

Happiness Grows from Trees



FY3/2020 Financial Results – First Quarter Financial Results and Full Year Forecast –



July 30, 2019

Notes

- 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.

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FY3/2020 First Quarter Results



FY3/20 First Quarter Results

1. Summary ◇ See p. 2 of Fact Book

- The effect of applying the Accounting Standard for Revenue Recognition early was that net sales decreased, while operating income and recurring income increased substantially. This resulted in the first profitable first quarter.

(billion yen)

(Consolidated)	FY3/19 1Q	FY3/20 1Q	Change	Pct.
Net Sales	249.3	235.0	-14.3	-5.7%
Gross Profit	38.3	49.5	+11.2	+29.2%
SG&A Expenses	42.2	45.0	+2.8	+6.7%
Operating Income	-3.9	4.5	+8.4	-
Recurring Income	-2.7	5.0	+7.7	-
Net Income	-3.5	0.6	+4.1	-

FY3/20 First Quarter Results

2. Segment Sales and Recurring Income

◇ See p. 2 of Fact Book

(billion yen)

(Consolidated)	Net Sales				Recurring Income				(Reference) Before Application of Accounting Standard for Revenue Recognition FY 3/20 1Q					
	FY3/19 1Q	FY3/20 1Q	Change	Pct.	FY3/19 1Q	FY3/20 1Q	Change	Pct.	Net Sales	Change	Pct.	Recurring Income	Change	Pct.
Timber and Building Materials	116.9	57.5	-59.4	-50.8%	1.8	0.9	-0.9	-48.8%	118.5	+1.6	+1.3%	0.9	-0.9	-48.8%
Housing and Construction	63.1	98.3	+35.1	+55.6%	-8.8	0.4	+9.2	-	63.1	-0.1	-0.1%	-8.8	+0.0	-
Overseas Housing and Real Estate	68.2	78.0	+9.8	+14.3%	4.9	3.9	-1.0	-20.6%	78.0	+9.8	+14.3%	3.9	-1.0	-20.6%
Environment and Resources	4.2	4.1	-0.1	-2.9%	0.5	0.5	+0.0	+3.6%	4.1	-0.1	-2.9%	0.5	+0.0	+3.6%
Other	5.4	5.4	-0.0	-0.9%	-0.5	0.1	+0.5	-	5.5	+0.1	+1.5%	0.0	+0.5	-
Adjustment	-8.6	-8.2	+0.4	-	-0.7	-0.9	-0.2	-	-8.2	+0.4	-	-0.9	-0.2	-
Total	249.3	235.0	-14.3	-5.7%	-2.7	5.0	+7.7	-	260.9	+11.7	+4.7%	-4.2	-1.5	-

- Timber and Building Materials: The net amount is provided for some net sales due to the change in accounting policies. Recurring income decreased as a result of sluggish sales of imported plywood and increased costs in the overseas manufacturing business.
- Housing and Construction: Both revenues and earnings were up due to the change in accounting policies, but using the previous standard, they were around the same level as the previous year.
- Overseas Housing and Real Estate: The business environment remained unchanged. Recurring income decreased due in part to recording of equity in earnings of affiliates associated with real estate development in Asia in the previous year.
- Environment and Resources: The biomass power generation business performed well.
- Overall: Revenues were up, and earnings were down using the previous standard.

FY3/20 First Quarter Results

3. Domestic Housing and Renovation Business Sales

◇ See pp. 4 and 6 of Fact Book

(billion yen)

		Sales			
		FY3/19 1Q	FY3/20 1Q	Change	Pct.
Contract business	Custom-built detached houses *1	35.9	65.8	+29.9	+83.4%
	(Units)	(865)	(867)	(+2)	(+0.2%)
	(Unit price(mil. yen)) *2	(41.4)	(39.7)	(-1.7)	-
	Apartments *1	1.6	2.9	+1.4	+87.9%
	Other contracts	0.2	0.6	+0.4	+289.0%
Spec home and development business	Detached spec home	1.5	1.7	+0.2	+11.3%
	Land for custom-built housing	0.6	0.8	+0.2	+35.0%
	Existing home renovation	0.3	0.2	-0.1	-38.0%
	Other *1	1.4	1.4	-0.0	-0.0%
Net Sales Total		41.3	73.3	+32.0	+77.4%
Profit Ratio		22.7%	23.0%	+0.3%	
Gross Profit		9.4	16.8	+7.5	+79.6%
		Net Sales *3			
		FY3/19 1Q	FY3/20 1Q	Change	Pct.
Renovation business *1 (Sumitomo Forestry Home Tech)		12.3	15.9	+3.6	+29.2%

*1 The sales amount for the first quarter of FY3/20 reflects the impact of the change in the accounting policy on revenue recognition.

