

Summary of Consolidated Financial Results For the Year Ended March 2014

Name of Company: Sumitomo Forestry Co., Ltd.
 Stock Code: 1911
 Stock Exchange Listing: Tokyo, Osaka
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 Date of regular general meeting of shareholders: June 20, 2014
 Date of commencement of dividend payment (tentative): June 23, 2014
 Date of filing of securities report: June 20, 2014
 Existence or non-existence of preparation for supplemental explanation documents: Exist
 Existence or non-existence of results briefing: Exist (For securities analysts and institutional investors)

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

1. Financial results for the current fiscal year (April 1, 2013 – March 31, 2014)

(1) Result of operations (Consolidated)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended March 2014	972,968	15.1	33,415	31.9	33,567	24.4	22,531	41.5
FY ended March 2013	845,184	1.6	25,330	32.0	26,981	30.3	15,923	71.8

Note: Comprehensive income

FY ended March 2014 30,385 million yen (17.2%)
 FY ended March 2013 25,933 million yen (192.8%)

	Net income per share	Net income per share fully diluted	Return on equity	Ratio of recurring income to assets	Operating income margin
	Yen	Yen	%	%	%
FY ended March 2014	127.20	122.16	11.0	5.6	3.4
FY ended March 2013	89.89	□	8.8	5.1	3.0

Note: Equity in losses of affiliates

FY ended March 2014 522 million yen
 FY ended March 2013 140 million yen

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2014	645,197	226,078	33.9	1,234.53
As of March 31, 2013	547,973	193,250	35.1	1,086.68

Note: Shareholders' equity

FY ended March 2014: 218,676 million yen
 FY ended March 2013: 192,491 million yen

(3) Cash flow position (Consolidated)

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investment activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY ended March 2014	54,057	(10,476)	8,511	128,343
FY ended March 2013	45,910	(28,662)	(5,305)	75,658

2. Dividends

	Dividend per share					Annual aggregate amount	Payout ratio (Consolidated)	Dividends/net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY ended March 2013	□	7.50	□	9.50	17.0	3,011	18.9	1.7
FY ended March 2014	□	9.50	□	9.50	19.0	3,366	14.9	1.6
FY ending March 2015 (est.)	□	9.50	□	9.50	19.0		18.7	

3. Forecast for the fiscal year ending March 2015 (Consolidated, April 1, 2014 - March 31, 2015)

	Net sales		Operating income		Recurring income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	465,000	6.9	10,000	-3.1	10,500	-3.1	6,000	-45.8	33.87
Full year	990,000	1.8	31,000	-7.2	32,000	-4.7	18,000	-20.1	101.62

* Notice

(1) Changes in main subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): Exist
New Company 1 (Company name) Henley Arch Unit Trust, Excluded Company 1 (Company name) Fuxin Sumirin Wood Products Co., Ltd.

(Note) For details, please refer to accompanying materials page 22, "4. Consolidated Financial Statements (6) Basis of Presenting the Consolidated Financial Statements."

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

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

(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 24, "4. Consolidated Financial Statements (7) Change in Accounting Policy."

(3) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock)

As of March 31, 2014	177,410,239	As of March 31, 2013	177,410,239
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(b) Treasury stock

As of March 31, 2014	276,468	As of March 31, 2013	273,712
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(c) Average number of shares during the term

As of March 31, 2014	177,134,880	As of March 31, 2013	177,137,337
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Non-consolidated Financial Results (For reference)

Financial results for the current fiscal year (April 1, 2013 – March 31, 2014)

(1) Result of operations (Non-consolidated)

(% displayed is change on previous FY)

	Net sales		Operating income		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2014	756,497	10.9	23,231	20.3	26,752	16.1	16,092	10.0
Fiscal year ended March 2013	682,432	0.3	19,311	40.8	23,047	32.6	14,625	49.4

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1. Analysis of the Results of Operations and Financial Conditions

(1) Analysis of Results of Operations

(a) Results of Operations

Against a backdrop of a slowly recovering global economy, especially in the United States and Europe, and the effects of economic measures and monetary policies of the government and the Bank of Japan, the Japanese economy displayed signs of a gentle recovery in the current term, including improved corporate profits and an increase in capital expenditures resulting from continued depreciation of the yen and other factors and a recovery in consumer spending resulting from an improved employment and income environment.

With respect to the domestic housing market which has a deep relationship to our Group businesses, housing loan interest rates hovered at low levels, the effects of expanded tax relief for housing loans and other government initiatives designed to promote housing purchases manifested themselves, and there was surge demand ahead of the consumption tax hike. As a result of these and other factors, the number of new housing starts reached 987,000*(an increase of 10.6% year-on-year). Of this number, owner-occupied dwellings were 353,000*(an increase of 11.5% year-on-year). At the same time, a sharp reactive decline in surge demand has become apparent in the second half, leaving a sense of uncertainty for the future. ※Amounts have been rounded down to the nearest thousand yen.

Under this economic environment, our Group engaged in efforts to improve profitability of the timber and building materials business and the custom-built detached housing business, which are the main businesses. We also made efforts to expand the overseas business and the renovation and leasing housing business, by such means as proactively injecting management resources in order to build a balanced portfolio that is not overly affected by trends in the number of domestic new housing starts. As a result of this, we posted sales of ¥972,968 million (an increase of 15.1% year-on-year), operating income of ¥33,415 million (an increase of 31.9% year-on-year), recurring income of ¥33,567 million (an increase of 24.4% year-on-year) and net income of ¥22,531 million (an increase of 41.5% year-on-year). The reasons that the net income increased were that additional equity interest in an equity-method affiliate, which is engaged in the housing business in Australia, was acquired in September of last year, and it was made a consolidated subsidiary, resulting in the posting of a marginal gain on step acquisition of ¥2,124 million as an extraordinary gain as well as that income taxes were reduced due to reversal of ¥2,077 million in deferred tax liabilities recorded in previous years resulting from an exemption from withholding tax on dividends payable by a subsidiary in New Zealand which became applicable as the result of amendment to the tax treaty between Japan and New Zealand.

Additionally, our Group worked on putting together and improving a construction system in the Tohoku area in order to contribute to early recovery in Tohoku, which was struck by the Great East Japan Earthquake. The whole Group came together to push out efforts in the disaster-stricken area, including the promotion of order receiving activities for damaged public housing and of the wood-use integration business in aim of expanding adoption of timber construction and wood-based interior finishings in non-residential buildings.

Business segment performance is described below. The net sales for each segment include intersegment internal sales and transfers.

1) Timber and Building Materials Business

In the timber and building materials business, we promoted a sales strategy closely linked to local areas and poured efforts into the sale of materials in the renovation market to expand our market share in Japan, while overseas, we worked on expanding our business in the Asian market.

In the domestic timber and building materials distribution business, we focused our efforts on expanding sales of environmentally sound products such as plantation timber and timber from certified forests as well as on seeking to capture demand accompanying an increase in the number of new housing starts and further bolstering links with customers. This resulted in an increase in the volume handled. With regards to the domestic timber distribution

business, against a backdrop of increased sales of high quality domestic timber products and depreciation of the yen, we focused our efforts on domestic timber exports to Asian countries.

In the timber and building materials distribution business overseas, we worked on expanding sales of our overseas subsidiaries' products focusing on China and Southeast Asia.

In the domestic building materials manufacturing business, we launched the "BeRiche" series, which offers a vast variety of products to complement a diverse range of home interior styles, and focused on expanding sales. However, the results were less than favorable due to the impact of a steep rise in the price of raw materials, increased costs accompanying the switch to new products and product repair costs.

As a result of the above, we posted sales of the timber and building materials business of ¥458,611 million (an increase of 14.3%) and recurring income of ¥4,950 million (an increase of 5.2% year-on-year).

2) Housing Business

(New custom-built housing business)

In the custom-built detached housing business, we engaged in efficiently injecting management resources according to market circumstances in order to respond to the surge demand ahead of the consumption tax hike and subsequent sharp reactive decline and endeavored to increase the rate of installation of environmentally sound equipment, such as solar power systems and household fuel cells ("ENE-FARM"). We also worked to expand orders received for our "Big-Frame Construction method," which has superior earthquake resistance and offers greater design flexibility allowing the proposal of floor plans where the position of columns differs on upper and lower floors.

With regard to specific efforts to promote sales, we held "Sumai Haku" housing fairs in Yokohama, Osaka and Nagoya where visitors can get a comprehensive, hands-on look at Sumitomo Forestry houses. We also opened a permanent technology housing display center in Tokyo and Osaka, which provides easy-to-understand exhibits on the structural features of our "Big-Frame Construction method" and promoted a next-generation display center strategy based on a new concept, including nationwide expansion of our proto-housing display center, which overflows with our wood design sense. On the product strategy front, we launched "MySelect BF-Si" standard home designs that can be personalized via a website to respond to the diverse needs of our customers. We also launched "Super Natural Mahogany," a material for housing interiors manufactured from a mahogany plantation properly managed in an environmentally sound manner.

In the apartment business, we worked on expanding orders of our detached rental housing called "Forest Maison Houses for rent" and launched "Forest Maison Sharehouse" to expand our lineup of wooden rental housing products.

(Renovation and leasing housing business)

In our renovation business, we endeavored to enhance the degree of recognition of our renovation product brand "Reforest" and sought to bolster our sales capabilities by increasing our sales force principally in the three major metropolitan areas in order to expand our market share. We also modified our hydraulic damper seismic control systems used in high-rise buildings for use in wooden housing and developed "Original Seismic Control Damper Model S," which absorbs and reduces the shaking caused by earthquakes. We have a lineup of renovation offerings that includes "Seismic Resistance/Seismic Control Double Construction" with conventional earthquake-resistant construction methods. Moreover, we actively worked on expanding orders by focusing on condominium renovation offerings as well. As a result, performance was strong.

In our existing home renovation business (resale of renovated homes), which conducts the renovation and resale of used homes, we worked to strengthen and expand our after-sales service system to maintain a pleasant living

environment over a long period of time. We also launched a new brand called “foRestia” and carried out resale activities for high quality condominiums incorporating our Group’s technical capabilities.

In our real estate distribution and management business, we focused on developing a management organization to address market trends and bolstering earnings power.

(Spec home/Wood-use integration business)

In our detached spec home business, we poured efforts into enhancing our sales capabilities, but performance was sluggish.

As for the wood-use integration business, we endeavored to expand orders by such means as receiving orders for construction of private-pay elderly care facilities and other wooden buildings. Some of the orders we received during this term were selected for the Wood Building Technology Leadership Business Project promoted by the Ministry of Land, Infrastructure, Transport and Tourism.

As a result of the above, we posted housing business net sales of ¥465,368 million yen (an increase of 8.0% year-on-year) and recurring income of ¥32,211 million (an increase of 22.8% year-on-year).

3) Overseas Business

As regards our overseas business, we proactively injected management resources to improve profitability and expand the size of our business while at the same time pouring effort into the implementation of measures to improve the bottom line of unprofitable businesses.

In the overseas resources and manufacturing business, our results trended firmly due to increased sales volume in New Zealand directed towards Japan where the number of new housing starts was trending upwards and an increase in plywood exports in Indonesia on top of a drop in the price of raw materials. In Australia, our focus on domestic sales and other efforts resulted in an improvement in our bottom line. In Vietnam, we worked to build a stable particle board production system. In China, we partly transferred our interest in a plywood manufacturing subsidiary that was facing difficult business circumstances to another company and removed it from our consolidated results. We endeavored to promote our business in Indonesia and other countries by such means as expanding the area of our plantations in order to provide a stable supply of environmentally sound materials.

As for our overseas housing and real estate business, performance was strong in the United States owing to an increase in the number of units sold against a backdrop of a healthy housing market. In Australia, although the number of units sold plateaued, cost-cutting and other efforts resulted in solid performance. Additionally, in order to further grow our overseas housing business, we acquired equity interest in a Texas housing company in the United States and acquired additional equity interest in an equity-method affiliate engaged in the housing business in Australia, making it a consolidated subsidiary. Net sales in our overseas business increased substantially as a result of making this affiliate into a consolidated subsidiary.

