

## Summary of Financial Results for the Third Quarter of the Fiscal Year Ending March, 2016 [Japan GAAP] (Consolidated)

Name of Company: Sumitomo Forestry Co., Ltd.  
 Stock Exchange Listing: Tokyo  
 Stock Code: 1911  
 URL: <http://sfc.jp/>  
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 Date of filing of financial report: February 9, 2016  
 Date of commencement of dividend payment (tentative): —  
 Preparation of supplementary materials: Yes  
 Convening of a third quarter results meeting: Yes (for financial analysts and institutional investors)

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

**1. Financial results for the third quarter cumulative period under review (April 1, 2015 – December 31, 2015)****(1) Results of operations (Consolidated)**

(Percentage figures represent year on year changes)

	Net sales		Operating income		Recurring income		Profit for the year attributable to Owners of the parent	
	Million Yen	%	Million Yen	%	Million yen	%	Million yen	%
3Q FY Ending March 2016	730,067	4.4	17,681	20.7	17,643	5.2	4,041	-48.9
3Q FY Ended March 2015	699,257	4.4	14,651	4.4	16,772	17.7	7,901	-37.1

Note: Comprehensive income

As of December 31, 2015 1,933 million yen (-89.0%)

As of December 31, 2014 17,632 million yen (-14.6%)

	Net income per share	Net income per share fully diluted
	Yen	Yen
3Q FY Ending March 2016	22.81	21.51
3Q FY Ended March 2015	44.60	42.06

**(2) Financial position (Consolidated)**

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2015	674,993	256,772	35.6
As of March 31, 2015	665,538	260,782	36.9

(Note) Shareholders' equity

As of December 31, 2015 240,482 million yen

As of March 31, 2015 245,750 million yen

**2. Dividends**

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
	Yen	Yen	Yen	Yen	Yen
FY Ended March 2015	-	9.50	-	12.00	21.50
FY Ending March 2016	-	12.00	-	-	-
FY Ending March 2016(Est.)	-	-	-	12.00	24.00

(Note) Revised dividend forecast for the quarter under review: No

**3. Forecast for the fiscal year ending March, 2016(Consolidated, April 1, 2015- March 31, 2016)**

(Percentage figures represent year on year changes)

	Net sales		Operating income		Recurring income		Profit for the year attributable to Owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal Year Ending March 2016	1,050,000	5.3	40,000	17.7	40,000	9.8	17,500	-5.8	98.80

Note: Revised forecast for the quarter under review: Yes

\* Notice

(1) Changes in main subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None

(2) Application of accounting treatment specific to the preparation of the consolidated quarterly financial statements: None

(3) Changes in accounting policies, accounting estimates, and restatements

(a) Changes in accounting policies due to revision of accounting standards: Yes

(b) Changes in accounting policies other than those in (a): None

(c) Changes in accounting estimates: None

(d) Restatements: None

(Note) For details, please refer to accompanying materials page 4, “2. Summary Information: Items related to “Notice”, Changes in Accounting Policies

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock)

As of December 31, 2015	177,410,239	As of March 31, 2015	177,410,239
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(b) Treasury stock

As of December 31, 2015	280,100	As of March 31, 2015	278,529
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(c) Average number of shares during the term (cumulative for the quarter)

As of December 31, 2015	177,131,048	As of December 31, 2014	177,132,979
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\* Indication regarding the performance of quarterly review procedures

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

\* Cautionary statement regarding business results forecasts and special notes

(Caution regarding forward-looking statements)

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, please refer to “1. Qualitative Information related to the Consolidated Business Results (3) Explanation Concerning Forecasts for Consolidated Business Results and Other Future Projections” [Accompanying Materials] (page 4.)

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## 1. Qualitative Information related to the Consolidated Business Results

### (1) Explanation Concerning Operating Results

The economic environment in Japan during the third quarter cumulative period (consolidated) (April to December 2015) saw a slight lack of vigor in the movement of corporate capital investment and some weakness in areas such as production. This was despite steady consumer spending and continued improvement in the hiring and income environment against a backdrop of favorable corporate profits. Overseas, the mild recovery continued, driven by developed countries. However, while review of monetary policies progressed in the United States, the outlook for the future of the global economy grew increasingly uncertain due to the impact of economic slowdowns in China and other emerging countries in Asia and falling oil prices.

In the domestic housing market, which has a deep relationship to our Group businesses, there were signs of recovery from the protracted impact of the sharp reactive decline accompanying the consumption tax hike, and there was a recovery, although mild, in the number of new housing starts.

