[TRANSLATION]

The following is an unofficial English translation of "Matters Available on the Website in relation to the Notice of Convocation of the 76th Ordinary General Meeting of Shareholders" by Sumitomo Forestry Co., Ltd. ("Company"). The Company provides this English translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. The Japanese original is the sole official version and shall prevail in the event of any discrepancy between this English translation and the Japanese original.

MATTERS AVAILABLE ON THE WEBSITE IN RELATION TO THE NOTICE OF CONVOCATION OF THE 76TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

（from April 1, 2015 to March 31, 2016）

Sumitomo Forestry Co., Ltd.

The information above is made available on the Company's website（http://sfc.jp/english） pursuant to the relevant laws and regulations, and Article 17 of the Articles of Incorporation of the Company.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Fiscal year ended March 31, 2016

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	27,672	26,872	161,286	(275)	215,555
Changes during the period					
Dividends from surplus			(4,251)		(4,251)
Net income attributable to owners of parent			9,727		9,727
Purchase of treasury stock				(3)	(3)
Net changes in items other than shareholders' equity					
Total changes during the period	–	–	5,476	(3)	5,473
Balance at the end of current period	27,672	26,872	166,762	(278)	221,028

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	22,342	(124)	8,101	(124)	30,195	–	15,032	260,782
Changes during the period								
Dividends from surplus								(4,251)
Net income attributable to owners of parent								9,727
Purchase of treasury stock								(3)
Net changes in items other than shareholders' equity	(6,072)	65	(1,604)	(153)	(7,763)	36	5,600	(2,128)
Total changes during the period	(6,072)	65	(1,604)	(153)	(7,763)	36	5,600	3,345
Balance at the end of current period	16,270	(58)	6,497	(276)	22,432	36	20,631	264,127

Notes to the Consolidated Financial Statements

Significant fundamental accounting policies for preparing consolidated financial statements

1. Scope of consolidation

There are 84 consolidated subsidiaries. Principal consolidated subsidiaries are Sumitomo Forestry Crest Co., Ltd., Sumitomo Forestry Residential Co., Ltd., Sumitomo Forestry Home Engineering Co., Ltd., Sumitomo Forestry Home Service Co., Ltd., Sumitomo Forestry Landscaping Co., Ltd., Sumitomo Forestry Home Tech Co., Ltd., PT. Kutai Timber Indonesia, Alpine MDF Industries Pty Ltd., the Henley Group (Henley Arch Unit Trust and eight other companies), Nelson Pine Industries Ltd. and the Gehan Homes Group (Gehan Homes, Ltd. and six other companies).

Beginning the consolidated fiscal year under review, the DRB Group (DRB Enterprises, LLC and seven other companies), in which a stake was newly acquired, the newly established Sumirin Wood Piece Co., Ltd., the MainVue Homes Group (MainVue Homes LLC and two other companies) and Sumitomo Forestry India Pvt. Ltd. are included in the scope of consolidation.

Conversely, all shares of Shouei Furniture Co., Ltd., which was a consolidated subsidiary in the previous consolidated fiscal year, have been sold, so it has been removed from the scope of consolidation.

2. Application of equity method

(1) The consolidated financial statements include 26 affiliates that are accounted for by the equity method, including PT. Rimba Partikel Indonesia and Bloomfield Homes, L.P.
Beginning the consolidated fiscal year under review, Beijing BBMG Decoration Engineering Co., Ltd., in which a stake was newly acquired, Spacewood Furnishers Pvt. Ltd., of which shares were newly acquired, newly established Annadale Development Partners Unit Trust, Annadale Development Partners Pty Ltd. and DNS Asia Investment Pte. Ltd. are included as equity-method affiliates.

(2) For equity-method affiliates that have a fiscal year end that differs from the Company's fiscal year end, financial statements for these different fiscal years are used.

