May 12, 2017

Summary of Financial Results for the Year Ended March, 2017 [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
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Date of regular general meeting of shareholders:	June 23, 2017
Date of commencement of dividend payment (tentative):	June 26, 2017
Date of filing of financial report:	June 23, 2017
Preparation of supplementary materials:	Yes
Convening of a results meeting:	Yes (for financial analysts and institutional investors)

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

1. Financial results for the current fiscal year (April 1, 2016 - March 31, 2017)

(1) Result of operations (Consolidated) (% figures represent year-on-year change)

	Net sales		Operating income		Recurring income		Profit for the year attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended March 2017	1,113,364	7.0	53,989	79.4	57,841	89.6	34,532	255.0
FY ended March 2016	1,040,524	4.3	30,093	(11.5)	30,507	(16.2)	9,727	(47.6)

Note: Comprehensive income
FY ended March 2017 49,997 million yen (634.3%)
FY ended March 2016 6,809 million yen (81.0%)

	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 2017	194.95	183.76	13.3	7.7	4.8
FY ended March 2016	54.92	51.78	4.0	4.4	2.9

Note: Equity in income (losses) of affiliates
FY ended March 2017 3,053 million yen
FY ended March 2016 761 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, 2017	793,617	295,344	34.6	1,552.04
As of March 31, 2016	710,318	265,257	34.3	1,374.47

Note: Shareholders' equity
FY ended March 2017: 274,911 million yen
FY ended March 2016: 243,460 million yen

Note: In the cumulative period (consolidated), provisional accounting treatment related to business combinations was determined, so the monetary amount as of March 31, 2016 reflects adjustments of the purchase price allocation following the determination of the provisional accounting treatment.

(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 2017	40,337	(62,350)	14,267	132,707
FY ended March 2016	45,705	(9,972)	1,813	141,265

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 2016	–	12.00	–	12.00	24.00	4,251	43.7	1.7
FY ended March 2017	–	15.00	–	20.00	35.00	6,200	18.0	2.4
FY ending March 2018 (Est.)	–	20.00	–	20.00	40.00		21.5	

3. Forecast for the fiscal year ending March 2018(Consolidated, April 1, 2017 - March 31, 2018)

	Net sales		Operating income		Recurring income		Profit for the year attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,241,000	11.5	50,500	(6.5)	52,500	(9.2)	33,000	(4.4)	186.30

* Notice

(1) Changes in main subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation):
New Company 2 (Company name) Tasman Pine Forests Ltd., Edge Utah HoldCo, LLC,
Excluded 1 (Company name) Alpine MDF Industries Pty Ltd.

(2) 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 16, "3. Consolidated Financial Statements and Main Notes (5) Notes to the Consolidated Financial Statements (Changes in Accounting Policies)."

(3) Number of shares outstanding (common stock)
(a) Shares outstanding (including treasury stock)

As of March 31, 2017	177,410,239	As of March 31, 2016	177,410,239

(b) Treasury stock

As of March 31, 2017	281,970	As of March 31, 2016	280,362

(c) Average number of shares during the term

As of March 31, 2017	177,129,048	As of March 31, 2016	177,130,772

Non-consolidated Financial Results (For reference)

Financial results for the current fiscal year (April 1, 2016 – March 31, 2017)

(1) Result of operations (Non-consolidated) (Percentage figures represent year on year changes)

	Net sales		Operating income		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2017	714,040	0.9	25,734	131.7	31,696	54.0	22,292	117.8
Fiscal year ended March 2016	707,796	(0.9)	11,107	(41.3)	20,586	(16.5)	10,233	(31.1)

	Net income per share	Net income per share fully diluted
	Yen	Yen
Fiscal year ended March 2017	125.85	118.63
Fiscal year ended March 2016	57.77	54.47

(2) Financial Position (Non-consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal year ended March 2017	595,161	230,098	38.6	1,298.59
Fiscal year ended March 2016	543,658	202,952	37.3	1,145.58

Note: Shareholders' equity As of March 31, 2017 230,016 million yen
As of March 31, 2016 202,916 million yen

* Financial results summaries not subject to audit.

* Cautionary statement regarding business results forecasts and special notes

(Caution regarding forward-looking statements)

Earnings forecasts and other forward-looking statements in this release are based on data currently available to the Company and certain assumptions that the Company believes are reasonable and are not intended to as a promise by the Company to achieve those forecasts. For information regarding using the assumptions that form the basis for the business results forecasts and cautionary notes about using business results forecasts, please refer to accompanying materials page 5 “1. Overview of Results of Operations, etc. (4) Future Outlook.”

(Method of Obtaining Supplemental Explanatory Material)

The Company will hold a briefing for securities analysts and institutional investors on Monday, May 15, 2017. The explanatory material on the financial results to be distributed at the briefing will be published on the website afterwards.

http://sfc.jp/information/ir/

Additionally, the Supplementary Information that has heretofore been provided in the summaries of financial results is provided in the Financial Factbook beginning the year ended March 31, 2017, and the material will be published on the website simultaneously with the announcement of financial results.

