

November 7, 2016

Summary of Financial Results for the Second Quarter of the Fiscal Year Ending March, 2017 [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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Title:	President / Representative Director
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Date of filing of financial report:	November 11, 2016
Date of commencement of dividend payment (tentative):	December 2, 2016
Preparation of supplementary materials:	Yes
Convening of a second quarter results meeting:	Yes (for financial analysts and institutional investors)

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

1. Financial results for the second quarter cumulative period under review (April 1, 2016 – September 30, 2016)

(1) Results of operations (Consolidated)

(% : change from the same period of the previous year)

	Net sales		Operating income		Recurring income		Profit for the year attributable to owners of the parent	
	Million Yen	%	Million Yen	%	Million yen	%	Million yen	%
2Q FY Ending March 2017	513,575	5.6	16,473	28.0	18,296	35.9	10,503	52.5
2Q FY Ended March 2016	486,440	3.6	12,872	5.3	13,467	1.1	6,886	-5.4

Note: Comprehensive income

As of September 30, 2016 1,181 million yen (-79.2%)

As of September 30, 2015 5,691 million yen (-41.9%)

	Net income per share	Net income per share fully diluted
	Yen	Yen
2Q FY Ending March 2017	59.29	55.90
2Q FY Ended March 2016	38.87	36.66

(2) Financial position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2016	716,016	247,908	32.6
As of March 31, 2016	709,188	264,127	34.3

(Note) Shareholders' equity

As of September 30, 2016 233,707 million yen

As of March 31, 2016 243,460 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 2016	-	12.00	-	12.00	24.00
FY Ending March 2017	-	15.00	-	-	-
FY Ending March 2017(Est.)	-	-	-	15.00	30.00

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

3. Forecast for the fiscal year ending March, 2017(Consolidated, April 1, 2016- March 31, 2017)

(% : change from the previous year)

	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 2017	1,110,000	6.7	46,000	52.9	48,000	57.3	27,000	177.6	152.43

Note: Revised forecast for the year under review: No

*** Notice**

(1) Changes in main subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): Exist
New Company 1 (Company name) Tasman Pine Forests Ltd.

Note: For details, please refer to accompanying materials page 5, "2. Summary Information: Items related to "Notice," (1) Changes in Main Subsidiaries during Second Quarter Cumulative Period (consolidated) under Review."

(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 5, "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 September 30, 2016	177,410,239	As of March 31, 2016	177,410,239
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(b) Treasury stock

As of September 30, 2016	281,225	As of March 31, 2016	280,362
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(c) Average number of shares during the term (cumulative for the quarter)

As of September 30, 2016	177,129,397	As of September 30, 2015	177,131,326
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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 refers to "1. Qualitative Information related to the Consolidated Business Results (3) Explanation Concerning Forecasts for Consolidated Business Results and Other Future Projections" [Accompanying Materials] (page4.)

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1. Qualitative Information related to the Consolidated Business Results

(1) Explanation Concerning Operating Results

The Japanese economy exhibited a mild recovery in the second quarter (April to September 2016). A careful approach was maintained toward capital expenditures, and there was a lack of vigor in exports against a backdrop of sluggish corporate profits associated with appreciation of the yen, but at the same time, the employment and income environment improved, and the decline public investment stopped. Meanwhile, overseas, the sense of uncertainty about the future remained strong due to trends in US monetary policy, debt and capital investment adjustments in China and the British exit from the EU. On the other hand, changes were observed in the course of the economic deceleration that had been taking place. This included easing of the adjustment phase in emerging economies with recovery in crude oil prices and recovery of the US economy against a backdrop of steady consumer spending. All in all, the overseas economy exhibited mild growth.

The domestic housing market, which has a deep relationship to our Group businesses, exhibited a recovery, including the number of new housing starts trending higher than the previous year since April. This was a result of a particularly high number of starts on rental housing against a backdrop of record low housing loan interest rates and a hike in the inheritance tax.

In terms of our financial results in the second quarter, net sales were ¥513,575 million (an increase of 5.6% year-on-year), operating income was ¥16,473 million (an increase of 28.0% year-on-year), recurring income was ¥18,296 million (an increase of 35.9% year-on-year) and profit attributable to owners of parent was ¥10,503 million (an increase of 52.5% year-on-year). In April of this year, we acquired additional stake in the Gehan Homes Group and made it a wholly-owned subsidiary, which led to an increase in profit attributable to owners of parent.

An overview of conditions for each business segment is as follows. Net sales for each segment include intersegment internal sales and transfers.

(a) *Timber and Building Materials Business*

In the domestic timber and building materials distribution business, net sales, primarily of imports, were sluggish due to the yen's continuing strength. On the other hand, profits were up year on year owing to efforts to shrink inventory and improve profitability.

