

Earnings Briefing FY Ending March, 2014 –Second Quarter Financial Results and Full Year Forecast

(Information meeting for 2Q FY ending March 31, 2014)

November 7, 2013



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Second Quarter of FYE March 2014 Results

1. Summary ◇ See earnings announcement, p13

- Both net sales and profits were higher YoY, and also exceeded our initial forecast.
- The level of recurring income was the highest since we began disclosing our Summary of Financial Results for 2Q.
- 2Q net income was boosted by the impact of special factors: conversion of the Henley Group to a consolidated subsidiary, and amendment of the tax treaty with NZ.

(Billion yen)

(Consolidated)	2Q FY3/13	2Q FY3/14	Change	Pct.	2Q FY3/14 Initial forecast	Change	Pct.
Net sales	392.1	434.9	+42.8	+10.9%	420.0	+14.9	+3.6%
Gross profit	63.1	69.5	+6.4	+10.1%	67.5	+2.0	+2.9%
SG&A expenses	56.3	59.2	+2.9	+5.1%	59.5	-0.3	-0.6%
Operating income	6.8	10.3	+3.5	+50.9%	8.0	+2.3	+29.0%
Recurring income	7.5	10.8	+3.4	+44.8%	7.8	+3.0	+39.0%
Net income	3.6	11.1	+7.5	+206.9%	4.1	+7.0	+170.1%

2. Segment Sales and Recurring Income

◇ See earnings announcement, p13

(Billion yen)

(Consolidated)	Net sales			
	2Q FY3/13	2Q FY3/14	Change	Pct.
Timber and building materials	194.5	220.8	+26.3	+13.5%
Housing	191.9	204.5	+12.6	+6.6%
Overseas	18.7	22.1	+3.4	+18.0%
Others	7.4	8.1	+0.7	+9.0%
Adjustment	-20.4	-20.5	-0.2	—
Total	392.1	434.9	+42.8	+10.9%

Recurring income			
2Q FY3/13	2Q FY3/14	Change	Pct.
1.9	2.5	+0.6	+28.7%
7.2	10.1	+2.9	+40.0%
-0.9	-0.8	+0.1	—
0.4	0.5	+0.2	+43.3%
-1.1	-1.5	-0.4	—
7.5	10.8	+3.4	+44.8%

- **Timber and building materials:**
Net sales and recurring income rose YoY against the backdrop of robust housing starts.
- **Housing:**
Sales and profits were higher because of the higher number of completed units and rising a unit price.
Renovation business showed steady expansion under the effects of numerous sales measures.
- **Overseas:**
The business in Indonesia was stable, while earnings improvement in North America and Australia contributed to a smaller negative recurring income.

3. Housing Business Orders Received and Sales (Non-consolidated)

- Increase in orders received unit price due to increase in the Big Frame construction method/percentage of environmentally sound equipment installed. ◇ See earnings announcement, p14
- The profit ratio rose, reflecting the influence of the valuation loss on land for spec homes in the previous period. (Billion yen)

(Billion yen)		Orders received				Sales			
		2Q FY3/13	2Q FY3/14	Change	Pct.	2Q FY3/13	2Q FY3/14	Change	Pct.
Contract Work	Custom-built detached houses (Units)	159.4 (4,628)	224.3 (5,944)	+64.8 (+1,316)	+40.7% (+28.4%)	133.5 (4,037)	141.1 (4,118)	+7.6 (+81)	+5.7% (+2.0%)
	(Unit price)	(30.3 mil. yen)	(32.5 mil. yen)	(+ 2.3 mil. yen)	(+7.5%)	(33.1 mil. yen)	(34.3 mil. yen)	(+ 1.2 mil. yen)	(+3.6%)
	Wooden apartments	5.3	10.5	+5.2	+97.3%	2.5	4.6	+2.1	+82.2%
	Other contracts	0.1	2.0	+1.9	—	0.1	0.6	+0.5	+497.5%
	Spec homes					5.4	4.5	-0.9	-16.3%
	Land for custom-built housing					2.2	2.4	+0.3	+12.6%
	Real estate development					4.3	3.9	-0.4	-9.5%
	Others					3.6	3.6	+0	+0.3%

*Note: Results for orders received indicate figures after subtracting the total number of properties for which contracts were cancelled during the term under review from the total number of orders received during the said term.