○Contents of Accompanying Materials

1. Overview of Results of Operations, etc.

(1) Overview of Results of Operations

In the period under review, the global economy continued its mild recovery, led by the continuing recovery of the US economy and visible signs of recovery in China despite a lack of vigor in the economies of emerging countries. The Japanese economy also exhibited a mild recovery, with visible signs of recovery in capital expenditures and exports despite a continuing lack of robustness in consumer spending.

The domestic housing market, which has a deep relationship to our Group businesses, housing loan interest rates remained at historically low levels, and new construction starts, rental housing in particular, were favorable, bringing the number of new housing starts to 974,000 (an increase of 5.8% year-on-year). Of these, owner-occupied dwellings came to 292,000 (an increase of 2.6% year-on-year).

Under this business environment, our Group put together the three-year Sumitomo Forestry Group 2018 Medium-Term Management Plan, which began this year (77^{th} business year), to further solidify the business foundation for sustainable growth and implement the policy of promoting reform for a new stage and has made a new start for further growth. Under this Medium-Term Management Plan, the aim is to achieve net sales of ¥1.170 trillion, recurring income of 55 billion (not including actuarial differences associated with retirement benefit accounting) and ROE of 10% or more by the end of the 79^{th} business year. In accordance with the Medium-Term Management Plan, the Group worked to increase profitability of its main business of timber and building materials and domestic custom-built detached houses. We also worked to diversify revenue streams by expanding our business domains, including aggressive investment of management resources in the apartment business, the renovation business, the MOCCA (timber solution) business, which promotes the adoption of timber construction in non-residential buildings and of wood-based interior finishings, overseas businesses, the biomass power generation business and management of senior care homes in order to develop a balanced business portfolio capable of handling changes in the market environment.

As a result, net sales came to ¥1,113.364 billion (an increase of 7.0% year-on-year). On the profit side, operating income was 53.989 billion (an increase of 79.4% year-on-year), recurring income was 57.841 billion (an increase of 89.6% year-on-year), and net income attributable to owners of parent was 34.532 billion (an increase of 255.0% year-on-year), in part because the actuarial differences associated with retirement benefit accounting posted as an expense last year shifted to the profit side this year.

An overview of conditions for each business segment is as follows. Net sales for each segment include intersegment internal sales and transfers.

1) Timber and Building Materials Business

In the domestic timber and building materials distribution business, net sales were on par with the previous year as the unit selling prices of imports dropped due to the appreciation of the yen, which continued into the first half, but we made efforts to decrease inventory and increase added value, so profits were strong. Additionally, in order to diversify revenue streams, we worked to increase sales of fuel wood for power generation and launched sales of "Kigurumi FR," a fire-resistant material made of pure laminated lumber, which can be used buildings of various uses, including public facilities.

In the domestic building materials manufacturing business, profitability improved as sales of building materials to group companies went according to plan.

In the overseas distribution business, we focused on sales of timber and building material products, primarily in Southeast Asia, and especially our regional headquarters of Singapore.

As a result, the timber and building materials business posted net sales of ¥424,440 million (a decrease of 0.6% year-on-year) and recurring income of ¥4,456 million (an increase of 32.9% year-on-year).

2) Housing Business

In the custom-built detached housing business, we put our focus on sales of houses built using our original Big-Frame Construction method, which offers a balance between high earthquake resistance and excellent flexibility of design, and ZEH (zero-energy homes). This led to a higher number of completed and delivered units, resulting in an increase in net sales. On the product side, we launched our BF-Si Resilience Plus homes, which offer plenty of storage space and survival features for the contingency of a short-term lifeline interruption. We also introduced a virtual reality system that allows customers to experience design plans in 3D in the aim of fun, easy-to-understand hands-on home development.

In our apartment business, we focused on proposing apartments capable of responding flexibly to changes in tenant needs using our original Wall Frame (WF) method, which offers diverse floor plans. Continuing from the previous year, net sales increased as a result of an increase in the number of units delivered, owing in part to heightened interest in asset utilization against the backdrop of the revision of the inheritance tax system two years ago. We opened “Shinjuku Forest Maison Plaza,” a hands-on consulting space for apartments, in order to further strengthen our system for supporting long-term stable management of our customers’ rental businesses.

In the renovation business, we took advantage of the system offered by Japan Trans-housing Institute (JTI) guaranteeing rent up to 35 years. We are the first in the renovation industry to do so. It is available when customers wishing to improve the seismic resistance of their existing homes for rent and increase asset value allow Sumitomo Forestry Home Tech to renovate their home so that it meets certain standards. However, large-scale renovation sales failed to improve, so profits declined.

In our MOCCA (timber solution) business, we endeavored to expand the market for construction of wood-constructed mid- to high-rise buildings in the midst of increased opportunities for adoption of wood construction and material in public buildings utilizing domestic materials, and we received an order for construction of an office building with a high wood design sense utilizing fire-resistant laminated timber in an urban area where a fire-resistant structure is required. Additionally, in an area affected by the Great East Japan Earthquake, a school was relocated to higher ground, and we completed construction of a wooden school building using mostly wood from the Tohoku area for the structural material and delivered it.