As a result of the above, we posted overseas business net sales of ¥76,320 million (an increase of 97.4% year-on-year) and a recurring loss of ¥149 million (the recurring loss in the previous fiscal year was ¥1,840 million).

4) 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.

We posted net sales of other businesses of ¥17,286 (an increase of 12.2% year-on-year) and a recurring income of ¥821 million yen (an increase of 8.9% year-on-year).

(b) Outlook for the Fiscal Year Ending March 31, 2015

With respect to future economic trends, although a sharp reactive decline has been observed related to surge demand following the consumption tax hike, the economy is expected to gradually recover with an uptick in exports and an increase in capital expenditures resulting from various government policies. At the same time, there is a risk that a downturn in overseas economies could bring the domestic economy down, and there could be residual effects in the domestic housing market associated with the sharp reactive decline after the surge demand, so it is predicted that economic conditions will remain uncertain.

Under this economic environment, our Group will proactively inject management resources in order to establish the overseas business and renovation and leasing housing business, which are growth businesses, as a new earnings foundation and engage in ongoing investment in new businesses keeping our fiscal health in mind. We will also continue to work on increasing the value of each business division and reducing costs in order to enhance profitability.

In the timber and building materials business, we will further bolster links with our business partners as we seek continued expansion of our market share in Japan, including the sale of materials in the renovation market. Overseas, we will focus on expanding the sales of products of overseas subsidiaries, primarily in Asian markets.

As regards the housing business, in the custom-built detached housing business, we will proactively inject management resources into metropolitan areas and roll out a unique display center strategy while working to expand orders in the apartment business through such means as offering high value-added rental housing in collaboration with Group companies. Additionally, we will work on expanding orders in the three major metropolitan areas and for condominium renovations and endeavor to enhance the degree of recognition of our brand in the existing home renovation (resale of renovated homes) as we focus on further expanding our renovation and leasing housing business. Moreover, in the detached spec homes business, we will focus on expanding the scale of the business, and in our wood-use integration business, we will develop proprietary technology and promote activities to receive orders.

In the overseas business, we are seeking to improve our environmentally sound afforestation technology in the resources and manufacturing business and will work on establishing efficient business operations while developing a stable production system as quickly as possible. In our housing and real estate business, we will further spread the housing business know-how that we have accumulated throughout our existing Group companies and work to improve our quality and design capabilities while also promoting business expansion with an eye toward securing profitability.

With regards to the forest operation business, we will continue to engage in sustainable forest management that considers the environment under a forest management plan which takes a long-term view. We will also continue to provide consulting services related to forest management, leveraging the know-how we have cultivated up to now in our company-owned forest management to contribute to vitalization of the domestic forestry industry. We will also increase the value of forests by utilizing wood resources, such as in our new business of wood biomass power generation utilizing unused left-over timber and thinnings and other materials in Mombetsu City, Hokkaido and contribute to job creation and regional vitalization.

In addition to the above-mentioned efforts, our Group will strengthen efforts to promote environmental conservation and legal compliance in anticipation of social change while listening to feedback from stakeholders and fulfill the social responsibility required of us as a corporate citizen. We will also develop businesses which contribute to the creation of a sustainable society leveraging the knowledge and technology related to wood that we have cultivated in our business activities up until now.

(2) Analysis of the Financial Position

(a) Balance Sheet Highlights

(million yen)

	Fiscal year ended March 2013	Fiscal year ended March 2014
Total assets	547,973	645,197
Total liabilities	354,723	419,120
Total net assets	193,250	226,078

Total assets were ¥645,197 million at the end of the current consolidated fiscal year, an increase of ¥97,224 million year on year. The increase was attributable, among other things, to an increase in liquid funds on hand resulting from increased revenue and the impact of including an equity-method affiliate engaged in the housing business in Australia in the consolidated results. Liabilities rose by ¥64,397 million year on year to ¥419,120 million. This was mainly the result of the issuance of convertible bonds and an increase in advances received on uncompleted construction contracts accompanying an increase in the number of units under construction in the custom-built detached housing business. Net assets totaled ¥226,078 million, and the equity ratio was 33.9%.

(b) Cash Flow

(million yen)

	Fiscal year ended March 2013	Fiscal year ended March 2014
Cash flows from operating activities	45,910	54,057
Cash flows from investment activities	(28,662)	(10,476)
Cash flows from financing activities	(5,305)	8,511
Effect of exchange rate change on cash and cash equivalents	(124)	593
Net increase (decrease) in cash and cash equivalents	11,819	52,685
Cash and cash equivalents at beginning of period	63,839	75,658
Cash and cash equivalents at end of period	75,658	128,343

There was a net increase of ¥52,685 million in cash and cash equivalents (hereinafter: “cash”) to ¥128,343 million.

A summary of cash flows is presented below.

1) Operating Activities

Net cash provided by operating activities was ¥54,057 million. In addition to income before income taxes and minority interests of ¥34,629 million and depreciation of ¥9,810 million, this increase also resulted from factors that increased cash, such as the increases in advances received on uncompleted construction contracts and note and accounts payable, which together exceeded such cash-decreasing factors as income taxes paid.

2) Investment Activities

Net cash used in investment activities totaled ¥10,476 million. This was due to the use of funds for acquiring equity interest in a North American housing business company and capital expenditures at the biomass power generation business company in Japan, with an increase in cash resulting from withdrawal of time deposits exceeding deposits by ¥9,642 million.

3) Financing Activities

Net cash used in financing activities increased by ¥8,511 million. This was chiefly due to the issuance of ¥20,000 million in convertible bonds while at the same time paying dividends and repaying loans.

The following table shows financial indicators associated with cash flows.

	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14
Equity ratio (%)	34.6	33.3	33.6	35.1	33.9
Equity ratio based on market value (%)	28.8	27.4	26.5	32.7	28.5
Ratio of interest-bearing debt against cash flow (years)	1.8	4.0	2.5	1.5	1.7
Interest coverage ratio (times)	31.8	13.7	20.0	34.9	44.2

(Notes) Equity ratio = shareholders' equity/total assets

Equity ratio based on market value = market value of total shares/total assets

Ratio of interest-bearing debt against cash flow = interest-bearing debt/operating cash flow

Interest coverage ratio = operating cash flow/interest expense

* All calculations are on a consolidated base.

* Market value of total shares is calculated based on the year-end closing share price × the number of shares issued, except for treasury stock.

* Amounts used for operating cash flow and interest expense are taken from "cash flows from operating activities" and "interest expense" reported in the consolidated statements of cash flows. Interest-bearing debt consists of all debts appearing on the balance sheet that incur interest. Amounts used for interest expense are taken from "interest paid" reported in the consolidated statements of cash flows.

(3) Policy on Profit Distribution and Dividends for FY 3/14 and FY 3/15

Sumitomo Forestry has a fundamental policy of achieving stable and continuous shareholder returns and considers this to be one of its highest priorities. The Company places great importance on improving the return on capital employed, a key performance indicator, in order to become more profitable. In addition, the Company returns an appropriate level of earnings to shareholders in accordance with total earnings, while taking into account the need to continually balance these distributions with the base of operations, financial position, investment plans and other items.

Based on the above-mentioned basic policy, as well as comprehensive consideration of the current period operating results, the Company plans to pay a fiscal year-end dividend of ¥9.50 per share for the fiscal year that ended in March 2014. Together with the interim dividend of ¥9.50 per share that the Company has already paid, this will bring the dividend for the full year to ¥19.00 per share, an increase in the dividend of ¥2.00 compared with the fiscal year that ended in March 2013.

For the fiscal year ending in March 2015, the company plans to pay an annual dividend of ¥19.00 per share - an interim and year-end dividend of ¥9.50 each.

(4) Business Risk

(a) Housing Market Trends

The Sumitomo Forestry Group business results are heavily reliant on housing market trends. Changes in the following business conditions may cause a significant decline in housing orders that could impact the Group's operating results and financial position.

1) Economic Cyclical Changes

An economic slump or deterioration in the economic outlook, or a consequential worsening of the employment situation and decline in personal consumption, could affect the Group's operating results and financial position by weakening customers' appetite for purchasing housing.

2) Interest Rate Fluctuations

Interest rate increases, particularly rises in long-term interest rates, can have an adverse effect on demand as they cause an increase in total payments for customers purchasing detached housing, many of whom take out loans for the purchase, and for customers who build apartment buildings to use their land more effectively. However, the anticipation of interest rate rises can induce a temporary surge in home purchases, as consumers seek to avoid high loan costs.

3) Land Price Fluctuations

A sharp rise in land prices can negatively impact consumers' inclination to purchase land on which to build housing.

Conversely, a steep drop in land prices is a form of asset deflation and can reduce demand for home reconstruction. Consequently, both substantial rises and substantial falls in land prices have the potential to impact the Group's operating results and financial position.

4) Tax System and Housing-Related Policy Changes

In the future, the scheduled increase in the rate of the consumption tax has the potential to induce surge demand in housing purchases and thus temporarily increasing housing demand. However, this could later invite a sharp reactive decline. Moreover, changes to housing-related policies such as tax breaks associated with housing loans and subsidy programs could affect the motivation for customers to buy housing, impacting the Group's operating results and financial position.

(b) Statutory Changes

Laws and regulations surrounding the housing business include the Personal Information Protection Act, Building Standards Law, Construction Industry Law, Registered Architect Law, Building Lots and Building Transaction Business Law, Urban Planning Law, National Land Use Planning Law, Housing Quality Assurance Law, and Waste Disposal and Public Cleaning Law (law concerning procedures for waste disposal and site clean-up). The Sumitomo Forestry Group diligently conforms to all laws and regulations while recognizing that the abolition, revision, or adoption of laws and regulations can substantially influence the Group's operating results and financial position.

(c) Timber and Building Materials Market Conditions

A decline in prices for timber and building materials reduces the profitability of the timber and building materials business. On the other hand, a steep increase in prices for timber and building materials or higher prices for other building materials can lead to higher materials costs for the housing business, which could impact Group results. Fluctuations in the price for other raw materials, such as oil, can directly or indirectly affect raw materials prices and influence the Group's operating results and financial position.

(d) Exchange Rate Fluctuations

The Group is taking measures to reduce the foreign exchange risks attendant on foreign currency-denominated imports through foreign exchange forward contracts and other means. However, temporary exchange rate fluctuations greater than those expected may occur. Also, there is a chance that fluctuations in the exchange rates of currencies of settlement may impact subsidiaries that sell and manufacture timber and construction materials overseas, impacting the Group's operating results and financial position.

(e) Product Quality Assurance

The Group endeavors to ensure complete quality control with respect to its products, housing and all other aspects of its operations. However, serious quality issues arising from unforeseen circumstances have the potential to impact the Group's operating results and financial position.

(f) Overseas Business Activities

The Group conducts various business activities overseas and engages in business transactions, such as product transactions, with various business partners overseas. Consequently, as is the case with domestic Japanese operations, laws and regulations, economic and social conditions, and consumer trends in the foreign countries in which the Group conducts business can influence the Group's operating results and financial position.

(g) Retirement Benefit Obligations

A significant deterioration in the investment performance of the Group's pension assets or the necessity to revise assumptions for pension actuarial calculations could entail an increase in pension assets or increase the costs associated with pension accounts, potentially impacting the Group's operating results and financial position.

(h) Stock Market

Volatile stock price fluctuations could cause the Group to book valuation losses on its securities holdings, thereby negatively impacting its operating results and financial position.

(i) Natural Disasters

Damage from a major earthquake, wind, flood, or other destructive natural element could result in cost increases arising from interrupted operations at facilities, verification of safety in our housing products, delays in the completion of construction contracts, or other events. A significant increase in costs caused by a natural disaster could influence the Group's operating results and financial position.

