

# Financial Results for the Second Quarter of FY Ending March, 2018

# Business Policy and Future Initiatives

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Promotion of strategies  
that anticipate changes in  
social environment

# Sumitomo Forestry Group 2018 Medium-Term Management Plan

Development of diverse  
revenue streams in  
global market

Reform of timber asset  
value

Development  
of business  
structure and  
model

Management  
based on  
human  
resources  
strategy

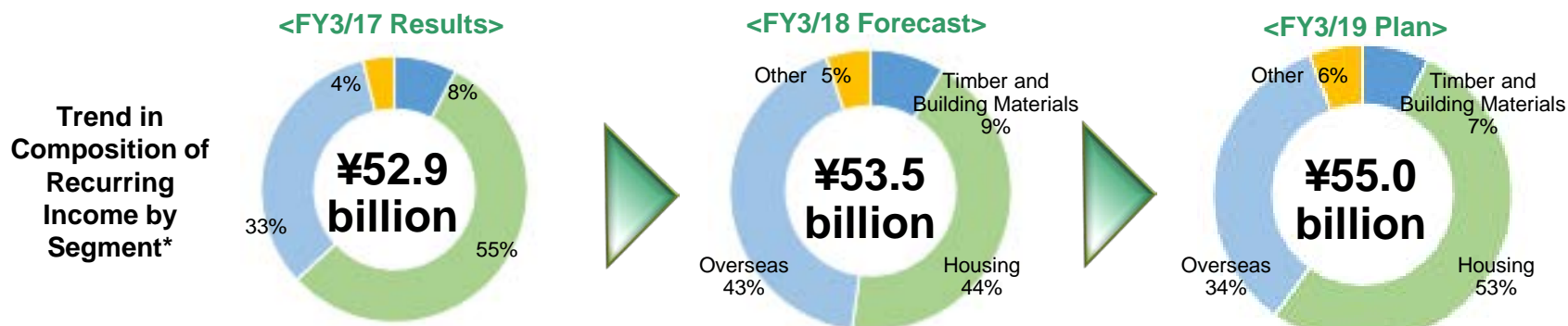
Reform of  
corporate  
culture

# Progress on Medium-Term Management Plan

Billion yen

(Consolidated)	FY3/17 Results	FY3/18 Forecast	FY3/19 Plan
<b>Net sales</b>	<b>1,113.4</b>	<b>1,220.0</b>	<b>1,170.0</b>
Timber and Building Materials	424.4	436.0	420.0
Housing	466.3	459.0	485.0
Overseas	247.9	348.0	294.0
Other	23.0	37.0	39.8
Adjustment	-48.2	-60.0	-68.8
<b>Recurring income</b>	<b>52.9</b> (57.8)	<b>53.5</b> (-)	<b>55.0</b> (-)
Timber and Building Materials	4.5	5.0	4.5
Housing	32.3	25.5	33.0
Overseas	19.3	25.0	21.4
Other	2.2	3.0	3.6
Adjustment	-5.5 (-0.5)	-5.0 (-)	-7.5 (-)

\*FY3/17 recurring income excludes actuarial differences. Parenthesis are as reported in financial statements.

