

Happiness Grows from Trees



# FY 3/2016 Financial Overview and FY 3/2017 Forecast

(Information meeting for fiscal year ended March 31, 2016)



May 13, 2016

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# FY3/16 Results



# FY3/16 Results

## 1. Summary ◇ See earnings announcement, p. 48

- Revenues increased as a result of expansion of the overseas housing business, improvement of the overseas manufacturing business and other factors.
- Net sales surpassed ¥1 trillion for the first time, but due to an actuarial loss of ¥11.5 billion, recurring income was negative year on year.

(Billion yen)

	As reported in financial statements			
(Consolidated)	FY3/15	FY3/16	Change	Pct.
Net Sales	<b>997.3</b>	<b>1,040.5</b>	<b>+43.3</b>	<b>+4.3%</b>
Gross Profit	<b>169.5</b>	<b>183.1</b>	<b>+13.6</b>	<b>+8.0%</b>
SG&A Expenses	<b>135.5</b>	<b>153.0</b>	<b>+17.5</b>	<b>+12.9%</b>
Operating Income	<b>34.0</b>	<b>30.1</b>	<b>-3.9</b>	<b>-11.5%</b>
Recurring Income	<b>36.4</b>	<b>30.5</b>	<b>-5.9</b>	<b>-16.2%</b>
Profit for the Year Attributable to Owners of the Parent	<b>18.6</b>	<b>9.7</b>	<b>-8.8</b>	<b>-47.6%</b>

# FY3/16 Results

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

- Actuarial loss -¥11.5 billion: Loss from substantial drop in discount rate and other factors (increase in expenses)
- Recurring income on an industry basis was ¥42 billion (YoY increase of 14.6%).
- Net income decreased due to losses in the overseas afforestation business and other factors.

(Billion yen)

<Reference>	Excluding the effect of actuarial gains and losses				Effect of actuarial gains and losses		
	(Consolidated)	FY3/15	FY3/16	Change	Pct.	FY3/15	FY3/16
Net Sales		997.3	1,040.5	+43.3	+4.3%		
Gross Profit		169.5	183.1	+13.6	+8.0%		
SG&A Expenses		135.2	141.5	+6.3	+4.6%	+0.3	+11.5
Operating Income		34.3	41.6	+7.4	+21.5%	-0.3	-11.5
Recurring Income		36.7	42.0	+5.4	+14.6%	-0.3	-11.5
Profit for the Year Attributable to Owners of the Parent		18.7	17.4	-1.3	-6.9%	-0.2	-7.7

# FY3/16 Results

## 2. Segment Sales and Recurring Income ◇ See earnings announcement, p. 48

(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	427.0	+3.9	+0.9%	4.0	3.4	-0.7	-17.0%
Housing	453.9	454.6	+0.7	+0.1%	28.3	31.5	+3.2	+11.3%
Overseas	147.0	187.9	+40.9	+27.8%	6.1	13.1	+7.0	+113.7%
Others	16.6	16.9	+0.3	+1.9%	1.2	-1.0	-2.2	—
Adjustment	-43.3	-45.8	-2.6	—	-3.2	-16.4	-13.2	—
Total	9,97.3	1,040.5	+43.3	+4.3%	36.4	30.5	-5.9	-16.2%

➤ Timber and Building Materials:

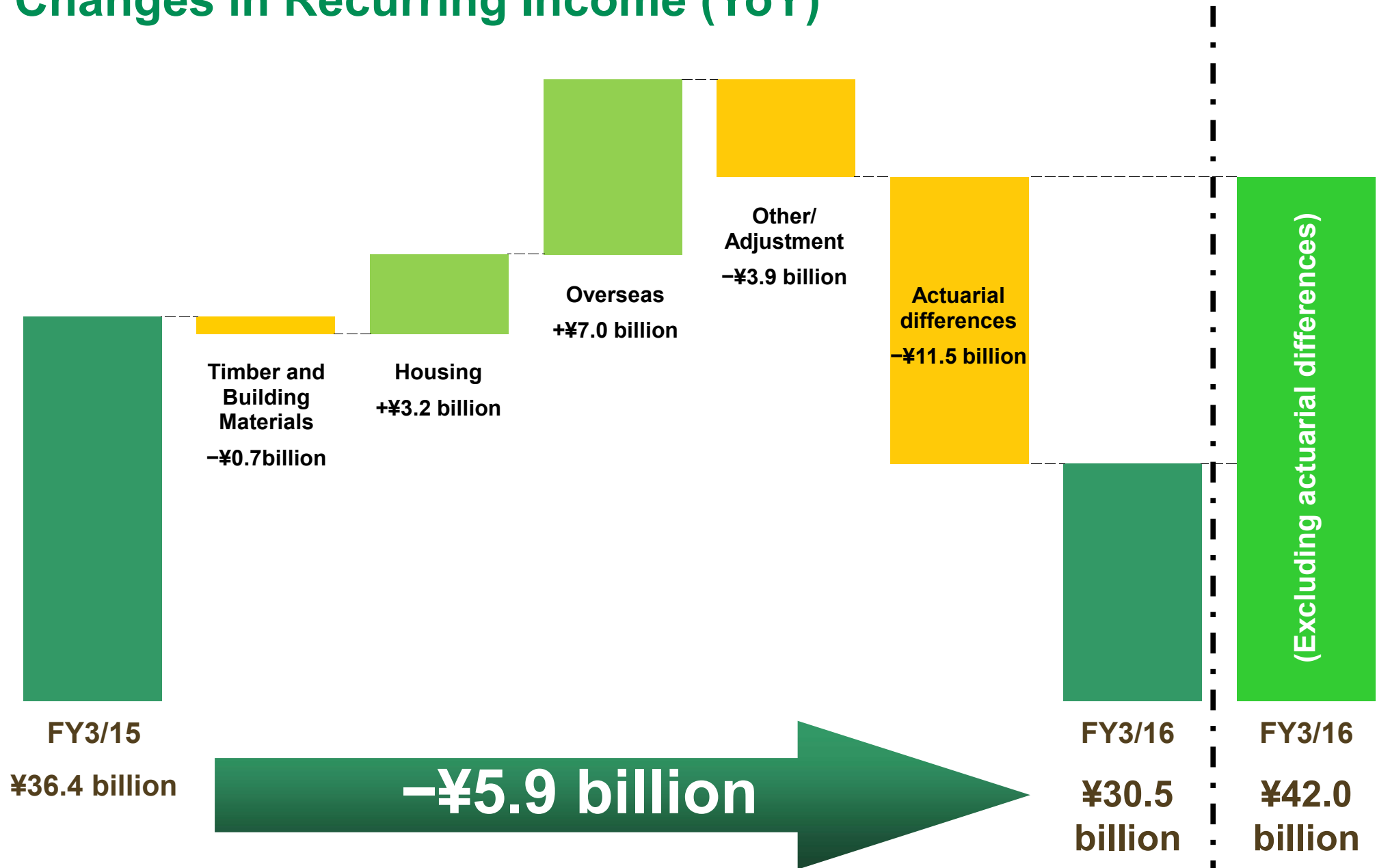
Freight movement recovered, but while revenues increased, earnings decreased due to plant restructuring in the domestic building materials manufacturing business and other factors.

➤ Housing: Revenues and earnings were up thanks to the high added value strategy of custom-built houses and expansion of the apartments business.

➤ Overseas: Gehan Homes contributed to results from the start of the fiscal year, and manufacturing business revenue improved.

# FY3/16 Results

## 3. Changes in Recurring Income (YoY)



# FY3/16 Results

## 4. Housing Business Orders Received and Sales (Nonconsolidated)

◇ See earnings announcement, p. 49

- Custom-built housing: The 781 fewer houses completed was made up for by an increase in unit prices, and orders received were up 2.5% YoY.
- Apartments: Developing and strengthening the sales system resulted in a total value of houses completed of ¥20.5 billion (YoY increase of 51.2%).
- Other Contracts: Orders for large and medium-sized timber solution project increased.

(Billion yen)		Orders Received				Sales				
		FY3/15	FY3/16	Change	Pct.	FY3/15	FY3/16	Change	Pct.	
Contract business	(Units)	(7,804)	(7,730)	(-74)	(-0.9%)	(8,743)	(7,962)	(-781)	(-8.9%)	
	Million yen (Unit price)	(33.2)	(34.1)	(+0.9)	(+2.7%)	(35.8)	(37.7)	(+1.8)	(+5.1%)	
	Custom-built Detached Houses	290.2	297.5	+7.3	+2.5%	313.4	299.8	-13.6	-4.3%	
	Apartments	21.8	23.0	+1.2	+5.4%	13.6	20.5	+6.9	+51.2%	
	Other Contracts	1.4	4.4	+2.9	+204.7%	2.8	2.1	-0.7	-25.1%	
Spec homes and development business	Spec Homes					10.2	11.6	+1.4	+14.1%	
	Land					5.5	4.9	-0.6	-11.0%	
	Existing Home Renovation					5.7	4.8	-0.9	-16.3%	
	Other					8.0	8.0	-0	-0.2%	
		Total Net Sales		359.2	351.7	-7.4	-2.1%			
		Profitability		24.6%	25.5%	+1.0%				
		Gross Profit		88.3	89.9	+1.5	+1.7%			

