

## Summary of Consolidated Financial Results For the Year Ended March 2013

Name of Company: Sumitomo Forestry Co., Ltd.  
 Stock Code: 1911  
 Stock Exchange Listing: Tokyo, Osaka  
 URL: <http://sfc.jp/>  
 Representative  
 Title: President / Representative Director  
 Name: Akira Ichikawa  
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 Title: General Manager, Corporate Communications  
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 Date of regular general meeting of shareholders: June 21, 2013  
 Date of commencement of dividend payment (tentative): June 24, 2013  
 Date of filing of securities report: June 21, 2013  
 Existence or non-existence of preparation for supplemental explanation documents: Exist  
 Existence or non-existence of results briefing: Exist (For securities analysts and institutional investors)

(Note: Amounts are rounded to nearest million Yen.)

**1. Financial results for the current fiscal year (April 1, 2012 – March 31, 2013)****(1) Result of operations (Consolidated)**

(Percentage figures represent year on year changes)

	Net sales		Operating income		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended March 2013	845,184	1.6	25,330	32.0	26,981	30.3	15,923	71.8
FY ended March 2012	831,870	4.3	19,191	34.8	20,714	45.8	9,271	79.1

Note: Comprehensive income

FY ended March 2013                      25,933 million yen (192.8%)  
 FY ended March 2012                      8,858 million yen (211.5%)

	Net income per share	Net income per share fully diluted	Return on equity	Ratio of recurring income to assets	Operating income margin
	Yen	Yen	%	%	%
FY ended March 2013	89.89	-	8.8	5.1	3.0
FY ended March 2012	52.34	-	5.6	4.2	2.3

Note: Equity in losses of affiliates

FY ended March 2013                      140 million yen  
 FY ended March 2012                      314 million yen

**(2) Financial Position (Consolidated)**

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2013	547,973	193,250	35.1	1,086.68
As of March 31, 2012	503,496	169,335	33.6	954.81

Note: Shareholders' equity

FY ended March 2013:                      192,491 million yen  
 FY ended March 2012:                      169,134 million yen

**(3) Cash flow position (Consolidated)**

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investment activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY ended March 2013	45,910	(28,662)	(5,305)	75,658
FY ended March 2012	26,873	(32,903)	(5,622)	63,839

**2. Dividends**

	Dividend per share					Annual aggregate amount	Payout ratio (Consolidated)	Dividends/ net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY ended March 2012	-	7.50	-	7.50	15.00	2,657	28.7	1.6
FY ended March 2013	-	7.50	-	9.50	17.00	3,011	18.9	1.7
FY ending March 2014 (est.)	-	9.50	-	9.50	19.00		21.0	

**3. Forecast for the fiscal year ending March 2014 (Consolidated, April 1, 2013 - March 31, 2014)**

	Net sales		Operating income		Recurring income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	420,000	7.1	8,000	17.0	7,800	4.2	4,100	13.6	23.15
Full year	900,000	6.5	27,500	8.6	28,000	3.8	16,000	0.5	90.33

Note: The percentage figures accompanying net sales, operating income, recurring income, and net income represent year-on-year changes.

\* Notice

- (1) Changes in main subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None  
 Company (Company name) , Excluded —Company (Company name)
- (2) Changes in accounting policies, accounting estimates, and restatements
- (a) Changes in accounting policies due to revision of accounting standards : Exist
- (b) Changes in accounting policies other than those in (a): None
- (c) Changes in accounting estimates: Exist
- (d) Restatements: None

There are items which fall under Article 14-7 (cases of the difficulty of distinguishing changes of accounting policies and changes of accounting estimates) of “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.” For details please refer to accompanying materials page 23, “4. Consolidated Financial Statement (7) Changes of Accounting Policies.”

- (3) Number of shares outstanding (common stock)

- (a) Shares outstanding (including treasury stock)

As of March 31, 2013	177,410,239	As of March 31, 2012	177,410,239
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- (b) Treasury stock

As of March 31, 2013	273,712	As of March 31, 2012	271,922
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- (c) Average number of shares during the term

As of March 31, 2013	177,137,337	As of March 31, 2012	177,138,651
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Non-consolidated Financial Results (For reference)

Financial results for the current fiscal year (April 1, 2012 – March 31, 2013)

- 1) Result of operations (Non-consolidated)

(% displayed is change on previous FY)

	Net sales		Operating income		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2013	682,432	0.3	19,311	40.8	23,047	32.6	14,625	49.4
Fiscal year ended March 2012	680,189	5.0	13,713	65.2	17,383	53.8	9,791	320.4

	Net income per share	Net income per share fully Diluted
	Yen	Yen
Fiscal year ended March 2013	82.56	–
Fiscal year ended March 2012	55.27	–

- (2) Financial Position (Non-consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal year ended March 2013	487,411	170,510	35.0	962.59
Fiscal year ended March 2012	447,510	152,156	34.0	858.97

(Note) Shareholders' equity  
 Fiscal year ended March 2013 : 170,510 million yen  
 Fiscal year ended March 2012 : 152,156 million yen

\* Notice regarding audit procedures

This summary of financial results is not subject to review procedures based on the Financial Instruments and Exchange Law. At the time when this report was issued, audit procedures for the financial statements had not been completed pursuant to the Financial Instruments and Exchange Law.

\* Cautionary statement regarding business results forecasts and special notes

Earnings forecasts and other forward-looking statements in this release are based on data currently available to the Company and certain assumptions that the Company believes are reasonable and are not intended to as a promise by the Company to achieve those forecasts.

Actual results may differ substantially due to various factors. For information regarding using the assumptions that form the basis for the business results forecasts and cautionary notes about using business results forecasts, please refer to “Outlook for the fiscal year ending March 31, 2013” [Accompanying Materials] (Page 5).

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## 1. Analysis of the Results of Operations and Financial Conditions

### (1) Analysis of Results of Operations

#### (a) Results of Operations

Against the backdrop of reconstruction-related demand from the Great East Japan Earthquake, the Japanese economy displayed signs of a gentle recovery in the current term. However, due to the protracted sluggishness of the European economy and the deceleration of the growth of Asian economies, starting with China, caused by the slowdown of the global economy, exports and production activities stagnated and company earnings were held in check. The severe employment situation also continued. On the other hand, accompanying the change in governments, signs of a recovery could be seen, such as the reversal of the historically high yen levels to a weakened yen and the beginning of a recovery in stocks prices, due to sense of expectation for agile and flexible economic and fiscal management.

With respect to the domestic housing market which has a deep relationship to our Group businesses, the level of housing loan interest rates hovered at low levels and there was reconstruction-related demand from the Great East Japan Earthquake and demand from housing acquisition promotion policies by the government, such as reconstruction support and the housing eco-point system. Given these factors, new housing starts stood at 893 thousand (a gain of 6.2% year-on-year). Of this number, owner-occupied dwellings were 317 thousand (a gain of 3.8% year-on-year).

Under this economic environment, our Group was looking at a future reduction in the domestic new residential housing market and an expansion of the stock housing and overseas markets. On April 1, 2012 we revised our organizational structure to maximize management resources and we were making efforts to improve the losses of overseas businesses and to expand the renovation and leasing housing business with a focus on the renovation business. At the same time, we were pushing forward with the enhanced earnings power of our core timber and building materials and custom-built detached housing businesses. As a result of this, we posted sales of ¥845,184 million (an increase of 1.6% year-on-year), operating income of ¥25,330 million (an increase of 32% year-on-year), recurring income of ¥26,981 million (an increase of 30.3% year-on-year) and net income of ¥15,923 million (an increase of 71.8% year-on-year).

As one aspect of reconstruction support following the Great East Japan Earthquake, our Group concluded an “Agreement on Coordination and Cooperation in Reconstruction Town Development” with Higashimatsushima City in Miyagi Prefecture and we have begun efforts to support the realization of a “wood-built city” concept being promoted by the city.

Conditions by business segment are as follows.

#### <Segment Conditions>

With regard to the classification of its business segments, the Company has conventionally adopted the categories of “Timber and Building Materials,” “Overseas,” “Housing,” “Real Estate” and “Other Businesses,” from this fiscal year we changed the classification to “Timber and Building Materials,” “Housing,” “Overseas” and “Other Businesses.” For the following year-on-year comparisons, therefore, comparisons were made after replacing the figures for the same period last year with figures for the segment classification reflecting the said changes.

The sales for each segment include intersegment internal sales and transfers.

#### 1) Timber and Building Materials

In the timber and building materials business, in order to establish a stable income structure in the global market we further moved forward with sales activities closely linked to local areas in Japan and were endeavoring to firmly develop markets in each country overseas.

In the domestic timber and building materials distribution business, we focused our efforts on expanding the sales

of environmentally sound products such as plantation timber and timber from certified forests as well as seeking to capture the demand accompanying an increase in the number of new housing starts and to further bolster links with customers. With regards to the domestic timber distribution business, although we faced an uphill battle due to sluggish market conditions, we put effort into the expansion of sales of high quality domestic timber products to widen the domestic timber demand.

With regards to the timber and building materials distribution business overseas, we were working to expand the sales of our Group's products focusing on China and Southeast Asia and, in an effort to construct a sales structure for products, established a subsidiary in Shanghai, China in June, 2012 and a subsidiary in Ho Chi Minh City, Vietnam in July of the same year.

While being impacted by a steep rise in the price of raw materials in the domestic building materials manufacturing business, we were striving to expand sales by developing new customers.

As a result of the above, we posted sales of the timber and building materials business of ¥401,266 million (a decrease of 1.0%) and recurring income of ¥4,704 million (a decrease of 1.6% year-on-year).

## 2) Housing Business

### ● New custom-built housing business

In the custom-built detached housing business, we were endeavoring to expand our share of the three major metropolitan areas while putting efforts into increasing the rate of the installation of environmentally sound equipment, such as solar power systems and household fuel cells (ENE-FARM), etc.

Also, we were working to expand orders by proactively presenting our Company's unique "Big-Frame construction method" which has superior earthquake resistance and utilizes greater design flexibility.

With regard to concrete efforts for promoting sales, we opened "Sumai Haku" housing fairs in various locations focusing on the three major metropolitan areas of Tokyo, Osaka and Nagoya. It can offer services relating to safe, secure and comfortable housing which takes into consideration the environment and earthquake resistance and we also developed a "WEB Sumai Haku" on our website. On our product strategy front, we were working to further bolster the earthquake resistance of our "Big -Frame construction method" by increasing the degree of strength of pillar and beam joints through improvements in the existing joint metal. Additionally, against the backdrop of heightened customer interest in environmentally sound equipment, we installed a variety of specifications and facilities in addition to making solar power systems standard equipment and put on sale a designable product, "Smart Kodachi" which allows the selection of room layout plans from a total of 388 plans.

In the apartment business, we began sales of new detached rental housing, "Forest Maison Houses for rent," and were also putting effort into expanding orders by increasing the appeal of product through consolidating our rental housing product brands into "Forest Maison."

### ● Renovation and Leasing housing business

With regards to the remodeling and renovation business, we were endeavoring to enhance the degree of recognition of our renovation product brand, "Reforest," and were also seeking to bolster our sales capabilities principally in the large market metropolitan areas. Also, we were proactively seeking to expand orders by beginning sales of "Smart Reforest" which offers renovation equipped with environmentally sound equipment, primarily solar power systems in addition to enhancing earthquake resistance, thermal insulation and air sealing performance, . As a result of these efforts, our results were turning in a strong performance.

In our existing home renovation (resale of renovated homes), we were focusing on purchasing activities of existing homes in anticipation of an expansion in the existing homes' market.

Results were trending firmly in our real estate distribution and management business due to our effort to develop a management organization corresponding to market trends and to bolster earnings power.

- Spec Home / Wood-use Integration Business

In our spec home business we put effort into enhancing sales capabilities while also expanding business scale.

In the “MOCCA” wood use integration business we are aiming to expand new usages of timber raw materials through the adoption of timber construction in non-residential buildings and of wood-based interior finishings and we are firmly moving our business forward by receiving orders for the construction of timber constructed buildings, such as children’s orphanage facilities and elder care facilities and cafes, etc.

As a result of the above, we posted housing business net sales of ¥430,774 million yen (an increase of 3.8% year-on-year) and recurring income of ¥26,227 million (an increase of 1.7% year-on-year).

