[TRANSLATION]

The following is an unofficial English translation of "Matters Available on the Website in relation to the Notice of Convocation of the 77th Ordinary General Meeting of Shareholders" by Sumitomo Forestry Co., Ltd. ("Company"). The Company provides this English translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. The Japanese original is the sole official version and shall prevail in the event of any discrepancy between it and this English translation.

MATTERS AVAILABLE ON THE WEBSITE IN RELATION TO THE NOTICE OF CONVOCATION OF THE 77TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Consolidated Financial Statements

Non-Consolidated Financial Statements

（from April 1, 2016 to March 31, 2017）

Sumitomo Forestry Co., Ltd.

The information above is made available on the Company's website（http://sfc.jp/english） pursuant to the relevant laws and regulations, and Article 17 of the Articles of Incorporation of the Company.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the 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
Amount of financial impact arising from finalization of provisional accounting treatment					
Balance at the beginning of current period reflecting finalization of provisional accounting treatment	27,672	26,872	166,762	(278)	221,028
Changes during the period					
Dividends from surplus			(4,782)		(4,782)
Net income attributable to owners of parent			34,532		34,532
Purchase of treasury stock				(2)	(2)
Change in ownership interest of parent due 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 current period	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	20,631	264,127
Amount of financial impact arising from finalization of provisional accounting treatment							1,130	1,130
Balance at the beginning of current period reflecting finalization of provisional accounting treatment	16,270	(58)	6,497	(276)	22,432	36	21,761	265,257
Changes during the period								
Dividends from surplus								(4,782)
Net income attributable to owners of parent								34,532
Purchase of treasury stock								(2)
Change in ownership interest of parent due 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 current period	25,896	(80)	6,874	(320)	32,370	82	20,352	295,344

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Significant fundamental accounting policies for preparing consolidated financial statements

1. Scope of consolidation

There are 103 consolidated subsidiaries. The principal consolidated subsidiaries are Sumitomo Forestry Crest Co., Ltd., Sumitomo Forestry Residential Co., Ltd., Sumitomo Forestry Home Engineering Co., Ltd., Sumitomo Forestry Home Service Co., Ltd., Sumitomo Forestry Landscaping Co., Ltd., Sumitomo Forestry Home Tech Co., Ltd., PT. Kutai Timber Indonesia, the Henley Group (Henley Arch Unit Trust and eight other companies), Nelson Pine Industries Ltd., the DRB Group (DRB Enterprises, LLC and seven other companies), the MainVue Homes Group (MainVue Homes LLC and two other companies) and the Gehan Homes Group (Gehan Homes, Ltd. and six other companies).

Beginning the consolidated fiscal year under review, the Wisdom Group (Wisdom Properties Group Pty Ltd. and three other companies), the Edge Homes Group (Edge Utah HoldCo, LLC and seventeen other companies), in which a stake was newly acquired, and the newly established Tasman Pine Forests Ltd. are included in the scope of consolidation.

Conversely, all shares of Kowa Lumber Co., Ltd., Cascadia Resort Communities LLC and Sumitomo Forestry (Shanghai) Ltd., which were consolidated subsidiaries in the previous consolidated fiscal year, have been liquidated, and all shares of Alpine MDF Industries Pty Ltd. have been sold, so they have been removed from the scope of consolidation.

2. Application of equity method

(1) The consolidated financial statements include 29 affiliates that are accounted for by the equity method, including PT. Rimba Partikel Indonesia and Bloomfield Homes, L.P.
Beginning the consolidated fiscal year under review, Phu Hung Thai Development Joint Stock Company, Justin Timberbrook, LLC and DRSFA, LLC, in which a stake was newly acquired, are included as equity-method affiliates.

(2) For equity-method affiliates that have a fiscal year end that differs from the Company’s fiscal year end, financial statements for these different fiscal years are used.

3. Accounting periods of consolidated subsidiaries

The settlement date for 73 overseas consolidated subsidiaries is December 31, so when preparing the consolidated financial statements for the consolidated fiscal year under review, the financial statements as of December 31, 2016 were used. Additionally, the settlement date for two consolidated subsidiaries is March 20, so the financial statements as of March 20, 2017 have been used for them. Finally, the settlement date for one overseas consolidated subsidiary and 27 domestic consolidated subsidiaries is March 31, and the financial statements as of March 31, 2017 have been used for them.