3. Accounting periods of consolidated subsidiaries

The settlement date for 53 overseas consolidated subsidiaries and one domestic consolidated subsidiary is December 31, so when preparing the consolidated financial statements for the consolidated fiscal year under review, the financial statements as of December 31, 2015 were used. Additionally, the settlement date for two consolidated subsidiaries is March 20, so the financial statements as of March 20, 2016 have been used for them. Finally, the settlement date for one overseas consolidated subsidiary and 27 domestic consolidated subsidiaries is March 31, and the financial statements as of March 31, 2016 have been used for them.

4. Significant Accounting Policies

(1)Valuation standards and methods for important assets

a. Securities

Held-to-maturity securities

Amortized cost method (Straight-line method)

Other securities:

Securities with a market value

Value method based on the market price on the settlement date (unrealized gains and losses are reported in the shareholders' equity section. Sales cost of securities is determined by the moving-average method.)

Securities with no market value

Cost method based on the moving-average method

b. Derivatives

Market value method

c. Inventories

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

(2)Method of depreciating significant assets

a. Property, plant and equipment (excluding lease assets)

For the Company and domestic consolidated subsidiaries, the fixed-percentage method is used primarily (except for buildings acquired on or after April 1, 1998 [excluding accessory equipment], for which the straight-line method is used). For overseas consolidated subsidiaries, the straight-line method is used primarily.

b. Intangible assets (excluding lease assets)

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

c. Leased assets

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

(3)Standards for significant allowances

a. Allowance for doubtful accounts

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

b. Provision for bonuses

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

c. Provision for directors’ bonuses
Bonus payments to be charged to income in the current fiscal year are recorded to prepare for accrued bonus payments to directors.

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

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

(4) Accounting process method of retirement benefits

a. Service period attribution method for projected retirement benefits
The method of attributing projected retirement benefits to the period up to fiscal year ended March 2016 when calculating retirement benefit obligations is as per the benefit formula standard.

b. Method of accounting for actuarial differences and past service liabilities
Actuarial differences and past service liabilities are accounted for collectively in the fiscal year in which they occur.

(5) Completed contracts and cost of completed contracts

At the end of the fiscal year that ended in March 2016, construction revenue is recognized by the percentage-of-completion method if the outcome of a construction contract could be estimated reliably (percentage of completion is estimated as a percentage of the estimated total cost, based on the cost incurred). The completed contract method is used for other short-term construction contracts.

(6)Main hedge accounting methods

a. Hedge accounting method
Deferred hedge accounting is adopted.
Appropriation accounting foreign currency transactions is applied to foreign exchange hedging transactions. Special accounting treatment is used for interest rate swaps when they satisfy the requirements for special treatment.

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

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

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

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

(8)Other important items for compiling consolidated financial statements
Consumption tax
National and regional consumption taxes are accounted for using the net-of-tax method.

Change in Accounting Policy

(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 consolidate fiscal year under review, 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. In addition, regarding business combinations conducted after the beginning of the consolidated fiscal year under review, revisions to the purchase price allocation following determination of provisional accounting methods made in the next fiscal year are now presented as impacting the beginning balance of the fiscal year in which the revision was made, and the beginning balance reflects the impact. Moreover, the net income and other statements have been changed accordingly, and minority interests has been changed to non-controlling interests. To reflect these changes, the Company has revised the consolidated financial statements for the previous consolidated fiscal year.
The application of the Business Combinations Accounting Standard and other standards follows the transitional treatment set forth in paragraph 58-2 (4) of the Business Combinations Accounting Standard, paragraph 44-5 (4) of the Consolidation Accounting Standard, and paragraph 57-4 (4) of the Divestitures Accounting Standard. The Company is applying these standards from the beginning of the consolidated fiscal year under review on.
This does not impact the consolidated financial statements.