As a result, the housing business posted net sales of ¥466,298 million (an increase of 2.6% year-on-year) and recurring income of ¥32,349 million (an increase of 2.7% year-on-year).

3) Overseas Business

In the manufacturing business, sales of medium density fiberboard (MDF) to Japan and North America were favorable in New Zealand, and manufacturing costs declined due to lower costs of procuring raw materials, resulting in substantially higher profits.

On the other hand, in Indonesia, the unit selling price of plywood, which is the main product, fell due to intensifying competition in the market, so profits were down. Following a comprehensive review of optimizing management resources and streamlining management in Australia, we transferred all shares of subsidiary Alpine MDF Industries Pty Ltd., which had been engaged in the manufacturing and sale of MDF in Australia, in March of this year.
In the housing and real estate business, profits continued to increase, with the increase in the number of houses sold by each existing company against the backdrop of a stable housing market in the United States and Australia as well as the contribution of the DRB Group, which is engaged in the housing business in the eastern United States and in which stakes were acquired in January last year, to the results. In April last year, additional interest was acquired in US consolidated subsidiary Gehan Homes Group, making it a fully-owned subsidiary. In July of the same year, 51% interest was acquired in the Wisdom Group, which is engaged in the housing business in Australia, primarily in Sydney, and in February of this year, 70% interest was acquired in the Edge Homes Group, which is engaged in the housing business in the western United States, making them consolidated subsidiaries. As a result of growth of

existing companies and these M&As, the number of houses sold is increasing steadily on the way to achievement of the target of selling 8,000 houses a year overseas.

As a result, the overseas business posted net sales of ¥247,890 million (an increase of 31.9% year-on-year) and a recurring income of ¥19,310 million (an increase of 47.5% year-on-year).

4) Other Businesses

Besides the aforementioned businesses, the Sumitomo Forestry Group operates a biomass power generation business, an overseas forestation business, private-pay elderly care facilities, a 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.

In the biomass power generation business, we launched operations at a biomass power plant in Mombetsu City, Hokkaido in December of last year. As for performance of the Indonesian forestation business, which posted an impairment loss last year, this year, it surpassed the plan.

The other businesses recorded net sales of ¥22,979 million (an increase of 36.2% year-on-year) and recurring income of ¥2,223 million (the recurring loss in the previous fiscal year was ¥1,022 million).

(2) Overview of Financial Position

Total assets totaled ¥793,617 million at the end of the current consolidated fiscal year, an increase of ¥83,299 million year on year. The increase was attributable mainly to an increase of timber in conjunction with the acquisition of a forest asset in New Zealand and an increase in inventories accompanying expansion of the overseas housing and real estate business. Liabilities increased ¥53,212 million compared to the end of the previous consolidated fiscal year to ¥498,273 million due to such factors as an increase in long-term debt in addition to the issuance of bond certificates allocated to the aforementioned forest asset acquisition. Net assets totaled ¥295,344 million, and the equity ratio was 34.6%.

(3) Overview of Cash Flow

There was a net decrease of ¥8,558 million in cash and cash equivalents (hereinafter: “cash”) to ¥132,707 million.

A summary of cash flows is presented below.

1) Operating Activities

Net cash provided by operating activities increased ¥40,337 million. This was due mainly to an increase in capital as a result of posting ¥58,523 million in income before income taxes and minority interests despite the decrease in capital resulting from an increase in inventories associated with expansion of the overseas housing and real estate business.

2) Investment Activities

Net cash used in investment activities decreased ¥62,350 million. This was due to the use of funds in the acquisition of a forest asset in New Zealand, biomass power plant capital expenditures in Japan and new acquisition of interest in housing business companies in the United States and Australia.

3) Financing Activities

Net cash used in financing activities increased ¥14,267 million. This was due to an increase in capital resulting from an increase in interest-bearing debt, including the issuance of corporate bonds, despite the decrease in capital resulting from acquisition of additional stake in US consolidated subsidiaries and payment of dividends.

(4) Future Outlook

The global economy is expected to continue its gentle recovery as the economies in advanced countries such as the United States recover and the economies of emerging countries rally. However, caution is still necessary with respect to risks such as stronger tendencies toward protectionist policies and the impact of higher interest rates in the United States. The Japanese economy is expected to continue its gentle recovery boosted by increases in capital expenditures and exports as the global economy recovers and corporate profits improve, but there is concern that consumer spending will continue to lack vigor.

Under this business environment, Sumitomo Forestry will steadily execute the Sumitomo Forestry Group 2018 Medium-Term Management Plan to achieve the corporate philosophy, which 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.

