

Summary of Financial Results for the Third Quarter of the Fiscal Year Ending 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 filing of financial report:	February 8, 2019
Date of commencement of dividend payment (tentative):	–
Preparation of supplementary materials:	Yes
Convening of a third quarter results meeting:	Yes (for financial analysts and institutional investors)

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

1. Financial results for the third quarter cumulative period (April 1, 2018 – December 31, 2018)

(1) Results of operations (Consolidated) (% : change from the same period of the previous year)

	Net sales		Operating income		Recurring income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3Q FY Ending March 2019	906,981	5.9	24,130	2.4	26,463	-4.1	15,576	10.4
3Q FY Ended March 2018	856,526	11.0	23,565	3.6	27,586	6.0	14,106	-8.9

Note: Comprehensive income 3Q FY Ending March 2019 8,896 million yen (-69.5%)
 3Q FY Ended March 2018 29,127 million yen (168.2%)

	Net income per share	Net income per share fully diluted
	Yen	Yen
3Q FY Ending March 2019	85.89	82.71
3Q FY Ended March 2018	79.23	74.66

(2) Financial position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2018	985,049	346,622	31.1
As of March 31, 2018	899,120	345,639	34.7

Note: Shareholders' equity As of December 31, 2018 306,559 million yen
 As of March 31, 2018 311,637 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
	Yen	Yen	Yen	Yen	Yen
FY Ended March 2018	–	20.00	–	20.00	40.00
FY Ending March 2019	–	20.00	–		
FY Ending March 2019 (Est.)				20.00	40.00

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

3. Forecast for the fiscal year ending March 2019 (Consolidated, April 1, 2018 - March 31, 2019)

(%: change from the previous year)

	Net sales		Operating income		Recurring income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY Ending March 2019	1,310,000	7.2	51,500	-2.9	55,000	-5.0	30,000	-0.4	165.44

Note: Revised forecast for the quarter under review: Yes

* Notice

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

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

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

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

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

(c) Changes in accounting estimates: None

(d) Restatements: None

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock)

As of December 31, 2018	182,697,736	As of March 31, 2018	182,607,739
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(b) Treasury stock

As of December 31, 2018	1,324,935	As of March 31, 2018	1,323,737
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(c) Average number of shares during the term (cumulative for three quarters)

As of December 31, 2018	181,336,379	As of December 31, 2017	178,051,556
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* Quarterly financial summaries are not subject to quarterly review by public accountant or auditing firm.

* Cautionary statement regarding business results forecasts and special notes

(Caution regarding forward-looking statements)

Earnings forecasts and other forward-looking statements in this release are based on data currently available to the Company and certain assumptions that the Company believes are reasonable and are not intended to as a promise by the Company to achieve those forecasts. Actual results may differ substantially due to various factors.

(Method of Obtaining Supplemental Explanatory Material)

The Company will hold a briefing for securities analysts and institutional investors (conference call) on Thursday, January 31, 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.

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Quarterly Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(million yen)

	Previous consolidated fiscal year (ended March 31, 2018)	Third quarter consolidated accounting period (ended December 31, 2018)
Assets		
Current assets		
Cash and time deposits	105,865	59,032
Notes and accounts receivable-trade	127,387	135,498
Accounts receivable from completed construction contracts	8,255	8,660
Marketable securities	5,010	5,298
Finished goods, logs and lumber, boards, others	17,603	21,164
Work in process	1,268	1,562
Raw materials and supplies	7,602	8,428
Costs on uncompleted construction contracts	25,322	46,086
Developed land and housing for sale	55,751	67,259
Real estate for sale in process	138,457	188,869
Short-term loans receivable	15,479	20,346
Accounts receivable-other	41,722	41,758
Other	16,191	21,550
Allowance for doubtful accounts	(343)	(339)
Total current assets	565,570	625,171
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	78,307	92,583
Accumulated depreciation	(37,533)	(39,357)
Buildings and structures, net	40,774	53,226
Machinery, equipment and vehicles	77,588	76,289
Accumulated depreciation	(48,401)	(49,067)
Machinery, equipment and vehicles, net	29,187	27,222
Land	34,216	40,004
Forest assets	36,735	35,114
Leased assets	10,728	8,989
Accumulated depreciation	(5,391)	(4,462)
Leased assets, net	5,337	4,527
Construction in progress	2,700	11,193
Other	14,027	16,001
Accumulated depreciation	(9,863)	(10,835)
Other, net	4,165	5,166
Total property, plant and equipment	153,113	176,451
Intangible assets		
Goodwill	15,762	18,009
Other	13,309	12,991
Total Intangible assets	29,071	31,000
Investments and other assets		
Investment securities	131,470	131,673
Long-term loans receivable	2,294	2,077
Net defined benefit assets	138	109
Deferred tax assets	5,248	5,025
Other	14,657	14,576
Allowance for doubtful accounts	(2,440)	(1,034)
Total investments and other assets	151,366	152,427
Total noncurrent assets	333,550	359,878
Total assets	899,120	985,049

