

# Earnings Briefing FY Ending March, 2016 - Second Quarter Financial Results and Full Year Forecast -

(Information meeting for 2Q FY ending March 31, 2016)



November 6, 2015

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# Second Quarter of FYE March 2016 Results



## Second Quarter of FYE March 2016 Results

### 1. Summary ◇ See earnings announcement, p. 14

- The number of houses sold in the domestic housing business was down due to the sharp reactive decline accompanying the consumption tax hike, but the US and Australian housing businesses performed well. Gehan has been contributing to full-year profit since the beginning of this year. (Last year only two months' worth was posted in the second quarter.)
- Net sales, operating income and recurring income all exceeded the previous year's results. (Billion yen)

(Consolidated)	2Q FY3/15	2Q FY3/16	Change	Pct.
Net sales	469.6	486.4	+16.9	+3.6%
Gross profit	77.8	83.1	+5.3	+6.8%
SG&A expenses	65.6	70.3	+4.7	+7.1%
Operating income	12.2	12.9	+0.7	+5.3%
Recurring income	13.3	13.5	+0.2	+1.1%
Profit for the Year Attributable to Owners of Parent	7.3	6.9	-0.4	-5.4%

2Q FY3/16 Initial plan*	Change	Pct.
488.0	-1.6	-0.3%
81.5	+1.6	+2.0%
70.0	+0.3	+0.4%
11.5	+1.4	+11.9%
12.0	+1.5	+12.2%
5.5	+1.4	+25.2%

\*Plan after 7/31 revision

## Second Quarter of FYE March 2016 Results

### 2. Segment Sales and Recurring Income

◇ See earnings announcement, p. 14

(Billion yen)

(Consolidated)	Net Sales				Recurring Income			
	2Q FY3/15	2Q FY3/16	Change	Pct.	2Q FY3/15	2Q FY3/16	Change	Pct.
Timber and Building Materials	<b>212.6</b>	<b>208.2</b>	<b>-4.3</b>	<b>-2.0%</b>	<b>2.2</b>	<b>1.4</b>	<b>-0.8</b>	<b>-34.6%</b>
Housing	<b>212.8</b>	<b>202.5</b>	<b>-10.3</b>	<b>-4.8%</b>	<b>10.8</b>	<b>8.8</b>	<b>-2.0</b>	<b>-18.9%</b>
Overseas	<b>57.6</b>	<b>89.5</b>	<b>+31.9</b>	<b>+55.4%</b>	<b>1.1</b>	<b>5.1</b>	<b>+4.0</b>	<b>+363.6%</b>
Other	<b>7.9</b>	<b>8.4</b>	<b>+0.5</b>	<b>+6.1%</b>	<b>0.6</b>	<b>0.2</b>	<b>-0.3</b>	<b>-54.8%</b>
Adjustment	<b>-21.3</b>	<b>-22.2</b>	<b>-0.9</b>	<b>-</b>	<b>-1.4</b>	<b>-2.1</b>	<b>-0.7</b>	<b>-</b>
Total	<b>469.6</b>	<b>486.4</b>	<b>+16.9</b>	<b>+3.6%</b>	<b>13.3</b>	<b>13.5</b>	<b>+0.2</b>	<b>+1.1%</b>

➤ Timber and building materials:

There was a positive trend in the number of new housing starts, but movement of goods has been slow to recover.

➤ Housing:

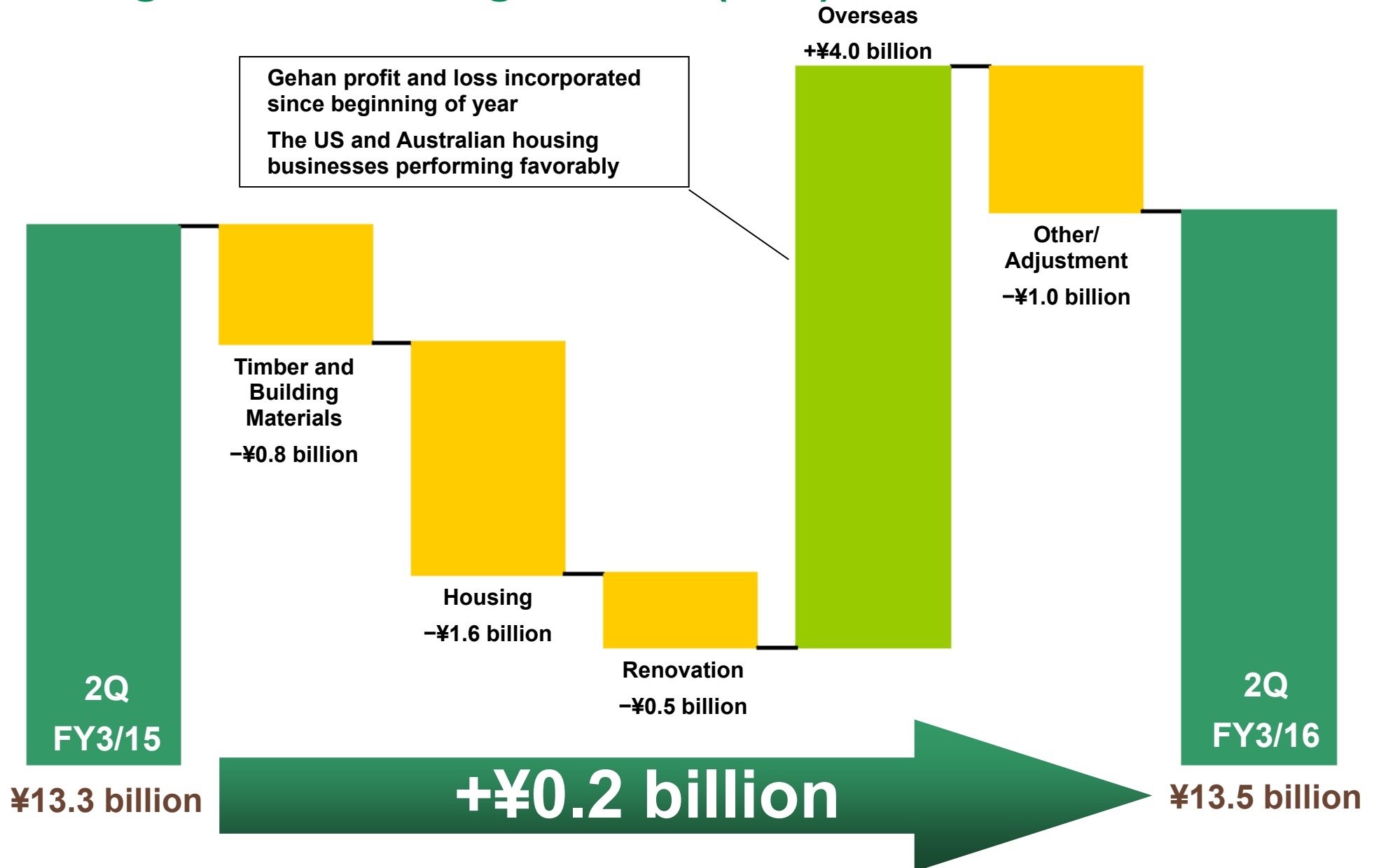
The unit selling price for detached housing orders was up, but the number of houses sold was down due to the sharp reactive decline accompanying the consumption tax hike.

➤ Overseas:

The US and Australian housing businesses are performing favorably. Gehan results are contributing as of the beginning of this year.

# Second Quarter of FYE March 2016 Results

## 3. Changes in Recurring Income (YoY)



## Second Quarter of FYE March 2016 Results

### 4. Housing Business Orders Received and Sales (non-consolidated)

◇ See earnings announcement, p. 15

➤ Custom-built detached houses:

Signs of improvement observed with sharp reactive decline accompanying consumption tax hike. Big Frame construction ratio increased, contributing to an increase in the amount and unit prices of orders received.

➤ Gross profit ratio increased thanks to higher unit selling prices and control of material costs.

(Billion yen)		Orders received				Sales			
		2Q FY3/15	2Q FY3/16	Change	Pct.	2Q 2FY3/15	2Q FY3/16	Change	Pct.
Contract Business	Units	3,904	4,087	+183	+4.7%	4,177	3,582	-595	-14.2%
	Unit price	32.8 mil. yen	34.1 mil. yen	+1.3 mil. yen	+4.0%	35.7 mil. yen	37.4 mil. yen	+1.7 mil. yen	+4.7%
	Custom-built Detached houses	143.7	157.6	+14.0	+9.7%	149.2	134.1	-15.2	-10.2%
	Apartments	9.8	12.1	+2.4	+24.3%	5.0	6.8	+1.8	+36.3%
	Other contracts	0.4	2.7	+2.3	+643.6%	0.9	0.5	-0.4	-43.7%
Spec homes and development business	Detached spec homes					3.3	5.2	+1.9	+56.2%
	Land for custom-built Housing					2.0	2.1	+0.1	+7.3%
	Existing home renovation (Resale of renovated homes)					2.9	2.7	-0.2	-5.9%
	Other					4.0	3.4	-0.6	-15.5%
Net Sales Total		167.4	154.8	-12.6	-7.5%				
Profit Ratio		24.5%	25.3%	+0.9%					
Gross Profit		41.0	39.2	-1.7	-4.3%				

