

November 6, 2014

Summary of Financial Results for the Second Quarter of the Fiscal Year Ending March, 2015 [Japan GAAP] (Consolidated)

Name of Company:	Sumitomo Forestry Co., Ltd.
Stock Exchange Listing:	Tokyo
Stock Code	1911
URL:	http://sfc.jp/
Representative	
Title:	President / Representative Director
Name:	Akira Ichikawa
Contact Person:	
Title:	General Manager, Corporate Communications
Name:	Yuichiro Ono
Phone:	+81-3-3214-2270
Date of filing of financial report:	November 11, 2014
Date of commencement of dividend payment (tentative):	December 5, 2014
Preparation of supplementary materials:	Yes
Convening of a first quarter results meeting:	Yes (for financial analysts and institutional investors)

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

1. Financial results for the second quarter cumulative period under review (April 1, 2014 – September 30, 2014)**(1) Results 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	%
2Q FY Ending March 2015	469,570	8.0	12,221	18.4	13,316	22.8	7,278	-34.3
2Q FY Ended March 2014	434,922	10.9	10,322	50.9	10,840	44.8	11,074	206.9

Note: Comprehensive income

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

As of September 30, 2013 15,868 million yen (802.8%)

	Net income per share	Net income per share fully diluted
	Yen	Yen
2Q FY Ending March 2015	41.09	38.74
2Q FY Ended March 2014	62.51	61.16

(2) Financial position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2014	635,771	236,290	35.4
As of March 31, 2014	645,197	226,078	33.9

(Note) Shareholders' equity

As of September 30, 2014 225,289 million yen

As of March 31, 2014 218,676 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
	Yen	Yen	Yen	Yen	Yen
FY Ended March 2014	-	9.50	-	9.50	19.00
FY Ending March 2015	-	9.50	-	-	-
FY Ending March 2015(Est.)	-	-	-	9.50	19.00

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

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

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

	Net sales		Operating income		Recurring income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal Year Ending March 2015	990,000	1.8	31,000	-7.2	32,000	-4.7	18,000	-20.1	101.62

Note: Revised forecast for the quarter under review: No

* Notice

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

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

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

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

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

(c) Changes in accounting estimates: None

(d) Restatements: None

(Note) For details, please refer to accompanying materials page 4, "2. Summary Information: Items related to "Notice", Changes in Accounting Policies."

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock)

As of September 30, 2014	177,410,239	As of March 31, 2014	177,410,239
--------------------------	-------------	----------------------	-------------

(b) Treasury stock

As of September 30, 2014	277,735	As of March 31, 2014	276,468
--------------------------	---------	----------------------	---------

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

As of September 30, 2014	177,133,294	As of September 30, 2013	177,135,524
--------------------------	-------------	--------------------------	-------------

* Indication regarding the performance of quarterly review procedures

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

* Cautionary statement regarding business results forecasts and special notes

(Caution regarding forward-looking statements)

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

○ Contents of Accompanying Materials

1. Qualitative Information related to the Consolidated Business Results	2
(1) Explanation Concerning Operating Results	2
(2) Explanation Concerning Financial Status	4
(3) Explanation Concerning Forecasts for Consolidated Business Results and Other Future Projections	4
2. Summary Information: Items related to “Notice”	4
Changes in Accounting Policies	4
3. Quarterly Consolidated Financial Statements	6
(1) Consolidated Balance Sheet	6
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	8
Consolidated Statements of Income	
For the second quarter cumulative period (consolidated)	8
Consolidated Statements of Comprehensive Income	
For the second quarter cumulative period (consolidated)	9
(3) Quarterly Consolidated Statements of Cash Flows	10
(4) Explanation Concerning Consolidated Financial Statements	12
(Notes related to the Assumption of a Going Concern)	12
(Notes on Significant Changes in Shareholders’ Equity)	12
(Segment Information)	12
4. Supplementary Information	14
(1) Consolidated Statements of Income	14
(2) Breakdown of Sales and Orders Received for Housing Business (Non-consolidated)	15
(3) Main Subsidiaries	16

1. Qualitative Information related to the Consolidated Business Results

(1) Explanation Concerning Operating Results

The economic environment in Japan during the second quarter (April to September 2014) exhibited an overall mild recovery. Corporate profits and hiring were up, and capital expenditure trended upwards albeit gradually. However, the consumer spending recovery has been sluggish due to factors such as the sharp reactive decline in surge demand accompanying the consumption tax hike and unseasonable summer weather, and uncertainty remains over the economic future. Meanwhile, overseas, the United States, the United Kingdom and other developed countries saw economic recovery, but China and some newly emerging countries saw a slowdown. Additionally, the situations in the Ukraine, the Middle East and Hong Kong are recognized as geopolitical risks, and there was an overall instability.

In the domestic housing market, which has a deep relationship to our Group businesses, the sharp reactive decline in surge demand accompanying the consumption tax hike has continued, and stagnation continued, primarily in the new residential housing market, including a downward trend in the number of new housing starts compared to the previous fiscal year.