### 3) Overseas business

As regards our overseas business, we continued to focus on the creation of a future earnings foundation by proactively injecting management resources as well as seeking enhanced profitability in each business.

In the overseas buildings materials manufacturing business our results were trending firmly due to increased sales volume directed towards Japan in New Zealand. In Indonesia results were sluggish due to a collapse in unit selling prices caused by competition with low cost import goods. As regards Australia, losses improved compared to the previous fiscal through a focus on sales for the domestic market due to the worsening profitability of exports caused by the high value of the Australian dollar. Although we were working to expand production volumes in China, harsh conditions continued. In Vietnam we began the commercial production of particle board from May 2012 and sought to expand production volumes.

As regards the overseas housing business, in America in the context of an upswing in the housing market losses improved compared to the previous year due to an increased number of sold houses. In Australia against a backdrop of the country’s home acquisition support policy we put effort into expanding orders. In China we faced an uphill battle due to the impact of the state of the real estate market.

In the afforestation business, we were working to promote the business by expanding the area of tree-planting in Indonesia in order to stably supply raw materials which take into consideration the environment.

As a result of the above, we posted overseas business net sales of ¥38,657 million (an increase of 10.5% year-on-year) and a recurring loss of ¥1,840 million (the recurring loss in the previous fiscal year was ¥2,938 million).

### 4) Other Businesses

In addition to the above noted business, our Group engages in the management of private-pay elderly care facilities, lease business, various service businesses such as the insurance agency business targeting housing customers, etc. manufacture and sales business of farming and gardening materials and information systems development targeting each company within the Group.

We posted net sales of other businesses of ¥15,460 (an increase of 9.7% year-on-year) and a recurring income of ¥754 million yen (an increase of 3.7% year-on-year).

### (b) Outlook for the Fiscal Year Ending March 31, 2014

With respect to future economic trends, there is an expectation that the economy will recover due to improvements in the export environment as a result of the depreciation of the yen and the effect of the economic measures and

monetary policies of the government and the Bank of Japan. On the other hand, the risk remains that a downturn in overseas economies will put downward pressure on the domestic economy. Additionally, there is speculation that last-minute demand will be generated due to the rise in consumption tax scheduled for April 2014.

Under this economic environment, our Group aims to expand business by proactively injecting management resources in areas where further growth can be expected in the future while continuously implementing cost-savings along with increasing the value of each business division with an eye on enhancing profitability.

In the timber and building materials business, we will seek to expand market share in the domestic market and continue to promote sales activities closely linked to local areas as well as into the sale of materials in the renovation market. Overseas we are seeking to expand the sales of products of overseas subsidiaries principally in the Asian market.

As regards the housing business, in the custom-built detached housing business we anticipate last-minute demand due to the increase in the rate of the consumption tax scheduled for April 2014 and we are proactively placing staff in high profitability areas as well further expanding the apartment business. Additionally, we are seeking to enhance the installation rate of environmentally sound equipment such as solar power systems. Furthermore, we are putting efforts into the expansion of the stock housing business focusing on the remodeling and renovation business and into the detached spec homes business and also into the expansion of business with respect to the wood-built business such as by establishing an order system in the non-residential wood construction area.

In the overseas business, we are seeking to enhance the profitability of the existing building materials business, housing business and afforestation business as well as formulating loss improvement plans for unprofitable businesses and are firmly implementing these plans. With respect to new business projects, we will carry out continuous investments with the view of securing profitability.

With regards to the forest operation business, we are engaging in sustainable forest management which gives consideration to the environment under a forest management plan which takes a long-term view. We will contribute to the vitalization of the domestic forestry business by utilizing the know-how which has been cultivated up to now in our company-owned forest management and carry out forestry management support consultancy.

We are moving forward with efforts on the environment based on a plan to reduce carbon emitted in our Group's business activities. Also, we will promote zero emission without incineration and landfill disposal with respect to the industrial waste products generated in our domestic manufacturing plants and new home building sites. In addition to continuing inspections of suppliers concerning the legality of timber, etc., we will develop businesses which contribute to the creation of sustainable society which utilizes reusable "wood" and, with respect to biodiversity, we will promote urban planning which harmonizes demands for sustainability in forests and the natural environment.

## (2) Analysis of the Financial Position

### (a) Balance Sheet Highlights

(million yen)

	Fiscal year ended March 2012	Fiscal year ended March 2013
Total assets	503,496	547,973
Total liabilities	334,161	354,723
Total net assets	169,335	193,250

Total assets totaled ¥547,973 million at the end of the current consolidated fiscal year, an increase of ¥44,477 million year on year. The increase in total assets was attributable mainly to an increase in liquidity because of higher sales and earnings and an increase in investment securities as the result of a recovery in the market prices of stock holdings. Liabilities rose by ¥20,562 million year on year to ¥354,723 million. This growth was mainly the result of an increase in notes and accounts payable, trade in the Housing business because of a greater number of homes completed near the fiscal year-end settlement date, and an increase in deferred tax liabilities related to valuation gains on stock holdings. Net assets totaled ¥193,250 million and the equity ratio was 35.1%.



## (b) Cash Flow

(million yen)

	Fiscal year ended March 2012	Fiscal year ended March 2013
Cash flows from operating activities	26,873	45,910
Cash flows from investment activities	( 32,903)	(28,662)
Cash flows from financing activities	( 5,622)	(5,305)
Effect of exchange rate change on cash and cash equivalents	( 90)	( 124)
Net increase (decrease) in cash and cash equivalents	( 11,742)	11,819
Cash and cash equivalents at beginning of period	75,582	63,839
Cash and cash equivalents at end of period	63,839	75,658

There was a net increase of ¥11,819 million in cash and cash equivalents (hereinafter: “cash”) to ¥75,658 million.

A summary of cash flows is presented below.

## 1) Operating Activities

Net cash provided by operating activities was ¥45,910 million. In addition to income before income taxes and minority interests of ¥26,148 million and depreciation and amortization of ¥8,978 million, this increase also resulted from factors that increased cash, such as the increases in note and accounts payable, trade and inventories, which together exceeded such cash-decreasing factors as income taxes paid.

## 2) Investment Activities

Net cash used in investment activities totaled ¥28,662 million. This mainly resulted from funds management via time deposits, as well as capital expenditures.

## 3) Financing Activities

Net cash used in financing activities was ¥5,305 million. This was chiefly due to the payment of dividends and repayments of finance lease obligations.

The following table shows financial indicators associated with cash flows.

	FY 3/09	FY 3/10	FY 3/11	FY 3/12	FY 3/13
Equity ratio (%)	36.5	34.6	33.3	33.6	35.1
Equity ratio based on market value (%)	27.0	28.8	27.4	26.5	32.7
Ratio of interest-bearing debt against cash flow (years)	—	1.8	4.0	2.5	1.5
Interest coverage ratio (times)	—	31.8	13.7	20.0	34.9

(Notes)

Equity ratio = shareholders' equity/total assets

Equity ratio based on market value = market value of total shares/total assets

Ratio of interest-bearing debt against cash flow = interest-bearing debt/operating cash flow

Interest coverage ratio = operating cash flow/interest expense

\* All calculations are on a consolidated base.

\* Market value of total shares is calculated based on the year-end closing share price × the number of shares issued, except for treasury stock.

\* Amounts used for operating cash flow and interest expense are taken from “cash flows from operating activities” and “interest expense” reported in the consolidated statements of cash flows. Interest-bearing debt consists of all debts appearing on the balance sheet that incur interest. Amounts used for interest expense are taken from “interest paid” reported in the consolidated statements of cash flows.

### (3) Policy on Profit Distribution and Dividends for FY 3/13 and FY 3/14

Sumitomo Forestry has a fundamental policy of achieving stable and continuous shareholder returns and considers this to be one of its highest priorities. The Company places great importance on improving the return on capital employed, a key performance indicator, in order to become more profitable. In addition, the Company returns an appropriate level of earnings to shareholders in accordance with total earnings, while taking into account the need to continually balance these distributions with the base of operations, financial position, investment plans and other items.

Based on the above-mentioned basic policy, as well as comprehensive consideration of the current period operating results, the Company plans to pay a fiscal year-end dividend of ¥9.50 per share for the fiscal year that ended in March 2013. Together with the interim dividend of ¥7.50 per share that the Company has already paid, this will bring the dividend for the full year to ¥17.00 per share, an increase in the dividend of ¥2.00 compared with the fiscal year that ended in March 2012.

For the fiscal year ending in March 2014, the company plans to pay an annual dividend of ¥19 per share - an interim and year-end dividend of ¥9.50 each.

### (4) Business Risk

#### (a) Housing Market Trends

The Sumitomo Forestry Group business results are heavily reliant on housing market trends. Changes in the following business conditions may cause a significant decline in housing orders that could impact the Group's business results.

#### 1) Economic Cyclical Changes

An economic slump or deterioration in the economic outlook, or a consequential worsening of the employment situation and decline in personal consumption, could affect the Group's business results by weakening customers' appetite for purchasing housing.

#### 2) Interest Rate Fluctuations

Interest rate increases, particularly rises in long-term interest rates, can have an adverse effect on demand as they cause an increase in total payments for customers purchasing detached housing, many of whom take out loans for the purchase, and for customers who build apartment buildings to use their land more effectively. However, the anticipation of interest rate rises can induce a temporary surge in home purchases, as consumers seek to avoid high loan costs.

#### 3) Land Price Fluctuations

A sharp rise in land prices can negatively impact consumers' inclination to purchase land on which to build housing. Conversely, a steep drop in land prices is a form of asset deflation and can reduce demand for home reconstruction. Consequently, both substantial rises and substantial falls in land prices have the potential to impact the Group's business results.

#### 4) Tax System Changes

In the future, the scheduled increase in the rate of the consumption tax has the potential to induce last-minute demand in housing purchases and thus temporarily increasing housing demand. However, this could later invite a sharp reactive decline, with a possibility of the Group's results being affected.

#### (b) Statutory Changes

Laws and regulations surrounding the housing business include the Personal Information Protection Act, Building Standards Law, Construction Industry Law, Registered Architect Law, Building Lots and Building Transaction

Business Law, Urban Planning Law, National Land Use Planning Law, Housing Quality Assurance Law, and Waste Disposal and Public Cleaning Law (law concerning procedures for waste disposal and site clean-up). The Sumitomo Forestry Group diligently conforms to all laws and regulations while recognizing that the abolition, revision, or adoption of laws and regulations can substantially influence the Group's business results.

(c) Timber and Building Materials Market Conditions

A decline in prices for timber and building materials reduces the profitability of the timber and building materials business. On the other hand, a steep increase in prices for timber and building materials or higher prices for other building materials can lead to higher materials costs for the housing business, which could impact Group results. Fluctuations in the price for other raw materials, such as oil, can directly or indirectly affect raw materials prices and influence the Group's business results.

(d) Exchange Rate Fluctuations

The Group is taking measures to reduce the foreign exchange risks attendant on foreign currency-denominated imports through foreign exchange forward contracts and other means. However, temporary exchange rate fluctuations greater than those expected may occur. Also, there is a chance that fluctuations in the exchange rates of currencies of settlement may impact subsidiaries that sell and manufacture timber and construction materials overseas.

(e) Product Quality Assurance

The Group endeavors to implement complete quality control of its key product, housing, and all aspects of its operations. However, unforeseen circumstances can potentially lead to significant quality issues that could influence the Group's business results.

(f) Overseas Business Activities

The Group conducts various business activities overseas and engages in business transactions, such as product transactions, with various business partners overseas. Consequently, as is the case with domestic Japanese operations, laws and regulations, economic and social conditions, and consumer trends in the foreign countries in which the Group conducts business can influence the Group's business results.

(g) Retirement Benefit Obligations

A significant deterioration in the operating environment for the Group's pension assets, such as substantial fluctuations in the domestic stock market or the necessity to revise the assumptions for pension actuarial calculations, could entail an increase in pension assets or increase the costs associated with the pension accounts, and could influence the Group's business results and financial position.

(h) Stock Market

Volatile stock price fluctuations could cause the Group to book valuation losses on its securities holdings, thereby negatively impacting its business results and financial position.

(i) Natural Disasters

Damage from a major earthquake, wind, flood, or other destructive natural element could result in cost increases arising from interrupted operations at facilities, verification of safety in our housing products, delays in the completion of construction contracts, or other events. A significant increase in costs caused by a natural disaster could influence Group business results.