\* 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 2016 Results

## 5. Renovation Business Orders Received and Sales

### <Sumitomo Forestry Home Tech>

◇ See earnings announcement, p. 15

➤ Orders received:

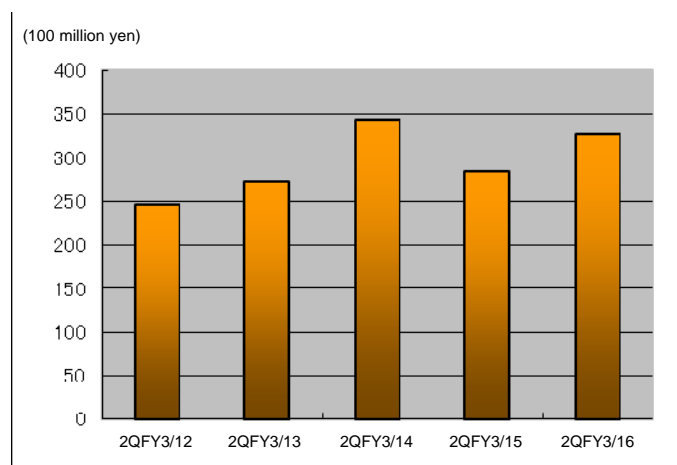
Recovered from decline resulting from sharp reactive decline accompanying consumption tax hike. We will continue to aim for its expansion as growth business.

➤ Houses completed:

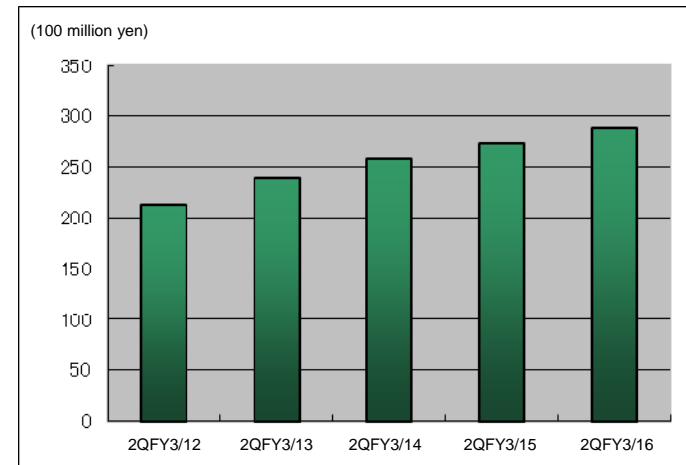
Lower than orders received growth rate due to impact of backlog of orders received at beginning of year.

(Billion yen)	2Q FY3/15	2Q FY3/16	Change	Pct.
Orders received	<b>28.5</b>	<b>32.7</b>	<b>+4.2</b>	<b>+14.8%</b>
Construction completed	<b>27.3</b>	<b>28.9</b>	<b>+1.5</b>	<b>+5.6%</b>
Backlog of orders received at term end	<b>24.3</b>	<b>26.2</b>	<b>+1.9</b>	<b>+7.9%</b>

#### ◆ Trends in Orders Received



#### ◆ Trends in Construction Completed





## Second Quarter of FYE March 2016 Results

### 6. Overseas Segment Sales and Recurring Income

(Billion yen, houses)

Overseas Segment	Net Sales				Recurring Income			
	2Q FY3/15	2Q FY3/16	Change	Pct.	2Q FY3/15	2Q FY3/16	Change	Pct.
Manufacturing	24.1	26.2	+2.0	+8.5%	0.3	0.9	+0.7	+244.0%
Housing and Real Estate	34.2	63.5	+29.4	+86.0%	2.8	6.8	+3.9	+138.0%
Number of houses sold					1,518	2,193	+675	+44.5%
Other, Consolidated Adjustments, etc.	-0.7	-0.2	+0.5	-	-2.0	-2.6	-0.6	-
Total	57.6	89.5	+31.9	+55.4%	1.1	5.1	+4.0	+363.6%

➤ Manufacturing:

Both sales volume and unit prices increased in Australian MDF manufacturing business (Alpine).