In terms of our financial results, net sales increased by 4.4% year-on-year to ¥ 730,067 million, operating income was ¥ 17,681 million (an increase of 20.7% year-on-year), recurring income was ¥ 17,643 million (an increase of 5.2% year-on-year) and net income attributable to owners of parent was ¥ 4,041 million (a decrease of 48.9% year-on-year).

The principal factors for the increase in net sales, operating income and recurring income included an increase in the number of houses sold overseas, thanks to strong housing markets in the United States and Australia where we engage in the housing business.

An overview of conditions for each business segment is as follows. Net sales for each segment include inside net sales or transfer balances for transactions within that segment.

#### < Business Segments >

##### (a) *Timber and Building Materials Business*

In the domestic timber and building materials distribution business, there was a certain level of improvement in the number of new housing starts. However due to the slow recovery of the timber and building materials market, net sales were down year on year.

Additionally, in regards to the domestic building materials manufacturing business, net sales came in according to plan for the most part, but profits were down year on year, mainly as a result of expenditures associated with restructuring plants and transferring subsidiary shares. In the overseas distribution business, we continued to pour efforts into timber and building materials product sales in Southeast Asia and other newly emerging countries. Efforts were also launched in the Indian market where growth is expected in the aim of expanding the timber and building materials business.

As a result, the timber and building materials business posted net sales of ¥320,541 million (a decrease of 0.2% year-on-year) and recurring income of ¥2,862 million (a decrease of 16.9% year-on-year).

##### (b) *Housing Business*

In the custom-built detached housing business, we increased profits by delivering sturdy yet highly customizable houses with an open feel and pouring efforts into our “Estate Design Project,” which offers sophisticated residences with excellent design sense, leveraging the characteristics of our proprietary Big Frame construction method. Our BF GranSQUARE received the 2015 Good Design Award for achieving a fusion of building aesthetics and functionality for living through our design concept. As for business results, due to the impact of the sharp reactive decline accompanying the consumption tax hike last year, the backlog of orders received at the beginning of the

term was at a low level, and a decrease in the number of units completed and delivered resulted in a year-on-year decrease in net sales.

In the apartment business, we poured efforts into apartment and rental housing sales, including detached rental housing, putting together a sales system at all locations of the custom-built detached houses business on top of sales by rental housing specialists as asset utilization demand increased against the backdrop of revisions made to the inheritance tax.

In the renovation business, we worked to increase orders received by such means as increasing sales representatives targeting owners of detached houses we built and also worked aggressively on renovation of detached houses built by other companies. As a result, net sales in the renovation business exceeded those of the previous year.

Consequently, the housing business posted net sales of ¥292,873 million (a decrease of 3.0% year-on-year) and a recurring income of ¥10,115 million (a decrease of 4.9% year-on-year).

The status of orders for custom-built detached houses, which is a leading performance indicator, remained steady as orders received exceeded the previous year's level thanks to various measures in the domestic housing market including expansion of housing loan deductions, and housing loan interest rates continued to hover at low levels. We also worked to provide high value-added housing making full use of our technology and the characteristics of wood through such means as expanding proposals with the development of twin bolt columns which offer 1.5 times greater strength than conventional columns used in housing built utilizing the Big Frame construction method.

As a result, the amount of orders increased 7.1% year-on-year to ¥220,585 million.

#### *(c) Overseas Business*

In the overseas manufacturing business, results in New Zealand and Australia were strong thanks mainly to improvement in the exchange rate levels and favorable sales. On the other hand, in Indonesia, business results fell short of the previous year due to weak selling prices of plywood in the main market of Japan and a sluggish market for particle board in Indonesia.

In the overseas housing and real estate business, the number of houses sold and profits increased greatly thanks to the contribution of the Gehan Homes Group, in which stakes were acquired in May 2014, to the full year results starting this year and a recovery in the US housing market. Moreover, in Australia, the Henley Group steadily increased its number of houses sold, so their results also trended favorably.

In order to further expand our housing business in the United States, the Group acquired new stakes in the DRB Group in January 2016, which is engaged in the housing business in the eastern part of the country.

As a result, the overseas business posted net sales of ¥138,529 million (an increase of 42.7% year-on-year) and a recurring income of ¥8,710 million (an increase of 161.7% year-on-year).

