

Summary of Financial Results for the Year Ended March 2019 [Japan GAAP] (Consolidated)

Name of Company: Sumitomo Forestry Co., Ltd.	Stock Exchange Listing: Tokyo
Stock Code: 1911	URL: http://sfc.jp/english/
Representative: Title: President / Representative Director	Name: Akira Ichikawa
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Date of regular general meeting of shareholders:	June 21, 2019
Date of commencement of dividend payment (tentative):	June 24, 2019
Date of filing of financial report:	June 21, 2019
Preparation of supplementary materials:	Yes
Convening of a results meeting:	Yes (for financial analysts and institutional investors)

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

1. Financial results for the current fiscal year (April 1, 2018 – March 31, 2019)

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

	Net sales		Operating income		Recurring income		Profit for the year attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY Ended March 2019	1,308,893	7.1	49,247	-7.1	51,436	-11.1	29,160	-3.2
FY Ended March 2018	1,221,998	9.8	53,021	-1.8	57,865	0.0	30,135	-12.7

(Note) Comprehensive income

FY Ended March 2019	24,899 million yen (-44.1%)	FY Ended March 2018	44,547 million yen (-10.9%)
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	Net income per share	Net income per share fully diluted	Return on equity	Ratio of recurring income to assets	Operating income Margin
	Yen	Yen	%	%	%
FY Ended March 2019	160.80	155.32	9.3	5.5	3.8
FY Ended March 2018	168.49	158.82	10.3	6.8	4.3

(Note) Equity in income (losses) of affiliates

FY Ended March 2019	1,715 million yen	FY Ended March 2018:	3,026 million yen
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(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Shareholder's Equity per Share
	Million yen	Million yen	%	Yen
As of March 31, 2019	970,976	353,489	32.8	1,755.06
As of March 31, 2018	899,120	345,639	34.7	1,719.05

(Note) Shareholders' equity

As of March 31, 2019	318,320 million yen	As of March 31, 2018	311,637 million yen
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(3) Cash flow position (Consolidated)

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investment activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY Ended March 2019	40,689	-71,659	11,523	105,102
FY Ended March 2018	13,732	-46,250	25,156	125,555

2. Dividends

	Dividend per share					Annual aggregate amount	Payout ratio (Consolidated)	Dividends/ net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY Ended March 2018	–	20.00	–	20.00	40.00	7,189	23.7	2.4
FY Ended March 2019	–	20.00	–	20.00	40.00	7,296	24.9	2.3
FY Ending March 2020 (Est.)	–	20.00	–	20.00	40.00		24.2	

3. Forecast for the fiscal year ending March 2020 (Consolidated, April 1, 2019 - March 31, 2020)

(% figures represent year-on-year change)

	Net sales		Operating income		Recurring income		Profit for the year attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,123,000	-14.2	52,500	6.6	57,000	10.8	30,000	2.9	165.43

Note: Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018) has been applied early at the beginning of FY ending March 2020. The forecast above reflects application of the standard.

* Notice:

(1) Changes in main subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): Yes
New Companies 2 (Company name) Crescent Communities II, LLC, CC-SFA MF Atherton, LLC

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

(a) Changes in accounting policies due to revision of accounting standards: None

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

(c) Changes in accounting estimates: None

(d) Restatements: None

(3) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock)

As of March 31, 2019	182,698,636	As of March 31, 2018	182,607,739
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(b) Treasury stock

As of March 31, 2019	1,325,804	As of March 31, 2018	1,323,737
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(c) Average number of shares during the term

As of March 31, 2019	181,345,520	As of March 31, 2018	178,859,807
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Non-consolidated Financial Results (For reference)

Financial results for the current fiscal year (April 1, 2018 – March 31, 2019)

(1) Result of operations (Non-consolidated)

(% figures represent year-on-year change)

	Net sales		Operating income		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY Ended March 2019	720,989	2.8	3,713	-64.0	19,262	5.8	20,531	51.6
FY Ended March 2018	701,534	-1.8	10,301	-60.0	18,201	-42.6	13,545	-39.2

	Net income per share	Net income per share fully diluted
	Yen	Yen
FY Ended March 2019	112.57	108.75
FY Ended March 2018	75.55	71.22

(2) Financial Position (Non-consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2019	673,063	260,273	38.6	1,426.09
As of March 31, 2018	635,901	254,003	39.9	1,392.43

Note: Shareholders' equity

As of March 31, 2019 260,138 million yen

As of March 31, 2018 253,873 million yen

* Financial results summaries not subject to audit.

* Cautionary statement regarding business results forecasts and special notes

(Caution regarding forward-looking statements)

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

(Method of Obtaining Supplemental Explanatory Material)

The Company will hold a briefing for securities analysts and institutional investors on Monday, May 13, 2019. The explanatory material on the financial results to be distributed at the briefing will be published on the website afterwards. Additionally, the Supplementary Information that has heretofore been provided in the summaries of financial results is provided in the Financial Factbook, and the material will be published on the website simultaneously with the announcement of financial results.

<http://sfc.jp/english/ir/>

(Change in Date Presentation)

Date presentation has been changed from the Japanese calendar to the Western calendar as of the Summary of Financial Results for the Year Ended March 2019.

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1. Overview of Results of Operations, etc.

(1) Overview of Results of Operations

In the period under review, the global economy continued a mild recovery overall with steady economic recovery in the United States despite some signs of weakness in China and Europe resulting primarily from trade problems sparked by changes in American policies. In Japan, there has also been a mild recovery owing mainly to improved employment conditions and increased capital expenditures, but there were some signs of weakness in exports and production, and the outlook for consumer spending remained uncertain.