4. Significant Accounting Policies

(1)Valuation standards and methods for important assets

a. Securities

Held-to-maturity securities

Amortized cost method (Straight-line method)

Other securities:

Securities with a market value

Value method based on the market price on the settlement date (unrealized gains and losses are reported in the shareholders' equity section. Sales cost of securities is determined by the moving-average method.)

Securities with no market value

Cost method based on the moving-average method

b. Derivatives

Market value method

c. Inventories

Finished goods, logs and lumber, work in process, raw materials and supplies are stated at cost, which is mainly determined by the moving average method. Costs on uncompleted construction contracts, developed land and housing for sale, and real estate for sale in process are stated at cost, determined by the specific cost method. Net book value of inventories as shown in the consolidated balance sheet is written down when profitability declines.

(2)Method of depreciating significant assets

a. Property, plant and equipment (excluding lease assets)

For the Company and domestic consolidated subsidiaries, the fixed-percentage method is used primarily. However, the straight-line method is used for buildings (excluding accessory equipment) acquired on or after April 1, 1998 and for accessory equipment and structures acquired on or after April 1, 2016. For overseas consolidated subsidiaries, the straight-line method is used primarily.

b. Intangible assets (excluding lease assets)

The straight-line method is used. The straight-line method is used for the amortization of software used internally based on the estimated internal use period (5 years).

c. Leased assets

Finance leases that do not transfer ownership of the leased assets are depreciated down to a residual value of zero over their useful lives using the straight-line method.

(3)Standards for significant allowances

a. Allowance for doubtful accounts

In order to prepare for expected losses from bad debts, estimated unrecoverable amounts are recorded for general claims based on historical bad-debt ratios, and for specific claims including doubtful accounts, based on individual recoverability.

b. Provision for bonuses

Estimated bonus payments to be charged to income in the current fiscal year are recorded to prepare for accrued bonus payments to employees.

c. Provision for directors’ bonuses
Bonus payments to be charged to income in the current fiscal year are recorded to prepare for accrued bonus payments to directors.

d. Provision for warranties for completed construction
A warranty reserve is recorded to prepare for repair costs that may be required for completed construction. The reserve is based on historical costs and future estimates.

e. Provision for directors' retirement benefits
To prepare for the payment of directors’ retirement benefits, accrued retirement benefits to directors of certain subsidiaries are recorded based on the amount required at year end in accordance with established internal regulations.

(4) Accounting process method of retirement benefits

a. Service period attribution method for projected retirement benefits
The method of attributing projected retirement benefits to the period up to fiscal year ended March 2016 when calculating retirement benefit obligations is as per the benefit formula standard.

b. Method of accounting for actuarial differences and past service liabilities
Actuarial differences and past service liabilities are accounted for collectively in the fiscal year in which they occur.

(5) Completed contracts and cost of completed contracts

At the end of the fiscal year that ended in March 2016, construction revenue is recognized by the percentage-of-completion method if the outcome of a construction contract could be estimated reliably (percentage of completion is estimated as a percentage of the estimated total cost, based on the cost incurred). The completed contract method is used for other short-term construction contracts.

(6)Main hedge accounting methods

a. Hedge accounting method
Deferred hedge accounting is adopted.
Appropriation accounting of foreign currency transactions is applied to foreign exchange hedging transactions. Special accounting treatment is used for interest rate swaps when they satisfy the requirements for special treatment.

b. Hedging policy
Foreign exchange forward contracts and foreign currency swaps are utilized to mitigate foreign exchange risks. Interest rate swap transactions are utilized to mitigate interest rate risks.

c. Scope of hedging
Certain foreign exchange transactions, including planned transactions, and borrowings exposed to interest rate risks are hedged in accordance with policies laid out in the management regulations.

d. Method of evaluation for hedge effectiveness
The Company believes foreign exchange forward contracts and foreign currency swaps to be highly effective hedging instruments. Therefore, an evaluation of their effectiveness is omitted. An evaluation of the effectiveness of the special accounting treatment used for interest rate swaps is omitted.

(7) Amortization method and period of goodwill
Goodwill is amortized by the straight-line method over a period of up to 20 years. However, if its materiality is low, the goodwill is amortized in the year in which it is recognized.