(j) Information Security

The Group makes every possible effort to ensure the proper and secure management of the large volume of customer information it holds, through establishing necessary rules and systems and conducting extensive education and training of executives and employees. Despite such precautions, customer information could leak out due to a

computer system breach by a malicious third party, the theft of recording media holding such information, a human error by an employee or contracted worker, an accident, or other causes. In such cases, the Group could face customer claims for compensatory damages and lose the trust of customers and the market, which could affect its business results.

(k) Environmental Risk

“Symbiosis with the Environment” is a top priority for the Group and is one of the four action guidelines of the Group's corporate philosophy. Changes to environmental regulations in Japan or overseas or major environmental issues could lead to fines, compensation payments, costs associated with resolving environmental problems that could influence the Group's business results.

(l) Decline in the Value of Assets under Management

In the event that a marked deterioration in market conditions led to a decline in the value of Group assets under management such as real estate holdings and products, valuation losses could be incurred and assets could be written down due to impairment, which could influence the Group's business results and financial position.

(m) Provision of Credit to Business Partners

The Group extends credit to business partners in the form of trade receivables etc., and sets appropriate limits and reserves for credit losses to avoid exposure to credit risk. As these measures do not ensure complete avoidance of exposure to credit risk, credit risk could still potentially influence the Group's business results and financial position.

(n) Litigation Risk

As the Group is engaged in a range of business activities in Japan and overseas, it is possible that the said activities could be subject to litigation and/or a dispute. In the event that these activities became subject to litigation, the Group's business results and financial position could be influenced adversely.

(o) Fundraising Risk

The Group conducts fundraising, such as borrowing from financial institutions, and as such there is the possibility that fundraising costs may increase or fundraising itself could be restricted due to changes in the economic environment or lower credit ratings. In this event, the Group's business results and financial position could be impacted.

\* Statements in this report with respect to matters in the future are forward-looking statements deemed logical by the Group as of the date of the production of this report.

## 2. Corporate Group

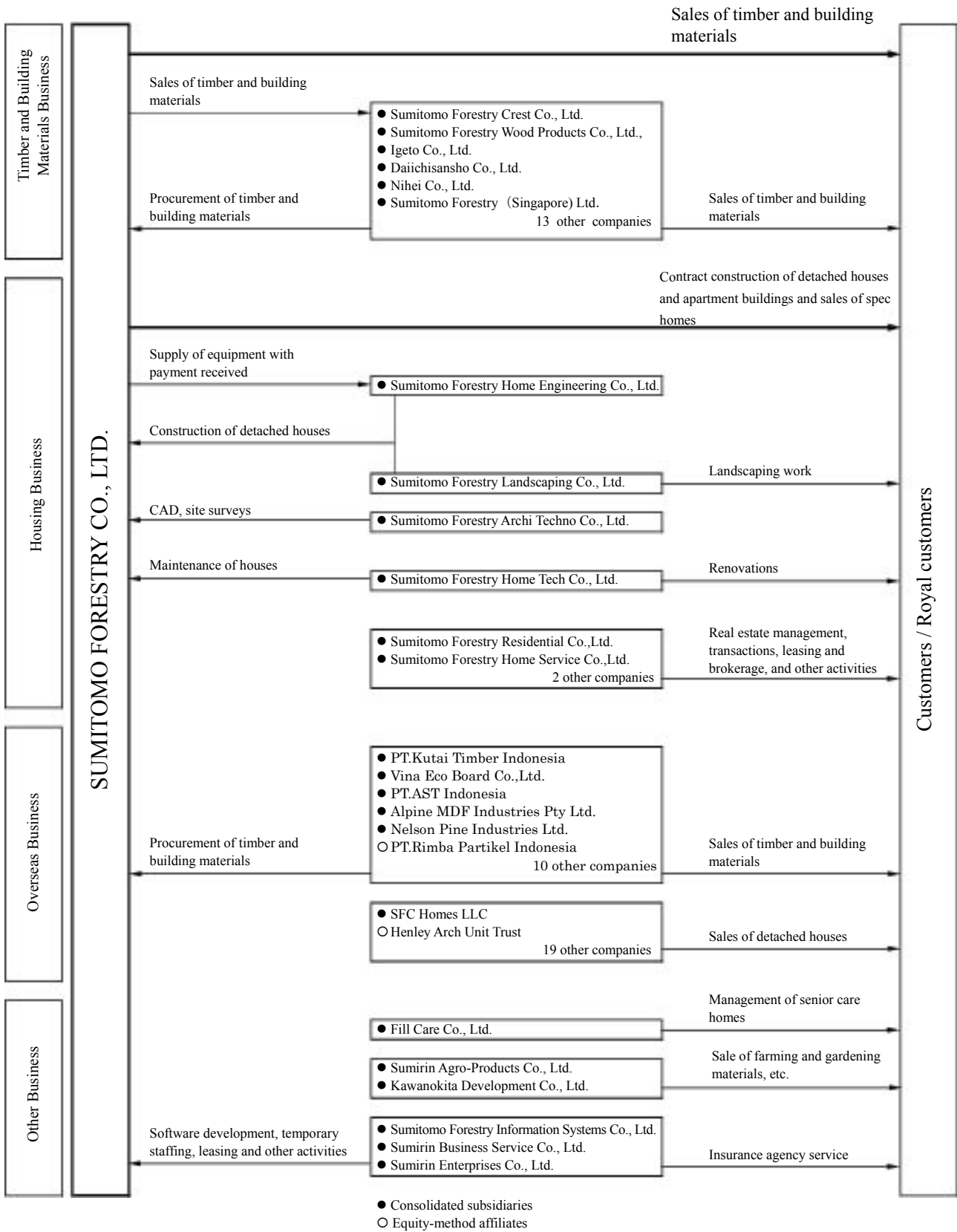
The Sumitomo Forestry Group (Sumitomo Forestry and its related companies) consists of Sumitomo Forestry, 48 subsidiaries and 22 affiliated companies. These companies are engaged primarily in the afforestation business, which includes the procurement, manufacture, processing and sale of timber and building materials, the construction and renovation of detached houses and apartment buildings, real estate management and brokerage, sale of spec homes, and other activities as well as operations associated with these activities domestically and abroad.

The following table shows business activities and the positioning of these businesses within the group.

The following four business sectors are the same as the business segments used for financial reporting.

Timber and Building Materials Business	Business description	Procurement, manufacture, processing and sale of timber (logs, chips, lumber, laminated lumber, etc.) and building materials (plywood, fiberboard, processed wooden building materials, ceramic building materials, metal building materials, housing equipment, etc.)
	Major related companies	Sumitomo Forestry Crest Co., Ltd., Sumitomo Forestry Wood Products Co., Ltd., Igeto Co., Ltd., Daiichisansho Co.,Ltd., Nihei Co.,Ltd., Sumitomo Forestry (Singapore) Ltd.
Housing Business	Business description	Construction, sale, maintenance and renovation of detached houses and apartment buildings, sale of interior goods, sale of spec homes, leasing, management, purchase and sale and brokerage of real estate, house exterior fixtures, landscaping works contracting, urban greening works, CAD, site surveys, etc.
	Major related companies	Sumitomo Forestry Residential Co.,Ltd., Sumitomo Forestry Home Engineering Co., Ltd., Sumitomo Forestry Landscaping Co., Ltd., Sumitomo Forestry Archi Techno Co., Ltd., Sumitomo Forestry Home Tech Co., Ltd.
Overseas Business	Business description	Manufacture and sale of timber and building materials overseas, construction and sale of detached houses, etc., afforestation business, sale of forest lumber, etc.
	Major related companies	PT.Kutai Timber Indonesia, Vina Eco Board Co.,Ltd., PT.AST Indonesia, Alpine MDF Industries Pty Ltd., Nelson Pine Industries Ltd., SFC Homes LLC, PT.Rimba Partikel Indonesia, Henley Arch Unit Trust
Other Businesses	Business description	Management of senior care homes, leasing, insurance agency business, manufacture and sale of farming and gardening materials, information systems development, temporary staffing services, etc.
	Major related companies	Sumitomo Forestry Information Systems Co., Ltd., Sumirin Agro-Products Co., Ltd., Sumirin Business Service Co., Ltd., Sumirin Enterprises Co., Ltd., Fill Care Co., Ltd., Kawanokita Development Co., Ltd.

The diagram below presents the information in the table above in a flow chart format.



### 3. Management Policy

#### (1) Fundamental Management Policy

The corporate philosophy of the Sumitomo Forestry Group is “to utilize timber as a renewable, healthy, and environmentally friendly natural resource, and to contribute to a prosperous society through all types of housing-related services.” The fundamental management policy is to use this philosophy to achieve the goal of maximizing corporate value.

To accomplish this goal, the Group prioritizes the improvement of operating efficiency and profitability in its business operations. Operations are guided by four action guidelines: adherence to the “Sumitomo Spirit,” which places emphasis on fairness and trust and on conducting business activities that are beneficial to society; a dedication to “Respect for Humanity” by promoting diversity and an open and energetic corporate culture; extensive activities concerning “Environmental Responsibility” to help create a sustainable society; and “Putting Customers First” in order to achieve complete customer satisfaction by supplying products and services of outstanding quality.

Another goal is improving the quality of management through a voluntary disclosure program aimed at increasing management transparency.

#### (2) Targeted Performance Indicators

Sales and recurring income are positioned as performance indicators that show the growth of the entire Sumitomo Forestry Group. In addition, emphasis is placed on the return on capital employed as an indicator of operating efficiency.

#### (3) Medium and Long-term Strategies and Important Issues

The goal of the Sumitomo Forestry Group is to be an organization that “conducts a comprehensive portfolio of housing related businesses that utilize wood”. There are two main businesses: custom-built detached housing and timber and building materials. There are also other businesses that the Group plans to focus on building into strong businesses that can contribute to earnings. In particular, the Group will use the technical capabilities it has cultivated in the custom-built detached housing business to concentrate on the “Stock Housing business,” where it is engaged in the reform of the Group’s construction properties and general properties, and on the “Overseas business,” in which the Group manufactures and sells forest and wood construction materials, builds detached houses and other buildings, and sells spec houses in other countries where the markets are expected to grow.

Rapidly developing these activities into core businesses will ensure that earnings for the entire Group remain stable, regardless of changes in the operating environment. These priority growth businesses will also enable the Group to contribute to the creation of a prosperous society by supplying housing-related services. The Group is determined to continue making steady progress developing its technical expertise and human resources to fulfill these medium and long-term goals.

The Sumitomo Forestry Group has been growing forests and trees ever since its foundation more than three centuries ago, and has continually maintained a harmonious relationship with the natural environment. The Group’s corporate culture is defined by its dedication to sustainability. With this dedication, the Group is a leader among Japanese companies in the preservation and utilization of biodiversity and in its educational activities. The objective is to conduct high-quality business activities that are in harmony with the environment and society.

Setting the medium and long-term goals described above will ensure the Group works steadily towards achieving its management strategy.