In the domestic housing market, which has a deep relationship to our Group business, there was a decline in rental housing due to financial institutions taking a careful approach toward financing, but the number of new housing starts increased from the previous year as interest rates on housing loans remained low. Overseas, rising housing prices and housing loan interest rates had an impact in the United States where the Group does business, but the market remained strong owing in part to increased consumer spending and improvements in the employment situation. Meanwhile, the Australian market was in an adjustment phase due to the rising housing prices of recent years and stricter housing loan approval processes.

Under this business environment, the Sumitomo Forestry Group worked to improve profitability in the main businesses of custom-built detached housing and timber and building materials to achieve the targets of the Sumitomo Forestry Group 2018 Medium-Term Management Plan, this year being the final year of the plan. Moreover, we continued to work on diversifying our revenue streams, including aggressively investing management resources into expanding the domain of our overseas business and pouring effort into the wood biomass power generation business and other resource and environment-related businesses.

As a result, net sales were ¥1,308.893 billion (an increase of 7.1% year-on-year), operating income was ¥49.247 billion (a decrease of 7.1% year-on-year), recurring income was ¥51.436 billion (a decrease of 11.1% year on year), and profit for the year attributable to owners of the parent was ¥29.160 billion (a decrease of 3.2% year-on-year). In regard to actuarial differences for retirement benefit accounting, whereas there was a ¥2.291 billion gain last year, this year there was a ¥3.410 billion loss. Recurring income excluding actuarial differences was down 1.3% year on year from ¥55.574 billion last year to ¥54.846 billion this year.

An overview of conditions for each business segment is as follows.

In the past, our business segments have been Timber and Building Materials, Housing, Overseas, and Other, but starting this year, we have changed them to Timber and Building Materials, Housing and Construction, Overseas Housing and Real Estate, and Other. For the comparisons below, the figures from last year have been adjusted according to the new business segments. Additionally, net sales for each segment include inter-segment internal sales.

1 Timber and Building Materials Business

In the domestic distribution business, results were strong, including an increase in the sales volume, owing to a recovery of timber prices in the market and strengthening of partnerships with trading partners. Moreover, to promote further diversification of revenue streams, we worked to expand exports of domestic timber, poured effort into expanding the volume of fuel wood for power generation handled, and endeavored to provide high value-added services, including supplying construction materials for commercial facilities. As restrictions grow stronger on logging in natural forests in each country, we also made efforts to expand our sustainable products, including expanding sales of environmentally friendly products made with timber from certified forests and plantation timber. Overseas, we worked out of our regional headquarters in Singapore to expand sales of timber and building materials primarily in Vietnam and China.

In the domestic manufacturing business, we continued to work on improving profitability through such means as focusing on expanding sales of high value-added stairway material and other products that are easy to assemble at the construction site and shorten the time required for construction. In New Zealand, domestic sales and sales to Japan were strong, but results were sluggish due to a rise in manufacturing costs.

As a result, the timber and building materials business posted net sales of ¥487,091 million (an increase of 4.7% year-on-year) and recurring income of ¥7,980 million (a decrease of 7.0% year-on-year).

2) Housing and Construction Business

In the custom-built detached housing business, we worked to offer highly customized proposals to first-time buyers looking for land and enhance our proposal capabilities with respect to products that take advantage of our original technology and design capabilities. We also poured effort into expanding orders for ZEH (net zero-energy homes). As a result, the number of completed and delivered units increased compared to the previous year, but results were sluggish due primarily to rising prices of construction materials. On the product side, we added domestic oak to our lineup of interior materials for flooring and other uses made with choice wood such as oak, teak, pine, maple, and walnut procured from overseas via our own network. Additionally, we further expanded the diversity of room spaces available with “The Forest BF,” which offers various room spaces with customizable ceiling heights to meet the demands of various customers. This included new proposals incorporating positive elements of exterior design from traditional Japanese architecture such as deep eaves and a bigger selection of types and designs of flooring and fittings to go along with the customized ceiling heights.

In our apartment business, we worked to expand orders for apartments using our Wall Frame (WF) method, which allows for greater customization of floor plans and more adaptability to tenant needs while also attempting to improve our sales capabilities in cities with large markets by opening branches in Tokyo, Osaka, and Nagoya. Furthermore, as tenant lifestyles become more diverse and greater performance is required of apartments, we worked to provide more comfortable living environments. These efforts included joint development of sound insulating flooring and use of that flooring in our ForestMaison apartments.

In the renovation business, we worked to strengthen our sales capabilities, including by increasing the number of interior coordinators and designers. We also poured effort into expanding orders for earthquake resistance renovations utilizing our high level of technical capabilities based on proprietary seismic resistance/seismic mitigation methods and renovation of traditional Japanese-style homes. As a result, business results were strong.

In our MOCCA (Timber Solution) business, we steadily built upon our track record of construction during the period under review, including completing a wooden day-care center and bed and breakfast, to promote adoption of wood construction and material in buildings. Additionally, in our collaboration with strategic partner and equity-method affiliate Kumagai Gumi Co., Ltd., we performed design testing on wood construction and material with properties they constructed and worked on identifying issues such as cost. This was just one of the ways we worked on strengthening our partnership in relation to large and medium-sized wooden buildings.

As a result, the housing and construction business posted net sales of ¥452,839 million (an increase of 0.8% year-on-year) and recurring income of ¥21,598 million (a decrease of 13.4% year-on-year).

