

**Summary of Financial Results
for the Second Quarter of the Fiscal Year Ending December 2023
[Japan GAAP] (Consolidated)**

Name of Company: Sumitomo Forestry Co., Ltd. Stock Exchange Listing: Tokyo
 Stock Code: 1911 URL <https://sfc.jp/english>
 Representative: Title: President/Representative Director Name: Toshiro Mitsuyoshi
 Inquiries: Title: General Manager, Corporate Communications Dept. Name: Toshihiro Horii
 Phone: +81-3-3214-2270
 Scheduled Date of Filing Quarterly Securities Report: August 10, 2023
 Scheduled Date to Commence Dividend Payments: September 12, 2023
 Supplementary Documents on Financial Results: Yes
 Quarterly Financial Results Briefing : Yes (For analysts and institutional investors, in Japanese)

(Note: Amounts are rounded to the nearest million yen.)

**1. Consolidated financial results for the second quarter of the FY ending December, 2023
(January 1, 2023 – June 30, 2023)**

(1) Consolidated results of operations (Cumulative total) (%: change from the same period of the previous year)

	Net sales		Operating income		Recurring income		Profit for the year attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2Q FY Ending December 2023	816,483	4.3	65,229	(10.6)	67,366	(28.0)	44,815	(9.6)
2Q FY Ended December 2022	782,784	23.7	72,955	51.4	93,558	81.0	49,563	70.1

Note: Comprehensive income

2Q FY Ending December 2023 119,131 million yen (13.7%)
 2Q FY Ended December 2022 138,013 million yen (146.2%)

	Net income per share	Net income per share fully diluted
	Yen	Yen
2Q FY Ending December 2023	223.17	218.88
2Q FY Ended December 2022	248.01	242.22

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2023	1,691,429	792,132	43.0
As of December 31, 2022	1,537,598	682,554	40.8

Note: Shareholders' equity

As of June 30, 2023 727,994 million yen
 As of December 31, 2022 627,510 million yen

2. Dividends

	Cash dividends per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
FY Ended December 2022	—	60.00	—	65.00	125.00
FY Ending December 2023	—	60.00			
FY Ending December 2023 (Forecast)			—	65.00	125.00

Note: Revised dividend forecast for the quarter under review: None

**3. Forecast of the consolidated financial results for the FY ending December 2023
(Consolidated, January 1, 2023 – December 31, 2023)**

(% change from the previous year)

	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	1,726,000	3.4	130,500	(17.5)	150,000	(23.1)	92,000	(15.3)	449.84

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: 1 (Company name): SI Hold Co, LLC

Removed: None. (Company name): -

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

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

- (a) Changes in accounting policies due to revision of accounting standards : Yes
 (b) Changes in accounting policies other than those in (a) : None
 (c) Changes in accounting estimates : None
 (d) Restatements : None

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock)

As of June 30, 2023	205,922,117	As of December 31, 2022	201,218,236
---------------------	-------------	-------------------------	-------------

(b) Treasury stock

As of June 30, 2023	1,404,135	As of December 31, 2022	1,390,509
---------------------	-----------	-------------------------	-----------

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

As of June 30, 2023	200,813,143	As of June 30, 2022	199,843,715
---------------------	-------------	---------------------	-------------

* Financial results summaries are 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. Actual results may differ substantially due to various factors.

(Method of obtaining supplemental explanatory material)

The Financial Factbook which is supplementary documents on Financial Results is published on the website.

<https://sfc.jp/information/ir/>

Additionally, the Company will hold a conference for securities analysts and institutional investors on Wednesday, August 9, 2023. The explanatory material on the financial results will be published on the website.

○Contents of Accompanying Materials

Quarterly Consolidated Financial Statements and Main Notes	2
(1) Consolidated Balance Sheet	2
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	4
Consolidated Statements of Income	
For the second quarter cumulative period (consolidated)	4
Consolidated Statements of Comprehensive Income	
For the second quarter cumulative period (consolidated)	5
(3) Consolidated Statements of Cash Flows	6
(4) Notes to the Consolidated Financial Statements	8
(Notes related to the Assumption of a Going Concern)	8
(Notes on Significant Changes in Shareholders' Equity)	8
(Changes in Accounting Policies)	8
(Segment Information).....	8

Quarterly Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(million yen)

