

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

Name of Company:	Sumitomo Forestry Co., Ltd.
Stock Exchange Listing:	Tokyo
Stock Code	1911
URL:	<a href="http://sfc.jp/">http://sfc.jp/</a>
Representative	
Title:	President / Representative Director
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Date of filing of financial report:	November 10, 2015
Date of commencement of dividend payment (tentative):	December 4, 2015
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 second quarter cumulative period under review (April 1, 2015 – September 30, 2015)****(1) Results of operations (Consolidated)**

(Percentage figures represent year on year changes)

	Net sales		Operating income		Recurring income		Profit for the year attributable to Owners of the parent	
	Million Yen	%	Million Yen	%	Million yen	%	Million yen	%
2Q FY Ending March 2016	486,440	3.6	12,872	5.3	13,467	1.1	6,886	-5.4
2Q FY Ended March 2015	469,570	8.0	12,221	18.4	13,316	22.8	7,278	-34.3

Note: Comprehensive income

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

As of September 30, 2014                      9,788 million yen (-38.3%)

	Net income per share	Net income per share fully diluted
	Yen	Yen
2Q FY Ending March 2016	38.87	36.66
2Q FY Ended March 2015	41.09	38.74

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

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2015	676,573	263,064	36.5
As of March 31, 2015	665,538	260,782	36.9

(Note) Shareholders' equity

As of September 30, 2015                      246,826 million yen

As of March 31, 2015                            245,750 million yen

**2. Dividends**

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

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

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

(Percentage figures represent period on period changes (cumulative, full year) or year on year changes)

	Net sales		Operating income		Recurring income		Profit for the year attributable to Owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal Year Ending March 2016	1,050,000	5.3.	39,000	14.7	40,000	9.8	22,000	18.5	124.20

Note: Revised forecast for the quarter under review: Yes

\* Notice

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

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

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

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

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

(c) Changes in accounting estimates: None

(d) Restatements: None

(Note) For details, please refer to accompanying materials page 6, “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, 2015	177,410,239	As of March 31, 2015	177,410,239
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(b) Treasury stock

As of September 30, 2015	279,405	As of March 31, 2015	278,529
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(c) Average number of shares during the term (cumulative for the quarter)

As of September 30, 2015	177,131,326	As of September 30, 2014	177,133,294
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\* Indication regarding the performance of quarterly review procedures

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

\* Cautionary statement regarding business results forecasts and special notes

(Caution regarding forward-looking statements)

Earnings forecasts and other forward-looking statements in this release are based on data currently available to the Company and certain assumptions that the Company believes are reasonable and are not intended to as a promise by the Company to achieve those forecasts. Actual results may differ substantially due to various factors. For information regarding using the assumptions that form the basis for the business results forecasts, please refer to “1. Qualitative Information related to the Consolidated Business Results (3) Explanation Concerning Forecasts for Consolidated Business Results and Other Future Projections” [Accompanying Materials] (page 4.)

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

### (1) Explanation Concerning Operating Results

In the second quarter (April to September 2015), corporate profits and hiring/income trended upwards in the Japanese economy. Against that backdrop, a gentle recovery continued, but the recovery in capital investment and consumer confidence was slightly lacking in vigor, and some weakness was observed such as in production. Overseas economies exhibited a steady recovery overall, but uncertainty concerning the future was on the rise due to such factors as concern over downside risk in the economies of some advanced countries, monetary policy developments in the United States and a slowdown of economic growth in emerging countries in Asia like China.

In the domestic housing market, which has a deep relationship to our Group businesses, housing loan interest rates hovered at low levels. Additionally, government policies promoted home acquisition, and these things contributed to a trend of change in the impact of the sharp reactive decline accompanying the consumption tax hike. The number of new housing starts in April and later trended higher year on year.

In terms of our financial results in such conditions, net sales increased by 3.6% year-on-year to ¥486,440 million, operating income was ¥12,872 million (an increase of 5.3% year-on-year), recurring income was ¥13,467 million (an increase of 1.1% year-on-year) and net income attributable to owners of parent was ¥6,886 million (a decrease of 5.4% year-on-year).

The increase in net sales, operating income and recurring income was due mainly to a substantial increase in the number of houses sold in the overseas business resulting from the steady housing market in the United States and Australia where we are engaged in the housing business.