Net sales Total	151.6	160.8	+9.2	+6.1%
Profit ratio	24.4%	25.2%	+0.7%	
Gross profit	37.1	40.5	+3.4	+9.2%

4. Renovation Business Orders Received and Sales

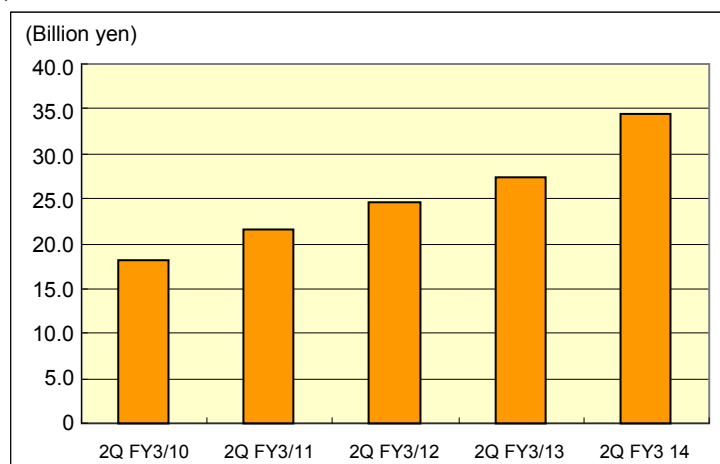
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◇See earnings announcement, p14

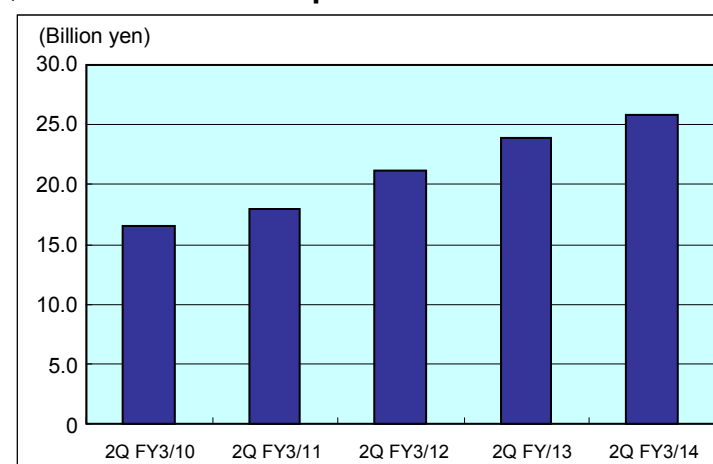
- Solid expansion, with value of orders received and completions each year continuing to follow a rising trend

(Billion yen)	2Q FY3/13	2Q FY3/14	Change	Pct.
Orders received	27.3	34.3	+7.0	+25.6%
Construction completed	23.8	25.8	+1.9	+8.1%
Backlog of orders received at term end	21.4	30.0	+8.6	+40.0%
Recurring income	1.1	1.3	+0.2	+14.6%

◆ Trends in Orders Received



◆ Construction completed



5. Capital Expenditures

<*when acquired>

(Billion yen)

(Consolidated)	2Q FY3/13	2Q FY3/14	Change	Pct.
Housing display centers	0.7	1.9	+1.2	+168.7%
Systems investments	0.8	0.9	+0.1	+6.3%
Factory equipment for domestic and overseas manufacturing business	0.8	1.3	+0.5	+67.8%
Others	1.7	1.2	-0.5	-28.8%
Total	3.9	5.2	+1.3	+32.3%

Second Quarter of FYE March 2014 Results

6. Balance Sheets/Cash Flow

◇See earnings announcement, p5, 6, 9, 10

(Billion yen)

	End of March 2013	End of Sep. 2013	Change		End of March 2013	End of Sep. 2013	Change
Cash, deposits, securities	67.2	90.9	+23.8	Payables	169.6	170.0	+0.4
Receivables	125.9	128.0	+2.0	Short-term debt	26.0	29.5	+3.5
Finished goods	22.3	28.2	+5.9	Advances received on uncompleted construction contracts	42.3	62.8	+20.4
Developed land and housing for sale	27.9	36.4	+8.5	Other current liabilities	38.2	39.7	+1.5
Costs on uncompleted construction contract	27.1	38.8	+11.7	Long-term debt/bonds issued	39.2	56.7	+17.5
Other current assets	97.2	100.9	+3.7	Other long-term liabilities	39.4	39.1	-0.3
Total current assets	367.5	423.2	+55.7	Liabilities	354.7	397.8	+43.1
Property, plant and equipment	85.9	97.7	+11.8	Shareholders' equity	181.8	191.2	+9.4
Intangible assets	9.2	12.0	+2.9	Accumulated other comprehensive income	10.7	15.6	+4.9
Investments and other assets	85.4	78.2	-7.3	Minority interests	0.8	6.5	+5.8
Total noncurrent assets	180.5	187.9	+7.5	Net assets	193.3	213.3	+20.1
Assets	548.0	611.1	+63.1	Total liabilities/net assets	548.0	611.1	+63.1

	2Q FY3 13	2Q FY3 14
Operating CF	16.2	13.4
Investing CF	-16.7	-15.5
Free CF	-0.5	-2.1
Financial CF	0.1	12.2

FYE March 2014 Earnings Forecasts

1. Summary ◇ See earnings announcement, p13

- There are no changes in our forecast of full-year consolidated financial results from the amended figures announced on October 31.
- The key factors behind higher expenses are conversion of the Henley Group to a consolidated subsidiary and an increase in strategic expenses in the housing business.