As for the timber and building materials business, in the domestic timber and building materials distribution business we will work to expand our share as well as to increase sales of fuel wood for power generation and expand supply of materials to non-housing markets in order to build a business structure not easily affected by trends in the number of new housing starts in Japan. In the domestic building materials manufacturing business, we will work to increase profitability by focusing on sales to trading partners outside the Group. In the overseas distribution business, we will work to strengthen our system to achieve business synergy and returns by promoting the strengthening of relationships with trading partners with a view to establishing capital and business alliances.

With regards to the housing business, in the custom-built detached housing business, we will endeavor to increase orders and maximize customer satisfaction through such efforts as providing products to meet the diverse needs of our customers relating to price and specs, starting with “The Forest BF,” which was launched in April of this year and offers various room spaces with customizable ceiling heights and large openings utilizing new technology. In our apartment business, we will attempt to further increase orders by such means as aggressively investing management resources in urban areas where there is high demand and continuing to make proposals from a tenant perspective utilizing the characteristics of our original Wall Frame (WF) and Big-Frame (BF) construction methods. In the renovation business, we will work to increase net sales by generating demand through seminars for owners of our detached houses and providing high value-added proposals utilizing original technology like our “Seismic Resistance/Seismic Mitigation Double Construction.” In the MOCCA (timber solution) business, we will continue to focus on orders for design and construction of timber-constructed welfare, educational and commercial facilities and actively promote the adoption of timber construction utilizing fire-resistant timber to expand the business.

As for our overseas business, in the manufacturing business we will work on developing an earnings structure that is not easily affected by market conditions by working to stabilize production and continually reduce costs while at the same time enhancing our marketing functions to promote product planning and proposals that keep up with customer diversification and market demand. In the housing and real estate business, we will aim to ensure a sales system that achieves the target of 8,000 houses a year by further growing the housing business in the United States and Australia and to build a wide-ranging business portfolio and achieve stable earnings by such means as expanding the greening business and entering the profit-earning real estate business.

In the forest management business, we will work to contribute to regional revitalization through the achievement of sustainable forest management and revitalization of forestry in Japan by working to establish a stable supply system for seedlings for forestation which are in short supply nationwide and leveraging the sustainable forestry know-how which has been cultivated up to now in our management of company-owned forests to offer forestry management consulting. Overseas, we will promote a sustainable forestation business in consideration of the environment, starting with the forest in New Zealand. In the environment and energy field, we will endeavor to expand our business by such efforts as working on stable operation of existing wood mass power plants utilizing unused left-over timber and thinnings and other materials and accelerating the launch of new power generation businesses utilizing renewable energy. In the lifestyle services field, we will provide services to support people’s lives from every angle, including making efforts to create opulent senior lifestyles through the opening of new private-pay elderly care facilities and the operation of a care business company based out of the Hanshin area in which we acquired shares in April of this year.

In addition to the aforementioned efforts, the Sumitomo Forestry Group will anticipate social changes and fulfil our corporate social responsibility by such means as enhancing corporate governance and strengthening our efforts related to environmental responsibility, human rights and diversity, risk management and legal compliance, and customer satisfaction as we accept feedback from our stakeholders. We will also develop businesses around the world which contribute to the achievement of a sustainable society leveraging the knowledge and technology related to wood that we have cultivated in our business activities up until now.

(5) Policy on Profit Distribution and Dividends for FY 3/17 and FY 3/18

Sumitomo Forestry has a fundamental policy of achieving stable and continuous shareholder returns and considers this to be one of its highest priorities. In the future, we will work to improve return on equity (ROE) and increase shareholders' equity effectively utilizing internal reserves in effective investments that contribute to the improvement of long-term corporate value and in research and development activities. At the same time, we will return an appropriate level of earnings to shareholders in accordance with total earnings, while taking into account the need to balance these distributions with the base of operations, financial position, cash flow 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 ¥20.00 per share for the fiscal year that ended in March 2017. Together with the interim dividend of ¥15.00 per share that the Company has already paid, this will bring the dividend for the full year to ¥35.00 per share, an increase in the dividend of ¥11.00 compared with the fiscal year that ended in March 2016.

For the fiscal year ending in March 2018, the company plans to pay an annual dividend of ¥40.00 per share – an interim and year-end dividend of ¥20.00 each.

2. Basic Thinking on Selection of Accounting Standards

The Sumitomo Forestry Group applies Japanese standards when preparing consolidated financial statements. Our policy on the application of international accounting standards is to address the matter appropriately based on circumstances in Japan and other countries where we do business.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(million yen)