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

#### < Business Segments >

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

In the domestic timber and building materials distribution, there was a certain level of improvement in the number of new housing starts. However due to the slow recovery of the timber and building materials market, net sales were down year on year. Additionally, in regards to the domestic building materials manufacturing business, net sales came in according to plan for the most part, but profits were down, mainly as a result of restructuring plants. In the overseas distribution business, efforts were focused on sales of timber and building materials in Southeast Asia and other emerging countries. Furthermore, we made the decision to expand into the Indian market where demand is expected to grow rapidly in the aim of growing our timber and building materials business.

As a result, the timber and building materials business posted net sales of ¥208,240 million (a decrease of 2.0% year-on-year) and recurring income of ¥1,420 million (a decrease of 34.6% year-on-year).

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

In the custom-built detached housing business, we utilized our wealth of experience and design capabilities to increase profits through efforts to increase added value, such as rolling out the Estate Design Project, which offers housing featuring excellent design, and creating large spaces with our proprietary “Big-Frame construction method.” However, due to the impact of the sharp reactive decline accompanying the consumption tax hike last quarter, the backlog of orders received at the beginning of the term was at a low level, and a decrease in the number of units completed and delivered resulted in a year-on-year decrease in net sales.

In the apartment business, we poured efforts into sales leveraging our unique strengths such as detached rental housing, putting together a sales system at all locations of the custom-built detached houses business and offering proposals concerning asset utilization, which is seeing increased demand as a result of revisions made to the inheritance tax, on top of sales by rental housing specialists.

In the renovation business, we worked to strengthen sales targeting owners of detached houses we built by increasing personnel and also worked aggressively on renovation of detached houses built by other companies. As a result, net sales in the renovation business exceeded those of the previous year.

Consequently, the housing business posted net sales of ¥202,516 million (a decrease of 4.8% year-on-year) and a recurring income of ¥8,800 million (a decrease of 18.9% year-on-year).

The status of orders for custom-built detached houses, which is a leading performance indicator, remained steady as the impact of the sharp reactive decline accompanying the consumption tax hike began to fade, and the amount of orders trended favorably at levels exceeding those of the same period of the previous year. In the domestic housing market we poured efforts into proposals for living spaces with high added value that emphasize the wood design sense utilizing our experience with timber that we have cultivated over the years. This was against the backdrop of government policies such as expanded tax deductions for home loans and broader tax exemptions for the gift tax in relation to home purchases and a boost to home purchasing willingness resulting from housing loan interest rates hovering at low levels. We also worked to further promote orders received by expanding custom-built detached housing proposals through the development of twin bolt columns which offer 1.5 times greater strength than large cross-sectional laminated columns (“big columns”) used in housing built utilizing the Big Frame construction method.

As a result, the amount of orders increased 9.7% year-on-year to ¥157,616 million.

#### *(c) Overseas Business*

In the overseas manufacturing business, results in New Zealand and Australia were improved year on year, underpinned by the exchange rate and robust sales. In Indonesia, results fell short of what they were in the previous year as plywood unit selling prices continued to drop and particle board sales struggled. Meanwhile, in Vietnam, particle board production performed well, with the results trending according to the initial plan for the most part.

In the overseas housing and real estate business, the number of houses sold and profit both increased substantially thanks to contribution to full-year results by consolidated subsidiary Gehan Homes Group, in which stakes were acquired last May, and recovery of the United States housing market. Results also trended favorably in Australia as the Henley Group steadily captured actual demand in the midst of a growing housing market spurred especially by a low-interest monetary policy. We also launched a residential land development and lot sales business in Australia, which is phase two of a joint undertaking with another company, in response to continued robust housing demand.

As a result, the overseas business posted net sales of ¥89,492 million (an increase of 55.4% year-on-year) and a recurring income of ¥5,098 million (an increase of 363.6% year-on-year).

#### *(d) Other Businesses*

Besides the aforementioned businesses, the Sumitomo Forestry Group operates the biomass power generation business, management of private-pay elderly care facilities, the leasing business and a wide range of service businesses for residential customers (including non-life insurance agency services) and also manufactures and sells farming and gardening materials and develops IT systems for its Group companies. This year, we launched a day service business effort in the elderly care business in the aim of contributing to the community as well as a house cleaning business using natural cleaners based on the keywords of safety and peace of mind.

The other businesses recorded net sales of ¥8,422 million (an increase of 6.1% year-on-year) and recurring income of ¥249 million (a decrease of 54.8% year-on-year).

