

Summary of Financial Results for the Third 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/>
 Representative Title: President / Representative Director Name: Akira Ichikawa
 Contact Person: Title: General Manager, Corporate Communications Name: Yuichiro Ono
 Phone: +81-3-3214-2270

Date of filing of financial report: February 9, 2018
 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, 2017 – December 31, 2017)

(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	%
3Q FY Ending March 2018	856,526	11.0	23,565	3.6	27,586	6.0	14,106	-8.9
3Q FY Ended March 2017	771,827	5.7	22,742	28.6	26,034	47.6	15,479	283.1

Note: Comprehensive income

3Q FY Ending March 2018 29,127 million yen (168.2%)

3Q FY Ended March 2017 10,859 million yen (461.8%)

	Net income per share	Net income per share fully diluted
	Yen	Yen
3Q FY Ending March 2018	79.23	74.66
3Q FY Ended March 2017	87.39	82.38

Note: The monetary amount as the third quarter of the fiscal year ended/ending March 2017/2018 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 December 31, 2017	890,438	331,310	33.7
As of March 31, 2017	794,360	295,857	34.6

Reference: Shareholders' equity

As of December 31, 2017 299,730 million yen

As of March 31, 2017 274,911 million yen

Note: The monetary amount as the third quarter of the fiscal year ended/ending March 2017/2018 reflects adjustments of the purchase price allocation following the determination of the provisional accounting treatment.

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
FY Ended March 2017	Yen □	Yen 15.00	Yen □	Yen 20.00	Yen 35.00
FY Ending March 2018	□	20.00	□		
FY Ending March 2018 (Est.)				20.00	40.00

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

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	1,220,000	9.6	49,500	-8.3	53,500	-7.5	30,000	-13.1	168.49

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): 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 December 31, 2017	182,607,739	As of March 31, 2017	177,410,239
-------------------------	-------------	----------------------	-------------

(b) Treasury stock

As of December 31, 2017	1,322,825	As of March 31, 2017	281,970
-------------------------	-----------	----------------------	---------

(c) Average number of shares during the term (cumulative for three quarters)

As of December 31, 2017	178,051,556	As of December 31, 2016	177,129,240
-------------------------	-------------	-------------------------	-------------

* Financial results summaries are not subject to quarterly review.

* 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.

(Method of Obtaining Supplemental Explanatory Material)

The Company will hold a briefing for securities analysts and institutional investors on Tuesday, January 30, 2018.

The explanatory material on the financial results to be distributed at the briefing will be published on the website afterwards.

<http://sfc.jp/english/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.

○Contents of Accompanying Materials

Quarterly Consolidated Financial Statements and Main Notes	2
(1) Consolidated Balance Sheet.....	2
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....	4
(Consolidated Statements of Income)	
(For the third quarter cumulative period (consolidated)).....	4
(Consolidated Statements of Comprehensive Income)	
(For the third quarter cumulative period (consolidated)).....	5
(3) Explanation Concerning Consolidated Financial Statements.....	6
(Notes related to the Assumption of a Going Concern)	6
(Notes on Significant Changes in Shareholders' Equity).....	6
(Segment Information).....	6

Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(million yen)