(8)Other important items for compiling consolidated financial statements
Consumption tax
National and regional consumption taxes are accounted for using the net-of-tax method.

Change in Accounting Policy
(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 accessory equipment and structures 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 due to the change above are minor.

Change in Reporting Method
(Consolidated Balance Sheets)

Because "Mature Timber" that were reported in "Other" under "Property, plant and equipment" in the previous consolidated fiscal year have increased their importance, in amount the Company has decided to report this item separately beginning from the consolidated fiscal year under review.
In the previous consolidated fiscal year, "Mature timber" amounted to 10,099 million yen.

Notes to the consolidated balance sheet (Million yen)

1. Pledged assets and secured liabilities

(1) Pledged assets

Cash and time deposits	2,353
Notes and accounts receivable-trade	2,252
Cost on uncompleted construction contracts	192
Developed land and housing for sale	23,065
Real estate for sale in process	45,195
Accounts receivable-other	259
Buildings and structures	4,056
Machinery, equipment and vehicles	860
Land	3,927
Construction in progress	860
Investment securities	14,430
Other	2,637
Total	100,085

(2) Secured liabilities

Short-term loans payable	2,417
Long-term loans payable	34,906
Other	228
Total	37,551

2. Accumulated depreciation of property, plant and equipment 90,300

3. Guaranteed Liabilities etc.

Guarantee on loans, etc. from financial institutions

Purchasers with housing loans applied	33,820
Kawasaki Biomass Electric Power Co., Ltd.	656
MOS Lumber Products Co., Ltd.	16
Total	34,493

Notes to the consolidated statements of changes in net assets

1. The number of issued shares as of the end date of the consolidated fiscal year

Ordinary shares 177,410,239

2. The number of treasury stock as of the end date of the consolidated fiscal year

Ordinary shares 281,970

3. Items related to dividend

(1) Dividend payment

Resolution	Type of shares	Total amount of dividend (Million yen)	Dividend per share (Yen)	Base date	Effective date
Ordinary General Meeting of Shareholders on June 24, 2016	Ordinary shares	2,126	12.00	March 31, 2016	June 27, 2016
Board of Directors' Meeting on November 7, 2016	Ordinary shares	2,657	15.00	September 30, 2016	December 2, 2016

(2) Dividends for which the base dates belongs to the consolidated fiscal year and for which the effective date comes after the end of the consolidated fiscal year
The following matters are due to be resolved at the Meeting.

Resolution	Type of shares	Total amount of dividend (Million yen)	Source of dividend	Dividend per share (Yen)	Base date	Effective date
Ordinary General Meeting of Shareholders on June 23, 2017	Ordinary shares	3,543	Retained earnings	20.00	March 31, 2017	June 26, 2017

4. Type and number of shares subject to subscription rights to shares as of the last day of the consolidated fiscal year under review (excluding those for which the execution period has not yet come)
Ordinary shares 2,000

Notes on financial instruments

1. Matters relating to the state of financial instruments
The Company and its consolidated subsidiaries ("Group") invest temporary surplus funds in highly safe and secure financial instruments, and use bank loans and bond issue as the primary means of raising capital.
The Group is working to reduce customers' credit risks relating to operating receivables, notes and accounts receivable-trade and accounts receivable-other, in accordance with its credit control regulations. In addition, securities are negotiable certificates of deposit subject to settlement in the short term. Investment securities are primarily held-to-maturity bonds and securities related to our business, and the Group periodically confirms the market value and financial conditions and other aspects of the issuing entities (corporate customers). The Group also consistently reviews the ownership of financial instruments excluding bonds held to maturity, in consideration of its relationships with corporate customers. Almost all operating debts such as notes and accounts payable-trade and accounts payable for construction contracts, are payable within one year.
The Group uses loans payable and bonds issued primarily to finance its operations and capital investment. The Group takes steps to stabilize its interest cost by interest rate swaps against the risk of interest rate fluctuations for the part of its long-term loans payable.
With respect to derivatives, the Group seeks to use them within a certain limit based on past records relating to ordinary business transactions in foreign currency, etc. The Group will not engage in speculative transactions.