(million yen)

	Previous consolidated fiscal year (ended March 31, 2018)	Third quarter consolidated accounting period (ended December 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	111,587	119,660
Accounts payable for construction contracts	70,266	61,583
Short-term debt	40,490	68,330
Commercial paper	–	30,000
Current portion of convertible bonds	20,000	–
Lease obligations	1,100	707
Income taxes payable	4,830	1,704
Advances received on uncompleted construction contracts	50,242	60,865
Provision for employees' bonuses	11,708	8,387
Provision for directors' bonuses	146	–
Provision for warranties for completed construction	3,595	3,227
Asset retirement obligation	584	822
Other	41,515	45,445
Total current liabilities	356,064	400,730
Long-term liabilities		
Bonds issued	50,000	50,000
Convertible bonds	–	10,095
Long-term debt	84,374	121,692
Lease obligations	4,666	4,319
Deferred tax liabilities	13,904	10,272
Provision for directors' retirement benefits	112	120
Net defined benefit liabilities	16,723	16,438
Asset retirement obligation	922	770
Other	26,715	23,992
Total long-term liabilities	197,417	237,698
Total liabilities	553,481	638,427
Net assets		
Shareholders' equity		
Common stock	32,672	32,751
Capital surplus	23,637	23,716
Retained earnings	219,562	227,843
Treasury stock	(2,333)	(2,336)
Total shareholders' equity	273,538	281,974
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33,258	22,144
Deferred gains or losses on hedges	(221)	165
Foreign currency translation adjustment	5,053	2,259
Remeasurements of defined benefit plans	9	17
Total accumulated other comprehensive income	38,099	24,585
Subscription rights to shares	129	136
Non-controlling interests	33,873	39,927
Total net assets	345,639	346,622
Total liabilities and net assets	899,120	985,049

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

(Consolidated Statements of Income)

(For the third quarter cumulative period (consolidated))

(million yen)

	Previous 3Q Cumulative Period (Consolidated) (April 1, 2017 - December 31, 2017)	3Q Cumulative Period under Review (Consolidated) (April 1, 2018 - December 31, 2018)
Net sales	856,526	906,981
Cost of sales	708,995	751,807
Gross profit	147,531	155,174
Selling, general and administrative expenses	123,966	131,044
Operating income	23,565	24,130
Non-operating income		
Interest income	321	319
Purchase discounts	277	269
Dividends income	1,394	1,613
Equity in earnings of affiliates	2,251	1,202
Other	2,144	1,602
Total non-operating income	6,388	5,005
Non-operating expenses		
Interest expenses	1,098	1,463
Sales discount	523	532
Foreign exchange losses	4	61
Other	742	617
Total non-operating expenses	2,367	2,672
Recurring income	27,586	26,463
Extraordinary gains		
Gain on sales of noncurrent assets	39	71
Gain on sales of investment securities	118	4,299
Gain on step acquisitions	6,464	629
Gain on change in equity	-	16
Total extraordinary gains	6,622	5,016
Extraordinary loss		
Loss on sales of noncurrent assets	42	-
Loss on retirement of noncurrent assets	91	101
Impairment loss	5,715	126
Total extraordinary loss	5,849	228
Income before income taxes and non-controlling interests	28,359	31,251
Income taxes-current	8,621	6,982
Income taxes-deferred	798	1,182
Total income taxes	9,419	8,164
Net income	18,940	23,087
Profit attributable to non-controlling interests	4,834	7,511
Profit attributable to owners of parent	14,106	15,576