➤ Housing and real estate:

The US and Australian housing businesses performing favorably. Substantial increase in revenues and earnings owing mainly to expanded revenues from Bloomfield (equity method affiliate).

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

## Second Quarter of FYE March 2016 Results

### 7. Investments

#### ◆ Capital Expenditures

<\*when acquired>

(Billion yen)

(Consolidated)	2Q FY3/15	2Q FY3/16	Change	Pct.
Tangible Fixed Assets	<b>4.9</b>	<b>9.5</b>	<b>+4.5</b>	<b>+92.3%</b>
Intangible Fixed Assets	<b>0.6</b>	<b>0.9</b>	<b>+0.3</b>	<b>+43.5%</b>
Other	<b>0.2</b>	<b>0.1</b>	<b>-0.1</b>	<b>-10.0%</b>
Total	<b>5.7</b>	<b>10.5</b>	<b>+4.8</b>	<b>+84.3%</b>

#### ◆ Main investments

Biomass power generation equipment ... ¥5.1 billion

Domestic and overseas housing display centers ... ¥2.2 billion

Systems investments ... ¥1.1 billion

# Second Quarter of FYE March 2016 Results

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## 8. Balance Sheet and Cash Flow

◇ See earnings announcement, p. 6, 7, 10, 11

(Billion yen)

	End of March 2015	End of Sep. 2015	Change		End of March 2015	End of Sep. 2015	Change
Cash, deposits, securities	107.8	90.0	-17.8	Payables	167.6	165.7	-1.8
Receivables	124.2	124.5	0.3	Short-term debt	31.3	29.9	-1.5
Finished goods	26.6	26.4	-0.2	Current portion of bonds payable	0	5.0	5.0
Developed land and housing for sale	39.2	41.6	2.3	Advances received on uncompleted construction contracts	46.8	57.6	10.8
Real estate for sale in process	37.1	40.6	3.5	Other current liabilities	46.4	45.4	-1.0
Costs on uncompleted construction Contracts	22.9	28.9	6.0	Long-term debt/bonds issued	66.2	65.5	-0.7
Accounts receivable-other	44.6	42.6	-2.0	Liability for retirement benefits	13.1	12.5	-0.5
Other current assets	47.9	64.4	16.5	Other long-term liabilities	33.4	31.8	-1.6
<b>Total current assets</b>	<b>450.2</b>	<b>459.0</b>	<b>8.8</b>	<b>Liabilities</b>	<b>404.8</b>	<b>413.5</b>	<b>8.8</b>
Noncurrent assets	109.0	110.3	1.3	Shareholders' equity	215.6	220.3	4.8
Intangible assets	16.3	14.7	-1.6	Accumulated other comprehensive income	30.2	26.5	-3.7
Investment securities	90.0	92.5	2.5	Non-controlling interests	15.0	16.2	1.2
<b>Total noncurrent assets</b>	<b>215.3</b>	<b>217.6</b>	<b>2.3</b>	<b>Net assets</b>	<b>260.8</b>	<b>263.1</b>	<b>2.3</b>
<b>Total assets</b>	<b>665.5</b>	<b>676.6</b>	<b>11.0</b>	<b>Total liabilities and net assets</b>	<b>665.5</b>	<b>676.6</b>	<b>11.0</b>

	2Q FY3/15	2Q FY3/16
Operating CF	-9.3	10.6
Investing CF	-13.2	-2.3
Free CFF	-22.6	8.3
Financial CF	-16.7	-2.0

# FYE March 2016 Full Year Earnings Forecast



# FYE March 2016 Full Year Earnings Forecast

## 1. Summary ◇ See earnings announcement, p. 14

- Forecast of full-year consolidated financial results has been revised upward from figures announced at beginning of year. Recurring income is expected to be highest ever.
- The key factors behind higher expenses include the incorporation of Gehan from the beginning of the year, preliminary expenses for expansion of the Henley Group's business in the US and Australia and an increase in strategic expenses for strengthening the renovation business.