## 4. Consolidated Financial Statements

## (1) Consolidated Balance Sheet

(million yen)

	As of March 31, 2012	As of March 31, 2013
<b>Assets</b>		
Current assets		
Cash and time deposits	64,870	56,155
Notes and accounts receivable-trade	120,536	121,053
Accounts receivable from completed construction contracts	4,347	4,880
Marketable securities	15,000	11,000
Finished goods, logs and lumber	15,268	15,939
Work in process	1,172	1,192
Raw materials and supplies	4,537	5,145
Developed land and housing for sale	34,880	27,894
Costs on uncompleted construction contracts	28,397	27,057
Deferred tax assets	7,971	8,077
Short-term loans receivable	4,759	36,852
Accounts receivable-other	43,471	47,935
Other	5,052	5,589
Allowance for doubtful accounts	(1,329)	(1,291)
Total current assets	348,930	367,478
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	49,794	51,621
Accumulated depreciation	(22,944)	(25,003)
Buildings and structures, net	26,850	26,618
Machinery, equipment and vehicles	50,431	61,161
Accumulated depreciation	(38,119)	(43,711)
Machinery, equipment and vehicles, net	12,312	17,450
Land	24,475	23,573
Leased assets	8,330	8,139
Accumulated depreciation	(4,551)	(4,048)
Leased assets, net	3,779	4,091
Construction in progress	5,973	1,346
Other	18,168	18,975
Accumulated depreciation	(5,916)	(6,153)
Other, net	12,252	12,822
Total property, plant and equipment	85,641	85,900
Intangible assets		
Goodwill	924	737
Other	7,466	8,420
Total intangible assets	8,390	9,157
Investments and other assets		
Investment securities	48,487	59,588
Long-term loans receivable	2,045	1,247
Deferred tax assets	1,251	1,343
Other	11,963	25,480
Allowance for doubtful accounts	(3,211)	(2,220)
Total investments and other assets	60,534	85,439
Total noncurrent assets	154,566	180,495
<b>Total assets</b>	<b>503,496</b>	<b>547,973</b>



(million yen)

	As of March 31, 2012	As of March 31, 2013
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	98,076	104,655
Accounts payable for construction contracts	57,349	64,968
Short-term debt	20,761	25,995
Lease obligations	1,217	1,067
Income taxes payable	5,749	5,589
Advances received on uncompleted construction contracts	38,567	42,345
Provision for employees' bonuses	8,931	9,392
Provision for directors' bonuses	95	110
Provision for warranties for completed construction	1,843	1,711
Provision for disaster losses	60	60
Provision for loss on liquidation of subsidiaries and affiliates	—	344
Asset retirement obligation	536	569
Other	21,237	19,336
Total current liabilities	254,421	276,143
Long-term liabilities		
Bonds issued	15,000	15,000
Long-term debt	28,284	24,189
Lease obligations	2,661	2,978
Deferred tax liabilities	7,316	10,198
Provision for employees' retirement benefits	10,033	9,720
Provision for directors' retirement benefits	81	85
Provision for loss on business liquidation	1,435	1,435
Asset retirement obligation	844	813
Other	14,085	14,162
Total long-term liabilities	79,740	78,580
Total liabilities	334,161	354,723
<b>Net assets</b>		
Shareholders' equity		
Common stock	27,672	27,672
Capital surplus	26,872	26,872
Retained earnings	114,223	127,489
Treasury stock	(268)	(269)
Total shareholders' equity	168,499	181,763
Accumulated Other Comprehensive income		
Valuation difference on available-for-sale securities	5,734	12,132
Deferred gains or losses on hedges	192	249
Foreign currency translation adjustment	(5,291)	(1,654)
Total accumulated Other Comprehensive income	634	10,727
Minority interests	202	760
Total net assets	169,335	193,250
<b>Total liabilities and net assets</b>	<b>503,496</b>	<b>547,973</b>

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income  
(Consolidated Statements of Income)

(million yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Net sales	831,870	845,184
Cost of sales	694,997	703,748
Gross profit	136,873	141,436
Selling, general and administrative expenses	117,682	116,105
Operating income	19,191	25,330
Non-operating income		
Interest income	269	385
Purchase discounts	394	402
Dividends income	895	947
Foreign exchange gains	777	941
Other	1,884	1,595
Total non-operating income	4,219	4,269
Non-operating expenses		
Interest expenses	1,296	1,270
Sales discounts	619	642
Equity in losses of affiliates	314	140
Other	466	566
Total non-operating expenses	2,695	2,618
Recurring income	20,714	26,981
Extraordinary gains		
Gain on sales of noncurrent assets	295	88
Gain on sales of investment securities	5	30
Gain on transition of defined contribution pension	156	19
Total extraordinary gains	455	137
Extraordinary loss		
Loss on sales of noncurrent assets	—	27
Loss on retirement of noncurrent assets	211	98
Impairment loss	3,038	211
Loss on devaluation of investment securities	68	235
Loss from change in equity interest	—	25
Transfer to provision for loss on liquidation of subsidiaries and affiliates	—	344
Disaster losses	71	—
Loss on sale of stocks of subsidiaries and affiliates	99	—
Other	—	30
Total extraordinary loss	3,487	971
Income before income taxes and minority interests	17,683	26,148
Income taxes-current	9,709	10,540
Income taxes-deferred	(1,282)	(205)
Total income taxes	8,428	10,335
Net income before minority interests	9,255	15,813
Minority interests	(16)	(110)
Net income	9,271	15,923

## (Consolidated Statements of Comprehensive Income)

(million yen)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Net income before minority interests	9,255	15,813
Other comprehensive income		
Valuation difference on available-for-sale securities	857	6,398
Deferred gains or losses on hedges	37	57
Foreign currency translation adjustments	(1,077)	2,866
Share in equity method affiliates	(214)	799
Total other comprehensive income	(396)	10,120
Comprehensive income	8,858	25,933
Comprehensive income attributable to owners of the parent	8,880	26,016
Comprehensive income attributable to minority interests	(21)	(83)

## (3) Consolidated Statements of Changes in Net Assets

(million yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Shareholders' equity		
Common stock		
Balance at the beginning of current period	27,672	27,672
Balance at the end of current period	27,672	27,672
Capital surplus		
Balance at the beginning of current period	26,872	26,872
Changes during the period		
Disposal of treasury stock	(0)	—
Total changes during the period	(0)	—
Balance at the end of current period	26,872	26,872
Retained earnings		
Balance at the beginning of current period	107,584	114,223
Changes during the period		
Cash dividends (¥15.00 per share)	(2,657)	(2,657)
Net income	9,271	15,923
Changes to range of application of equity method	26	—
Total changes during the period	6,639	13,265
Balance at the end of current period	114,223	127,489
Treasury stock at cost		
Balance at the beginning of current period	(267)	(268)
Changes during the period		
Purchase of treasury stock	(1)	(1)
Disposal of treasury stock	0	—
Total changes during the period	(1)	(1)
Balance at the end of current period	(268)	(269)
Total shareholders' equity		
Balance at the beginning of current period	161,861	168,499
Changes during the period		
Cash dividends (¥15.00 per share)	(2,657)	(2,657)
Net income	9,271	15,923
Purchase of treasury stock	(1)	(1)
Disposal of treasury stock	0	—
Changes to range of application of equity method	26	—
Total changes during the period	6,638	13,264
Balance at the end of current period	168,499	181,763

(million yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
<b>Accumulated Other Comprehensive income</b>		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	4,876	5,734
Changes during the period		
Net changes in items other than shareholders' equity	857	6,399
Total changes during the period	857	6,399
Balance at the end of current period	5,734	12,132
Deferred gains or losses on hedges		
Balance at the end of previous period	154	192
Changes during the period		
Net changes in items other than shareholders' equity	37	57
Total changes during the period	37	57
Balance at the beginning of current period	192	249
Foreign currency translation adjustment		
Balance at the beginning of current period	(4,005)	(5,291)
Changes during the period		
Net changes in items other than shareholders' equity	(1,286)	3,637
Total changes during the period	(1,286)	3,637
Balance at the end of current period	(5,291)	(1,654)
Minority interests		
Balance at the beginning of current period	224	202
Changes during the period		
Net changes in items other than shareholders' equity	(22)	558
Total changes during the period	(22)	558
Balance at the end of current period	202	760
Total net assets		
Balance at the beginning of current period	163,110	169,335
Changes during the period		
Dividends from surplus	(2,657)	(2,657)
Net income	9,271	15,923
Purchase of treasury stock	(1)	(1)
Disposal of treasury stock	0	—
Changes to range of application of equity method	26	—
Net changes in items other than shareholders' equity	(413)	10,651
Total changes during the period	6,225	23,915
Balance at the end of current period	169,335	193,250

## (4) Consolidated Statements of Cash Flows

(million yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Cash flows from operating activities		
Income before income taxes and minority interests	17,683	26,148
Depreciation and amortization	8,469	8,978
Impairment loss	3,038	211
Amortization of goodwill	211	267
Provision for (reversal of) doubtful accounts	69	(1,074)
Provision for (reversal of) employees' bonuses	676	460
Provision for (reversal of) directors' bonuses	35	15
Provision for (reversal of) warranties for completed construction	(164)	(131)
Provision for loss on liquidation of subsidiaries and affiliates	—	344
Provision for (reversal of) disaster losses	(485)	—
Provision for (reversal of) retirement benefits, less payments	3,892	(348)
Provision for (reversal of) directors' retirement benefits	20	4
Interest and dividends income	(1,163)	(1,332)
Interest expenses	1,296	1,270
Equity in (earnings) losses of affiliates	314	140
Losses (gains) on sales of marketable securities and investment securities, net	94	(30)
Losses on devaluation of marketable securities and investment securities	68	235
Losses (gains) on sales/disposal of fixed assets, net	(84)	37
Decrease (increase) in notes and accounts receivable-trade	(6,257)	573
Inventories	860	10,401
Other current assets	1,622	(4,920)
Notes and accounts payable, trade	6,073	11,451
Advances received	(250)	864
Advances received on uncompleted construction contracts	1,044	3,778
Accrued consumption taxes	64	(108)
Other current liabilities	797	(719)
Other, net	(535)	104
Subtotal	37,384	56,617
Interest and dividends income received	1,760	1,403
Interest paid	(1,347)	(1,316)
Income taxes paid	(10,925)	(10,794)
Net cash provided by (used in) operating activities	26,873	45,910

(million yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
<b>Cash flows from investment activities</b>		
Payments into time deposits	(34,021)	(74,356)
Proceeds from withdrawal of time deposits	18,028	56,021
Decrease (increase) in short-term loans receivable	(3,839)	(2,758)
Payments for purchases of fixed assets	(10,454)	(6,692)
Proceeds from sales of fixed assets	2,578	2,549
Payments for purchases of intangible assets	(2,788)	(2,525)
Payments for purchase of investment securities	(716)	(1,047)
Proceeds from sales of investment securities	10	86
Payments for additional acquisition of stock of consolidated	(1)	–
Proceeds from purchase of stock of subsidiaries accompanied by a change in the scope of consolidation	(1,984)	–
Payments of long-term loans payable	(260)	(24)
Repayments of long-term loans receivable	644	706
Other payments	(1,061)	(1,152)
Other proceeds	961	529
Net cash used in investment activities	(32,903)	(28,662)
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term debt	3,280	(379)
Repayments of finance lease obligations	(1,746)	(1,922)
Proceeds from long-term debt	3,224	5,630
Repayment of long-term debt	(7,721)	(6,715)
Proceeds from stock issuance to minority shareholders	–	739
Cash dividends paid	(2,657)	(2,657)
Cash dividends paid to minority shareholders	(0)	(0)
Other proceeds	0	–
Other payments	(1)	(1)
Net cash provided by (used in) financing activities	(5,622)	(5,305)
Effect of exchange rate change on cash and cash equivalents	(90)	(124)
Net increase (decrease) in cash and cash equivalents	(11,742)	11,819
Cash and cash equivalents at the beginning of period	75,582	63,839
Cash and cash equivalents at the end of period	63,839	75,658

## (5) Notes related to the Assumption of a Going Concern

None

## (6) Basis of Presenting the Consolidated Financial Statements

## (a) Scope of Consolidation

The consolidated financial statements include the accounts of the Company and its 48 subsidiaries. Names of major consolidated subsidiaries are omitted because they are listed in “Corporate Group.”

Sumitomo Forestry (Shanghai) Ltd., Sumitomo Forestry (Vietnam) Co., Ltd. and SUMIRIN HONG KONG LIMITED., three newly established companies, are included within the scope of consolidation from the current consolidated fiscal year.

Sumirin Life Assist Co., Ltd., which was a consolidated subsidiary in the fiscal year that ended in March 2012, has been excluded from the scope of consolidation because it was dissolved through an absorption-type merger dated April 1, 2012 in which the Company was the surviving entity. Furthermore, Northern Tech Co., Ltd., which was a consolidated subsidiary in the fiscal year that ended in March 2012, has been newly excluded from the scope of consolidation because it was similarly dissolved through an absorption-type merger on June 21, 2012 in which Nihei Co., Ltd., a consolidated subsidiary, was the surviving entity.

## (b) Application of Equity Method

- 1) The consolidated financial statements include 22 affiliates that are accounted for by the equity method, including PT. Rimba Partikel Indonesia and Henley Arch Unit Trust. Henley-SFC Housing Unit Trust, an affiliate subject to application of the equity method in the fiscal year that ended in March 2012, has been excluded from equity method affiliates because it was closed and liquidated.
- 2) For equity-method affiliates that have a fiscal year end that differs from the Company’s fiscal year end, financial statements for these different fiscal years are used.