## (2) Explanation Concerning Financial Status

### (a) *Balance Sheet Highlights*

At the end of the consolidated second quarter, total assets increased ¥11,035 million compared to the end of the previous consolidated fiscal year to ¥676,573 million due to uncompleted construction contracts increased due to an increase in the number of units under construction in the custom-built detached housing business, an increase in inventories accompanying expansion of the overseas housing and real estate business and an increase in noncurrent assets in conjunction with construction of a biomass power plant. Liabilities increased ¥8,753 million compared to the end of the previous consolidated fiscal year to ¥413,509 million due to an increase in advances received on uncompleted construction contracts associated with an increase in the number of units under construction despite payment of construction costs for construction completed and a decrease in accounts payable for construction contracts. Net assets totaled ¥263,064 million, and the equity ratio was 36.5%.

### (b) *Cash Flow*

The balance of cash and cash equivalents (hereinafter: “cash”) at the end of the second quarter accounting period consolidated) increased ¥6,798 million compared to the end of the previous consolidated fiscal year to ¥110,094 million.

A summary of cash flows is presented below:

#### (Operating Activities)

Net cash provided by operating activities was ¥10,613 million (a decrease of ¥9,330 million was posted in the same period of the previous year). This was a result of cash-increasing factors such as the posting of ¥13,584 million in quarterly net income before income taxes and minority interests and an increase in advances received on uncompleted construction contracts despite factors that decreased cash such as an increase in inventories.

#### (Investment Activities)

Net cash used in investment activities was ¥2,307 million (a decrease of ¥13,232 million was posted in the same period of the previous year). This was due to the use of funds for a capital investment in a biomass power plant and to acquire a stake in the residential land development and lot sales business in Australia despite an increase in capital resulting from withdrawal of time deposits.

#### (Financing Activities)

Net cash used in financing activities was ¥2,024 million (a decrease of ¥16,691 million was posted in the same period of the previous year). This mainly resulted from payment of dividends.

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

Regarding full year business results forecasts for the fiscal year ending March 2016, in light of the most recent developments, we expect there to be changes in the numbers since the “Summary of Financial Results for the First Quarter of the Fiscal Year Ending March, 2016” published on July 31, 2015, so we have revised the forecast of financial results for the cumulative consolidated second quarter of the current year. This is because we expect operating income, recurring income and profit for the year attributable to owners of parent to exceed the initial plan, so we have revised each of the forecasts upward. The reasons for this are that profitability has improved in the domestic housing business more than expected thanks to higher unit selling prices and an improved profit ratio in the custom-built detached housing business and solid results were achieved in the overseas housing and real estate business.

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

	Net sales	Operating income	Recurring income	Profit (loss) attributable to owners of parent	Net income per share
	millions of yen	millions of yen	millions of yen	millions of yen	yen
Previous Forecast (A) (Announced on July 31, 2015)	1,062,000	35,000	36,500	19,500	110.09
Revised Forecast (B)	1,050,000	39,000	40,000	22,000	124.20
Change (B-A)	(12,000)	4,000	3,500	2,500	-
YoY (%)	(1.1)	11.4	9.6	12.8	-
Note: Results from Previous Fiscal Year (Ended March 31, 2015)	997,256	33,994	36,424	18,572	104.85



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

### Changes in Accounting Policies

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

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

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

This has no impact on profit or loss.

### 3. Quarterly Consolidated Financial Statements

#### (1) Consolidated Balance Sheet

(million yen)