*2 Unit prices for the first quarter of FY3/20 are calculated based on construction delivered.

*3 Includes interior product sales, etc. in addition to construction completed.

FY3/20 First Quarter Results

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

◇ See p. 4 of Fact Book

(billion yen)

	Net Sales				Recurring Income			
	FY3/19 1Q	FY3/20 1Q	Change	Pct.	FY3/19 1Q	FY3/20 1Q	Change	Pct.
Affiliate Total	68.3	78.5	+10.1	+14.8%	6.5	6.3	-0.2	-3.5%
US	51.5	63.0	+11.5	+22.4%	5.7	5.6	-0.1	-2.2%
Australia	16.7	15.3	-1.4	-8.3%	0.5	0.8	+0.3	+55.4%
Others	0.2	0.2	+0.0	+0.8%	0.3	-0.0	-0.4	-
Other, Consolidated Adjustments, etc.	-0.1	-0.4	-0.3	-	-1.6	-2.4	-0.8	-
Total	68.2	78.0	+9.8	+14.3%	4.9	3.9	-1.0	-20.6%

● Number of Units Sold by Country

	FY3/19 1Q	FY3/20 1Q	Change	Pct.
US	1,465	1,474	+9	+0.6%
Australia	559	511	-48	-8.6%
Total	2,024	1,985	-39	-1.9%

● Conversion rate (average during term)

	US\$/JPY	AU\$/JPY	NZ\$/JPY
FY3/19 1Q	108.71	85.18	78.80
FY3/20 1Q	110.13	78.43	75.03

FY3/20 First Quarter Results

5. Balance Sheet

(billion yen)

	End of March 2019	End of June 2020	Change		End of March 2019	End of June 2020	Change
Cash, deposits, securities	87.7	57.8	-29.9	Payables	194.1	186.1	-8.1
Receivables	145.2	170.8	25.5	Short-term debt (Bank loans)	61.5	52.9	-8.6
Finished goods	30.1	30.9	0.9	Commercial paper	-	15.0	15.0
Real estate for sale	63.7	64.7	0.9	Advances received from customers	52.2	38.2	-14.0
Real estate for sale in process	173.5	184.1	10.6	Other current liabilities	65.9	69.4	3.5
Construction projects in progress	26.9	25.9	-1.1	Long-term debt/bonds issued	182.4	206.6	24.2
Other receivables	46.0	36.9	-9.0	Liability for retirement benefits	19.8	19.9	0.1
Other current assets	36.7	39.0	2.3	Other long-term liabilities	41.5	38.2	-3.4
Total current assets	609.8	610.1	0.3	Liabilities	617.5	626.2	8.7
Tangible fixed assets	170.0	169.8	-0.2	Shareholders' equity	294.1	284.6	-9.5
Intangible fixed assets	26.6	24.6	-1.9	Accumulated other comprehensive income	24.2	22.6	-1.6
Investments and other assets	164.6	161.6	-3.0	Non-controlling interests	35.2	32.8	-2.3
Total non-current assets	361.2	356.1	-5.0	Net assets	353.5	340.0	-13.5
Total assets	971.0	966.2	-4.8	Total liabilities/net assets	971.0	966.2	-4.8

FY3/2020 Full Year Forecast



FY3/20 Full Year Forecast

1. Summary ◇ See p. 3 of Fact Book

➤ No changes from initial forecast
(billion yen)

(Consolidated)	FY3/19	FY3/20 Forecast	Change	Pct.
Net Sales	1,308.9	1,123.0	-185.9	-14.2%
Gross Profit	232.1	243.0	+10.9	+4.7%
SG&A Expenses	182.9	190.5	+7.6	+4.2%
Operating Income	49.2	52.5	+3.3	+6.6%
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	190.5	+11.0	+6.1%
Recurring Income	54.8	57.0	+2.2	+3.9%

* Accounting Standard for Revenue Recognition applied as of FY3/20.