Our operating results were strong, owing primarily to an increase in net sales in the housing business against a backdrop of an increased backlog of orders received at the beginning of the year, chiefly for custom-built detached houses, resulting from surge demand that lasted until the previous year, and favorable results in the overseas business. Net sales increased by 8.0% year-on-year to ¥469,570 million, operating income was ¥12,221 million (an increase of 18.4% year-on-year), recurring income was ¥13,316 million (an increase of 22.8% year-on-year), and quarterly net income was ¥7,278 million (a decrease of 34.3% year-on-year).

The reasons that quarterly net income decreased so substantially were that additional equity shares in the Henley Group, which is engaged in the housing business in Australia and the United States, were 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 in the same quarter of the previous year as well as that the previous year's 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 last September.

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

< Business Segments >

1) *Timber and Building Materials Business*

In the domestic timber and building materials distribution business, net sales were down year on year due to slow demand in the market as a whole, including a downward trend in the number of new housing starts. With the new residential housing market performing sluggishly, efforts were poured into cultivating new markets, including strengthening the response to renovation demand, which is expected to grow, and exporting domestic timber in collaboration with overseas distribution subsidiaries.

As for the domestic building materials manufacturing business, results were steady because the increased costs associated with the switch to new products last year were addressed, and profitability improved.

The overseas distribution business strengthened ties with overseas building materials manufacturing subsidiaries as they worked to expand sales of group company products.

As a result, the timber and building materials business posted net sales of ¥212,576 million (a decrease of 3.7% year-on-year) and recurring income of ¥2,171 million (a decrease of 12.6% year-on-year).

2) *Housing Business*

The custom-built detached housing business saw an increase in net sales thanks to a higher number of completed and delivered units as well as an increase in the unit price of completed projects resulting from a year-on-year increase in the percentage of houses being equipped with environmentally sound equipment such as solar power generation systems and ENE-FARM household fuel cells. Additionally, we saw increased sales of products using our proprietary "Big-Frame Construction method,"

which ensures superior earthquake resistance while also enabling highly individualized design, including floor plans that have pillars in different places on different floors.

In the apartment business, sales were strengthened by such means as increasing personnel and having custom-built detached housing sales representatives cross-sell apartments in response to increased demand for asset utilization from land owners before the scheduled increase in the inheritance tax next January. Additionally, aggressive advertising activities, including television commercials, have been carried out in an attempt to increase recognition of the Group's apartment brand, "ForestMaison," resulting in a year-on-year increase in net sales.

Regarding the renovation and leasing housing business, the main business of renovation demonstrated higher net sales than those of the same period of the previous year thanks in part to efforts made to expand the size of the business. However, as with custom-built detached housing, the impact of the sharp reactive decline in surge demand accompanying the consumption tax hike resulted in sluggish orders. In the midst of these circumstances, we enhanced our sales force, such as increasing the number of personnel, primarily in the Tokyo Metropolitan area—its largest market. We also made efforts to expand orders for renovation of traditional Japanese-style homes that have been passed down from generation to generation and condominium renovations that provide quality wooden spaces.

As a result of the above, we posted housing business net sales of ¥212,782 million (an increase of 4.1% year-on-year) and recurring income of ¥10,848 million (an increase of 7.2% year-on-year).

Regarding the status of orders for custom-built detached housing, which is a leading performance indicator, the domestic housing market was sluggish, resulting in a year-on-year decrease in both the amount and number of orders received. With demand stagnating and the competition growing fierce, aggressive sales activities were rolled out with an emphasis on the distinguishing characteristics of Sumitomo Forestry, including design consultation meetings by Design Partner Group (DPG), the design group in charge of special high-difficulty properties, in order to highlight the design and engineering capabilities of Sumitomo Forestry and differentiate ourselves from our competitors. Model houses designed by DPG were opened to the public in Setagaya-ku, Tokyo in October this year, and we will step up efforts to make customers aware of the advantages. We also make efforts to improve drawing power, including strengthening events at exhibitions.

As a result, the amount of orders decreased 35.9% year-on-year to ¥143,665 million.

3) *Overseas Business*

The overseas resources and manufacturing business produced solid business results due to strong plywood and particle board sales in Indonesia. On the other hand, extension of our market in Australia has not proceeded as planned, and the sales volume stagnated, so profits hovered at a low level. In New Zealand, profitability declined, and results were down year on year due to the impact of sharp exchange rate fluctuations.

Both sales and income increased substantially in the overseas housing and real estate business, thanks to the acquisition of additional equity shares in the Henley Group, making it a consolidated subsidiary in September of last year. In the United States, following acquisition of equity shares in Bloomfield Homes Group, which operates out of the Dallas-Fort Worth area of Texas in June of last year, in May of this year, new equity shares were acquired in Gehan Homes Group, which is engaged in the housing business in Arizona and the greater Texas area. This also contributed to improved results. The number of houses sold increased year on year in Australia against a backdrop of a gentle recovery in the Australian housing market, so performance trended favorably.

