

Summary of Financial Results for the First Quarter of the Fiscal Year Ending March, 2018 [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: August 10, 2017
 Date of commencement of dividend payment (tentative): –
 Preparation of supplementary materials: Yes
 Convening of a first quarter results meeting: Yes (for financial analysts and institutional investors)

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

1. Financial results for the first quarter cumulative period (April 1, 2017 – June 30, 2017)

(1) Results of operations (Consolidated) (% : change from the same period of the previous year)

	Net sales		Operating income		Recurring income		Profit attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q FY Ending March 2018	228,661	10.1	(5,237)	–	(3,741)	–	2,726	–
1Q FY Ended March 2017	207,662	6.1	(5,257)	–	(4,230)	–	(3,813)	–

Note: Comprehensive income As of June 30, 2017 3,013 million yen (–%)
 As of June 30, 2016 (9,121) million yen (–%)

	Net income per share	Net income per share fully diluted
	Yen	Yen
1Q FY Ending March 2018	15.39	14.50
1Q FY Ended March 2017	(21.52)	–

Note Diluted net income per share for the first quarter of the fiscal year ended March 2017 has not been recorded, because, although there are residual securities, the Company posted a net loss per share.

In the third quarter of the fiscal year ended March 2017 cumulative period (consolidated), provisional accounting treatment related to business combinations was determined, so the monetary amount as the first quarter of the fiscal year ended March 2017 reflects adjustments of the purchase price allocation following the determination of the provisional accounting treatment.

(2) Financial position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2017	795,840	299,769	34.3
As of March 31, 2017	793,617	295,344	34.6

Note: Shareholders' equity As of June 30, 2017 273,371 million yen
 As of March 31, 2017 274,911 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 2017	–	15.00	–	20.00	35.00
FY Ending March 2018	–				
FY Ending March 2018(Est.)		20.00	–	20.00	40.00

Note: Revised dividend forecast for the quarter under review: None

3. Forecast for the fiscal year ending March, 2018 (Consolidated, April 1, 2017- March 31, 2018)

(% : 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 2018	1,241,000	11.5	50,500	(6.5)	52,500	(9.2)	33,000	(4.4)	186.30

Note: Revised forecast for the quarter under review: None

* 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: None

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

(c) Changes in accounting estimates: None

(d) Restatements: None

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock)

As of June 30, 2017	177,410,239	As of March 31, 2017	177,410,239
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(b) Treasury stock

As of June 30, 2017	282,438	As of March 31, 2017	281,970
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(c) Average number of shares during the term (cumulative for the quarter)

As of June 30, 2017	177,127,996	As of June 30, 2016	177,129,622
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* Financial results summaries not subject to audit.

* 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 be a promise by the Company to achieve those forecasts. Actual results may differ substantially due to various factors.

(Method of Obtaining Supplemental Explanatory Material)

The Company will hold a briefing (teleconference) for securities analysts and institutional investors on Friday, July 28, 2017. The explanatory material on the financial results to be distributed at the briefing will be published on the website afterwards.

<http://sfc.jp/information/ir/>

Additionally, the Supplementary Information that has heretofore been provided in the summaries of financial results is provided in the Financial Factbook, and the material will be published on the website simultaneously with the announcement of financial results.

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Quarterly Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(million yen)