In the domestic building materials manufacturing business, profitability improved thanks not only to our focus on selling building materials to group companies but also to the impact of plant restructuring and consolidation efforts last year.

In the overseas distribution business, the trading environment remained harsh, including sluggishness of the market and intensifying competition in China, the Middle East and other regions, but we focused our efforts on sales of timber and building materials in emerging countries in Southeast Asia.

As a result, the timber and building materials business posted net sales of ¥209,585 million (an increase of 0.6% year-on-year) and recurring income of ¥2,401 million (an increase of 69.1% year-on-year).

(b) *Housing Business*

In the custom-built detached housing business, net sales were up year on year owing to strong sales of houses built using our high value-added original Big-Frame Construction method, which offers both strength and flexibility of design, and an increase in the selling price per unit. We also worked to expand orders by improving the performance and specs of our Green Smart housing with environmentally sound equipment and proposing zero-energy houses (ZEH) in our design plans with large openings and spaces.

In our apartment business, we focused on apartment proposals that can respond flexibly to the times and changing tenant needs by enhancing the variation of versatile design plans with futuristic floor plans through our original Wall Frame (WF) method for apartments. We also launched sales of our Forest Maison konoka apartment, which incorporates women's perspectives to offer security, practical layouts and storage, and strengthened our product lineup.

In the renovation business, we worked on diversifying ourselves with original seismic resistance/seismic control technology for seismic resistant construction, which is enjoying increasing interest. However, profits fell year on year due to sluggish orders, especially for renovation work for past customers. We made the decision to take advantage of the system offered by the Japan Trans-Housing Institute guaranteeing rent up to 35 years. We are the first in the renovation industry to do so. It is available when customers wishing to improve the seismic resistance of

their existing homes for rent and increase asset value allow Sumitomo Forestry Home Tech to renovate their home so that it meets certain standards.

As a result, the housing business posted net sales of ¥210,447 million (an increase of 3.9% year-on-year) and recurring income of ¥10,943 million (an increase of 24.4% year-on-year).

Regarding the status of orders for custom-built detached housing, which is a leading performance indicator, unit prices remained at the previous year's levels, but orders were sluggish. This was due to stagnant stock prices and failure of surge demand to manifest as a result of the consumption tax hike being delayed again, despite strong interest from customers with respect to buying homes against a backdrop of continued record low housing loan interest rates. In the midst of this situation, we opened display centers for our 4-story apartment/residences built with a wooden fire-resistant structure and display centers for houses that will later be sold on small lots in areas where wooden houses are concentrated in order to draw attention to our multi-level wooden housing brand in Tokyo and other metropolitan areas with growing populations.

As a result, the amount of orders decreased 2.1% year-on-year to ¥154,371 million.

(c) Overseas Business

In the manufacturing business, sales were sluggish in Indonesia due to slumping demand for plywood in Japan and Europe, which are the main destinations for the product. However, in New Zealand sales of medium density fiberboard (MDF) made for Japan were steady, and manufacturing costs were down, owing in part to the impact of foreign exchange. As a result, profits were up substantially year on year.

In the housing and real estate business, the DRB Group, in which stakes were acquired in January this year, began contributing to the results, and the number of houses sold by existing housing business companies increased in the United States and Australia. As a result, the business continued to perform favorably. In July, we acquired 51% ownership of the Wisdom Group, which is engaged in the custom-built housing business and exterior work in Australia, and made it a consolidated subsidiary.

As a result, the overseas business posted net sales of ¥108,438 million (an increase of 21.2% year-on-year) and a recurring income of ¥7,044 million (an increase of 38.2% year-on-year).

(d) Other Businesses

Besides the aforementioned businesses, the Sumitomo Forestry Group operates a biomass power generation business, an overseas forestation business, private-pay elderly care facilities, a 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 the resources and environment field, we engaged in capital and business alliances related to the renewable energy business, which is expected to grow in market size, and acquired a forest asset in New Zealand as part of our efforts carried out in accordance with the Medium-Term Management Plan.

The other businesses recorded net sales of ¥8,056 million (a decrease of 4.4% year-on-year) and recurring income of ¥262 million (an increase of 5.1% year-on-year)

(2) Explanation Concerning Financial Status

(a) Balance Sheet Highlights

Total assets increased ¥6,828 million compared to the end of the previous consolidated fiscal year to ¥716,016 million. This was attributable mainly to an increase of timber in conjunction with the acquisition of a forest asset in New Zealand, an increase in properties under construction in the custom-built detached housing business and an increase in inventories accompanying expansion of the overseas housing and real estate business despite a decrease in liquidity. Liabilities increased ¥23,047 million compared to the end of the previous consolidated fiscal year to ¥468,108 million due to an increase in advances received on uncompleted construction contracts in addition to the issuance of bond certificates allocated to the aforementioned forest asset acquisition. Net assets totaled ¥247,908 million, and the equity ratio was 32.6%

(b) Cash Flow

The balance of cash and cash equivalents (hereinafter: "cash") at the end of the second quarter accounting period (consolidated) decreased ¥13,371 million compared to the end of the previous consolidated fiscal year to ¥127,893 million.