(j) Information Security

The Group makes every possible effort to ensure the proper and secure management of the large volume of customer information it holds, through establishing necessary rules and systems and conducting extensive education and training of executives and employees. Despite such precautions, customer information could leak out due to a computer system breach by a malicious third party, the theft of recording media holding such information, a human error by an employee or contracted worker, an accident, or other causes. In such cases, the Group could face customer claims for compensatory damages and lose the trust of customers and the market, which could affect the Group's operating results and financial position.

(k) Environmental Risk

“Symbiosis with the Environment” is a top priority for the Group and is one of the four action guidelines of the Group's corporate philosophy. Changes to environmental regulations in Japan or overseas or major environmental issues could lead to fines, compensation payments, costs associated with resolving environmental problems that could influence the Group's operating results and financial position.

(l) Decline in the Value of Assets under Management

In the event that a marked deterioration in market conditions led to a decline in the value of Group assets under management such as real estate holdings and products, valuation losses could be incurred and assets could be written down due to impairment, which could influence the Group's operating results and financial position.

(m) Provision of Credit to Business Partners

The Group extends credit to business partners in the form of trade receivables etc., and sets appropriate limits and reserves for credit losses to avoid exposure to credit risk. As these measures do not ensure complete avoidance of exposure to credit risk, credit risk could still potentially influence the Group's operating results and financial position.

(n) Litigation Risk

As the Group is engaged in a range of business activities in Japan and overseas, it is possible that the said activities could be subject to litigation and/or a dispute. In the event that these activities became subject to litigation, the Group's operating results and financial position could be influenced adversely.

(o) Fundraising Risk

The Group conducts fundraising, such as borrowing from financial institutions, and as such there is the possibility that fundraising costs may increase or fundraising itself could be restricted due to changes in the economic environment or lower credit ratings. In this event, the Group's operating results and financial position could be impacted.

* Statements in this report with respect to matters in the future are forward-looking statements deemed logical by the Group as of the date of the production of this report.

2. Corporate Group

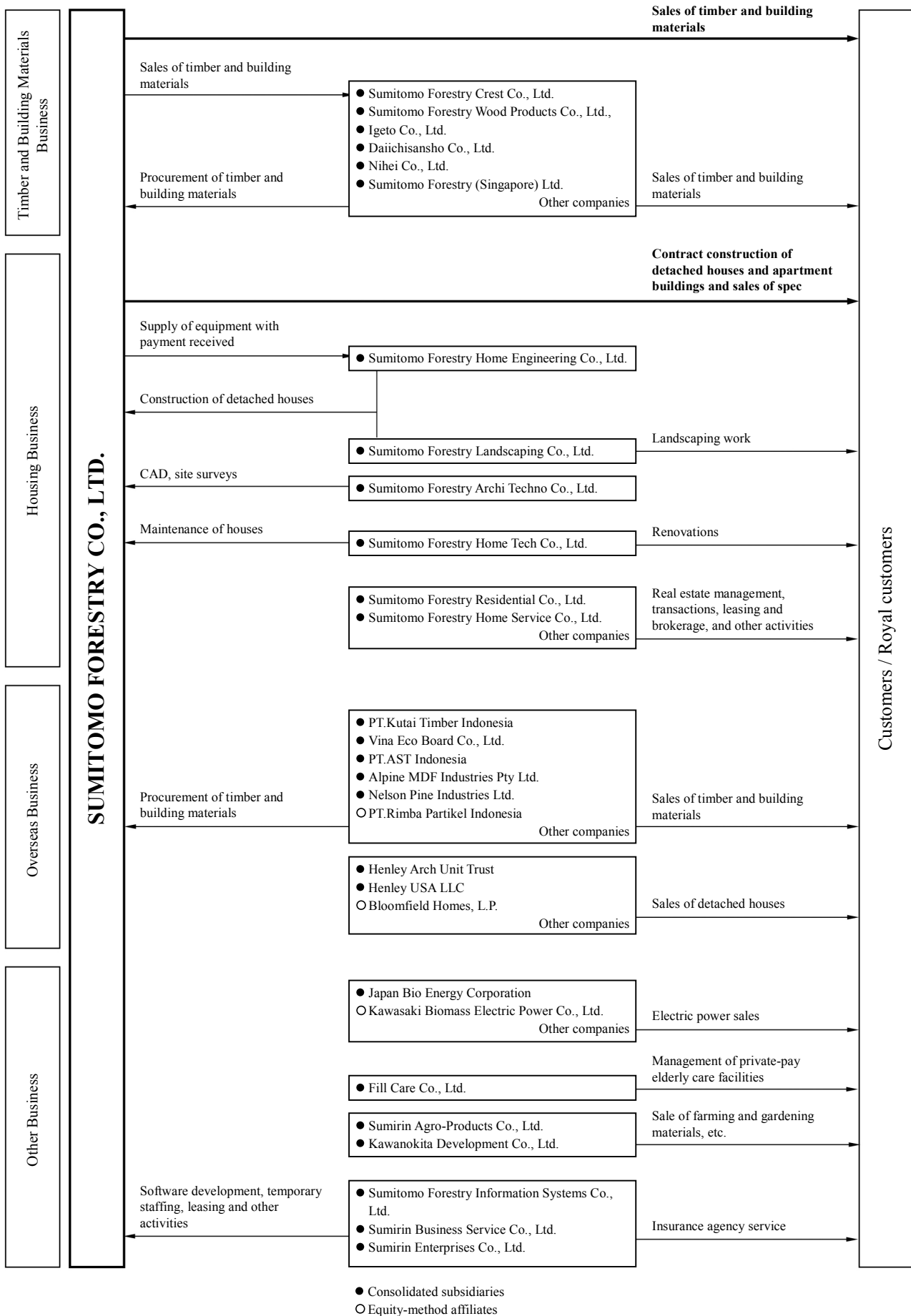
The Sumitomo Forestry Group (Sumitomo Forestry and its related companies) consists of Sumitomo Forestry, 58 consolidated subsidiaries and 16 equity-method affiliates. These companies are engaged primarily in the afforestation business, which includes the procurement, manufacture, processing and sale of timber and building materials, the construction and renovation of detached houses and apartment buildings, the sale of spec homes, real estate management and brokerage, and other business activities associated with these, both domestically and abroad.

The following table shows business activities and the positioning of these businesses within the group.

The following four business sectors are the same as the business segments used for financial reporting.

Timber and Building Materials Business	Business description	Procurement, manufacture, processing and sale of timber (logs, chips, lumber, laminated lumber, etc.) and building materials (plywood, fiberboard, processed wooden building materials, ceramic building materials, metal building materials, housing equipment, etc.)
	Major related companies	Sumitomo Forestry Crest Co., Ltd., Sumitomo Forestry Wood Products Co., Ltd., Igeto Co., Ltd., Daiichisansho Co., Ltd., Nihei Co., Ltd., Sumitomo Forestry (Singapore) Ltd.
Housing Business	Business description	Construction, sale, maintenance and renovation of detached houses and apartment buildings, sale of interior goods, sale of spec homes, leasing, management, purchase and sale and brokerage of real estate, house exterior fixtures, landscaping works contracting, urban greening works, CAD, site surveys, etc.
	Major related companies	Sumitomo Forestry Residential Co., Ltd., Sumitomo Forestry Home Engineering Co., Ltd., Sumitomo Forestry Landscaping Co., Ltd., Sumitomo Forestry Archi Techno Co., Ltd., Sumitomo Forestry Home Tech Co., Ltd.
Overseas Business	Business description	Manufacture and sale of timber and building materials overseas, construction and sale of detached houses, etc., afforestation business, sale of forest lumber, etc.
	Major related companies	PT.Kutai Timber Indonesia, Vina Eco Board Co.,Ltd., PT.AST Indonesia, Alpine MDF Industries Pty Ltd., Henley Arch Unit Trust, Henley USA LLC, Nelson Pine Industries Ltd., PT.Rimba Partikel Indonesia, Bloomfield Homes, L.P.
Other Businesses	Business description	Biomass power generation business, management of private-pay elderly care facilities, leasing, insurance agency business, manufacture and sale of farming and gardening materials, information systems development, temporary staffing services, etc.
	Major related companies	Sumitomo Forestry Information Systems Co., Ltd., Sumirin Agro-Products Co., Ltd., Sumirin Business Service Co., Ltd., Sumirin Enterprises Co., Ltd., Fill Care Co., Ltd., Kawanokita Development Co., Ltd., Japan Bio Energy Corporation, Kawasaki Biomass Electric Power Co., Ltd.

The diagram below presents the information in the table above in a flow chart format.



3. Management Policy

(1) Fundamental Management Policy

The corporate philosophy of the Sumitomo Forestry Group is “to utilize timber as a renewable, healthy, and environmentally friendly natural resource, and to contribute to a prosperous society through all types of housing-related services.” The fundamental management policy is to use this philosophy to achieve the goal of maximizing corporate value.

To accomplish this goal, the Group prioritizes the improvement of operating efficiency and profitability in its business operations. Operations are guided by four action guidelines: adherence to the “Sumitomo Spirit,” which places emphasis on fairness and trust and on conducting business activities that are beneficial to society; a dedication to “Respect for Humanity” by promoting diversity and an open and energetic corporate culture; extensive activities concerning “Environmental Responsibility” to help create a sustainable society; and “Putting Customers First” in order to achieve complete customer satisfaction by supplying products and services of outstanding quality.

Another goal is improving the quality of management through a voluntary disclosure program aimed at increasing management transparency.

(2) Targeted Performance Indicators

Sales and recurring income are positioned as performance indicators that show the growth of the entire Sumitomo Forestry Group. In addition, emphasis is placed on the return on capital employed as an indicator of operating efficiency.

(3) Medium and Long-term Strategies and Important Issues

The goal of the Sumitomo Forestry Group is to be an organization that “conducts a comprehensive portfolio of housing related businesses that utilize wood”. There are two main businesses: custom-built detached housing and timber and building materials. There are also other businesses that the Group plans to focus on building into strong businesses that can contribute to earnings. In particular, the Group will use the technical capabilities it has cultivated in the custom-built detached housing business to concentrate on the “Stock Housing business,” where it is engaged in the reform of the Group’s construction properties and general properties, and on the “Overseas business,” in which the Group manufactures and sells forest and wood construction materials, builds detached houses and other buildings, and sells spec houses in other countries where the markets are expected to grow.

Rapidly developing these activities into core businesses will ensure that earnings for the entire Group remain stable, regardless of changes in the operating environment. These priority growth businesses will also enable the Group to contribute to the creation of a prosperous society by supplying housing-related services. The Group is determined to continue making steady progress developing its technical expertise and human resources to fulfill these medium and long-term goals.

The Sumitomo Forestry Group has been growing forests and trees ever since its foundation about 320 years ago, and has continually maintained a harmonious relationship with the natural environment. The Group’s corporate culture is defined by its dedication to sustainability. With this dedication, the Group is a leader among Japanese companies in the preservation and utilization of biodiversity and in its educational activities. The objective is to conduct high-quality business activities that are in harmony with the environment and society.

