

Earnings Briefing FY Ending March 3, 2017 – Second Quarter Financial Results and Full Year Forecast –

(Information meeting for 2Q FY ending March 31, 2017)



November 8, 2016

◎ Contents

➤ Second Quarter of FYE March 2017 Results

1. Summary	•••• P3
2. Segment Sales and Recurring Income	•••• P4
3. Changes in Recurring Income	•••• P5
4. Housing Business Orders Received and Sales	•••• P6
5. Renovation Business Orders Received and Sales	•••• P7
6. Overseas Segment Sales and Recurring Income	•••• P8
7. Investments	•••• P9
8. Balance Sheet and Cash Flow	•••• P10

➤ FYE March 2017 Full Year Earnings Forecast

1. Summary	•••• P12
2. Segment Sales and Recurring Income	•••• P13
3. Changes in Recurring Income	•••• P14
4. Housing Business Orders Received and Sales	•••• P15
5. Renovation Business Orders Received and Sales	•••• P16
6. Overseas Segment Sales and Recurring Income	•••• P17
7. Investments	•••• P18

Second Quarter of FYE March 2017 Results



Second Quarter of FYE March 2017 Results

1. Summary ◇ See earnings announcement, p.12

- There was an increase in the number of houses sold in the domestic housing business, and the overseas housing business also performed well.
The DRB Group has been contributing to full-year profit since the beginning of this year.
- Net sales, operating income, recurring income and net income were all up compared to the previous year.

(Billion yen)

(Consolidated)	2Q FY3/16	2Q FY3/17	Change	Pct.
Net sales	486.4	513.6	+27.1	+5.6%
Gross profit	83.1	91.2	+8.1	+9.8%
SG&A expenses	70.3	74.8	+4.5	+6.4%
Operating income	12.9	16.5	+3.6	+28.0%
Recurring income	13.5	18.3	+4.8	+35.9%
Net income attributable to parent company shareholders	6.9	10.5	+3.6	+52.5%

2Q FY3/17 Initial plan*	Change	Pct.
529.5	-15.9	-3.0%
90.5	+0.7	+0.8%
77.5	-2.7	-3.5%
13.0	+3.5	+26.7%
14.0	+4.3	+30.7%
7.5	+3.0	+40.0%