	Previous consolidated fiscal year (ended March 31, 2015)	Second quarter consolidated accounting period (ended September 30, 2015)
<b>Assets</b>		
<b>Current assets</b>		
Cash and time deposits	81,756	42,882
Notes and accounts receivable-trade	118,156	119,822
Accounts receivable from completed construction contracts	6,059	4,716
Marketable securities	26,000	47,114
Finished goods, logs and lumber	18,351	17,558
Work in process	1,299	1,688
Raw materials and supplies	6,909	7,114
Costs on uncompleted construction contracts	22,863	28,906
Developed land and housing for sale	39,232	41,562
Real estate for sale in process	37,063	40,610
Deferred tax assets	7,590	7,983
Short-term loans receivable	32,571	46,763
Accounts receivable-other	44,619	42,627
Other	8,752	10,695
Allowance for doubtful accounts	(998)	(1,042)
<b>Total current assets</b>	<b>450,220</b>	<b>458,999</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	62,856	61,922
Accumulated depreciation	(30,968)	(30,484)
Buildings and structures, net	31,888	31,438
Machinery, equipment and vehicles	78,696	73,757
Accumulated depreciation	(57,492)	(53,559)
Machinery, equipment and vehicles, net	21,204	20,198
Land	27,007	26,963
Leased assets	10,299	10,168
Accumulated depreciation	(4,815)	(5,370)
Leased assets, net	5,484	4,798
Construction in progress	8,628	12,279
Other	22,730	22,664
Accumulated depreciation	(7,895)	(8,013)
Other, net	14,835	14,651
<b>Total property, plant and equipment</b>	<b>109,046</b>	<b>110,327</b>
<b>Intangible assets</b>		
Goodwill	5,981	4,782
Other	10,306	9,946
<b>Total Intangible assets</b>	<b>16,286</b>	<b>14,728</b>
<b>Investments and other assets</b>		
Investment securities	75,322	77,088
Long-term loans receivable	3,051	3,380
Net defined benefit assets	303	293
Deferred tax assets	2,196	2,383
Other	11,567	11,712
Allowance for doubtful accounts	(2,452)	(2,337)
<b>Total investments and other assets</b>	<b>89,986</b>	<b>92,520</b>
<b>Total noncurrent assets</b>	<b>215,318</b>	<b>217,574</b>
<b>Total assets</b>	<b>665,538</b>	<b>676,573</b>

(million yen)

	Previous consolidated fiscal year (ended March 31, 2015)	Second quarter consolidated accounting period (ended September 30, 2015)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	102,951	105,331
Accounts payable for construction contracts	64,612	60,382
Short-term debt	31,340	29,888
Current portion of bonds	–	5,000
Lease obligations	2,146	1,808
Income taxes payable	4,617	3,862
Advances received on uncompleted construction contracts	46,791	57,638
Provision for employees' bonuses	9,866	10,327
Provision for directors' bonuses	135	–
Provision for warranties for completed construction	2,275	2,615
Asset retirement obligation	467	479
Other	26,910	26,339
Total current liabilities	292,110	303,668
Long-term liabilities		
Bonds issued	5,000	–
Convertible bonds	20,000	20,000
Long-term debt	41,214	45,528
Lease obligations	3,669	3,164
Deferred tax liabilities	12,244	10,662
Provision for directors' retirement benefits	75	74
Net defined benefit liabilities	13,066	12,539
Asset retirement obligation	975	957
Other	16,403	16,918
Total long-term liabilities	112,646	109,840
Total liabilities	404,756	413,509
<b>Net assets</b>		
Shareholders' equity		
Common stock	27,672	27,672
Capital surplus	26,872	26,872
Retained earnings	161,286	166,046
Treasury stock	(275)	(276)
Total shareholders' equity	215,555	220,314
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22,342	19,957
Deferred gains or losses on hedges	(124)	(127)
Foreign currency translation adjustment	8,101	6,819
Remeasurements of defined benefit plans	(124)	(137)
Total accumulated other comprehensive income	30,195	26,512
Subscription rights to shares	–	12
Non-controlling interests	15,032	16,227
Total net assets	260,782	263,064
Total liabilities and net assets	665,538	676,573

## (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, 2014 - September 30, 2014)	2Q Cumulative Period under Review (Consolidated) (April 1, 2015 - September 30, 2015)
Net sales	469,570	486,440
Cost of sales	391,759	403,315
Gross profit	77,811	83,125
Selling, general and administrative expenses	65,590	70,254
Operating income	12,221	12,872
Non-operating income		
Interest income	217	229
Purchase discounts	187	175
Dividends income	659	656
Equity in earnings of affiliates	509	693
Other	729	779
Total non-operating income	2,300	2,533
Non-operating expenses		
Interest expenses	532	529
Sales discounts	366	343
Foreign exchange losses	92	652
Other	215	412
Total non-operating expenses	1,205	1,938
Recurring income	13,316	13,467
Extraordinary gains		
Gain on sales of investment noncurrent assets	17	106
Gain on sales of investment securities	128	17
Subsidy income	–	705
Gain on abolishment of retirement benefit plan	–	144
Total extraordinary gains	145	972
Extraordinary loss		
Loss on sales of noncurrent assets	2	5
Loss on retirement of noncurrent assets	84	96
Loss on sales of investment securities	3	–
Loss on reduction of noncurrent assets	–	705
Special retirement expenses	–	47
Loss on sales of stocks of subsidiaries and affiliates	–	2
Loss on step acquisitions	338	–
Other	24	–
Total extraordinary loss	452	855
Income before income taxes and non-controlling interests	13,009	13,584
Income taxes-current	4,944	5,711
Income taxes-deferred	(102)	(1,666)
Total income taxes	4,842	4,046
Profit	8,166	9,538
Profit attributable to non-controlling interests	888	2,652
Profit attributable to owners of parent	7,278	6,886