(Billion yen)

(Consolidated)	FY3/13	FY3/14 (Forecast)	Change	Pct.
Net sales	845.2	935.0	+89.8	+ 10.6%
Gross profit	141.4	158.0	+16.6	+ 11.7%
SG&A expenses	116.1	128.0	+11.9	+ 10.2%
Operating income	25.3	30.0	+4.7	+ 18.4%
Recurring income	27.0	30.0	+3.0	+ 11.2%
Net income	15.9	21.0	+5.1	+ 31.9%

FY3/14 Initial forecast	Change	Pct.
900.0	+35.0	+ 3.9%
149.5	+8.5	+ 5.7%
122.0	+6.0	+ 4.9%
27.5	+2.5	+ 9.1%
28.0	+2.0	+ 7.1%
16.0	+5.0	+ 31.3%

*Without actuarial differences

SG&A expenses	116.5	128.0	+11.5	+ 9.9%
Recurring income	26.6	30.0	+3.4	+ 12.7%

2. Segment Sales and Recurring Income

◇ See earnings announcement, p13

(Billion yen)

(Consolidated)	Net sales					Recurring income				
	FY3/13	FY3/14 (Forecast)	Change	Pct.	Change from initial forecast	FY3/13	FY3/14 (Forecast)	Change	Pct.	Change from initial forecast
Timber and building materials	401.3	440.0	+ 38.7	+9.7%	+ 10.0	4.7	4.9	+ 0.2	+ 4.2%	+ 0
Housing	430.8	455.0	+ 24.2	+5.6%	+ 5.0	26.2	30.0	+ 3.8	+ 14.4%	+ 1.8
Overseas	38.7	75.0	+ 36.3	+94.0%	+ 31.0	-1.8	-0.5	+ 1.3	—	+ 0.5
Others	15.4	16.0	+0.6	+3.9%	0	0.8	0.6	-0.2	-20.5%	-0.2
Adjustment	-40.9	-51.0	-10.1	—	-11.0	-2.9	-5.0	-2.1	—	-0.1
Total	845.2	935.0	+89.8	+10.6%	+ 35.0	27.0	30.0	+ 3.0	+ 11.2%	+ 2.0

◆ Second half and full year forecasts

➤ Timber and building materials:

The profit ratio outlook will dip slightly below the first half of the fiscal year because of the demand-and-supply balance for imported products.

➤ Housing:

1. When we revised the full-year forecast we increased the number of custom-built detached houses to be completed by +50 units from our initial forecast, and recurring income is forecast to be higher both YoY and compared with the initial forecast.

2. Full year renovation business recurring income forecast to rise 22% to ¥3.3 billion YoY.

➤ Overseas:

The business in North America is steady, and Australia is improving, but the loss is forecast to be -¥500 million because of the exchange rate effect.

3. Outlook for Housing Business Orders Received and Sales

(Non-consolidated) ◇ See earnings announcement, p14

➤ Custom-built detached houses: Orders received are unchanged from initial forecast, and number of houses completed revised upward +50 units.

⇒ The profit ratio for housing business on a non-consolidated basis for the full year is expected to remain at the previous period level. (Billion yen)

(Billion yen)		Orders received				Sales			
		FY3/13	FY3/14	Change	Pct.	FY3/13	FY3/14	Change	Pct.
Contract Work	Custom-built detached houses	314.2	337.5	+23.3	+7.4%	300.9	312.8	+11.9	+3.9%
	(Units)	(9,105)	(9,700)	(+595)	(+6.5%)	(8,999)	(9,200)	(+201)	(+2.2%)
	(Unit price)	(30.6 mil. yen)	(32.0 mil. yen)	(1.4 mil. yen)	(+4.7%)	(33.4 mil. yen)	(34.0 mil. yen)	(0.6 mil. yen)	(+1.7%)
	Wooden apartments	13.0	14.4	+1.4	+10.4%	9.4	10.5	+1.1	+12.1%
	Other contracts	1.0	3.5	+2.5	+258.1%	0.3	2.0	+1.7	+488.8%
	Spec homes					11.4	11.3	-0.1	-0.7%
	Land for custom-built housing					5.5	6.9	+1.4	+25.3%
	Real estate development					9.6	12.2	+2.6	+27.0%
	Others					7.7	8.0	+0.3	+4.4%

*Note: Results for orders received indicate figures after subtracting the total number of properties for which contracts were cancelled during the term under review from the total number of orders received during the said term.