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



# FY3/16 Results

## 5. Renovation Business Orders Received and Sales

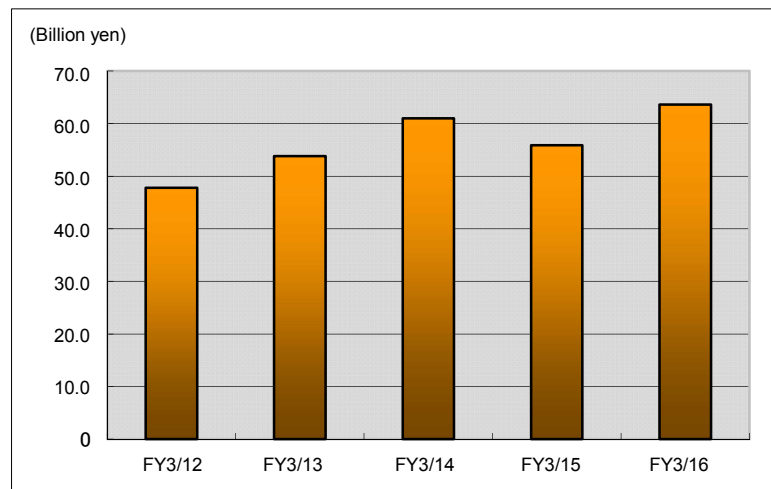
◇ See earnings announcement, p. 49

### <Sumitomo Forestry Home Tech>

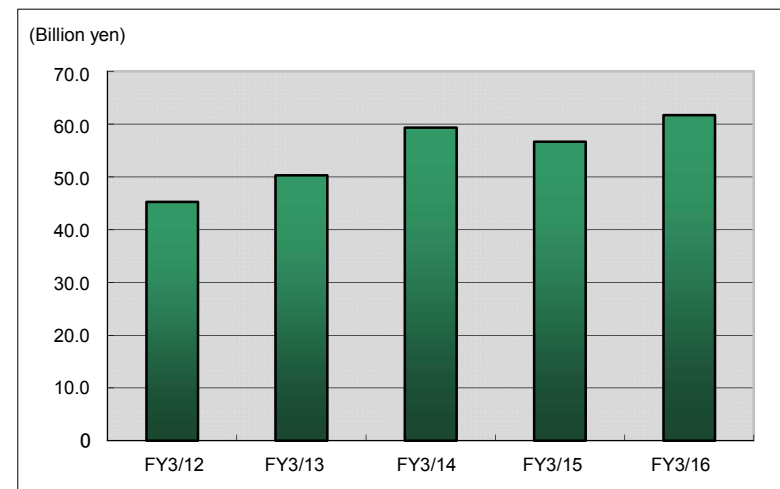
- Intensive investments were made in the sales force, resulting in YoY gains in both orders received and construction completed.

(Billion yen)	FY3/15	FY3/16	Change	Pct.
Orders received	<b>55.9</b>	<b>63.6</b>	<b>+7.7</b>	<b>+13.8%</b>
Construction completed	<b>56.7</b>	<b>61.7</b>	<b>+5.1</b>	<b>+8.9%</b>
Backlog of orders received at term end	<b>22.3</b>	<b>24.2</b>	<b>+1.9</b>	<b>+8.4%</b>

◆ Trends in Orders Received



◆ Trends in Construction Completed



# FY3/16 Results

## 6. 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	54.6	+4.2	+8.3%	0.7	2.6	+2.0	+283.2%
Housing and Real Estate	98.1	134.2	+36.1	+36.7%	9.6	15.2	+5.6	+58.2%
(Number of houses sold)					(3,808)	(4,710)	(+902)	(+23.7%)
Other, Consolidated Adjustments, etc.	-1.5	-0.8	+0.7	—	-4.2	-4.8	-0.6	—
Total	147.0	187.9	+40.9	+27.8%	6.1	13.1	+7.0	+113.7%

**Manufacturing:** Cost reductions in the MDF manufacturing business and the exchange rate contributed to improved revenue.

**Housing and Real Estate:**

Revenues and earnings were up substantially thanks to expansion of the housing business in North America and Australia and the contribution of Gehan Homes to the results.

● Conversion rate (average during term)

	US\$/JPY	AU\$/JPY	NZ\$/JPY
FY3/15	105.88	95.38	87.78
FY3/16	121.05	91.06	84.71

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

# FY3/16 Results

## 7. Investments

### ◆ Capital Expenditures

<\*when acquired>

(Billion yen)

(Consolidated)	FY3/15	FY3/16	Change	Pct.
Tangible Fixed Assets	12.6	18.0	+5.4	+43.0%
Intangible Fixed Assets	2.5	2.0	-0.5	-19.4%
Other	0.3	0.4	+0.1	—
Total	15.4	20.4	+5.1	+32.9%