*Plan announced at beginning of year

Second Quarter of FYE March 2017 Results

2. Segment Sales and Recurring Income ◇ See earnings announcement, p. 12

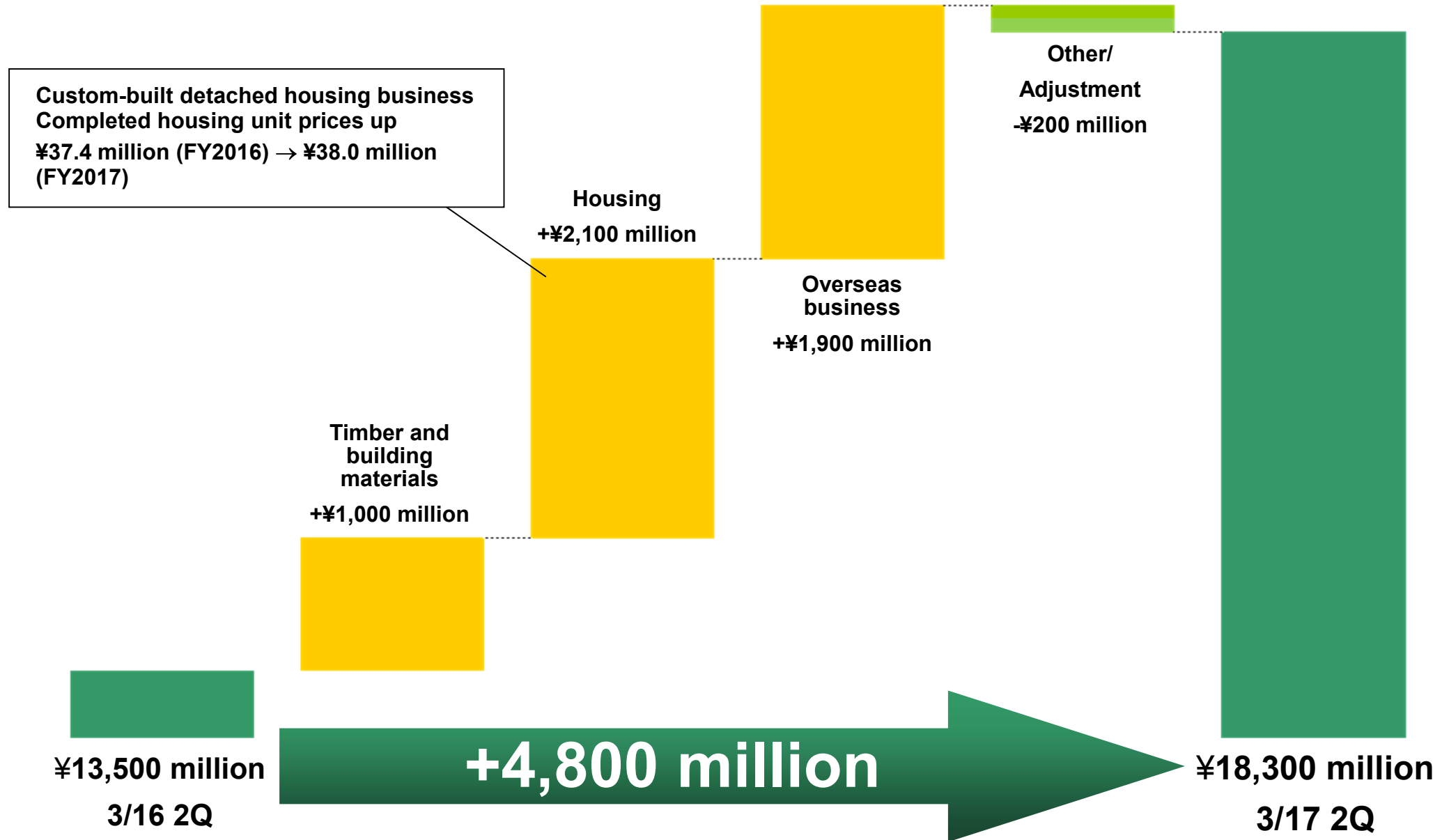
(Billion yen)

(Consolidated)	Net sales				Recurring income			
	2Q FY3/16	2Q FY3/17	Change	Pct.	2Q FY3/16	2Q FY3/17	Change	Pct.
Timber and Building Materials Business	208.2	209.6	+1.3	+0.6%	1.4	2.4	+1.0	+69.1%
Housing Business	202.5	210.4	+7.9	+3.9%	8.8	10.9	+2.1	+24.4%
Overseas Business	89.5	108.4	+18.9	+21.2%	5.1	7.0	+1.9	+38.2%
Other	8.4	8.1	-0.4	-4.4%	0.2	0.3	+0.0	+5.1%
Adjustments	-22.2	-23.0	-0.7	—	-2.1	-2.4	-0.3	—
Total	486.4	513.6	+27.1	+5.6%	13.5	18.3	+4.8	+35.9%

- **Timber and Building Materials:**
Profitability of import products increased, and Timber and Building Materials Business revenue improved
- **Housing:**
The number of houses sold increased, and completed housing unit prices were up thanks to expansion of Big-Frame Construction method sales.
- **Overseas:**
The DRB Group has contributed to results since the beginning of the year, and MDF manufacturing business revenue improved.

Second Quarter of FYE March 2017 Results

3. Changes in Recurring Income (YoY)



Second Quarter of FYE March 2017 Results

4. Housing Business Orders Received and Sales

◇ See earnings announcement, p. 13

- Custom-built detached houses: Both the number of houses sold and completed housing unit prices were up compared to the previous year.

The ratio of houses built using the Big Frame construction method continued to increase, contributing to higher completed housing unit prices.

Orders received: Surge demand failed to materialize due to the delay in the consumption tax hike, so orders received were down compared to the previous year.