## (c) Fiscal Year End of Consolidated Subsidiaries

The fiscal year end of two consolidated subsidiaries, Daiichisansho Co., Ltd. and Nihei Co., Ltd., is March 20. Financial statements used in the preparation of the consolidated financial statements of the two subsidiaries are as of March 20, 2013. The fiscal year end of Kowa Lumber Co., Ltd. and overseas consolidated subsidiaries is December 31. The financial statements used in the preparation of the consolidated financial statements for these subsidiaries are as of December 31, 2012. The fiscal year end of subsidiaries in Japan, excluding the three subsidiaries above, is March 31.

The financial statements used in the preparation of the consolidated financial statements for these subsidiaries are as of March 31, 2013.

## (d) Significant Accounting Policies

## 1) Valuation of Significant Assets

## (i) Securities

Held-to-Maturity Securities	...	Amortized cost method (straight-line method)
Other securities	With market value	Value method based on the market price on the closing date (unrealized gains and losses are reported in the shareholders’ equity section. Sales cost of securities is determined by the moving-average method.)
	Without market value	Cost method based on the moving-average method

## (ii) Derivatives

Market value method

## (iii) Inventories

Purchased products, manufactured products, work in process, raw materials and supplies are stated at cost, which is mainly determined by the moving average method. Developed land and housing for sale and land and housing projects in progress are stated at cost, determined by the specific cost method. Net book value of inventories as shown in the consolidated balance sheet is written down when profitability declines.

## 2) Depreciation and Amortization Method for Principal Depreciable Assets

## (i) Property, plant and equipment (excluding lease assets)

The declining-balance method of depreciation is mainly used. However, the straight-line method is used for buildings (excluding structures) acquired on or after April 1, 1998.



(ii) Intangible assets (excluding lease assets)

The straight-line method is used. The straight-line method is used for the amortization of software used internally based on the estimated internal use period (5 years).

(iii) Lease assets

Finance leases that do not transfer ownership of the leased assets are depreciated down to a residual value of zero over their useful lives using the straight-line method.

3) Significant Allowances

(i) Allowances for doubtful accounts

In order to prepare for expected losses from bad debts, estimated unrecoverable amounts are recorded for general claims based on historical bad-debt ratios, and for specific claims including doubtful accounts, based on individual recoverability.

(ii) Provision for employees' bonuses

Estimated bonus payments to be charged to income in the current fiscal year are recorded to prepare for accrued bonus payments to employees.

(iii) Provision for directors' bonuses

Bonus payments to be charged to income in the current fiscal year are recorded to prepare for accrued bonus payments to directors of the Company and certain consolidated subsidiaries.

(iv) Provision for warranties for completed construction

A warranty reserve is recorded to prepare for repair costs that may be required for completed construction. The reserve is based on historical costs and future estimates.

(v) Provision for disaster loss

Estimated losses are recorded to prepare for expenditure on asset restoration costs arising due to the Great East Japan Earthquake.

(vi) Provision for loss on liquidation of subsidiaries and affiliates

To prepare for losses accompanying transfers of the Company's interests in subsidiaries and affiliates, a provision is recorded based on the projected losses.

(vii) Provision for retirement benefits

To prepare for accrued employee retirement benefits, a provision for retirement benefits is recorded based on the projected retirement benefit obligation and plan assets at year end. In the event that the estimated amount of pension fund assets exceeds the projected retirement benefit obligation, the excess amount is accounted for as prepaid expenses. Unrecognized actuarial gains (losses) are amortized in the fiscal year in which they arise.

(viii) Provision for directors' retirement benefits

To prepare for the payment of directors' retirement benefits, accrued retirement benefits to directors of certain subsidiaries are recorded based on the amount required at year end in accordance with established internal regulations.

(ix) Provision for loss on business liquidation

To prepare for losses arising from business liquidation, a provision for loss on business liquidation is recorded based on projected losses.

4) Completed Contracts and Cost of Completed Contracts

At the end of the fiscal year that ended in March 2013, construction revenue is recognized by the percentage-of-completion method if the outcome of a construction contract could be estimated reliably (percentage of completion is estimated as a percentage of the estimated total cost, based on the cost incurred). The completed contract method is used for other short-term construction contracts.

5) Accounting for Hedges

(i) Hedge accounting method

Deferral hedge accounting is used.

Appropriation accounting foreign currency transactions is applied to foreign exchange hedging transactions. Special accounting treatment is used for interest rate swaps as they satisfy the requirements for special treatment.

(ii) Hedging policy

Foreign exchange forward contracts and foreign currency swaps are utilized to mitigate foreign exchange risks. Interest rate swap transactions are utilized to mitigate interest rate risks.

(iii) Scope of hedging

Certain foreign exchange transactions, including planned transactions, and borrowings exposed to interest rate risks are hedged in accordance with policies laid out in the management regulations.

(iv) Assessment of hedge effectiveness

The Company believes foreign exchange forward contracts and foreign currency swaps to be highly effective hedging instruments. Therefore, an evaluation of their effectiveness is omitted. An evaluation of the effectiveness of the special accounting treatment used for interest rate swaps is omitted.

## 6) Amortization of Goodwill

Goodwill is amortized by the straight-line method over a period of up to 20 years. However, if its materiality is low, the goodwill is amortized in the year in which it is recognized.

## 7) Cash and Cash Equivalents in the Consolidated Statements of Cash Flows

The scope of cash (cash and cash equivalents) on the consolidated statements of cash flows is cash on hand, deposits readily convertible to cash and short-term investments that mature within three months and bear little risk of price fluctuation.

## 8) Other Significant Accounting Policies

## Consumption Tax

National and regional consumption taxes are accounted for using the net-of-tax method.

## (7) Change in Accounting Policy

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

In conjunction with the revision of the Corporation Tax Act, beginning from the current consolidated fiscal year the Company and certain of its domestic consolidated subsidiaries will account for tangible fixed assets acquired on and after April 1, 2012 using depreciation methods based on the revised Corporation Tax Act.

The effect of this change on current consolidated fiscal year earnings is not material.

## (8) Notes to the Consolidated Financial Statements

(Consolidated Balance Sheets)

## 1. Guarantee obligation

	As of March 31, 2012	As of March 31, 2013
Guarantee obligation	25,178 million yen	31,199 million yen

## 2. Certain buildings and land held as fixed assets have been reclassified and reported as follows in the real estate for sale section because the purpose of holding these assets was changed during the fiscal year:

	As of March 31, 2012	As of March 31, 2013
Buildings and structures	2,046 million yen	1,837 million yen
Land	1,417	716
Total	3,463	2,552

## 3. Notes receivable at the end of the consolidated fiscal year

Notes receivable at the end of the consolidated fiscal year are processed on their exchange dates. Now, because the final day of the previous and current consolidated fiscal year, the following notes receivable at the end of the consolidated fiscal year are included in the consolidated fiscal year balance.

	As of March 31, 2012	As of March 31, 2013
Notes receivable-trade	7,806 million yen	7,373 million yen
Notes payable-trade	1,875	2,391

## (Consolidated Statements of Income)

## 1. Gain on the transfer to a defined contribution plan

The gain on the transfer to a defined contribution plan for the current consolidated fiscal year resulted from reform of the retirement benefit systems of consolidated subsidiaries.

## 2. Impairment losses

In the current fiscal year under review, the Company posted impairment losses in the following asset groups:

## Previous fiscal year (April 1, 2011 - March 31, 2012)

Application	Location	Type	Impairment losses (million yen)
Plywood manufacturing equipment	Fuxin City, Liaoning Province, China	Buildings and structures	471
		Machinery, equipment and vehicles	201
		Others	402
		Total	1,073
Medium density fiberboard manufacturing equipment	Wangaratta, Victoria, Australia	Machinery, equipment and vehicles	1,345
		Others	54
		Total	1,399
Assets for use with the detached housing sales business	Bellevue, Washington, U.S.A	Goodwill	53
		Intangible assets	499
		Others	14
		Total	566

In order to monitor earnings on a continuous basis, the Group determines asset groupings based on the units used for administrative accounting.

Because plywood manufacturing equipment and medium density fiberboard manufacturing equipment continue to produce losses due to sales and marketing activities, the book values of the above assets are reduced to their recoverable amounts, and the amount of reduction is recognized as an extraordinary impairment loss. The recoverable amount for plywood manufacturing equipment is estimated based on net sales prices. Estimates for medium density fiberboard manufacturing equipment are based on utility value; calculations will be made after deducting a future cash flow of 13.86%.

Concerning assets for use with the detached housing sales business, in the North American detached housing sales business, book values are reduced to their recoverable amounts because, during a reevaluation of the business plan, utility values were determined to be lower than the book values. The amount of reduction is recognized as an extraordinary impairment loss. For recoverable amounts, utility values are calculated as zero. All book values for goodwill have been reduced due to the infeasibility of the expected profits.

## Current fiscal year (April 1, 2012 - March 31, 2013)

Application	Location	Type	Impairment losses (million yen)
Rental condominiums, 2 buildings	Osaka, Osaka Prefecture	Buildings and structures	104
		Land	35
		Total	140
Warehouse	Saijo City, Ehime Prefecture	Buildings and structures	8
		Machinery, equipment and vehicles	1
		Land	17
		Total	25
Idle assets	Ashigara Shimo-gun, Kanagawa Prefecture	Land	46

In order to monitor earnings on a continuous basis, the Group determines asset groupings based on the units used for management accounting.

Concerning the rental condominiums, in conjunction with approval of the policy for sales, the book values of the above assets are reduced to their recoverable amounts and the amount of reduction is recognized as an extraordinary impairment loss.

Concerning the warehouse, because the Group has decided to demolish said facility, the book values of the above assets are reduced to their recoverable amounts and the total amount of reduction is recognized as an extraordinary impairment loss. The estimated demolition cost of 30 million yen related to the demolition of said facility is reported in “Other” under extraordinary loss.

For the idle assets, the book values of the assets are reduced to their recoverable amounts, and the amount of reduction is recognized as an extraordinary impairment loss.

The recoverable amounts are calculated based on net sales prices. Reasonable estimated amounts are used for the rental condominiums, based on a real-estate appraisal, and for the land, based on the assessed value of the fixed asset and examples of nearby purchases and sales. The value of the buildings and structures and the machinery, equipment and vehicles of the warehouse that will be demolished are calculated as zero.

### 3. Transfer to provision for loss on liquidation of subsidiaries and affiliates

The transfer to provision for loss on liquidation of subsidiaries and affiliates for the current consolidated fiscal year that ended in March 2013 was made in conjunction with the transfer of the Group’s interest in Fuxin Sumirin Wood Products Co., Ltd., a consolidated subsidiary, and reported as the loss value expected to occur at the end of the period.

### 4. Disaster losses

The disaster losses reported in the previous consolidated fiscal year, which were incurred as a result of the Great East Japan Earthquake, were mainly the cost to inspect the Company’s construction properties, the cost to restore the damaged offices and other facilities to their original condition, and the loss on disposal etc. of inventory assets.