### ◆ Main investments

Mombetsu and Hachinohe biomass power generation business ... ¥5.8 billion

Domestic and overseas housing display centers ... ¥4.6 billion

IT investments ... ¥2.2 billion

Domestic and overseas factory equipment ... ¥1.9 billion

# FY3/16 Results

## 8. Balance Sheet and Cash Flow ◇ See earnings announcement, p.15, 16, 21 and 22 (Billion yen)

	FY3/15	FY3/16	Change		FY3/15	FY3/16	Change
Cash, Deposits, Securities	107.8	117.5	9.7	Payables	167.6	176.4	8.9
Receivables	124.2	127.1	2.9	Short-term Debt (Bank Loans)	31.3	27.6	-3.8
Finished Goods	26.6	26.1	-0.5	Short-term Debt (Bonds)	-	5.0	5.0
Real Estate for Sale	39.2	43.2	4.0	Advances Received from Customers	46.8	48.6	1.8
Real Estate for Sale in Process	37.1	56.4	19.3	Other Current Liabilities	46.4	55.6	9.2
Construction Projects in Progress	22.9	23.9	1.0	Long-term Debt/Bonds Issued	66.2	82.1	15.9
Other Receivables	44.6	47.0	2.3	Liability for Retirement Benefits	13.1	23.7	10.7
Other Current Assets	47.9	50.2	2.3	Other Long-term Liabilities	33.4	26.0	-7.4
<b>Total Current Assets</b>	<b>450.2</b>	<b>491.5</b>	<b>41.2</b>	<b>Liabilities</b>	<b>404.8</b>	<b>445.1</b>	<b>40.3</b>
Tangible Fixed Assets	109.0	1,08.7	-0.3	Shareholders' Equity	2,15.6	221.0	5.5
Intangible Fixed Assets	16.3	18.1	1.8	Accumulated Other Comprehensive Income	30.2	22.4	-7.8
Investments and Other Assets	90.0	90.9	1.0	Non-controlling Interests	15.0	20.7	5.6
<b>Total Non-Current Assets</b>	<b>215.3</b>	<b>217.7</b>	<b>2.4</b>	<b>Net Assets</b>	<b>260.8</b>	<b>264.1</b>	<b>3.3</b>
<b>Total Assets</b>	<b>665.5</b>	<b>709.2</b>	<b>43.6</b>	<b>Total Liabilities/Net Assets</b>	<b>665.5</b>	<b>709.2</b>	<b>43.6</b>

Total assets increased YoY as a result of factors such as making the Dan Ryan Builders Group a consolidated subsidiary.

	FY3/15	FY3/16
Operating CF	14.7	45.7
Investing CF	-23.6	-10.0
Free CF	-8.9	35.7
Financial CF	-17.3	1.8

# FY3/17 Forecast



# FY3/17 Forecast

## 1. Summary ◇ See earnings announcement, p. 48

- Net sales of ¥1.15 trillion, recurring income of ¥48 billion ⇒ Highest ever
- Revenue and earnings to be up in all segments: Timber and building materials, housing, overseas and other.
- SG&A expenses will increase due to making DRB a subsidiary, launching Mombetsu and Hachinohe biomass power generation operations and strengthening of R&D.

(Billion yen)

(Consolidated)	FY3/16 Actual	FY3/17 Forecast	Change	Pct.
Net Sales	<b>1040.5</b>	<b>1,150.0</b>	<b>+109.5</b>	<b>+10.5%</b>
Gross Profit	<b>183.1</b>	<b>205.0</b>	<b>+21.9</b>	<b>+11.9%</b>
SG&A Expenses	<b>153.0</b>	<b>159.0</b>	<b>+6.0</b>	<b>+3.9%</b>
Operating Income	<b>30.1</b>	<b>46.0</b>	<b>+15.9</b>	<b>+52.9%</b>
Recurring Income	<b>30.5</b>	<b>48.0</b>	<b>+17.5</b>	<b>+57.3%</b>
Profit for the Year Attributable to Owners of the Parent	<b>9.7</b>	<b>27.0</b>	<b>+17.3</b>	<b>+177.6%</b>

\* Without actuarial differences

SG&A Expenses	<b>141.5</b>	<b>159.0</b>	<b>+17.5</b>	<b>+12.4%</b>
Recurring Income	<b>42.0</b>	<b>48.0</b>	<b>+6.0</b>	<b>+14.2%</b>

