

January 30, 2015

## Summary of Financial Results for the Third 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:                                                  | <a href="http://sfc.jp/english">http://sfc.jp/english</a> |
| Representative                                        |                                                           |
| Title:                                                | President / Representative Director                       |
| Name:                                                 | Akira Ichikawa                                            |
| Contact Person:                                       |                                                           |
| Title:                                                | General Manager, Corporate Communications                 |
| Name:                                                 | Yuichiro Ono                                              |
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| Date of filing of financial report:                   | February 10, 2015                                         |
| Date of commencement of dividend payment (tentative): | —                                                         |
| Preparation of supplementary materials:               | Yes                                                       |
| Convening of a third quarter results meeting:         | Yes (for financial analysts and institutional investors)  |

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

**1. Financial results for the third quarter cumulative period under review (April 1, 2014 – December 31, 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 | %     |
| 3Q FY Ending March 2015 | 699,257     | 4.4  | 14,651           | 4.4  | 16,772           | 17.7 | 7,901       | -37.1 |
| 3Q FY Ended March 2014  | 670,090     | 12.7 | 14,027           | 47.2 | 14,251           | 36.6 | 12,554      | 132.7 |

Note: Comprehensive income

As of December 31, 2014 17,632 million yen (-14.6%)

As of December 31, 2013 20,647 million yen (172.2%)

|                         | Net income per share | Net income per share fully diluted |
|-------------------------|----------------------|------------------------------------|
|                         | Yen                  | Yen                                |
| 3Q FY Ending March 2015 | 44.60                | 42.06                              |
| 3Q FY Ended March 2014  | 70.87                | 68.48                              |

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

|                         | Total assets | Net assets  | Equity ratio |
|-------------------------|--------------|-------------|--------------|
|                         | Million yen  | Million yen | %            |
| As of December 31, 2014 | 640,227      | 242,246     | 35.9         |
| As of March 31, 2014    | 645,197      | 226,078     | 33.9         |

(Note) Shareholders' equity

As of December 31, 2014 230,013million yen

As of March 31, 2014 218,676million 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: None

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

(Percentage figures represent period on period changes or year on year changes)

|                               | Net sales              |          | Operating income      |           | Recurring income      |           | Net income            |            | Net income per share |
|-------------------------------|------------------------|----------|-----------------------|-----------|-----------------------|-----------|-----------------------|------------|----------------------|
| Fiscal Year Ending March 2015 | Million yen<br>990,000 | %<br>1.8 | Million yen<br>31,000 | %<br>-7.2 | Million yen<br>32,000 | %<br>-4.7 | Million yen<br>16,500 | %<br>-26.8 | Yen<br>93.15         |

Note: Revised forecast for the quarter under review: Yes

**\* Notice**

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

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

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

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

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

(c) Changes in accounting estimates: None

(d) Restatements: None

(Note) For details, please refer to accompanying materials page 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 December 31, 2014 | 177,410,239 | As of March 31, 2014 | 177,410,239 |
|-------------------------|-------------|----------------------|-------------|

(b) Treasury stock

|                         |         |                      |         |
|-------------------------|---------|----------------------|---------|
| As of December 31, 2014 | 278,086 | As of March 31, 2014 | 276,468 |
|-------------------------|---------|----------------------|---------|

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

|                         |             |                         |             |
|-------------------------|-------------|-------------------------|-------------|
| As of December 31, 2014 | 177,132,979 | As of December 31, 2013 | 177,135,209 |
|-------------------------|-------------|-------------------------|-------------|

**\* Indication regarding the performance of quarterly review procedures**

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

**\* Cautionary statement regarding business results forecasts and special notes**

(Caution regarding forward-looking statements)

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

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

### (1) Explanation Concerning Operating Result

The economic environment in Japan during the third quarter (April to December 2014) exhibited a mild recovery with capital expenditures increasing slowly and continued improvement in the employment situation as corporate profits were on the rise. However, the consumer spending recovery has been sluggish due to factors such as poor consumer confidence resulting from the sharp reactive decline in surge demand accompanying the consumption tax hike, and uncertainty remains over the economic future. Overseas, the US economy held firm while the pace of economic expansion in China and some newly emerging countries slowed, and oil prices were on the decline, so overall, the situation remains uncertain.