As a result, the overseas business posted net sales of ¥57,576 million (an increase of 160.6% year-on-year) and a recurring income of ¥1,100 million (compared to the recurring loss of ¥765 million in the same period of the previous year).

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.

The other businesses recorded net sales of ¥7,936 million (a decrease of 1.4% year-on-year) and recurring income of ¥551 million (an increase of 7.6% year-on-year).

(2) Explanation Concerning Financial Status

1) Balance Sheet Highlights

At the end of the consolidated cumulative second quarter, total assets decreased ¥9,426 million compared to the end of the previous consolidated fiscal year to ¥635,771 million. The main factor was a decrease in cash and deposits resulting primarily from payment of construction costs for construction completed and repayment of bonds, despite an increase in inventories in conjunction with the inclusion of the Gehan Homes Group, in which new stakes were acquired in the first quarter consolidated accounting period, in the consolidated results and an increase in the number of houses under construction in the custom-built detached housing business. Liabilities decreased ¥19,639 million compared to the end of the previous consolidated fiscal year to ¥399,481 million due primarily to decrease in accounts payable for construction contracts primarily in conjunction with payment of the aforementioned construction costs and repayment of bonds. Net assets totaled ¥236,290 million, and the equity ratio was 35.4%.

2) Cash Flow

The balance of cash and cash equivalents (hereinafter: “cash”) at the end of the second quarter accounting period (consolidated) decreased ¥39,378 million compared to the end of the previous consolidated fiscal year to ¥88,965 million.

A summary of cash flows is presented below.

(Operating Activities)

Net cash provided by operating activities was ¥9,330 million (an increase of ¥13,372 million was posted in the same period of the previous year). This was due to factors that decreased cash such as an increase in inventories and a decrease in notes and accounts payables despite the posting of ¥13,009 million in quarterly net income before income taxes and minority interests and cash-increasing factors such as a decrease in notes and accounts receivables.

(Investment Activities)

Net cash used in investment activities was ¥13,232 million (a decrease of ¥15,451 million was posted in the same period of the previous year). This mainly resulted from acquisition of equity shares in a housing business company in the United States and funds management via time deposits.

(Financing Activities)

Net cash used in financing activities was ¥16,691 million (an increase of ¥12,185 million was posted in the same period of the previous year). This mainly resulted from repayment of bonds, repayment of debt and payment of dividends.

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

Regarding full year business results forecasts for the fiscal year ending March 2015, there has been no change in the figures in the “Summary of Financial Results for the Year Ended March 2014” published on May 8, 2014.

2. Summary Information: Items related to “Notice”

Changes in Accounting Policies

(Application of accounting standard for retirement benefits)

Beginning the first quarter of the current consolidated fiscal year, the Company adopted the provisions of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits as provided in the Accounting Standard for Retirement Benefits (Accounting Standard No.26, May 17, 2012) and the Guidance on Accounting Standard for Retirement Benefits (Accounting Standard No. 25, May 17, 2012). Under this new accounting policy, the Company has revised its method of calculating retirement benefit obligations and service costs. The Company has replaced the straight-line attribution basis with the benefit formula basis for the method of attributing expected benefit to periods. The method of determining the discount rate was reviewed, and the decision was made to switch from a method based on single year bond yield for average remaining service years to a method based on multiple bond yields set for each estimated timing of benefit payment.

In accordance with the transitional application as provided in Paragraph 37 of the Accounting Standard for Retirement Benefits, the Company has, beginning with the start of the second quarter of the cumulative consolidated fiscal year, taken the effects of the changes in calculation method for retirement benefit obligations and service costs directly to retained earnings.

As a result, net defined benefit assets at the beginning of the cumulative consolidated second quarter of the current year increased ¥203 million, and net defined benefit liabilities increased ¥1,393 million, while retained earnings decreased ¥574 million. In addition, the effect of this accounting change on operating income, recurring income or income before income taxes and minority interests for the cumulative consolidated second quarter of the current year is not material.

As a result, the impact of this accounting change on the retirement benefit obligation and retained earnings at the beginning of the cumulative consolidated second quarter of the current year is minimal.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheet

(million yen)