	Previous consolidated fiscal year (ended March 31, 2017)	First quarter consolidated accounting period (ended June 30, 2017)
Assets		
Current assets		
Cash and time deposits	111,506	63,042
Notes and accounts receivable-trade	119,274	119,237
Accounts receivable from completed construction contracts	4,180	3,594
Marketable securities	6,500	6,500
Finished goods, logs and lumber, boards, others	14,708	15,012
Work in process	1,389	1,528
Raw materials and supplies	7,917	7,237
Costs on uncompleted construction contracts	23,934	44,060
Developed land and housing for sale	48,249	49,927
Real estate for sale in process	79,756	109,642
Deferred tax assets	7,001	8,962
Short-term loans receivable	30,287	23,771
Accounts receivable-other	45,902	32,699
Other	13,551	15,671
Allowance for doubtful accounts	(438)	(388)
Total current assets	513,715	500,494
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	63,411	77,099
Accumulated depreciation	(29,272)	(36,264)
Buildings and structures, net	34,139	40,835
Machinery, equipment and vehicles	76,290	74,572
Accumulated depreciation	(46,495)	(45,992)
Machinery, equipment and vehicles, net	29,796	28,580
Land	30,597	34,121
Forest assets	37,189	36,087
Leased assets	10,724	11,186
Accumulated depreciation	(6,034)	(6,117)
Leased assets, net	4,691	5,069
Construction in progress	6,013	5,569
Other	11,874	12,858
Accumulated depreciation	(8,500)	(9,110)
Other, net	3,374	3,748
Total property, plant and equipment	145,798	154,008
Intangible assets		
Goodwill	12,189	24,308
Other	11,229	10,797
Total Intangible assets	23,418	35,105
Investments and other assets		
Investment securities	91,806	88,258
Long-term loans receivable	3,683	2,934
Net defined benefit assets	142	137
Deferred tax assets	3,276	3,894
Other	14,141	13,354
Allowance for doubtful accounts	(2,362)	(2,345)
Total investments and other assets	110,686	106,233
Total noncurrent assets	279,902	295,346
Total assets	793,617	795,840

(million yen)

	Previous consolidated fiscal year (ended March 31, 2017)	First quarter consolidated accounting period (ended June 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	111,281	108,193
Accounts payable for construction contracts	71,211	41,430
Short-term debt	37,108	40,920
Lease obligations	1,628	1,449
Income taxes payable	5,511	2,442
Advances received on uncompleted construction contracts	48,249	64,206
Provision for employees' bonuses	11,139	6,508
Provision for directors' bonuses	146	–
Provision for warranties for completed construction	3,849	3,705
Asset retirement obligation	551	578
Other	33,260	36,479
Total current liabilities	323,932	305,909
Long-term liabilities		
Bonds issued	20,000	20,000
Convertible bonds	20,000	20,000
Long-term debt	81,818	89,271
Lease obligations	3,264	3,822
Deferred tax liabilities	11,537	12,623
Provision for directors' retirement benefits	80	106
Net defined benefit liabilities	18,732	18,934
Asset retirement obligation	937	934
Other	17,974	24,472
Total long-term liabilities	174,341	190,162
Total liabilities	498,273	496,071
Net assets		
Shareholders' equity		
Common stock	27,672	27,672
Capital surplus	18,637	18,637
Retained earnings	196,511	195,695
Treasury stock	(280)	(281)
Total shareholders' equity	242,541	241,724
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25,896	29,105
Deferred gains or losses on hedges	(80)	239
Foreign currency translation adjustment	6,874	2,383
Remeasurements of defined benefit plans	(320)	(80)
Total accumulated other comprehensive income	32,370	31,647
Subscription rights to shares	82	93
Non-controlling interests	20,352	26,305
Total net assets	295,344	299,769
Total liabilities and net assets	793,617	795,840

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

(Consolidated Statements of Income)

(For the first quarter cumulative period (consolidated))

(million yen)