	Previous consolidated fiscal year (ended March 31, 2017)	Third quarter consolidated accounting period (ended December 31, 2017)
Assets		
Current assets		
Cash and time deposits	111,506	71,802
Notes and accounts receivable-trade	119,274	131,625
Accounts receivable from completed construction contracts	4,180	3,392
Marketable securities	6,500	5,010
Finished goods, logs and lumber, boards, others	14,708	16,138
Work in process	1,389	1,547
Raw materials and supplies	7,917	7,894
Costs on uncompleted construction contracts	23,934	43,289
Developed land and housing for sale	48,291	51,665
Real estate for sale in process	80,389	135,440
Deferred tax assets	7,001	5,924
Short-term loans receivable	30,287	20,209
Accounts receivable-other	45,902	38,347
Other	13,551	21,939
Allowance for doubtful accounts	(438)	(382)
Total current assets	514,390	553,841
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	63,411	78,272
Accumulated depreciation	(29,272)	(37,165)
Buildings and structures, net	34,139	41,107
Machinery, equipment and vehicles	76,290	72,645
Accumulated depreciation	(46,495)	(48,188)
Machinery, equipment and vehicles, net	29,796	24,457
Land	30,597	34,197
Forest assets	37,189	36,944
Leased assets	10,724	10,174
Accumulated depreciation	(6,034)	(5,130)
Leased assets, net	4,691	5,044
Construction in progress	6,013	6,037
Other	11,874	13,872
Accumulated depreciation	(8,500)	(9,767)
Other, net	3,374	4,105
Total property, plant and equipment	145,798	151,890
Intangible assets		
Goodwill	11,065	17,268
Other	12,421	12,909
Total Intangible assets	23,486	30,178
Investments and other assets		
Investment securities	91,806	137,274
Long-term loans receivable	3,683	2,352
Net defined benefit assets	142	136
Deferred tax assets	3,276	3,173
Other	14,141	14,038
Allowance for doubtful accounts	(2,362)	(2,444)
Total investments and other assets	110,686	154,529
Total noncurrent assets	279,970	336,597
Total assets	794,360	890,438

(million yen)

	Previous consolidated fiscal year (ended March 31, 2017)	Third quarter consolidated accounting period (ended December 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	111,281	121,443
Accounts payable for construction contracts	71,211	52,424
Short-term debt	37,108	45,200
Commercial paper	–	30,000
Current portion of convertible bonds	–	20,000
Lease obligations	1,628	1,258
Income taxes payable	5,511	1,717
Advances received on uncompleted construction contracts	48,249	58,981
Provision for employees' bonuses	11,139	6,646
Provision for directors' bonuses	146	–
Provision for warranties for completed construction	3,849	3,929
Asset retirement obligation	551	635
Other	33,332	37,040
Total current liabilities	324,004	379,274
Long-term liabilities		
Bonds issued	20,000	20,000
Convertible bonds	20,000	–
Long-term debt	81,818	92,915
Lease obligations	3,264	4,087
Deferred tax liabilities	11,695	17,182
Provision for directors' retirement benefits	80	116
Net defined benefit liabilities	18,732	18,953
Asset retirement obligation	937	902
Other	17,974	25,698
Total long-term liabilities	174,499	179,854
Total liabilities	498,503	559,127
Net assets		
Shareholders' equity		
Common stock	27,672	32,672
Capital surplus	18,637	23,637
Retained earnings	196,511	203,533
Treasury stock	(280)	(2,332)
Total shareholders' equity	242,541	257,510
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25,896	37,332
Deferred gains or losses on hedges	(80)	76
Foreign currency translation adjustment	6,874	4,886
Remeasurements of defined benefit plans	(320)	(73)
Total accumulated other comprehensive income	32,370	42,221
Subscription rights to shares	82	117
Non-controlling interests	20,864	31,463
Total net assets	295,857	331,310
Total liabilities and net assets	794,360	890,438

(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, 2016 - December 31, 2016)	3Q Cumulative Period under Review (Consolidated) (April 1, 2017 - December 31, 2017)
Net sales	771,827	856,526
Cost of sales	637,133	708,995
Gross profit	134,694	147,531
Selling, general and administrative expenses	111,952	123,966
Operating income	22,742	23,565
Non-operating income		
Interest income	315	321
Purchase discounts	283	277
Dividends income	1,180	1,394
Equity in earnings of affiliates	2,951	2,251
Other	1,516	2,144
Total non-operating income	6,245	6,388
Non-operating expenses		
Interest expenses	1,560	1,098
Sales discount	508	523
Foreign exchange losses	147	4
Other	738	742
Total non-operating expenses	2,953	2,367
Recurring income	26,034	27,586
Extraordinary gains		
Gain on sales of noncurrent assets	184	39
Gain on sales of investment securities	109	118
Gain on step acquisitions	–	6,464
Gain on liquidation of subsidiaries and affiliates	48	–
Total extraordinary gains	341	6,622
Extraordinary loss		
Loss on sales of noncurrent assets	16	42
Loss on retirement of noncurrent assets	106	91
Impairment loss	–	5,715
Total extraordinary gains	122	5,849
Income before income taxes and non-controlling interests	26,253	28,359
Income taxes-current	6,256	8,621
Income taxes-deferred	1,196	798
Total income taxes	7,452	9,419
Net income	18,802	18,940
Profit attributable to non-controlling interests	3,323	4,834
Profit attributable to owners of parent	15,479	14,106