A summary of cash flows is presented below:

(Operating Activities)

Net cash used by operating activities was ¥15 million (an increase of ¥10,613 million was posted in the same period of the previous year). This was a result of cash-decreasing factors such as an increase in inventories and a decrease in payables exceeding cash-increasing factors such as the posting of ¥18,374 million in quarterly net income before income taxes and minority interests and an increase in advances received on uncompleted construction contracts.

(Investment Activities)

Net cash used in investment activities was ¥32,857 million (a decrease of ¥2,307 million was posted in the same period of the previous year). This was due to the use of funds for a capital investment in New Zealand mountain forest asset acquisition and a biomass power plant despite an increase in capital resulting from withdrawal of time deposits.

(Financing Activities)

Net cash provided by financing activities was ¥22,158 million (a decrease of ¥2,024 million was posted in the same period of the previous year). This mainly resulted from the use of funds for acquisition of additional stake in the Gehan Homes Group and payment of dividends despite an increase in capital resulting from an increase in interest-bearing debt such as bonds.

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

In regards to the future business environment, we are changing our initial business results forecast for the fiscal year ending March 2017 as we expect the strong yen and delay of the consumption tax hike to impact the housing business.

The forecast for the full year consolidated business results is as provided in the “Announcement of Revisions to Earnings Forecast” published on October 28, 2016.

2. Summary Information: Items related to “Explanatory Note”

(1) Changes in Main Subsidiaries during Second Quarter Cumulative Period (consolidated) under Review

Newly established Tasman Pine Forests Ltd. is included within the consolidated results as of the first quarter consolidated accounting period. The capital was increased in the second quarter consolidated accounting period, and as a result, the subsidiary became a specific subsidiary.

(2) Changes in Accounting Policies

(Application of Practical Solution for Changes in Depreciation Method Associated with Fiscal 2016 Tax Reform)

In conjunction with the revision to the Corporation Tax Act, the “Practical Solution for Changes in Depreciation Method Associated with Fiscal 2016 Tax Reform” (ASBJ PITF No. 32, June 17, 2016) has been applied as of the first quarter cumulative period (consolidated). The depreciation method associated with facilities and structures accompanying buildings acquired on or after April 1, 2016 has been changed from the declining balance method to the straight-line method.

The impact on profit and loss will be minor.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheet

(million yen)

	Previous consolidated fiscal year (ended March 31, 2016)	Second quarter consolidated accounting period (ended September 30, 2016)
Assets		
Current assets		
Cash and time deposits	83,499	81,611
Notes and accounts receivable-trade	121,415	118,760
Accounts receivable from completed construction contracts	5,723	4,889
Marketable securities	34,000	6,500
Finished goods, logs and lumber, boards, others	17,388	15,104
Work in process	1,390	1,323
Raw materials and supplies	7,328	7,657
Costs on uncompleted construction contracts	23,906	30,795
Developed land and housing for sale	43,239	46,944
Real estate for sale in process	56,371	55,385
Deferred tax assets	7,377	7,550
Short-term loans receivable	31,709	40,711
Accounts receivable-other	46,963	43,480
Other	12,004	11,789
Allowance for doubtful accounts	(842)	(403)
Total current assets	491,469	472,093
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	62,685	59,181
Accumulated depreciation	(30,621)	(29,050)
Buildings and structures, net	32,064	30,131
Machinery, equipment and vehicles	70,991	64,246
Accumulated depreciation	(51,548)	(47,397)
Machinery, equipment and vehicles, net	19,443	16,849
Land	26,817	29,566
Forest assets	10,099	34,576
Leased assets	9,632	9,938
Accumulated depreciation	(5,439)	(5,529)
Leased assets, net	4,193	4,409
Construction in progress	13,572	16,544
Other	10,556	10,613
Accumulated depreciation	(8,045)	(7,836)
Other, net	2,512	2,778
Total property, plant and equipment	108,700	134,852
Intangible assets		
Goodwill	8,258	9,073
Other	9,820	9,215
Total Intangible assets	18,078	18,288
Investments and other assets		
Investment securities	74,875	74,956
Long-term loans receivable	3,481	3,445
Net defined benefit assets	74	67
Deferred tax assets	2,573	2,336
Other	12,042	12,495
Allowance for doubtful accounts	(2,104)	(2,517)
Total investments and other assets	90,942	90,782
Total noncurrent assets	217,719	243,923
Total assets	709,188	716,016