#### *(d) Other Businesses*

Besides the aforementioned businesses, the Sumitomo Forestry Group operates the biomass power generation business, management of private-pay elderly care facilities, the leasing business and a wide range of service businesses for residential customers (including non-life insurance agency services) and also manufactures and sells farming and gardening materials and develops IT systems for its Group companies. In addition to these, the Group is also engaged in the overseas resources business, centered on forestry.

In the overseas resources business, the decision was made to purchase about 30,000 hectares of quality plantation land in New Zealand in December 2015, and we expect this to lead to long-term stable supply and revenue. Meanwhile, the forestation businesses in Papua New Guinea and Indonesia posted impairment losses in conjunction

with the review of their business plans. We expect demand for timber to continue to grow against a backdrop of population and economic growth, especially in newly emerging countries, and an increase in concern for the global environment, so we will continue to promote the business from a long-term perspective.

As a result, net sales in other businesses amounted to ¥12,342 million (an increase of 6.9% year on year), and a recurring loss of 1,171 million was posted (last year recurring income of ¥803 million was posted).

## (2) Explanation Concerning Financial Status

At the end of the consolidated third quarter, total assets increased ¥9,454 million compared to the previous consolidated fiscal year to ¥674,993 million. This was due to an increase in inventories associated with an increase in the number of houses under construction and growth of the overseas housing and real estate business along with an increase in receivables in the timber and building materials business despite a decrease in cash and time deposits resulting primarily from payment of construction costs for construction completed in the custom-built detached houses business. Liabilities increased ¥13,465 million compared to the previous consolidated fiscal year to ¥418,221 million. This was due mainly to an increase in advances received on uncompleted construction contracts associated with an increase in the number of houses under construction and an increase in payables in the timber and building materials business despite a decrease in accounts payable for construction contracts resulting from payment of construction costs for construction completed on houses. Net assets totaled ¥256,772 million, and the equity ratio was 35.6%.

## (3) Explanation Concerning Forecasts for Consolidated Business Results and Other Future Projections

Regarding full year business results forecasts for the fiscal year ending March 2016, in light of the most recent developments, we expect there to be changes in the numbers since the “Summary of Financial Results for the First Quarter of the Fiscal Year Ending March, 2016” published on November 5, 2015, so we have revised the forecast of financial results for the cumulative consolidated second quarter of the current year. The revision affects operating income and profit for the year attributable to owners of parent as the overseas manufacturing business and housing and real estate business are performing well, so profits are expected to be higher than anticipated. At the same time, a loss will be posted in the overseas forestation business.

### Revised Forecast for Fiscal Year Ending March 31, 2016 (April 1, 2015 - March 31, 2016)

	Net sales	Operating income	Recurring income	Profit (loss) attributable to owners of parent	Net income per share
	millions of yen	millions of yen	millions of yen	millions of yen	yen
Previous Forecast (A) (Announced on November 5, 2015)	1,050,000	39,000	40,000	22,000	124.20
Revised Forecast (B)	1,050,000	40,000	40,000	17,500	98.80
Change (B-A)	–	1,000	–	(4,500)	–
YoY (%)	–	2.6	–	(20.5)	–
Note: Results from Previous Fiscal Year (Ended March 31, 2015)	997,256	33,994	36,424	18,572	104.85

## **2. Summary Information: Items related to “Notice”**

### Changes in Accounting Policies

#### (Application of Accounting Standard for Business Combination)

“Accounting Standard for Business Combination” (ASBJ Statement No. 21, September 13, 2013; the “Business Combinations Accounting Standard”), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; the “Consolidation Accounting Standard”), “Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013; the “Business Divestitures Accounting Standard”) and other standards have been applied from the first quarter effecting changes in the accounting method to record the difference associated with the changes in equity in subsidiaries remaining under the control of the Company as capital surplus, and to record acquisition-related costs as expenses for the consolidated fiscal year in which such costs are incurred. For business combinations implemented on or after the beginning of the first quarter, the accounting method would change to reflect the adjustments to the allocated amount of acquisition costs under the finalization of provisional accounting treatment in the consolidated financial statements for the quarter containing the date of such business combinations. Furthermore, the method of disclosing profit has been changed, and minority interests have been changed to non-controlling interests. In order to reflect these changes, quarterly and full-year consolidated financial statements for the previous quarter and year have been restated.

The Business Combinations Accounting Standard and other standards were applied transitionally as determined in Clause 58-2 (4) of the Business Combinations Accounting Standard, Clause 44-5 (4) of the Consolidation Accounting Standard and Clause 57-4 (4) of the Business Divestitures Accounting Standard. These standards are applicable from the beginning of the first quarter going forward.