Notes to the consolidated balance sheet (Million yen)

1. Pledged assets and secured liabilities

(1) Pledged assets

Cash and time deposits	3,458
Notes and accounts receivable-trade	1,375
Cost on uncompleted construction contracts	572
Developed land and housing for sale	20,145
Real estate for sale in process	38,055
Accounts receivable-other	476
Buildings and structures	4,163
Machinery, equipment and vehicles	984
Land	3,080
Construction in progress	243
Investment securities	12,275
Other	1,674
Total	86,499

(2) Secured liabilities

Short-term debt	4,447
Long-term debt	30,473
Other	478
Total	35,398

2. Accumulated depreciation of property, plant and equipment 95,654

3. Guaranteed Liabilities etc.

Guarantee on loans etc. from financial institutions

Kawasaki Biomass Electric Power Co., Ltd.	939
Purchasers with housing loans applied	27,479
Total	28,418

Notes to the consolidated statements of changes in net assets

1. The number of issued shares as of the end date of the consolidated fiscal year

Common stock 177,410,239

2. The number of treasury stock as of the end date of the consolidated fiscal year

Common stock 280,362

3. Items related to dividend

(1) Dividend payment

Resolution	Type of stock	Total amount of dividend (Million yen)	Dividend per share (Yen)	Base date	Effective date
Ordinary General Meeting of Shareholders on June 23, 2015	Common stock	2,126	12.00	March 31, 2015	June 24, 2015
Board of Directors' Meeting on November 5, 2015	Common stock	2,126	12.00	September 30, 2015	December 4, 2015

(2) Dividends which base dates belong to the consolidated fiscal year and whose effective dates come after the end of the consolidated fiscal year

The following matters are due to be resolved at the Meeting.

Resolution	Type of stock	Total amount of dividend (Million yen)	Source of dividend	Dividend per share (Yen)	Base date	Effective date
Ordinary General Meeting of Shareholders on June 24, 2016	Common stock	2,126	Retained earnings	12.00	March 31, 2016	June 27, 2016

Notes on financial instruments

1. Matters relating to the state of financial instruments

The Company and its consolidated subsidiaries ("Group") invest temporary surplus funds in highly safe and secure financial instruments, and use bank loans and bond issue as the primary means for raising capital.

The Group is working to reduce customers' credit risks relating to operating receivables, notes and accounts receivable-trade and accounts receivable-other, in accordance with its credit control regulations. In addition, securities are negotiable certificates of deposit subject to settlement in the short term. In addition, for investment securities which are primarily held-to-maturity bonds and securities related to our business, the Group periodically grasps the market value and financial conditions and other aspects of the issuing entities (corporate customers). The Group also consistently reviews the ownership of financial instruments excluding bonds held to maturity, in consideration of its relationships with corporate customers. Almost all operating debts such as notes and accounts payable-trade and accounts payable for construction contracts, are payable within one year.

The Group uses loans payable and Bonds payable primarily to finance its operations and capital investment. The Group takes steps to stabilize its interest cost by interest rate swaps against the risk of interest rate fluctuations for the part of its long-term loans payable.

With respect to derivatives, the Group seeks to use them within the certain limit based on past records relating to ordinary business transactions in foreign currency etc. The Group will not engage in speculation transaction.

2. Matters relating to the market value of financial instruments

The amounts stated in consolidated balance sheets, market value and their differences as of March 31, 2016 are shown in the table below. For your information, items of account for which is of less important in the consolidated balance sheet are omitted from this table. Also, items of account for which an accurate grasp of market value is recognized to be extremely difficult are not stated in this table. (refer to the (note 2))

(Million yen)

	Amount stated in consolidated balance sheets*1	Market value*1	Difference
(1) Cash and time deposits	83,499	83,499	—
(2) Notes and accounts receivable-trade	121,415	121,415	—
(3) Securities and investment securities			
a. Bonds held to maturity	1,761	1,860	99
b. Other securities	84,260	84,260	—
(4) Accounts receivable-other	46,963	46,963	—
Total assets	337,897	337,996	99
(5) Notes and accounts payable-trade	(107,651)	(107,651)	—
(6) Accounts payable for construction contracts	(68,793)	(68,793)	—
(7) Long-term debt *2	(68,110)	(68,358)	△247
Total liabilities	(244,554)	(244,801)	△247
(8) Derivatives transactions*3			
a. Hedge accounting not applied	1,569	1,569	—
b. Hedge accounting applied	(84)	(84)	—
Total derivatives	1,485	1,485	—

*1 Amounts stated under liabilities are shown in brackets.