3) Overseas Housing and Real Estate Business

In the overseas detached spec home business, the overall number of units delivered in the United States increased compared to the previous year as a result of strong housing markets in states such as Washington, Utah, Texas, Maryland, and North Carolina where the Group is engaged in business activities. In Australia, where the Group primarily operates in Melbourne and Sydney, the housing market is in an adjustment phase, so the number of units delivered decreased. In Vietnam, Indonesia, and Thailand, we made steady progress on detached spec homes and condominium projects to enhance our revenue base in Southeast Asia. Last May, we made Mark III Properties, LLC (based out of South Carolina, USA), which is engaged in the land development business, a consolidated subsidiary. We did the same with Crescent Communities II, LLC (based out of North Carolina, USA), which is engaged in the real estate development business related to housing and commercial complexes, in July of the same year. This was part of our efforts to make a full-fledged entry into the overseas real estate development business and further diversify our revenue base and business.

As a result, the overseas housing and real estate business posted net sales of ¥364,878 million (an increase of 19.3% year-on-year) and a recurring income of ¥25,812 million (an increase of 9.9% year-on-year).

4) Other Businesses

Besides the aforementioned businesses, the Sumitomo Forestry Group operates a biomass power generation business, an overseas forestation business, private-pay elderly care facilities, and a wide range of service businesses for residential customers (including non-life insurance agency services). This also includes the business of equity-method affiliate Kumagai Gumi Co., Ltd.

Results in the biomass power generation business in Mombetsu City, Hokkaido, and in Hachinohe City, Aomori, where operations were launched in April 2018, were both strong.

The other businesses recorded net sales of ¥40,416 million (an increase of 9.2% year-on-year) and recurring income of ¥5,203 million (an increase of 5.5% year-on-year).

(2) Overview of Financial Position

Total assets totaled ¥970,976 million at the end of the current consolidated fiscal year, an increase of ¥71,856 million year on year. The increase in total assets was attributable mainly to the increase in inventories, non-current assets, and investment securities associated with expansion of the overseas housing and real estate business, including making the Crescent Communities Group a consolidated subsidiary. Liabilities increased ¥64,005 million compared to the end of the previous consolidated fiscal year to ¥617,486 million due mainly to an increase in borrowings associated with making the Crescent Communities Group a consolidated subsidiary. Net assets totaled ¥353,489 million, and the equity ratio was 32.8%.

(3) Overview of Cash Flow

There was a net decrease of ¥20,453 million in cash and cash equivalents (hereinafter: “cash”) to ¥105,102 million.

A summary of cash flows is presented below.

(Operating Activities)

Net cash provided by operating activities increased ¥40,689 million (an increase of ¥13,732 million was posted the previous consolidated fiscal year). This was due mainly to an increase in capital resulting from posting of ¥56,618 million in income before income taxes and minority interests, despite a decrease in capital resulting from an increase in inventories associated with expansion of the overseas housing and real estate business.

(Investment Activities)

Net cash used in investment activities decreased ¥71,659 million (a decrease of ¥46,250 million was posted the previous consolidated fiscal year). This was due mainly to use of funds in the acquisition of interest in the Crescent Communities Group.

(Financing Activities)

Net cash used in financing activities increased ¥11,523 million (an increase of ¥25,156 million was posted the previous consolidated fiscal year). This was due to an increase in funds from an increase in interesting-bearing debt despite the decrease in funds resulting from payment of dividends and acquisition of additional stake in a consolidated subsidiary.

(4) Future Outlook

The global economy is expected to continue its gentle recovery overall, but caution is required with respect to risks of a downturn, including trade friction between the United States and major trade counterparts like China and the EU and economic trends brought about by Brexit. In Japan, the employment and income environments are expected to improve, but we believe the situation will remain unpredictable due to global economic trends and factors exerting

downward pressure on the economy such as economic deceleration in China, rising raw material prices, and limited supplies resulting from labor shortages.

(Summary of 2018 Medium-Term Management Plan)

Under the Sumitomo Forestry Group 2018 Medium-Term Management Plan, which covered the three-year period from fiscal 2016 to fiscal 2018, we promoted strategies that anticipate changes in the social environment, developed diverse revenue streams in the global market, and cultivated new fields in which to apply timber in the aim of developing a business structure capable of sustainable growth in the midst of significant changes in the business environment in Japan and other countries.

In regard to numerical targets, we achieved the initial target for net sales, but excluding actuarial differences for retirement benefit accounting, recurring income fell just short of the initial target. Nevertheless, there are bright prospects for developing a business structure capable of steadily posting recurring income of ¥55 billion, which was the target of the medium-term management plan, including hitting the target for fiscal 2018 ahead of schedule by posting recurring income of ¥55.6 billion in fiscal 2017 (excluding actuarial differences).

As for specific management strategies, we were able to expand the detached spec home business in the United States and make our entry into the real estate development business as well as grow the renewable energy business, including wood biomass power generation. In regard to cultivating new fields in which to apply timber, we have also established “the W350 Plan”, which is our vision for research and technological development to construct a 350-meter-high wood-constructed skyscraper by 2041, the 350th anniversary of our founding. We have begun work to make this vision a reality.

(Promotion of 2021 Medium-Term Management Plan)

We recently established the three-year 2021 Medium-Term Management Plan. The targets will be to achieve net sales of ¥1.26 trillion*, recurring income of ¥85 billion (excluding actuarial differences for retirement benefit accounting), and ROE of at least 10% by the fiscal year ending March 31, 2022. As we work toward these targets, there are four themes that will serve as the basic policy for this medium-term management plan, namely “promote future-oriented business strategies for further growth,” “strengthen management base for sustainable growth,” “accelerate R&D and technological innovation utilizing timber,” and “promote further integration of business operations and ESG initiatives.”