	Previous consolidated fiscal year (ended March 31, 2014)	Second quarter consolidated accounting period (ended September 30, 2014)
Assets		
Current assets		
Cash and time deposits	75,694	45,471
Notes and accounts receivable-trade	128,580	120,338
Accounts receivable from completed construction contracts	4,341	4,176
Marketable securities	43,000	41,000
Finished goods, logs and lumber	19,831	19,027
Work in process	1,215	1,757
Raw materials and supplies	5,877	6,450
Costs on uncompleted construction contracts	24,433	30,296
Developed land and housing for sale	31,514	38,677
Real estate for sale in process	11,132	30,464
Deferred tax assets	8,754	8,373
Short-term loans receivable	33,397	30,718
Accounts receivable-other	54,254	50,126
Other	5,559	8,012
Allowance for doubtful accounts	(724)	(809)
Total current assets	446,855	434,074
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	59,845	60,512
Accumulated depreciation	(28,514)	(29,372)
Buildings and structures, net	31,331	31,140
Machinery, equipment and vehicles	71,418	72,151
Accumulated depreciation	(51,284)	(53,008)
Machinery, equipment and vehicles, net	20,134	19,143
Land	26,665	26,061
Leased assets	9,214	9,675
Accumulated depreciation	(4,350)	(4,586)
Leased assets, net	4,864	5,089
Construction in progress	6,917	7,647
Other	20,826	21,895
Accumulated depreciation	(7,005)	(7,491)
Other, net	13,821	14,405
Total property, plant and equipment	103,733	103,485
Intangible assets		
Goodwill	3,122	6,468
Other	8,570	8,301
Total intangible assets	11,692	14,769
Investments and other assets		
Investment securities	65,499	67,172
Long-term loans receivable	649	2,008
Net defined benefit assets	68	271
Deferred tax assets	1,797	1,761
Other	16,997	14,889
Allowance for doubtful accounts	(2,093)	(2,659)
Total investments and other assets	82,917	83,443
Total noncurrent assets	198,342	201,697
Total assets	645,197	635,771

(million yen)

	Previous consolidated fiscal year (ended March 31, 2014)	Second quarter consolidated accounting period (ended September 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	115,294	107,334
Accounts payable for construction contracts	76,136	67,664
Short-term debt	26,434	35,029
Current portion of bonds payable	10,000	-
Lease obligations	1,468	1,778
Income taxes payable	8,102	4,350
Advances received on uncompleted construction contracts	55,120	56,243
Provision for employees' bonuses	10,360	9,874
Provision for directors' bonuses	120	-
Provision for warranties for completed construction	2,035	2,172
Asset retirement obligation	559	468
Other	20,502	21,309
Total current liabilities	326,130	306,220
Long-term liabilities		
Bonds issued	5,000	5,000
Convertible bonds	20,000	20,000
Long-term debt	26,616	25,116
Lease obligations	3,458	3,592
Deferred tax liabilities	10,807	10,488
Provision for directors' retirement benefits	64	68
Net defined benefit liabilities	11,038	12,564
Asset retirement obligation	874	908
Other	15,133	15,525
Total long-term liabilities	92,989	93,260
Total liabilities	419,120	399,481
Net assets		
Shareholders' equity		
Common stock	27,672	27,672
Capital surplus	26,872	26,872
Retained earnings	146,654	151,675
Treasury stock	(272)	(274)
Total shareholders' equity	200,925	205,945
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,559	15,721
Deferred gains or losses on hedges	21	218
Foreign currency translation adjustment	3,284	3,518
Remeasurements of defined benefit plans	(112)	(112)
Total accumulated other comprehensive income	17,751	19,344
Minority interests	7,401	11,001
Total net assets	226,078	236,290
Total liabilities and net assets	645,197	635,771

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
 (Consolidated Statements of Income)
 For the second quarter cumulative period (consolidated)

(million yen)

	Previous 2Q Cumulative Period (Consolidated) (April 1, 2013 - September 30, 2013)	2Q Cumulative Period under Review (Consolidated) (April 1, 2014 - September 30, 2014)
Net sales	434,922	469,570
Cost of sales	365,434	391,759
Gross profit	69,487	77,811
Selling, general and administrative expenses	59,165	65,590
Operating income	10,322	12,221
Non-operating income		
Interest income	238	217
Purchase discounts	202	187
Dividends income	604	659
Equity in earnings of affiliates	–	509
Foreign exchange gains	107	–
Other	733	729
Total non-operating income	1,885	2,300
Non-operating expenses		
Interest expenses	569	532
Sales discounts	356	366
Equity in losses of affiliates	76	–
Foreign exchange losses	–	92
Other	367	215
Total non-operating expenses	1,367	1,205
Recurring income	10,840	13,316
Extraordinary gains		
Gain on sales of investment noncurrent assets	32	17
Gain on sales of investment securities	26	128
Gain on step acquisitions	2,124	–
Total extraordinary gains	2,182	145
Extraordinary loss		
Loss on sales of noncurrent assets	–	2
Loss on retirement of noncurrent assets	46	84
Impairment loss	147	–
Loss on sales of investment securities	–	3
Loss on step acquisitions	–	338
Loss on sale of stocks of subsidiaries and affiliates	1	–
Other	–	24
Total extraordinary loss	193	452
Income before income taxes and minority interests	12,828	13,009
Income taxes-current	5,206	4,944
Income taxes-deferred	(3,400)	(102)
Total income taxes	1,806	4,842
Net income before minority interests	11,022	8,166
Minority interests	(51)	888
Net income	11,074	7,278

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

(million yen)

