

Financial Overview

(Information meeting for fiscal year ended March 31, 2015)



May 12, 2015

◎ Contents

➤ FY3/15 Results

1. Summary	•••• P 3
2. Summary (excluding the effect of actuarial gains and losses)	•••• P 4
3. Segment Sales and Recurring Income	•••• P 5
4. Changes in Recurring Income (YoY)	•••• P 6
5. Housing Business Orders Received and Sales	•••• P 7
6. Overseas Segment Sales and Recurring Income	•••• P 8
7. Investments	•••• P 9

➤ FY3/16 Forecast

1. Summary	•••• P11
2. Segment Sales and Recurring Income	•••• P12
3. Changes in Recurring Income (YoY)	•••• P13
4. Outlook for Housing Business Orders Received and Sales	•••• P14
5. Overseas Segment Sales and Recurring Income	•••• P15
6. Investments	•••• P16
7. Trends in Gains/Losses, Recurring Income to Net Sales Ratio and ROE	•••• P17

FY3/15 Results



FY3/15 Results

1. Summary ◇ See earnings announcement, p. 46

- ◆ Decline in Timber and Building Materials/Housing covered by Overseas business, resulting in increase in revenues and earnings
- ◆ Drop in net income: Previous year includes special factor (¥4.2 billion profit direction)

(Billion yen)	As reported in financial statements				
	(Consolidated)	FY3/14	FY3/15	Change	Pct.
Net Sales		973.0	997.3	+24.3	+2.5%
Gross Profit		160.2	169.5	+9.3	+5.8%
SG&A Expenses		126.7	135.5	+8.8	+6.9%
Operating Income		33.4	34.0	+0.6	+1.7%
Recurring Income		33.6	36.4	+2.9	+8.5%
Net Income		22.5	18.6	-4.0	-17.6%

FY3/15 Results

2. Summary (excluding the effect of actuarial gains and losses)

- ◆ Actuarial loss -¥0.3 billion: Loss from drop in discount rate and other factors (increase in expenses)
- ◆ **Recurring income on an industry basis** (excluding the effect of actuarial gains and losses) **¥36.7 billion (+6.1% YoY)**

(Billion yen)	Excluding the effect of actuarial gains and losses				
	(Consolidated)	FY3/14	FY3/15	Change	Pct.
Net Sales		973.0	997.3	+24.3	+2.5%
Gross Profit		160.2	169.5	+9.3	+5.8%
SG&A Expenses		125.7	135.2	+9.5	+7.6%
Operating Income		34.4	34.3	-0.2	-0.5%
Recurring Income		34.6	36.7	+2.1	+6.1%
Net Income		23.2	18.7	-4.5	-19.2%

Effect of actuarial gains and losses	
FY3/14	FY3/15
+1.0	+0.3
-1.0	-0.3
-1.0	-0.3
-0.7	-0.2