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

In the midst of these circumstances, the main businesses of timber and building materials and custom-built housing struggled as a result of sluggishness in the domestic housing market while operating results in the overseas businesses improved substantially, especially housing and real estate. Net sales increased by 4.4% year-on-year to ¥699,257 million, operating income was ¥14,651 million (an increase of 4.4% year-on-year), recurring income was ¥16,772 million (an increase of 17.7% year-on-year), and quarterly net income was ¥7,901 million (a decrease of 37.1% year-on-year).

The reasons that quarterly net income decreased year on year 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 2013, 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 in September of the same year.

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.

In the domestic building materials manufacturing business, the increased costs associated with the switch to new products in the previous year went away, so profitability improved, but the decision was made to consolidate the six manufacturing plants into four and restructure them in order to promote concentration of management resources and optimization and thereby improve productivity, resulting in an extraordinary loss of ¥1,038 million.

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 ¥321,340 million (a decrease of 6.2% year-on-year) and recurring income of ¥3,444 million (a decrease of 23.2% year-on-year).

#### 2) *Housing Business*

As for the custom-built detached housing business, the number of completed and delivered units was down year on year due to sluggish orders received resulting from the sharp reactive decline associated with the consumption tax hike. At the same time, 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. The completed housing unit prices went up, so net sales increased slightly.

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 in January of this year. As a result, both the amount of orders received and net sales increased year on year.

Regarding the renovation and leasing housing business, orders received were sluggish for the main business of renovation due to the sharp reactive decline accompanying the consumption tax hike. As a result, completed contracts were down year on year, but we enhanced our sales force, such as increasing the number of personnel, primarily in the Tokyo Metropolitan area—our largest market.

As a result of the above, we posted housing business net sales of ¥301,793 million (an increase of 0.7% year-on-year) and recurring income of ¥10,633 million (a decrease of 15.6% 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, we rolled out the “Residential Design Project” in aims of bolstering our provision of housing that will satisfy customers that are particular about design plans, design and materials in order to differentiate ourselves from our competitors. We also held design consultation meetings by Design Partner Group (DPG), the design group in charge of special high-difficulty properties and opened a model house in Setagaya-ku, Tokyo in October of last year that is managed by DPG. These and other sales activities that highlight what sets us apart were rolled out aggressively. We also made efforts to improve drawing power such as holding the month-long “Sumai Haku” in Osaka again this year to exhibit the solid building frames of our houses, our unique design methods and the various materials and equipment we use.

As a result, the amount of orders decreased 24.6% year-on-year to ¥206,033 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 primarily to the impact of 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 2013. 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 2013, in May of 2014, new equity shares were acquired in Gehan Homes Group, which is engaged in the housing business in Arizona and the greater Texas area, and it was made a consolidated subsidiary. 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 housing market, so performance trended favorably.

As a result, the overseas business posted net sales of ¥97,087 million (an increase of 103.5% year-on-year) and a recurring income of ¥3,328 million (compared to the recurring loss of ¥1,570 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 ¥11,540 million (a decrease of 6.8% year-on-year) and recurring income of ¥803 million (an increase of 2.1% year-on-year).

## (2) Explanation Concerning Financial Status

At the end of the consolidated cumulative third quarter, total assets decreased ¥4,970 million compared to the end of the previous consolidated fiscal year to ¥640,227 million. This was primarily due to a decrease in cash and cash equivalents resulting from acquisition of new equity shares in Gehan Homes, acquisition of real estate for sale, payment of construction costs for construction completed, repayment of bonds and payment of income taxes even as inventories increased in conjunction with the acquisition of the

aforementioned equity shares in Gehan Homes in the first quarter as an investment in growth business to make it a consolidated subsidiary and the increase in the number of houses under construction in the custom-built detached housing business. Liabilities decreased ¥21,138 million compared to the end of the previous consolidated fiscal year to ¥397,981 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 ¥242,246 million, and the equity ratio was 35.9%.

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

The forecasts for consolidated business results have been revised from the “Forecast for the Fiscal Year Ending March 31, 2015” announced on November 6, 2014. Including the ¥1,038 million posted in the third quarter in conjunction with the consolidation and restructuring of plants in the domestic building materials manufacturing business, an extraordinary loss of ¥1,500 million is expected for the full year, so net income is being revised.