This has no impact on profit or loss.



### 3. Quarterly Consolidated Financial Statements

#### (1) Consolidated Balance Sheet

(million yen)

	Previous consolidated fiscal year (ended March 31, 2015)	Third quarter consolidated accounting period (ended December 31, 2015)
<b>Assets</b>		
<b>Current assets</b>		
Cash and time deposits	81,756	46,253
Notes and accounts receivable-trade	118,156	132,761
Accounts receivable from completed construction contracts	6,059	3,977
Marketable securities	26,000	34,115
Finished goods, logs and lumber	18,351	17,493
Work in process	1,299	1,728
Raw materials and supplies	6,909	7,132
Costs on uncompleted construction contracts	22,863	41,687
Developed land and housing for sale	39,232	41,306
Real estate for sale in process	37,063	45,690
Deferred tax assets	7,590	6,497
Short-term loans receivable	32,571	30,792
Accounts receivable-other	44,619	39,836
Other	8,752	11,195
Allowance for doubtful accounts	(998)	(1,019)
<b>Total current assets</b>	<b>450,220</b>	<b>459,443</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	62,856	59,610
Accumulated depreciation	(30,968)	(29,682)
Buildings and structures, net	31,888	29,929
Machinery, equipment and vehicles	78,696	67,201
Accumulated depreciation	(57,492)	(48,952)
Machinery, equipment and vehicles, net	21,204	18,249
Land	27,007	26,646
Leased assets	10,299	9,973
Accumulated depreciation	(4,815)	(5,528)
Leased assets, net	5,484	4,446
Construction in progress	8,628	13,580
Other	22,730	20,088
Accumulated depreciation	(7,895)	(7,806)
Other, net	14,835	12,282
<b>Total property, plant and equipment</b>	<b>109,046</b>	<b>105,132</b>
<b>Intangible assets</b>		
Goodwill	5,981	4,096
Other	10,306	9,737
<b>Total Intangible assets</b>	<b>16,286</b>	<b>13,833</b>
<b>Investments and other assets</b>		
Investment securities	75,322	81,216
Long-term loans receivable	3,051	3,302
Net defined benefit assets	303	298
Deferred tax assets	2,196	2,225
Other	11,567	11,862
Allowance for doubtful accounts	(2,452)	(2,318)
<b>Total investments and other assets</b>	<b>89,986</b>	<b>96,585</b>
<b>Total noncurrent assets</b>	<b>215,318</b>	<b>215,550</b>
<b>Total assets</b>	<b>665,538</b>	<b>674,993</b>

(million yen)

	Previous consolidated fiscal year (ended March 31, 2015)	Third quarter consolidated accounting period (ended December 31, 2015)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	102,951	117,444
Accounts payable for construction contracts	64,612	49,188
Short-term debt	31,340	26,651
Current portion of bonds	–	5,000
Lease obligations	2,146	1,734
Income taxes payable	4,617	1,161
Advances received on uncompleted construction contracts	46,791	62,503
Provision for employees' bonuses	9,866	5,658
Provision for directors' bonuses	135	–
Provision for warranties for completed construction	2,275	2,663
Asset retirement obligation	467	502
Other	26,910	33,423
<b>Total current liabilities</b>	<b>292,110</b>	<b>305,926</b>
<b>Long-term liabilities</b>		
Bonds issued	5,000	–
Convertible bonds	20,000	20,000
Long-term debt	41,214	47,597
Lease obligations	3,669	2,889
Deferred tax liabilities	12,244	11,136
Provision for directors' retirement benefits	75	77
Net defined benefit liabilities	13,066	12,437
Asset retirement obligation	975	916
Other	16,403	17,243
<b>Total long-term liabilities</b>	<b>112,646</b>	<b>112,295</b>
<b>Total liabilities</b>	<b>404,756</b>	<b>418,221</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	27,672	27,672
Capital surplus	26,872	26,872
Retained earnings	161,286	161,076
Treasury stock	(275)	(277)
<b>Total shareholders' equity</b>	<b>215,555</b>	<b>215,342</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	22,342	22,144
Deferred gains or losses on hedges	(124)	(141)
Foreign currency translation adjustment	8,101	3,276
Remeasurements of defined benefit plans	(124)	(138)
<b>Total accumulated other comprehensive income</b>	<b>30,195</b>	<b>25,140</b>
Subscription rights to shares	–	24
Non-controlling interests	15,032	16,265
<b>Total net assets</b>	<b>260,782</b>	<b>256,772</b>
<b>Total liabilities and net assets</b>	<b>665,538</b>	<b>674,993</b>