	Previous consolidated fiscal year (ended March 31, 2016)	Current consolidated fiscal year (ended March 31, 2017)
Assets		
Current assets		
Cash and time deposits	83,499	111,506
Notes and accounts receivable-trade	121,415	119,274
Accounts receivable from completed construction contracts	5,723	4,180
Marketable securities	34,000	6,500
Finished goods, logs and lumber, boards, others	17,388	14,708
Work in process	1,390	1,389
Raw materials and supplies	7,328	7,917
Costs on uncompleted construction contracts	23,906	23,934
Developed land and housing for sale	43,239	48,249
Real estate for sale in process	56,371	79,756
Deferred tax assets	7,377	7,001
Short-term loans receivable	31,709	30,287
Accounts receivable-other	46,963	45,902
Other	12,004	13,551
Allowance for doubtful accounts	(842)	(438)
Total current assets	491,469	513,715
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	62,685	63,411
Accumulated depreciation	(30,621)	(29,272)
Buildings and structures, net	32,064	34,139
Machinery, equipment and vehicles	70,991	76,290
Accumulated depreciation	(51,548)	(46,495)
Machinery, equipment and vehicles, net	19,443	29,796
Land	26,817	30,597
Forest assets	10,099	37,189
Leased assets	9,632	10,724
Accumulated depreciation	(5,439)	(6,034)
Leased assets, net	4,193	4,691
Construction in progress	13,572	6,013
Other	10,556	11,874
Accumulated depreciation	(8,045)	(8,500)
Other, net	2,512	3,374
Total property, plant and equipment	108,700	145,798
Intangible assets		
Goodwill	6,563	12,189
Other	11,883	11,229
Total Intangible assets	18,445	23,418

(million yen)

	Previous consolidated fiscal year (ended March 31, 2016)	Current consolidated fiscal year (ended March 31, 2017)
Investments and other assets		
Investment securities	74,875	91,806
Long-term loans receivable	3,481	3,683
Net defined benefit assets	74	142
Deferred tax assets	3,336	3,276
Other	12,042	14,141
Allowance for doubtful accounts	(2,104)	(2,362)
Total investments and other assets	91,704	110,686
Total noncurrent assets	218,849	279,902
Total assets	710,318	793,617
Liabilities		
Current liabilities		
Notes and accounts payable-trade	107,651	111,281
Accounts payable for construction contracts	68,793	71,211
Short-term debt	27,586	37,108
Current portion of bonds	5,000	–
Lease obligations	1,691	1,628
Income taxes payable	7,572	5,511
Advances received on uncompleted construction contracts	48,627	48,249
Provision for employees' bonuses	10,873	11,139
Provision for directors' bonuses	130	146
Provision for warranties for completed construction	2,770	3,849
Asset retirement obligation	478	551
Other	32,081	33,260
Total current liabilities	313,254	323,932
Long-term liabilities		
Bonds issued	–	20,000
Convertible bonds	20,000	20,000
Long-term debt	62,115	81,818
Lease obligations	2,676	3,264
Deferred tax liabilities	5,022	11,537
Provision for directors' retirement benefits	82	80
Net defined benefit liabilities	23,718	18,732
Asset retirement obligation	927	937
Other	17,267	17,974
Total long-term liabilities	131,807	174,341
Total liabilities	445,061	498,273

(million yen)

	Previous consolidated fiscal year (ended March 31, 2016)	Current consolidated fiscal year (ended March 31, 2017)
Net assets		
Shareholders’ equity		
Common stock	27,672	27,672
Capital surplus	26,872	18,637
Retained earnings	166,762	196,511
Treasury stock	(278)	(280)
Total shareholders’ equity	221,028	242,541
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,270	25,896
Deferred gains or losses on hedges	(58)	(80)
Foreign currency translation adjustment	6,497	6,874
Remeasurements of defined benefit plans	(276)	(320)
Total accumulated other comprehensive income	22,432	32,370
Subscription rights to shares	36	82
Non-controlling interests	21,761	20,352
Total net assets	265,257	295,344
Total liabilities and net assets	710,318	793,617

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

(Consolidated Statements of Income)

(million yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	1,040,524	1,113,364
Cost of sales	857,390	909,225
Gross profit	183,134	204,138
Selling, general and administrative expenses	153,041	150,149
Operating income	30,093	53,989
Non-operating income		
Interest income	474	533
Purchase discounts	361	381
Dividends income	1,350	1,363
Equity in earnings of affiliates	761	3,053
Other	2,142	2,260
Total non-operating income	5,088	7,589
Non-operating expenses		
Interest expenses	1,236	1,560
Sales discount	693	680
Foreign exchange losses	1,473	47
Other	1,272	1,450
Total non-operating expenses	4,674	3,737
Recurring income	30,507	57,841
Extraordinary gains		
Gain on sales of noncurrent assets	559	193
Gain on sales of investment securities	33	96
Gain on liquidation of subsidiaries and affiliates	–	152
Gain on sales of stocks of subsidiaries and affiliates	–	481
Subsidy income	705	–
Gain on abolishment of retirement benefit plan	144	–
Total extraordinary gains	1,441	922
Extraordinary loss		
Loss on sales of noncurrent assets	51	37
Loss on retirement of noncurrent assets	182	164
Impairment loss	4,692	30
Loss on sales of investment securities	–	8
Loss on devaluation of investment securities	–	1
Loss on reduction of noncurrent assets	705	–
Special retirement expenses	71	–
Loss on sales of stocks of subsidiaries and affiliates	3	–
Total extraordinary loss	5,704	240
Income before income taxes and minority interests	26,243	58,523
Income taxes-current	15,808	15,652
Income taxes-deferred	(4,919)	2,640
Total income taxes	10,889	18,292
Net income	15,354	40,230
Profit attributable to non-controlling interests	5,627	5,699
Profit attributable to parent company shareholders	9,727	34,532