Revised Forecast for Fiscal Year Ending March 31, 2015 (April 1, 2014 – March 31, 2015)

|                                                                                       | Net sales              | Operating income      | Recurring income      | Net income            | Net income per share |
|---------------------------------------------------------------------------------------|------------------------|-----------------------|-----------------------|-----------------------|----------------------|
| Previous Forecast (A)<br>(Announced November 6, 2014)                                 | Million yen<br>990,000 | Million yen<br>31,000 | Million yen<br>32,000 | Million yen<br>18,000 | Yen<br>101.62        |
| Revised Forecast (B)                                                                  | 990,000                | 31,000                | 32,000                | 16,500                | 93.15                |
| Change (B – A)                                                                        | –                      | –                     | –                     | (1,500)               | –                    |
| YoY (%)                                                                               | –                      | –                     | –                     | (8.3%)                | –                    |
| (Reference) Results from Previous<br>Fiscal Year<br>(Full year ending March 31, 2014) | 972,968                | 33,415                | 33,567                | 22,531                | 127.20               |

## 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 third 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 third 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 third quarter of the current year is not material.

### 3. Quarterly Consolidated Financial Statements

#### (1) Consolidated Balance Sheet

(million yen)

|                                                           | Previous consolidated<br>fiscal year<br>(ended March 31, 2014) | Third quarter consolidated<br>accounting period<br>(ended December 31, 2014) |
|-----------------------------------------------------------|----------------------------------------------------------------|------------------------------------------------------------------------------|
| <b>Assets</b>                                             |                                                                |                                                                              |
| Current assets                                            |                                                                |                                                                              |
| Cash and time deposits                                    | 75,694                                                         | 50,527                                                                       |
| Notes and accounts receivable-trade                       | 128,580                                                        | 128,035                                                                      |
| Accounts receivable from completed construction contracts | 4,341                                                          | 3,260                                                                        |
| Marketable securities                                     | 43,000                                                         | 34,000                                                                       |
| Finished goods, logs and lumber                           | 19,831                                                         | 18,271                                                                       |
| Work in process                                           | 1,215                                                          | 2,004                                                                        |
| Raw materials and supplies                                | 5,877                                                          | 6,557                                                                        |
| Costs on uncompleted construction contracts               | 24,433                                                         | 42,047                                                                       |
| Developed land and housing for sale                       | 31,514                                                         | 41,338                                                                       |
| Real estate for sale in process                           | 11,132                                                         | 33,966                                                                       |
| Deferred tax assets                                       | 8,754                                                          | 6,704                                                                        |
| Short-term loans receivable                               | 33,397                                                         | 17,315                                                                       |
| Accounts receivable-other                                 | 54,254                                                         | 41,163                                                                       |
| Other                                                     | 5,559                                                          | 12,632                                                                       |
| Allowance for doubtful accounts                           | (724)                                                          | (802)                                                                        |
| Total current assets                                      | 446,855                                                        | 437,018                                                                      |
| Noncurrent assets                                         |                                                                |                                                                              |
| Property, plant and equipment                             |                                                                |                                                                              |
| Buildings and structures                                  | 59,845                                                         | 60,815                                                                       |
| Accumulated depreciation                                  | (28,514)                                                       | (30,002)                                                                     |
| Buildings and structures, net                             | 31,331                                                         | 30,813                                                                       |
| Machinery, equipment and vehicles                         | 71,418                                                         | 73,099                                                                       |
| Accumulated depreciation                                  | (51,284)                                                       | (53,399)                                                                     |
| Machinery, equipment and vehicles, net                    | 20,134                                                         | 19,701                                                                       |
| Land                                                      | 26,665                                                         | 26,440                                                                       |
| Leased assets                                             | 9,214                                                          | 9,966                                                                        |
| Accumulated depreciation                                  | (4,350)                                                        | (4,734)                                                                      |
| Leased assets, net                                        | 4,864                                                          | 5,232                                                                        |
| Construction in progress                                  | 6,917                                                          | 7,752                                                                        |
| Other                                                     | 20,826                                                         | 22,031                                                                       |
| Accumulated depreciation                                  | (7,005)                                                        | (7,646)                                                                      |
| Other, net                                                | 13,821                                                         | 14,385                                                                       |
| Total property, plant and equipment                       | 103,733                                                        | 104,322                                                                      |
| Intangible assets                                         |                                                                |                                                                              |
| Goodwill                                                  | 3,122                                                          | 6,813                                                                        |
| Other                                                     | 8,570                                                          | 8,249                                                                        |
| Total intangible assets                                   | 11,692                                                         | 15,061                                                                       |
| Investments and other assets                              |                                                                |                                                                              |
| Investment securities                                     | 65,499                                                         | 70,661                                                                       |
| Long-term loans receivable                                | 649                                                            | 2,042                                                                        |
| Net defined benefit assets                                | 68                                                             | 269                                                                          |
| Deferred tax assets                                       | 1,797                                                          | 1,786                                                                        |
| Other                                                     | 16,997                                                         | 11,636                                                                       |
| Allowance for doubtful accounts                           | (2,093)                                                        | (2,569)                                                                      |
| Total investments and other assets                        | 82,917                                                         | 83,825                                                                       |
| Total noncurrent assets                                   | 198,342                                                        | 203,209                                                                      |
| <b>Total assets</b>                                       | <b>645,197</b>                                                 | <b>640,227</b>                                                               |