## (Statements of Changes in Consolidated Shareholders’ Equity)

Previous Fiscal Year (April 1, 2011 – March 31, 2012)

### 1. Type and Number of Shares Outstanding and Treasury Stock

	Number of shares at the beginning of the current fiscal year (shares)	Increase during the current fiscal year (shares)	Decrease during the current fiscal year (shares)	Number of shares at the end of the current fiscal year (shares)
Shares issued and outstanding				
Common shares	177,410,239	-	-	177,410,239
Total	177,410,239	-	-	177,410,239
Treasury stock				
Common shares (Note) 1,2	270,845	1,121	44	271,922
Total	270,845	1,121	44	271,922

(Note) 1. Increase due to purchase of odd-lot shares: 1,121

2. Decrease due to sale of odd-lot shares: 44

## 2. Dividends

## (1) Cash Dividends

Resolution	Type of shares	Aggregate amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Regular general meeting of shareholders (June 24, 2011)	Common shares	1,329	7.50	March 31, 2011	June 27, 2011
Board meeting (November 9, 2011)	Common shares	1,329	7.50	September 30, 2011	December 6, 2011

## (2) Of the Dividends whose Record Date Falls during the Fiscal Year under Review, those Dividends whose Effective Date Falls after the Said Fiscal Year End

Resolution	Type of shares	Aggregate amount of dividend (million yen)	Dividend resource	Dividend per share (yen)	Record date	Effective date
Regular general meeting of shareholders (June 22, 2012)	Common shares	1,329	Retained earnings	7.50	March 31, 2012	June 25, 2012

## Current Fiscal Year (April 1, 2012 – March 31, 2013)

## 1. Type and Number of Shares Outstanding and Treasury Stock

	Number of shares at the beginning of the current fiscal year (shares)	Increase during the current fiscal year (shares)	Decrease during the current fiscal year (shares)	Number of shares at the end of the current fiscal year (shares)
Shares issued and outstanding				
Common shares	177,410,239	-	-	177,410,239
Total	177,410,239	-	-	177,410,239
Treasury stock				
Common shares (Note) 1	271,922	1,790	-	273,712
Total	271,922	1,790	-	273,712

(Note) 1. Increase due to purchase of odd-lot shares: 1,790

## 2. Dividends

## (1) Cash Dividends

Resolution	Type of shares	Aggregate amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Regular general meeting of shareholders (June 22, 2012)	Common shares	1,329	7.50	March 31, 2012	June 25, 2012
Board meeting (November 2, 2012)	Common shares	1,329	7.50	September 30, 2012	December 5, 2012

## (2) Of the Dividends whose Record Date Falls during the Fiscal Year under Review, those Dividends whose Effective Date Falls after the Said Fiscal Year End

Resolution	Type of shares	Aggregate amount of dividend (million yen)	Dividend resource	Dividend per share (yen)	Record date	Effective date
Regular general meeting of shareholders (June 21, 2013)	Common shares	1,683	Retained earnings	9.50	March 31, 2013	June 24, 2013

## (Statements of Cash Flows)

## 1. Reconciliation of balance sheet items to cash and cash equivalents in the consolidated statements of cash flows.

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Cash and deposits	64,870 million yen	56,155 million yen
Deposits with a term of over 3 months	(16,030)	(20,095)
Certificates of deposit issued by domestic companies included in marketable securities	15,000	11,000
Cash equivalents included in the short-term loans receivable account (re-purchase agreements)	-	28,598
Cash and cash equivalents at end of period	63,839	75,658

2. Principal assets and liabilities of a company that ceased to be a consolidated subsidiary in the fiscal year ended in March, 2012  
Following the sale of stock, assets and liabilities of the company at the time of sale, the selling price of the stock and revenue from this sale (net) are presented below.

Current assets	1,666 million yen
Noncurrent assets	1,689
Goodwill	975
Current liabilities	( 939)
Noncurrent liabilities	( 290)
Acquisition price of stock	3,101
Cash and cash equivalents	( 1,117)
Deduction: acquisition expenditures	1,984

## (Segment Information)

1. Outline of Reporting Segments

Reporting segments are discrete constituent units of the Company for which financial statements are separately prepared. In order to determine the allocation of the Company's management resources and evaluate its business results, the Board of Directors regularly discusses the reporting segments.

The Company has established divisions in its Headquarters to handle its products, services and regions. Each division formulates comprehensive strategies for the products and services that it handles, and uses these strategies to conduct its business activities.

Therefore, the Company consists of different product, service and region-oriented segments which are based around divisions. There are 3 reporting segments: the timber and building materials business, the housing business, and the overseas business.

The "Timber and building materials business" is engaged in the purchase, manufacture, processing and sale etc. of timber and building materials. The "Housing business" is engaged in the construction contracting after-maintenance and renovation of detached houses and apartment buildings, the sale of spec homes, the contracting of housing exterior facilities, landscaping and greening works for residential dwellings, and the management, purchase and sale, leasing and brokerage etc. of real estate. The "Overseas business" is engaged in the manufacture and sale of building materials, construction contracting of detached housing, sale of spec homes, management of plantation forests, and the sale of timber from plantation forests in overseas markets.

2. Method Used for Calculating Sales, Income (loss), Assets and other Items by Each Reporting Segment

The accounting treatment used for all reporting segments is basically the same as that stated in "Basis of Presenting the Consolidated Financial Statements," except for the treatment used to account for retirement benefit cost.

Actuarial loss on retirement benefit cost is not recognized.

Segment income figures are based on recurring income.

Intersegment transactions are priced in accordance with prevailing market prices.

3. Information regarding Sales, Income (loss), Assets and other Items by Each Reporting Segment

Previous Fiscal Year (April 1, 2011 - March 31, 2012)

(million yen)

	Reporting segment				Other (Note) 1	Total	Adjustment (Note) 2	Total shown in the consolidated financial statement (Note) 3
	Timber and Building Materials	Housing	Overseas	Total				
Sales								
(1) Unaffiliated customers	386,229	414,867	23,834	824,930	6,166	831,095	774	831,870
(2) Intersegment sales/transfers	19,121	231	11,138	30,490	7,884	38,373	( 38,373)	-
Total	405,350	415,098	34,971	855,419	14,049	869,469	( 37,599)	831,870
Segment income (loss)	4,781	25,800	( 2,938)	27,642	728	28,370	( 7,655)	20,714
Segment assets	157,929	147,361	56,292	361,583	17,123	378,706	124,790	503,496
Other								
Depreciation and amortization (Note) 4	918	3,731	2,189	6,837	943	7,781	688	8,469
Amortization of goodwill	( 11)	53	169	211	-	211	-	211
Interest income	75	54	78	207	1	208	61	269
Interest expenses	700	1,056	962	2,717	22	2,739	( 1,443)	1,296
Equity in earnings (losses) of affiliates	177	0	( 492)	( 315)	-	( 315)	0	( 314)
Investments in equity method affiliates	267	4	8,253	8,523	-	8,523	( 11)	8,513
Increase in property, plant and equipment and intangible assets	710	5,073	6,618	12,401	1,079	13,481	469	13,950

- (Notes) 1. The “Other” classification encompasses business segments such as the leasing business, insurance agency business and senior care homes management business that are not included in the reporting segments..
2. Adjustments are as presented below.
- (1) Adjusted sales to unaffiliated customers of ¥774 million are attributable to the administrative departments, and comprised mainly of rent from Company landholdings.
- (2) The adjusted business loss of ¥7,655 million includes ¥58 million in eliminated intersegment transactions, ¥4,916 million in retirement benefit costs and ¥2,681 million in corporate expenses etc. Corporate expenses etc. are mainly selling, general and administrative expenses unrelated to any reporting segment.
- (3) The adjusted segment assets of ¥124,790 million include ¥8,636 million in eliminated intersegment transactions and ¥133,426 million in corporate assets which are not allocated to any reporting segment. Corporate assets are mainly unused funds under management (cash, deposits and securities), long-term investments (investment securities) and assets used by administrative departments.
3. Total segment income (loss) and segment assets are the total adjusted recurring income and assets shown in the consolidated financial statements.
4. The increase in depreciation expenses, property, plant and equipment and intangible assets includes long-term prepaid expenses and write-offs associated with these expenses.

## Current Fiscal Year (April 1, 2012 – March 31, 2013)

(million yen)

	Reporting segment				Other (Note) 1	Total	Adjustment (Note) 2	Total shown in the consolidated financial statement (Note) 3
	Timber and Building Materials	Housing	Overseas	Total				
Net sales								
(1) Unaffiliated customers	381,161	430,429	26,067	837,657	6,643	844,299	885	845,184
(2) Intersegment sales/transfers	20,105	345	12,590	33,041	8,763	41,804	(41,804)	-
Total	401,266	430,774	38,657	870,697	15,406	886,103	(40,919)	845,184
Segment income (loss)	4,704	26,227	(1,840)	29,090	754	29,845	(2,863)	26,981
Segment assets	157,122	144,978	65,662	367,761	18,252	386,013	161,960	547,973
Other								
Depreciation and amortization (Note) 4	772	4,123	2,264	7,160	857	8,018	960	8,978
Amortization of goodwill	(11)	8	270	267	-	267	-	267
Interest income	60	53	184	297	0	298	87	385
Interest expenses	649	808	985	2,442	88	2,529	(1,259)	1,270
Equity in earnings (losses) of affiliates	52	0	(193)	(141)	-	(141)	0	(140)
Investments in equity method affiliates	335	4	9,373	9,712	-	9,712	(10)	9,701
Increase in property, plant and equipment and intangible assets (Note) 4	1,099	5,548	2,018	8,665	1,140	9,805	486	10,291

- (Notes) 1. The “Other” classification encompasses business segments such as the leasing business, insurance agency business and senior care homes management business that are not included in the reporting segments.
2. Adjustments are as presented below.
- (1) Adjusted sales to unaffiliated customers of ¥885 million are attributable to the administrative departments, and comprised mainly of rent from Company landholdings.
- (2) The adjusted business loss of ¥2,863 million includes ¥106 million in eliminated intersegment transactions, ¥352 million in retirement benefit expenses and ¥3,109 million in corporate expenses etc. Corporate expenses etc. are mainly selling, general and administrative expenses unrelated to any reporting segment.
- (3) The adjusted segment assets of ¥161,960 million include ¥10,219 million in eliminated intersegment transactions and ¥172,179 million in corporate assets which are not allocated to any reporting segment. Corporate assets are mainly unused funds under management (cash, deposits and securities), long-term investments (investment securities) and assets used by administrative departments.
3. Total segment income (loss) and segment assets are the total adjusted recurring income and assets shown in the consolidated financial statements, respectively.
4. The increase in depreciation expenses, property, plant and equipment and intangible assets includes long-term prepaid expenses and write-offs associated with these expenses.



**4. Related Information**

Previous Fiscal Year (April 1, 2011 - March 31, 2012)

(1) Information by Product and Service (million yen)

	Timber and Building Materials	Housing and Housing-related	Others	Total
Sales to unaffiliated customers	407,051	420,052	4,767	831,870

(2) Information by Regions

(a) Net Sales

Sales to unaffiliated Japanese customers are not shown because these sales account for over 90% of consolidated net sales.

(b) Property, Plant and Equipment

(million yen)

Japan	Oceania	Asia	Other area	Total
60,832	14,079	9,667	1,063	85,641

(3) Information by Major Customer

Those sales to unaffiliated customers which are special customers are not shown as none of these sales accounts for more than 10% of consolidated net sales.

Current Fiscal Year (April 1, 2012 - March 31, 2013)

(1) Information by Product and Service (million yen)

	Timber and Building Materials	Housing and Housing-related	Others	Total
Sales to unaffiliated customers	403,548	436,663	4,972	845,184

(2) Information by Regions

(a) Net Sales

Sales to unaffiliated Japanese customers are not shown because these sales account for over 90% of consolidated net sales.

(b) Property, Plant and Equipment

(million yen)

Japan	Oceania	Asia	Other area	Total
57,769	16,169	10,879	1,082	85,900

(3) Information by Major Customer

Those sales to unaffiliated customers which are special customers are not shown as none of these sales accounts for more than 10% consolidated net sales.

**(5) Impairment Loss of Fixed Assets by Reporting Segment**

Previous Fiscal Year (April 1, 2011 - March 31, 2012)

(million yen)

	Timber and Building Materials Business	Housing	Overseas	Other	Corporate/ Elimination	Total
Impairment Loss	-	-	3,038	-	-	3,038

Current Fiscal Year (April 1, 2012 - March 31, 2013)

(million yen)

	Timber and Building Materials Business	Housing	Overseas	Other	Corporate/ Elimination	Total
Impairment Loss	25	186	-	-	-	211

**(6) Amortization and the Unamortized Balance of Goodwill by Reporting Segment**

Previous Fiscal Year (April 1, 2011 - March 31, 2012)

(million yen)

	Timber and Building Materials Business	Housing	Overseas	Other	Corporate/ Elimination	Total
Amortization	( 11)	53	169	-	-	211
Unamortized balance	( 11)	29	907	-	-	924

Current Fiscal Year (April 1, 2012 - March 31, 2013)

(million yen)

	Timber and Building Materials Business	Housing	Overseas	Other	Corporate/ Elimination	Total
Amortization	( 11)	8	270	-	-	267
Unamortized balance	(0)	21	716	-	-	737

**(7) Gain on Negative Goodwill by Reporting Segment**

Previous Fiscal Year (April 1, 2011 - March 31, 2012)

None.