(Consolidated Statements of Comprehensive Income)

(million yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net income	15,354	40,230
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,072)	9,634
Deferred gains or losses on hedges	65	(22)
Foreign currency translation adjustment	(2,300)	350
Remeasurements of defined benefit plan	173	–
Share in equity method affiliates	(411)	(196)
Total other comprehensive income (loss)	(8,545)	9,766
Comprehensive income	6,809	49,997
Comprehensive income attributable to owners of the parent	1,964	44,470
Comprehensive income attributable to non-controlling interests	4,845	5,527

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2016

(million yen)

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

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	22,342	(124)	8,101	(124)	30,195	-	15,032	260,782
Changes during the period								
Dividends from surplus								(4,251)
Profit attributable to parent company shareholders								9,727
Purchase of treasury stock								(3)
Change in stake of parent company related to transactions with non-controlling interests								-
Net changes in items other than shareholders' equity	(6,072)	65	(1,604)	(153)	(7,763)	36	6,730	(998)
Total changes during the period	(6,072)	65	(1,604)	(153)	(7,763)	36	6,730	4,475
Balance at the end of currentperiod	16,270	(58)	6,497	(276)	22,432	36	21,761	265,257

Fiscal year ended March 31, 2017

(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	166,762	(278)	221,028
Changes during the period					
Dividends from surplus			(4,782)		(4,782)
Profit attributable to parent company shareholders			34,532		34,532
Purchase of treasury stock				(2)	(2)
Change in stake of parent company related to transactions with non-controlling interests		(8,234)			(8,234)
Net changes in items other than shareholders' equity					
Total changes during the period	—	(8,234)	29,749	(2)	21,512
Balance at the end of currentperiod	27,672	18,637	196,511	(280)	242,541

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	16,270	(58)	6,497	(276)	22,432	36	21,761	265,257
Changes during the period								
Dividends from surplus								(4,782)
Profit attributable to parent company shareholders								34,532
Purchase of treasury stock								(2)
Change in stake of parent company related to transactions with non-controlling interests								(8,234)
Net changes in items other than shareholders' equity	9,627	(22)	377	(44)	9,938	46	(1,410)	8,575
Total changes during the period	9,627	(22)	377	(44)	9,938	46	(1,410)	30,087
Balance at the end of currentperiod	25,896	(80)	6,874	(320)	32,370	82	20,352	295,344

(4) Consolidated Statements of Cash Flows

(million yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Income before income taxes and minority interests	26,243	58,523
Depreciation and amortization	11,753	12,887
Impairment loss	4,692	30
Amortization of goodwill	2,190	2,274
Provision for (reversal of) doubtful accounts	(492)	48
Provision for (reversal of) employees' bonuses	1,009	282
Provision for (reversal of) directors' bonuses	(5)	16
Provision for (reversal of) warranties for completed construction	103	903
Provision for (reversal of) directors' retirement benefits	6	(2)
Net defined benefit liability	10,887	(5,117)
Interest and dividends income	(1,824)	(1,896)
Interest expenses	1,236	1,560
Equity in (earnings) losses of affiliates	(761)	(3,053)
Losses (gains) on sales of marketable securities and investment securities	(33)	(88)
Losses (gains) on devaluation of marketable securities and investment securities	–	1
Losses (gains) on sales/disposal of fixed assets	(326)	8
Decrease (increase) in notes and accounts receivable-trade	(3,045)	2,986
Inventories	(13,249)	(16,920)
Other current assets	(3,739)	307
Notes and accounts payable, trade	10,258	5,027
Advances received	68	568
Advances received on uncompleted construction contracts	1,836	(1,983)
Accrued consumption taxes	4,585	(1,396)
Other current liabilities	740	1,057
Other	3,745	(574)
Subtotal	55,877	55,449
Interest and dividends income received	3,776	4,778
Interest paid	(1,061)	(1,488)
Income taxes paid	(12,888)	(18,402)
Net cash provided by (used in) operating activities	45,705	40,337