Setting the medium and long-term goals described above will ensure the Group works steadily towards achieving its management strategy.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(million yen)

	As of March 31, 2013	As of March 31, 2014
Assets		
Current assets		
Cash and time deposits	56,155	75,694
Notes and accounts receivable-trade	121,053	128,580
Accounts receivable from completed construction contracts	4,880	4,341
Marketable securities	11,000	43,000
Finished goods, logs and lumber	15,939	19,831
Work in process	1,192	1,215
Raw materials and supplies	5,145	5,877
Developed land and housing for sale	27,894	31,514
Costs on uncompleted construction contracts	27,057	35,564
Deferred tax assets	8,077	8,754
Short-term loans receivable	36,852	33,397
Accounts receivable-other	47,935	54,254
Other	5,589	5,559
Allowance for doubtful accounts	(1,291)	(724)
Total current assets	367,478	446,855
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	51,621	59,845
Accumulated depreciation	(25,003)	(28,514)
Buildings and structures, net	26,618	31,331
Machinery, equipment and vehicles	61,161	71,418
Accumulated depreciation	(43,711)	(51,284)
Machinery, equipment and vehicles, net	17,450	20,134
Land	23,573	26,665
Leased assets	8,139	9,214
Accumulated depreciation	(4,048)	(4,350)
Leased assets, net	4,091	4,864
Construction in progress	1,346	6,917
Other	18,975	20,826
Accumulated depreciation	(6,153)	(7,005)
Other, net	12,822	13,821
Total property, plant and equipment	85,900	103,733
Intangible assets		
Goodwill	737	3,122
Other	8,420	8,570
Total intangible assets	9,157	11,692
Investments and other assets		
Investment securities	59,588	65,499
Long-term loans receivable	1,247	649
Net defined benefit asset	—	68
Deferred tax assets	1,343	1,797
Other	25,480	16,997
Allowance for doubtful accounts	(2,220)	(2,093)
Total investments and other assets	85,439	82,917
Total noncurrent assets	180,495	198,342
Total assets	547,973	645,197

(million yen)

	As of March 31, 2013	As of March 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	104,655	115,294
Accounts payable for construction contracts	64,968	76,136
Short-term debt	25,995	26,434
Current portion of bonds payable	–	10,000
Lease obligations	1,067	1,468
Income taxes payable	5,589	8,102
Advances received on uncompleted construction contracts	42,345	55,120
Provision for employees' bonuses	9,392	10,360
Provision for directors' bonuses	110	120
Provision for warranties for completed construction	1,711	2,035
Provision for disaster losses	60	–
Provision for loss on liquidation of subsidiaries and affiliates	344	–
Asset retirement obligation	569	559
Other	19,336	20,502
Total current liabilities	276,143	326,130
Long-term liabilities		
Bonds issued	15,000	5,000
Convertible bonds	–	20,000
Long-term debt	24,189	26,616
Lease obligations	2,978	3,458
Deferred tax liabilities	10,198	10,807
Provision for retirement benefits	9,720	–
Provision for directors' retirement benefits	85	64
Provision for loss on business liquidation	1,435	–
Net defined benefit liability	–	11,038
Asset retirement obligation	813	874
Other	14,162	15,133
Total long-term liabilities	78,580	92,989
Total liabilities	354,723	419,120
Net assets		
Shareholders' equity		
Common stock	27,672	27,672
Capital surplus	26,872	26,872
Retained earnings	127,489	146,654
Treasury stock	(269)	(272)
Total shareholders' equity	181,763	200,925
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,132	14,559
Deferred gains or losses on hedges	249	21
Foreign currency translation adjustment	(1,654)	3,284
Remeasurements of defined benefit plans	–	(112)
Total accumulated other comprehensive income	10,727	17,751
Minority interests	760	7,401
Total net assets	193,250	226,078
Total liabilities and net assets	547,973	645,197

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

(Consolidated Statements of Income)

(million yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Net sales	845,184	972,968
Cost of sales	703,748	812,806
Gross profit	141,436	160,162
Selling, general and administrative expenses	116,105	126,747
Operating income	25,330	33,415
Non-operating income		
Interest income	385	448
Purchase discounts	402	413
Dividends income	947	1,072
Foreign exchange gains	941	–
Other	1,595	1,602
Total non-operating income	4,269	3,536
Non-operating expenses		
Interest expenses	1,270	1,127
Sales discounts	642	758
Equity in losses of affiliates	140	522
Foreign exchange losses	–	240
Other	566	737
Total non-operating expenses	2,618	3,384
Recurring income	26,981	33,567
Extraordinary gains		
Gain on sales of noncurrent assets	88	99
Gain on sales of investment securities	30	31
Gain on step acquisitions	–	2,124
Gain on transition of defined contribution pension	19	–
Total extraordinary gains	137	2,254
Extraordinary loss		
Loss on sales of noncurrent assets	27	26
Loss on retirement of noncurrent assets	98	261
Impairment loss	211	436
Loss on devaluation of investment securities	235	193
Loss on sale of stocks of subsidiaries and affiliates	–	1
Loss on liquidation of subsidiaries and affiliates	–	275
Loss from change in equity interest	25	–
Transfer to provision for loss on liquidation of subsidiaries and affiliates	344	–
Other	30	–
Total extraordinary loss	971	1,192
Income before income taxes and minority interests	26,148	34,629
Income taxes-current	10,540	13,101
Income taxes-deferred	(205)	(1,613)
Total income taxes	10,335	11,488
Net income before minority interests	15,813	23,141
Minority interests	(110)	610
Net income	15,923	22,531

(Consolidated Statements of Comprehensive Income)

(million yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Net income before minority interests	15,813	23,141
Other comprehensive income		
Valuation difference on available-for-sale securities	6,398	2,425
Deferred gains or losses on hedges	57	(228)
Foreign currency translation adjustment	2,866	4,940
Share in equity method affiliates	799	106
Total other comprehensive income	10,120	7,244
Comprehensive income	25,933	30,385
Comprehensive income attributable to owners of the parent	26,016	29,667
Comprehensive income attributable to minority interests	(83)	718

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2013

(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	114,223	(268)	168,499
Changes during the period					
Dividends from surplus			(2,657)		(2,657)
Net income			15,923		15,923
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		–		–	–
Net changes in items other than shareholders' equity					
Total changes during the period	–	–	13,265	(1)	13,264
Balance at the end of current period	27,672	26,872	127,489	(269)	181,763

	Accumulated other comprehensive income				Minority 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		
Balance at the beginning of current period	5,734	192	(5,291)	–	202	169,335
Changes during the period						
Dividends from surplus						(2,657)
Net income						15,923
Purchase of treasury stock						(1)
Disposal of treasury stock						–
Net changes in items other than shareholders' equity	6,399	57	3,637	–	558	10,651
Total changes during the period	6,399	57	3,637	–	558	23,915
Balance at the end of current period	12,132	249	(1,654)	–	760	193,250

Fiscal year ended March 31, 2014

(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	127,489	(269)	181,763
Changes during the period					
Dividends from surplus			(3,366)		(3,366)
Net income			22,531		22,531
Purchase of treasury stock				(3)	(3)
Disposal of treasury stock		0		0	0
Net changes in items other than shareholders' equity					
Total changes during the period	—	0	19,165	(3)	19,162
Balance at the end of current period	27,672	26,872	146,654	(272)	200,925

	Accumulated other comprehensive income				Minority 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		
Balance at the beginning of current period	12,132	249	(1,654)	—	760	193,250
Changes during the period						
Dividends from surplus						(3,366)
Net income						22,531
Purchase of treasury stock						(3)
Disposal of treasury stock						0
Net changes in items other than shareholders' equity	2,426	(228)	4,937	(112)	6,642	13,665
Total changes during the period	2,426	(228)	4,937	(112)	6,642	32,827
Balance at the end of current period	14,559	21	3,284	(112)	7,401	226,078

(4) Consolidated Statements of Cash Flows

(million yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	26,148	34,629
Depreciation and amortization	8,978	9,810
Impairment loss	211	436
Amortization of goodwill	267	847
Provision for (reversal of) doubtful accounts	(1,074)	(831)
Provision for (reversal of) employees' bonuses	460	964
Provision for (reversal of) directors' bonuses	15	10
Provision for (reversal of) warranties for completed construction	(131)	88
Provision for loss on liquidation of subsidiaries and affiliates	344	(344)
Provision for loss on business liquidation	–	(1,435)
Provision for (reversal of) disaster losses	–	(60)
Provision for (reversal of) retirement benefits, less payments	(348)	–
Provision for (reversal of) directors' retirement benefits	4	(21)
Net defined benefit liability	–	1,082
Interest and dividends income	(1,332)	(1,520)
Interest expenses	1,270	1,127
Equity in (earnings) losses of affiliates	140	522
Losses (gains) on sales of marketable securities and investment securities, net	(30)	(29)
Losses on devaluation of marketable securities and investment securities	235	193
Losses (gains) on step acquisitions	–	(2,124)
Losses (gains) on sales/disposal of fixed assets, net	37	188
Decrease (increase) in notes and accounts receivable-trade	573	(4,130)
Inventories	10,401	(551)
Other current assets	(4,920)	(4,948)
Notes and accounts payable, trade	11,451	16,631
Advances received	864	(297)
Advances received on uncompleted construction contracts	3,778	12,775
Accrued consumption taxes	(108)	221
Other current liabilities	(719)	(521)
Other, net	104	1,506
Subtotal	56,617	64,218
Interest and dividends income received	1,403	1,945
Interest paid	(1,316)	(1,224)
Income taxes paid	(10,794)	(10,882)
Net cash provided by (used in) operating activities	45,910	54,057

(million yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Cash flows from investment activities		
Payments into time deposits	(74,356)	(30,457)
Proceeds from withdrawal of time deposits	56,021	40,099
Decrease (increase) in short-term loans receivable	(2,758)	164
Payments for purchases of fixed assets	(6,692)	(14,403)
Proceeds from sales of fixed assets	2,549	5,379
Payments for purchases of intangible assets	(2,525)	(2,912)
Payments for purchase of investment securities	(1,047)	(9,071)
Proceeds from sales of investment securities	86	155
Proceeds from purchase of stock of subsidiaries accompanied by a change in the scope of consolidation	–	(4)
Proceeds from payments for sales of investments in subsidiaries resulting in change in scope of consolidation	–	(3)
Payments of long-term loans payable	(24)	(11)
Repayments of long-term loans receivable	706	770
Other payments	(1,152)	(1,176)
Other proceeds	529	994
Net cash used in investment activities	(28,662)	(10,476)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term debt	(379)	(3,074)
Repayments of finance lease obligations	(1,922)	(1,917)
Proceeds from long-term debt	5,630	7,872
Repayment of long-term debt	(6,715)	(11,001)
Proceeds from issuance of convertible bonds	–	20,000
Proceeds from stock issuance to minority shareholders	739	240
Cash dividends paid	(2,657)	(3,366)
Cash dividends paid to minority shareholders	(0)	(241)
Other proceeds	–	0
Other payments	(1)	(3)
Net cash provided by (used in) financing activities	(5,305)	8,511
Effect of exchange rate change on cash and cash equivalents	(124)	593
Net increase (decrease) in cash and cash equivalents	11,819	52,685
Cash and cash equivalents at the beginning of period	63,839	75,658
Cash and cash equivalents at the end of period	75,658	128,343

(5) Notes related to the Assumption of a Going Concern

Not applicable

(6) Basis of Presenting the Consolidated Financial Statements

(a) Scope of Consolidation

The consolidated financial statements include the accounts of the Company and its 58 subsidiaries. Names of major consolidated subsidiaries are omitted because they are listed in "Corporate Group."

Eight companies in addition to Okhotsk Bio Energy Corporation and Mombetsu Biomass Power Co., Ltd., which were newly established this year, and Henley Arch Unit Trust, an affiliate subject to application of the equity method in the previous consolidated fiscal year in which additional equity interest was acquired, are included within the scope of consolidation from the current consolidated fiscal year.

On the other hand, Fuxin Sumirin Wood Products Co., Ltd., which was a consolidated subsidiary in the previous consolidated fiscal year, has been excluded from the scope of consolidation because part of the equity interest was transferred.

(b) Application of Equity Method

- 1) The consolidated financial statements include 16 affiliates that are accounted for by the equity method, including PT. Rimba Partikel Indonesia.

Bloomfield Homes, L.P. and two other companies in which equity interest was newly acquired as well as Toclas Corporation, in which shares were newly acquired, have been included among the affiliates that are accounted for by the equity method from the current consolidated fiscal year.