# FY3/17 Forecast

## 2. Segment Sales and Recurring Income

◇ See earnings announcement, p. 48

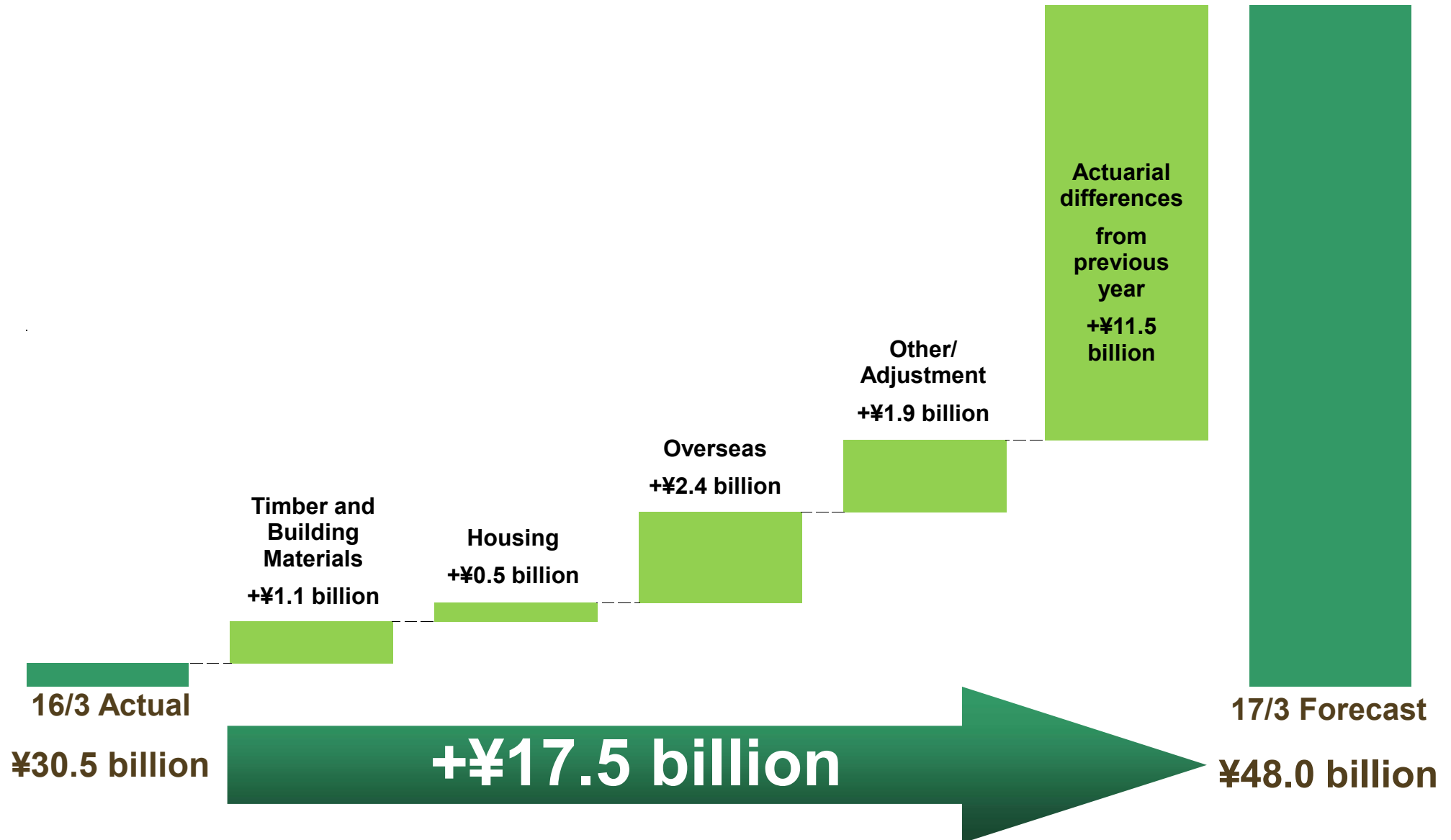
(Billion yen)

(Consolidated)	Net Sales				Recurring Income			
	FY3/16 Actual	FY3/17 Forecast	Change	Pct.	FY3/16 Actual	FY3/17 Forecast	Change	Pct.
Timber and Building Materials	427.0	448.0	+21.0	+4.9%	3.4	4.5	+1.1	+34.2%
Housing	454.6	481.0	+26.4	+5.8%	31.5	32.0	+0.5	+1.5%
Overseas	187.9	258.0	+70.1	+37.3%	13.1	15.5	+2.4	+18.4%
Others	16.9	23.5	+6.6	+39.3%	-1.0	1.0	+2.0	—
Adjustment	-45.8	-60.5	-14.7	—	-16.4	-5.0	+11.4	—
Total	1,040.5	1,150.0	+109.5	+10.5%	30.5	48.0	+17.5	+57.3%

- Timber and building materials: Increase in high value-added products carried and improvement of building material manufacturing business revenue.
- Housing: Increase in number of custom-built houses completed and expansion of apartments/renovation businesses.
- Overseas: Housing businesses in US and Australia will remain strong, and DRB Group will contribute to profitability as consolidated subsidiary from start of fiscal year.

FY3/17 Forecast

### 3. Changes in Recurring Income (YoY)





# FY3/17 Forecast

## 4. Housing Business Orders Received and Sales

◇ See earnings announcement, p. 49

- Custom-built Detached Houses: Plan to capture surge demand, pour effort into Tokyo Metropolitan area and receive 8,200 orders (YoY increase of 6.1%).
- Apartments: YoY increase in orders received and sales thanks to strengthening of sales system and improved product appeal.