2. Matters relating to the market value of financial instruments
The amounts stated in consolidated balance sheets, market value and their differences as of March 31, 2017 are shown in the table below. For your information, items of account which are of less importance in the consolidated balance sheet are omitted from this table. Also, items of account for which an accurate grasp of market value is recognized to be extremely difficult are not stated in this table. (refer to the (note 2))

(Million yen)

	Amount stated in consolidated balance sheets*1	Market value*1	Difference
(1) Cash and time deposits	111,506	111,506	—
(2) Notes and accounts receivable-trade	119,274	119,274	—
(3) Securities and investment securities			
a. Bonds held to maturity	1,765	1,838	74
b. Other securities	71,711	71,711	—
(4) Accounts receivable-other	45,902	45,902	—
Total assets	350,157	350,231	74
(5) Notes and accounts payable-trade	(111,281)	(111,281)	—
(6) Accounts payable for construction contracts	(71,211)	(71,211)	—
(7) Long-term loans payable *2	(88,694)	(88,135)	558
Total liabilities	(271,185)	(270,627)	558
(8) Derivatives transactions*3			
a. Hedge accounting not applied	127	127	—
b. Hedge accounting applied	(116)	(116)	—
Total derivatives	11	11	—

*1 Amounts stated under liabilities are shown in brackets.

*2 Amount of Long-term loan payable includes Long-term loan payable due within 1 year.

*3 Assets and liabilities from derivatives transactions are shown in the net amount. If the total is negative figure, the amount is shown in brackets.

(Note 1) Methods for calculating the market value of financial instruments and matters relating to securities and derivatives trading

(1) Cash and time deposits, (2) Notes and accounts receivable-trade and (4) Accounts receivable-other

Book value is stated for these items. Book value is almost the same as market value because short-term settlement creates the market value.

(3) Securities and investment securities

The market value stated for shares is the exchange quote value. The market value stated for bonds is the exchange quote value or the value indicated by financial institutions.

In addition, for negotiable deposit certificates, the book value is almost the same as the market value because short-term settlement creates the market value.

(5) Notes and accounts payable-trade and (6) Accounts payable for construction contracts

Book value is stated for these items. Book value is almost the same as market value because short-term settlement creates the market value.

(7) Long-term loans payable

Book value is stated for long-term loans payable with a variable interest rate, because their market value and book value are assumed to be close. The reasons for this assumption are that the loans reflect market interest rates in the short term and the credit condition of the Company did not significantly change after the loan offer. The present value is calculated for long-term loans payable with a fixed interest rate. The present value is calculated by similar debt from the aggregate amount of principal and interest for long-term loans payable classified according to fixed terms. (*)

(*)For long-term loans payable subject to special accounting for interest rate swaps, the aggregate amount of principal and interest based on the interest rate swap is used.

(8) Derivatives transactions

The market value is the future quotation value or the value indicated by financial institutions. The market value of derivatives, to which special accounting for interest rate swaps is applied, is stated as part of the market value of long-term loans payable, because these derivatives are operated collectively with the hedged long-term loans payable.

(Note 2) Unlisted shares (stated as 4,932 million yen in the consolidated balance sheets),and shares and bonds of subsidiaries and affiliates (stated as 19,898 million yen in the consolidated balance sheets) are not included in the amount of "(3) Securities and investment securities, b. Other securities," because they have no market value, and it is considered to be very difficult to calculate their prevailing prices.

Notes on leasehold properties and other types of real estate

1. Matters relating to the state of leasehold properties and other types of real estate

The Company and some of its consolidated subsidiaries own rental houses, etc. in metropolitan Tokyo and other areas.

2. Matters relating to the market value of leasehold properties and other types of real estate

(Million yen)

Amount stated in the consolidated balance sheets	Market value
11,816	11,715

(Note 1) The amount above stated in the consolidated balance sheet is calculated by deducting the accumulated depreciation and accumulated impairment loss from the acquisition cost.

(Note 2) The amounts based on real estate appraisal by independent real estate appraisers and the amounts based on indices assumed to reflect market value appropriately are adopted as the market value of major properties and the market value of other properties at the end of the reporting fiscal year, respectively.

Notes to per-share information (Yen)

Net assets per share	1,552.04
Net income per share	194.95

Notes to matters relating to 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 yen
(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.