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

## (Consolidated Statements of Income)

(For the third quarter cumulative period (consolidated))

(million yen)

	Previous 3Q Cumulative Period (Consolidated) (April 1, 2014 - December 31, 2014)	3Q Cumulative Period under Review (Consolidated) (April 1, 2015 - December 31, 2015)
Net sales	699,257	730,067
Cost of sales	585,386	607,307
Gross Profit	113,871	122,760
Selling, general and administrative expenses	99,220	105,079
Operating income	14,651	17,681
Non-operating income		
Interest income	304	341
Purchase discounts	281	270
Dividends income	1,173	1,165
Equity in earnings of affiliates	910	303
Foreign exchange gains	38	—
Other	1,171	1,384
Total non-operating income	3,878	3,463
Non-operating expenses		
Interest expenses	819	933
Sales discounts	555	520
Foreign exchange losses	—	1,415
Other	383	634
Total non-operating expenses	1,758	3,501
Recurring income	16,772	17,643
Extraordinary gains		
Gain on sales of investment noncurrent assets	31	191
Gain on sales of investment securities	128	31
Subsidy income	—	705
Gain on abolishment of retirement benefit plan	—	144
Total extraordinary gains	159	1,072
Extraordinary loss		
Loss on sales of noncurrent assets	5	20
Loss on retirement of noncurrent assets	114	129
Impairment loss	1,038	4,002
Loss on sales of investment securities	3	—
Loss on reduction of noncurrent assets	—	705
Special retirement expenses	—	47
Loss on sales of stocks of subsidiaries and affiliates	—	3
Loss on step acquisitions	338	—
Other	35	—
Total extraordinary loss	1,532	4,905
Income before income taxes and non-controlling interests	15,398	13,809
Income taxes-current	3,962	6,430
Income taxes-deferred	1,639	(756)
Total income taxes	5,601	5,673
Net income	9,797	8,135
Profit attributable to non-controlling interests	1,896	4,095
Profit attributable to owners of parent	7,901	4,041

## (Consolidated Statements of Comprehensive Income)

(For the third quarter cumulative period (consolidated))

(million yen)

	Previous 3Q Cumulative Period (Consolidated) (April 1, 2014 - December 31, 2014)	3Q Cumulative Period under Review (Consolidated) (April 1, 2015 - December 31, 2015)
Net income	9,797	8,135
Other comprehensive income		
Valuation difference on available-for-sale securities	4,705	(198)
Deferred gains or losses on hedges	294	(18)
Foreign currency translation adjustment	2,317	(6,111)
Share in equity method affiliates	519	124
Total other comprehensive income (loss)	7,835	(6,202)
Comprehensive income	17,632	1,933
Comprehensive income attributable to owners of parent	15,278	(1,014)
Comprehensive income attributable to non-controlling interests	2,354	2,947

## (3) Explanation Concerning Consolidated Financial Statements

(Notes related to the Assumption of a Going Concern)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

(Segment Information)

I Previous third quarter cumulative period (Consolidated, April 1, 2014 – December 31, 2014)

## 1 Information regarding Sales and Income (Loss) for each Reporting Segment

(million yen)

	Reporting segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the quarterly, consolidated Statements of Income (Note 3)
	Timber and Building Materials	Housing	Overseas	Total				
Net sales								
(1) Unaffiliated customers	305,003	301,458	86,995	693,455	5,164	698,619	637	699,257
(2) Intersegment sales/transfers	16,337	335	10,092	26,764	6,376	33,140	(33,140)	–
Total	321,340	301,793	97,087	720,219	11,540	731,759	(32,502)	699,257
Segment income (loss)	3,444	10,633	3,328	17,405	803	18,207	(1,436)	16,772

- (Notes)
1. "Other" is business segments not included in the reporting segments. Such segments include biomass power generation business, private-pay elderly care facilities business, leasing business, insurance agency business and farming and gardening material manufacturing and sales business.
  2. The adjusted business loss of ¥1,436 million includes ¥92 million in eliminated intersegment transactions, as well as ¥1,343 million in corporate losses, etc., which are not allocated to any of the reporting segments. Corporate income (loss) is primarily selling, general and administrative expenses, non-operating income or non-operating expenses not belonging to any reporting segments.
  3. Total segment income (loss) is adjusted against recurring loss in the quarterly consolidated statements of income.