(Billion yen)		Orders received				Sales			
		2Q FY3/16	2Q FY3/17	Change	Pct.	2Q FY3/16	2Q FY3/17	Change	Pct.
Contract business	(Units)	(4,087)	(3,971)	(-116)	(-2.8%)	(3,582)	(3,670)	(+88)	(+2.5%)
	(Unit price)	(34.1 mil. yen)	(34.1 mil. yen)	(+0.0 mil. yen)	(+0.1%)	(37.4 mil. yen)	(38.0 mil. yen)	(+0.6 mil. yen)	(+1.5%)
	Custom-built detached houses	157.6	154.4	-3.2	-2.1%	134.1	139.5	+5.4	+4.0%
	Apartments	12.1	11.9	-0.3	-2.2%	6.8	7.1	+0.3	+4.2%
	Other contracts	2.7	1.0	-1.7	-64.1%	0.5	2.0	+1.4	+268.9%
Spec homes and development business	Detached spec home					5.2	4.8	-0.4	-8.4%
	Land for custom-built housing					2.1	2.5	+0.3	+16.0%
	Existing home renovation (Resale of Renovated Homes)					2.7	1.9	-0.8	-29.8%
	Other					3.4	4.1	+0.6	+19.0%
				Net Sales Total		154.8	161.7	+6.9	+4.4%
				Profit Ratio		25.3%	25.3%	-0.0%	
				Gross Profit		39.2	40.9	+1.7	+4.4%

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

Second Quarter of FYE March 2017 Results

5. Renovation Business Orders Received and Sales

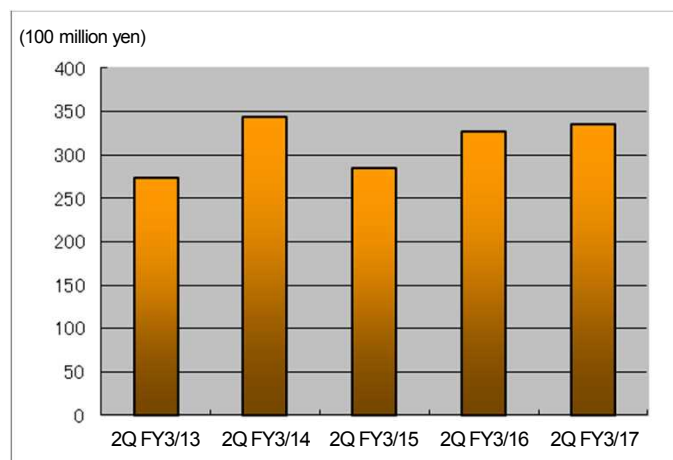
◇ See earnings announcement, p. 13

<Sumitomo Forestry Home Tech>

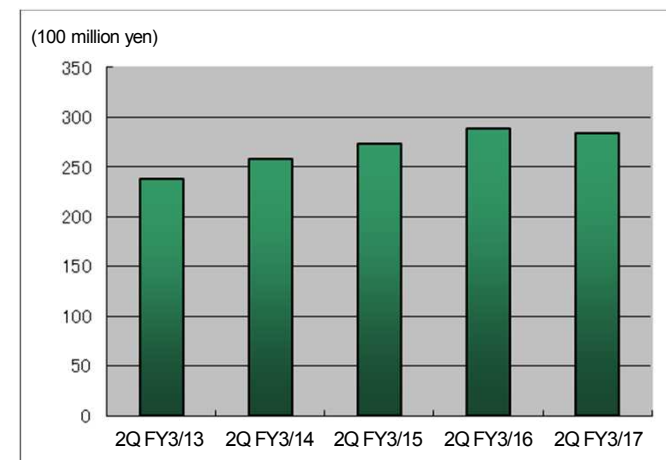
- Orders received: Surge demand for large-scale renovations failed to materialize due to a delay in the consumption tax hike.
- Houses complete: Down slightly year on year against a backdrop of lower orders received.