Other notes (additional information)

(Finalization of provisional treatment of business combinations)

Provisional accounting treatment had been applied to the business combination with the DRB Group (DRB Enterprises, LLC and seven other companies) that was conducted on January 1, 2016 (US time) in the previous consolidated fiscal year, but it has been finalized in the consolidated fiscal year under review.

In conjunction with the finalization of this provisional accounting treatment, an important adjustment has been made to the initial allocation of the purchase price.

As a result, the provisionally calculated 4,593 million yen of goodwill decreased by 1,695 million yen to 2,898 million yen with the finalization of the accounting treatment, and it will be equally amortized over four years. The decrease in goodwill is due to a 2,062 million yen increase in other intangible assets, a 762 million yen increase in deferred tax assets and a 1,130 million yen increase in non-controlling interests.

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

Beginning the consolidated fiscal year under review, the Company has adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standard No. 26, March 28, 2016).

NON-CONSOLIDATED FINANCIAL STATEMENTS

NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended March 31, 2017

(Million yen)

	Shareholders' equity									
		Capital surplus		Retained earnings						
					Other retained earnings					
	Common stock	Legal capital surplus	Other capital surplus	Legal retained earnings	Reserve for special depreciation	Reserve for reduction entry	General reserve	Retained earnings brought forward	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	27,672	26,613	259	2,857	120	1,716	115,487	12,358	(278)	186,804
Changes during the period										
Reversal of reserve for special depreciation					(24)			24		–
Reversal of reserve for reduction entry						(0)		0		–
Provision of general reserve							4,900	(4,900)		–
Dividends from surplus								(4,782)		(4,782)
Net income								22,292		22,292
Purchase of treasury stock									(2)	(2)
Net changes in items other than shareholders’ equity										
Total changes during the period	–	–	–	–	(24)	(0)	4,900	12,633	(2)	17,507
Balance at the end of current period	27,672	26,613	259	2,857	96	1,715	120,387	24,991	(280)	204,311

	Valuation and translation adjustments			
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Subscription rights to shares	Total net assets
Balance at the beginning of current period	16,169	(56)	36	202,952
Changes during the period				
Reversal of reserve for special depreciation				–
Reversal of reserve for reduction entry				–
Provision of general reserve				–
Dividends from surplus				(4,782)
Net income				22,292
Purchase of treasury stock				(2)
Net changes in items other than shareholders’ equity	9,614	(21)	46	9,639
Total changes during the period	9,614	(21)	46	27,146
Balance at the end of current period	25,782	(77)	82	230,098

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Summary of significant accounting policies

1. Valuation standards and method for securities

(1) Held-to-maturity securities
Amortized cost method (Straight-line method)

(2) Shares held in subsidiaries and affiliates
Cost method based on the moving-average method.

(3) Other securities:
Securities with a market value
Value method based on the market price on the closing date (unrealized gains and losses are reported in the shareholders' equity section. Sales cost of securities is determined by the moving-average method.)

Securities with no market value
Cost method based on the moving-average method

2. Valuation standards and method for inventories

Purchased products are stated at cost, which is mainly determined by the moving average method. Costs on uncompleted construction contracts, developed land and housing for sale, and real estate for sale in process are stated at cost, determined by the specific cost method. Net book value of inventories as shown in the non-consolidated balance sheet is written down when profitability declines.

3. Method of depreciation of noncurrent assets

(1) Property, plant and equipment (excluding lease assets)
The declining-balance method of depreciation is used. However, the straight-line method is used for buildings (excluding accessory equipment) acquired on or after April 1, 1998 and for accessory equipment and structures acquired on or after April 1, 2016. For overseas consolidated subsidiaries, the straight-line method is used primarily.

(2) Intangible assets (excluding lease assets)
The straight-line method is used. The straight-line method is used for the amortization of software used internally based on the estimated internal use period (5 years).

(3) Leased assets
Finance leases that do not transfer ownership of the leased assets are depreciated down to a residual value of zero over their useful lives using the straight-line method.

4. Standards for allowance

(1) Allowance for doubtful accounts
In order to prepare for expected losses from bad debts, estimated unrecoverable amounts are recorded for general claims based on historical bad-debt ratios, and for specific claims including doubtful accounts, based on individual recoverability.