On the other hand, with the acquisition of additional equity interest, Henley Arch Unit Trust, an affiliate subject to application of the equity method in the previous consolidated fiscal year, eight other companies, and Henley-SFC Housing Pty Ltd., which was closed and liquidated, have been excluded from equity method affiliates.

- 2) Looking at current term net profit or loss (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest), affiliates not subject to application of the equity method (Partner Ally Limited) have minimal impact on the consolidated financial statements and are immaterial in that respect, so they have been excluded from the scope of application of the equity method.
- 3) 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.

(c) Fiscal Year End of Consolidated Subsidiaries

The fiscal year end of two consolidated subsidiaries, Daiichisansho Co., Ltd. and Nihei Co., Ltd., is March 20. Financial statements used in the preparation of the consolidated financial statements of the two subsidiaries are as of March 20, 2014. The fiscal year end of Kowa Lumber Co., Ltd. and overseas consolidated subsidiaries is December 31. The financial statements used in the preparation of the consolidated financial statements for these subsidiaries are as of December 31, 2013.

The fiscal year end of subsidiaries in Japan, excluding the three subsidiaries above, is March 31. The financial statements used in the preparation of the consolidated financial statements for these subsidiaries are as of March 31, 2014.

(d) Significant Accounting Policies

1) Valuation of Significant Assets

(i) Securities

Held-to-maturity securities	...	Amortized cost method (straight-line method)
Other securities	With 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.)
	Without market value	...
		Cost method based on the moving-average method

(ii) Derivatives

Market value method

(iii) 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. Developed land and housing for sale and land and housing projects in progress 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) Depreciation and Amortization Method for Principal Depreciable Assets
 - (i) Property, plant and equipment (excluding lease assets)

The declining-balance method of depreciation is mainly used. However, the straight-line method is used for buildings (excluding structures) acquired on or after April 1, 1998.
 - (ii) 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).
 - (iii) 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) Significant Allowances
 - (i) 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.
 - (ii) 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.
 - (iii) 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 and certain consolidated subsidiaries.
 - (iv) 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.
 - (v) 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) Method of Accounting for Retirement Benefit Obligations
 - (i) Service period attribution method for projected retirement benefits
The method of attributing projected retirement benefits to the period up to fiscal year ended March 2014 when calculating retirement benefit obligations is as per the fixed amount per period standard.
 - (ii) 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.

- 5) Completed Contracts and Cost of Completed Contracts
At the end of the fiscal year that ended in March 2013, 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) Accounting for Hedges
 - (i) Hedge accounting method
Deferral hedge accounting is used.
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.
 - (ii) 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.
 - (iii) 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.
 - (iv) Assessment of 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 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) Cash and Cash Equivalents in the Consolidated Statements of Cash Flows

The scope of cash (cash and cash equivalents) on the consolidated statements of cash flows is cash on hand, deposits readily convertible to cash and short-term investments that mature within three months and bear little risk of price fluctuation.

9) Other Significant Accounting Policies

Consumption Tax

National and regional consumption taxes are accounted for using the net-of-tax method.

(7) Change in Accounting Policy

(Application of accounting standards for retirement benefits)

The “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012. Hereinafter “Retirement Benefit Accounting Standards”) and “Guideline on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012. Hereinafter “Retirement Benefit Application Guidelines”) have been applied from the end of the current consolidated fiscal year (excluding provisions found within Retirement Benefit Accounting Standard No. 35 and Retirement Benefit Application Guideline No. 67). The amount of pension assets less retirement benefit obligations is now recorded as a liability, and unrecognized actuarial differences and unrecognized prior service costs are recorded under retirement benefit liabilities.

Application of Retirement Benefit Accounting Standards is handled transitionally in accordance with the provisions of Retirement Benefit Accounting Standard No. 37, and in the current consolidated fiscal year, the impact accompanying this change is added to or subtracted from the cumulative adjustment pertaining to retirement benefits for accumulated other comprehensive income.

As a result, in the fiscal year ended March 2014, retirement benefit liabilities of ¥11,038 million and retirement benefit assets of ¥68 million were recorded. Accumulated other comprehensive income decreased ¥112 million, and minority interests stayed the same.

Net assets per share have decreased ¥0.63.

(8) Notes to the Consolidated Financial Statements

(Consolidated Balance Sheets)

1. Guarantee obligation

	As of March 31, 2013	As of March 31, 2014
Guarantee obligation	31,199 million yen	34,960 million yen

2. Certain buildings and structures, and land held as fixed assets have been reclassified and reported as follows in the real estate for sale section because the purpose of holding these assets was changed during the fiscal year:

	As of March 31, 2013	As of March 31, 2014
Buildings and structures	1,837 million yen	– million yen
Land	716	1
Total	2,552	1

3. Notes receivable at the end of the consolidated fiscal year

Notes receivable at the end of the consolidated fiscal year are processed on their exchange dates. Now, because the final day of the previous consolidated fiscal year, the following notes receivable at the end of the consolidated fiscal year are included in the consolidated fiscal year balance.

	As of March 31, 2013	As of March 31, 2014
Notes receivable-trade	7,373 million yen	– million yen
Notes payable-trade	2,391	–

(Consolidated Statements of Income)

1. Gain on transition of defined contribution pension

The gain on the transfer to a defined contribution plan for the previous consolidated fiscal year resulted from reform of the retirement benefit systems of consolidated subsidiaries.

2. Impairment loss

In the current fiscal year under review, the Company posted impairment losses in the following asset groups:

Previous fiscal year (April 1, 2012 - March 31, 2013)

Application	Location	Type	Impairment loss (million yen)
Rental condominiums, 2 buildings	Osaka, Osaka Prefecture	Buildings and structures	104
		Land	35
		Total	140
Warehouse	Saijo City, Ehime Prefecture	Buildings and structures	8
		Machinery, equipment and vehicles	1
		Land	17
		Total	25
Idle assets	Ashigara Shimo-gun, Kanagawa Prefecture	Land	46

In order to monitor earnings on a continuous basis, the Group determines asset groupings based on the units used for management accounting.

Concerning the rental condominiums, in conjunction with approval of the policy for sales, the book values of the above assets are reduced to their recoverable amounts and the amount of reduction is recognized as an extraordinary impairment loss.

Concerning the warehouse, because the Group has decided to demolish said facility, the book values of the above assets are reduced to their recoverable amounts and the amount of reduction is recognized as an extraordinary impairment loss. The estimated demolition cost of 30 million yen related to the demolition of said facility is reported in "Other" under extraordinary loss.

For the idle assets, the book values of the above assets are reduced to their recoverable amounts and the amount of reduction is recognized as an extraordinary impairment loss.

The recoverable amounts are calculated based on net sales prices. Reasonable estimated amounts are used for the rental condominiums, based on a real-estate appraisal, and for the land, based on the assessed value of the fixed asset and examples of nearby purchases and sales. The value of the buildings and structures and the machinery, equipment and vehicles of the warehouse that will be demolished are calculated as zero.

Current fiscal year (April 1, 2013 - March 31, 2014)

Application	Location	Type	Impairment loss (million yen)
Culture soil producing plant	Sakura, Chiba Prefecture	Buildings and structures	134
		Machinery, equipment and vehicles	12
		Other	0
		Total	147
Backbone system	Nagoya, Aichi Prefecture	Intangible assets (Software suspense account)	158
Idle assets	Ashigara Shimo-gun, Kanagawa Prefecture	Land	35
Idle assets	Shiraoka, Saitama Prefecture	Land	90

In order to monitor earnings on a continuous basis, the Group determines asset groupings based on the units used for administrative accounting.

Rental and idle assets are grouped according to individual property.

The main asset groups for which an impairment loss was recognized in the current consolidated fiscal year are shown in the table above.

Concerning the culture soil producing plant, because the Group has decided to withdraw from the business, the book values of the above assets are reduced to their recoverable amounts, and the amount of reduction is recognized as an extraordinary impairment loss. Because no future use or sale is expected, the recoverable amounts are calculated as zero.

Concerning the backbone system, in conjunction with the review of the development plan, the book values of the above assets are reduced to their recoverable amounts, and the amount of reduction is recognized as an extraordinary impairment loss. Because no future use or sale is expected, the recoverable amounts are calculated as zero.

For the idle assets, the book values of the assets are reduced to their recoverable amounts, and the amount of reduction is recognized as an extraordinary impairment loss.

The recoverable amounts are reasonable estimates based on roadside land prices and sales in neighboring areas.

3. Loss on liquidation of subsidiaries and affiliates

With respect to loss on liquidation of subsidiaries and affiliates in the current consolidated fiscal year, the loss accompanying partial transfer of equity interest in the Group's consolidated subsidiary, Fuxin Sumirin Wood Products Co., Ltd., was recorded.

4. Transfer to provision for loss on liquidation of subsidiaries and affiliates

The transfer to provision for loss on liquidation of subsidiaries and affiliates for the previous consolidated fiscal year that ended in March 2013 was made in conjunction with the transfer of the Group's interest in Fuxin Sumirin Wood Products Co., Ltd., a consolidated subsidiary, and reported as the loss value expected to occur at the end of the period.

(Statements of Changes in Consolidated Shareholders' Equity)

Previous Fiscal Year (April 1, 2012 – March 31, 2013)

1. Type and Number of Shares Outstanding and Treasury Stock

	Number of shares at the beginning of the current fiscal year (shares)	Increase during the current fiscal year (shares)	Decrease during the current fiscal year (shares)	Number of shares at the end of the current fiscal year (shares)
Shares issued and outstanding				
Common shares	177,410,239	–	–	177,410,239
Total	177,410,239	–	–	177,410,239
Treasury stock				
Common shares (Note)1	271,922	1,790	–	273,712
Total	271,922	1,790	–	273,712

(Note) 1. Increase due to purchase of odd-lot shares: 1,790

2. Dividends

(1) Cash Dividends

Resolution	Type of shares	Aggregate amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Regular general meeting of shareholders (June 22, 2012)	Common shares	1,329	7.50	March 31, 2012	June 25, 2012
Board meeting (November 2, 2012)	Common shares	1,329	7.50	September 30, 2012	December 5, 2012

(2) Of the Dividends whose Record Date Falls during the Fiscal Year under Review, those Dividends whose Effective Date Falls after the Said Fiscal Year End

Resolution	Type of shares	Aggregate amount of dividend (million yen)	Dividend resource	Dividend per share (yen)	Record date	Effective date
Regular general meeting of shareholders (June 21, 2013)	Common shares	1,683	Retained earnings	9.50	March 31, 2013	June 24, 2013

Current Fiscal Year (April 1, 2013 – March 31, 2014)

1. Type and Number of Shares Outstanding and Treasury Stock

	Number of shares at the beginning of the current fiscal year (shares)	Increase during the current fiscal year (shares)	Decrease during the current fiscal year (shares)	Number of shares at the end of the current fiscal year (shares)
Shares issued and outstanding				
Common shares	177,410,239	–	–	177,410,239
Total	177,410,239	–	–	177,410,239
Treasury stock				
Common shares (Notes)1,2	273,712	2,846	90	276,468
Total	273,712	2,846	90	276,468

(Notes) 1. Increase due to purchase of odd-lot shares: 2,846

2. Decrease due to sale of odd-lot shares: 90

2. Dividends

(1) Cash Dividends

Resolution	Type of shares	Aggregate amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Regular general meeting of shareholders (June 21, 2013)	Common shares	1,683	9.50	March 31, 2013	June 24, 2013
Board meeting (November 5, 2013)	Common shares	1,683	9.50	September 30, 2013	December 5, 2013

(2) Of the Dividends whose Record Date Falls during the Fiscal Year under Review, those Dividends whose Effective Date Falls after the Said Fiscal Year End

Resolution	Type of shares	Aggregate amount of dividend (million yen)	Dividend resource	Dividend per share (yen)	Record date	Effective date
Regular general meeting of shareholders (June 20, 2014)	Common shares	1,683	Retained earnings	9.50	March 31, 2014	June 23, 2014

(Statements of Cash Flows)

1. Reconciliation of balance sheet items to cash and cash equivalents in the consolidated statements of cash flows.

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Cash and deposits	56,155 million yen	75,694 million yen
Deposits with a term of over 3 months	(20,095)	(19,348)
Certificates of deposit issued by domestic companies included in marketable securities	11,000	43,000
Cash equivalents included in the short-term loans receivable account (re-purchase agreements)	28,598	28,997
Cash and cash equivalents at end of period	75,658	128,343

2. Principal assets and liabilities of a company that ceased to be a consolidated subsidiary in the current consolidated fiscal year
Following the sale of equity interest, assets and liabilities of the company at the time of sale, the selling price of the equity interest and revenue from this sale (net) are presented below.