(million yen)

	Previous consolidated fiscal year (ended March 31, 2016)	Second quarter consolidated accounting period (ended September 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	107,651	109,621
Accounts payable for construction contracts	68,793	62,070
Short-term debt	27,586	34,263
Current portion of bonds	5,000	—
Lease obligations	1,691	1,796
Income taxes payable	7,572	3,505
Advances received on uncompleted construction contracts	48,627	59,231
Provision for employees' bonuses	10,873	10,813
Provision for directors' bonuses	130	—
Provision for warranties for completed construction	2,770	2,259
Asset retirement obligation	478	536
Other	32,081	25,932
Total current liabilities	313,254	310,025
Long-term liabilities		
Bonds issued	—	20,000
Convertible bonds	20,000	20,000
Long-term debt	62,115	68,113
Lease obligations	2,676	2,801
Deferred tax liabilities	5,022	5,259
Provision for directors' retirement benefits	82	72
Net defined benefit liabilities	23,718	23,461
Asset retirement obligation	927	925
Other	17,267	17,451
Total long-term liabilities	131,807	158,083
Total liabilities	445,061	468,108
Net assets		
Shareholders' equity		
Common stock	27,672	27,672
Capital surplus	26,872	18,637
Retained earnings	166,762	175,141
Treasury stock	(278)	(279)
Total shareholders' equity	221,028	221,171
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,270	16,992
Deferred gains or losses on hedges	(58)	(109)
Foreign currency translation adjustment	6,497	(4,084)
Remeasurements of defined benefit plans	(276)	(263)
Total accumulated other comprehensive income	22,432	12,536
Subscription rights to shares	36	59
Non-controlling interests	20,631	14,142
Total net assets	264,127	247,908
Total liabilities and net assets	709,188	716,016

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

(Consolidated Statements of Income)

(For the second quarter cumulative period (consolidated))

(million yen)

	Previous 2Q Cumulative Period (Consolidated) (April 1, 2015 - September 30, 2015)	2Q Cumulative Period under Review (Consolidated) (April 1, 2016 - September 30, 2016)
Net sales	486,440	513,575
Cost of sales	403,315	422,336
Gross profit	83,125	91,239
Selling, general and administrative expenses	70,254	74,766
Operating income	12,872	16,473
Non-operating income		
Interest income	229	206
Purchase discounts	175	185
Dividends income	656	675
Equity in earnings of affiliates	693	1,768
Other	779	1,219
Total non-operating income	2,533	4,054
Non-operating expenses		
Interest expenses	529	1,024
Sales discounts	343	331
Foreign exchange losses	652	302
Other	412	573
Total non-operating income	1,938	2,230
Recurring income	13,467	18,296
Extraordinary gains		
Gain on sales of investment noncurrent assets	106	181
Gain on sales of investment securities	17	—
Subsidy income	705	—
Gain on abolishment of retirement benefit plan	144	—
Total extraordinary gains	972	181
Extraordinary loss		
Loss on sales of noncurrent assets	5	18
Loss on retirement of noncurrent assets	96	84
Loss on reduction of noncurrent assets	705	—
Special retirement expenses	47	—
Loss on sales of stocks of subsidiaries and affiliates	2	—
Total extraordinary loss	855	103
Income before income taxes and non-controlling interests	13,584	18,374
Income taxes-current	5,711	5,567
Income taxes-deferred	(1,666)	(131)
Total income taxes	4,046	5,436
Profit	9,538	12,938
Profit attributable to non-controlling interests	2,652	2,435
Profit attributable to owners of parent	6,886	10,503

(Consolidated Statements of Comprehensive Income)

(For the second quarter cumulative period (consolidated))

(million yen)

	Previous 2Q Cumulative Period (Consolidated) (April 1, 2015 - September 30, 2015)	2Q Cumulative Period under Review (Consolidated) (April 1, 2016 - September 30, 2016)
Net income	9,538	12,938
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,382)	720
Deferred gains or losses on hedges	(4)	(51)
Foreign currency translation adjustment	(1,615)	(10,679)
Share in equity method affiliates	154	(1,747)
Total other comprehensive income (loss)	(3,847)	(11,756)
Comprehensive income	5,691	1,181
Comprehensive income attributable to owners of parent	3,202	607
Comprehensive income attributable to non-controlling interests	2,489	575

(3) Quarterly Consolidated Statements of Cash Flows

(million yen)