*2 Amount of Long-term debt includes Long-term debt due within 1 year.

*3 Assets and liabilities from derivatives transactions are shown in the net amount. If the total is negative figure, the amount is shown in brackets.

(Note 1) Methods for calculating the market value of financial instruments and matters relating to securities and derivatives trading

(1) Cash and time deposits, (2) Notes and accounts receivable-trade and (4) Accounts receivable-other

Book value is stated for these items. Book value is almost the same as market value because short-term settlement makes their market value.

(3) Securities and investment securities

The market value stated for shares is the exchange quote value. The market value stated for bonds is the exchange quote value or the value indicated by financial institutions.

In addition, for negotiable deposit certificates, the book value is almost the same as the market value because short-term settlement creates the market value.

(5) Notes and accounts payable-trade and (6) Accounts payable for construction contracts

Book value is stated for these items. Book value is almost the same as market value because short-term settlement makes their market value.

(7) Long-term debt

Book value is stated for long-term debt with a variable interest rate because their market value and book value are assumed to be close. The reasons for this assumption are that the loans reflect market interest rates in the short term and the credit condition of the Company did not significantly change after the loan offer. The present value is calculated for long-term debt with a fixed interest rate. The present value is calculated by similar debt from the aggregate amount of principal and interest for long-term debt classified according to fixed terms. (*)

(*)For long-term debt subject to special accounting for interest rate swaps, the aggregate amount of principal and interest based on the interest rate swap is comprised.

(8) Derivatives transactions

The market value is the future quotation value or the value indicated by financial institutions. The market value of derivatives, to which special accounting for interest rate swaps is applied, is stated as part of the market value of long-term debt because these derivatives are operated collectively with the hedged long-term debt as accounting treatment.

(Note 2) Unlisted shares (stated as 4,678 million yen in the consolidated balance sheets),and shares and debt of subsidiaries and affiliates (stated as 18,176 million yen in the consolidated balance sheets) are not included in the amount of "(3) Securities and investment securities, b. Other securities" because they have no market value and it is considered to be very difficult to calculate their prevailing prices.

<u>Notes on leasehold properties and other types of real estate</u>

1. Matters relating to the state of leasehold properties and other types of real estate

The Company and some of its consolidated subsidiaries own rental houses etc. in metropolitan Tokyo and other areas.

2. Matters relating to the market value of leasehold properties and other types of real estate

(Million yen)

Amount stated in the consolidated balance sheets	Market value
12,498	11,190

(Note 1) The amount above stated in the consolidated balance sheet is calculated by deducting the accumulated depreciation and accumulated impairment loss from the acquisition cost.

(Note 2) The amounts based on real estate appraisal by independent real estate appraisers and the amounts based on indices assumed to reflect market value appropriately are adopted as the market value of major properties and the market value of other properties at the end of the reporting fiscal year respectively.

<u>Notes to per-share information</u> (Yen)

Net assets per share	1,374.47
Net income per share	54.92

Notes to matters relating to important subsequent events

Transactions under common control
Acquisition of additional shares in subsidiary

1. Overview of merger
   (1) Name of acquired company and description of business
   Name of acquired company: Gehan Homes, Ltd. and six other companies
   Description of business: Detached spec homes business and related businesses
   (2) Date of merger
   April 29, 2016 (US time)
   (3) Legal form of merger
   Cash-based stake acquisition
   (4) Name of company after merger
   No change in name
   (5) Matters pertaining to summary of other transactions
   Stake held by non-controlling interests was acquired to accelerate efforts to create synergy between Group companies. As a result, the Group's percentage of voting rights increased from 51% to 100%.

2. Summary of accounting treatment
   The Company will account for the acquisition as a transaction under common control based on the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan Statement No. 21, September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Implementation Guidance No. 10, September 13, 2013).

3. Matters pertaining to acquisition of additional stake
   Breakdown of acquisition price and type of consideration

Acquisition price	Cash	14,744	million yen
Acquisition cost		14,744	million yen

Note: The amount above is an estimate at the time of acquisition. The actual amount may vary depending on future value adjustments.