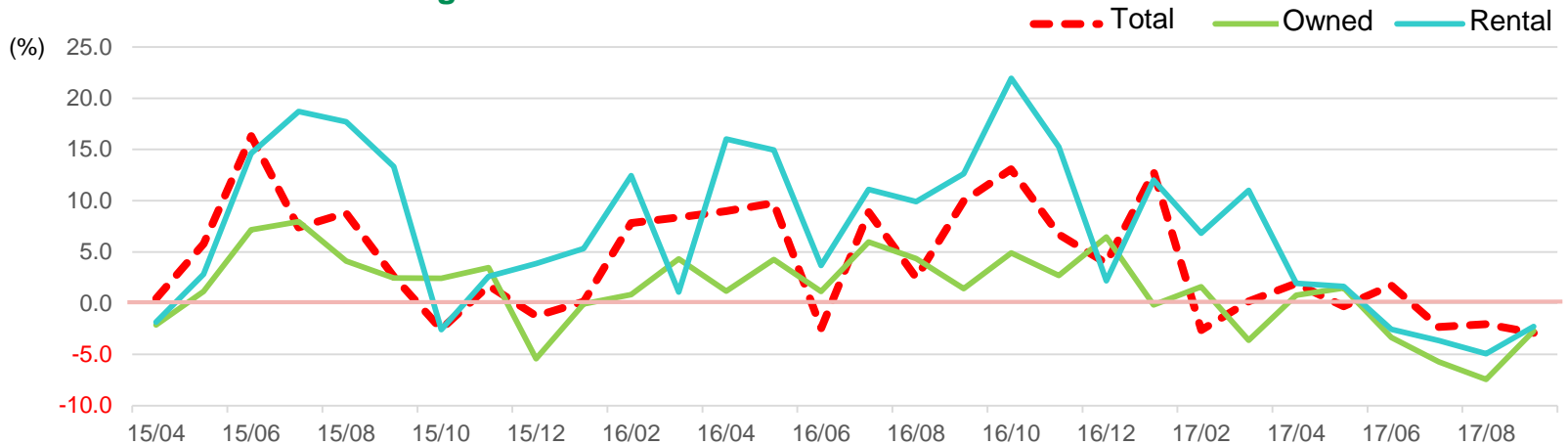


\*Ratios in pie charts calculated using recurring income by business segment (consolidated recurring income - adjustments) (without actuarial differences)

## <Trend in Number of New Housing Starts>

(Units: Thousands of houses, %)	Total		Owned		Rental		Spec homes		Condominiums		Detached homes	
		YoY		YoY		YoY		YoY		YoY		YoY
	<b>FY2015</b>	<b>921</b>	<b>4.6</b>	<b>284</b>	<b>2.2</b>	<b>384</b>	<b>7.1</b>	<b>247</b>	<b>4.5</b>	<b>118</b>	<b>7.5</b>	<b>126</b>
<b>FY2016</b>	<b>974</b>	<b>5.8</b>	<b>292</b>	<b>2.6</b>	<b>427</b>	<b>11.4</b>	<b>249</b>	<b>1.1</b>	<b>112</b>	<b>-5.1</b>	<b>135</b>	<b>6.7</b>
April 2017	84	1.9	24	0.8	36	1.9	24	2.9	12	1.3	12	5.2
May 2017	78	-0.3	24	1.5	33	1.6	21	-3.9	10	-12.6	11	4.5
June 2017	87	1.7	26	-3.4	36	-2.6	25	15.5	13	27.1	12	4.8
July 2017	83	-2.3	25	-5.7	36	-3.7	21	5.7	9	15.2	12	-1.3
August 2017	81	-2.0	24	-7.4	35	-4.9	21	12.0	9	33.7	11	0.8
September 2017	83	-2.9	25	-2.7	38	-2.3	20	-5.3	9	-9.2	11	-2.2
<b>1H FY2017</b>	<b>497</b>	<b>-0.7</b>	<b>148</b>	<b>-3.0</b>	<b>214</b>	<b>-1.7</b>	<b>132</b>	<b>4.3</b>	<b>62</b>	<b>7.2</b>	<b>69</b>	<b>1.9</b>

## <YoY Trend in New Housing Starts>





## <Japan>

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### <Short-term business environment>

Mild positive growth continued against a backdrop of a weakening yen and higher stock prices, but the domestic housing market remained stagnant with three consecutive months of negative growth in the total number of new housing starts, including September.

### <Medium- to long-term business environment>

With the progression of the declining birthrate and aging society, a new market will be born for a mature society.

## <Overseas>

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### <Short-term business environment>

The global economy is showing an overall recovery, but the outlook for the future remains uncertain, including political situations in each country. The housing market is strong in the United States against a backdrop of a robust economic environment and high consumer spending.

### <Medium- to long-term business environment>

The middle class will rise, particularly in emerging countries, and changes unique to a growth market will be brought about.

住友林業の共働き家族の家

# DUE CLASSO

ドゥーエ・クラッソ

Housing proposals according to lifestyle, including dual income households



## 邸宅設計

Quality housing full of luxury



Selection of ceiling heights and open entryways/large spaces

- Strengths such as proposal and design capabilities
- Land measures (strengthen relationships with partner real estate companies, etc.)

1H orders increased YoY in terms of number of houses as a result of strengthening approach toward first-time buyers, etc.





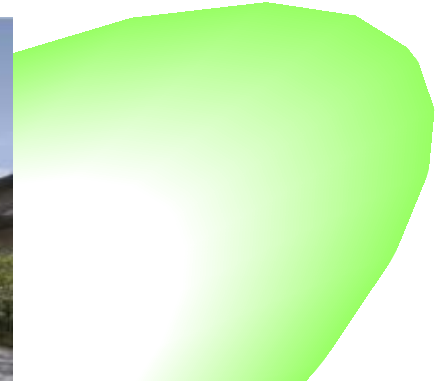
## “Forest Selection BF”

- Abundant plans cultivated through unrestricted design
- Popular specs and furnishings

Introducing “Forest Selection BF” product proposals fully equipped with high quality.