	Previous 1Q Cumulative Period (Consolidated) (April 1, 2016 - June 30, 2016)	1Q Cumulative Period under Review (Consolidated) (April 1, 2017 - June 30, 2017)
Net sales	207,662	228,661
Cost of sales	175,731	193,494
Gross profit	31,931	35,167
Selling, general and administrative expenses	37,188	40,405
Operating income (loss)	(5,257)	(5,237)
Non-operating income		
Interest income	106	146
Purchase discounts	91	90
Dividends income	593	699
Equity in earnings of affiliates	814	1,088
Other	600	381
Total non-operating income	2,204	2,404
Non-operating expenses		
Interest expenses	571	510
Sales discount	167	168
Foreign exchange losses	118	117
Other	322	112
Total non-operating expenses	1,177	907
Recurring income (loss)	(4,230)	(3,741)
Extraordinary gains		
Gain on sales of noncurrent assets	152	17
Gain on sales of investment securities	–	87
Gain on step acquisitions	–	6,464
Total extraordinary gains	152	6,568
Extraordinary loss		
Loss on sales of noncurrent assets	7	10
Loss on retirement of noncurrent assets	52	31
Total extraordinary loss	59	42
Income (loss) before income taxes and non-controlling interests	(4,137)	2,785
Income taxes-current	919	1,823
Income taxes-deferred	(2,379)	(2,914)
Total income taxes	(1,460)	(1,091)
Net income (loss)	(2,677)	3,876
Profit attributable to non-controlling interests	1,136	1,150
Profit (loss) attributable to owners of parent	(3,813)	2,726

(Consolidated Statements of Comprehensive Income)

(For the first quarter cumulative period (consolidated))

(million yen)

	Previous 1Q Cumulative Period (Consolidated) (April 1, 2016 - June 30, 2016)	1Q Cumulative Period under Review (Consolidated) (April 1, 2017 - June 30, 2017)
Net income (loss)	(2,677)	3,876
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,332)	3,208
Deferred gains or losses on hedges	(350)	319
Foreign currency translation adjustment	(3,004)	(3,668)
Share in equity method affiliates	(759)	(722)
Total other comprehensive income (loss)	(6,444)	(863)
Comprehensive income	(9,121)	3,013
Comprehensive income attributable to owners of the parent	(9,701)	2,003
Comprehensive income attributable to non-controlling interests	580	1,010

(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 first quarter cumulative period (Consolidated, April 1, 2016 – June 30, 2016)

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

(million yen)

	Reporting segment				Other (Note 1)	Total	Adjustment (Note 2)	Total shown in the quarterly consolidated financial statement (Note 3)
	Timber and Building Materials	Housing	Overseas	Total				
Net sales								
(1) Unaffiliated customers	98,211	63,642	43,866	205,720	1,670	207,390	272	207,662
(2) Intersegment sales/transfers	5,267	43	3,972	9,282	2,274	11,556	(11,556)	–
Total	103,478	63,685	47,838	215,001	3,945	218,946	(11,284)	207,662
Segment income (loss)	982	(7,005)	2,451	(3,572)	88	(3,484)	(746)	(4,230)

- 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 ¥746 million includes ¥84 million in eliminated intersegment transactions, as well as ¥661 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.
4. Based on the monetary amount reflecting the adjustments of the purchase price allocation following the determination of the provisional accounting treatment related to business combinations.

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

Not applicable

II First quarter cumulative period under review (Consolidated, April 1, 2017 - June 30, 2017)

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

(million yen)

	Reporting segment				Other (Note 1)	Total	Adjustment (Note 2)	Total shown in the quarterly consolidated financial statement (Note 3)
	Timber and Building Materials	Housing	Overseas	Total				
Net sales								
(1) Unaffiliated customers	100,573	63,348	59,268	223,188	5,187	228,376	286	228,661
(2) Intersegment sales/transfers	5,069	57	4,795	9,921	2,945	12,866	(12,866)	–
Total	105,641	63,404	64,063	233,109	8,133	241,242	(12,580)	228,661
Segment income (loss)	1,013	(8,010)	3,704	(3,294)	637	(2,657)	(1,084)	(3,741)

- Notes:
1. "Other" is business segments not included in the reporting segments. Such segments include biomass power generation business, an overseas forestation 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 ¥1,084 million includes ¥306 million in eliminated intersegment transactions, and ¥778 million in corporate losses 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
(Important change in the amount of goodwill)

In the overseas business segment, additional equity was acquired in Bloomfield Homes, L.P. and one other company, which were equity-method affiliates, and they were made consolidated subsidiaries. The resulting tentative increase in goodwill amounts to ¥9,881 million.