FY3/20 Full Year Forecast

2. Segment Sales and Recurring Income

◇ See p. 3 of Fact Book

➤ No changes from initial forecast in any segment.

(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	8.0	+0.0	+0.2%
Housing and Construction	452.8	478.0	+25.2	+5.6%	21.6	25.5	+3.9	+18.1%
Overseas Housing and Real Estate	364.9	396.5	+31.6	+8.7%	25.8	26.0	+0.2	+0.7%
Environment and Resources	19.5	20.0	+0.5	+2.4%	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	-41.0	-3.3	-	-8.1	-6.5	+1.6	-
Total	1,308.9	1,123.0	-185.9	-14.2%	51.4	57.0	+5.6	+10.8%

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

FY3/20 Full Year Forecast

3. Domestic Housing and Renovation Business Sales Forecast

◇ See pp. 4 and 6 of Fact Book

➤ No changes to forecasts for any business.

(billion yen)

		Sales			
		FY3/19	FY3/20 Forecast	Change	Pct.
Contract business	Custom-built detached houses *1	291.9	309.7	+17.8	+6.1%
	(Units)	(7,628)	(8,100)	(+472)	(+6.2%)
	(Unit price(mil. yen)) *2	(38.3)	(38.4)	(+0.1)	-
	Apartments *1	17.8	17.9	+0.1	+0.4%
	Other contracts	1.7	4.0	+2.3	+142.2%
Spec home and development business	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 *1	8.3	7.2	-1.1	-13.7%
Net Sales Total		339.9	361.9	+22.0	+6.5%
Profit Ratio		24.2%	23.7%	-0.5%	
Gross Profit		82.3	85.8	+3.5	+4.2%
		Net Sales *3			
		FY3/19	FY3/20 Forecast	Change	Pct.
Renovation business *1 (Sumitomo Forestry Home Tech)		70.3	76.9	+6.5	+9.3%

*1 The sales forecast for FY3/20 reflects the impact of the change in the accounting policy on revenue recognition.

*2 Unit prices for FY3/20 are calculated based on construction delivered.

*3 Includes interior product sales, etc. in addition to construction completed.

FY3/20 Full Year Forecast

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

◇ See p. 4 of Fact Book

➤ No change to performance or number of units sold. Initial forecast left as-is. (billion yen)

	Net Sales				Recurring Income			
	FY3/19	FY3/20 Forecast	Change	Pct.	FY3/19	FY3/20 Forecast	Change	Pct.
Affiliate Total	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	-
Other, Consolidated Adjustments, etc.	-1.4	-0.4	+1.0	-	-8.1	-7.6	+0.4	-
Total	364.9	396.5	+31.6	+8.7%	25.8	26.0	+0.2	+0.7%

● 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%
Total	9,718	10,220	+502	+5.2%

● 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

FY3/20 Orders Received and Forecast

5. Domestic Housing and Renovation Business Orders Received and Forecast

◇ See pp. 4 and 5 of Fact Book

(billion yen)

		FY3/19 1Q	FY3/20 1Q	Change	Pct.	FY3/19	FY3/20 Forecast	Change	Pct.
Contract business	Custom-built detached houses	73.7	62.5	-11.2	-15.2%	343.2	305.6	-37.6	-11.0%
	(Units)	(1,894)	(1,733)	(-161)	(-8.5%)	(8,513)	(8,000)	(-513)	(-6.0%)
	(Unit price(mil. yen))	(33.9)	(33.7)	(-0.2)	-	(35.3)	(33.5)	(-1.8)	-
	Apartments	4.3	2.3	-2.0	-46.9%	20.9	20.9	+0.0	+0.1%
	Other contracts	0.7	0.5	-0.1	-21.7%	5.2	7.0	+1.8	+33.7%
Renovation business (Sumitomo Forestry Home Tech)		16.4	15.7	-0.7	-4.2%	73.7	70.0	-3.7	-0.5%

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

- Custom-built detached houses: Signs of a recovery in orders received can be seen despite manifestation of some effects related to a sharp reactive decline resulting from the consumption tax hike.
- Apartments: Number of business talks has recovered despite impact of a sharp reactive decline.
- Renovation: Orders received from existing customers remained strong. Large-scale projects, including renovation of traditional Japanese-style homes, decreased.
- Orders received: No changes for any business.

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.