Current Fiscal Year (April 1, 2012 - March 31, 2013)

None.

**(8) Changes to reporting segments**

In conjunction with the organizational change carried out in April 2012, beginning from the current consolidated fiscal year the Company has changed its reporting segments from the five traditional classifications of “Timber and building materials business,” “Overseas business,” “Housing business,” “Real estate business” and “Other” to the four classifications “Timber and building materials business,” “Housing business,” “Overseas business” and “Other.”

The main change is that the timber and building materials purchasing and sales business in other countries, which traditionally has been reported in “Overseas business,” are now reported in “Timber and building materials business.” In addition, the real estate management, sale and purchase, leasing and brokerage business and spec housing sales business, which traditionally have been reported in “Real estate business,” are reported in “Housing business,” and the senior care homes management business etc. are reported in “Other.”

The reporting segment information for the fiscal year that ended in March 2012 has been prepared on the basis of the reporting segment classifications after the revision.

**(Per-Share Information)**

Fiscal year ended March 31, 2012		Fiscal year ended March 31, 2013	
Net assets per share	¥954.81	Net assets per share	¥1,086.68
Net income per share	¥52.34	Net income per share	¥89.89

(Notes) 1. Net income per share (diluted) is not presented, since there is no potential stock.

2. The basis for calculating net asset per share is as follows.

	Fiscal year ended March 31, 2012 (As of March 31, 2012)	Fiscal year ended March 31, 2013 (As of March 31, 2013)
Total net assets (million yen)	169,335	193,250
Breakdown of deductions from total net assets		
Minority interests (million yen)	202	760
Total net assets for common stock (million yen)	169,134	192,491
Number of common stocks issued (shares)	177,410,239	177,410,239
Number of treasury stocks (shares)	271,922	273,712
Number of common stocks used for calculation of net asset per share (shares)	177,138,317	177,136,527

3. The basis for calculating net income per share is as follows.

	Fiscal year ended March 31, 2012 (As of March 31, 2012)	Fiscal year ended March 31, 2013 (As of March 31, 2013)
Net income (million yen)	9,271	15,923
Income not available to common stockholders (million yen)	-	-
Income (loss) available to common stockholders (million yen)	9,271	15,923
Weighted average number of shares issued (shares)	177,138,651	177,137,337

(Significant Events after the Reporting Period)

None.

## 5. Non-consolidated Financial Statements

## (1) Balance Sheets

(million yen)

	As of March 31, 2012	As of March 31, 2013
<b>Current assets</b>		
<b>Assets</b>		
Cash and time deposits	58,829	49,778
Notes receivable-trade	52,641	51,514
Accounts receivable-trade	58,044	58,889
Accounts receivable from completed construction contracts	753	739
Marketable securities	15,000	11,000
Finished goods, logs and lumber	10,600	11,116
Developed land and housing for sale	33,302	27,175
Costs on uncompleted construction contracts	17,044	16,922
Advance payments	345	379
Prepaid expenses	1,039	955
Deferred tax assets	5,545	5,206
Short-term loans receivable	9	28,607
Short-term loans receivable from subsidiaries and affiliates	17,310	15,458
Accounts receivable-other	62,797	70,211
Other	338	457
Allowance for doubtful accounts	(2,730)	(2,517)
<b>Total current assets</b>	<b>330,864</b>	<b>345,888</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings	17,253	17,910
Accumulated depreciation	(6,982)	(7,739)
Buildings, net	10,271	10,172
Structures	3,067	3,304
Accumulated depreciation	(2,710)	(2,850)
Structures, net	356	455
Machinery and equipment	1,233	1,295
Accumulated depreciation	(1,147)	(1,200)
Machinery and equipment, net	86	96
Vehicles	32	33
Accumulated depreciation	(30)	(32)
Vehicles, net	2	2
Tools, furniture and fixtures	4,475	4,517
Accumulated depreciation	(3,875)	(3,998)
Tools, furniture and fixtures, net	600	519
Land	10,418	11,262
Mature timber	8,731	8,681
Growing timber	204	286
Leased assets	7,253	6,737
Accumulated depreciation	(4,208)	(3,456)
Leased assets, net	3,045	3,281
Construction in progress	836	912
<b>Total property, plant and equipment</b>	<b>34,550</b>	<b>35,665</b>

(million yen)

	As of March 31, 2012	As of March 31, 2013
<b>Intangible assets</b>		
Telephone subscription right	182	182
Leasehold right	4	–
Right of utilization on forest road	186	169
Right of using facilities	2	4
Software	4,586	4,975
Leased assets	2	1
<b>Total intangible assets</b>	<b>4,962</b>	<b>5,330</b>
<b>Investments and other assets</b>		
Investment securities	39,269	48,396
Stocks of subsidiaries and affiliates	25,228	25,030
Investments in other securities of subsidiaries and affiliates	1,749	2,109
Long-term loans receivable	389	222
Long-term loans receivable from employees	37	34
Long-term loans receivable from subsidiaries and affiliates	6,309	6,566
Claims provable in bankruptcy, claims provable in	3,113	2,089
Long-term deposits	593	655
Other	–	14,280
Allowance for doubtful accounts	4,098	4,362
	(3,650)	(3,217)
<b>Total investments and other assets</b>	<b>77,135</b>	<b>100,527</b>
<b>Total noncurrent assets</b>	<b>116,646</b>	<b>141,522</b>
<b>Total assets</b>	<b>447,510</b>	<b>487,411</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable-trade	7,832	8,447
Accounts payable-trade	75,103	79,903
Accounts payable for construction contracts	71,512	81,943
Long-term debt due within 1 year	5,800	9,303
Lease obligations	1,263	1,249
Accounts payable-other	7,625	6,193
Income taxes payable	4,063	3,553
Accrued consumption taxes	1,104	823
Accrued expenses	968	980
Advances received	775	902
Advances received on uncompleted construction contracts	31,965	34,594
Deposits received	23,377	26,862
Unearned revenue	1,419	1,129
Provision for employees' bonuses	5,800	6,040
Provision for directors' bonuses	95	110
Provision for warranties for completed construction	1,695	1,534
Provision for disaster losses	60	60
Provision for loss on liquidation of subsidiaries and affiliates	–	483
Asset retirement obligation	528	569
<b>Total current liabilities</b>	<b>240,984</b>	<b>264,675</b>

(million yen)

	As of March 31, 2012	As of March 31, 2013
Long-term liabilities		
Bonds issued	15,000	15,000
Long-term loans payable	18,900	14,671
Guarantee deposited	4,974	5,028
Lease obligations	1,640	1,883
Deferred tax liabilities	3,570	5,692
Provision for retirement benefits	4,230	3,668
Provision for loss on business of subsidiaries and affiliates	3,671	3,938
Provision for loss on business liquidation	1,435	1,435
Asset retirement obligation	731	698
Other	219	213
Total noncurrent liabilities	54,370	52,226
Total liabilities	295,354	316,901
Net assets		
Shareholders' equity		
Capital stock	27,672	27,672
Capital surplus		
Legal capital surplus	26,613	26,613
Other capital surplus	259	259
Total capital surpluses	26,872	26,872
Retained earnings		
Legal retained earnings	2,857	2,857
Other retained earnings		
Reserve for reduction entry	1,444	1,444
General reserve	76,387	83,487
Retained earnings brought forward	11,090	15,958
Total retained earnings	91,779	103,747
Treasury stock	(268)	(269)
Total shareholders' equity	146,055	158,022
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	5,906	12,236
Deferred gains or losses on hedges	195	252
Total valuation and translation adjustments	6,102	12,488
Total net assets	152,156	170,510
Total liabilities and net assets	447,510	487,411

## (2) Statements of Income

(million yen)

	As of March 31, 2012	As of March 31, 2013
Net sales		
Net sales of goods	376,345	371,411
Completed contracts	303,843	311,021
Total net sales	680,189	682,432
Cost of sales		
Cost of goods sold		
Beginning goods	45,572	48,557
Cost of purchased goods	356,563	345,135
Transfer to other account	(3,463)	(2,552)
Total	405,598	396,244
Ending goods	48,557	43,238
Total cost of goods sold	357,041	353,006
Cost of completed contracts	225,903	231,289
Total cost of sales	582,944	584,295
Gross profit	97,245	98,137
Selling, general and administrative expenses	83,532	78,826
Operating income	13,713	19,311
Non-operating income		
Interest income	411	316
Interest on securities	17	17
Purchase discounts	336	336
Dividends income	3,104	3,253
Other	1,259	1,279
Total non-operating income	5,127	5,202
Non-operating expenses		
Interest expenses	500	446
Bond interest expenses	203	203
Sales discounts	505	521
Other	250	296
Total non-operating expenses	1,458	1,466
Recurring income	17,383	23,047
Extraordinary gains		
Gain on sales of noncurrent assets	285	46
Gain on sales of investment securities	5	21
Gain on extinguishment of tie-in shares	–	80
Total extraordinary gains	290	147

(million yen)

	As of March 31, 2012	As of March 31, 2013
Extraordinary loss		
Loss on retirement of noncurrent assets	–	21
Loss on sales of investment securities	144	65
Impairment losses	–	186
Loss (gain) on valuation of investment securities	68	235
Loss on valuation of investments in capital of subsidiaries and affiliates	920	817
Loss on valuation of stocks of subsidiaries and affiliates	–	197
Transfer to provision for loss on liquidation of subsidiaries and affiliates	–	483
Loss on liquidation of subsidiaries and affiliates	546	–
Loss on sale of stocks of subsidiaries and affiliates	159	–
Disaster losses	67	–
Total extraordinary losses	1,904	2,005
Income before income taxes	15,768	21,189
Income taxes-current	6,564	7,009
Income taxes-deferred	(587)	(445)
Total income taxes	5,977	6,564
Net income	9,791	14,625



## (3) Statements of Changes in Net Assets

(million yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
<b>Shareholders' equity</b>		
Capital stock		
Balance at the beginning of current period	27,672	27,672
Balance at the end of current period	27,672	27,672
Capital surplus		
Legal capital surplus		
Balance at the beginning of current period	26,613	26,613
Balance at the end of current period	26,613	26,613
Other capital surplus		
Balance at the beginning of current period	259	259
Changes during the period		
Disposal of treasury stock	(0)	–
Total changes during the period	(0)	–
Balance at the end of current period	259	259
Retained earnings		
Legal retained earnings		
Balance at the beginning of current period	2,857	2,857
Balance at the end of current period	2,857	2,857
Other retained earnings		
Reserve for reduction entry		
Balance at the beginning of current period	1,347	1,444
Changes during the period		
Net changes in items other than shareholders' equity	98	–
Total changes during the period	98	–
Balance at the end of current period	1,444	1,444
General reserve		
Balance at the beginning of current period	76,687	76,387
Changes during the period		
Provision of general reserve	–	7,100
Reversal of general reserve	(300)	–
Total changes during the period	(300)	7,100
Balance at the end of current period	76,387	83,487
Retained earnings brought forward		
Balance at the beginning of current period	3,754	11,090
Changes during the period		
Provision of general reserve	–	(7,100)
Reversal of general reserve	300	–
Dividends from surplus	(2,657)	(2,657)
Net income	9,791	14,625
Net changes in items other than shareholders' equity	(98)	–
Total changes during the period	7,336	4,868
Balance at the end of current period	11,090	15,958
Treasury stock		
Balance at the beginning of current period	(267)	(268)
Changes during the period		
Purchase of treasury stock	(1)	(1)
Disposal of treasury stock	0	–

(million yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Total changes during the period	(1)	(1)
Balance at the beginning of current period	(268)	(269)
<b>Total shareholders' equity</b>		
Balance at the beginning of previous period	138,921	146,055
<b>Changes during the period</b>		
Dividends from surplus	(2,657)	(2,657)
Net income	9,791	14,625
Purchase of treasury stock	(1)	(1)
Disposal of treasury stock	0	–
Total changes during the period	7,133	11,967
Balance at the end of current period	146,055	158,022
<b>Valuation and translation adjustments</b>		
<b>Valuation difference on available-for-sale securities</b>		
Balance at the beginning of current period	5,046	5,906
<b>Changes during the period</b>		
Net changes in items other than shareholders' equity	860	6,330
Total changes during the period	860	6,330
Balance at the end of current period	5,906	12,236
<b>Deferred gains or losses on hedges</b>		
Balance at the beginning of current period	201	195
<b>Changes during the period</b>		
Net changes in items other than shareholders' equity	(6)	56
Total changes during the period	(6)	56
Balance at the end of current period	195	252
<b>Net assets</b>		
Balance at the beginning of current period	144,168	152,156
<b>Changes during the period</b>		
Dividends from surplus	(2,657)	(2,657)
Net income	9,791	14,625
Purchase of treasury stock	(1)	(1)
Disposal of treasury stock	0	–
Net changes in items other than shareholders' equity	855	6,386
Total changes during the period	7,988	18,353
Balance at the end of current period	152,156	170,510

## 6. Others

Changes in Directors and Corporate Auditors

An announcement was made on February 28, 2013.