(million yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from investment activities		
Payments into time deposits	(30,237)	(20,830)
Proceeds from withdrawal of time deposits	58,436	11,759
Decrease (increase) in short-term loans receivable	(1,667)	3,408
Proceeds from sales of marketable securities	115	–
Payments for purchases of fixed assets	(19,526)	(48,946)
Proceeds from sales of fixed assets	3,291	4,480
Payments for purchases of intangible assets	(1,997)	(2,556)
Payments for purchase of investment securities	(9,632)	(3,994)
Proceeds from sales of investment securities	75	386
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(7,867)	(7,585)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	8	3,087
Payments of long-term loans payable	(803)	(853)
Repayments of long-term loans receivable	20	106
Other payments	(1,569)	(1,415)
Other proceeds	1,381	602
Net cash used in investment activities	(9,972)	(62,350)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term debt	5,893	12,774
Repayments of finance lease obligations	(2,532)	(2,404)
Proceeds from long-term debt	13,076	16,490
Repayment of long-term debt	(8,326)	(5,886)
Proceeds from issuance of bonds	–	20,000
Repayment of bonds	–	(5,000)
Proceeds from stock issuance to non-controlling interests	1	377
Cash dividends paid	(4,251)	(4,782)
Cash dividends paid to non-controlling interests	(2,044)	(2,550)
Payments for purchase of subsidiary shares not resulting in change in scope of consolidation	–	(14,750)
Other payments	(3)	(2)
Net cash provided by (used in) financing activities	1,813	14,267
Effect of exchange rate change on cash and cash equivalents	423	(811)
Net increase (decrease) in cash and cash equivalents	37,969	(8,558)
Cash and cash equivalents at the beginning of period	103,296	141,265
Cash and cash equivalents at the end of period	141,265	132,707

(5) Notes to the Consolidated Financial Statements

(Notes related to the Assumption of a Going Concern)

Not applicable

(Changes in Accounting Policies)

(Application of Practical Solution for Changes in Depreciation Method Associated with Fiscal 2016 Tax Reform)

In conjunction with the revision to the Corporation Tax Act, the “Practical Solution for Changes in Depreciation Method Associated with Fiscal 2016 Tax Reform” (ASBJ PITF No. 32, June 17, 2016) has been applied as of the current fiscal year. The depreciation method associated with facilities and structures accompanying buildings acquired on or after April 1, 2016 has been changed from the declining balance method to the straight-line method.

The impact on profit and loss will be minor.

(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, maintenance and renovation of detached houses and apartment buildings, the sale of spec homes, the sale of interior goods, 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., 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 consolidated fiscal year (April 1, 2015 – March 31, 2016)

(million yen)

	Reporting segment				Other (Note 1)	Total	Adjustment (Note 2)	Total shown in the consolidated financial statement (Note 3)
	Timber and Building Materials	Housing	Overseas	Total				
Net sales								
(1) Unaffiliated customers	405,165	454,096	172,716	1,031,977	7,313	1,039,290	1,235	1,040,524
(2) Intersegment sales/transfers	21,800	508	15,210	37,518	9,561	47,079	(47,079)	—
Total	426,965	454,604	187,926	1,069,494	16,874	1,086,369	(45,844)	1,040,524
Segment income (loss)	3,352	31,512	13,091	47,955	(1,022)	46,933	(16,427)	30,507
Segment assets	151,057	143,372	179,707	474,136	36,548	510,684	199,634	710,318
Other								
Depreciation and amortization (Note) 4	695	5,039	3,919	9,653	1,372	11,024	729	11,753
Amortization of goodwill	–	6	2,185	2,190	–	2,190	–	2,190
Interest income	21	48	153	223	114	337	137	474
Interest expenses	450	586	1,336	2,372	185	2,557	(1,320)	1,236
Equity in earnings (losses) of affiliates	(752)	(1)	2,762	2,009	(1,249)	761	0	761
Investments in equity method affiliates	1,843	4	12,949	14,797	643	15,440	(9)	15,431
Increase in property, plant and equipment and intangible assets (注) 4	1,158	6,251	4,969	12,379	7,348	19,727	721	20,448

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 ¥1,235 million are attributable to the administrative departments, and comprised mainly of rent from Company landholdings.
   (2) The adjusted business loss of ¥16,427 million includes ¥354 million in eliminated intersegment transactions, ¥11,774 million in retirement benefit costs and ¥4,299 million in corporate losses which are not allocated to any of the reporting segments.
   Corporate income (loss) is primarily selling, general and administrative expenses, non-operating income or non-operating expenses not belonging to any reporting segments.
   (3) The adjusted segment assets of ¥199,634 million include ¥12,995 million in eliminated intersegment transactions and ¥212,629 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.

Current Consolidated Fiscal Year (April 1, 2016 – March 31, 2017)

(million yen)

	Reporting segment				Other (Note 1)	Total	Adjustment (Note 2)	Total shown in the consolidated financial statement (Note 3)
	Timber and Building Materials	Housing	Overseas	Total				
Net sales								
(1) Unaffiliated customers	402,605	464,720	232,017	1,099,342	12,728	1,112,070	1,294	1,113,364
(2) Intersegment sales/transfers	21,835	1,578	15,873	39,286	10,251	49,537	(49,537)	–
Total	424,440	466,298	247,890	1,138,628	22,979	1,161,607	(48,243)	1,113,364
Segment income (loss)	4,456	32,349	19,310	56,116	2,223	58,338	(497)	57,841
Segment assets	144,382	144,108	227,666	516,156	79,977	596,133	197,483	793,617
Other								
Depreciation and amortization (Note) 4	906	5,136	4,370	10,412	1,630	12,042	845	12,887
Amortization of goodwill	–	–	2,274	2,274	–	2,274	–	2,274
Interest income	26	45	268	339	139	479	54	533
Interest expenses	378	543	1,817	2,738	190	2,928	(1,368)	1,560
Equity in earnings (losses) of affiliates	(1,142)	(1)	3,657	2,514	539	3,053	0	3,053
Investments in equity method affiliates	579	3	15,862	16,444	625	17,069	(9)	17,060
Increase in property, plant and equipment and intangible assets (注) 4	947	4,482	7,261	12,690	39,455	52,145	1,983	54,128