	Previous 2Q Cumulative Period (Consolidated) (April 1, 2013 - September 30, 2013)	2Q Cumulative Period under Review (Consolidated) (April 1, 2014 - September 30, 2014)
Net income before minority interests	11,022	8,166
Other comprehensive income		
Valuation difference on available-for-sale securities	3,487	1,157
Deferred gains or losses on hedges	(213)	197
Foreign currency translation adjustment	1,948	286
Share in equity method affiliates	(377)	(18)
Total other comprehensive income	4,845	1,622
Comprehensive income	15,868	9,788
Comprehensive income attributable to owners of the parent	15,957	8,871
Comprehensive income attributable to minority interests	(90)	917

(3) Quarterly Consolidated Statements of Cash Flows

(million yen)

	Previous 2Q Cumulative Period (Consolidated) (April 1, 2013 - September 30, 2013)	2Q Cumulative Period under Review (Consolidated) (April 1, 2014 - September 30, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	12,828	13,009
Depreciation and amortization	4,539	5,326
Impairment loss	147	–
Amortization of goodwill	163	828
Provision for (reversal of) doubtful accounts	(43)	681
Provision for (reversal of) employees' bonuses	398	(557)
Provision for (reversal of) directors' bonuses	(110)	(120)
Provision for (reversal of) warranties for completed construction	(22)	54
Provision for loss on business liquidation	(1,422)	–
Provision for (reversal of) disaster losses	(60)	–
Provision for (reversal of) retirement benefits, less payments	76	–
Provision for (reversal of) directors' retirement benefits	(18)	4
Net defined benefit liability	–	136
Interest and dividends income	(843)	(876)
Interest expenses	569	532
Equity in (earnings) losses of affiliates	76	(509)
Losses (gains) on sales of marketable securities and investment securities, net	(25)	(124)
Losses (gains) on step acquisitions	(2,124)	338
Losses (gains) on sales/disposal of fixed assets, net	14	70
Decrease (increase) in notes and accounts receivable-trade	208	7,831
Inventories	(10,689)	(14,269)
Other current assets	(911)	4,131
Notes and accounts payable, trade	(4,299)	(17,392)
Advances received	520	1,158
Advances received on uncompleted construction contracts	20,423	1,123
Accrued consumption taxes	(430)	(1,854)
Other current liabilities	(1,301)	(1,369)
Other, net	777	384
Subtotal	18,440	(1,465)
Interest and dividends income received	1,149	1,184
Interest paid	(585)	(560)
Income taxes paid	(5,632)	(8,489)
Net cash provided by (used in) operating activities	13,372	(9,330)

(million yen)

	Previous 2Q Cumulative Period (Consolidated) (April 1, 2013 - September 30, 2013)	2Q Cumulative Period under Review (Consolidated) (April 1, 2014 - September 30, 2014)
Cash flows from investment activities		
Payments into time deposits	(8,000)	(21,084)
Proceeds from withdrawal of time deposits	3,023	17,329
Decrease (increase) in short-term loans receivable	(858)	839
Payments for purchases of fixed assets	(3,884)	(4,668)
Proceeds from sales of fixed assets	2,016	2,819
Payments for purchases of intangible assets	(664)	(597)
Payments for purchase of investment securities	(7,350)	(203)
Proceeds from sales of investment securities	80	296
Payments for additional acquisition of stock of consolidated subsidiaries	(4)	(6,739)
Payments of long-term loans payable	(3)	(1,845)
Repayments of long-term loans receivable	380	402
Other payments	(798)	(466)
Other proceeds	611	684
Net cash used in investment activities	(15,451)	(13,232)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	(2,100)	(1,739)
Repayments of finance lease obligations	(900)	(1,075)
Proceeds from long-term debt	0	1,537
Repayment of long-term debt	(3,126)	(3,417)
Repayment of bonds	-	(10,000)
Proceeds from issuance of convertible bonds	20,000	-
Proceeds from stock issuance to minority shareholders	-	31
Cash dividends paid	(1,683)	(1,683)
Cash dividends paid to minority shareholders	(5)	(344)
Other payments	(2)	(2)
Net cash provided by (used in) financing activities	12,185	(16,691)
Effect of exchange rate change on cash and cash equivalents	475	(125)
Net increase (decrease) in cash and cash equivalents	10,581	(39,378)
Cash and cash equivalents at the beginning of period	75,658	128,343
Cash and cash equivalents at the end of period	86,239	88,965

(4) Explanation Concerning Consolidated Financial Statements

(Notes related to the Assumption of a Going Concern)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

(Segment Information)

I Previous second quarter cumulative period (Consolidated, April 1, 2013 –September 30, 2013)

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

(million yen)

	Reporting segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the quarterly, consolidated Statements of Income (Note 3)
	Timber and Building Materials	Housing	Overseas	Total				
Net sales								
(1) Unaffiliated customers	211,382	204,286	15,129	430,797	3,768	434,565	357	434,922
(2) Intersegment sales/transfers	9,464	179	6,965	16,607	4,285	20,892	(20,892)	-
Total	220,846	204,465	22,093	447,405	8,052	455,457	(20,535)	434,922
Segment income (loss)	2,484	10,117	(765)	11,836	513	12,348	(1,509)	10,840

- (Notes)
1. "Other" are 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. The adjusted business loss of ¥1,509 million includes ¥79 million in eliminated intersegment transactions, as well as ¥1,429 million in corporate losses, etc., which are not allocated to any of the reporting segments. Corporate income (loss) is primarily selling, general and administrative expenses, non-operating income or non-operating expenses not belonging to any reporting segments.
 3. Total segment income (loss) is adjusted against recurring income in the quarterly consolidated statements of income.