(Billion yen)

(Consolidated)	FY3/15 Actual	FY3/16 Forecast	Change	Pct.
Net sales	997.3	1,050.0	+52.7	+5.3%
Gross profit	169.5	182.0	+12.5	+7.4%
SG&A expenses	135.5	143.0	+7.5	+5.5%
Operating income	34.0	39.0	+5.0	+14.7%
Recurring income	36.4	40.0	+3.6	+9.8%
Profit for the Year Attributable to Owners of Parent	18.6	22.0	+3.4	+18.5%

FY3/16 Initial plan	Change	Pct.
1,062.0	-12.0	-1.1%
179.0	+3.0	+1.7%
144.0	-1.0	-0.7%
35.0	+4.0	+11.4%
36.5	+3.5	+9.6%
19.5	+2.5	+12.8%

\*Without actuarial differences

SG&A expenses	135.2	143.0	+7.8	+5.7%
Recurring income	36.7	40.0	+3.3	+9.0%

# FYE March 2016 Full Year Earnings Forecast

## 2. Segment Sales and Recurring Income

◇ See earnings announcement, p. 14  
(Billion yen)

(Consolidated)	Net Sales				Recurring Income				
	FY3/15	FY3/16 Forecast	Change	Pct.	FY3/15	FY3/16 Forecast	Change	Pct.	Change from initial plan
Timber and Building Materials	423.0	430.5	+7.5	+1.8%	4.0	3.8	-0.2	-5.9%	-1.0
Housing	453.9	459.0	+5.1	+1.1%	28.3	30.5	+2.2	+7.8%	+2.5
Overseas	147.0	186.0	+39.0	+26.5%	6.1	11.0	+4.9	+79.6%	+2.7
Other	16.6	17.0	+0.4	+2.6%	1.2	0.1	-1.1	-91.5%	+0
Adjustment	-43.3	-42.5	+0.8	-	-3.2	-5.4	-2.2	-	-0.7
Total	997.3	1,050.0	+52.7	+5.3%	36.4	40.0	+3.6	+9.8%	+3.5

### ◆ Second half and full year forecasts

#### ➤ Timber and Building Materials:

There are signs of a recovery in the domestic housing market, but it has not materialized in a full-scale fashion. Full-year recurring income was revised downward due mainly to plant restructuring at a domestic building materials manufacturing subsidiary (Sumitomo Forestry Crest).

#### ➤ Housing:

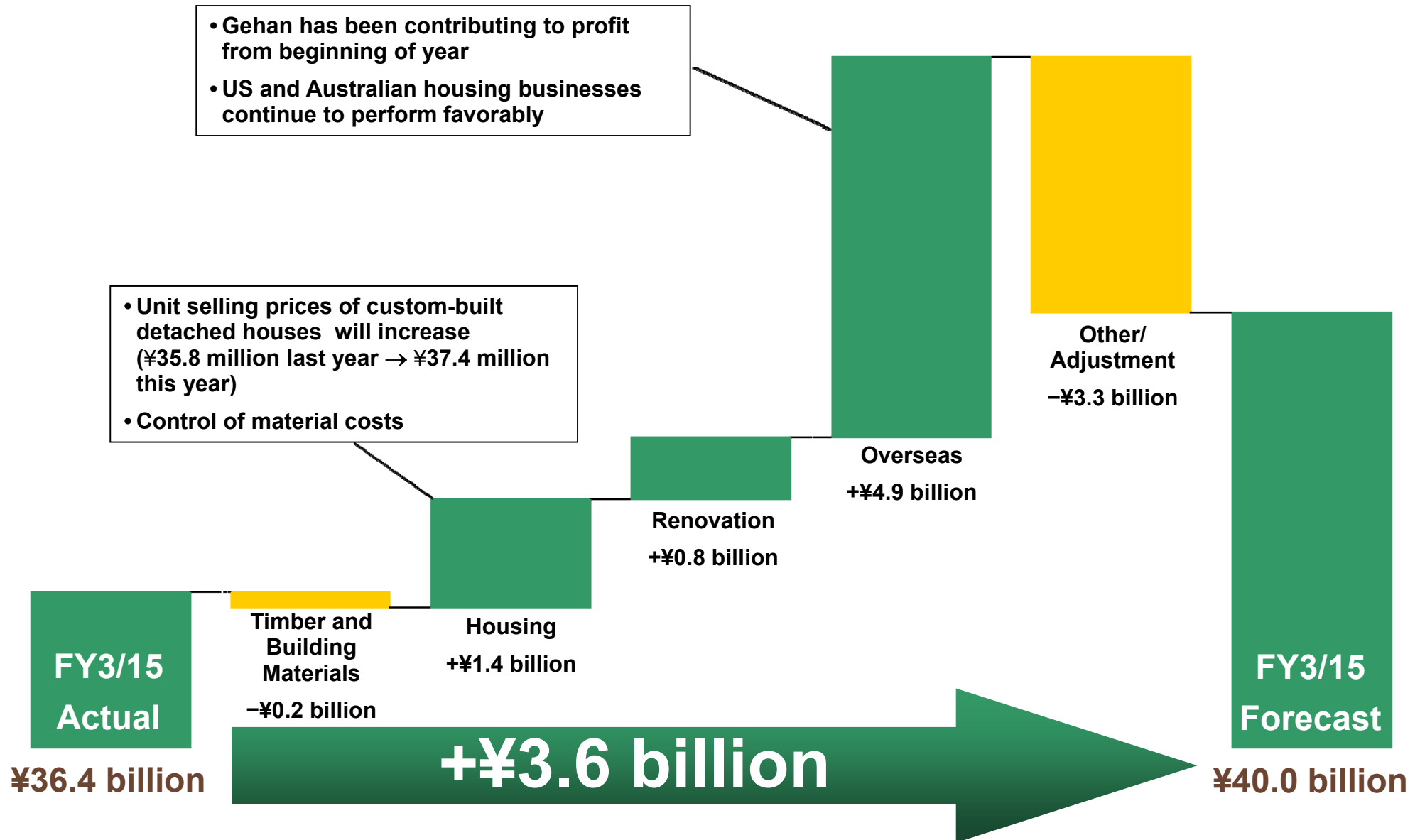
The number of custom-built detached houses sold is expected to be lower than the previous year, but the gross profit ratio will improve thanks to higher unit selling prices and control of material costs. Full-year recurring income has been revised upward.