* We will apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018) early beginning with the fiscal year ending March 31, 2020. As a result of this, the figure for net sales will be lower than the same figure (¥1.52 trillion) prior to application of the accounting standard.

In the timber and building materials business, we will promote further strengthening of collaboration with trading partners by reorganizing the sales structure in our distribution business according to the business format of our trading partners. We will also continue to focus on expanding sales of quality fuel wood for power generation, increasing exports of domestic materials, strengthening efforts in non-housing and construction markets, and expanding sales of environmentally friendly products such as those made with timber from certified forests in order to build a business portfolio that does not depend on the housing market. In the manufacturing business, we will further enhance marketing by coordinating with the distribution business and promote integration of manufacturing and sales. In so doing, we will work to develop high value-added products in line with customer needs and boost profitability.

In the housing and construction business, we will continue to focus on expanding orders for ZEH (net zero-energy homes) in the custom-built detached housing business while also working to offer proposals from the customer’s perspective and provide meticulous service in order to improve our competitiveness. Moreover, by further enhancing the sales structure at our branches in the three major metropolitan areas, we will expand orders for and sales of apartments, non-residential buildings, and spec homes and diversify our housing and construction business. In the renovation business, we will continue to focus on renovation sales utilizing our Group’s proprietary seismic

resistance/seismic control technology and offer detailed inspection and maintenance services to owners of Sumitomo Forestry homes based on the year they were built.

In the overseas housing and real estate business, we will work on increasing the number of units delivered in the detached spec homes business in the United States and Australia, develop a stable earnings structure in the real estate development business in the United States, strengthen our business foundation in Southeast Asia, and promote continued diversification of revenue streams in the countries where we do business. Also, with respect to the growing balance of real estate investments associated with the expansion of our business, we will continue to engage in accurate tracking and monitoring of each housing market based on internal rules on real estate investment risk and work on thorough and proper inventory management.

In the environment and resources business, we will work on providing support to municipalities with respect to the forest management program launched in April of this year and focus on expanding production of saplings for reforestation, which are in short supply nationwide, for the purpose of ensuring sustainable development of the domestic forestry business by streamlining forestry management and optimizing forest management. Overseas, we will promote a sustainable forestation business, including in New Zealand and Indonesia, in consideration of the environment and secure new suppliers in response to increasing demand for fuel wood for power generation. In the environment and energy business, we will work on stable operation of wood biomass power plants that make effective use of unused left-over timber and thinnings and other materials and further expand power generation businesses that utilize renewable energy.

In regard to our collaboration with Kumagai Gumi Co., Ltd., we are engaged in discussions on specific projects in the renewable energy field and the overseas business as well as in the field of medium- to large-sized timber constructed buildings and will continue to work on creating synergy between our companies that goes beyond existing frameworks.

In addition to the aforementioned efforts, the Sumitomo Forestry Group will anticipate social changes and fulfill our corporate social responsibility by such means as enhancing corporate governance and strengthening our efforts related to environmental responsibility, customer satisfaction, human rights and diversity, risk management and legal compliance as we accept feedback from our stakeholders. We will also develop businesses around the world which contribute to the achievement of a sustainable society leveraging the knowledge and technology related to wood that we have cultivated in our business activities up until now. With respect to global environmental problems, including the increasing number and intensity of natural disasters as a result of climate change, we will steadily implement science based targets (SBT), which are designed to limit global temperature rise to under 2°C compared to prior to the Industrial Revolution by reducing greenhouse gas emissions. We will also work on developing a business structure with resilience in preparation for possible future government policies and climate change.

(5) Policy on Profit Distribution and Dividends for FY3/19 and FY3/20

Sumitomo Forestry Co., Ltd. has a fundamental policy of achieving stable and continuous shareholder returns and considers this to be one of its highest priorities. In the future, we will work to improve return on equity (ROE) and increase shareholders' equity effectively utilizing internal reserves in effective investments that contribute to the improvement of long-term corporate value and in research and development activities. At the same time, we will return an appropriate level of earnings to shareholders in accordance with total earnings, while taking into account the need to balance these distributions with the base of operations, financial position, cash flow and other items.

Based on the above-mentioned basic policy, the Company plans to pay a fiscal year-end dividend of ¥20.00 per share for the fiscal year that ended in March 2019. Together with the interim dividend of ¥20.00 per share that the Company has already paid, this will bring the dividend for the full year to ¥40.00 per share.

For the fiscal year ending in March 2020, the company plans to pay an annual dividend of ¥40.00 per share – an interim and year-end dividend of ¥20.00 each

2. Basic Thinking on Selection of Accounting Standards

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

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(million yen)