### “Forest Selection BF”

- 1,000 original plans available utilizing our experience with design up to now
- Can provide proposals to busy customers with limited time

Work to expand orders using new proposal methods.

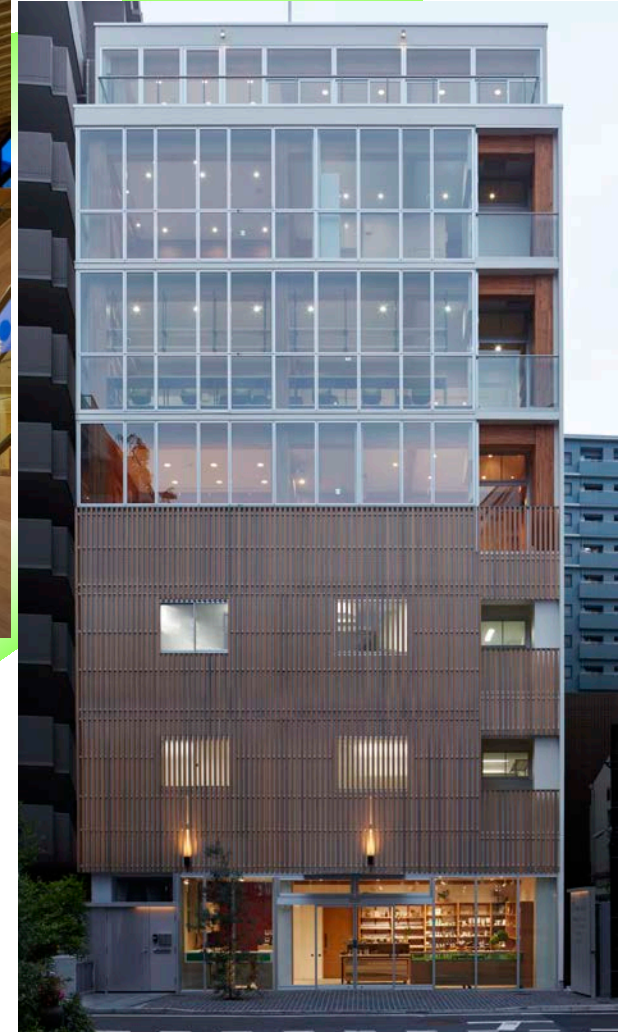




**Senri Rehabilitation Hospital Annex**  
Rehabilitation facility fully utilizing the healing power of wood

[Images provided by Kai Kanno, Nacasa & Partners]

Enhance design/construction/  
supervision system and continue to  
develop it as a new profit-making  
business.