(Consolidated Statements of Comprehensive Income)
(For the third quarter cumulative period (consolidated))

(million yen)

	Previous 3Q Cumulative Period (Consolidated) (April 1, 2016 - December 31, 2016)	3Q Cumulative Period under Review (Consolidated) (April 1, 2017 - December 31, 2017)
Net income	18,802	18,940
Other comprehensive income		
Valuation difference on available-for-sale securities	7,720	11,422
Deferred gains or losses on hedges	539	157
Foreign currency translation adjustment	(14,521)	(1,056)
Share in equity method affiliates	(1,680)	(335)
Total other comprehensive income	(7,942)	10,187
Comprehensive income	10,859	29,127
Comprehensive income attributable to owners of the parent	9,678	23,957
Comprehensive income attributable to non-controlling interests	1,182	5,171

(3) Explanation Concerning Consolidated Financial Statements

(Notes related to the Assumption of a Going Concern)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

On November 28, 2017, we received payment from Kumagai Gumi Co., Ltd. ("Kumagai Gumi") for capital increase via private placement. On the same day, we acquired Kumagai Gumi shares, and it has been included in the scope of affiliated companies to which the equity method applies beginning in the consolidated cumulative third quarter.

As a result, common stock and capital surplus both increased ¥5,000 million during the consolidated cumulative third quarter, common stock coming to ¥32,672 million and capital surplus to ¥23,637 million at the end of the consolidated third quarter. Additionally, with respect to shares in our company held by Kumagai Gumi, the amount equivalent to our holdings was recorded as treasury stock, and as a result of this and other factors, treasury stock increased ¥2,052 million during the consolidated cumulative third quarter to ¥2,332 million as of the end of the consolidated third quarter.

(Segment Information)

I Previous third quarter cumulative period (Consolidated, April 1, 2016 – December 31, 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	304,370	302,862	155,942	763,175	7,824	770,998	829	771,827
(2) Intersegment sales/transfers	14,950	410	11,939	27,298	6,576	33,874	(33,874)	–
Total	319,320	303,271	167,881	790,472	14,400	804,872	(33,045)	771,827
Segment income (loss)	4,327	12,287	11,507	28,120	940	29,060	(3,026)	26,034

- 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 ¥3,026 million includes ¥179 million in eliminated intersegment transactions, and ¥2,847 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.
 4. Segment income (loss) is 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 Third quarter cumulative period under review (Consolidated, April 1, 2017 - December 31, 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	310,860	299,330	228,402	838,593	17,110	855,703	823	856,526
(2) Intersegment sales/transfers	16,923	420	13,413	30,755	9,423	40,179	(40,179)	—
Total	327,783	299,750	241,816	869,349	26,533	895,882	(39,356)	856,526
Segment income (loss)	4,269	8,433	15,554	28,256	2,943	31,199	(3,613)	27,586

- 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 ¥3,613 million includes ¥456 million in eliminated intersegment transactions, and ¥3,157 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

(Material impairment loss on noncurrent assets)

In the overseas business segment, impairment loss associated with particle board manufacturing equipment is recorded as extraordinary loss. A ¥5,715 million impairment loss was recorded for the third quarter cumulative period (consolidated).

(Important change in the amount of goodwill)

In the overseas business segment, the corporate merger with Bloomfield Homes, L.P. and one other company carried out in the first quarter consolidated accounting period had been applying provisional accounting, but in the third quarter consolidated accounting period it was finalized. The resulting tentative decrease in goodwill amounts to ¥2,658 million.