

Financial Results for the Third Quarter of FY Ending March, 2014

January 31, 2014

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3Q Summary of Cumulative Financial Results

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- The domestic housing market remained firm due to improved business confidence, low interest rates and rush demand prior to the consumption tax rate hike.
- Amid steady business conditions, increases in sales and profits were driven by the Timber and Building Materials and Housing businesses.
- Business conditions since October remain uncertain because of a downturn in orders for custom-built detached houses.
- The significant increase in net income was the result of two special factors:
Henley Group companies becoming consolidated subsidiaries and a revision of the tax treaty between New Zealand and Japan.

(Billion yen)	3Q FY3/13 Cumulative		3Q FY3/14 Cumulative		YoY	
Net sales		594.7		670.1	+75.4	+12.7%
Gross profit	15.9%	94.6	15.7%	105.4	+10.8	+11.4%
SG&A expenses		85.1		91.4	+6.3	+7.4%
Operating income	1.6%	9.5	2.1%	14.0	+4.5	+47.2%
Recurring income	1.8%	10.4	2.1%	14.3	+3.8	+36.6%
Net income	0.9%	5.4	1.9%	12.6	+7.2	+132.7%

3Q Cumulative Results by Segment

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•Timber and Building Materials

⇒ Sales and profits increased due to higher handling volume in the timber and building materials distribution business, and an upswing in the selling prices mainly for imported products.

•Housing ⇒ Sales and profits rose because of a greater number of homes completed in the Custom-Built Detached Housing Business, and the favorable performance of the Renovation and Apartment businesses

•Overseas ⇒ Sales improved mainly due to Henley Group companies becoming consolidated subsidiaries. However, profits fell primarily because of the impact of foreign exchange rates.

(Billion yen)

<Net sales>

	3Q FY3/13 Cumulative	3Q FY3/14 Cumulative	YoY	
Timber and building materials	301.4	342.7	+41.2	+13.7%
Housing	284.0	299.7	+15.6	+5.5%
Inc. Renovation	39.2	42.6	+3.4	+8.7%
Overseas	28.8	47.7	+18.9	+65.5%
Other	11.0	12.4	+1.4	+12.7%
Adjustment	-30.6	-32.3	-1.8	—
Total	594.7	670.1	+75.4	+12.7%

<Recurring income>

Timber and building materials	1.2%	3.5	1.3%	4.5	+1.0	+27.5%
Housing	3.4%	9.6	4.2%	12.6	+3.0	+31.4%
Inc. Renovation	5.2%	2.0	5.5%	2.3	+0.3	+14.1%
Overseas	-5.1%	-1.5	-3.3%	-1.6	-0.1	—
Other	4.5%	0.5	6.3%	0.8	+0.3	+58.8%
Adjustment	—	-1.7	—	-2.0	-0.3	—
Total	1.8%	10.4	2.1%	14.3	+3.8	+36.6%

FYE March 2014 Full Year Forecast (Overall)

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- Our full year earnings forecast remains unchanged since the time we announced our 2Q financial results.
- Based on progress up to the third quarter, we fully expect to achieve our full year earnings forecast.
- The impact of actuarial differences associated with retirement benefits has not been incorporated into the full year forecast.

(Billion yen)	FY3/13 Results	FY3/13 Results (Without actuarial gains/losses)	FY3/14 Full Year Forecast	YoY	YoY (Without actuarial gains/losses)
Net sales	845.2	—	935.0	+89.8 +10.6%	— —
Gross profit	16.7% 141.4	—	16.9% 158.0	+16.6 +11.7%	— —
SG&A expenses	116.1	116.5	128.0	+11.9 +10.2%	+11.5 +9.9%
Operating income	3.0% 25.3	3.0% 25.0	3.2% 30.0	+4.7 +18.4%	+5.0 +20.1%
Recurring income	3.2% 27.0	3.2% 26.6	3.2% 30.0	+3.0 +11.2%	+3.4 +12.7%
Net income	1.9% 15.9	1.9% 15.7	2.2% 21.0	+5.1 +31.9%	+5.4 +34.7%

FYE March 2014 Full Year Forecast (by Segment)

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- None of the numbers for the segment earnings forecasts from the announcement of second quarter results has changed.
- An increase in sales and profits of the timber and building materials business and the housing business is forecasted owing to a steady domestic housing market.
- As for the overseas business, the targets from the full year plan are achievable thanks to strong housing sales by the Henley Group.

(Billion yen)		FY3/13 Results	FY3/13 Results (Without actuarial gains/losses)	FY3/14 Full Year Forecast	YoY		YoY (Without actuarial gains/losses)
<Net sales>	Timber and building materials	401.3	—	440.0	+38.7	+9.7%	—
	Housing	430.8	—	455.0	+24.2	+5.6%	—
	Inc. Renovation	53.0	—	59.6	+6.6	+12.4%	—
	Overseas	38.7	—	75.0	+36.3	+94.0%	—
	Other	15.4	—	16.0	+0.6	+3.9%	—
	Adjustment	-40.9	—	-51.0	-10.1	—	—
	Total	845.2	—	935.0	+89.8	+10.6%	—
<Recurring income>	Timber and building materials	1.2% 4.7	—	1.1% 4.9	+0.2	+4.2%	—
	Housing	6.1% 26.2	—	6.6% 30.0	+3.8	+14.4%	—
	Inc. Renovation	5.1% 2.7	—	5.5% 3.3	+0.6	+22%	—
	Overseas	-4.8% -1.8	—	-0.7% -0.5	+1.3	—	—
	Other	4.9% 0.8	—	3.8% 0.6	-0.2	-20.5%	—
	Adjustment	— -2.9	— -3.2	— -5.0	-2.1	—	-1.8 —
	Total	3.2% 27.0	3.2% 26.6	3.2% 30.0	+3.0	+11.2%	+3.4 +12.7%

- In the full year forecast, the number of completed custom-built detached houses is expected to exceed that of the previous year by around 200 based on the favorable number of order received in the first half.
- Apartments have also trended favorably, so we expect to achieve our full year forecast.