FY3/15 Results

3. Segment Sales and Recurring Income

◇ See earnings announcement, p. 46

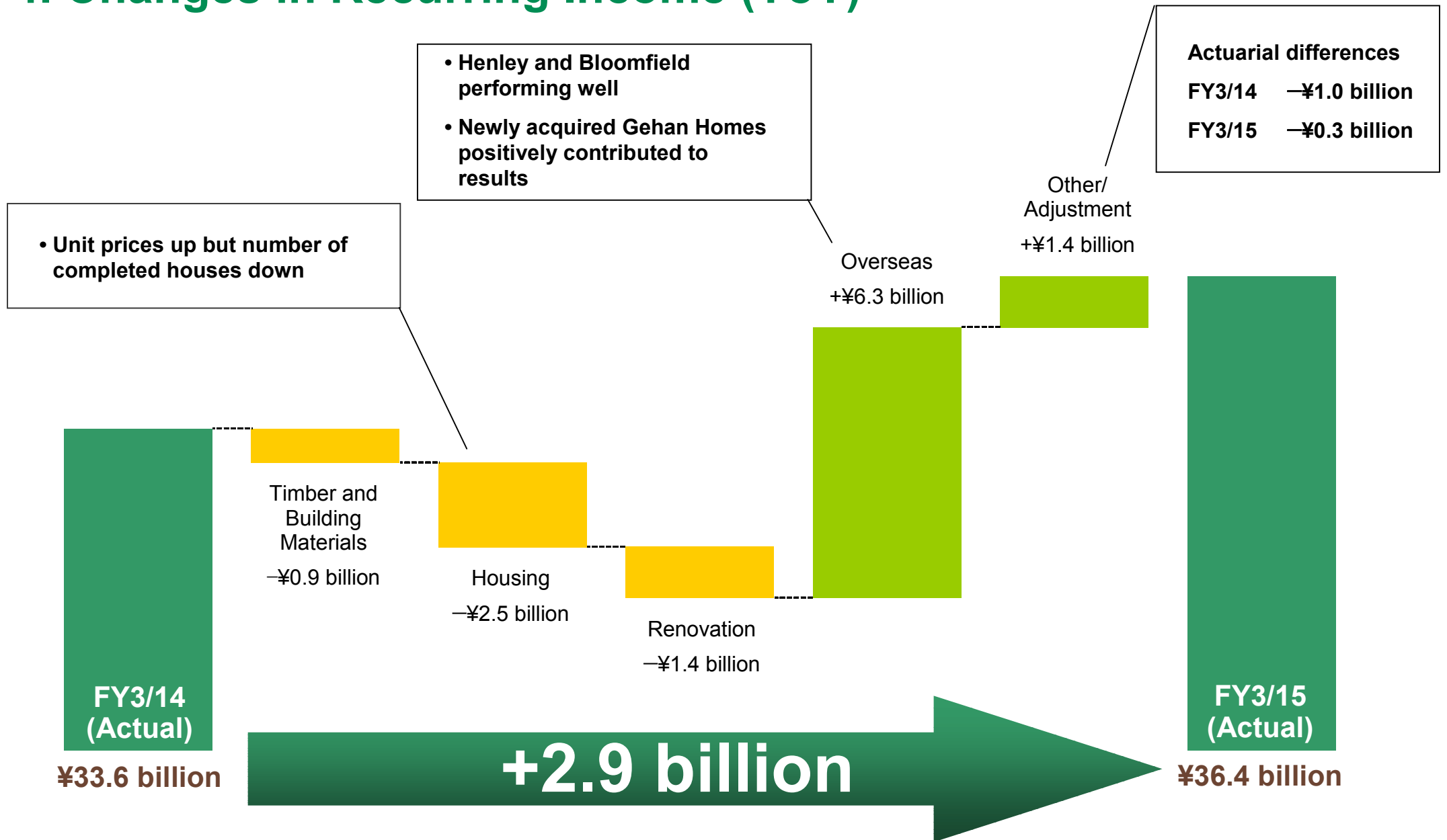
(Billion yen)

(Consolidated)	Net Sales				Recurring Income			
	FY3/14	FY3/15	Change	Pct.	FY3/14	FY3/15	Change	Pct.
Timber and Building Materials	458.6	423.0	-35.6	-7.8%	5.0	4.0	-0.9	-18.4%
Housing	465.4	453.9	-11.4	-2.5%	32.2	28.3	-3.9	-12.1%
Overseas	76.3	147.0	+70.7	+92.6%	-0.1	6.1	+6.3	—
Other	17.3	16.6	-0.7	-4.2%	0.8	1.2	+0.4	+43.1%
Adjustment	-44.6	-43.3	+1.3	—	-4.3	-3.2	+1.0	—
Total	973.0	997.3	+24.3	+2.5%	33.6	36.4	+2.9	+8.5%

- Timber and Building Materials:
Recovery from sharp reactive decline has been slow, freight movement stagnant and increase in purchase price due to weak yen has not been passed on.
- Housing:
Decline in number of custom-built houses sold. Sharp reactive decline also heavily impacted renovation business.
- Overseas:
Henley Group and Bloomfield performing well.
Gehan Homes (US), acquired in 2Q, positively contributed to results starting this fiscal year, and operations have expanded.

FY3/15 Results

4. Changes in Recurring Income (YoY)



FY3/15 Results

5. Housing Business Orders Received and Sales (Nonconsolidated)

◇ See earnings announcement, p. 47

- Custom-built detached houses: High added value strategy (increase in Big Frame construction method/Estate Design Project) successful and unit price of orders received is up.
- Apartments: Efforts poured into business expansion, and both orders received and sales increased.
- Decrease in profit ratio was due to increase in cost of labor and materials for custom-built detached housing.