## 2. Information on Impairment Loss on Noncurrent Assets, Goodwill, etc., for each Reporting Segment

(Material impairment loss on noncurrent assets)

In the timber and building materials business segment, impairment loss associated with equipment at timber and building materials manufacturing plants is posted as extraordinary loss. In the third quarter cumulative period under review, impairment loss was posted at ¥1,038 million.

(Important change in the amount of goodwill)

In the Overseas business segment, a stake was acquired in Gehan Homes Group and it is now a consolidated subsidiary. The increase in goodwill from this event in the third quarter cumulative period under review is ¥4,740 million.

## II Third quarter cumulative period under review (Consolidated, April 1, 2015 - December 31, 2015)

## 1. Information regarding Sales and Income (Loss) for each Reporting Segment

(million yen)

	Reporting segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the quarterly, consolidated Statements of Income (Note 3)
	Timber and Building Materials	Housing	Overseas	Total				
Net sales								
(1) Unaffiliated customers	304,328	292,510	127,055	723,894	5,437	729,331	736	730,067
(2) Intersegment sales/transfers	16,212	363	11,474	28,049	6,905	34,954	(34,954)	—
Total	320,541	292,873	138,529	751,943	12,342	764,285	(34,218)	730,067
Segment income (loss)	2,862	10,115	8,710	21,687	(1,171)	20,516	(2,873)	17,643

- (Notes)
1. "Other" is business segments not included in the reporting segments. Such segments include biomass power generation business, private-pay elderly care facilities business, leasing business, insurance agency business and farming and gardening material manufacturing and sales business.
  2. The adjusted business loss of ¥2,873 million includes ¥244 million in eliminated intersegment transactions, as well as ¥2,629 million in corporate losses, etc., which are not allocated to any of the reporting segments. Corporate income (loss) is primarily selling, general and administrative expenses, non-operating income or non-operating expenses not belonging to any reporting segments.
  3. Total segment income (loss) is adjusted against recurring loss in the quarterly consolidated statements of income.

## 2. Information on Impairment Loss on Noncurrent Assets, Goodwill, etc., for each Reporting Segment

## (Material impairment loss on noncurrent assets)

In the housing business segment, impairment loss associated with rental condominiums is recorded as extraordinary loss. The total impairment loss in the third quarter cumulative period under review is ¥420 million.

In the other segment, impairment loss associated with forestation business assets is recorded as extraordinary loss. The total impairment loss in the third quarter cumulative period under review is ¥3,581 million.

(Important Subsequent Events)

Acquisition of Stakes in DRB Enterprises, LLC and Seven Other Companies

Through our American subsidiary Sumitomo Forestry America, Inc., we acquired stakes in DRB Enterprises, LLC and seven other companies and made them subsidiaries.

1. Overview of merger

(1) Name of acquired company and description of business

Name of acquired company: DRB Enterprises, LLC and seven other companies

Description of business: Detached spec homes business and related businesses

(2) Main reason(s) for merger

We consider the overseas business a key growth business and are promoting expansion of the business in aims of becoming a nationwide builder in the US housing business. As part of those efforts, we acquired stakes in DRB Enterprises, LLC and seven other companies and made them subsidiaries.

(3) Date of merger

January 1, 2016 (US time)

(4) Legal form of merger

Cash-based stake acquisition

(5) Name of company after merger

No change in name

(6) Acquired voting rights

60%

(7) Main grounds for decision

Consolidated subsidiary Sumitomo Forestry America, Inc. acquired stakes with cash.

2. Breakdown of acquisition price and type of consideration

Acquisition price	Cash	¥8,757 million (estimate)
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Acquisition price		¥8,757 million (estimate)
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Note: The amount above is an estimate at the time of acquisition. The actual amount may vary depending on future value adjustments.

3. Amount of goodwill, reasons and method/period of amortization

Not yet determined.

(Additional information)

(Acquisition of important assets)

At our board meeting on December 9, 2015, we resolved to acquire a mountain forest asset held by Tasman Bay Forests Company through consolidated subsidiary Sumitomo Forestry NZ Limited, and we signed the sales contract on December 18.