(million yen)

|                                                         | Previous consolidated<br>fiscal year<br>(ended March 31, 2014) | Third quarter consolidated<br>accounting period<br>(ended December 31, 2014) |
|---------------------------------------------------------|----------------------------------------------------------------|------------------------------------------------------------------------------|
| <b>Liabilities</b>                                      |                                                                |                                                                              |
| Current liabilities                                     |                                                                |                                                                              |
| Notes and accounts payable-trade                        | 115,294                                                        | 114,926                                                                      |
| Accounts payable for construction contracts             | 76,136                                                         | 49,738                                                                       |
| Short-term debt                                         | 26,434                                                         | 29,889                                                                       |
| Current portion of bonds payable                        | 10,000                                                         | —                                                                            |
| Lease obligations                                       | 1,468                                                          | 1,894                                                                        |
| Income taxes payable                                    | 8,102                                                          | 841                                                                          |
| Advances received on uncompleted construction contracts | 55,120                                                         | 61,355                                                                       |
| Provision for employees' bonuses                        | 10,360                                                         | 5,066                                                                        |
| Provision for directors' bonuses                        | 120                                                            | —                                                                            |
| Provision for warranties for completed construction     | 2,035                                                          | 2,071                                                                        |
| Asset retirement obligation                             | 559                                                            | 459                                                                          |
| Other                                                   | 20,502                                                         | 28,515                                                                       |
| Total current liabilities                               | 326,130                                                        | 294,753                                                                      |
| Long-term liabilities                                   |                                                                |                                                                              |
| Bonds issued                                            | 5,000                                                          | 5,000                                                                        |
| Convertible bonds                                       | 20,000                                                         | 20,000                                                                       |
| Long-term debt                                          | 26,616                                                         | 32,919                                                                       |
| Lease obligations                                       | 3,458                                                          | 3,636                                                                        |
| Deferred tax liabilities                                | 10,807                                                         | 12,255                                                                       |
| Provision for directors' retirement benefits            | 64                                                             | 72                                                                           |
| Net defined benefit liabilities                         | 11,038                                                         | 12,629                                                                       |
| Asset retirement obligation                             | 874                                                            | 922                                                                          |
| Other                                                   | 15,133                                                         | 15,795                                                                       |
| Total long-term liabilities                             | 92,989                                                         | 103,228                                                                      |
| Total liabilities                                       | 419,120                                                        | 397,981                                                                      |
| <b>Net assets</b>                                       |                                                                |                                                                              |
| Shareholders' equity                                    |                                                                |                                                                              |
| Common stock                                            | 27,672                                                         | 27,672                                                                       |
| Capital surplus                                         | 26,872                                                         | 26,872                                                                       |
| Retained earnings                                       | 146,654                                                        | 150,615                                                                      |
| Treasury stock                                          | (272)                                                          | (274)                                                                        |
| Total shareholders' equity                              | 200,925                                                        | 204,885                                                                      |
| Accumulated other comprehensive income                  |                                                                |                                                                              |
| Valuation difference on available-for-sale securities   | 14,559                                                         | 19,279                                                                       |
| Deferred gains or losses on hedge                       | 21                                                             | 315                                                                          |
| Foreign currency translation adjustment                 | 3,284                                                          | 5,647                                                                        |
| Remeasurements of defined benefit plans                 | (112)                                                          | (112)                                                                        |
| Total accumulated other comprehensive income            | 17,751                                                         | 25,128                                                                       |
| Minority interests                                      | 7,401                                                          | 12,233                                                                       |
| Total net assets                                        | 226,078                                                        | 242,246                                                                      |
| Total liabilities and net assets                        | 645,197                                                        | 640,227                                                                      |