	Previous consolidated fiscal year (ended March 31, 2018)	Current consolidated fiscal year (ended March 31, 2019)
Assets		
Current assets		
Cash and time deposits	105,865	82,421
Notes and accounts receivable-trade	127,387	135,636
Accounts receivable from completed construction contracts	8,255	9,601
Marketable securities	5,010	5,304
Finished goods, logs and lumber, boards, others	17,603	20,588
Work in process	1,268	1,443
Raw materials and supplies	7,602	8,039
Costs on uncompleted construction contracts	25,322	26,945
Developed land and housing for sale	55,751	63,736
Real estate for sale in process	138,457	173,472
Short-term loans receivable	15,479	20,267
Accounts receivable-other	41,722	45,967
Other	16,191	16,756
Allowance for doubtful accounts	(343)	(355)
Total current assets	565,570	609,820
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	78,307	87,084
Accumulated depreciation	(37,533)	(39,850)
Buildings and structures, net	40,774	47,234
Machinery, equipment and vehicles	77,588	76,357
Accumulated depreciation	(48,401)	(49,245)
Machinery, equipment and vehicles, net	29,187	27,113
Land	34,216	39,513
Forest assets	36,735	34,956
Leased assets	10,728	8,535
Accumulated depreciation	(5,391)	(4,115)
Leased assets, net	5,337	4,419
Construction in progress	2,700	11,770
Other	14,027	15,811
Accumulated depreciation	(9,863)	(10,815)
Other, net	4,165	4,996
Total property, plant and equipment	153,113	170,000
Intangible assets		
Goodwill	15,762	12,651
Other	13,309	13,900
Total Intangible assets	29,071	26,551
Investments and other assets		
Investment securities	131,470	140,968
Long-term loans receivable	2,294	2,501
Net defined benefit assets	138	238
Deferred tax assets	5,248	4,945
Other	14,657	16,991
Allowance for doubtful accounts	(2,440)	(1,039)
Total investments and other assets	151,366	164,605
Total noncurrent assets	333,550	361,156
Total assets	899,120	970,976

(million yen)

	Previous consolidated fiscal year (ended March 31, 2018)	Current consolidated fiscal year (ended March 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	111,587	118,547
Accounts payable for construction contracts	70,266	75,595
Short-term debt	40,490	61,506
Current portion of convertible bonds	20,000	–
Lease obligations	1,100	584
Income taxes payable	4,830	4,902
Advances received on uncompleted construction contracts	50,242	52,198
Provision for employees' bonuses	11,708	14,353
Provision for directors' bonuses	146	143
Provision for warranties for completed construction	3,595	3,733
Asset retirement obligation	584	853
Other	41,515	41,359
Total current liabilities	356,064	373,772
Long-term liabilities		
Bonds issued	50,000	70,000
Convertible bonds	–	10,090
Long-term debt	84,374	102,269
Lease obligations	4,666	4,436
Deferred tax liabilities	13,904	11,474
Provision for directors' retirement benefits	112	127
Net defined benefit liabilities	16,723	19,822
Asset retirement obligation	922	1,157
Other	26,715	24,339
Total long-term liabilities	197,417	243,714
Total liabilities	553,481	617,486
Net assets		
Shareholders' equity		
Common stock	32,672	32,752
Capital surplus	23,637	22,247
Retained earnings	219,562	241,427
Treasury stock	(2,333)	(2,337)
Total shareholders' equity	273,538	294,088
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33,258	25,196
Deferred gains or losses on hedges	(221)	752
Foreign currency translation adjustment	5,053	(1,733)
Remeasurements of defined benefit plans	9	17
Total accumulated other comprehensive income	38,099	24,232
Subscription rights to shares	129	135
Non-controlling interests	33,873	35,034
Total net assets	345,639	353,489
Total liabilities and net assets	899,120	970,976

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

Consolidated Statements of Income

(million yen)

	Previous consolidated fiscal year (April 1, 2017– March 31, 2018)	Current consolidated fiscal year (April 1, 2018– March 31, 2019)
Net sales	1,221,998	1,308,893
Cost of sales	1,002,683	1,076,747
Gross Profit	219,315	232,146
Selling, general and administrative expenses	166,294	182,899
Operating Income	53,021	49,247
Non-operating income		
Interest income	445	437
Purchase discounts	371	363
Dividends income	1,440	1,677
Equity in earnings of affiliates	3,026	1,715
Other	3,095	2,382
Total non-operating income	8,377	6,573
Non-operating expenses		
Interest expenses	1,387	2,015
Sales discount	704	710
Foreign exchange losses	188	190
Other	1,253	1,469
Total non-operating expenses	3,532	4,384
Recurring income	57,865	51,436
Extraordinary gains		
Gain on sales of noncurrent assets	62	86
Gain on sales of investment securities	132	4,740
Gain on step acquisitions	6,464	629
Gain on change in equity	–	16
Total extraordinary gains	6,658	5,471
Extraordinary loss		
Loss on sales of noncurrent assets	82	–
Loss on retirement of noncurrent assets	151	162
Impairment loss	5,727	126
Loss on sales of investment securities	24	–
Total extraordinary loss	5,985	289
Income before income taxes and minority interests	58,538	56,618
Income taxes-current	16,846	15,468
Income taxes-deferred	3,060	724
Total income taxes	19,906	16,192
Net income	38,632	40,426
Profit attributable to non-controlling interests	8,497	11,266
Profit for the year attributable to owners of the parent	30,135	29,160

Consolidated Statements of Comprehensive Income

(million yen)

	Previous consolidated fiscal year (April 1, 2017– March 31, 2018)	Current consolidated fiscal year (April 1, 2018– March 31, 2019)
Net income	38,632	40,426
Other comprehensive income		
Valuation difference on available-for-sale securities	7,694	(8,144)
Deferred gains or losses on hedges	(141)	974
Foreign currency translation adjustment	(756)	(8,075)
Share in equity method affiliates	(883)	(282)
Total other comprehensive income (loss)	5,914	(15,527)
Comprehensive income	44,547	24,899
(Breakdown)		
Comprehensive income attributable to owners of the parent	35,864	15,293
Comprehensive income attributable to non-controlling interests	8,683	9,606

(3) Consolidated Statements of Changes in Net Assets

Previous consolidated fiscal year (April 1, 2017 - March 31, 2018)