		FY3/13 3Q Cumulative	FY3/14 3Q Cumulative	YoY		FY3/13 Results	FY3/14 Forecast	(Billion yen) YoY	
Contract business	Custom-built detached (Amounts)	195.8	206.5	+10.7	+5.5%	300.9	312.8	+11.9	+3.9%
	(Units)	5,879	5,970	+91	+1.5%	8,999	9,200	+201	+2.2%
	million yen (Unit price)	33.3	34.6	+1.3	+3.9%	33.4	34.0	+0.6	+1.7%
	Wooden apartments (Amounts)	3.8	5.7	+1.8	+47.9%	9.4	10.5	+1.1	+12.1%
	(Units)	319	490	+171	+53.6%	858	960	+102	+11.9%
	Other contracts (Amounts)	0.1	0.9	+0.8	+725.9%	0.3	2.0	+1.7	+488.8%
	Detached spec homes (Amounts)	8.6	6.1	-2.5	-29.1%	11.4	11.3	-0.1	-0.7%
	(Units)	190	144	-46	-24.2%	254	270	+16	+6.3%
	million yen (Unit price)	45.0	42.1	-2.9	-6.5%	44.8	41.9	-2.9	-6.6%
Land for custom-built housing (Amounts)		3.3	3.1	-0.2	-5.6%	5.5	6.9	+1.4	+25.3%
Real estate development (Amounts)		5.4	4.6	-0.8	-14.0%	9.6	12.2	+2.6	+27.0%
Other (Amounts)		5.4	5.6	+0.2	+3.2%	7.7	8.0	+0.3	+4.4%
Renovation (construction completed) (Amounts)		37.2	40.5	+3.3	+8.9%	50.3	57.0	+6.7	+13.3%

Orders Received and Full Year Forecast

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- A reactionary drop in the number of orders received has been observed since October when the interim measures associated with the consumption tax increase expired. It is unclear what the future trend will be, but for the time being we will aim to achieve the targets for this year.
- We will pour our efforts into racking up orders by taking full advantage of promotional events such as the Nagoya Housing Expo in February.

		FY3/13 3Q cumulative	FY3/14 3Q cumulative	YoY		FY3/13 Results	FY3/14 forecast	(Billion yen) YoY	
Contract business	Custom-built detached								
	(Amounts)	231.2	273.4	+42.2	+18.2%	314.2	337.5	+23.3	+7.4%
	(Units)	6,716	7,416	+700	+10.4%	9,105	9,700	+595	+6.5%
	million yen (Unit price)	30.4	32.1	+1.7	+5.7%	30.6	32.0	+1.4	+4.7%
	Wooden apartments								
	(Amounts)	8.5	13.3	+4.8	+56.4%	13.0	14.4	+1.4	+10.4%
	(Units)	790	981	+191	+24.2%	1,138	1,250	+112	+9.8%
	Other contracts								
	(Amounts)	0.5	2.2	+1.8	386.9%	1.0	3.5	+2.5	+258.1%
	Renovation (Amounts)	39.4	47.4	+7.9	+20.1%	53.8	60.0	+6.2	+11.5%



[Reference]

Umeda Housing Expo 2013
(November 1 – December 1, 2013)

[Left] Main venue

[Right] “Hagukumi no Niwa garden” exhibit venue

Balance Sheet

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(Billion yen)

	End of March 2013	3Q 3/14	Change		End of March 2013	3Q 3/14	Change
Cash, deposits, securities	67.2	98.3	+31.2	Payables	169.6	174.0	+4.4
Receivables	125.9	140.7	+14.8	Short-term debt /bonds issued	26.0	35.0	+9.0
Finished goods	22.3	26.8	+4.5	Advances received on uncompleted construction contracts	42.3	72.0	+29.7
Developed land and housing for sale	27.9	38.8	+10.9	Other current liabilities	38.2	38.2	+0.0
Costs on uncompleted construction contracts	27.1	48.6	+21.5	Current liabilities	276.1	319.2	+43.0
Accounts receivable-other	47.9	46.4	-1.5	Long-term debt/bonds issued	39.2	46.7	+7.5
Other current assets	49.2	24.6	-24.7	Provision for employees' retirement benefits	9.7	9.8	+0.1
Total current assets	367.5	424.3	+56.8	Other long-term liabilities	29.7	30.2	+0.6
Buildings and structures	26.6	30.8	+4.2	Long-term liabilities	78.6	86.8	+8.2
Land	23.6	26.7	+3.1	Shareholders' equity	181.8	190.9	+9.2
Investment securities	59.6	68.4	+8.8	Accumulated other comprehensive income	10.7	18.7	+8.0
Other noncurrent assets	70.7	72.5	+1.8	Minority interests	0.8	7.0	+6.3
Total noncurrent assets	180.5	198.4	+17.9	Net assets	193.3	216.7	+23.4
Assets	548.0	622.6	+74.7	Total liabilities/net assets	548.0	622.6	+74.7

- Total assets grew to ¥622.6 billion, an increase of ¥74.7 billion compared to End of March 2013 figures.
- The main factors were an increase in costs on uncompleted construction contracts for current assets associated with an increase in properties under construction and the conversion of the Henley Group into a consolidated subsidiary.

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.



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