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

## (Consolidated Statements of Income)

For the third quarter cumulative period (consolidated)

(million yen)

|                                                                              | Previous 3Q Cumulative<br>Period (Consolidated)<br>(April 1, 2013 - December 31, 2013) | 3Q Cumulative Period under<br>Review (Consolidated)<br>(April 1, 2014 - December 31, 2014) |
|------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| Net sales                                                                    | 670,090                                                                                | 699,257                                                                                    |
| Cost of sales                                                                | 564,697                                                                                | 585,386                                                                                    |
| Gross profit                                                                 | 105,393                                                                                | 113,871                                                                                    |
| Selling, general and administrative expenses                                 | 91,366                                                                                 | 99,220                                                                                     |
| Operating income                                                             | 14,027                                                                                 | 14,651                                                                                     |
| Non-operating income                                                         |                                                                                        |                                                                                            |
| Interest income                                                              | 349                                                                                    | 304                                                                                        |
| Purchase discounts                                                           | 309                                                                                    | 281                                                                                        |
| Dividends income                                                             | 1,041                                                                                  | 1,173                                                                                      |
| Equity in earnings of affiliates                                             | —                                                                                      | 910                                                                                        |
| Foreign exchange gains                                                       | —                                                                                      | 38                                                                                         |
| Other                                                                        | 1,084                                                                                  | 1,171                                                                                      |
| Total non-operating income                                                   | 2,784                                                                                  | 3,878                                                                                      |
| Non-operating expenses                                                       |                                                                                        |                                                                                            |
| Interest expenses                                                            | 842                                                                                    | 819                                                                                        |
| Sales discounts                                                              | 555                                                                                    | 555                                                                                        |
| Equity in losses of affiliates                                               | 181                                                                                    | —                                                                                          |
| Foreign exchange losses                                                      | 487                                                                                    | —                                                                                          |
| Other                                                                        | 495                                                                                    | 383                                                                                        |
| Total non-operating expenses                                                 | 2,560                                                                                  | 1,758                                                                                      |
| Recurring income                                                             | 14,251                                                                                 | 16,772                                                                                     |
| Extraordinary gains                                                          |                                                                                        |                                                                                            |
| Gain on sales of investment noncurrent assets                                | 81                                                                                     | 31                                                                                         |
| Gain on sales of investment securities                                       | 31                                                                                     | 128                                                                                        |
| Gain on step acquisitions                                                    | 2,124                                                                                  | —                                                                                          |
| Total extraordinary gains                                                    | 2,236                                                                                  | 159                                                                                        |
| Extraordinary loss                                                           |                                                                                        |                                                                                            |
| Loss on sales of noncurrent assets                                           | 38                                                                                     | 5                                                                                          |
| Loss on retirement of noncurrent assets                                      | 139                                                                                    | 114                                                                                        |
| Impairment loss                                                              | 304                                                                                    | 1,038                                                                                      |
| Loss on sales of investment securities                                       | —                                                                                      | 3                                                                                          |
| Loss on devaluation of investment securities                                 | 189                                                                                    | —                                                                                          |
| Loss on step acquisitions                                                    | —                                                                                      | 338                                                                                        |
| Loss on sale of stocks of subsidiaries and affiliates                        | 1                                                                                      | —                                                                                          |
| Transfer to provision for loss on liquidation of subsidiaries and affiliates | 304                                                                                    | —                                                                                          |
| Other                                                                        | —                                                                                      | 35                                                                                         |
| Total extraordinary loss                                                     | 975                                                                                    | 1,532                                                                                      |
| Income before income taxes and minority interests                            | 15,512                                                                                 | 15,398                                                                                     |
| Income taxes-current                                                         | 4,733                                                                                  | 3,962                                                                                      |
| Income taxes-deferred                                                        | (1,928)                                                                                | 1,639                                                                                      |
| Total income taxes                                                           | 2,805                                                                                  | 5,601                                                                                      |
| Net income before minority interests                                         | 12,707                                                                                 | 9,797                                                                                      |
| Minority interests                                                           | 153                                                                                    | 1,896                                                                                      |
| Net income                                                                   | 12,554                                                                                 | 7,901                                                                                      |