Henley Arch Unit Trust and eight other companies

Current assets	18,138 million yen
Noncurrent assets	8,866
Goodwill	2,986
Current liabilities	(15,292)
Noncurrent liabilities	(5)
Minority interests	(5,838)
Foreign currency translation adjustment	261
Gain on step acquisitions	(2,124)
Equity method value until acquisition	(6,825)
Acquisition price of equity interest	166
Cash and cash equivalents	(162)
Deduction: acquisition expenditures	4

3. Breakdown of main assets and liabilities of company no longer a consolidated subsidiary due to sale of shares in current consolidated fiscal year

The breakdown of assets and liabilities at the time of the sale of equity interest, after which the company was no longer a consolidated subsidiary, along with the relationship between the sale value of the company's equity and the expenditures (net amount) related to the sale are presented below.

Fuxin Sumirin Wood Products Co., Ltd.

Current assets	205 million yen
Noncurrent assets	0
Current liabilities	(0)
Noncurrent liabilities	–
Foreign currency translation adjustment	414
Gain or loss on sale of equity interest	(619)
Sale value of equity interest	–
Cash and cash equivalents	(3)
Deduction: Expenditures related to sale	(3)

(Segment Information)

1. Outline of Reporting Segments

Reporting segments are discrete constituent units of the Company for which financial statements are separately prepared. In order to determine the allocation of the Company's management resources and evaluate its business results, the Board of Directors regularly discusses the reporting segments.

The Company has established divisions in its Headquarters to handle its products, services and regions. Each division formulates comprehensive strategies for the products and services that it handles and uses these strategies to conduct its business activities.

Therefore, the Company consists of different product, service and region-oriented segments which are based around divisions. There are 3 reporting segments: the timber and building materials business, the housing business, and the overseas business.

The "Timber and building materials business" is engaged in the purchase, manufacture, processing and sale etc. of timber and building materials. The "Housing business" is engaged in the construction, sale, maintenance and renovation of detached houses and apartment buildings, the sale of interior goods, the sale of spec homes, the leasing, management, purchase and sale and brokerage of real estate, house exterior fixtures, landscaping works contracting, urban greening works, CAD, site surveys, etc. The "Overseas business" is engaged in the manufacture and sale of timber and building materials overseas, construction and sale of detached houses, etc., afforestation business, sale of forest lumber, etc. in overseas markets.

2. Method Used for Calculating Sales, Income (loss), Assets and other Items by Each Reporting Segment

The accounting treatment used for all reporting segments is basically the same as that stated in "Basis of Presenting the Consolidated Financial Statements," except for the treatment used to account for retirement benefit cost.

Actuarial differences for retirement benefit cost are not treated as a lump-sum expense.

Segment income figures are based on recurring income.

Intersegment transactions are priced in accordance with prevailing market prices.

3. Information regarding Sales, Income (loss), Assets and Other Items by Each Reporting Segment

Previous Fiscal Year (April 1, 2012 - March 31, 2013)

(million yen)

	Reporting segment				Other (Note) 1	Total	Adjustment (Note) 2	Total shown in the consolidated financial statement (Note) 3
	Timber and Building Materials Business	Housing Business	Overseas Business	Total				
Sales								
(1) Unaffiliated customers	381,161	430,429	26,067	837,657	6,643	844,299	885	845,184
(2) Intersegment sales/transfers	20,105	345	12,590	33,041	8,763	41,804	(41,804)	-
Total	401,266	430,774	38,657	870,697	15,406	886,103	(40,919)	845,184
Segment income (loss)	4,704	26,227	(1,840)	29,090	754	29,845	(2,863)	26,981
Segment assets	157,122	144,978	65,662	367,761	18,252	386,013	161,960	547,973
Other								
Depreciation and amortization (Note) 4	772	4,123	2,264	7,160	857	8,018	960	8,978
Amortization of goodwill	(11)	8	270	267	-	267	-	267
Interest income	60	53	184	297	0	298	87	385
Interest expenses	649	808	985	2,442	88	2,529	(1,259)	1,270
Equity in earnings (losses) of affiliates	52	0	(193)	(141)	-	(141)	0	(140)
Investments in equity method affiliates	335	4	9,373	9,712	-	9,712	(10)	9,701
Increase in property, plant and equipment and intangible assets (Note) 4	1,099	5,548	2,018	8,665	1,140	9,805	486	10,291

- (Notes) 1. "Other" is business segments not included in the reporting segments. Such segments include the leasing business, insurance agency business and private-pay elderly care facilities business.
2. Adjustments are as presented below.
- (1) Adjusted sales to unaffiliated customers of ¥885 million are attributable to the administrative departments, and comprised mainly of rent from Company landholdings.
- (2) The adjusted business loss of ¥2,863 million includes ¥106 million in eliminated intersegment transactions, ¥352 million in retirement benefit expenses and ¥3,109 million in corporate expenses etc. Corporate expenses, etc. are primarily selling, general and administrative expenses not belonging to any reporting segments.
- (3) The adjusted segment assets of ¥161,960 million include ¥10,219 million in eliminated intersegment transactions and ¥172,179 million in corporate assets which are not allocated to any reporting segment. Corporate assets are mainly unused funds under management (cash, deposits and securities), long-term investments (investment securities) and assets used by administrative departments.
3. Total segment income (loss) and segment assets are the total adjusted recurring income and assets shown in the consolidated financial statements, respectively.
4. The increase in depreciation expenses, property, plant and equipment and intangible assets includes long-term prepaid expenses and write-offs associated with these expenses.

Current Fiscal Year (April 1, 2013 – March 31, 2014)

(million yen)

	Reporting segment				Other (Note) 1	Total	Adjustment (Note) 2	Total shown in the consolidated financial statement (Note) 3
	Timber and Building Materials Business	Housing Business	Overseas Business	Total				
Net sales								
(1) Unaffiliated customers	437,727	464,777	61,926	964,430	7,676	972,106	862	972,968
(2) Intersegment sales/transfers	20,884	591	14,395	35,869	9,610	45,479	(45,479)	–
Total	458,611	465,368	76,320	1,000,299	17,286	1,017,585	(44,617)	972,968
Segment income (loss)	4,950	32,211	(149)	37,013	821	37,835	(4,268)	33,567
Segment assets	164,324	146,267	101,408	412,000	24,303	436,302	208,895	645,197
Other								
Depreciation and amortization (Note) 4	670	4,244	3,073	7,986	981	8,967	842	9,810
Amortization of goodwill	(0)	8	836	844	3	847	–	847
Interest income	50	55	201	305	1	306	141	448
Interest expenses	574	612	952	2,138	100	2,237	(1,110)	1,127
Equity in earnings (losses) of affiliates	(188)	0	(409)	(597)	75	(522)	0	(522)
Investments in equity method affiliates	1,328	5	7,138	8,472	393	8,865	(10)	8,855
Increase in property, plant and equipment and intangible assets (Note) 4	924	4,991	5,012	10,927	5,238	16,165	1,239	17,404

- (Notes) 1. "Other" is business segments not included in the reporting segments. Such segments include the 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. Adjustments are as presented below.
- (1) Adjusted sales to unaffiliated customers of ¥862 million are attributable to the administrative departments, and comprised mainly of rent from Company landholdings.
- (2) The adjusted business loss of ¥4,268 million includes ¥211 million in eliminated intersegment transactions, ¥1,020 million in retirement benefit costs and ¥3,459 million in corporate expenses, etc. Corporate expenses, etc. are primarily selling, general and administrative expenses not belonging to any reporting segments.
- (3) The adjusted segment assets of ¥208,895 million include ¥10,351 million in eliminated intersegment transactions and ¥219,246 million in corporate assets which are not allocated to any reporting segment. Corporate assets are mainly unused funds after management (cash, deposits and securities), long-term investments (investment securities) and assets used by administrative departments.
3. Total segment income (loss) and segment assets are the total adjusted recurring income and assets shown in the consolidated financial statements, respectively.
4. The increase in depreciation expenses, property, plant and equipment and intangible assets includes long-term prepaid expenses and write-offs associated with these expenses.

4. Related Information

Previous Fiscal Year (April 1, 2012 - March 31, 2013)

(1) Information by Product and Service (million yen)

	Timber and Building Materials	Housing and Housing-related	Others	Total
Sales to unaffiliated customers	403,548	436,663	4,972	845,184

(2) Information by Regions

(a) Net Sales

Sales to unaffiliated Japanese customers are not shown because these sales account for over 90% of consolidated net sales.

(b) Property, plant and equipment

(million yen)

Japan	Oceania	Asia	Other area	Total
57,769	16,169	10,879	1,082	85,900

(3) Information by Major Customer

Those sales to unaffiliated customers which are special customers are not shown as none of these sales accounts for more than 10% of consolidated net sales.

Current Fiscal Year (April 1, 2013 - March 31, 2014)

(1) Information by Product and Service (million yen)

	Timber and Building Materials	Housing and Housing-related	Others	Total
Sales to unaffiliated customers	467,841	499,215	5,912	972,968

(2) Information by Regions

(a) Net Sales

Sales to unaffiliated Japanese customers are not shown because these sales account for over 90% of consolidated net sales.

(b) Property, plant and equipment

(million yen)

Japan	Oceania	Asia	Other area	Total
61,864	26,471	13,208	2,190	103,733

(3) Information by Major Customer

Those sales to unaffiliated customers which are special customers are not shown as none of these sales accounts for more than 10% consolidated net sales.

5. Impairment Loss of Fixed Assets by Reporting Segment

Previous Fiscal Year (April 1, 2012 - March 31, 2013)

(million yen)

	Timber and Building Materials Business	Housing Business	Overseas Business	Other	Corporate/ Elimination	Total
Impairment loss	25	186	-	-	-	211

Current Fiscal Year (April 1, 2013 - March 31, 2014)

(million yen)

	Timber and Building Materials Business	Housing Business	Overseas Business	Other	Corporate/ Elimination	Total
Impairment loss	158	131	-	147	-	436

6. Amortization and the Unamortized Balance of Goodwill by Reporting Segment

Previous Fiscal Year (April 1, 2012 - March 31, 2013)

(million yen)

	Timber and Building Materials Business	Housing Business	Overseas Business	Other	Corporate/ Elimination	Total
Amortization	(11)	8	270	–	–	267
Unamortized balance	(0)	21	716	–	–	737

Current Fiscal Year (April 1, 2013 - March 31, 2014)

(million yen)

	Timber and Building Materials Business	Housing Business	Overseas Business	Other	Corporate/ Elimination	Total
Amortization	(0)	8	836	3	–	847
Unamortized balance	–	13	3,108	–	–	3,122

7. Gain on Negative Goodwill by Reporting Segment

Previous Fiscal Year (April 1, 2012 - March 31, 2013)

Not applicable

Current Fiscal Year (April 1, 2013 - March 31, 2014)

Not applicable

(Per-Share Information)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Net assets per share	¥1,086.68	¥1,234.53
Net income per share	¥89.89	¥127.20
Net income per share (diluted)	–	¥122.16

(Notes) 1 Net income per share (diluted) for the previous consolidated fiscal year is not presented, since there is no potential stock.

