

Happiness Grows from Trees



SUMITOMO FORESTRY

Financial Results for the First Quarter of FY Ending March 2019

July 31, 2018 Sumitomo Forestry Co., Ltd.

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1Q FY3/19 Results

Summary of Financial Results

- Revenues up owing to strong performance by Overseas Housing and Real Estate and Timber and Building materials businesses. Operating and recurring losses shrank.
- Decrease in net income was from impact of recording gain on step acquisitions of ¥6.5 billion associated with making Bloomfield (US) consolidated subsidiary in previous year as extraordinary gain.

(Billion yen)	1Q FY3/18		1Q FY3/19		Change	Pct.
	Profit ratio	Amounts	Profit ratio	Amounts		
Net sales		228.7		249.3	+20.6	+9.0%
Gross profit	15.2%	34.8	15.4%	38.3	+3.6	+10.2%
SG&A expenses		40.6		42.2	+1.6	+4.0%
Operating income	-2.5%	-5.8	-1.6%	-3.9	+1.9	—
Recurring income	-1.9%	-4.3	-1.1%	-2.7	+1.6	—
Profit for the year attributable to owners of the parent	1.0%	2.4	-1.4%	-3.5	-5.9	—

1Q FY3/19 Results

Summary of Financial Results by Segment

- Timber and Building Materials: Revenues and earnings up owing to overall steady sales, including imported plywood.
- Housing and Construction: Overall revenues were down due to sluggishness in spec homes, etc., despite solid performance by custom-built detached houses. Recurring loss increased due to increase in material costs and increase in expenses such as at display centers for acquiring orders.
- Overseas Housing and Real Estate: Revenues and earnings up owing to strong sales in US and effect of including Bloomfield in consolidated results.
- Other: Revenues up due to launch of Hachinohe biomass operations, but income down YoY.

(Billion yen)		1Q FY3/18	1Q FY3/19	Change	Pct.		
Net sales	Timber and Building Materials	111.8	116.9	+5.1	+4.6%		
	Housing and Construction	63.4	63.1	-0.3	-0.4%		
	Inc. Renovation	12.5	12.3	-0.2	-1.6%		
	Overseas Housing and Real Estate	53.2	68.2	+15.0	+28.3%		
	Other	8.1	9.3	+1.2	+14.4%		
	Adjustment	-7.8	-8.3	-0.5	—		
	Total	228.7	249.3	+20.6	+9.0%		
Recurring income	Timber and Building Materials	1.4%	1.6	1.5%	1.8	+0.2	+15.0%
	Housing and Construction	-12.6%	-8.0	-13.9%	-8.8	-0.8	—
	Inc. Renovation	-4.7%	-0.6	-6.3%	-0.8	-0.2	—
	Overseas Housing and Real Estate	4.8%	2.6	7.2%	4.9	+2.4	+91.6%
	Other	7.7%	0.6	4.0%	0.4	-0.3	-41.1%
	Adjustment		-1.1		-1.0	+0.1	—
	Total	-1.9%	-4.3	-1.1%	-2.7	+1.6	—

* FY3/18 profit and loss in Timber and Building Materials, Overseas Housing and Real Estate and Adjustment segments have been recalculated in line with the reorganization.

1Q FY3/19 Results

Housing and Construction Business Sales Results (Non-consolidated)

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- Unit selling price for custom-built detached houses down, but number sold up, resulting in strong net sales.
- Both amount and number of units down YoY for apartments.

		(Billion yen)	1Q FY3/18	1Q FY3/19	Change	Pct.
Contract business	Custom-built detached houses	(Amounts)	34.3	35.9	+1.6	+4.7%
		(Units)	(816)	(865)	(+49)	(+6.0%)
		Million yen (Unit price)	(42.0)	(41.4)	(-0.5)	–
	Apartments	(Amounts)	1.9	1.6	-0.4	-19.9%
		(Units)	(87)	(68)	(-19)	(-21.8%)
	Other contracts	(Amounts)	0.4	0.2	-0.3	-62.6%
Spec homes		(Amounts)	2.0	1.5	-0.5	-26.2%
		(Units)	(51)	(33)	(-18)	(-35.3%)
		Million yen (Unit price)	(39.6)	(45.2)	(+5.6)	–
Land for custom-built housing	(Amounts)	0.8	0.6	-0.2	-21.5%	
Existing home renovation (Resale of renovated homes)	(Amounts)	0.7	0.3	-0.4	-58.6%	
Other	(Amounts)	1.4	1.4	-0.1	-5.0%	
Total	(Amounts)	41.6	41.3	-0.2	-0.6%	
Gross profit ratio	(%)	(22.8%)	(22.7%)	(-0.1%)	–	
Gross profit	(Amounts)	9.5	9.4	-0.1	-1.1%	

1Q FY3/19 Results

Overseas Housing and Real Estate Business

- Number of units sold down YoY in Australia but up overall owing to strong sales in US.
- Revenues and earnings up owing to inclusion of Bloomfield, made a consolidated subsidiary in previous year, in results from beginning of year.