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

(Material impairment loss on noncurrent assets)

Under "Other," impairment loss associated with equipment at culture soil producing plants is recorded as extraordinary loss. Note that the amount of impairment loss posted for the second quarter cumulative period under review is ¥147 million.

(Important change in the amount of goodwill)

In the Overseas business segment, an additional stake was acquired in the Henley Group, which had been an equity method affiliate, and it is now a consolidated subsidiary.

The increase in goodwill from this event in the second quarter cumulative period under review is ¥2,986 million.

II Second quarter cumulative period under review (Consolidated, April 1, 2014 - September 30, 2014)

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

(million yen)

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

- (Notes)
1. "Other" are 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 sale of farming and gardening materials, etc.
 2. The adjusted business loss of ¥1,355 million includes ¥91 million in eliminated intersegment transactions, as well as ¥1,263 million in corporate losses, etc., which are not allocated to any of the reporting segments. Corporate income (loss) is primarily selling, general and administrative expenses, non-operating income or non-operating expenses not belonging to any reporting segments.
 3. Total segment income (loss) is adjusted against recurring income in the quarterly consolidated statements of income.

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

(Important change in the amount of goodwill)

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

(3) Changes to Reporting Segments

As noted in Changes in Accounting Policies, beginning the first quarter of the current consolidated fiscal year, the Company has revised its method of calculating retirement benefit obligations and service costs. In conjunction with this, the method of calculating retirement benefit obligations and service costs of the reporting segment has also been changed. The effect of this change is not material.

4. Supplementary Information

(1) Consolidated Statements of Income

(million yen)

	2Q FY3/14		2Q FY3/15		YoY change	% of YoY change	FY3/14		FY3/15 (Forecast)		YoY change	% of YoY change
Timber and building materials business	220,846		212,576		(8,271)	(3.7%)	458,611		420,000		(38,611)	(8.4%)
Housing business	204,465		212,782		+8,317	+4.1%	465,368		455,000		(10,368)	(2.2%)
Overseas business	22,093		57,576		+35,483	+160.6%	76,320		136,000		+59,680	+78.2%
Other	8,052		7,936		(117)	(1.4%)	17,286		15,000		(2,286)	(13.2%)
Adjustment	(20,535)		(21,299)		(764)	-	(44,617)		(36,000)		+8,617	-
Net sales	434,922		469,570		+34,649	+8.0%	972,968		990,000		+17,032	+1.8%
Gross profit	16.0%	69,487	16.6%	77,811	+8,323	+12.0%	16.5%	160,162	16.9%	167,000	+6,838	+4.3%
Selling, general and administrative expenses		59,165		65,590	+6,425	+10.9%		126,747		136,000	+9,253	+7.3%
Operating income	2.4%	10,322	2.6%	12,221	+1,898	+18.4%	3.4%	33,415	3.1%	31,000	(2,415)	(7.2%)
Non-operating income		1,885		2,300	+416	+22.1%		3,536		4,000	+464	+13.1%
Non-operating expenses		1,367		1,205	(162)	(11.9%)		3,384		3,000	(384)	(11.3%)
Non-operating income/loss		517		1,095	+578	+111.8%		152		1,000	+848	+559.0%
Timber and building materials business	1.1%	2,484	1.0%	2,171	(313)	(12.6%)	1.1%	4,950	1.0%	4,200	(750)	(15.2%)
Housing business	4.9%	10,117	5.1%	10,848	+731	+7.2%	6.9%	32,211	6.0%	27,500	(4,711)	(14.6%)
Overseas business	(3.5%)	(765)	1.9%	1,100	+1,865	-	(0.2%)	(149)	2.6%	3,500	+3,649	-
Other	6.4%	513	6.9%	551	+39	+7.6%	4.8%	821	4.7%	700	(121)	(14.8%)
Adjustment		(1,509)		(1,355)	+154	-		(4,268)		(3,900)	+368	-
Recurring income	2.5%	10,840	2.8%	13,316	+2,476	+22.8%	3.4%	33,567	3.2%	32,000	(1,567)	(4.7%)
Extraordinary gains		2,182		145	(2,038)	(93.4%)		2,254		500	(1,754)	(77.8%)
Extraordinary loss		193		452	+258	+133.6%		1,192		500	(692)	(58.0%)
Extraordinary gains/losses		1,989		(307)	(2,296)	-		1,063		-	(1,063)	-
Net income	2.5%	11,074	1.5%	7,278	(3,796)	(34.3%)	2.3%	22,531	1.8%	18,000	(4,531)	(20.1%)