(2) Provision for employees' bonuses
Estimated bonus payments to be charged to income in the current fiscal year are recorded to prepare for accrued bonus payments to employees.

(3) Provision for directors' bonuses

Bonus payments to be charged to income in the current fiscal year are recorded to prepare for accrued bonus payments to directors of the Company.

(4) Provision for warranties for completed construction

A warranty reserve is recorded to prepare for repair costs that may be required for completed construction. The reserve is based on historical costs and future estimates.

(5) Provision for retirement benefits

A provision for retirement benefits is provided for the necessary amounts based on the estimates of retirement benefit obligations and pension assets at the end of the reporting fiscal year. Should the total estimated figure for pension assets at the end of the reporting fiscal year exceed the total estimated figure for retirement benefit obligations, the surplus is recognized as prepaid pension cost.

a. Service period attribution method for projected retirement benefits

The method of attributing projected retirement benefits to the period up to fiscal year ended March 2016 when calculating retirement benefit obligations is as per the benefit formula standard.

b. Method of accounting for actuarial differences and past service liabilities

Actuarial differences and past service liabilities are typically accounted for collectively in the fiscal year in which they occur.

(6) Provision for losses on business of subsidiaries and affiliates

A provision for losses on business of subsidiaries and affiliates is provided to prepare for possible losses by taking into consideration the financial position of the company.

5. Completed contracts and cost of completed contracts

At the end of the fiscal year that ended in March 2016, construction revenue is recognized by the percentage-of-completion method if the outcome of a construction contract could be estimated reliably (percentage of completion is estimated as a percentage of the estimated total cost, based on the cost incurred). The completed contract method is used for other short-term construction contracts.

6. Hedge accounting methods

(1) Hedge accounting method

Deferred hedge accounting is adopted.

Appropriation accounting of foreign currency transactions is applied to foreign exchange hedging transactions. Special accounting treatment is applied to interest rate swaps when they satisfy the requirements for such.

(2) Hedging policy

Foreign exchange forward contracts and foreign currency swaps are utilized to mitigate foreign exchange risks. Interest rate swap transactions are utilized to mitigate interest rate risks.

(3) Scope of hedging

Certain foreign exchange transactions, including planned transactions, and borrowings exposed to interest rate risks are hedged in accordance with policies laid out in the management regulations.

(4) Method of evaluation for hedge effectiveness

The Company believes foreign exchange forward contracts and foreign currency swaps to be highly effective hedging instruments. Therefore, an evaluation of their effectiveness is omitted. An evaluation of the effectiveness of the special accounting treatment used for interest rate swaps is omitted.

7. Other important items for compiling non-consolidated financial statements
   Consumption tax
   National and regional consumption taxes are accounted for using the net-of-tax method.

Change in Accounting Policy
(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 accessory equipment and structures 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 due to the change above are minor.

Notes to the non-consolidated balance sheet (Million yen)

1. Pledged assets

(1)Pledged assets

Investment securities	14,422
Stocks of subsidiaries and affiliates	6
Long-term loans receivable from subsidiaries and affiliates	122
Other	359
Total	14,909

(2)Liabilities for pledge

Long-term loans payable due within 1 year	28
Long-term loans payable	283
Total	311

2. Accumulated depreciation on property, plant and equipment	23,576
3. Accumulated advanced depreciation on property, plant and equipment	881

4. Guaranteed liabilities

(1) Guarantee on loans, etc. of subsidiaries and affiliates from financial institutions

Sumitomo Forestry America, Inc.	10,014
Vina Eco Board Co., Ltd.	4,986
Sumitomo Forestry Australia Pty Ltd.	4,970
Sumirin Hong Kong Limited	2,715
Sumitomo Forestry (Singapore) Ltd.	2,304
PT. Kutai Timber Indonesia	1,677
Kawasaki Biomass Electric Power Co., Ltd.	656
Hachinohe Biomass Electric Power Co., Ltd.	618
PT. AST Indonesia	140
Sumikyo Co., Ltd.	104
Sumitomo Forestry (Dalian) Ltd.	31
PT. Sumitomo Forestry Indonesia	27
Fill Care Co., Ltd.	20
MOS Lumber Products Co., Ltd.	16
Sumikyo Wintec Co., Ltd.	1
Total	28,281