(Billion yen)	2Q FY3/16	2Q FY3/17	Change	Pct.
Orders received	32.7	33.5	+0.8	+2.5%
Construction completed	28.9	28.4	-0.5	-1.6%
Backlog of orders received at term end	26.2	29.3	+3.2	+12.0%

◆ Trends in Orders Received



◆ Trends in Construction Completed



Second Quarter of FYE March 2017 Results

6. Overseas Segment Sales and Recurring Income

(Billion yen, houses)

Overseas Segment	Net Sales				Recurring Income			
	2Q FY3/16	2Q FY3/17	Change	Pct.	2Q FY3/16	2Q FY3/17	Change	Pct.
Manufacturing	26.2	24.9	-1.3	-4.8%	0.9	1.6	+0.7	+75.5%
Housing and Real Estate	63.5	83.8	+20.3	+31.9%	6.8	8.0	+1.2	+17.3%
(Number of houses sold)					(2,193)	(3,148)	(+955)	(+43.5%)
Other, Consolidated Adjustments, etc.	-0.2	-0.3	-0.1	—	-2.6	-2.5	+0.1	—
Total	89.5	108.4	+18.9	+21.2%	5.1	7.0	+1.9	+38.2%

- Manufacturing: MDF manufacturing business revenue improved substantially in New Zealand.
- Housing and real estate: US housing business performed well. DRB Group results contributed since beginning of year.

Second Quarter of FYE March 2017 Results

7. Investments

◆ Capital Expenditures

<*when acquired>

(Billion yen)

(Consolidated)	2Q FY3/16	2Q FY3/17	Change	Pct.
Tangible Fixed Assets	9.5	38.6	+29.1	+307.8%
Intangible Fixed Assets	0.9	1.1	+0.3	+34.2%
Other	0.1	0.2	+0.1	+46.1%
Total	10.5	40.0	+29.5	+281.7%

◆ Main investments

Acquisition of New Zealand forest asset ... ¥27,000 million

Biomass power generation equipment ... ¥4,800 million

Domestic and overseas housing display centers ... ¥3,600 million

Second Quarter of FYE March 2017 Results

8. Balance Sheet and Cash Flow ◇ See earnings announcement, p.5, 6, 8 and 9

(Billion yen)

	End of March 2016	End of Sep. 2016	Change		End of March 2016	End of Sep. 2016	Change
Cash, deposits, securities	117.5	88.1	-29.4	Payables	176.4	171.7	-4.8
Receivables	127.1	123.6	-3.5	Short-term debt	27.6	34.3	6.7
Finished goods	26.1	24.1	-2.0	Current portion of bonds payable	5.0	0.0	-5.0
Developed land and housing for sale	43.2	46.9	3.7	Advances received on uncompleted construction contracts	48.6	59.2	10.6
Real estate for sale in process	56.4	55.4	-1.0	Other current liabilities	55.6	44.8	-10.8
Costs on uncompleted construction contracts	23.9	30.8	6.9	Long-term debt/bonds issued	82.1	108.1	26.0
Accounts receivable-other	47.0	43.5	-3.5	Liability for retirement benefits	23.7	23.5	-0.3
Other current assets	50.2	59.6	9.4	Other long-term liabilities	26.0	26.5	0.5
Total current assets	491.5	472.1	-19.4	Liabilities	445.1	468.1	23.0
Noncurrent assets	108.7	134.9	26.2	Shareholders' equity	221.0	221.2	0.1
Intangible assets	18.1	18.3	0.2	Accumulated other comprehensive income	22.4	12.5	-9.9
Investment securities	90.9	90.8	-0.2	Non-controlling interests	20.7	14.2	-6.5
Total noncurrent assets	217.7	243.9	26.2	Net assets	264.1	247.9	-16.2
Total assets	709.2	716.0	6.8	Total liabilities and net assets	709.2	716.0	6.8

	2Q FY3/16	2Q FY3/17
Operating CF	10.6	-0
Investing CF	-2.3	-32.9
Free CFF	8.3	-32.9
Financial CF	-2.0	22.2

FYE March 2017 Full Year Earnings Forecast



FYE March 2017 Full Year Earnings Forecast

1. Summary ◇ See earnings announcement, p.12

- In the forecast of full-year consolidated financial results, operating income, recurring income and net income have been left as-is.
- Net sales have been revised downward due to delay in the consumption tax hike and the impact of a strong yen.
- Actuarial gains and losses associated with retirement benefits are expected to fluctuate, so they have not been included in the forecast.