2. The basis for calculating net asset per share is as follows.

	Fiscal year ended March 31, 2013 (As of March 31, 2013)	Fiscal year ended March 31, 2014 (As of March 31, 2014)
Total net assets (million yen)	193,250	226,078
Breakdown of deductions from total net assets Minority interests(million yen)	760	7,401
Total net assets for common stock (million yen)	192,491	218,676
Number of common stocks issued (shares)	177,410,239	177,410,239
Number of treasury stocks (shares)	273,712	276,468
Number of common stocks used for calculation of net asset per share (shares)	177,136,527	177,133,771

3. The basis for calculating net income per share and net income per share fully diluted is as follows.

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Net income per share		
Net income (million yen)	15,923	22,531
Income not available to common stockholders (million yen)	–	–
Income (loss) available to common stockholders (million yen)	15,923	22,531
Weighted average number of shares issued (shares)	177,137,337	177,134,880
Net income per share fully diluted		
Adjusted net income (million yen)	–	–
Common shares increase (shares)	–	7,303,981
(Convertible bonds with stock acquisition rights (shares))	(–)	(7,303,981)
Overview of potentially dilutive common shares not included in computation of diluted net income per share because of their anti-dilutive effect	–	–

(Important subsequent events)

Acquisition of equities of Gehan Homes, Ltd. and other six companies

The Company acquired the equities of Gehan Homes, Ltd. and six other companies through its US subsidiary, Sumitomo Forestry America, Inc. (the company name was changed from Sumitomo Forestry Seattle, Inc. on February 10, 2014) to make them its subsidiaries.

1. Summary of the business combination

(1) Names of the companies acquired by the Company and their business description

Names of companies acquired: Gehan Homes, Ltd. and six other companies

Business description: subdivision business and related businesses

(2) Reasons for the business combination

The Company has been focusing on business expansion with a view to becoming a builder covering the entire US nation in the US housing business under a policy that places the overseas business as one of its core growth businesses. In the course of this expansion, the equities of Gehan Homes, Ltd. and other six companies were acquired to make them subsidiaries.

(3) Date of the business combination

April 30, 2014 (US date)

(4) Legal form of the business combination

Acquisition of equities in exchange for cash

(5) Names of the companies upon the business combination

The names will not be changed.

(6) Ratio of voting rights acquired

51%

(7) Main reasons for determination of the companies acquired

The Company's consolidated subsidiary, Sumitomo Forestry America, Inc., acquired the equities in exchange for cash.

2. Acquisition cost of the companies acquired and its breakdown

Price of acquisition	7,306 million yen
	(estimate)
<hr/>	
Acquisition cost	7,306 million yen
	(estimate)

(Note) The amounts described above are estimates at the time of acquisition, and the actual amounts may differ from these due to future price adjustments and other reasons.

3. Value of accrued goodwill, reasons for the accrual, and method of and period for their amortization

Yet to be determined.

4. Value of assets accepted and liabilities assumed on the date of the business combination and their major breakdown

Yet to be determined.

5. Non-consolidated Financial Statements

(1) Balance Sheets

(million yen)

	As of March 31, 2013	As of March 31, 2014
Assets		
Current assets		
Cash and time deposits	49,778	64,817
Notes receivable-trade	51,514	50,391
Accounts receivable-trade	58,889	64,194
Accounts receivable from completed construction contracts	739	809
Marketable securities	11,000	43,000
Finished goods, logs and lumber	11,116	14,679
Developed land and housing for sale	27,175	22,652
Costs on uncompleted construction contracts	16,922	17,685
Advance payments	379	478
Prepaid expenses	955	693
Deferred tax assets	5,206	5,393
Short-term loans receivable	28,607	28,997
Short-term loans receivable from subsidiaries and affiliates	15,458	20,677
Accounts receivable-other	70,211	77,120
Other	457	122
Allowance for doubtful accounts	(2,517)	(784)
Total current assets	345,888	410,923
Noncurrent assets		
Property, plant and equipment		
Buildings	17,910	17,869
Accumulated depreciation	(7,739)	(8,262)
Buildings, net	10,172	9,607
Structures	3,304	3,365
Accumulated depreciation	(2,850)	(2,918)
Structures, net	455	447
Machinery and equipment	1,295	1,625
Accumulated depreciation	(1,200)	(1,233)
Machinery and equipment, net	96	392
Vehicles	33	23
Accumulated depreciation	(32)	(20)
Vehicles, net	2	3
Tools, furniture and fixtures	4,517	4,131
Accumulated depreciation	(3,998)	(3,581)
Tools, furniture and fixtures, net	519	550
Land	11,262	10,986
Mature timber	8,681	8,709
Growing timber	286	332
Leased assets	6,737	8,005
Accumulated depreciation	(3,456)	(3,745)
Leased assets, net	3,281	4,260
Construction in progress	912	851
Total property, plant and equipment	35,665	36,137

(million yen)

	As of March 31, 2013	As of March 31, 2014
Intangible assets		
Telephone subscription right	182	181
Right of utilization on forest road	169	152
Right of using facilities	4	3
Industrial property rights	–	10
Software	4,975	4,819
Leased assets	1	–
Total intangible assets	5,330	5,167
Investments and other assets		
Investment securities	48,396	53,731
Stocks of subsidiaries and affiliates	25,030	25,539
Investments in other securities of subsidiaries and affiliates	2,109	2,038
Long-term loans receivable	222	101
Long-term loans receivable from employees	34	30
Long-term loans receivable from subsidiaries and affiliates	6,566	9,972
Claims provable in bankruptcy, claims provable in rehabilitation and other	2,089	1,611
Long-term prepaid expenses	655	563
Long-term deposits	14,280	5,400
Other	4,362	4,317
Allowance for doubtful accounts	(3,217)	(3,871)
Total investments and other assets	100,527	99,431
Total noncurrent assets	141,522	140,735
Total assets	487,411	551,657
Liabilities		
Current liabilities		
Notes payable-trade	8,447	11,020
Accounts payable-trade	79,903	81,069
Accounts payable for construction contracts	81,943	93,042
Long-term debt due within 1 year	9,303	4,689
Current portion of bonds payable	–	10,000
Lease obligations	1,249	1,578
Accounts payable-other	6,193	5,744
Income taxes payable	3,553	4,461
Accrued consumption taxes	823	1,090
Accrued expenses	980	1,015
Advances received	902	461
Advances received on uncompleted construction contracts	34,594	45,380
Deposits received	26,862	34,407
Unearned revenue	1,129	1,323
Provision for employees' bonuses	6,040	6,550
Provision for directors' bonuses	110	120
Provision for warranties for completed construction	1,534	1,408
Provision for disaster losses	60	–
Provision for loss on liquidation of subsidiaries and affiliates	483	–
Asset retirement obligation	569	512
Other	–	1
Total current liabilities	264,675	303,868

(million yen)

	As of March 31, 2013	As of March 31, 2014
Long-term liabilities		
Bonds issued	15,000	5,000
Convertible bonds	–	20,000
Long-term debt	14,671	12,639
Guarantee deposited	5,028	4,839
Lease obligations	1,883	2,484
Deferred tax liabilities	5,692	8,179
Provision for retirement benefits	3,668	3,807
Provision for loss on business of subsidiaries and affiliates	3,938	3,432
Provision for loss on business liquidation	1,435	–
Asset retirement obligation	698	757
Other	213	1,214
Total long-term liabilities	52,226	62,351
Total liabilities	316,901	366,218
Net assets		
Shareholders' equity		
Capital stock	27,672	27,672
Capital surplus		
Legal capital surplus	26,613	26,613
Other capital surplus	259	259
Total capital surpluses	26,872	26,872
Retained earnings		
Legal retained earnings	2,857	2,857
Other retained earnings		
Reserve for special depreciation	–	156
Reserve for reduction entry	1,444	1,444
General reserve	83,487	94,387
Retained earnings brought forward	15,958	17,629
Total retained earnings	103,747	116,473
Treasury stock	(269)	(272)
Total shareholders' equity	158,022	170,745
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	12,236	14,666
Deferred gains or losses on hedges	252	28
Total valuation and translation adjustments	12,488	14,694
Total net assets	170,510	185,439
Total liabilities and net assets	487,411	551,657

(2) Statements of Income

(million yen)

	As of March 31, 2013	As of March 31, 2014
Net sales		
Net sales of goods	371,411	421,445
Completed contracts	311,021	335,052
Total net sales	682,432	756,497
Cost of sales		
Cost of goods sold		
Beginning goods	48,557	43,238
Cost of purchased goods	345,135	399,299
Transfer to other account	(2,552)	(1)
Total	396,244	442,537
Ending goods	43,238	39,960
Total cost of goods sold	353,006	402,577
Cost of completed contracts	231,289	248,851
Total cost of sales	584,295	651,428
Gross profit	98,137	105,069
Selling, general and administrative expenses	78,826	81,839
Operating income	19,311	23,231
Non-operating income		
Interest income	316	337
Interest on securities	17	35
Purchase discounts	336	330
Dividends income	3,253	3,647
Other	1,279	901
Total non-operating income	5,202	5,249
Non-operating expenses		
Interest expenses	446	367
Bond interest expenses	203	203
Sales discounts	521	615
Other	296	544
Total non-operating expenses	1,466	1,729
Recurring income	23,047	26,752
Extraordinary gains		
Gain on sales of investment noncurrent assets	46	60
Gain on sales of investment securities	21	27
Gain on extinguishment of tie-in shares	80	–
Total extraordinary gains	147	88

(million yen)

	As of March 31, 2013	As of March 31, 2014
Extraordinary loss		
Loss on sales of noncurrent assets	21	9
Loss on retirement of noncurrent assets	65	148
Impairment loss	186	125
Loss on devaluation of investment securities	235	193
Loss on sale of stocks of subsidiaries and affiliates	–	0
Loss on valuation of investments in capital of subsidiaries and affiliates	817	401
Loss on valuation of stocks of subsidiaries and affiliates	197	1,200
Loss on liquidation of subsidiaries and affiliates	–	92
Transfer to provision for loss on liquidation of subsidiaries and affiliates	483	–
Total extraordinary loss	2,005	2,167
Income before income taxes	21,189	24,672
Income taxes-current	7,009	7,658
Income taxes-deferred	(445)	922
Total income taxes	6,564	8,580
Net income	14,625	16,092

(3) Statements of Changes in Net Assets

Fiscal year ended March 31, 2013

(million yen)

	Shareholders' equity									Total shareholders' equity
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings				Treasury stock	
		Legal capital surplus	Other capital surplus		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	–	1,444	76,387	11,090	(268)	146,055
Changes during the period										
Provision of reserve for special depreciation										–
Provision of general reserve							7,100	(7,100)		–
Dividends from surplus								(2,657)		(2,657)
Net income								14,625		14,625
Purchase of treasury stock									(1)	(1)
Disposal of treasury stock										–
Net changes in items other than shareholders' equity										
Total changes during the period	–	–	–	–	–	–	7,100	4,868	(1)	11,967
Balance at the end of current period	27,672	26,613	259	2,857	–	1,444	83,487	15,958	(269)	158,022

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	
Balance at the beginning of current period	5,906	195	152,156
Changes during the period			
Provision of reserve for special depreciation			–
Provision of general reserve			–
Dividends from surplus			(2,657)
Net income			14,625
Purchase of treasury stock			(1)
Disposal of treasury stock			–
Net changes in items other than shareholders' equity	6,330	56	6,386
Total changes during the period	6,330	56	18,353
Balance at the end of current period	12,236	252	170,510

Fiscal year ended March 31, 2014

(million yen)

	Shareholders' equity									Total shareholders' equity
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings				Treasury stock	
		Legal capital surplus	Other capital surplus		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	–	1,444	83,487	15,958	(269)	158,022
Changes during the period										
Provision of reserve for special depreciation					156			(156)		–
Provision of general reserve							10,900	(10,900)		–
Dividends from surplus								(3,366)		(3,366)
Net income								16,092		16,092
Purchase of treasury stock									(3)	(3)
Disposal of treasury stock			0						0	0
Net changes in items other than shareholders' equity										
Total changes during the period	–	–	0	–	156	–	10,900	1,670	(3)	12,723
Balance at the end of current period	27,672	26,613	259	2,857	156	1,444	94,387	17,629	(272)	170,745

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	
Balance at the beginning of current period	12,236	252	170,510
Changes during the period			
Provision of reserve for special depreciation			–
Provision of general reserve			–
Dividends from surplus			(3,366)
Net income			16,092
Purchase of treasury stock			(3)
Disposal of treasury stock			0
Net changes in items other than shareholders' equity	2,430	(223)	2,206
Total changes during the period	2,430	(223)	14,929
Balance at the end of current period	14,666	28	185,439

6. Others

Changes in Directors and Corporate Auditors

An announcement was made on February 26, 2014.