		Orders Received				Sales				
		(Billion yen)	FY3/14	FY3/15	Change	Pct.	FY3/14	FY3/15	Change	Pct.
Contract business	(Units)		(9,364)	(7,804)	(-1,560)	(-16.7%)	(9,243)	(8,743)	(-500)	(-5.4%)
	Custom-built Detached Houses		339.9	290.2	-49.7	-14.6%	320.3	313.4	-6.9	-2.1%
	Apartments		15.5	21.8	+6.3	+40.6%	13.1	13.6	+0.4	+3.3%
	Other Contracts		2.6	1.4	-1.1	-44.0%	1.4	2.8	+1.4	+102.9%
Spec homes and development business	Spec Homes						9.7	10.2	+0.5	+4.6%
	Land						5.6	5.5	-0.1	-0.8%
	Existing Home Renovation						9.0	5.7	-3.3	-36.8%
	Other						9.6	8.0	-1.6	-16.6%

Net Sales Total	368.7	359.2	-9.5	-2.6%
-----------------	-------	-------	------	-------

Profitability	24.7%	24.6%	-0.1%	
Gross Profit	91.2	88.3	-2.9	-3.1%

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

FY3/15 Results

6. Overseas Segment Sales and Recurring Income

(Billion yen)

Overseas Segment	Net Sales				Recurring Income			
	FY3/14	FY3/15	Change	Pct.	FY3/14	FY3/15	Change	Pct.
Resources and Manufacturing	45.1	50.4	+5.3	+11.7%	0.8	0.7	-0.1	-13.5%
Housing and Real Estate	32.9	98.1	+65.3	+198.5%	2.3	9.6	+7.3	+315.9%
Other, Consolidated Adjustments, etc.	-1.7	-1.5	+0.2	—	-3.3	-4.2	-0.9	—
Total	76.3	147.0	+70.7	+92.6%	-0.1	6.1	+6.3	—

Resources and manufacturing:

Results improved in Indonesia (KTI) and Vietnam (VECO), but Oceania struggled due to high currency exchange rate

Housing and real estate:

Henley included in full-year results, Bloomfield and newly-acquired Gehan contributed to substantial increase in earnings and revenues

FY3/15 Results

7. Investments

◆ Capital Expenditures

<*when acquired>

(Billion yen)

(Consolidated)	FY3/14	FY3/15	Change	Pct.
Tangible Fixed Assets	14.7	12.6	-2.1	-14.4%
Intangible Fixed Assets	2.4	2.5	+0.1	+2.9%
Other	0.3	0.3	+0.0	+12.1%
Total	17.4	15.4	-2.0	-11.6%

◆ Main investments

Domestic and overseas housing display centers ... ¥3.8 billion

Mombetsu and Hachinohe biomass power generation business ... ¥2.8 billion

Factory equipment of domestic and overseas manufacturing business ... ¥2.7 billion

IT investments ... ¥3.1 billion

FY3/16 Forecast



FY3/16 Forecast

1. Summary ◇ See earnings announcement, p. 46

- Net sales will be ¥1.062 trillion, and recurring income will be ¥36,500 million, so the target of ¥1 trillion in net sales and ¥30,000 million in recurring income will be achieved.
- The decline in custom-built houses will be covered by growth in apartments/renovation and expansion overseas.
- Cause of increase in SG&A expenses: Impact of inclusion of Gehan in full-year results, expansion of Henley into new area and increase in renovation personnel accounts for majority of increase in expenses.

(Billion yen)

(Consolidated)	FY3/15	FY3/16	Change	Pct.	FY3/15 (Without actuarial gains/losses)	Without actuarial gains/losses	
	Actual	Forecast				Change	Pct.
Net Sales	997.3	1,062.0	+64.7	+6.5%	997.3	+64.7	+6.5%
Gross Profit	169.5	179.0	+9.5	+5.6%	169.5	+9.5	+5.6%
SG&A Expenses	135.5	144.0	+8.5	+6.3%	135.2	+8.8	+6.5%
Operating Income	34.0	35.0	+1.0	+3.0%	34.3	+0.7	+2.2%
Recurring Income	36.4	36.5	+0.1	+0.2%	36.7	-0.2	-0.5%
Net Income	18.6	19.5	+0.9	+5.0%	18.7	+0.8	+4.1%