## (Consolidated Statements of Comprehensive Income)

(For the second quarter cumulative period (consolidated))

(million yen)

	Previous 2Q Cumulative Period (Consolidated) (April 1, 2014 - September 30, 2014)	2Q Cumulative Period under Review (Consolidated) (April 1, 2015 - September 30, 2015)
Net income	8,166	9,538
Other comprehensive income		
Valuation difference on available-for-sale securities	1,157	(2,382)
Deferred gains or losses on hedges	197	(4)
Foreign currency translation adjustment	286	(1,615)
Share in equity method affiliates	(18)	154
Total other comprehensive income (loss)	1,622	(3,847)
Comprehensive income	9,788	5,691
Comprehensive income attributable to owners of parent	8,871	3,202
Comprehensive income attributable to non-controlling interests	917	2,489

## (3) Quarterly Consolidated Statements of Cash Flows

(million yen)

	Previous 2Q Cumulative Period (Consolidated) (April 1, 2014 - September 30, 2014)	2Q Cumulative Period under Review (Consolidated) (April 1, 2015 - September 30, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	13,009	13,584
Depreciation and amortization	5,326	5,885
Amortization of goodwill	828	1,188
Provision for (reversal of) doubtful accounts	681	(89)
Provision for (reversal of) employees' bonuses	(557)	455
Provision for (reversal of) directors' bonuses	(120)	(135)
Provision for (reversal of) warranties for completed construction	54	353
Provision for (reversal of) directors' retirement benefits	4	(2)
Net defined benefit liability	136	(505)
Interest and dividends income	(876)	(885)
Interest expenses	532	529
Equity in (earnings) losses of affiliates	(509)	(693)
Losses (gains) on sales of marketable securities and investment securities, net	(124)	(17)
Losses (gains) on step acquisitions	338	–
Losses (gains) on sales/disposal of fixed assets, net	70	(5)
Decrease (increase) in notes and accounts receivable-trade	7,831	(415)
Inventories	(14,269)	(12,510)
Other current assets	4,131	(1,612)
Notes and accounts payable, trade	(17,392)	(2,949)
Advances received	1,158	313
Advances received on uncompleted construction contracts	1,123	10,847
Accrued consumption taxes	(1,854)	2,392
Other current liabilities	(1,369)	(342)
Other, net	384	672
Subtotal	(1,465)	16,061
Interest and dividends income received	1,184	1,473
Interest paid	(560)	(527)
Income taxes paid	(8,489)	(6,394)
Net cash provided by (used in) operating activities	(9,330)	10,613

(million yen)

	Previous 2Q Cumulative Period (Consolidated) (April 1, 2014 - September 30, 2014)	2Q Cumulative Period under Review (Consolidated) (April 1, 2015 - September 30, 2015)
<b>Cash flows from investment activities</b>		
Payments into time deposits	(21,084)	(29,068)
Proceeds from withdrawal of time deposits	17,329	38,236
Decrease (increase) in short-term loans receivable	839	1,182
Payments for purchases of fixed assets	(4,668)	(8,804)
Proceeds from sales of fixed assets	2,819	1,283
Payments for purchases of intangible assets	(597)	(793)
Payments for purchase of investment securities	(203)	(4,426)
Proceeds from sales of investment securities	296	38
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(6,739)	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	6
Payments of long-term loans payable	(1,845)	(348)
Repayments of long-term loans receivable	402	11
Other payments	(466)	(626)
Other proceeds	684	1,002
Net cash used in investment activities	(13,232)	(2,307)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term debt	(1,739)	3,525
Repayments of finance lease obligations	(1,075)	(1,421)
Proceeds from long-term debt	1,537	3,082
Repayment of long-term debt	(3,417)	(3,787)
Repayment of bonds	(10,000)	-
Proceeds from stock issuance to non-controlling interests	31	1
Cash dividends paid	(1,683)	(2,126)
Cash dividends paid to non-controlling interests	(344)	(1,296)
Other payments	(2)	(1)
Net cash provided by (used in) financing activities	(16,691)	(2,024)
Effect of exchange rate change on cash and cash equivalents	(125)	515
Net increase (decrease) in cash and cash equivalents	(39,378)	6,798
Cash and cash equivalents at the beginning of period	128,343	103,296
Cash and cash equivalents at the end of period	88,965	110,094