## Consolidated Statements of Comprehensive Income

For the third quarter cumulative period (consolidated)

(million yen)

|                                                           | Previous 3Q Cumulative<br>Period (Consolidated)<br>(April 1, 2013 - December 31, 2013) | 3Q Cumulative Period under<br>Review (Consolidated)<br>(April 1, 2014 - December 31, 2014) |
|-----------------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| Net income before minority interests                      | 12,707                                                                                 | 9,797                                                                                      |
| Other comprehensive income                                |                                                                                        |                                                                                            |
| Valuation difference on available-for-sale securities     | 5,851                                                                                  | 4,705                                                                                      |
| Deferred gains or losses on hedges                        | 14                                                                                     | 294                                                                                        |
| Foreign currency translation adjustment                   | 2,494                                                                                  | 2,317                                                                                      |
| Share in equity method affiliates                         | (418)                                                                                  | 519                                                                                        |
| Total other comprehensive income                          | 7,940                                                                                  | 7,835                                                                                      |
| Comprehensive income                                      | 20,647                                                                                 | 17,632                                                                                     |
| Comprehensive income attributable to owners of the parent | 20,551                                                                                 | 15,278                                                                                     |
| Comprehensive income attributable to minority interests   | 96                                                                                     | 2,354                                                                                      |

## (3) 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 third quarter cumulative period (Consolidated, April 1, 2013 – December 31, 2013)

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

(million yen)

|                                  | Reporting segment                   |         |          |         | Other<br>(Note 1) | Total   | Adjustment<br>(Note 2) | Amount recorded in<br>the quarterly,<br>consolidated<br>Statements of<br>Income<br>(Note 3) |
|----------------------------------|-------------------------------------|---------|----------|---------|-------------------|---------|------------------------|---------------------------------------------------------------------------------------------|
|                                  | Timber and<br>Building<br>Materials | Housing | Overseas | Total   |                   |         |                        |                                                                                             |
| Net sales                        |                                     |         |          |         |                   |         |                        |                                                                                             |
| (1) Unaffiliated customers       | 327,516                             | 299,331 | 36,985   | 663,831 | 5,697             | 669,528 | 561                    | 670,090                                                                                     |
| (2) Intersegment sales/transfers | 15,159                              | 321     | 10,718   | 26,198  | 6,686             | 32,884  | (32,884)               | -                                                                                           |
| Total                            | 342,675                             | 299,652 | 47,702   | 690,029 | 12,383            | 702,412 | (32,323)               | 670,090                                                                                     |
| Segment income (loss)            | 4,482                               | 12,595  | (1,570)  | 15,506  | 786               | 16,292  | (2,041)                | 14,251                                                                                      |

- (Notes)
1. "Other" are business segments not included in the reporting segments. Such segments include the leasing business, insurance agency business, private-pay elderly care facilities business, and sale of farming and gardening materials, etc.
  2. The adjusted business loss of ¥2,041 million includes ¥104 million in eliminated intersegment transactions, as well as ¥1,937 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)

In the timber and building materials business segment, impairment loss associated with certain backbone system development costs (software suspense account) is recorded as extraordinary loss. Note that the amount of impairment loss posted for the third quarter cumulative period under review is ¥158 million.

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 third 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 third quarter cumulative period under review is ¥2,986 million.

## II Third quarter cumulative period under review (Consolidated, April 1, 2014 – December 31, 2014)

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

(million yen)

|                                  | Reporting segment                   |         |          |         | Other<br>(Note 1) | Total   | Adjustment<br>(Note 2) | Amount recorded in<br>the quarterly,<br>consolidated<br>Statements of<br>Income<br>(Note 3) |
|----------------------------------|-------------------------------------|---------|----------|---------|-------------------|---------|------------------------|---------------------------------------------------------------------------------------------|
|                                  | Timber and<br>Building<br>Materials | Housing | Overseas | Total   |                   |         |                        |                                                                                             |
| Net sales                        |                                     |         |          |         |                   |         |                        |                                                                                             |
| (1) Unaffiliated customers       | 305,003                             | 301,458 | 86,995   | 693,455 | 5,164             | 698,619 | 637                    | 699,257                                                                                     |
| (2) Intersegment sales/transfers | 16,337                              | 335     | 10,092   | 26,764  | 6,376             | 33,140  | (33,140)               | -                                                                                           |
| Total                            | 321,340                             | 301,793 | 97,087   | 720,219 | 11,540            | 731,759 | (32,502)               | 699,257                                                                                     |
| Segment income (loss)            | 3,444                               | 10,633  | 3,328    | 17,405  | 803               | 18,207  | (1,436)                | 16,772                                                                                      |