4. Matters pertaining to change in stake of parent company related to transaction with non-controlling interests
   (1) Key factors behind change in capital surplus
   Acquisition of additional stake in subsidiary
   (2) Amount of reduction in capital surplus resulting from transaction with non-controlling interests
   Not yet determined.

NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Fiscal year ended March 31, 2016

(Million yen)

	Shareholders' equity									
	Common stock	Capital surplus		Retained earnings					Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings					
					Reserve for special depreciation	Reserve for reduction entry	General reserve	Retained earnings brought forward		
Balance at the beginning of current period	27,672	26,613	259	2,857	140	1,673	106,887	14,998	(275)	180,825
Changes during the period										
Provision of reserve for special depreciation					3			(3)		–
Reversal of reserve for special depreciation					(23)			23		–
Provision of reserve for reduction entry						43		(43)		–
Provision of general reserve							8,600	(8,600)		–
Dividends from surplus								(4,251)		(4,251)
Net income								10,233		10,233
Purchase of treasury stock									(3)	(3)
Net changes in items other than shareholders' equity										
Total changes during the period	–	–	–	–	(20)	43	8,600	(2,640)	(3)	5,979
Balance at the end of current period	27,672	26,613	259	2,857	120	1,716	115,487	12,358	(278)	186,804

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges		
Balance at the beginning of current period	22,389	(162)	–	203,052
Changes during the period				
Provision of reserve for special depreciation				–
Reversal of reserve for special depreciation				–
Provision of reserve for reduction entry				–
Provision of general reserve				–
Dividends from surplus				(4,251)
Net income				10,233
Purchase of treasury stock				(3)
Net changes in items other than shareholders' equity	(6,220)	106	36	(6,079)
Total changes during the period	(6,220)	106	36	(99)
Balance at the end of current period	16,169	(56)	36	202,952

Notes to Non-Consolidated Financial Statements

Summary of significant accounting policies

1. Valuation standards and method for securities

(1) Held-to-maturity securities
Amortized cost method (Straight-line method)

(2) Shares held in subsidiaries and affiliates
Cost method based on the moving-average method.

(3) Other securities:
Securities with a market value
Value method based on the market price on the closing date (unrealized gains and losses are reported in the shareholders' equity section. Sales cost of securities is determined by the moving-average method.)

Securities with no market value
Cost method based on the moving-average method

2. Valuation standards and method for inventories

Purchased products are stated at cost, which is mainly determined by the moving average method. Housing projects in progress, developed land and housing for sale and land, and real estate for sale in process are stated at cost, determined by the specific cost method. Net book value of inventories as shown in the non-consolidated balance sheet is written down when profitability declines.

3. Method of depreciation of noncurrent assets

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

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

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

4. Standards for allowance

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

(2) Provision for employees' bonuses
Estimated bonus payments to be charged to income in the current fiscal year are recorded to prepare for accrued bonus payments to employees.

(3) Provision for directors' bonuses

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

(4) Provision for warranties for completed construction

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

(5) Provision for retirement benefits

A provision for retirement benefits is provided for the necessary amounts based on the estimates of retirement benefit obligations and pension assets at the end of the reporting fiscal year. Should the total estimated figure for pension assets at the end of the reporting fiscal year exceed the total estimated figure for retirement benefit obligations, the surplus is recognized as prepaid pension cost.

a. Service period attribution method for projected retirement benefits

The method of attributing projected retirement benefits to the period up to fiscal year ended March 2016 when calculating retirement benefit obligations is as per the benefit formula standard.

b. Method of accounting for actuarial differences and past service liabilities

Actuarial differences and past service liabilities are typically accounted for collectively in the fiscal year in which they occur.

(6) Provision for losses on business of subsidiaries and affiliates

A provision for losses on business of subsidiaries and affiliates is provided to prepare for the possible losses by taking into consideration the financial position of the company.