## (4) 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 second quarter cumulative period (Consolidated, April 1, 2014 –September 30, 2014)

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

(million yen)

	Reporting segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the quarterly, consolidated Statements of Income (Note 3)
	Timber and Building Materials	Housing	Overseas	Total				
Net sales								
(1) Unaffiliated customers	201,983	212,576	51,059	465,618	3,522	469,140	431	469,570
(2) Intersegment sales/transfers	10,593	206	6,518	17,316	4,414	21,730	(21,730)	–
Total	212,576	212,782	57,576	482,934	7,936	490,870	(21,299)	469,570
Segment income (loss)	2,171	10,848	1,100	14,119	551	14,671	(1,355)	13,316

- (Notes)
1. "Other" is business segments not included in the reporting segments. Such segments include biomass power generation business, private-pay elderly care facilities business, leasing business, insurance agency business and farming and gardening material manufacturing and sales business.
  2. The adjusted business loss of ¥1,355 million includes ¥91 million in eliminated intersegment transactions, as well as ¥1,263 million in corporate losses, etc., which are not allocated to any of the reporting segments. Corporate income (loss) is primarily selling, general and administrative expenses, non-operating income or non-operating expenses not belonging to any reporting segments.
  3. Total segment income (loss) is adjusted against recurring loss in the quarterly consolidated statements of income.

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

(Important change in the amount of goodwill)

In the Overseas business segment, a stake was acquired in Gehan Homes, Ltd. and six other companies, and it is now a consolidated subsidiary. The increase in goodwill from this event in the second quarter cumulative period under review is ¥4,187 million.



## II Second quarter cumulative period under review (Consolidated, April 1, 2015 - September 30, 2015)

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

(million yen)

	Reporting segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the quarterly, consolidated Statements of Income (Note 3)
	Timber and Building Materials	Housing	Overseas	Total				
Net sales								
(1) Unaffiliated customers	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 losses, etc., which are not allocated to any of the reporting segments. Corporate income (loss) is primarily selling, general and administrative expenses, non-operating income or non-operating expenses not belonging to any reporting segments.
  3. Total segment income (loss) is adjusted against recurring loss in the quarterly consolidated statements of income.

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

Not applicable

#### 4. Supplementary Information

##### (1) Consolidated Statements of Income

(million yen)

	2Q FY3/15		2Q FY3/16		YoY change	% of YoY change	FY3/15		FY3/16 (Forecast)		YoY change	% of YoY change
Timber and Building Materials Business		212,576		208,240	(4,336)	(2.0%)		423,020		430,500	+7,480	+1.8%
Housing Business		212,782		202,516	(10,265)	(4.8%)		453,940		459,000	+5,060	+1.1%
Overseas Business		57,576		89,492	+31,915	+55.4%		147,024		186,000	+38,976	+26.5%
Other		7,936		8,422	+487	+6.1%		16,565		17,000	+435	+2.6%
Adjustment		(21,299)		(22,230)	(931)	–		(43,293)		(42,500)	+793	–
<b>Net sales</b>		<b>469,570</b>		<b>486,440</b>	<b>+16,870</b>	<b>+3.6%</b>		<b>997,256</b>		<b>1,050,000</b>	<b>+52,744</b>	<b>+5.3%</b>
Gross profit	16.6%	77,811	17.1%	83,125	+5,314	+6.8%	17.0%	169,492	17.3%	182,000	+12,508	+7.4%
Selling, general and administrative expenses		65,590		70,254	+4,663	+7.1%		135,498		143,000	+7,502	+5.5%
Operating income	2.6%	12,221	2.6%	12,872	+651	+5.3%	3.4%	33,994	3.7%	39,000	+5,006	+14.7%
Non-operating income		2,300		2,533	+232	+10.1%		5,005		5,000	(5)	(0.1%)
Non-operating expenses		1,205		1,938	+733	+60.8%		2,575		4,000	+1,425	+55.3%
Non-operating income/loss		1,095		595	(500)	(45.7%)		2,430		1,000	(1,430)	(58.8%)
Timber and Building Materials Business	1.0%	2,171	0.7%	1,420	(751)	(34.6%)	1.0%	4,039	0.9%	3,800	(239)	(5.9%)
Housing Business	5.1%	10,848	4.3%	8,800	(2,048)	(18.9%)	6.2%	28,302	6.6%	30,500	+2,198	+7.8%
Overseas Business	1.9%	1,100	5.7%	5,098	+3,999	+363.6%	4.2%	6,126	5.9%	11,000	+4,874	+79.6%
Other	6.9%	551	3.0%	249	(302)	(54.8%)	7.1%	1,175	0.6%	100	(1,075)	(91.5%)
Adjustment		(1,355)		(2,101)	(747)	–		(3,219)		(5,400)	(2,181)	–
<b>Recurring income</b>	<b>2.8%</b>	<b>13,316</b>	<b>2.8%</b>	<b>13,467</b>	<b>+151</b>	<b>+1.1%</b>	<b>3.7%</b>	<b>36,424</b>	<b>3.8%</b>	<b>40,000</b>	<b>+3,576</b>	<b>+9.8%</b>
Extraordinary gains		145		972	+827	+572.2%		531		1,300	+769	+144.7%
Extraordinary loss		452		855	+403	+89.1%		2,217		1,300	(917)	(41.4%)
Extraordinary gains/losses		(307)		117	+424	–		(1,686)		–	+1,686	–
Profit (loss) attributable to owners of parent	1.5%	7,278	1.4%	6,886	(392)	(5.4%)	1.9%	18,572	2.1%	22,000	+3,428	+18.5%