- (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 ¥1,436 million includes ¥92 million in eliminated intersegment transactions, as well as ¥1,343 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)

In the timber and building materials business segment, impairment loss associated with equipment at timber and building materials manufacturing plants is posted as extraordinary loss. In the third quarter cumulative period under review, impairment loss was posted at ¥1,038 million.

(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 third quarter cumulative period under review is ¥4,740 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)

|                                              | 3Q FY3/14 |         | 3Q FY3/15 |         | YoY<br>change | % of YoY<br>change | FY3/14   |         | FY3/15 (Forecast) |         | YoY<br>change | % of YoY<br>change |
|----------------------------------------------|-----------|---------|-----------|---------|---------------|--------------------|----------|---------|-------------------|---------|---------------|--------------------|
| Timber and building materials business       | 342,675   |         | 321,340   |         | (21,335)      | (6.2%)             | 458,611  |         | 420,000           |         | (38,611)      | (8.4%)             |
| Housing business                             | 299,652   |         | 301,793   |         | +2,140        | +0.7%              | 465,368  |         | 455,000           |         | (10,368)      | (2.2%)             |
| Overseas business                            | 47,702    |         | 97,087    |         | +49,384       | +103.5%            | 76,320   |         | 136,000           |         | +59,680       | +78.2%             |
| Other                                        | 12,383    |         | 11,540    |         | (844)         | (6.8%)             | 17,286   |         | 15,000            |         | (2,286)       | (13.2%)            |
| Adjustment                                   | (32,323)  |         | (32,502)  |         | (179)         | -                  | (44,617) |         | (36,000)          |         | +8,617        | -                  |
| Net sales                                    | 670,090   |         | 699,257   |         | +29,167       | +4.4%              | 972,968  |         | 990,000           |         | +17,032       | +1.8%              |
| Gross profit                                 | 15.7%     | 105,393 | 16.3%     | 113,871 | +8,478        | +8.0%              | 16.5%    | 160,162 | 16.9%             | 167,000 | +6,838        | +4.3%              |
| Selling, general and administrative expenses | 91,366    |         | 99,220    |         | +7,854        | +8.6%              | 126,747  |         | 136,000           |         | +9,253        | +7.3%              |
| Operating income                             | 2.1%      | 14,027  | 2.1%      | 14,651  | +624          | +4.4%              | 3.4%     | 33,415  | 3.1%              | 31,000  | (2,415)       | (7.2%)             |
| Non-operating income                         | 2,784     |         | 3,878     |         | +1,094        | +39.3%             | 3,536    |         | 4,000             |         | +464          | +13.1%             |
| Non-operating expenses                       | 2,560     |         | 1,758     |         | (803)         | (31.4%)            | 3,384    |         | 3,000             |         | (384)         | (11.3%)            |
| Non-operating income/loss                    | 224       |         | 2,120     |         | +1,897        | +847.2%            | 152      |         | 1,000             |         | +848          | +559.0%            |
| Timber and building materials business       | 1.3%      | 4,482   | 1.1%      | 3,444   | (1,038)       | (23.2%)            | 1.1%     | 4,950   | 1.0%              | 4,200   | (750)         | (15.2%)            |
| Housing business                             | 4.2%      | 12,595  | 3.5%      | 10,633  | (1,962)       | (15.6%)            | 6.9%     | 32,211  | 6.0%              | 27,500  | (4,711)       | (14.6%)            |
| Overseas business                            | (3.3%)    | (1,570) | 3.4%      | 3,328   | +4,898        | -                  | (0.2%)   | (149)   | 2.6%              | 3,500   | +3,649        | -                  |
| Other                                        | 6.3%      | 786     | 7.0%      | 803     | +17           | +2.1%              | 4.8%     | 821     | 4.7%              | 700     | (121)         | (14.8%)            |
| Adjustment                                   | (2,041)   |         | (1,436)   |         | +606          | -                  | (4,268)  |         | (3,900)           |         | +368          | -                  |
| Recurring income                             | 2.1%      | 14,251  | 2.4%      | 16,772  | +2,521        | +17.7%             | 3.4%     | 33,567  | 3.2%              | 32,000  | (1,567)       | (4.7%)             |
| Extraordinary gains                          | 2,236     |         | 159       |         | (2,078)       | (92.9%)            | 2,254    |         | 500               |         | (1,754)       | (77.8%)            |
| Extraordinary loss                           | 975       |         | 1,532     |         | +557          | +57.1%             | 1,192    |         | 2,000             |         | +808          | +67.8%             |
| Extraordinary gains/losses                   | 1,261     |         | (1,374)   |         | (2,635)       | -                  | 1,063    |         | (1,500)           |         | (2,563)       | -                  |
| Net income                                   | 1.9%      | 12,554  | 1.1%      | 7,901   | (4,653)       | (37.1%)            | 2.3%     | 22,531  | 1.7%              | 16,500  | (6,031)       | (26.8%)            |