7. Supplementary Information

(1) Consolidated Statements of Income

(million yen)

	FY 3/13		FY 3/14		YoY change	% of YoY change	FY 3/15 (Forecast)	YoY change	% of YoY change	
Timber and Building Materials Business	401,266		458,611		+57,345	+14.3%	420,000	(38,611)	(8.4%)	
Housing Business	430,774		465,368		+34,594	+8.0%	470,000	+4,632	+1.0%	
Overseas Business	38,657		76,320		+37,663	+97.4%	128,000	+51,680	+67.7%	
Other	15,406		17,286		+1,880	+12.2%	15,000	(2,286)	(13.2%)	
Adjustment	(40,919)		(44,617)		(3,698)	-	(43,000)	+1,617	-	
Net sales	845,184		972,968		+127,784	+15.1%	990,000	+17,032	+1.8%	
Gross profit	16.7%	141,436	16.5%	160,162	+18,726	+13.2%	17.0%	168,000	+7,838	+4.9%
Selling, general and administrative expenses		116,105		126,747	+10,642	+9.2%		137,000	+10,253	+8.1%
Operating income	3.0%	25,330	3.4%	33,415	+8,084	+31.9%	3.1%	31,000	(2,415)	(7.2%)
Non-operating income		4,269		3,536	(733)	(17.2%)		4,000	+464	+13.1%
Non-operating expenses		2,618		3,384	+766	+29.3%		3,000	(384)	(11.3%)
Non-operating income/loss		1,651		152	(1,499)	(90.8%)		1,000	+848	+559.0%
Timber and Building Materials Business	1.2%	4,704	1.1%	4,950	+247	+5.2%	1.0%	4,200	(750)	(15.2%)
Housing Business	6.1%	26,227	6.9%	32,211	+5,985	+22.8%	6.1%	28,500	(3,711)	(11.5%)
Overseas Business	(4.8%)	(1,840)	(0.2%)	(149)	+1,691	-	2.0%	2,500	+2,649	-
Other	4.9%	754	4.8%	821	+67	+8.9%	4.7%	700	(121)	(14.8%)
Adjustment		(2,863)		(4,268)	(1,405)	-		(3,900)	+368	-
Recurring income	3.2%	26,981	3.4%	33,567	+6,585	+24.4%	3.2%	32,000	(1,567)	(4.7%)
Extraordinary gains		137		2,254	+2,117	-		-	(2,254)	-
Extraordinary loss		971		1,192	+221	+22.8%		-	(1,192)	-
Extraordinary gains/losses		(833)		1,063	+1,896	-		-	(1,063)	-
Net income	1.9%	15,923	2.3%	22,531	+6,608	+41.5%	1.8%	18,000	(4,531)	(20.1%)

(2) <Housing Business & Real Estate Business> Sales and Orders Received (non-consolidated)

(million yen)

(a) Actual

			FY 3/13 (Actual)			FY 3/14 (Actual)			Change	
			Volume	Amount	Unit price	Volume	Amount	Unit price	Volume	Amount
Orders Received	Contract Business	Custom-built detached houses *1	9,105	314,240	30.6	9,364	339,909	32.1	+2.8%	+8.2%
		Wooden apartments *1	1,138	13,043	11.2	1,140	15,502	13.1	+0.2%	+18.9%
		Other contract work		911	-		2,562	-		+181.2%
Sales	Contract Business	Custom-built detached houses *2	8,999	300,936	33.4	9,243	320,260	34.6	+2.7%	+6.4%
		Wooden apartments *2	858	9,371	10.9	1,124	13,130	11.7	+31.0%	+40.1%
		Other contract work		273	-		1,375	-		+402.9%
	Detached spec homes business *3	254	11,376	44.8	242	9,723	40.2	(4.7%)	(14.5%)	
	Land for custom-built housing		5,505	-		5,579	-		+1.3%	
	Renovation Business *4		6,750	-		8,999	-		+33.3%	
	Other *5		10,589	-		9,623	-		(9.1%)	
Total				344,801	-		368,689	-		+6.9%
Profit Ratio			24.9%	85,730		24.7%	91,203			
Gross profit										
Backlog of Orders Received at Term End	Contract Business	Custom-built detached houses	8,460	276,087	32.6	8,581	295,736	34.5	+1.4%	+7.1%
		Wooden apartments	1,377	15,104	11.0	1,393	17,477	12.5	+1.2%	+15.7%
		Other contracts		638	-		1,824	-		+186.0%
<<Sumitomo Forestry Home Tech (Renovation)>>										
Orders Received	Contract Business			53,818	-		61,004	-		+13.4%
Construction Completed				50,312	-		59,336	-		+17.9%
Backlog of Orders Received at Term End				21,428	-		23,096	-		+7.8%

(million yen)

(b) Forecast

			FY 3/14 (Actual)			FY 3/15 (Forecast)			Change	
			Volume	Amount	Unit price	Volume	Amount	Unit price	Volume	Amount
Orders Received	Contract Business	Custom-built detached houses *1	9,364	339,909	32.1	9,000	313,500	31.5	(3.9%)	(7.8%)
		Wooden apartments *1	1,140	15,502	13.1	1,250	16,500	13.2	+9.6%	+6.4%
		Other contract work		2,562	-		1,500	-		(41.4%)
Sales	Contract Business	Custom-built detached houses *2	9,243	320,260	34.6	9,000	313,500	34.8	(2.6%)	(2.1%)
		Wooden apartments *2	1,124	13,130	11.7	1,250	14,800	11.8	+11.2%	+12.7%
		Other contract work		1,375	-		2,000	-		+45.4%
	Detached spec homes business *3	242	9,723	40.2	300	12,000	40.0	+24.0%	+23.4%	
	Land for custom-built housing		5,579	-		6,800	-		+21.9%	
	Renovation Business *4		8,999	-		8,000	-		(11.1%)	
	Other *5		9,623	-		7,000	-		(27.3%)	
Total				368,689	-		364,100	-		(1.2%)
Profit Ratio			24.7%	91,203		24.4%	89,000			
Gross profit										
Backlog of Orders Received at Term End	Contract Business	Custom-built detached houses	8,581	295,736	34.5	8,581	295,736	34.5	+0.0%	+0.0%
		Wooden apartments	1,393	17,477	12.5	1,393	19,177	13.8	+0.0%	+9.7%
		Other contract work		1,824	-		1,324	-		(27.4%)
<<Sumitomo Forestry Home Tech (Renovation)>>										
Orders Received	Contract Business			61,004	-		65,000	-		+6.6%
Construction Completed				59,336	-		64,000	-		+7.9%
Backlog of Orders Received at Term End				23,096	-		24,096	-		+4.3%

*1: The unit price of orders received for custom-built detached houses and wooden apartments is calculated from orders received at the time the contract pertaining to the property is concluded in the current term, so orders received for additional construction and other work are excluded.

*2: Sales volumes for custom-built detached housing and wooden apartments are delivered houses (number of houses is shown.)

*3: Detached spec homes business sales are the total for land and buildings.

*4: "Real estate development" was changed to the "renovation business" in FY 3/14, so the actual values for FY 3/13 have also been changed accordingly.

*5: Other sales include interior products and condominiums.

(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%	FY 3/13	36,353	270	165	37	19,368	1,138
				FY 3/14	39,932	(767)	(856)	(1,133)	19,897	5
				FY 3/15 (F)	37,200	200	40	0	-	-
Sumitomo Forestry Residential Co., Ltd. (Shinjuku-ku, Tokyo) (Housing Business)	Mar 1985	150	100.0%	FY 3/13	19,230	574	536	335	10,038	2,833
				FY 3/14	20,402	495	465	275	10,011	3,107
				FY 3/15 (F)	20,500	640	620	400	-	-
Sumitomo Forestry Home Engineering Co., Ltd. (Shinjuku-ku, Tokyo) (Housing Business)	Dec 1999	75	100.0%	FY 3/13	83,778	698	769	467	30,721	3,039
				FY 3/14	88,316	797	907	503	32,172	3,074
				FY 3/15 (F)	89,000	700	800	500	-	-
Sumitomo Forestry Home Service Co., Ltd. (Shinjuku-ku, Tokyo) (Housing Business)	Sep 1964	400	100.0%	FY 3/13	5,545	227	210	172	2,773	(154)
				FY 3/14	5,873	272	253	205	3,304	51
				FY 3/15 (F)	6,200	350	350	220	-	-
Sumitomo Forestry Landscaping Co., Ltd. (Nakano-ku, Tokyo) (Housing Business)	Apr 1977	200	100.0%	FY 3/13	23,790	204	209	21	8,619	2,725
				FY 3/14	24,315	357	394	218	10,360	2,922
				FY 3/15 (F)	26,400	600	600	400	-	-
Sumitomo Forestry Home Tech Co., Ltd. (Chiyoda-ku, Tokyo) (Housing Business)	Oct 1988	100	100.0%	FY 3/13	53,006	2,494	2,705	1,652	21,596	4,007
				FY 3/14	62,189	3,854	4,088	2,485	27,686	4,840
				FY 3/15 (F)	66,900	4,400	4,400	2,800	-	-
PT.Kutai Timber Indonesia (Jakarta, Indonesia) (Overseas Business) *2	Sep 1970	27,000 (Thousand US\$)	99.9%	FY12/12	9,579	153	200	167	6,707	2,330
				FY12/13	11,872	659	582	431	7,696	3,302
				FY12/14 (F)	12,500	580	560	420	-	-
Alpine MDF Industries Pty Ltd. (Wangaratta, Victoria, Australia) (Overseas Business) *3	May 1994	62,474 (Thousand AUS)	(100.0%)	FY12/12	3,894	(32)	(150)	(52)	3,771	653
				FY12/13	4,490	92	6	11	4,060	690
				FY12/14 (F)	4,750	(200)	(270)	(270)	-	-
Nelson Pine Industries Ltd. (Richmond, Nelson, New Zealand) (Overseas Business) *4	Oct 1984	45,500 (Thousand NZ\$)	(100.0%)	FY12/12	12,610	1,133	1,407	1,014	15,487	13,662
				FY12/13	14,873	1,212	1,199	865	19,016	16,737
				FY12/14 (F)	13,700	250	250	200	-	-
Henley Properties Group (Mount Waverley, Victoria, Australia) (Overseas Business) *3 *5	Oct 1989	42,325 (Thousand AUS)	(51.0%)	FY12/12	42,711	1,733	1,487	1,182	26,980	11,475
				FY12/13	52,633	2,862	2,634	1,833	30,202	12,490
				FY12/14 (F)	62,100	4,300	3,800	2,500	-	-

*1 Figures in parentheses are for indirect investments.

*2, *3, *4 The following exchange rates were used to convert into yen 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.

	*2 US\$	*3 AUS	*4 NZ\$
FY 12/12	79.80	82.65	64.66
FY 12/13	97.59	94.32	80.02
FY 12/14 (Forecast)	100.00	89.00	86.00