Net sales Total	344.8	363.7	+18.9	+5.5%
Profit ratio	24.9%	24.9%	+0.0%	
Gross profit	85.7	90.5	+4.7	+5.6%

4. Outlook for Renovation Business Orders Received and Sales

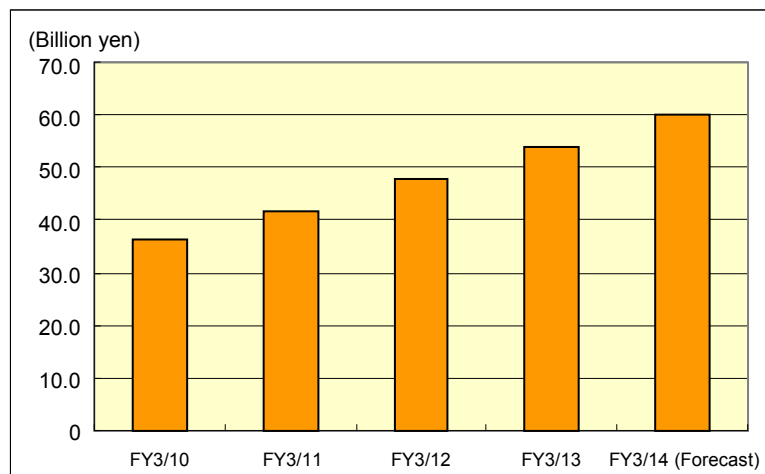
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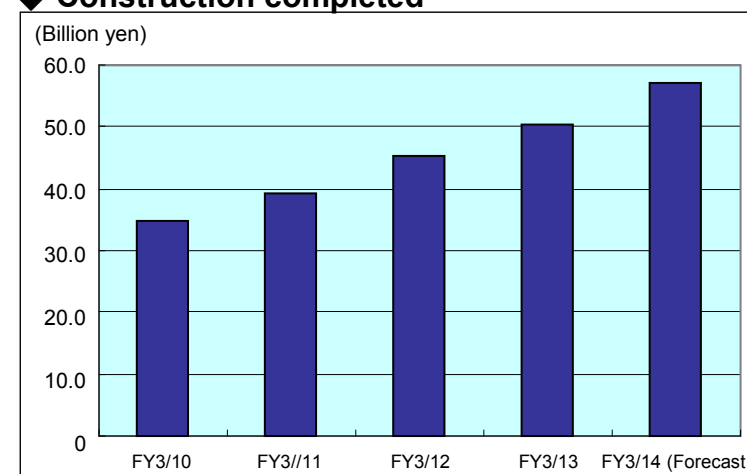
- Strengthened sales capacity through further increases in personnel, striving to expand orders received.

(Billion yen)	FY3/13	FY3/14	Change	Pct.
Orders received	53.8	60.0	+6.2	+11.5%
Construction completed	50.3	57.0	+6.7	+13.3%
Backlog of orders received at term end	21.4	24.4	+3.0	+14.0%
Recurring income	2.7	3.3	+0.6	+22.0%

◆ Trends in Orders Received



◆ Construction completed



5. Capital Expenditures

<*when acquired>

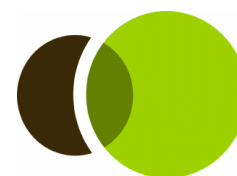
(Billion yen)

(Consolidated)	FY3/13	FY3/14	Change	Pct.	Initial forecast
Housing display centers	1.6	3.2	+1.6	+102.5%	3.4
Systems investments	3.1	2.6	-0.5	-16.0%	4.0
Capital expenditures in domestic and overseas manufacturing business	1.7	7.8	+6.0	+351.7%	3.5
Others	3.9	4.0	+0	+0.8%	3.6
Total	10.3	17.5	+7.2	+70.0%	14.5

➤ CDP

We were selected for the “CDLI (Climate Disclosure Leadership Index)” in the 2013 survey on “CDP climate change”.

➤ DJSI



ROBECOSAM
Sustainability Award
Gold Class 2013

We were awarded the “Gold Class” commendation in the Home Construction Sector in a SRI rating by the RobecoSAM.

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.