#### ➤ Overseas:

Driven by favorable performance of housing business, full-year recurring income has been revised upward.

# FYE March 2016 Full Year Earnings Forecast

## 3. Changes in Recurring Income (YoY)



# FYE March 2016 Full Year Earnings Forecast

## 4. Housing Business Orders Received and Sales(non-consolidated)

- Custom-built detached houses: ◇ See earnings announcement, p. 15  
Unit prices of orders received increased thanks to expansion of orders received for high value-added Big Frame construction method. The number of houses sold has been revised downward by 200 houses compared to the plan from the beginning of the year based on the current backlog of orders received.
- Apartments:  
Both orders received and sales are expected to surpass the results of the previous year owing primarily to strengthening of the sales structure.

(Billion yen)		Orders received				Sales			
		FY3/15	FY3/16 Forecast	Change	Pct.	FY3/15	FY3/16 Forecast	Change	Pct.
Contract Business	Units	7,804	8,200	+396	+5.1	8,743	8,000	-743	-8.5%
	Unit price	33.2 mil. yen	34.1 mil. yen	+0.9 mil. yen	+2.8	35.8 mil. yen	37.4 mil. yen	+1.6 mil. yen	+4.4%
	Custom-built detached houses	290.2	309.0	+18.8	+6.5%	313.4	299.3	-14.1	-4.5%
	Apartments	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	2.8	+0	+0.3%
Spec homes and development business	Detached spec homes					10.2	11.7	+1.5	+15.0%
	Land for custom-built housing					5.5	5.8	+0.3	+4.9%
	Existing home renovation (Resale of renovated homes)					5.7	6.4	+0.7	+12.6%
	Other					8.0	9.3	+1.3	+15.9%

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

Net sales Total	359.2	354.0	-5.2	-1.4%
Profit ratio	24.6%	25.4%	+0.8%	
Gross profit	88.3	89.8	+1.5	+1.7%