(million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	27,672	18,637	196,511	(280)	242,541
Changes during the period					
Issuance of new shares	5,000	5,000			10,000
Issuance of new shares (exercise of share acquisition rights)					—
Dividends from surplus			(7,085)		(7,085)
Profit for the year attributable to owners of the parent			30,135		30,135
Purchase of treasury stock				(2,053)	(2,053)
Disposal of treasury stock		0		0	0
Change in stake of parent company related to transactions with non-controlling interests		0			0
Net changes in items other than shareholders' equity					
Total changes during the period	5,000	5,000	23,050	(2,053)	30,998
Balance at the end of current period	32,672	23,637	219,562	(2,333)	273,538

	Accumulated other comprehensive income					Subscription rights to shares	Noncontrolling 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	25,896	(80)	6,874	(320)	32,370	82	20,864	295,857
Changes during the period								
Issuance of new shares								10,000
Issuance of new shares (exercise of share acquisition rights)								—
Dividends from surplus								(7,085)
Profit for the year attributable to owners of the parent								30,135
Purchase of treasury stock								(2,053)
Disposal of treasury stock								0
Change in stake of parent company related to transactions with non-controlling interests								0
Net changes in items other than shareholders' equity	7,361	(141)	(1,821)	329	5,728	48	13,009	18,785
Total changes during the period	7,361	(141)	(1,821)	329	5,728	48	13,009	49,782
Balance at the end of current period	33,258	(221)	5,053	9	38,099	129	33,873	345,639

Current consolidated fiscal year (April 1, 2018 - March 31, 2019)

(million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	32,672	23,637	219,562	(2,333)	273,538
Changes during the period					
Issuance of new shares	26	26			53
Issuance of new shares (exercise of share acquisition rights)	53	53			106
Dividends from surplus			(7,295)		(7,295)
Profit for the year attributable to owners of the parent			29,160		29,160
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock		0		0	0
Change in stake of parent company related to transactions with non-controlling interests		(1,470)			(1,470)
Net changes in items other than shareholders' equity					
Total changes during the period	80	(1,390)	21,865	(5)	20,550
Balance at the end of current period	32,752	22,247	241,427	(2,337)	294,088

	Accumulated other comprehensive income					Subscription rights to shares	Noncontrolling 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	33,258	(221)	5,053	9	38,099	129	33,873	345,639
Changes during the period								
Issuance of new shares								53
Issuance of new shares (exercise of share acquisition rights)								106
Dividends from surplus								(7,295)
Profit for the year attributable to owners of the parent								29,160
Purchase of treasury stock								(5)
Disposal of treasury stock								0
Change in stake of parent company related to transactions with non-controlling interests								(1,470)
Net changes in items other than shareholders' equity	(8,062)	974	(6,786)	8	(13,867)	6	1,161	(12,700)
Total changes during the period	(8,062)	974	(6,786)	8	(13,867)	6	1,161	7,850
Balance at the end of current period	25,196	752	(1,733)	17	24,232	135	35,034	353,489

(4) Consolidated Statements of Cash Flows

(million yen)

	Previous consolidated fiscal year (April 1, 2017 – March 31, 2018)	Current consolidated fiscal year (April 1, 2018 – March 31, 2019)
Cash flows from operating activities		
Income before income taxes and minority interests	58,538	56,618
Depreciation and amortization	13,727	13,696
Impairment loss	5,727	126
Amortization of goodwill	5,448	6,418
Provision for (reversal of) doubtful accounts	92	(1,341)
Provision for (reversal of) employees' bonuses	123	1,457
Provision for (reversal of) directors' bonuses	–	(3)
Provision for (reversal of) warranties for completed construction	(407)	137
Provision for (reversal of) directors' retirement benefits	11	15
Net defined benefit liability	(2,621)	3,154
Interest and dividends income	(1,885)	(2,114)
Interest expenses	1,387	2,015
Equity in (earnings) losses of affiliates	(3,026)	(1,715)
Losses (gains) on sales of marketable securities and investment securities	(108)	(4,740)
Losses (gains) on step acquisitions	(6,464)	(629)
Losses (gains) on sales/disposal of fixed assets	172	76
Decrease (increase) in notes and accounts receivable-trade	(12,017)	(8,694)
Inventories	(38,473)	(21,173)
Other current assets	4,447	(3,959)
Notes and accounts payable, trade	752	6,118
Advances received	869	1,122
Advances received on uncompleted construction contracts	1,910	2,234
Accrued consumption taxes	(1,431)	212
Other current liabilities	1,653	993
Other	2,084	1,457
Subtotal	30,507	51,482
Interest and dividends income received	3,948	6,337
Interest paid	(1,438)	(2,027)
Income taxes paid	(19,286)	(15,103)
Net cash provided by (used in) operating activities	13,732	40,689

(million yen)