**Kokubunji Flavor Life Head Office Building**  
seven-story building with a steel frame  
coated in fire-proofed timber





Luxury condominium development in Bangkok

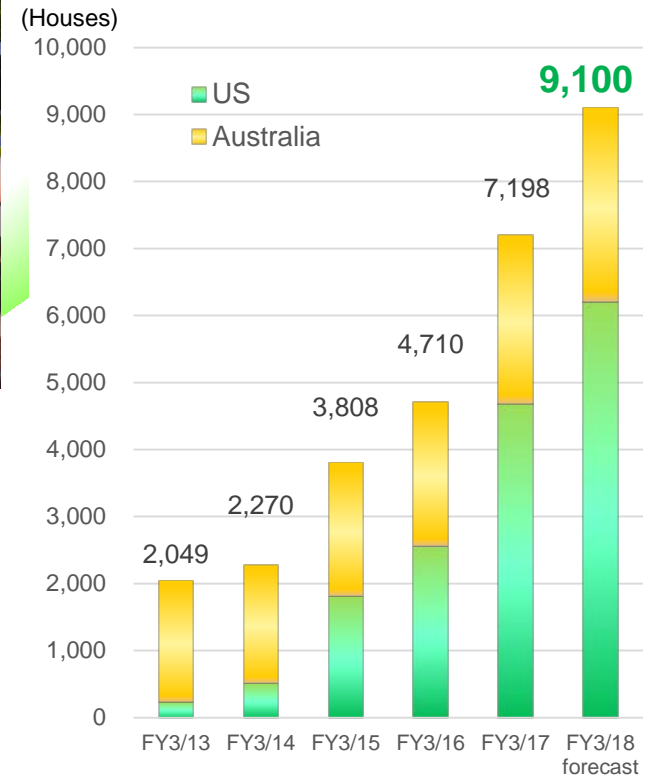


Spec homes in Jakarta suburb



Apartment development in North Carolina

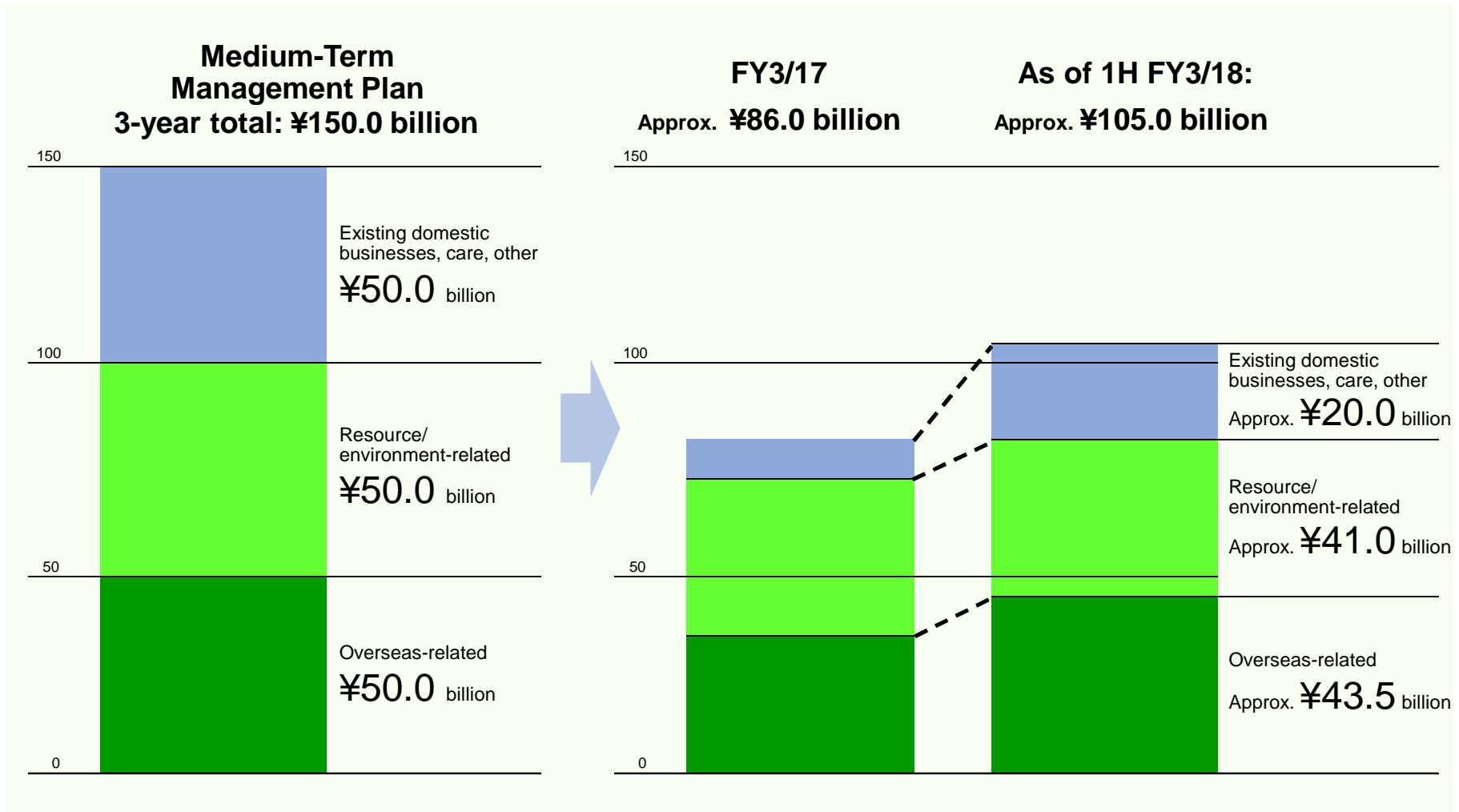
### <Overseas housing business – Trend in number of houses sold by country>