# FYE March 2016 Full Year Earnings Forecast

## 5. Renovation Business Orders Received and Sales

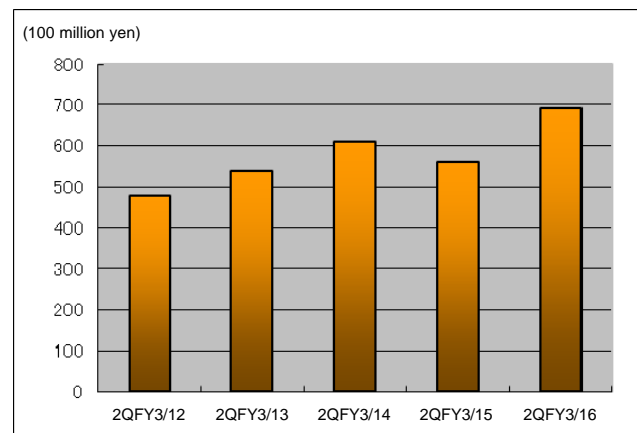
### <Sumitomo Forestry Home Tech>

◇ See earnings announcement, p. 15

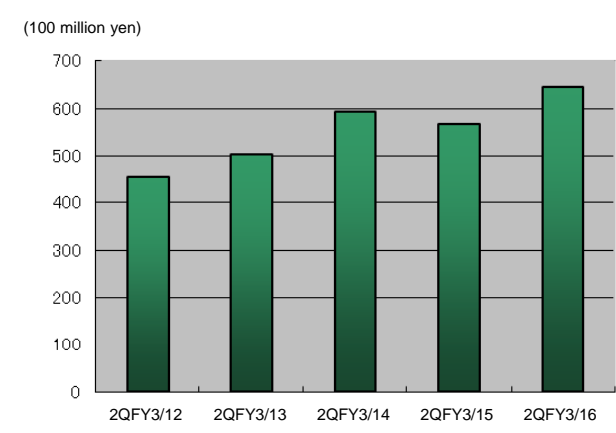
- 1half orders received progressed according to plan. We will continue to promote enhancement of human resources and renovation of traditional Japanese-style houses and condominiums. We will aggressively invest in advertising, including television commercials, to increase opportunities to receive orders.

(Billion yen)	FY3/15	FY3/16 Forecast	Change	Pct.
Orders received	<b>55.9</b>	<b>69.2</b>	<b>+13.3</b>	<b>+23.8%</b>
Construction completed	<b>56.7</b>	<b>64.5</b>	<b>+7.8</b>	<b>+13.8%</b>
Backlog of orders received at term end	<b>22.3</b>	<b>27.0</b>	<b>+4.7</b>	<b>+21.1%</b>

#### ◆ Trends in Orders Received



#### ◆ Trends in Construction completed



# FYE March 2016 Full Year Earnings Forecast

## 6. Overseas Segment Sales and Recurring Income

(Billion yen, houses)

Overseas Segment	Net Sales				Recurring Income			
	FY3/15	FY3/16 Forecast	Change	Pct.	FY3/15	FY3/16 Forecast	Change	Pct.
Manufacturing	50.4	53.2	+2.8	+5.6%	0.7	2.1	+1.4	+204.8%
Housing and Real Estate	98.1	133.0	+34.9	+35.5%	9.6	14.3	+4.7	+48.7%
Number of houses sold					3,808	4,600	+792	+20.8%
Other, Consolidated Adjustments, etc.	-1.5	-0.2	+13	-	-4.2	-5.4	-1.2	-
Total	147.0	186.0	+39.0	+26.5%	6.1	11.0	+4.9	+79.6%

- Manufacturing:  
Improved revenue from Australian MDF manufacturing business (Alpine).
- Housing and real estate:  
Henley Group, Gehan and Bloomfield all performing well.

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

# FYE March 2016 Full Year Earnings Forecast

## 7. Investments

### ◆ Capital Expenditures

<when acquired>

(Billion yen)

(Consolidated)	FY3/15	FY3/16 Forecast	Change	Pct.	FY3/14
Tangible Fixed Assets	<b>12.6</b>	<b>20.8</b>	<b>+8.2</b>	<b>+65.0%</b>	<b>14.7</b>
Intangible Fixed Assets	<b>2.5</b>	<b>2.8</b>	<b>+0.3</b>	<b>+13.9%</b>	<b>2.4</b>
Other	<b>0.3</b>	<b>0.7</b>	<b>+0.4</b>	<b>+143.5%</b>	<b>0.3</b>
Total	<b>15.4</b>	<b>24.3</b>	<b>+9.0</b>	<b>+58.2%</b>	<b>17.4</b>

### ◆ Main investments

Domestic and overseas housing display centers ... ¥ 7.1 billion

Biomass power generation equipment ... ¥6.7 billion

Systems investments ... ¥3.2 billion

**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.**