5. Completed contracts and cost of completed contracts

At the end of the fiscal year that ended in March 2016, construction revenue is recognized by the percentage-of-completion method if the outcome of a construction contract could be estimated reliably (percentage of completion is estimated as a percentage of the estimated total cost, based on the cost incurred). The completed contract method is used for other short-term construction contracts.

6. Hedge accounting methods

(1) Hedge accounting method

Deferred hedge accounting is adopted.

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

(2) Hedging policy

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

(3) Scope of hedging

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

(4) Method of evaluation for hedge effectiveness

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

7. Other important items for compiling non-consolidated financial statements
Consumption tax
National and regional consumption taxes are accounted for using the net-of-tax method.

Notes to the non-consolidated balance sheet (Million yen)

1. Pledged assets

(1)Pledged assets

Investment securities	12,267
Stocks of subsidiaries and affiliates	6
Long-term loans receivable from subsidiaries and affiliates	122
Other	185
Total	12,580

(2)Liabilities for pledge

Long-term debt due within 1 year	28
Long-term debt	311
Total	339

2. Accumulated depreciation on property, plant and equipment 22,154

3. Accumulated advanced depreciation on property, plant and equipment 810

4. Guaranteed liabilities

(1) Guarantee on loans etc. of subsidiaries and affiliates from financial institutions

Sumitomo Forestry America, Inc.	6,593
Vina Eco Board Co., Ltd.	5,989
Sumitomo Forestry Australia Pty Ltd.	3,140
Sumitomo Forestry (Singapore) Ltd.	2,994
Sumirin Hong Kong Limited	2,960
PT. Kutai Timber Indonesia	1,775
Kawasaki Biomass Electric Power Co., Ltd.	939
PT. AST Indonesia	141
Sumikyo Co., Ltd.	115
Hachinohe Biomass Electric Power Co., Ltd.	96
Alpine MDF Industries Pty Ltd.	60
Fill Care Co., Ltd.	54
Sumitomo Forestry (Dalian) Ltd.	47
PT. Sumitomo Forestry Indonesia	43
Sumikyo Wintec Co., Ltd.	3
Total	24,950

(2) Guarantee on other loans from financial institutions
Purchasers with housing loans applied 27,014

5. Monetary receivables from and payables to subsidiaries and affiliates (excluding amounts disclosed under separate classifications)

Short-term monetary receivable	35,355
Short-term monetary payable	65,661
Long-term monetary payable	1,996

Notes to non-consolidated statements of income (Million yen)

Transactions with subsidiaries and affiliates	
Net sales	28,373
Purchase of goods	130,322
Non-operating income	
Interest income	623
Dividends income	7,722
Other	179
Non-operating expenses	83

Notes to non-consolidated statements of changes in net assets

The number of treasury stock as of the end of the reporting fiscal year

Common stock	280,362

Notes to tax effect accounting

1. Details of the main reason for occurrence of deferred tax assets and liabilities

Deferred tax assets	
Allowance for doubtful accounts	1,671
Provision for bonuses	1,957
Loss on valuation of real estate for sale etc.	423
Provision for retirement benefit	4,590
Provision for loss on business of subsidiaries and affiliates	809
Loss on valuation of securities of subsidiaries and affiliates	5,493
Loss on valuation of investment securities and golf club membership	1,788
Provision for warranties for completed construction	444
Other	3,881
Subtotal deferred tax assets	21,056
Valuation reserve	△9,542
Total deferred tax assets	11,514
Deferred tax liabilities	
Reserve for advanced depreciation on noncurrent assets	757
Gain on contribution of securities to retirement benefit trust	1,217
Valuation difference on available-for-sale securities	6,682
Other	1,551
Total deferred tax liabilities	10,207
Deferred tax liabilities in net	1,307

2. Breakdown of major items giving rise to material differences between the statutory effective tax rate and the effective rate of corporate and other income taxes after application of tax effect accounting