(2) Guarantee on other loans from financial institutions

Purchasers with housing loans applied	33,538

5. Monetary receivables from and payables to subsidiaries and affiliates (excluding amounts disclosed under separate classifications)

Short-term monetary receivable	35,746
Short-term monetary payable	66,948
Long-term monetary payable	1,863

<u>Notes to non-consolidated statements of income</u> (Million yen)

Transactions with subsidiaries and affiliates	
Net sales	29,100
Purchase of goods	134,084
Non-operating income	
Interest income	543
Dividends income	4,910
Other	176
Non-operating expenses	52

<u>Notes to non-consolidated statements of changes in net assets</u>

The number of treasury stock as of the end of the reporting fiscal year

Ordinary shares	281,970

<u>Notes to tax effect accounting</u>

1. Details of the main reason for occurrence of deferred tax assets and liabilities

Deferred tax assets	
Allowance for doubtful accounts	1,688
Provision for bonuses	1,938
Loss on devaluation of developed land and housing for sale etc.	488
Provision for retirement benefit	3,213
Provision for loss on business of subsidiaries and affiliates	700
Loss on devaluation of securities of subsidiaries and affiliates	5,795
Loss on devaluation of investment securities and golf club membership	1,655
Provision for warranties for completed construction	728
Other	3,664
Subtotal deferred tax assets	19,869
Valuation reserve	△9,954
Total deferred tax assets	9,914
Deferred tax liabilities	
Reserve for advanced depreciation on noncurrent assets	757
Gain on contribution of securities to retirement benefit trust	1,217
Valuation difference on available-for-sale securities	10,773
Other	1,361
Total deferred tax liabilities	14,108
Deferred tax liabilities in net	△4,194

2. Breakdown of major items giving rise to material differences between the statutory effective tax rate and the effective rate of corporate and other income taxes after application of tax effect accounting

Statutory effective tax rate	30.9%
(Adjustment)	
Non-deductible expenses such as entertainment expense	0.8%
Non-taxable income such as dividends received	△5.3%
Inhabitants' tax-per capita levy	0.6%
Valuation allowance	1.4%
Other	△2.2%
Effective rate of corporate and other income taxes after application of tax effect accounting	26.1%

Notes to related party transactions

Subsidiaries and affiliates, etc.

(Million yen)

Type	Name of company	Share of voting rights owned by the Company	Relationship	Transaction description	Transaction amount (* 5)	Accounting item	Year-End balance (* 5)
Subsidiary	Sumitomo Forestry Home Engineering Co., Ltd.	Direct 100.0%	Supply of paid materials Construction of ordered housing Interlock of directors	Construction of housing ordered by the Company (* 1)	78,101	Accounts receivable-other Accounts payable for construction contracts	23,360 23,045
Subsidiary	Sumitomo Forestry Home Tech Co., Ltd.	Direct 100.0%	After maintenance of housing Interlock of directors	Deposit of surplus fund to the Company (* 2)	-	Deposits received	16,523
Subsidiary	Sumitomo Forestry America, Inc.	Direct 100.0%	Interlock of directors	Loan (* 3)	14,178	Short-term loans receivable Long-term loans receivable	5,337 8,353
				Underwriting of capital increase	27,911	-	-
				Debt guarantee (* 4)	10,014	-	-
Subsidiary	Sumitomo Forestry NZ Ltd.	Direct 100.0%	Interlock of directors	Underwriting of capital increase	26,871	-	-
Subsidiary	Sumitomo Forestry Australia Ltd.	Direct 100.0%	Interlock of directors	Underwriting of capital increase	6,405	-	-

(*1) Transaction terms and policy for determining transaction terms are determined in the same way as for general transaction conditions.
(*2) Transaction amounts are not shown, because the transactions are conducted repeatedly, and the purpose for this is to centralize fund management within the Group.
(*3) Loan to related parties is determined based on market interest rates.
(*4) The Company guarantees debt for loans borrowed from financial institutions.
(*5) Transaction amounts do not include consumption tax, etc., while year-end balances do.

Notes to per-share information (Yen)

Net assets per share	1,298.59
Net income per share	125.85

Notes to matters relating to important subsequent events

There are no relevant items.

Other notes (additional information)

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

Beginning the consolidated fiscal year under review, the Company has adopted the "Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standard No. 26, March 28, 2016).