## 7. Supplementary Information

## (1) Consolidated Statements of Income

(million yen)

		FY 3/12		FY 3/13		YoY change	% of YoY change	FY 3/14 (Forecast)		YoY change	% of YoY Change
	Timber and building materials business	405,350	401,266	(4,084)	(1.0%)	430,000	+28,734	+7.2%			
	Housing business	415,098	430,774	+15,676	+3.8%	450,000	+19,226	+4.5%			
	Overseas business	34,971	38,657	+3,686	+10.5%	44,000	+5,343	+13.8%			
	Other	14,049	15,406	+1,357	+9.7%	16,000	+594	+3.9%			
	Adjustment	(37,599)	(40,919)	(3,320)	-	(40,000)	+919	-			
<b>Net sales</b>		<b>831,870</b>	<b>845,184</b>	<b>+13,315</b>	<b>+1.6%</b>	<b>900,000</b>	<b>+54,816</b>	<b>+6.5%</b>			
Gross profit		16.5% 136,873	16.7% 141,436	+4,563	+3.3%	16.6% 149,500	+8,064	+5.7%			
Selling, general and administrative expenses		117,682	116,105	(1,577)	(1.3%)	122,000	+5,895	+5.1%			
Operating income		2.3% 19,191	3.0% 25,330	+6,140	+32.0%	3.1% 27,500	+2,170	+8.6%			
	Non-operating income	4,219	4,269	+50	+1.2%	3,500	(769)	(18.0%)			
	Non-operating expenses	2,695	2,618	(77)	(2.9%)	3,000	+382	+14.6%			
Non-operating income/loss		1,524	1,651	+127	+8.4%	500	(1,151)	(69.7%)			
	Timber and building materials business	1.2% 4,781	1.2% 4,704	(77)	(1.6%)	1.1% 4,900	+196	+4.2%			
	Housing business	6.2% 25,800	6.1% 26,227	+427	+1.7%	6.3% 28,200	+1,973	+7.5%			
	Overseas business	(8.4%) (2,938)	(4.8%) (1,840)	+1,098	-	(2.3%) (1,000)	+840	-			
	Other	5.2% 728	4.9% 754	+27	+3.7%	5.0% 800	+46	+6.0%			
	Adjustment	(7,655)	(2,863)	+4,792	-	(4,900)	(2,037)	-			
<b>Recurring income</b>		<b>2.5% 20,714</b>	<b>3.2% 26,981</b>	<b>+6,267</b>	<b>+30.3%</b>	<b>3.1% 28,000</b>	<b>+1,019</b>	<b>+3.8%</b>			
	Extraordinary gains	455	137	(318)	(69.8%)	-	(137)	-			
	Extraordinary loss	3,487	971	(2,517)	(72.2%)	-	(971)	-			
Extraordinary gains/losses		(3,032)	(833)	+2,199	-	-	+833	-			
Net income		1.1% 9,271	1.9% 15,923	+6,652	+71.8%	1.8% 16,000	+77	+0.5%			

## (2) &lt;Housing Business &amp; Real Estate Business&gt;Sales and Orders Received (non-consolidated)

## (a) Actual

(million yen)

			FY 3/12 (Actual)			FY 3/13 (Actual)			Change	
			Volume	Amount	Unit price	Volume	Amount	Unit price	Volume	Amount
Orders Received	Contract Work	Custom-built detached housing	8,962	295,194	32.9	9,105	314,240	34.5	+1.6%	+6.5%
		Wooden apartments	986	11,169	11.3	1,138	13,043	11.5	+15.4%	+16.8%
		Other contracts		585	-		977	-		+67.0%
Sales	Contract Work	Custom-built detached housing *1	9,007	294,081	32.7	8,999	300,936	33.4	(0.1%)	+2.3%
		Wooden apartments *1	772	7,899	10.2	858	9,371	10.9	+11.1%	+18.6%
		Other contracts		585	-		340	-		(42.0%)
	Detached spec homes business *2	225	9,862	43.8	254	11,376	44.8	+12.9%	+15.3%	
	Land for custom-built housing		4,987	-		5,505	-		+10.4%	
	Real estate development *3		7,306	-		9,610	-		+31.5%	
	Other *3		11,416	-		7,663	-		(32.9%)	
Total			336,136	-		344,801	-		+2.6%	
Profit Ratio		Gross profit	25.2%	84,806		24.9%	85,730			
Backlog of Orders Received at Term End	Contract Work	Custom-built housing	8,354	262,784	31.5	8,460	276,087	32.6	+1.3%	+5.1%
		Wooden apartments	1,097	11,432	10.4	1,377	15,104	11.0	+25.5%	+32.1%
		Other contracts		-	-		638	-		-
<input type="checkbox"/> Sumitomo Forestry Home Tech (Renovation) <input type="checkbox"/>										
Orders Received	Contract Work			47,792	-		53,818	-		+12.6%
Construction Completed				45,278	-		50,312	-		+11.1%
Backlog of Orders Received at Term End				17,922	-		21,428	-		+19.6%

## (b) Forecast

(million yen)

			FY 3/13 (Actual)			FY 3/14 (Forecast)			Change	
			Volume	Amount	Unit price	Volume	Amount	Unit price	Volume	Amount
Orders Received	Contract Work	Custom-built detached housing	9,105	314,240	34.5	9,700	337,500	34.8	+6.5%	+7.4%
		Wooden apartments	1,138	13,043	11.5	1,250	14,400	11.5	+9.8%	+10.4%
		Other contracts		977	-		3,500	-		+258.1%
Sales	Contract Work	Custom-built detached housing *1	8,999	300,936	33.4	9,150	311,100	34.0	+1.7%	+3.4%
		Wooden apartments *1	858	9,371	10.9	960	10,500	10.9	+11.9%	+12.1%
		Other contracts		340	-		3,000	-		+783.3%
	Detached spec homes business *2	254	11,376	44.8	280	11,800	42.1	+10.2%	+3.7%	
	Land for custom-built housing		5,505	-		6,900	-		+25.3%	
	Real estate development *3		9,610	-		12,200	-		+27.0%	
	Other *3		7,663	-		6,500	-		(15.2%)	
Total			344,801	-		362,000	-		+5.0%	
Profit Ratio		Gross profit	24.9%	85,730		24.6%	89,000			
Backlog of Orders Received at Term End	Contract Work	Custom-built housing	8,460	276,087	32.6	9,010	302,487	33.6	+6.5%	+9.6%
		Wooden apartments	1,377	15,104	11.0	1,667	19,004	11.4	+21.1%	+25.8%
		Other contracts		638	-		1,138	-		+78.4%
<input type="checkbox"/> Sumitomo Forestry Home Tech (Renovation) <input type="checkbox"/>										
Orders Received	Contract Work			53,818	-		60,000	-		+11.5%
Construction Completed				50,312	-		57,000	-		+13.3%
Backlog of Orders Received at Term End				21,428	-		24,428	-		+14.0%

\* 1: Sales volumes for custom-built detached housing and wooden apartments are delivered houses (number of houses is shown)

\* 2: Spec Homes Business and Real Estate Development figures are for the total of land and building

\* 3: Sales of interior products and rental proceeds from leasing properties in our portfolio etc.

## (3) Non-consolidated Business Results

(million yen)

Company name (Head Office)	Founded	Capital stock	Accounting term	Statements of Income				Balance Sheets	
				Net sales	Operating income	Recurring income	Net income	Total assets	Net assets
Sumitomo Forestry Co., Ltd. (Chiyoda-ku, Tokyo)	S23/2	27,672	FY 3/12	680,189	13,713	17,383	9,791	447,510	152,156
			FY 3/13	682,432	19,311	23,047	14,625	487,411	170,510
			FY 3/14 (F)	725,000	19,000	22,500	13,900	-	-

## (4) Main Subsidiaries

(million yen)

Company name (Head Office)	Founded	Capital stock	Ownership *1	Accounting term	Statements of Income				Balance Sheets	
					Net sales	Operating income	Recurring income	Net income	Total assets	Net assets
Sumitomo Forestry Crest Co.,Ltd. (Nagoya, Aichi Prefecture) (Timber and Building Materials Business)	S34/8	800	100.0%	FY 3/12	36,063	273	173	188	19,427	1,071
				FY 3/13	36,353	270	165	37	19,368	1,138
				FY 3/14 (F)	36,700	500	400	340	-	-
Sumitomo Forestry Residential Co.,Ltd. (Shinjuku-ku, Tokyo) (Real Estate Business)	S60/3	150	100.0%	FY 3/12	17,868	502	472	236	9,839	2,498
				FY 3/13	19,230	574	536	335	10,038	2,833
				FY 3/14 (F)	20,200	650	600	370	-	-
Sumitomo Forestry Home Engineering Co.,Ltd. (Shinjuku-ku, Tokyo) (Housing Business)	H11/12	75	100.0%	FY 3/12	83,829	852	932	473	27,534	3,045
				FY 3/13	83,778	698	769	467	30,721	3,039
				FY 3/14 (F)	86,300	670	750	430	-	-
Sumitomo Forestry Home Service Co. Ltd. (Shinjuku-ku, Tokyo) (Housing Business) *	S39/9	400	100.0%	FY 3/12	5,294	149	132	122	2,910	(326)
				FY 3/13	5,545	227	210	172	2,773	(154)
				FY 3/14 (F)	5,800	330	300	260	-	-
Sumitomo Forestry Landscaping Co.,Ltd. (Nakano-ku, Tokyo) (Housing Business)	S52/4	200	100.0%	FY 3/12	22,471	102	124	1	8,638	2,710
				FY 3/13	23,790	204	209	21	8,619	2,725
				FY 3/14 (F)	24,200	270	300	180	-	-
Sumitomo Forestry Home Tech Co.,Ltd. (Chiyoda-ku, Tokyo) (Housing Business)	S63/10	100	100.0%	FY 3/12	47,909	2,410	2,641	1,582	19,292	3,937
				FY 3/13	53,006	2,494	2,705	1,652	21,596	4,007
				FY 3/14 (F)	59,600	3,100	3,300	2,000	-	-
PT.Kutai Timber Indonesia (Jakarta, Indonesia) (Overseas Business) □2	S45/9	27,000 (Thousand US\$)	99.9%	FY 3/12	9,584	163	207	215	6,289	1,929
				FY 3/13	9,579	153	200	167	6,707	2,330
				FY 3/14 (F)	12,000	470	430	320	-	-
Alpine MDF Industries Pty Ltd. (Wangaratta, Victoria, Australia) (Overseas Business) *3	H6/5	62,474 (Thousand AUS)	(100.0%)	FY 3/12	4,465	(403)	(457)	(1,833)	3,478	626
				FY 3/13	3,894	(32)	(150)	(52)	3,771	653
				FY 3/14 (F)	5,200	150	30	20	-	-
Nelson Pine Industries Ltd. (Richmond, Nelson, New Zealand) (Overseas Business) *4	S59/10	45,500 (Thousand NZ\$)	(100.0%)	FY 3/12	11,569	1,126	1,152	829	13,242	11,433
				FY 3/13	12,610	1,133	1,407	1,014	15,487	13,662
				FY 3/14 (F)	13,800	900	900	650	-	-

\*1 ( ) Figures in parentheses are for indirect investments.

\*2 \*3 \*4 The following exchange rates were used to convert into yen the income statements of overseas group companies.

	*2 US\$	*3 AUS	*4 NZ\$
FY 12/11	79.70	82.31	63.07
FY 12/12	79.80	82.65	64.66
FY 12/13 (Forecast)	96.00	98.00	79.00