(Billion yen)

(Consolidated)	FY3/16	FY3/17 Forecast	Change	Pct.
Net sales	1,040.5	1,110.0	+69.5	+6.7%
Gross profit	183.1	200.5	+17.4	+9.5%
SG&A expenses	153.0	154.5	+1.5	+1.0%
Operating income	30.1	46.0	+15.9	+52.9%
Recurring income	30.5	48.0	+17.5	+57.3%
Net income attributable to parent company shareholders	9.7	27.0	+17.3	+177.6%

FY3/17 Initial plan	Change	Pct.
1,150.0	-40.0	-3.5%
205.0	-4.5	-2.2%
159.0	-4.5	-2.8%
46.0	+0	+0.0%
48.0	+0	+0.0%
27.0	+0	+0.0%

*Without actuarial differences

SG&A expenses	141.5	154.5	+13.0	+9.2%
Recurring income	42.0	48.0	+6.0	+14.2%

FYE March 2017 Full Year Earnings Forecast

2. Segment Sales and Recurring Income

◇ See earnings announcement, p. 12
(Billion yen)

(Consolidated)	Net Sales				Recurring Income				
	FY3/16	FY3/17 Forecast	Change	Pct.	FY3/16	FY3/17 Forecast	Change	Pct.	Change from initial plan
Timber and Building Materials Business	427.0	426.0	-1.0	-0.2%	3.4	4.5	+1.1	+34.2%	—
Housing Business	454.6	468.0	+13.4	+2.9%	31.5	31.5	-0	-0.0%	-0.5
Overseas Business	187.9	237.0	+49.1	+26.1%	13.1	16.0	+2.9	+22.2%	+0.5
Other	16.9	22.5	+5.6	+33.3%	-1.0	1.0	+2.0	—	—
Adjustments	-45.8	-43.5	+2.3	—	-16.4	-5.0	+11.4	—	—
Total	1,040.5	1,110.0	+69.5	+6.7%	30.5	48.0	+17.5	+57.3%	—

◆ 2H and full year forecast

➤ Timber and building materials:

Net sales are expected to be around same level as previous year due to exchange rate. Profits up thanks to increased profitability of import products and improved revenue in timber and building materials business.

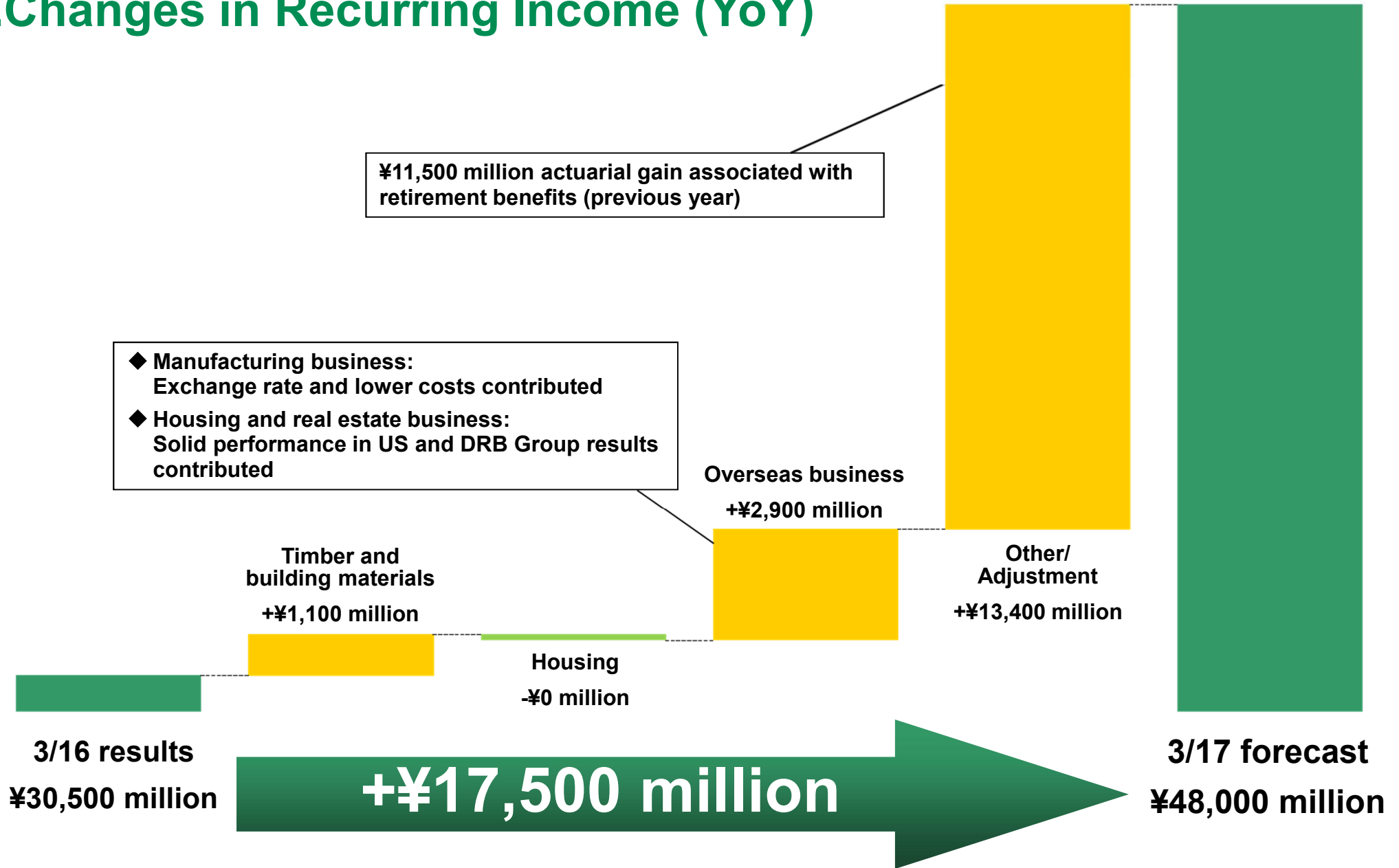
➤ Housing: Number of houses sold lower than initial plan. Increased unit prices and control of expenses will help mitigate decline in income.