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

1)

(million yen)

| Third Quarter                                      |                                                        |                                 | 3Q FY3/14 (Actual) |         |            | 3Q FY3/15 (Actual) |         |            | 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 | 7,416              | 273,381 | 32.1       | 5,566              | 206,033 | 32.9       | (24.9%) | (24.6%) |
|                                                    |                                                        | Wooden apartments*1             | 981                | 13,330  | 12.9       | 1,029              | 15,262  | 14.7       | +4.9%   | +14.5%  |
|                                                    |                                                        | Other contracts                 |                    | 2,239   | -          |                    | 1,412   | -          |         | (36.9%) |
| Sales                                              | Contract Business                                      | Custom-built detached housing*2 | 5,970              | 206,517 | 34.6       | 5,763              | 207,588 | 36.0       | (3.5%)  | +0.5%   |
|                                                    |                                                        | Wooden apartments*2             | 490                | 5,686   | 11.6       | 465                | 6,562   | 14.1       | (5.1%)  | +15.4%  |
|                                                    |                                                        | Other contracts                 |                    | 890     | -          |                    | 2,137   | -          |         | +140.0% |
|                                                    | Detached spec homes business*3                         |                                 | 144                | 6,064   | 42.1       | 159                | 5,837   | 36.7       | +10.4%  | (3.7%)  |
|                                                    | Land for custom-built housing                          |                                 |                    | 3,149   | -          |                    | 3,114   | -          |         | (1.1%)  |
|                                                    | Existing home renovation (Resale of renovated homes)*4 |                                 |                    | 2,885   | -          |                    | 3,615   | -          |         | +25.3%  |
|                                                    | Other*5                                                |                                 |                    | 7,303   | -          |                    | 5,871   | -          |         | (19.6%) |
|                                                    | Total                                                  |                                 |                    | 232,494 | -          |                    | 234,725 | -          |         | +1.0%   |
| Profit ratio                                       |                                                        | Gross profit                    |                    | 24.9%   | 57,978     | 24.1%              | 56,664  |            |         |         |
| Backlog of Orders Received at Term End             | Contract Business                                      | Custom-built housing            | 9,906              | 342,952 | 34.6       | 8,384              | 294,180 | 35.1       | (15.4%) | (14.2%) |
|                                                    |                                                        | Wooden apartments               | 1,868              | 22,748  | 12.2       | 1,957              | 26,177  | 13.4       | +4.8%   | +15.1%  |
|                                                    |                                                        | Other contracts                 |                    | 1,986   | -          |                    | 1,100   | -          |         | (44.6%) |
| << Sumitomo Forestry Home Tech (Renovation)>>      |                                                        |                                 |                    |         |            |                    |         |            |         |         |
| Orders Received                                    | Contract Business                                      |                                 |                    | 47,364  | -          |                    | 42,102  | -          |         | (11.1%) |
| Construction Completed                             |                                                        |                                 |                    | 40,547  | -          |                    | 40,349  | -          |         | (0.5%)  |
| Backlog of Orders Received at Term End             |                                                        |                                 |                    | 28,245  | -          |                    | 24,848  | -          |         | (12.0%) |

2)

(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.