1. Purpose of acquisition

Demand for timber in the medium to long term, in other words, demand for sustainable forestation assets is expected to grow against a backdrop of population and economic growth, especially in newly emerging countries, and increasing concern for the global environment. This mountain forest is a Radiata pine plantation spanning roughly 30,000 hectares in Nelson, New Zealand. Radiata pine grows quickly, allowing a stable supply, and it is homogenous and versatile, so having an edge in price competition, and long-term stable profits are expected. Moreover, thanks to the prime location of this mountain forest, it has a high level of competitiveness and is expected to offer synergy with the Group's manufacturing and distribution businesses.

2. Name of other party and description of acquired asset

- (1) Name: Tasman Bay Forests Company
- (2) Description of acquired asset: Mountain forest asset

3. Date of acquisition

The asset sale is to be final on June 1, 2016, on the condition that the interested parties, including the New Zealand government, provide their consent.

4. Acquisition price and method of settlement

The acquisition price (tentative) is approximately ¥30,000 million (approx. NZ\$370 million), and it will be a cash transaction. The yen-based acquisition price may vary depending on the exchange rate.



## 4. Supplementary Information

### (1) Consolidated Statements of Income

(million yen)

	3Q FY3/15		3Q FY3/16		YoY change	% of YoY change	FY3/15		FY3/16 (Forecast)		YoY change	% of YoY change
Timber and Building Materials Business		321,340		320,541	(799)	(0.2%)		423,020		430,500	+7,480	+1.8%
Housing Business		301,793		292,873	(8,919)	(3.0%)		453,940		459,000	+5,060	+1.1%
Overseas Business		97,087		138,529	+41,442	+42.7%		147,024		186,000	+38,976	+26.5%
Other		11,540		12,342	+802	+6.9%		16,565		17,000	+435	+2.6%
Adjustment		(32,502)		(34,218)	(1,716)	-		(43,293)		(42,500)	+793	-
<b>Net sales</b>		<b>699,257</b>		<b>730,067</b>	<b>+30,810</b>	<b>+4.4%</b>		<b>997,256</b>		<b>1,050,000</b>	<b>+52,744</b>	<b>+5.3%</b>
Gross profit	16.3%	113,871	16.8%	122,760	+8,889	+7.8%	17.0%	169,492	17.3%	183,000	+13,508	+8.0%
Selling, general and administrative expenses		99,220		105,079	+5,860	+5.9%		135,498		143,000	+7,502	+5.5%
Operating income	2.1%	14,651	2.4%	17,681	+3,029	+20.7%	3.4%	33,994	3.8%	40,000	+6,006	+17.7%
Non-operating income		3,878		3,463	(415)	(10.7%)		5,005		4,000	(1,005)	(20.1%)
Non-operating expenses		1,758		3,501	+1,744	+99.2%		2,575		4,000	+1,425	+55.3%
Non-operating income/loss		2,120		(38)	(2,159)	-		2,430		-	(2,430)	-
Timber and Building Materials Business	1.1%	3,444	0.9%	2,862	(582)	(16.9%)	1.0%	4,039	0.9%	3,800	(239)	(5.9%)
Housing Business	3.5%	10,633	3.5%	10,115	(518)	(4.9%)	6.2%	28,302	6.6%	30,500	+2,198	+7.8%
Overseas Business	3.4%	3,328	6.3%	8,710	+5,382	+161.7%	4.2%	6,126	6.5%	12,000	+5,874	+95.9%
Other	7.0%	803	(9.5%)	(1,171)	(1,974)	-	7.1%	1,175	(5.3%)	(900)	(2,075)	-
Adjustment		(1,436)		(2,873)	(1,438)	-		(3,219)		(5,400)	(2,181)	-
<b>Recurring income</b>	<b>2.4%</b>	<b>16,772</b>	<b>2.4%</b>	<b>17,643</b>	<b>+871</b>	<b>+5.2%</b>	<b>3.7%</b>	<b>36,424</b>	<b>3.8%</b>	<b>40,000</b>	<b>+3,576</b>	<b>+9.8%</b>
Extraordinary gains		159		1,072	+913	+576.0%		531		1,450	+919	+172.9%
Extraordinary loss		1,532		4,905	+3,373	+220.1%		2,217		4,950	+2,733	+123.3%
Extraordinary gains/losses		(1,374)		(3,834)	(2,460)	-		(1,686)		(3,500)	(1,814)	-
Profit (loss) attributable to owners of parent	1.1%	7,901	0.6%	4,041	(3,860)	(48.9%)	1.9%	18,572	1.7%	17,500	(1,072)	(5.8%)