➤ Overseas: Strong showing by housing and MDF manufacturing businesses will contribute to profitability.

➤ Other: Profitability will improve in overseas forestation business, which posted impairment previous year, and Mombetsu biomass power generation operations will be launched.

FYE March 2017 Full Year Earnings Forecast

3.Changes in Recurring Income (YoY)



FYE March 2017 Full Year Earnings Forecast

4. Housing Business Orders Received and Sales

◇ See earnings announcement, p. 13

- Custom-built detached housing: Number of orders received revised downward by 200 from initial plan in light of recent trends. Number of houses sold revised downward by 100 from initial plan.

(Billion yen)		Orders received				Sales			
		FY3/16	FY3/17 forecast	Change	Pct.	FY3/16	FY3/17 forecast	Change	Pct.
Contract business	(Units)	(7,730)	(8,000)	(+270)	(+3.5%)	(7,962)	(8,000)	(+38)	(+0.5%)
	(Unit price)	(34.1 mil. yen)	(34.1 mil. yen)	(+0.0 mil. yen)	(+0.1%)	(37.7 mil. yen)	(38.2 mil. yen)	(+0.5 mil. yen)	(+1.4%)
	Custom-built detached houses	297.5	304.0	+6.5	+2.2%	299.8	305.6	+5.8	+1.9%
	Apartments	23.0	24.0	+1.0	+4.5%	20.5	21.9	+1.4	+6.8%
	Other contracts	4.4	4.5	+0.1	+3.0%	2.1	4.4	+2.3	+110.4%
Spec homes and development business	Detached spec home					11.6	12.1	+0.5	+4.3%
	Land for custom-built housing					4.9	5.1	+0.2	+3.6%
	Existing home renovation (Resale of Renovated Homes)					4.8	4.5	-0.3	-5.4%
	Other					8.0	7.4	-0.6	-7.6%
				Net Sales Total		351.7	361.0	+9.3	+2.6%
				Profit Ratio		+25.5%	+25.2%	-0.3%	
				Gross Profit		89.9	91.1	+1.2	+1.4%