(Billion yen)	Net sales				Recurring income			
	1Q FY3/18	1Q FY3/19	Change	Pct.	1Q FY3/18	1Q FY3/19	Change	Pct.
Housing and Real Estate	53.3	68.3	+15.0	+28.2%	4.6	6.7	+2.1	+45.2%
Other, Consolidated Adjustments, etc.	-0.1	-0.1	+0.0	—	-2.1	-1.8	+0.3	—
Total	53.2	68.2	+15.0	+28.3%	2.6	4.9	+2.4	+91.6%

● Number of Units Sold by Country

	1Q FY3/18	1Q FY3/19	Change	Pct.
US	1,191	1,465	+274	+23.0%
Australia	632	559	-73	-11.6%
Total	1,823	2,024	+201	+11.0%

FY3/19 Forecast

Summary of Earnings Forecast for the Full Year

- Initial forecast for full year left as-is for net sales of ¥1.31 trillion and recurring income of ¥57.5 billion.
- Effect of actuarial gains and losses not included in forecast figures.

(Billion yen)	FY3/18	FY3/19 Forecast	Change	Pct.
Net sales	1,222.0	1,310.0	+88.0	+7.2%
Gross profit	219.3	231.5	+12.2	+5.6%
SG&A expenses	166.3	177.0	+10.7	+6.4%
Operating income	53.0	54.5	+1.5	+2.8%
Recurring income	57.9	57.5	-0.4	-0.6%
Net income attributable to owners of parent	30.1	31.5	+1.4	+4.5%

*Without actuarial differences

SG&A expenses	168.6	177.0	+8.4	+5.0%
Recurring income	55.6	57.5	+1.9	+3.5%

FY3/19 Forecast

Earnings Forecast by Segment for Full Year

- Timber and Building Materials: Sales of imports to remain strong.
- Housing and Construction: Aim will be to achieve full year targets by meeting diverse needs of customers and improving profitability.
- Overseas Housing and Real Estate: Earnings to be strong, driven by steady sales in US.
- Other: Revenues and earnings to be up owing to contribution of biomass power generation business to results.

		(Billion yen)		FY3/18	FY3/19 Forecast	Change	Pct.			
Net sales	Timber and Building Materials			465.2	485.5	+20.3	+4.4%			
	Housing and Construction			449.2	471.0	+21.8	+4.9%			
		Inc. Renovation			66.3	71.0	+4.8	+7.1%		
	Overseas Housing and Real Estate			306.0	348.5	+42.5	+13.9%			
	Other			37.0	42.5	+5.5	+14.8%			
	Adjustment			-35.4	-37.5	-2.1	-			
	Total			1,222.0	1,310.0	+88.0	+7.2%			
Recurring income	Timber and Building Materials			1.8%	8.6	1.9%	9.0	+0.4	+4.9%	
	Housing and Construction			5.6%	24.9	5.3%	25.0	+0.1	+0.2%	
		Inc. Renovation			4.4%	2.9	5.2%	3.7	+0.8	+27.3%
	Overseas Housing and Real Estate			7.7%	23.5	6.9%	24.0	+0.5	+2.2%	
	Other			13.3%	4.9	12.9%	5.5	+0.6	+11.5%	
	Adjustment				-4.1	-6.0	-1.9	-		
	Total			4.7%	57.9	4.4%	57.5	-0.4	-0.6%	

* FY3/18 profit and loss in Timber and Building Materials, Overseas Housing and Real Estate and Adjustment segments have been recalculated in line with the reorganization.

FY3/19 Full Year Forecast

Housing and Construction Business Sales Forecast (Non-consolidated) ⁸

- Unit selling prices for custom-built detached houses were down YoY in 1Q, but number of units was up, so full year forecast left as-is.
- Aim for apartments will be to achieve full year plan, turning things around starting in 2Q.

		(Billion yen)	FY3/18	FY3/19 Forecast	Change	Pct.
Contract business	Custom-built detached houses (Amounts)		288.6	300.0	+11.4	+4.0%
	(Units)		(7,556)	(7,700)	(+144)	(+1.9%)
	Million yen (Unit price)		(38.2)	(38.9)	(+0.7)	–
	Apartments (Amounts)		20.1	21.5	+1.4	+6.9%
	(Units)		(1,353)	(1,240)	(-113)	(-8.4%)
	Other contracts (Amounts)		3.0	3.8	+0.8	+27.0%
Spec homes	(Amounts)		12.4	14.0	+1.6	+13.3%
	(Units)		(308)	(300)	(-8)	(-2.6%)
	Million yen (Unit price)		(40.1)	(46.7)	(+6.5)	–
Land for custom-built housing	(Amounts)		6.7	7.1	+0.4	+6.2%
Existing home renovation (Resale of renovated homes)	(Amounts)		3.1	2.0	-1.1	-35.4%
Other	(Amounts)		7.6	7.6	-0.0	-0.4%
Total	(Amounts)		341.5	356.0	+14.5	+4.3%
Gross profit ratio	(%)		(24.6%)	(24.2%)	(-0.5%)	–
Gross profit	(Amounts)		84.0	86.0	+2.0	+2.3%