FY3/16 Forecast

2. Segment Sales and Recurring Income

◇ See earnings announcement, p. 46

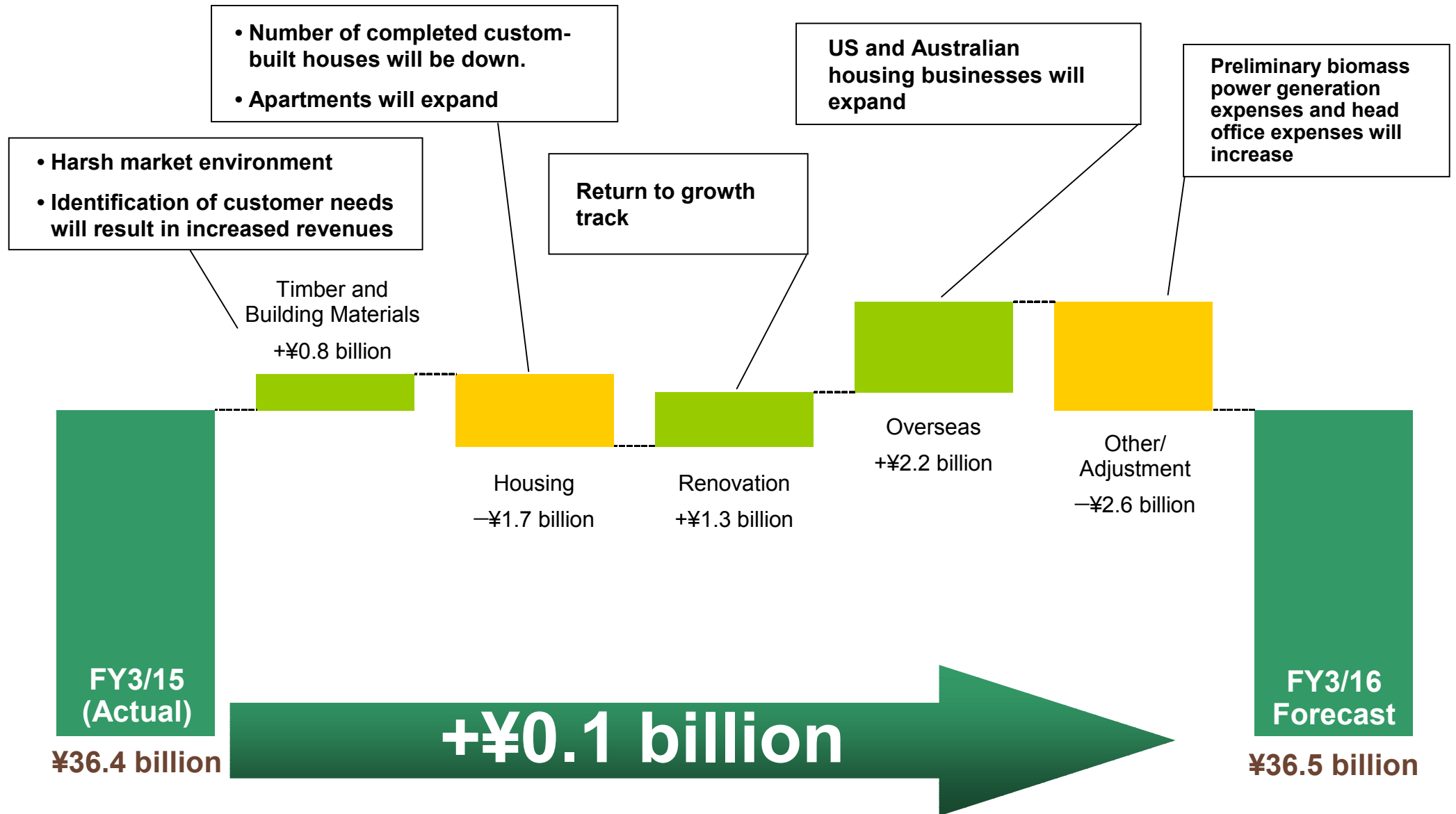
(Billion yen)