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

FYE March 2017 Full Year Earnings Forecast

5. Renovation Business Orders Received and Sales

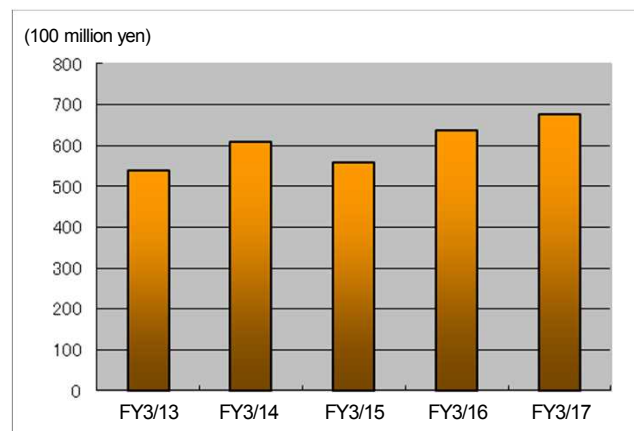
◇ See earnings announcement, p. 13

<Sumitomo Forestry Home Tech>

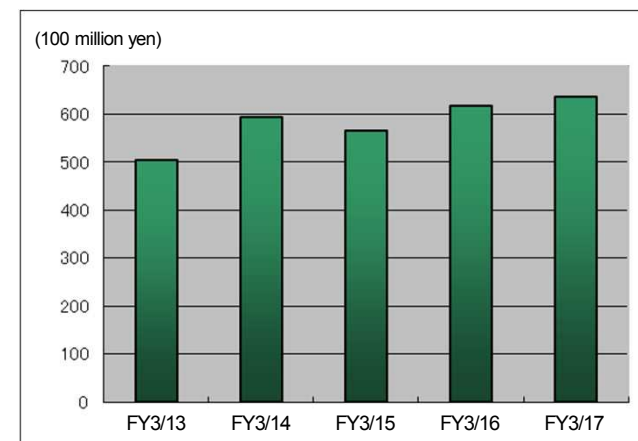
- Both orders received and construction completed up year on year thanks to differentiation proposals such as aseismic reinforcement.

(Billion yen)	3/16	3/17 Forecast	Change	Percentage
Orders Received	63.6	67.5	+3.9	+6.1%
Construction Completed	61.7	63.5	+1.8	+2.9%
Backlog of Orders Received at Term End	24.2	28.2	+4.0	+16.5%

◆ Trends in Orders received



◆ Trends in Construction Completed



FYE March 2017 Full Year Earnings Forecast

6. Overseas Segment Sales and Recurring Income

(Billion yen, houses)

Overseas Segment	Net Sales				Recurring Income			
	FY3/16	FY3/17 Forecast	Change	Pct.	FY3/16	FY3/17 Forecast	Change	Pct.
Manufacturing	54.6	48.7	-5.8	-10.7%	2.6	3.4	+0.8	+29.9%
Housing and Real Estate	134.2	191.6	+57.4	+42.8%	15.2	19.3	+4.1	+27.1%
(Number of houses sold)					(4,710)	(6,950)	(+2,240)	(+47.6%)
Other, Consolidated Adjustments, etc.	-0.8	-3.4	-2.5	—	-4.8	-6.8	-2.0	—
Total	187.9	237.0	+49.1	+26.1%	13.1	16.0	+2.9	+22.2%

- Manufacturing: Income up, driven by New Zealand (MDF) business.
- Housing and real estate: DRB Group contributes to profitability. Wisdom Group contributed starting in July.

FYE March 2017 Full Year Earnings Forecast

7. Investments

◆ Capital Expenditures

<when acquired>

(Billion yen)

(Consolidated)	FY3/16	FY3/17 Forecast	Change	Pct.
Tangible Fixed Assets	18.0	49.7	+31.7	+175.6%
Intangible Fixed Assets	2.0	3.6	+1.6	+78.8%
Other	0.4	0.3	-0.1	-13.6%
Total	20.4	53.6	+33.2	+162.4%

◆ Main investments

Acquisition of NZ forest asset ... ¥27,000 million

IT investments ... ¥3,600 million

Biomass power generation equipment ... ¥9,100 million

Domestic and overseas factory equipment ... ¥2,800 million

Domestic and overseas housing display centers ... ¥4,800 million

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.