	Previous 2Q Cumulative Period (Consolidated) (April 1, 2015 - September 30, 2015)	2Q Cumulative Period under Review (Consolidated) (April 1, 2016 - September 30, 2016)
Cash flows from operating activities		
Income before income taxes and non-controlling interests	13,584	18,374
Depreciation and amortization	5,885	5,925
Amortization of goodwill	1,188	1,318
Provision for (reversal of) doubtful accounts	(89)	607
Provision for (reversal of) employees' bonuses	455	20
Provision for (reversal of) directors' bonuses	(135)	(130)
Provision for (reversal of) warranties for completed construction	353	(411)
Provision for (reversal of) directors' retirement benefits	(2)	(10)
Net defined benefit liability	(505)	(152)
Interest and dividends income	(885)	(882)
Interest expenses	529	1,024
Equity in (earnings) losses of affiliates	(693)	(1,768)
Losses (gains) on sales of marketable securities and investment securities	(17)	-
Losses (gains) on sales/disposal of fixed assets	(5)	(78)
Decrease (increase) in notes and accounts receivable-trade	(415)	2,764
Inventories	(12,510)	(20,269)
Other current assets	(1,612)	2,843
Notes and accounts payable, trade	(2,949)	(6,468)
Advances received	313	1,067
Advances received on uncompleted construction contracts	10,847	9,128
Accrued consumption taxes	2,392	(2,569)
Other current liabilities	(342)	(1,009)
Other, net	672	(939)
Subtotal	16,061	8,383
Interest and dividends income received	1,473	2,748
Interest paid	(527)	(958)
Income taxes paid	(6,394)	(10,188)
Net cash provided by (used in) operating activities	10,613	(15)

(million yen)

	Previous 2Q Cumulative Period (Consolidated) (April 1, 2015 - September 30, 2015)	2Q Cumulative Period under Review (Consolidated) (April 1, 2016 - September 30, 2016)
Cash flows from investment activities		
Payments into time deposits	(29,068)	(292)
Proceeds from withdrawal of time deposits	38,236	6,272
Decrease (increase) in short-term loans receivable	1,182	1,031
Payments for purchases of fixed assets	(8,804)	(37,111)
Proceeds from sales of fixed assets	1,283	3,056
Payments for purchases of intangible assets	(793)	(1,039)
Payments for purchase of investment securities	(4,426)	(2,188)
Proceeds from sales of investment securities	38	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(1,399)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	6	—
Payments of long-term loans payable	(348)	(781)
Repayments of long-term loans receivable	11	12
Other payments	(626)	(735)
Other proceeds	1,002	319
Cash flows from investment activities	(2,307)	(32,857)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	3,525	14,617
Repayments of finance lease obligations	(1,421)	(1,334)
Proceeds from long-term debt	3,082	14,755
Repayment of long-term debt	(3,787)	(2,734)
Proceeds from issuance of bonds	—	20,000
Repayment of bonds	—	(5,000)
Proceeds from stock issuance to non-controlling interests	1	—
Cash dividends paid	(2,126)	(2,126)
Cash dividends paid to non-controlling interests	(1,296)	(1,270)
Payments for purchase of subsidiary shares not resulting in change in scope of consolidation	—	(14,750)
Other payments	(1)	(1)
Net cash provided by (used in) financing activities	(2,024)	22,158
Effect of exchange rate change on cash and cash equivalents	515	(2,657)
Net increase (decrease) in cash and cash equivalents	6,798	(13,371)
Cash and cash equivalents at the beginning of period	103,296	141,265
Cash and cash equivalents at the end of period	110,094	127,893

(4) Explanation Concerning Consolidated Financial Statements

(Notes related to the Assumption of a Going Concern)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

On April 29, 2016, we acquired additional stakes in the Gehan Homes Group, a consolidated subsidiary, through Sumitomo Forestry America, Inc., another consolidated subsidiary. As a result, capital surplus decreased ¥8,234 million during the second quarter cumulative period (consolidated) to ¥18,637 million at the end of the period.

(Segment Information)

I Previous Second Quarter Cumulative Period (April 1, 2015 - September 30, 2015)

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

(million yen)

	Reporting segment				Other (Note1)	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	198,036	202,290	81,929	482,254	3,693	485,947	493	486,440
(2) Intersegment sales/transfers	10,204	227	7,563	17,994	4,729	22,723	(22,723)	-
Total	208,240	202,516	89,492	500,248	8,422	508,670	(22,230)	486,440
Segment income (loss)	1,420	8,800	5,098	15,318	249	15,568	(2,101)	13,467

- 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 ¥2,101 million includes ¥177 million in eliminated intersegment transactions, as well as ¥1,925 million in corporate loss, 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 income (loss) in the quarterly consolidated statements of income.