(Billion yen)		Orders Received				Sales			
		FY3/16	FY3/17 Forecast	Change	Pct.	FY3/16	FY3/17 Forecast	Change	Pct.
Contract business	(Units)	(7,730)	(8,200)	(+470)	(+6.1%)	(7,962)	(8,100)	(+138)	(+1.7%)
	Million yen (Unit price)	(34.1)	(33.4)	(-0.7)	(-2.0%)	(37.7)	(37.9)	(+0.2)	(+0.6%)
	Custom-built Detached Houses	297.5	310.8	+13.3	+4.5%	299.8	307.0	+7.2	+2.4%
	Apartments	23.0	25.5	+2.5	+11.0%	20.5	23.5	+3.0	+14.6%
	Other Contracts	4.4	4.5	+0.1	+3.0%	2.1	4.7	+2.6	+124.8%
Spec homes and development business	Spec Homes					11.6	12.1	+0.5	+4.3%
	Land					4.9	4.5	-0.4	-8.6%
	Existing Home Renovation (Resale of renovated homes)					4.8	4.5	-0.3	-5.4%
	Other					8.0	8.1	+0.1	+1.1%
				Total Net Sales		351.7	364.4	+12.7	+3.6%
				Profitability		25.5%	25.5%	-	
				Gross Profit		89.9	92.9	+3.0	+3.4%

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

# FY3/17 Forecast

## 5. Renovation Business Orders Received and Sales

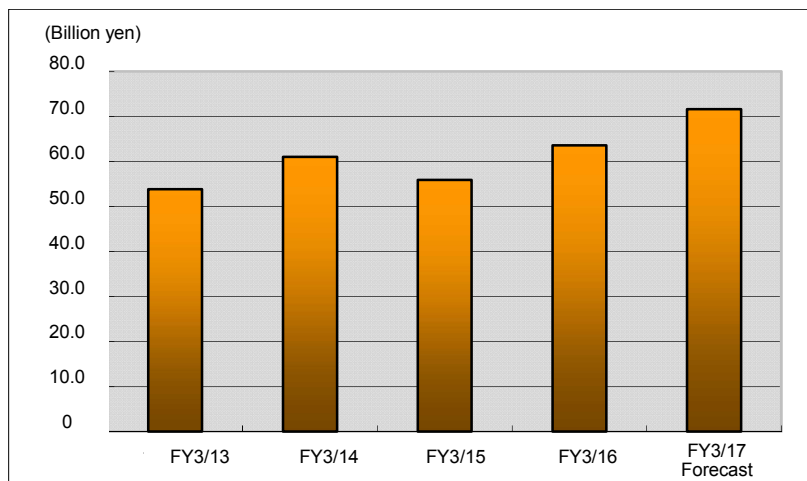
◇ See earnings announcement, p. 49

### <Sumitomo Forestry Home Tech>

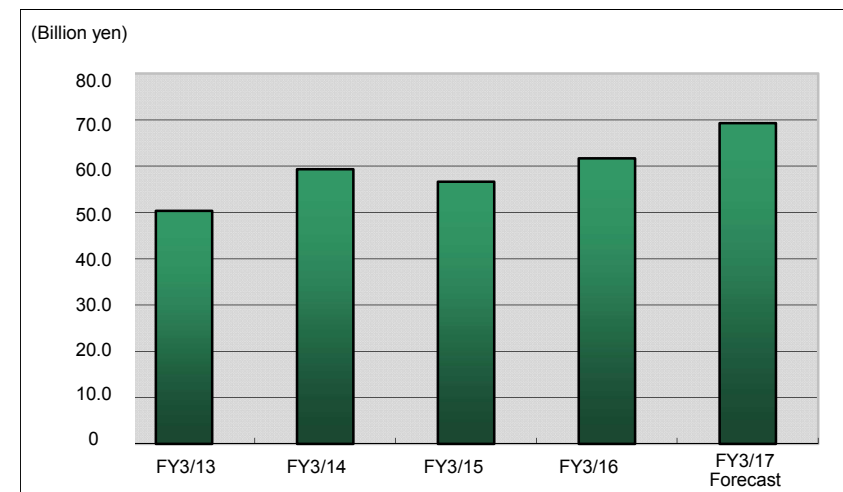
- Increase in orders received thanks to differentiation proposals like aseismic reinforcement and thermal insulation and strengthening of packaged product sales.