	Previous consolidated fiscal year (April 1, 2017 – March 31, 2018)	Current consolidated fiscal year (April 1, 2018 – March 31, 2019)
Cash flows from investment activities		
Payments into time deposits	(20,526)	(5,236)
Proceeds from withdrawal of time deposits	35,514	5,294
Decrease (increase) in short-term loans receivable	391	138
Proceeds from sales and redemption of securities	–	10
Payments for purchases of fixed assets	(14,827)	(20,204)
Proceeds from sales of fixed assets	3,275	1,584
Payments for purchases of intangible assets	(2,183)	(2,839)
Payments for purchase of investment securities	(42,710)	(13,556)
Proceeds from sales and redemption of investment securities	3,507	8,901
Payments for purchase of shares of subsidiaries resulting in change in scope of consolidation	(7,661)	(46,771)
Payments of long-term loans payable	(148)	(1,342)
Repayments of long-term loans receivable	1,070	1,741
Other payments	(2,977)	(2,186)
Other proceeds	1,027	2,807
Net cash provided by (used in) investment activities	(46,250)	(71,659)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	3,973	8,817
Repayments of finance lease obligations	(2,096)	(1,632)
Proceeds from long-term debt	13,560	25,789
Repayment of long-term debt	(20,665)	(10,648)
Proceeds from issuance of bonds	30,000	20,000
Proceeds from issuance of convertible bonds	–	10,100
Payments for redemption of convertible bonds	–	(19,900)
Proceeds from issuance of shares	10,000	–
Proceeds from stock issuance to non-controlling interests	2,312	32
Cash dividends paid	(7,085)	(7,295)
Cash dividends paid to non-controlling interests	(4,838)	(6,652)
Payments for purchase of subsidiary shares not resulting in change in scope of consolidation	(1)	(6,715)
Net decrease (increase) in deposits with withdrawal and usage restrictions	–	(371)
Other proceeds	0	0
Other payments	(3)	(3)
Net cash provided by (used in) financing activities	25,156	11,523
Effect of exchange rate change on cash and cash equivalents	(307)	(1,007)
Net increase (decrease) in cash and cash equivalents	(7,670)	(20,453)
Cash and cash equivalents at the beginning of period	132,707	125,555
Net increase (decrease) in cash and cash equivalents resulting in change in scope of consolidation	518	–
Cash and cash equivalents at the end of period	125,555	105,102

(5) Notes to the Consolidated Financial Statements

(Notes related to the Assumption of a Going Concern)

Not applicable

(Segment Information)

1. Outline of Reporting Segments

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

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

Therefore, the Sumitomo Forestry Group consists of different product, service and region-oriented segments which are based around divisions. There are three reporting segments: the timber and building materials business, the housing and construction business, and the overseas housing and real estate business.

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

(Changes to Reporting Segment)

In conjunction with the reorganization that took place in April 2018, the previous three reporting segments of "Timber and building materials," "Housing," and "Overseas" have been changed to "Timber and building materials," "Housing and construction," and "Overseas housing and real estate" starting with the consolidated fiscal year under review.

The main change will be the inclusion of overseas timber and building material manufacturing and sales, which had previously been included in the "Overseas" segment, in "Timber and building materials."

Segment information from the previous consolidated fiscal year has been prepared based on the new reporting segments.

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

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

Lump-sum expenses such as actuarial differences for retirement benefit cost are not included in the income or losses of business segments.

Segment income figures are based on recurring income.

Intersegment transactions are priced in accordance with prevailing market prices.

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

Previous consolidated fiscal year (April 1, 2017 – March 31, 2018)

(million yen)

	Reporting segment				Other (Note 1)	Total	Adjustment (Note 2)	Total shown in the consolidated financial statement (Note 3)
	Timber and building materials	Housing and construction	Overseas housing and real estate	Total				
Net sales								
(1) Unaffiliated customers	443,123	448,623	305,491	1,197,237	23,663	1,220,899	1,098	1,221,998
(2) Intersegment sales/transfers	22,117	578	463	23,157	13,345	36,502	(36,502)	–
Total	465,240	449,201	305,954	1,220,394	37,007	1,257,401	(35,404)	1,221,998
Segment income (loss)	8,582	24,945	23,486	57,013	4,934	61,947	(4,081)	57,865
Segment assets	201,471	144,022	233,191	578,684	131,999	710,683	188,437	899,120
Other								
Depreciation and amortization (Note 4)	3,254	4,611	2,240	10,105	2,771	12,876	851	13,727
Amortization of goodwill	3	–	5,277	5,280	168	5,448	–	5,448
Interest income	137	42	89	268	150	418	27	445
Interest expenses	514	427	1,547	2,488	252	2,740	(1,353)	1,387
Equity in earnings (losses) of affiliates	(114)	(1)	1,908	1,793	1,233	3,026	0	3,026
Investments in equity method affiliates	1,810	2	10,643	12,455	34,133	46,588	(9)	46,580
Increase in property, plant and equipment and intangible assets (Note 4)	2,428	7,085	4,689	14,202	3,746	17,947	2,605	20,552

- Notes:
- 1 “Other” is business segments not included in the reporting segments. Such segments include biomass power generation business, an overseas forestation business, private-pay elderly care facilities business, insurance agency business, farming and gardening material manufacturing and sales business, and civil engineering/construction work.
 - 2 Adjustments are as presented below.
 - (1) Adjusted sales to unaffiliated customers of ¥1,098 million are attributable to the administrative departments and comprised mainly of rent from Company landholdings.
 - (2) The adjusted business loss of ¥4,081 million includes ¥699 million in eliminated intersegment transactions, a ¥2,291 million actuarial gain associated with retirement benefit costs and ¥5,673 million in corporate losses which are not allocated to any of the reporting segments. Corporate income (loss) is primarily selling, general and administrative expenses, non-operating income or non-operating expenses not belonging to any reporting segments.
 - (3) The adjusted segment assets of ¥188,437 million include ¥10,079 million in eliminated intersegment transactions and ¥198,516 million in corporate assets which are not allocated to any reporting segment. Corporate assets are mainly unused funds after management (cash, deposits and securities), long-term investments (investment securities) and assets used by administrative departments.
 - 3 Total segment income (loss) and segment assets are the total adjusted recurring income and assets shown in the consolidated financial statements, respectively.
 - 4 The increase in depreciation expenses, property, plant and equipment and intangible assets includes long-term prepaid expenses and write-offs associated with these expenses.