## (2) Breakdown of Sales and Orders Received for Housing Business (Non-consolidated)

(million yen)

Third Quarter			Q3 FY3/15 (Actual)			Q3 FY3/16 (Actual)			Change	
			Volume	Amount	Unit price	Volume	Amount	Unit price	Volume	Amount
Orders Received	Contract Business	Custom-built detached housing *1	5,566	206,033	32.9	5,720	220,585	34.0	+2.8%	+7.1%
		Apartments *1	1,029	15,262	14.7	1,165	17,722	14.6	+13.2%	+16.1%
		Other contracts		1,412	-		3,283	-		+132.5%
Sales	Contract Business	Custom-built detached housing *2	5,763	207,588	36.0	5,016	190,415	38.0	(13.0%)	(8.3%)
		Apartments *2	465	6,562	14.1	545	9,609	17.6	+17.2%	+46.4%
		Other contracts		2,137	-		1,272	-		(40.5%)
	Detached spec homes business *3	159	5,837	36.7	193	7,469	38.7	+21.4%	+28.0%	
	Land for custom-built housing		3,114	-		2,876	-		(7.6%)	
	Existing home renovation (Resale of renovated homes)		3,615	-		3,172	-		(12.3%)	
	Other *4		5,871	-		5,211	-		(11.2%)	
	Total		234,725	-		220,024	-		(6.3%)	
Profit ratio		Gross profit	24.1%	56,664	25.2%	55,417				
Backlog of Orders Received at Term End	Contract Business	Custom-built housing	8,384	294,180	35.1	8,346	302,741	36.3	(0.5%)	+2.9%
		Apartments	1,957	26,177	13.4	2,485	33,810	13.6	+27.0%	+29.2%
		Other contracts		1,100	-		2,479	-		+125.4%
<< Sumitomo Forestry Home Tech (Renovation) >>										
Orders Received	Contract Business			42,102	-		46,820	-		+11.2%
Construction Completed				40,349	-		44,753	-		+10.9%
Backlog of Orders Received at Term End				24,848	-		24,394	-		(1.8%)

(million yen)

Full Year			FY3/15 (Actual)			FY3/16 (Forecast)			Change	
			Volume	Amount	Unit price	Volume	Amount	Unit price	Volume	Amount
Orders Received	Contract Business	Custom-built detached housing *1	7,804	290,203	33.2	8,200	309,000	34.1	+5.1%	+6.5%
		Apartments *1	1,486	21,790	14.4	1,550	22,700	14.2	+4.3%	+4.2%
		Other contracts		1,435	-		4,200	-		+192.7%
Sales	Contract Business	Custom-built detached housing *2	8,743	313,396	35.8	8,000	299,300	37.4	(8.5%)	(4.5%)
		Apartments *2	1,014	13,569	13.4	1,340	18,700	14.0	+32.1%	+37.8%
		Other contracts		2,791	-		2,800	-		+0.3%
	Detached spec homes business *3	272	10,174	37.4	300	11,700	39.0	+10.3%	+15.0%	
	Land for custom-built housing		5,532	-		5,800	-		+4.9%	
	Existing home renovation (Resale of renovated homes)		5,685	-		6,400	-		+12.6%	
	Other *4		8,026	-		9,300	-		+15.9%	
	Total		359,173	-		354,000	-		(1.4%)	
Profit ratio		Gross profit	24.6%	88,341	25.4%	89,800				
Backlog of Orders Received at Term End	Contract Business	Custom-built housing	7,642	272,571	35.7	7,842	282,271	36.0	+2.6%	+3.6%
		Apartments	1,865	25,698	13.8	2,075	29,698	14.3	+11.3%	+15.6%
		Other contracts		468	-		1,868	-		+299.3%
<< Sumitomo Forestry Home Tech (Renovation) >>										
Orders Received	Contract Business			55,887	-		69,200	-		+23.8%
Construction Completed				56,656	-		64,500	-		+13.8%
Backlog of Orders Received at Term End				22,327	-		27,027	-		+21.1%

\* 1: The unit price of custom-built detached housing and apartment orders is calculated from the orders received at the time contracts were signed for the units ordered this period, so the orders received for additional construction are not included.

\* 2: Sales volumes for custom-built detached housing and apartments are delivered houses (number of houses is shown).

\* 3: Spec Homes Business figures are for the total of land and building.

\* 4: Other sales include sales of interior products, commission sales from insurance agency business, etc.