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

(million yen)

Second Quarter			Q2 FY3/14 (Actual)			Q2 FY3/15 (Actual)			Change	
			Volume	Amount	Unit price	Volume	Amount	Unit price	Volume	Unit price
<<Sumitomo Forestry Co., Ltd. (Non-consolidated)>>										
Orders Received	Contract Business	Custom-built detached housing*1	5,944	224,285	32.5	3,904	143,665	32.8	(34.3%)	(35.9%)
		Wooden apartments*1	755	10,533	13.1	684	9,760	14.3	(9.4%)	(7.3%)
		Other contracts		2,023	-		358	-		(82.3%)
Sales	Contract Business	Custom-built detached housing*2	4,118	141,134	34.3	4,177	149,236	35.7	+1.4%	+5.7%
		Wooden apartments*2	374	4,605	12.3	357	4,970	13.9	(4.5%)	+7.9%
		Other contracts		620	-		945	-		+52.5%
	Detached spec homes business*3	106	4,527	42.7	88	3,321	37.7	(17.0%)	(26.6%)	
	Land for custom-built housing		2,421	-		1,995	-		(17.6%)	
	Existing home renovation (Resale of renovated homes)*4		2,181	-		2,859	-		+31.1%	
	Other *5		5,314	-		4,039	-		(24.0%)	
Total			160,800	-		167,365	-		+4.1%	
Profit ratio		Gross profit	25.2%	40,454		24.5%	40,952			
Backlog of Orders Received at Term End	Contract Business	Custom-built housing	10,286	359,239	34.9	8,308	290,165	34.9	(19.2%)	(19.2%)
		Wooden apartments	1,758	21,032	12.0	1,720	22,267	12.9	(2.2%)	+5.9%
		Other contracts		2,041	-		1,236	-		(39.4%)
<<Sumitomo Forestry Home Tech (Renovation)>>										
Orders Received	Contract Business			34,342	-		28,492	-		(17.0%)
Construction Completed				25,763	-		27,323	-		+6.1%
Backlog of Orders Received at Term End				30,007	-		24,265	-		(19.1%)

(million yen)

Full Year			FY3/14 (Actual)			FY3/15 (Forecast)			Change	
			Volume	Amount	Unit price	Volume	Amount	Unit price	Volume	Amount
<<Sumitomo Forestry Co., Ltd. (Non-consolidated)>>										
Orders Received	Contract Business	Custom-built detached housing*1	9,364	339,909	32.1	8,500	305,500	32.5	(9.2%)	(10.1%)
		Wooden apartments*1	1,140	15,502	13.1	1,250	16,500	13.2	+9.6%	+6.4%
		Other contracts		2,562	-		1,500	-		(41.4%)
Sales	Contract Business	Custom-built detached housing*2	9,243	320,260	34.6	8,700	310,000	35.6	(5.9%)	(3.2%)
		Wooden apartments*2	1,124	13,130	11.7	1,150	14,800	12.9	+2.3%	+12.7%
		Other contracts		1,375	-		2,600	-		+89.0%
	Detached spec homes business*3	242	9,723	40.2	250	9,500	38.0	+3.3%	(2.3%)	
	Land for custom-built housing		5,579	-		5,700	-		+2.2%	
	Existing home renovation (Resale of renovated homes)*4		8,999	-		8,000	-		(11.1%)	
	Other *5		9,623	-		7,500	-		(22.1%)	
Total			368,689	-		358,100	-		(2.9%)	
Profit ratio		Gross profit	24.7%	91,203		24.4%	87,500			
Backlog of Orders Received at Term End	Contract Business	Custom-built housing	8,581	295,736	34.5	8,381	291,236	34.7	(2.3%)	(1.5%)
		Wooden apartments	1,393	17,477	12.5	1,493	19,177	12.8	+7.2%	+9.7%
		Other contracts		1,824	-		724	-		(60.3%)
<<Sumitomo Forestry Home Tech (Renovation)>>										
Orders Received	Contract Business			61,004	-		59,000	-		(3.3%)
Construction Completed				59,336	-		58,200	-		(1.9%)
Backlog of Orders Received at Term End				23,096	-		23,896	-		+3.5%

*1: The unit price of custom-built detached housing and wooden apartment orders is calculated from the orders received at the time contracts were signed for the units ordered this period, so the orders received for additional construction are not included.

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

*3: Detached spec homes business figures are for the total of land and building.

*4: "Real estate development" has been changed to "Existing home renovation (Resale of renovated homes)" as of the fiscal year ended March 31, 2014.

*5: Other sales include sales of interior products, condominium buildings, etc.