(Consolidated)	Net Sales				Recurring Income			
	FY3/15	FY3/16	Change	Pct.	FY3/15	FY3/16	Change	Pct.
Timber and Building Materials	423.0	445.0	+22.0	+5.2%	4.0	4.8	+0.8	+18.8%
Housing	453.9	465.0	+11.1	+2.4%	28.3	28.0	-0.3	-1.1%
Overseas	147.0	182.0	+35.0	+23.8%	6.1	8.3	+2.2	+35.5%
Other	16.6	17.0	+0.4	+2.6%	1.2	0.1	-1.1	-91.5%
Adjustment	-43.3	-47.0	-3.7	—	-3.2	-4.7	-1.5	—
Total	997.3	1,062.0	+64.7	+6.5%	36.4	36.5	+0.1	+0.2%

- Timber and building materials:
Revenues will increase thanks to identification of customer needs and increased share. Building material manufacturing subsidiary results will also be improved.
- Housing:
The number of completed custom-built houses will decrease, but apartments/renovation will help recover the loss so that the results will remain almost the same.
- Overseas:
Results will be improved thanks to inclusion of Gehan in full-year results and strong housing markets in the US and Australia.

FY3/16 Forecast

3. Changes in Recurring Income (YoY)



FY3/16 Forecast

4. Outlook for Housing Business Orders Received and Sales

◇ See earnings announcement, p. 47

- ◆ Custom-built detached housing:
Aim to expand orders received by strategically concentrating investment in Tokyo.
Completed housing unit prices will continue to rise, and we will make efforts to reduce costs.
- ◆ Orders received and sales of apartments and sales of detached spec homes both will exceed the results of the previous year.

(Billion yen)		Orders Received				Sales				
		FY3/15	FY3/16	Change	Pct.	FY3/15	FY3/16	Change	Pct.	
Contract business	(Units)	(7,804)	(8,600)	(+796)	(+10.2%)	(8,743)	(8,200)	(-543)	(-6.2%)	
	Custom-built Detached Houses	290.2	313.8	+23.6	+8.1%	313.4	299.1	-14.3	-4.6%	
	Rental Housing	21.8	22.7	+0.9	+4.2%	13.6	18.7	+5.1	+37.8%	
	Other Contracts	1.4	4.2	+2.8	+192.7%	2.8	4.1	+1.3	+46.9%	
Spec homes and development business	Spec Homes					10.2	11.8	+1.6	+16.0%	
	Land					5.5	5.3	-0.2	-4.2%	
	Existing Home Renovation					5.7	5.9	+0.2	+3.8%	
	Other					8.0	8.9	+0.9	+10.9%	
Net Sales Total		359.2	353.8	-5.4	-1.5%					
Profitability		24.6%	24.5%	-0.1%						
Gross Profit		88.3	86.6	-1.7	-2.0%					

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

FY3/16 Forecast

5. Overseas Segment Sales and Recurring Income

(Billion yen)

Overseas Segment	Net Sales				Recurring Income			
	FY3/15	FY3/16	Change	Pct.	FY3/15	FY3/16	Change	Pct.
Manufacturing	50.4	53.1	+2.7	+5.3%	0.7	1.6	+0.9	+134.6%
Housing and Real Estate	98.1	128.7	+30.5	+31.1%	9.6	10.8	+1.2	+12.4%
Other, Consolidated Adjustments, etc.	-1.5	0.3	+1.8	—	-4.2	-4.1	+0.1	—
Total	147.0	182.0	+35.0	+23.8%	6.1	8.3	+2.2	+35.5%

Manufacturing:

Results are expected to worsen in New Zealand (NPIL) due to impact of high NZ dollar, but recovery in Australia (Alpine) and Vietnam (VECO) will make up for it.

Housing and real estate:

Earnings and revenues will increase thanks to strong housing markets in US and Australia.

*Resources business will be transferred to the other segment in FY3/16 in conjunction with reorganization.

FY3/16 Forecast

6. Investments

◆ Capital Expenditures

<when acquired>

(Billion yen)

(Consolidated)	FY3/15	FY3/16	Change	Pct.	FY3/14
Tangible Fixed Assets	12.6	20.6	+8.0	+63.2%	14.7
Intangible Fixed Assets	2.5	2.8	+0.4	+14.3%	2.4
Other	0.3	0.5	+0.2	+66.5%	0.3
Total	15.4	23.9	+8.5	+55.3%	17.4