(Consolidated Statements of Comprehensive Income)

(For the third quarter cumulative period (consolidated))

(million yen)

	Previous 3Q Cumulative Period (Consolidated) (April 1, 2017 - December 31, 2017)	3Q Cumulative Period under Review (Consolidated) (April 1, 2018 - December 31, 2018)
Net income	18,940	23,087
Other comprehensive income		
Valuation difference on available-for-sale securities	11,422	(11,117)
Deferred gains or losses on hedges	157	386
Foreign currency translation adjustment	(1,056)	(3,786)
Share in equity method affiliates	(335)	326
Total other comprehensive income	10,187	(14,191)
Comprehensive income	29,127	8,896
Comprehensive income attributable to owners of the parent	23,957	2,062
Comprehensive income attributable to non-controlling interests	5,171	6,834

(3) Explanation Concerning Consolidated Financial Statements

(Notes related to the Assumption of a Going Concern)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

(Additional Information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

The "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) has been applied as of the beginning of the first quarter consolidated accounting period under review. Deferred tax assets are included under "Investments and other assets," while deferred tax liabilities are included under "Long-term liabilities."

(Segment Information)

I Previous third quarter cumulative period (Consolidated, April 1, 2017 – December 31, 2017)

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

(million yen)

	Reporting segment				Other (Note 1)	Total	Adjustment (Note 2)	Total shown in the quarterly consolidated financial statement (Note 3)
	Timber and Building Materials	Housing and Construction	Overseas Housing and Real Estate	Total				
Net sales								
(1) Unaffiliated customers	332,369	299,330	206,894	838,593	17,110	855,703	823	856,526
(2) Intersegment sales/transfers	16,823	420	349	17,592	9,423	27,015	(27,015)	–
Total	349,192	299,750	207,243	856,185	26,533	882,718	(26,192)	856,526
Segment income (loss)	6,617	8,433	13,197	28,247	2,943	31,191	(3,605)	27,586

- Notes: 1. "Other" is business segments not included in the reporting segments. Such segments include biomass power generation business, an overseas forestation business, private-pay elderly care facilities business, leasing business, insurance agency business and farming and gardening material manufacturing and sales business.
2. The adjusted business loss of ¥3,605 million includes ¥447 million in eliminated intersegment transactions, and ¥3,157 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. Total segment income (loss) is adjusted against recurring loss in the quarterly consolidated statements of income.

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

(Material impairment loss on noncurrent assets)

In the Timber and Building Materials segment, impairment loss on particle board manufacturing equipment has been recorded as extraordinary loss. The total amount of impairment loss for the third quarter cumulative period under review was ¥5,715 million.

II Third quarter cumulative period under review (Consolidated, April 1, 2018 - December 31, 2018)

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

(million yen)

	Reporting segment				Other (Note 1)	Total	Adjustment (Note 2)	Total shown in the quarterly consolidated financial statement (Note 3)
	Timber and Building Materials	Housing and Construction	Overseas Housing and Real Estate	Total				
Net sales								
(1) Unaffiliated customers	348,355	291,725	246,266	886,346	19,731	906,077	904	906,981
(2) Intersegment sales/transfers	17,403	428	384	18,215	9,835	28,049	(28,049)	–
Total	365,758	292,153	246,650	904,561	29,566	934,126	(27,145)	906,981
Segment income (loss)	6,237	3,571	16,564	26,371	3,402	29,773	(3,310)	26,463

- 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 contracting business.
2. The adjusted business loss of ¥3,310 million includes ¥1,461 million in eliminated intersegment transactions, and ¥1,849 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. Total segment income (loss) is adjusted against recurring loss in the quarterly consolidated statements of income.

2. Changes to Reporting Segment

In conjunction with the reorganization in April 2018, beginning from the first quarter consolidated accounting period under review, the reporting segments have been changed from Timber and Building Materials Business, Housing Business and Overseas Business to Timber and Building Materials Business, Housing and Construction Business and Overseas Housing and Real Estate Business.

The main change is that overseas timber and building materials manufacturing and sales previously included in the Overseas Business are now included in the Timber and Building Materials Business.

Segment information for the previous third quarter consolidated accounting period has been prepared based on the new reporting segments.