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

Not applicable

II Second Quarter Cumulative Period under Review (Consolidated) (April 1, 2016 - September 30, 2016)

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

(million yen)

	Reporting segment				Other (Note1)	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	198,586	210,197	100,576	509,359	3,653	513,012	563	513,575
(2) Intersegment sales/transfers	10,999	249	7,862	19,111	4,403	23,514	(23,514)	–
Total	209,585	210,447	108,438	528,470	8,056	536,526	(22,951)	513,575
Segment income (loss)	2,401	10,943	7,044	20,388	262	20,650	(2,354)	18,296

- 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 ¥2,354 million includes ¥132million in eliminated intersegment transactions, as well as ¥2,222 million in corporate loss, 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 income (loss) in the quarterly consolidated statements of income.

2. Information on Impairment Loss on Noncurrent Assets, Goodwill, etc., for each Reporting Segment
Not applicable

3. Changes to Reporting Segments

(Application of Practical Solution for Changes in Depreciation Method Associated with Fiscal 2016 Tax Reform)

As stated under "Changes in Accounting Policies," the "Practical Solution for Changes in Depreciation Method Associated with Fiscal 2016 Tax Reform" (ASBJ PITF No. 32, June 17, 2016) has been applied as of the first quarter cumulative period (consolidated). The depreciation method associated with facilities and structures accompanying buildings acquired on or after April 1, 2016 has been changed from the declining balance method to the straight-line method.

The impact on profit and loss will be minor.

4. Supplementary Information

(1) Consolidated Statements of Income

(million yen)

	2Q FY 3/16		2Q FY 3/17		YoY change	% of YoY change	FY 3/16		FY3/17 (Forecast)		YoY change	% of YoY change
Timber and Building Materials Business	208,240		209,585		+1,345	+0.6%	426,965		426,000		(965)	(0.2%)
Housing Business	202,516		210,447		+7,930	+3.9%	454,604		468,000		+13,396	+2.9%
Overseas Business	89,492		108,438		+18,947	+21.2%	187,926		237,000		+49,074	+26.1%
Other	8,422		8,056		(367)	(4.4%)	16,874		22,500		+5,626	+33.3%
Adjustment	(22,230)		(22,951)		(720)	-	(45,844)		(43,500)		+2,344	-
Net sales	486,440		513,575		+27,135	+5.6%	1,040,524		1,110,000		+69,476	+6.7%
Gross profit	17.1%	83,125	17.8%	91,239	+8,114	+9.8%	17.6%	183,134	18.1%	200,500	+17,366	+9.5%
Selling, general and administrative expenses	70,254		74,766		+4,513	+6.4%	153,041		154,500		+1,459	+1.0%
Operating income	2.6%	12,872	3.2%	16,473	+3,601	+28.0%	2.9%	30,093	4.1%	46,000	+15,907	+52.9%
Non-operating income	2,533		4,054		+1,521	+60.0%	5,088		7,000		+1,912	+37.6%
Non-operating expenses	1,938		2,230		+292	+15.1%	4,674		5,000		+326	+7.0%
Non-operating income/loss	595		1,824		+1,229	+206.5%	414		2,000		+1,586	+383.6%
Timber and Building Materials Business	0.7%	1,420	1.1%	2,401	+981	+69.1%	0.8%	3,352	1.1%	4,500	+1,148	+34.2%
Housing Business	4.3%	8,800	5.2%	10,943	+2,143	+24.4%	6.9%	31,512	6.7%	31,500	(12)	(0.0%)
Overseas Business	5.7%	5,098	6.5%	7,044	+1,946	+38.2%	7.0%	13,091	6.8%	16,000	+2,909	+22.2%
Other	3.0%	249	3.3%	262	+13	+5.1%	(6.1%)	(1,022)	4.4%	1,000	+2,022	-
Adjustment	(2,101)		(2,354)		(252)	-	(16,427)		(5,000)		+11,427	-
Recurring income	2.8%	13,467	3.6%	18,296	+4,830	+35.9%	2.9%	30,507	4.3%	48,000	+17,493	+57.3%
Extraordinary gains	972		181		(791)	(81.4%)	1,441		200		(1,241)	(86.1%)
Extraordinary loss	855		103		(752)	(88.0%)	5,704		200		(5,504)	(96.5%)
Extraordinary gains/losses	117		78		(39)	(33.4%)	(4,264)		-		+4,264	-
Profit (loss) attributable to owners of parent	1.4%	6,886	2.0%	10,503	+3,617	+52.5%	0.9%	9,727	2.4%	27,000	+17,273	+177.6%

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

(million yen)