◆ Main investments

Mombetsu and Hachinohe biomass power generation business ... ¥6.8 billion

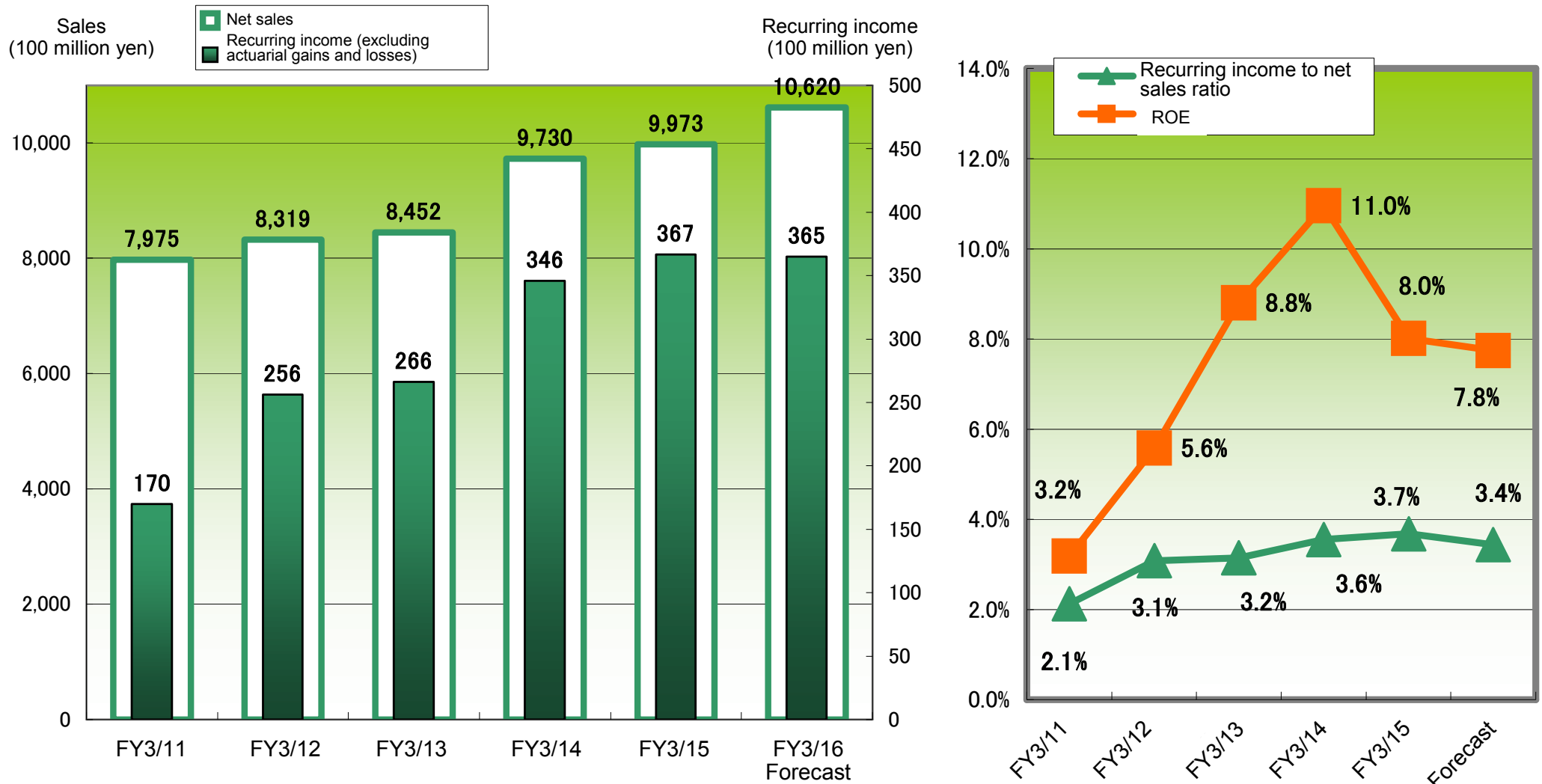
Domestic and overseas housing display centers ... ¥6.0 billion

IT investments ... ¥3.6 billion

Capital expenditures in domestic and overseas manufacturing business ... ¥3.2 billion

FY3/16 Forecast

7. Trends in Gains/Losses, Recurring Income to Net Sales Ratio and ROE (excluding the effect of actuarial gains and losses)



*FY3/16 figures are forecast figures.

*Actuarial differences are excluded from recurring income figures prior to FY3/15.

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.