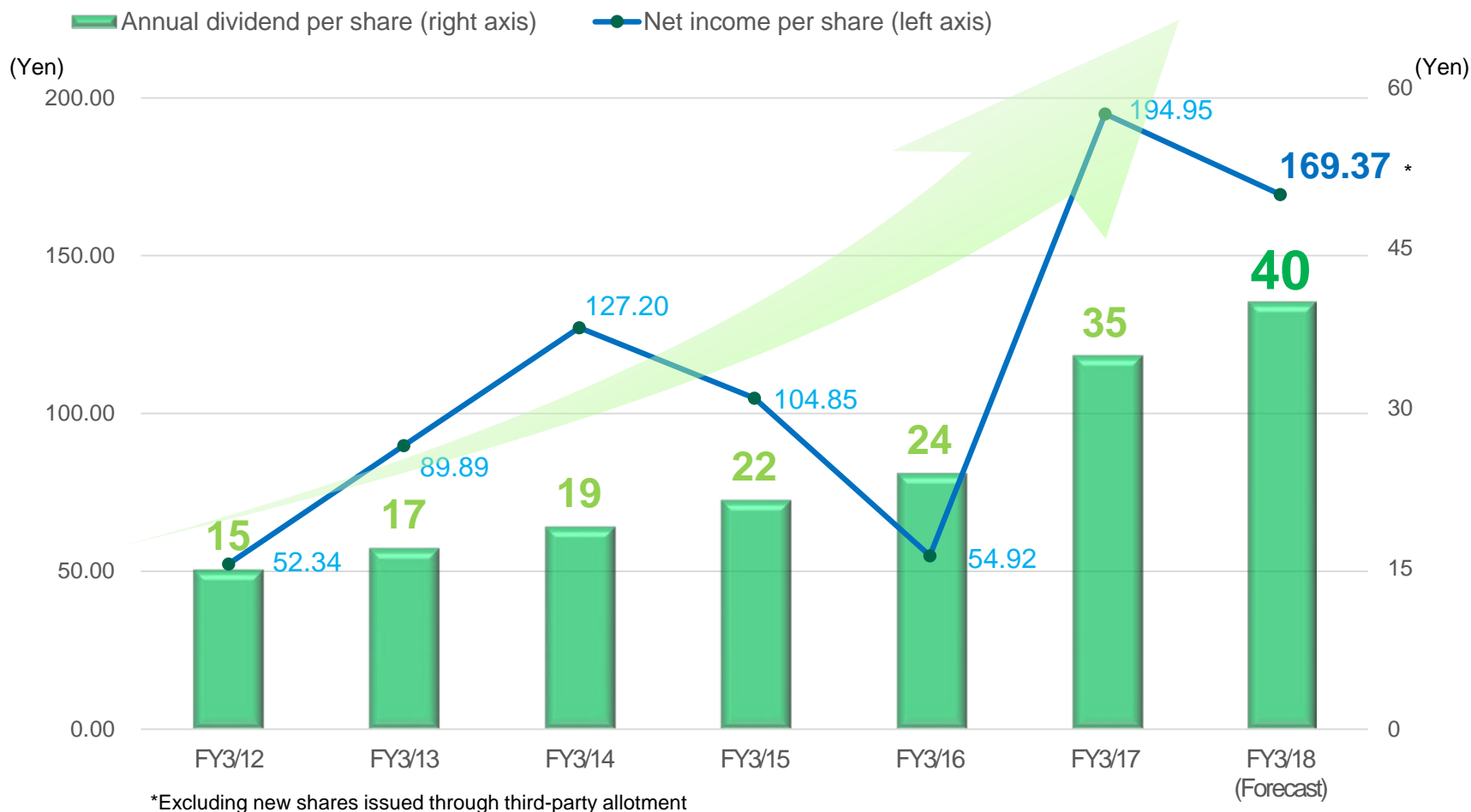
Launch apartment and real estate businesses in United States and Thailand and detached housing business in Indonesia.  
 Accelerate expansion of overseas housing and real estate business.







Continue investment to develop structure for sustainable growth.  
Steadily tie investments made into improving future profitability.



Basic policy is for constant and stable dividends.  
 Annual dividend for this year to be 40 yen as initially planned,  
 which will be 6 consecutive terms of increased dividends



**KUMAGAI GUMI**

Aim to establish a unique industry position that goes beyond existing industry frameworks, create new markets and increase earnings opportunities.



## (1) MOCCA (timber solutions)/greening-related construction business

- Establish position in new market of large and medium-sized wooden buildings through collaboration.

## (2) Renewable energy business

- Leverage strengths of both companies to proceed with multiple power generation projects in stages.



Gymnasium at Miyanomori Elementary School in Higashimatsushima



Exterior greening at Mitsui Sumitomo Insurance Surugadai Building



Mombetsu biomass power generation



## (3) Overseas business

- Promote a global strategy in the housing, construction and urban development fields in various countries and regions—mainly in the United States, Australia, and Southeast Asia.

## (4) Peripheral businesses

- Healthcare-related
- Utilize timber and building materials distribution network

## (5) Joint R&D

- Develop new construction methods and materials

### Synergy targets\*

Net sales basis:                      Approx. ¥150.0 billion  
Operating income basis:          Approx. ¥10.0 billion

\*Simple totals of effect at each company in medium to long term

Happiness Grows from Trees

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**SUMITOMO FORESTRY**

Thank you for listening.