Second Quarter			Q2 FY3/16 (Actual)			Q2 FY3/17 (Actual)			Change		
			Volume	Amount	Unit price	Volume	Amount	Unit price	Volume	Amount	
Orders Received	Contract Business	Custom-built detached housing *1	4,087	157,616	34.1	3,971	154,371	34.1	(2.8%)	(2.1%)	
		Apartments *1	831	12,133	13.9	773	11,870	14.6	(7.0%)	(2.2%)	
		Other contracts		2,659	-		953	-		(64.1%)	
Sales	Contract Business	Custom-built detached housing *2	3,582	134,051	37.4	3,670	139,454	38.0	+2.5%	+4.0%	
		Apartments *2	414	6,772	16.4	500	7,056	14.1	+20.8%	+4.2%	
		Other contracts		532	-		1,963	-		+268.9%	
	Detached spec homes business *3	133	5,187	39.0	126	4,753	37.7	(5.3%)	(8.4%)		
	Land for custom-built housing		2,140	-		2,482	-		+16.0%		
	Existing home renovation (Resale of renovated homes)		2,691	-		1,889	-		(29.8%)		
	Other *4		3,414	-		4,063	-		+19.0%		
	Total		154,788	-		161,660	-		+4.4%		
Profit ratio		Gross profit	25.3%	39,208	25.3%	40,932					
Backlog of Orders Received at Term End	Contract Business	Custom-built housing	8,147	296,136	36.3	7,711	285,141	37.0	(5.4%)	(3.7%)	
		Apartments	2,282	31,058	13.6	2,337	32,965	14.1	+2.4%	+6.1%	
		Other contracts		2,595	-		1,739	-		(33.0%)	
<< Sumitomo Forestry Home Tech (Renovation) >>											
Orders Received		Contract Business		32,710	-		33,515	-		+2.5%	
Construction Completed					28,859	-		28,392	-		(1.6%)
Backlog of Orders Received at Term End					26,178	-		29,330	-		+12.0%

(million yen)

Full Year			FY3/16 (Actual)			FY3/17 (Forecast)			Change		
			Volume	Amount	Unit price	Volume	Amount	Unit price	Volume	Amount	
Orders Received	Contract Business	Custom-built detached housing *1	7,730	297,490	34.1	8,000	304,000	34.1	+3.5%	+2.2%	
		Apartments *1	1,523	22,967	14.6	1,650	24,000	14.6	+8.3%	+4.5%	
		Other contracts		4,371	-		4,500	-		+3.0%	
Sales	Contract Business	Custom-built detached housing *2	7,962	299,837	37.7	8,000	305,600	38.2	+0.5%	+1.9%	
		Apartments *2	1,324	20,514	15.5	1,510	21,900	14.5	+14.0%	+6.8%	
		Other contracts		2,091	-		4,400	-		+110.4%	
	Detached spec homes business *3	303	11,606	38.3	320	12,100	37.8	+5.6%	+4.3%		
	Land for custom-built housing		4,921	-		5,100	-		+3.6%		
	Existing home renovation (Resale of renovated homes)		4,756	-		4,500	-		(5.4%)		
	Other *4		8,011	-		7,400	-		(7.6%)		
	Total		351,737	-		361,000	-		+2.6%		
Profit ratio		Gross profit	25.5%	89,860	25.2%	91,100					
Backlog of Orders Received at Term End	Contract Business	Custom-built housing	7,410	270,224	36.5	7,410	268,624	36.3	+0.0%	(0.6%)	
		Apartments	2,064	128,151	13.6	2,204	30,251	13.7	+6.8%	+7.5%	
		Other contracts		2,748	-		2,848	-		+3.6%	
<< Sumitomo Forestry Home Tech (Renovation) >>											
Orders Received		Contract Business		63,604	-		67,500	-		+6.1%	
Construction Completed					61,724	-		63,500	-		+2.9%
Backlog of Orders Received at Term End					24,207	-		28,207	-		+16.5%

* 1: The unit price of custom-built detached housing and wooden 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.

(3) Main Subsidiaries

(million yen)