FY3/19 Full Year Forecast

Overseas Housing and Real Estate Business

- Caution required for sales in Australia and rising land prices in US, but based on current situation, forecast is for strong sales.
- Crescent (US) acquired in July. To be included on BS at end of 2Q and P/L at beginning of 3Q.

(Billion yen)	Net sales				Recurring income			
	FY3/18	FY3/19 Forecast	Change	Pct.	FY3/18	FY3/19 Forecast	Change	Pct.
Housing and Real Estate	306.7	348.8	+42.1	+13.7%	33.4	32.5	-0.9	-2.6%
Other, Consolidated Adjustments, etc.	-0.8	-0.3	+0.5	—	-9.9	-8.5	+1.4	—
Total	306.0	348.5	+42.5	+13.9%	23.5	24.0	+0.5	+2.2%



● Number of Units Sold by Country

	FY3/18	FY3/19 Forecast	Change	Pct.
US	6,380	7,000	+620	+9.7%
Australia	2,843	2,850	+7	+0.2%
Total	9,223	9,850	+627	+6.8%

Orders Received and Full Year Forecast

- Both amount and number of custom-built detached houses to be up YoY.
- Orders received to increase in broad price range owing to success of measures implemented.
- Aim will be to achieve overall targets of plan for renovations by including earthquake resistance renovations for large properties in focus.

	(Billion yen)	1Q FY3/18	1Q FY3/19	Change	Pct.	FY3/18 Actual	FY3/19 Forecast	Change	Pct.
Custom-built detached houses	(Amounts)	70.9	73.7	+2.8	+4.0%	290.3	299.0	+8.7	+3.0%
	(Units)	(1,818)	(1,894)	(+76)	(+4.2%)	(7,608)	(7,900)	(+292)	(+3.8%)
	Million yen (Unit price)	(33.8)	(33.9)	(+0.1)	—	(33.6)	(33.7)	(+0.1)	—
Apartments	(Amounts)	4.5	4.3	-0.2	-4.9%	17.2	23.6	+6.4	+37.2%
	(Units)	(282)	(264)	(-18)	-6.4%	(948)	(1,320)	(+372)	(+39.2%)
Existing home renovation (Resale of renovated homes)	(Amounts)	15.6	16.4	+0.8	+5.1%	63.3	74.5	+11.2	+17.7%
Other contracts	(Amounts)	1.0	0.7	-0.4	-36.5%	1.7	8.0	+6.3	+366.6%

Balance Sheet

- Payment of construction costs for construction delivered in 4Q of previous year resulted in decrease in cash and deposits and accounts payable.
- Developed land and housing for sale and real estate for sale in process increased against backdrop of expansion of overseas housing and real estate business.

(Billion yen)	FY3/18	1Q FY3/19	Change	(Billion yen)	FY3/18	1Q FY3/19	Change
Cash, deposit, securities	110.9	96.5	-14.4	Payables	181.9	155.1	-26.7
Receivables	135.6	134.5	-1.2	Short-term debt (Bank loans)	40.5	50.0	+9.6
Finished goods	26.5	28.9	+2.4	Short-term debt (Bonds)	20.0	20.0	+0.0
Construction projects in progress	25.3	43.7	+18.4	Advances received from customers	50.2	66.9	+16.7
Real estate for sale	55.8	61.2	+5.4	Other current liabilities	63.5	71.6	+8.1
Real estate for sale in process	138.5	140.7	+2.2	Long-term debt/bonds issues	134.4	153.1	+18.7
Other receivables	41.7	31.3	-10.4	Liability for retirement benefits	16.7	16.6	-0.2
Other current assets	31.3	37.8	+6.5	Other long-term liabilities	46.3	42.6	-3.7
Total current assets	565.6	574.6	+9.0	Total liabilities	553.5	575.9	+22.5
Tangible fixed assets	153.1	149.9	-3.2	Shareholders' equity	273.5	266.4	-7.2
Intangible fixed assets	29.1	28.5	-0.6	Accumulated other comprehensive income	38.1	30.1	-8.0
Investments and other assets	151.4	152.0	+0.6	Non-controlling interests	34.0	32.5	-1.5
Total non-current assets	333.5	330.4	-3.1	Total net assets	345.6	329.1	-16.6
Total assets	899.1	905.0	+5.9	Total liabilities/net assets	899.1	905.0	+5.9



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Note: 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.