(Billion yen)	FY3/16	FY3/17 Forecast	Change	Pct.
Orders received	<b>63.6</b>	<b>71.6</b>	<b>+8.0</b>	<b>+12.6%</b>
Construction completed	<b>61.7</b>	<b>69.3</b>	<b>+7.6</b>	<b>+12.3%</b>
Backlog of orders received at term end	<b>24.2</b>	<b>26.5</b>	<b>+2.3</b>	<b>+9.5%</b>

◆ Trends in Orders Received



◆ Trends in Construction Completed



# FY3/17 Forecast

## 6. Overseas Segment Sales and Recurring Income

(Billion yen)

Overseas Segment	Net Sales				Recurring Income			
	FY3/16	FY3/17 Forecast	Change	Pct.	FY3/16	FY3/17 Forecast	Change	Pct.
Manufacturing	54.6	51.1	-3.5	-6.4%	2.6	2.1	-0.5	-18.8%
Housing and Real Estate	134.2	206.8	+72.7	+54.1%	15.2	18.9	+3.7	+24.3%
(Number of houses sold)					(4,710)	(6,750)	(+2,040)	(+43.3%)
Other, Consolidated Adjustments, etc.	-0.8	0.1	+0.9	—	-4.8	-5.6	-0.8	—
Total	187.9	258.0	+70.1	+37.3%	13.1	15.5	+2.4	+18.4%

Manufacturing: Increase in cost of materials in MDF manufacturing business.

Housing and Real Estate:  
Increased revenues and earnings resulting from favorable housing business in US and Australia and making DRB Group a consolidated subsidiary.

● Conversion rate (average during term)

	US\$/JPY	AU\$/JPY	NZ\$/JPY
FY3/16	121.05	91.06	84.71
FY3/17 (Forecast)	115.00	84.00	76.00

# FY3/17 Forecast

## 7. Investments

### ◆ Capital Expenditures

<when acquired>

(Billion yen)

(Consolidated)	FY3/16	FY3/17 Forecast	Change	Pct.
Tangible Fixed Assets	<b>18.0</b>	<b>51.6</b>	<b>+33.6</b>	<b>+186.2%</b>
Intangible Fixed Assets	<b>2.0</b>	<b>3.7</b>	<b>+1.7</b>	<b>+82.3%</b>
Other	<b>0.4</b>	<b>0.6</b>	<b>+0.2</b>	—
Total	<b>20.4</b>	<b>55.8</b>	<b>+35.4</b>	<b>+173.1%</b>