Current Consolidated Fiscal Year (April 1, 2018 – March 31, 2019)

(million yen)

	Reporting segment				Other (Note 1)	Total	Adjustment (Note 2)	Total shown in the consolidated financial statement (Note 3)
	Timber and building materials	Housing and construction	Overseas housing and real estate	Total				
Net sales								
(1) Unaffiliated customers	464,091	452,234	364,365	1,280,691	26,882	1,307,572	1,321	1,308,893
(2) Intersegment sales/transfers	22,999	604	513	24,117	13,534	37,651	(37,651)	–
Total	487,091	452,839	364,878	1,304,807	40,416	1,345,223	(36,330)	1,308,893
Segment income (loss)	7,980	21,598	25,812	55,391	5,203	60,594	(9,158)	51,436
Segment assets	207,408	155,773	321,486	684,667	128,308	812,975	158,001	970,976
Other								
Depreciation and amortization (Note 4)	3,073	4,699	1,760	9,532	3,367	12,898	798	13,696
Amortization of goodwill	–	–	6,250	6,250	168	6,418	–	6,418
Interest income	101	39	127	268	142	409	27	437
Interest expenses	706	520	2,257	3,482	299	3,781	(1,766)	2,015
Equity in earnings (losses) of affiliates	(49)	(1)	923	873	841	1,714	0	1,715
Investments in equity method affiliates	8,937	–	28,205	37,142	34,952	72,094	(8)	72,086
Increase in property, plant and equipment and intangible assets (Note 4)	2,178	6,865	7,984	17,027	5,201	22,228	(1,014)	21,214

- Notes: 1 “Other” is business segments not included in the reporting segments. Such segments include biomass power generation business, an overseas forestation business, private-pay elderly care facilities business, insurance agency business, and civil engineering/construction work.
- 2 Adjustments are as presented below.
- (1) Adjusted sales to unaffiliated customers of ¥1,321 million are attributable to the administrative departments and comprised mainly of rent from Company landholdings.
- (2) The adjusted business loss of ¥9,158 million includes ¥1,255 million in eliminated intersegment transactions, a ¥3,410 million actuarial loss associated with retirement benefit costs and ¥4,492 million in corporate losses which are not allocated to any of the reporting segments. Corporate income (loss) is primarily selling, general and administrative expenses, non-operating income or non-operating expenses not belonging to any reporting segments.
- (3) The adjusted segment assets of ¥158,001 million include ¥8,955 million in eliminated intersegment transactions and ¥166,955 million in corporate assets which are not allocated to any reporting segment. Corporate assets are mainly unused funds after management (cash, deposits and securities), long-term investments (investment securities) and assets used by administrative departments.
- 3 Total segment income (loss) and segment assets are the total adjusted recurring income and assets shown in the consolidated financial statements, respectively.
- 4 The increase in depreciation expenses, property, plant and equipment and intangible assets includes long-term prepaid expenses and write-offs associated with these expenses.

(Per-Share Information)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net assets per share	¥1,719.05	¥1,755.06
Net income per share	¥168.49	¥160.80
Net income per share (diluted)	¥158.82	¥155.32

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

	Fiscal year ended March 31, 2018 (As of March 31, 2018)	Fiscal year ended March 31, 2019 (As of March 31, 2019)
Total net assets (million yen)	345,639	353,489
Breakdown of deductions from total net (million yen)	34,002	35,169
(Subscription rights to shares (million yen))	(129)	(135)
(Non-controlling interests (million yen))	(33,873)	(35,034)
Total net assets for common stock (million yen)	311,637	318,320
Number of common stocks issued (shares)	182,607,739	182,698,636
Number of treasury stocks (shares)	1,323,737	1,325,804
Number of common stocks used for calculation of net asset per share (shares)	181,284,002	181,372,832

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net income per share		
Profit for the year attributable to owners of the parent (million yen)	30,135	29,160
Income not available to common stockholders (million yen)	–	–
Profit for the year attributable to owners of the parent for common stock (million yen)	30,135	29,160
Weighted average number of shares issued (shares)	178,859,807	181,345,520
Net income per share fully diluted		
Adjusted profit for the year attributable to owners of parent (million yen)	–	–
Common shares increase (shares)	10,889,784	6,396,884
(Convertible bonds with stock acquisition rights (shares))	(10,785,741)	(6,281,036)
(Stock acquisition rights (shares))	(104,043)	(115,848)
Overview of potentially dilutive common shares not included in computation of diluted net income per share because of their anti-dilutive effect	–	–

(Important Subsequent Events)

1. Forest fire damage on plantation owned by consolidated subsidiary

On February 5, 2019, there was a forest fire on a forestation area owned by consolidated subsidiary Tasman Pine Forests Ltd. (fiscal year end of December 31) in Nelson, New Zealand. The damages are expected to total around ¥1.4 billion, and an extraordinary loss will be recorded in the next fiscal year. Replanting of trees in the affected area will be completed by 2021, so the impact on sales and other activities will be minimal.

2. Changes to reporting segments

Previously, the reporting segments had been “Timber and building materials,” “Housing and construction,” and “Overseas housing and real estate,” but beginning with the next consolidated fiscal year, the reporting segments will be “Timber and building materials,” “Housing and construction,” “Overseas housing and real estate,” and “Environment and resources.”

This is due to the increasing importance of resource and environment-related businesses to the Sumitomo Forestry Group. In April 2019, the name of the Environment and Resources Division was changed in Japanese (it remains the same in English).

The main change is that the biomass power generation business and overseas forestation business, which had been included in “Other,” is included in “Environment and Resources businesses..”

The amounts of net sales and gains/losses during the consolidated fiscal year under review are currently being calculated based on the new reporting segments.