Notes:
1. "Other" is business segments not included in the reporting segments. Such segments include biomass power generation business, an overseas forestation business, private-pay elderly care facilities business, leasing business, insurance agency business and farming and gardening material manufacturing and sales business.
2. Adjustments are as presented below.
   (1) Adjusted sales to unaffiliated customers of ¥1,294 million are attributable to the administrative departments, and comprised mainly of rent from Company landholdings.
   (2) The adjusted business loss of ¥497 million includes ¥453 million in eliminated intersegment transactions, ¥4,981 million in retirement benefit costs and ¥5,025 million in corporate losses which are not allocated to any of the reporting segments.
   Corporate income (loss) is primarily selling, general and administrative expenses, non-operating income or non-operating expenses not belonging to any reporting segments.
   (3) The adjusted segment assets of ¥197,483 million include ¥11,290 million in eliminated intersegment transactions and ¥208,773 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.

(Per-Share Information)

	Fiscal year ended March 31,2016	Fiscal year ended March 31,2017
Net assets per share	¥ 1,374.47	¥ 1,552.04
Net income per share	¥ 54.92	¥ 194.95
Net income per share (diluted)	¥ 51.78	¥ 183.76

(Notes) 1. The basis for calculating net asset per share is as follows.

	Fiscal year ended March 31, 2016 (As of March 31, 2016)	Fiscal year ended March 31, 2017 (As of March 31, 2017)
Total net assets (million yen)	265,257	295,344
Breakdown of deductions from total net (million yen)	21,797	20,433
(Subscription rights to shares (million yen))	(36)	(82)
(Non-controlling interests (million yen))	(21,761)	(20,352)
Total net assets for common stock (million yen)	243,460	274,911
Number of common stocks issued (shares)	177,410,239	177,410,239
Number of treasury stocks (shares)	280,362	281,970
Number of common stocks used for calculation of net asset per share (shares)	177,129,877	177,128,269

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

	Fiscal year ended March 31,2016	Fiscal year ended March 31,2017
Net income per share		
Net income attributable to owners of parent (million yen)	9,727	34,532
Income not available to common stockholders (million yen)	–	-
Net income attributable to owners of parent for common stock(million yen)	9,727	34,532
Weighted average number of shares issued (shares)	177,130,772	177,129,048
Net income per share fully diluted		
Adjusted net income attributable to owners of parent (million yen)	–	–
Common shares increase (shares)	10,729,522	10,784,027
(Convertible bonds with stock acquisition rights (shares))	(10,706,638)	(10,719,837)
(Stock acquisition rights (shares))	(22,884)	(64,190)
Overview of potentially dilutive common shares not included in computation of diluted net income per share because of their anti-dilutive effect	–	–

3. Net assets per share in the previous consolidated fiscal year are calculated according to the monetary amount reflecting adjustments of the purchase price allocation following the determination of the provisional accounting treatment related to business combinations.

(Important Subsequent Events)

Acquisition of additional stake in Bloomfield Homes, L. P. and one other company

We acquired additional stake in Bloomfield Homes, L. P. and one other company through our US subsidiary Sumitomo Forestry America, Inc. and made them subsidiaries.

1. Overview of merger

(1) Name of acquired company and description of business

Name of acquired company: Bloomfield Homes, L. P. and one other company
Description of business: Construction and sale of spec homes

(2) Main reason(s) for merger

Since acquiring stake in Bloomfield Homes, L. P. and one other company in June 2013, we have steadily expanded the business while developing a strong partnership. We made them subsidiaries to deepen our involvement in the business and achieve long-term increases in earnings.

(3) Date of merger

May 2, 2017(US time)

(4) Legal form of merger

Cash-based stake acquisition

(5) Name of company after merger

No change in name

(6) Acquired voting rights

Percentage of voting rights held before business combination	50%
Additional percentage of voting rights acquired on date of business combination	15%
Percentage of voting rights held after acquisition	65%

(7) Main grounds for decision

Our consolidated subsidiary Sumitomo Forestry America, Inc. acquired the stake with cash.

2. Breakdown of acquisition price and type of consideration for acquisition of additional stake

Acquisition price (approximate) ¥4,095 million

(Note) The amount above is approximate as of the time of acquisition and may differ from the actual amount depending on future price adjustments, etc.

3. Cost of acquisition of acquired companies and difference from total cost of acquisition broken down by transaction leading to acquisition

Not yet determined.

4. Amount of goodwill, reasons and method/period of amortization

Not yet determined.