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

(million yen)

Second Quarter			Q2 FY3/15 (Actual)			Q2 FY3/16 (Actual)			Change	
			Volume	Amount	Unit price	Volume	Amount	Unit price	Volume	Amount
Orders Received	Contract Business	Custom-built detached housing *1	3,904	143,665	32.8	4,087	157,616	34.1	+4.7%	+9.7%
		Apartments *1	684	9,760	14.3	831	12,133	13.9	+21.5%	+24.3%
		Other contracts		358	-		2,659	-		+643.6%
Sales	Contract Business	Custom-built detached housing *2	4,177	149,236	35.7	3,582	134,051	37.4	(14.2%)	(10.2%)
		Apartments *2	357	4,970	13.9	414	6,772	16.4	+16.0%	+36.3%
		Other contracts		945	-		532	-		(43.7%)
	Detached spec homes business *3	88	3,321	37.7	133	5,187	39.0	+51.1%	+56.2%	
	Land for custom-built housing		1,995	-		2,140	-		+7.3%	
	Existing home renovation (Resale of renovated homes)		2,859	-		2,691	-		(5.9%)	
	Other *4		4,039	-		3,414	-		(15.5%)	
Total			167,365	-		154,788	-		(7.5%)	
Profit ratio		Gross profit		24.5%	40,952	25.3%	39,208			
Backlog of Orders Received at Term End	Contract Business	Custom-built housing	8,308	290,165	34.9	8,147	296,136	36.3	(1.9%)	+2.1%
		Apartments	1,720	22,267	12.9	2,282	31,058	13.6	+32.7%	+39.5%
		Other contracts		1,236	-		2,595	-		+109.9%
<< Sumitomo Forestry Home Tech (Renovation) >>										
Orders Received	Contract Business			28,492	-		32,710	-		+14.8%
Construction Completed				27,323	-		28,859	-		+5.6%
Backlog of Orders Received at Term End				24,265	-		26,178	-		+7.9%

(million yen)