Company name (Head Office) (Segment)	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)	Aug 1959	800	100.0%	2Q FY 3/16	17,749	9	(65)	14	18,067	1,204
				FY 3/16	36,545	(483)	(616)	(533)	18,151	674
				2Q FY 3/17	17,741	87	50	387	18,315	1,048
				FY 3/17 (F)	36,700	450	300	500	-	-
Sumitomo Forestry Residential Co., Ltd. (Shinjuku-ku, Tokyo) (Housing Business)	Mar 1985	150	100.0%	2Q FY 3/16	10,737	327	324	198	10,896	3,717
				FY 3/16	22,661	851	818	515	11,926	4,034
				2Q FY 3/17	12,008	588	581	402	12,108	4,436
				FY 3/17 (F)	24,300	1,050	1,000	700	-	-
Sumitomo Forestry Home Engineering Co., Ltd. (Shinjuku-ku, Tokyo) (Housing Business)	Dec 1999	75	100.0%	2Q FY 3/16	35,762	275	367	215	28,874	3,051
				FY 3/16	77,454	542	739	480	29,667	3,315
				2Q FY 3/17	38,438	390	434	255	30,025	3,090
				FY 3/17 (F)	81,500	740	870	600	-	-
Sumitomo Forestry Home Service Co., Ltd. (Shinjuku-ku, Tokyo) (Housing Business)	Sep 1964	400	100.0%	2Q FY 3/16	3,028	210	206	507	3,423	1,254
				FY 3/16	5,945	398	289	552	3,486	1,299
				2Q FY 3/17	3,085	227	221	145	3,351	892
				FY 3/17 (F)	6,500	470	450	300	-	-
Sumitomo Forestry Landscaping Co., Ltd. (Nakano-ku, Tokyo) (Housing Business)	Apr 1977	200	100.0%	2Q FY 3/16	12,945	517	530	304	9,677	3,380
				FY 3/16	28,996	1,030	1,024	604	12,333	3,679
				2Q FY 3/17	14,235	783	821	581	10,474	3,656
				FY 3/17 (F)	29,000	1,400	1,500	1,000	-	-
Sumitomo Forestry Home Tech Co., Ltd. (Chiyoda-ku, Tokyo) (Housing Business)	Oct 1988	100	100.0%	2Q FY 3/16	30,376	888	907	550	24,402	2,795
				FY 3/16	64,854	2,621	2,673	1,682	26,851	3,927
				2Q FY 3/17	30,050	345	380	193	25,738	2,438
				FY 3/17 (F)	66,700	2,500	2,500	1,700	-	-
PT.Kutai Timber Indonesia (Jakarta, Indonesia) (Overseas Business) *2	Sept 1970	27,000 (Thousand US\$)	99.9%	2Q FY 12/15	6,879	444	407	306	8,706	4,824
				FY 12/15	13,583	995	838	561	8,933	4,846
				2Q FY 12/16	6,069	202	159	122	8,149	4,247
				FY 12/16 (F)	11,800	370	320	240	-	-
Alpine MDF Industries Pty Ltd. (Wangaratta, Victoria, Australia) (Overseas Business) *3	May 1994	62,474 (Thousand AUS)	(100.0%)	2Q FY 12/15	2,458	207	160	160	4,195	490
				FY 12/15	5,202	229	144	132	3,626	438
				2Q FY 12/16	2,468	161	126	126	3,416	500
				FY 12/16 (F)	5,000	300	250	200	-	-
Henley Properties Group (Mount Waverley, Victoria, Australia) (Overseas Business) *3 *5	Oct 1989	42,325 (Thousand AUS)	(51.0%)	2Q FY 12/15	34,601	3,079	2,951	2,324	41,089	18,012
				FY 12/15	73,281	6,586	6,346	4,754	33,672	18,971
				2Q FY 12/16	29,566	1,833	1,962	1,706	31,804	18,077
				FY 12/16 (F)	65,000	4,600	4,500	3,100	-	-
Nelson Pine Industries Ltd. (Richmond, Nelson, New Zealand) (Overseas Business) *4	Oct 1984	45,500 (Thousand NZ\$)	(100.0%)	2Q FY 12/15	8,502	158	181	130	18,593	16,357
				FY 12/15	17,281	985	1,018	734	17,383	15,208
				2Q FY 12/16	7,707	945	964	694	15,984	13,836
				FY 12/16 (F)	14,600	1,970	2,000	1,450	-	-
DRB Group (Frederick, Maryland, USA) (Overseas Business) *2 *6	Aug 2005	49 (Thousand US\$)	(60.0%)	2Q FY 12/15	-	-	-	-	-	-
				FY 12/15	-	-	-	-	-	-
				2Q FY 12/16	19,088	873	899	899	16,763	6,600
				FY 12/16 (F)	43,000	3,000	2,600	2,600	-	-
Gehan Homes Group (Addison, Texas, USA) (Overseas Business) *2 *7	May 1994	706 (Thousand US\$)	(100%)	2Q FY 12/15	28,306	3,040	3,208	3,146	31,761	11,167
				FY 12/15	59,061	6,475	6,952	6,838	33,619	13,590
				2Q FY 12/16	28,038	2,841	3,076	3,001	30,362	12,529
				FY 12/16 (F)	56,800	6,500	6,200	6,100	-	-

1 Figures in parentheses are for indirect investments.

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

*5 The Henley Properties Group consists of eight companies, including Henley Arch Unit Trust.

*6 The DRB Group consists of seven companies, including DRB Enterprises, LLC.

*7 The Gehan Homes Group consists of eight companies, including Gehan Homes, Ltd.

	*2 US\$	*3 AUS	*4 NZ\$
2Q FY 12/15	120.26	94.06	89.20
FY 12/15	121.05	91.06	84.71
2Q FY 12/16	111.67	81.90	75.57
FY 12/16 (F)	107.00	80.00	75.00