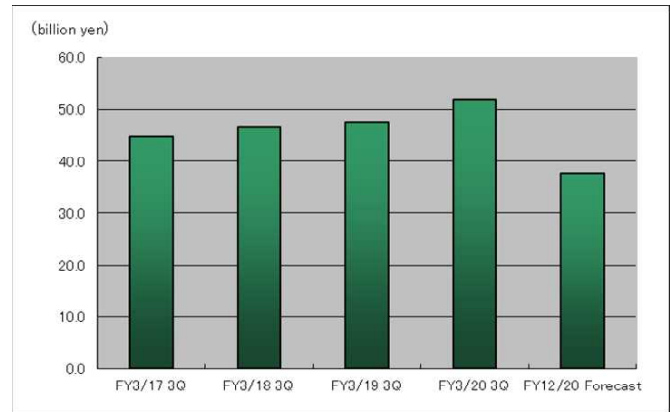
5. Renovation Business Orders Received and Sales

(billion yen)	FY3/20 3Q	FY12/20 Forecast	Change	Pct.
Orders received	46.9	32.5	-14.4	-30.7%
Net Sales	54.4	39.8	-14.6	-26.8%
Construction Completed	52.0	37.7	-14.3	-27.5%
Backlog of Orders Received at Term End	28.6	19.6	-9.1	-31.6%

◆ Trends in Orders Received



◆ Trends in Construction Completed



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

	Net Sales				Recurring Income			
	FY3/20 3Q	FY12/20 Forecast	Change	Pct.	FY3/20 3Q	FY12/20 Forecast	Change	Pct.
Affiliate Total	281.8	274.5	-7.3	-2.6%	29.4	24.3	-5.1	-17.4%
USA	228.7	222.4	-6.3	-2.8%	26.7	22.8	-3.9	-14.5%
Australia	52.5	51.7	-0.8	-1.5%	2.7	1.1	-1.5	-57.0%
others	0.5	0.4	-0.2	-31.2%	0.0	0.3	+0.3	+730.7%
Other, Consolidated Adjustments, etc.	-1.5	-0.5	+1.1	-	-6.4	-2.8	+3.7	-
Total	280.2	274.0	-6.2	-2.2%	22.9	21.5	-1.4	-6.2%

● Number of Units Sold by Country

	Jan-Dec 2019	FY12/20 Forecast	Change	Pct.	Apr-Dec 2019	Apr-Dec 2020 Forecast	Change	Pct.
US	7,973	7,550	-423	-5.3%	6,499	5,900	-599	-9.2%
Australia	2,417	2,500	+83	+3.4%	1,907	1,950	+43	+2.3%
Total	10,390	10,050	-340	-3.3%	8,406	7,850	-556	-6.6%

● Conversion rate (average during term)

	US\$/JPY	AU\$/JPY	NZ\$/JPY
FY3/20 3Q	109.12	76.31	72.47
FY12/20 Forecast	105.00	71.00	67.00

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7. Investments

(billion yen)

(Consolidated)	FY3/20	FY12/20 Forecast	Change	Pct.
Tangible Fixed Assets	32.4	23.5	-8.9	△27.5%
Intangible Fixed Asstes	3.5	3.9	+0.5	+13.4%
Other	2.3	2.3	+0.1	+2.4%
Total	38.2	29.8	-8.4	△22.0%

◆ Main investments

US profit earning real estate development	··· 8.0 billion yen
Production equipment in manufacturing business	··· 4.1 billion yen
IT investments	··· 3.9 billion yen
Domestic and overseas housing display centers	··· 3.4 billion yen

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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.