(3) Main Subsidiaries

(million yen)

Company name (Head Office) (Segment)	Founded	Capital stock	Ownership *1	Accounting term	Statements of Income				Balance Sheets	
					Net sales	Operating income	Recurring income	Net income	Total assets	Net assets
Sumitomo Forestry Crest Co., Ltd. (Nagoya, Aichi Prefecture) (Timber and Building Materials Business)	Aug 1959	800	100.0%	2Q FY 3/14	18,817	(15)	(63)	(79)	20,717	1,054
				FY 3/14	39,932	(767)	(856)	(1,133)	19,897	5
				2Q FY 3/15	18,860	295	245	222	19,349	333
				FY 3/15 (F)	36,000	350	250	225	-	-
Sumitomo Forestry Residential Co., Ltd. (Shinjuku-ku, Tokyo) (Housing Business)	Mar 1985	150	100.0%	2Q FY 3/14	10,169	124	111	67	9,782	2,899
				FY 3/14	20,402	495	465	275	10,011	3,107
				2Q FY 3/15	9,955	292	281	196	9,951	3,304
				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%	2Q FY 3/14	41,100	456	480	261	31,952	2,833
				FY 3/14	88,316	797	907	503	32,172	3,074
				2Q FY 3/15	41,173	344	398	215	31,952	3,051
				FY 3/15 (F)	85,000	600	700	400	-	-
Sumitomo Forestry Home Service Co., Ltd. (Shinjuku-ku, Tokyo) (Housing Business)	Sep 1964	400	100.0%	2Q FY 3/14	2,872	63	53	32	2,746	(122)
				FY 3/14	5,873	272	253	205	3,304	51
				2Q FY 3/15	2,930	101	103	106	2,841	329
				FY 3/15 (F)	6,200	350	350	220	-	-
Sumitomo Forestry Landscaping Co., Ltd. (Nakano-ku, Tokyo) (Housing Business)	Apr 1977	200	100.0%	2Q FY 3/14	10,966	106	126	70	8,226	2,775
				FY 3/14	24,315	357	394	218	10,360	2,922
				2Q FY 3/15	13,251	530	541	324	9,726	3,399
				FY 3/15 (F)	26,500	820	850	550	-	-
Sumitomo Forestry Home Tech Co., Ltd. (Chiyoda-ku, Tokyo) (Housing Business)	Oct 1988	100	100.0%	2Q FY 3/14	27,150	1,124	1,262	701	24,530	3,057
				FY 3/14	62,189	3,854	4,088	2,485	27,686	4,840
				2Q FY 3/15	28,785	1,333	1,358	796	23,719	3,041
				FY 3/15 (F)	61,200	3,200	3,200	2,000	-	-
PT.Kutai Timber Indonesia (Jakarta, Indonesia) (Overseas Business) *2	Sep 1970	27,000 (Thousand US\$)	99.9%	2Q FY 12/13	5,791	365	365	274	7,794	2,936
				FY 12/13	11,872	659	582	431	7,696	3,302
				2Q FY 12/14	6,445	513	501	376	7,487	3,547
				FY 12/14 (F)	12,500	750	700	500	-	-
Alpine MDF Industries Pty Ltd. (Wangaratta, Victoria, Australia) (Overseas Business) *3	May 1994	62,474 (Thousand A\$)	(100.0%)	2Q FY 12/13	2,262	74	30	29	3,987	690
				FY 12/13	4,490	92	6	11	4,060	690
				2Q FY 12/14	2,086	(329)	(374)	(373)	4,328	565
				FY 12/14 (F)	4,500	(400)	(480)	(480)	-	-
Henley Properties Group (Mount Waverley, Victoria, Australia) (Overseas Business) *3 *5	Oct 1989	42,325 (Thousand A\$)	(51.0%)	2Q FY 12/13	23,334	786	695	432	27,004	11,706
				FY 12/13	52,633	2,862	2,634	1,833	30,203	12,950
				2Q FY 12/14	26,715	1,694	1,560	1,366	33,827	13,794
				FY 12/14 (F)	64,000	4,600	4,200	2,900	-	-
Nelson Pine Industries Ltd. (Richmond, Nelson, New Zealand) (Overseas Business) *4	Oct 1984	45,500 (Thousand NZ\$)	(100.0%)	2Q FY 12/13	6,867	226	237	173	16,657	14,910
				FY 12/13	14,873	1,212	1,199	865	19,016	16,737
				2Q FY 12/14	7,520	73	85	60	19,003	16,972
				FY 12/14 (F)	13,900	100	100	70	-	-

*1 Figures in parentheses are for indirect investments.

*2 *3, *4 The following exchange rates were used to convert into yen for the income statements of overseas group companies.

*5 The Henley Properties Group consists of nine companies, including Henley Arch Unit Trust and Henley USA LLC.

	*2 US\$	*3 A\$	*4 NZ\$
2Q FY 12/13	95.46	96.85	79.04
FY 12/13	97.59	94.32	80.02
2Q FY 12/14	102.48	93.74	86.99
FY 12/14 (F)	103.00	95.00	87.00