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

\* 1: The unit price of custom-built detached housing and 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 wooden 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 3/15	18,860	295	245	222	19,349	333
				FY 3/15	37,469	154	73	(1,438)	18,209	1,194
				2Q FY 3/16	17,749	9	(65)	14	18,067	1,204
				FY 3/16 (F)	36,000	200	100	130	-	-
Sumitomo Forestry Residential Co., Ltd. (Shinjuku-ku, Tokyo) (Housing Business)	Mar 1985	150	100.0%	2Q FY 3/15	9,955	292	281	196	9,951	3,304
				FY 3/15	20,377	685	642	412	10,346	3,519
				2Q FY 3/16	10,737	327	324	198	10,896	3,717
				FY 3/16 (F)	22,500	780	750	530	-	-
Sumitomo Forestry Home Engineering Co., Ltd. (Shinjuku-ku, Tokyo) (Housing Business)	Dec 1999	75	100.0%	2Q FY 3/15	41,173	344	398	215	31,952	3,051
				FY 3/15	82,861	700	800	508	29,078	3,343
				2Q FY 3/16	35,762	275	367	215	28,874	3,051
				FY 3/16 (F)	78,000	670	830	500	-	-
Sumitomo Forestry Home Service Co., Ltd. (Shinjuku-ku, Tokyo) (Housing Business)	Sep 1964	400	100.0%	2Q FY 3/15	2,930	101	103	106	2,841	329
				FY 3/15	6,089	282	267	524	3,664	747
				2Q FY 3/16	3,028	210	206	507	3,423	1,254
				FY 3/16 (F)	6,100	420	400	650	-	-
Sumitomo Forestry Landscaping Co., Ltd. (Nakano-ku, Tokyo) (Housing Business)	Apr 1977	200	100.0%	2Q FY 3/15	13,251	530	541	324	9,726	3,399
				FY 3/15	27,946	1,108	1,141	686	11,445	3,761
				2Q FY 3/16	12,945	517	530	304	9,677	3,380
				FY 3/16 (F)	28,000	1,200	1,250	840	-	-
Sumitomo Forestry Home Tech Co., Ltd. (Chiyoda-ku, Tokyo) (Housing Business)	Oct 1988	100	100.0%	2Q FY 3/15	28,785	1,333	1,358	796	23,719	3,041
				FY 3/15	59,646	2,610	2,651	1,635	22,359	3,880
				2Q FY 3/16	30,376	888	907	550	24,402	2,795
				FY 3/16 (F)	67,500	3,500	3,500	2,300	-	-
PT.Kutai Timber Indonesia (Jakarta, Indonesia) (Overseas Business) *2	Sep 1970	27,000 (Thousand US\$)	99.9%	2Q FY 12/14	6,445	513	501	376	7,487	3,547
				FY 12/14	13,122	772	782	585	8,741	4,443
				2Q FY 12/15	6,879	444	407	306	8,706	4,824
				FY 12/15 (F)	13,700	780	700	560	-	-
Alpine MDF Industries Pty Ltd. (Wangaratta, Victoria, Australia) (Overseas Business) *3	May 1994	62,474 (Thousand AUS)	(100.0%)	2Q FY 12/14	2,086	(329)	(374)	(373)	4,328	565
				FY 12/14	4,544	(232)	(329)	(369)	4,268	346
				2Q FY 12/15	2,458	207	160	160	4,195	490
				FY 12/15 (F)	5,000	240	160	160	-	-
Henley Properties Group (Mount Waverley, Victoria, Australia) (Overseas Business) *3 *5	Oct 1989	42,325 (Thousand AUS)	(51.0%)	2Q FY 12/14	26,715	1,694	1,560	1,366	33,827	13,794
				FY 12/14	67,671	5,990	5,762	4,230	38,000	16,730
				2Q FY 12/15	34,601	3,079	2,951	2,324	41,089	18,012
				FY 12/15 (F)	72,000	6,300	5,900	3,900	-	-
Nelson Pine Industries Ltd. (Richmond, Nelson, New Zealand) (Overseas Business) *4	Oct 1984	45,500 (Thousand NZ\$)	(100.0%)	2Q FY 12/14	7,520	73	85	60	19,003	16,972
				FY 12/14	15,637	256	468	336	20,558	18,209
				2Q FY 12/15	8,502	158	181	130	18,593	16,357
				FY 12/15 (F)	15,600	360	300	220	-	-
Gehan Homes Group (Addison, Texas, USA) (Overseas Business) *2 *6	May 1994	706 (Thousand US\$)	(51.0%)	2Q FY 12/14	6,821	677	654	641	20,319	6,350
				FY 12/14	29,241	3,106	3,141	3,021	29,544	9,946
				2Q FY 12/15	28,306	3,040	3,208	3,146	31,761	11,167
				FY 12/15 (F)	58,000	7,100	6,800	6,600	-	-

\*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 nine companies, including Henley Arch Unit Trust and Henley USA LLC

\*6 The Gehan Homes Group consists of eight companies, including Gehan Homes, Ltd. The figures from the statements of income for the second quarter of the year ending 12/14 are for the two months following the date of acquisition of a stake in the company.

The figures from the statements of income for the full year ending 12/14 are for the eight months following the date of acquisition of a stake in the company.

	*2 US\$	*3 AUS	*4 NZ\$
2Q FY 12/14	102.48	93.74	86.99
FY 12/14	105.88	95.38	87.78
2Q FY 12/15	120.26	94.06	89.20
FY 12/15 (F)	121.00	92.00	86.00