Statutory effective tax rate	33.1%
(Adjustment)	
Non-deductible expenses such as entertainment expense	9.2%
Non-taxable income such as dividends received	△18.7%
Inhabitants' tax-per capita levy	1.2%
Valuation allowance	△0.7%
Downward adjustment to the fiscal year-end balance of deferred tax asset due to changes in tax rates	2.9%
Other	0.3%
Effective rate of corporate and other income taxes after application of tax effect accounting	27.4%

3. Revisions to Amounts of Deferred Tax Assets and Deferred Tax Liabilities Due to Change in Rate of Income Taxes

The Act for Partial Revision of the Income Tax Act (Act No. 15 of 2016) and the Act for Partial Revision of the Local Tax Act (Act No. 13 of 2016) were promulgated on March 29, 2016 to lower the corporate income tax rate starting with the fiscal year beginning on April 1, 2016. In accordance with this, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities is being changed from the previous year's rate of 32.3% to 30.9% for temporary differences expected to be resolved in the fiscal year beginning on April 1, 2016 and the fiscal year beginning on April 1, 2017 and to 30.6% for temporary differences expected to be resolved in the fiscal year beginning on April 1, 2018.
As a result, the amount of deferred tax assets (after deduction of deferred tax liabilities) decreased by 32 million yen, while the amounts of deferred income taxes and valuation difference on available-for-sale securities recorded in the current fiscal year increased by 406 million yen and 375 million yen, respectively, and deferred gains or losses on hedges decreased by 1 million yen.

Notes to related party transactions

1. Subsidiaries and affiliates etc.

(Million yen)

Type	Name of company	Share of voting rights owned by the Company	Relationship	Transaction description	Transaction amount (* 6)	Accounting item	Year-End balance (* 6)
Subsidiary	Sumitomo Forestry Home Engineering Co., Ltd.	Direct 100.0%	Supply of paid materials Construction of ordered housing Interlock of directors	Construction of housing ordered by the Company (* 1)	74,711	Accounts receivable Accounts payable for construction contracts	22,067 21,530
Subsidiary	Sumitomo Forestry Home Tech Co., Ltd.	Direct 100.0%	After maintenance of housing Interlock of directors	Deposit of surplus fund to the Company (* 2)	-	Deposits received	18,062
Subsidiary	Sumitomo Forestry America, Inc.	Direct 100.0%	Financial assistance Interlock of directors	Loan (* 3)	19,603	Short-term loans receivable	15,049
						Long-term loans receivable	6,356
				Underwriting of capital increase	5,477	Stocks of affiliated companies	9,513
				Debt guarantee (* 4)	6,593	-	-
Subsidiary	Vina Eco Board Co., Ltd	Direct 40.0% Indirect 40.0%	Financial assistance Interlock of directors	Debt guarantee (* 4)	5,989	-	-
Subsidiary	Open Bay Timber Ltd.	Direct 100.0%	Financial assistance Interlock of directors	Debt waiver (* 5)	3,218	-	-

(*1) Transaction terms and policy for determining transaction terms are determined in the same way as for general transaction conditions.
(*2) Transaction amounts are not shown, because transactions perform repeatedly and purpose for this is to centralize fund management within the Group.
(*3) Loan to related parties is determined based on market interest rates.
(*4) The Company guarantees debt for loans borrowed from financial institutions.
(*5) 2,423 million yen in accounts receivable and 795 million yen in long-term loans receivable has been forgiven.
(*6) Transaction amounts do not include consumption tax etc., while year-end balances include consumption tax etc.

2. Directors and major individual shareholders etc.

(Million yen)

Type	Name of company	Share of voting rights the Company owns (or owned by affiliate)	Relationship	Transaction description	Transaction amount (*2)	Accounting item	Year-end balance (*2)
Director	Akira Ichikawa	Direct (0.0%)	Director of the Company	Contracting of housing construction (*1)	51	-	-

(*1) Transaction terms and the policy for determining transaction terms are determined in the same way as for general transaction conditions.
(*2) Transaction amounts do not include consumption tax etc.

Notes to per-share information

(Yen)

Net assets per share	1,145.58
Net income per share	57.77

Notes to matters relating to important subsequent events

There are no relevant items.