### ◆ Main investments

NZ mountain forest asset acquisition ... ¥28.3 billion

Biomass power generation equipment ... ¥8.5 billion

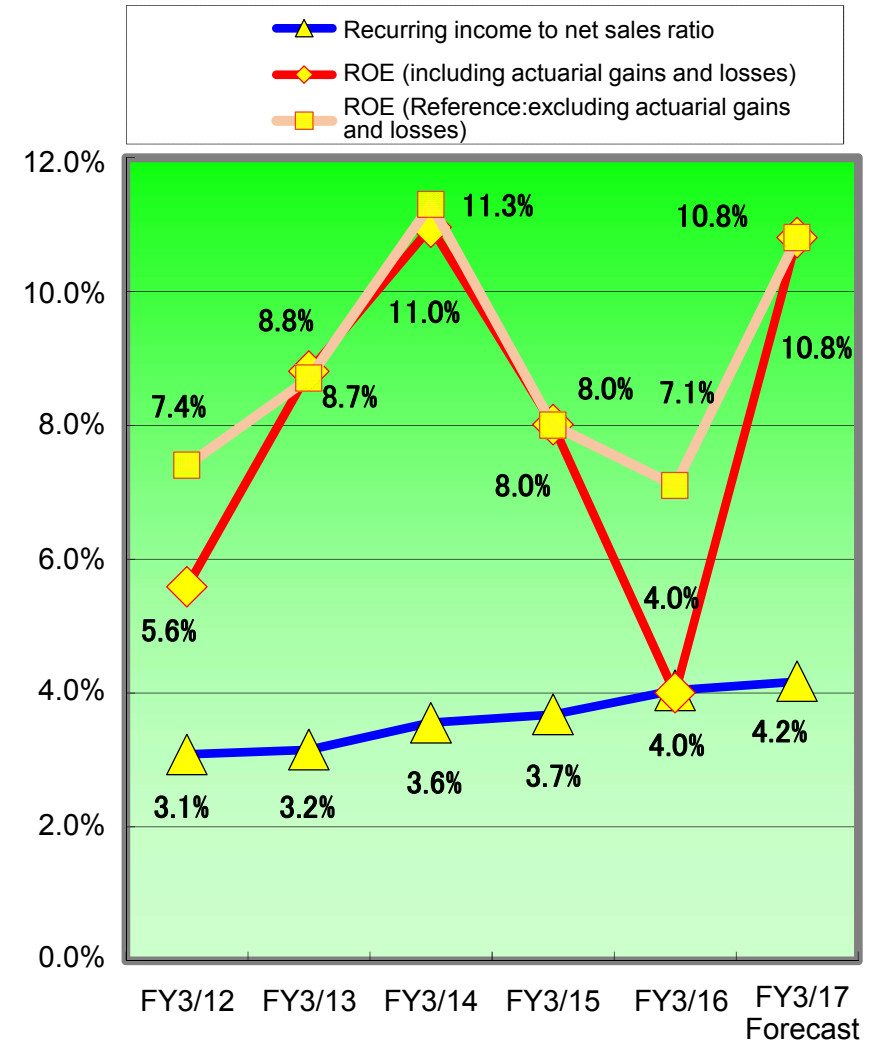
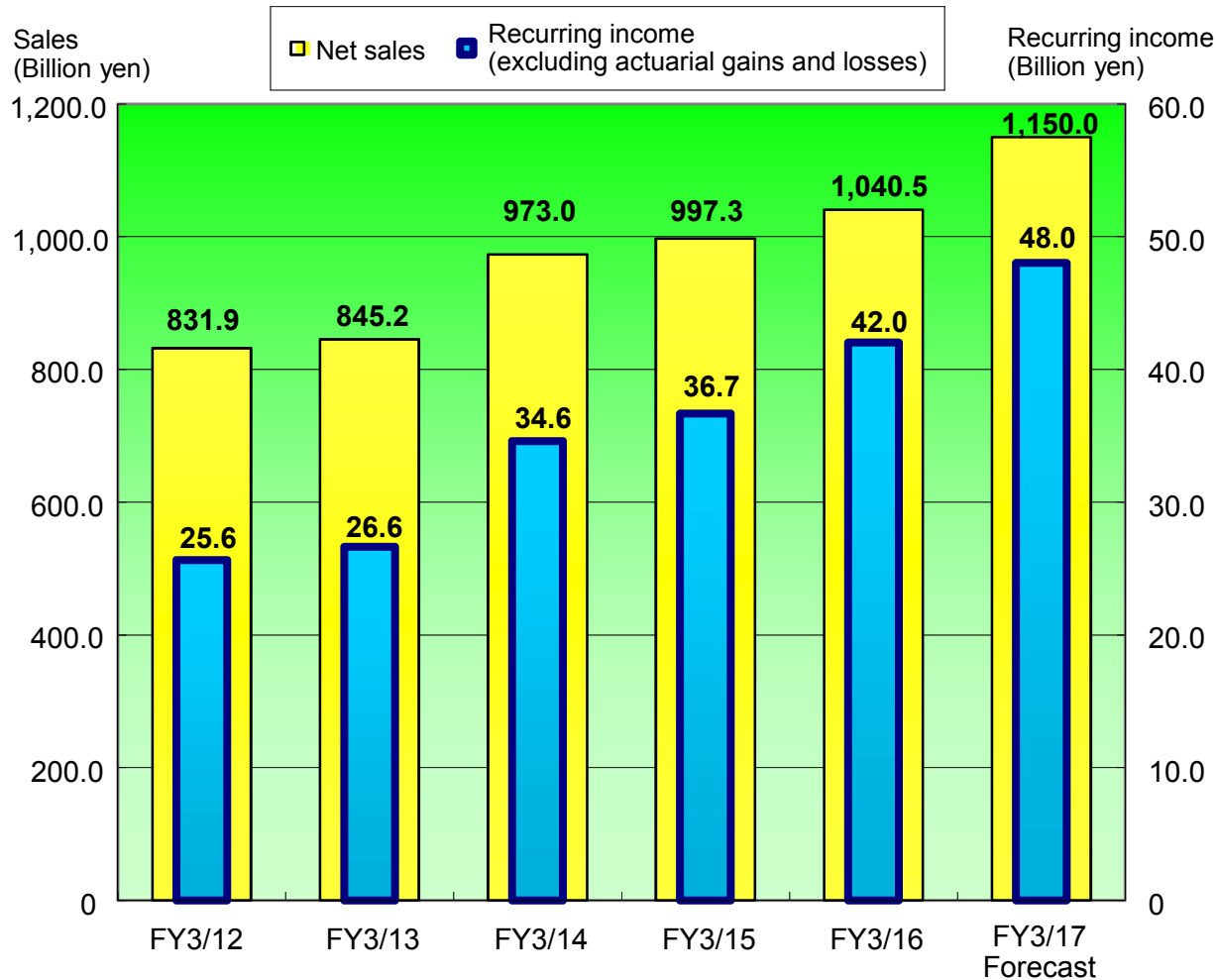
Domestic and overseas housing display centers ... ¥6.1 billion

IT investments... ¥3.8 billion

Domestic and overseas factory equipment ... ¥3.0 billion

# FY3/17 Forecast

## 8. Trends in Gains/Losses, Recurring Income to Net Sales Ratio, and ROE



\* Recurring income does not include actuarial gains or losses

\* ROE excluding actuarial gains and losses (reference value) is calculated using the effective statutory tax rate, and net assets for each year have not been adjusted.

**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.**