	Previous consolidated fiscal year (December 31, 2022)	Second quarter cumulative period (June 30, 2023)
Assets		
Current assets		
Cash and deposits	128,752	173,569
Notes and accounts receivable-trade	112,487	102,436
Electronically recorded monetary claims-operating	41,974	34,267
Accounts receivable from completed construction contracts and contract assets	57,946	69,906
Marketable securities	3,177	3,180
Merchandise and finished goods	24,576	20,649
Work in process	2,050	2,088
Raw materials and supplies	11,385	10,779
Costs on construction contracts in progress	16,098	17,068
Real estate for sale	106,436	103,830
Real estate for sale in process	434,028	503,263
Short-term loans receivable	28,107	28,115
Accounts receivable-other	56,920	61,398
Other	49,349	53,644
Allowance for doubtful account	(521)	(460)
Total current assets	1,072,763	1,183,732
Non-current assets		
Property, plant and equipment		
Buildings and structure	111,884	116,095
Accumulated depreciation	(54,619)	(57,577)
Buildings and structures, net	57,265	58,518
Machinery, equipment and vehicles	89,673	94,641
Accumulated depreciation	(66,687)	(71,632)
Machinery, equipment and vehicles, net	22,986	23,009
Land	46,328	50,182
Timber	40,247	42,353
Leased assets	19,596	21,309
Accumulated depreciation	(7,392)	(8,382)
Leased assets, net	12,203	12,927
Construction in process	13,459	16,621
Other	21,339	23,858
Accumulated depreciation	(15,025)	(16,511)
Other, net	6,314	7,347
Total property, plant and equipment	198,802	210,956
Intangible assets		
Goodwill	5,911	10,171
Other	16,964	18,062
Total intangible assets	22,876	28,232
Investments and other assets		
Investment securities	203,572	226,590
Long-term loans receivable	8,938	9,308
Retirement benefit asset	710	717
Deferred tax assets	7,736	7,749
Other	23,211	25,203
Allowance for doubtful account	(1,010)	(1,057)
Total investments and other assets	243,158	268,509
Total non-current assets	464,835	507,698
Total assets	1,537,598	1,691,429

(million yen)

	Previous consolidated fiscal year (December 31, 2022)	Second quarter cumulative period (June 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	105,540	100,033
Electronically recorded obligations-operating	30,662	24,848
Accounts payable for construction contracts	103,566	113,261
Short-term borrowings	45,966	62,285
Commercial papers	-	25,000
Current portion of bonds payable	12	10,012
Current portion of bonds with share acquisition rights	10,015	285
Lease obligations	2,120	2,279
Income tax payable	5,137	5,532
Contract liabilities	80,095	87,669
Provision for bonuses	24,210	18,646
Provision for bonuses for directors (and other officers)	163	-
Provision for warranties for completed construction	7,415	7,611
Asset retirement of obligations	234	716
Other	78,975	71,529
Total current liabilities	494,110	529,706
Long-term liabilities		
Bonds payable	90,140	80,134
Long-term borrowings	187,807	201,844
Lease obligations	12,263	13,068
Deferred tax liabilities	35,406	34,312
Provision for retirement benefits for directors (and other officers)	313	310
Retirement benefits liability	11,792	11,776
Asset retirement of obligations	3,608	3,240
Other	19,604	24,907
Total long-term liabilities	360,934	369,591
Total liabilities	855,045	899,297
Net assets		
Shareholders' equity		
Common stock	50,074	54,947
Capital surplus	31,493	36,374
Retained earnings	447,216	478,971
Treasury shares	(2,465)	(2,492)
Total shareholders' equity	526,318	567,800
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	36,926	41,864
Deferred gains (losses) on hedges	3,775	6,050
Foreign currency translation adjustment	60,443	112,238
Remeasurements of define benefit plans	49	43
Total accumulated other comprehensive income	101,192	160,194
Share acquisition rights	96	76
Non-controlling interests	54,948	64,062
Total net assets	682,554	792,132
Total liabilities and net assets	1,537,598	1,691,429

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

Consolidated Statements of Income

For the second quarter cumulative period (consolidated)

(million yen)

	Previous second quarter cumulative period (January 1, 2022 – June 30, 2023)	Current second quarter cumulative period (January 1, 2023 - June 30, 2023)
Net sales	782,784	816,483
Cost of sales	595,251	631,333
Gross profit	187,533	185,150
Selling, general and administrative expenses	114,578	119,921
Operating income	72,955	65,229
Non-operating income		
Interest income	200	784
Purchase discount	172	172
Dividend income	1,190	1,114
Share of profit of entities accounted for using equity method	14,058	196
Foreign exchange gains	224	328
Gains on sale of investment securities	4,660	449
Other	2,424	3,047
Total non-operating income	22,928	6,091
Non-operating expenses		
Interest expense	1,112	2,198
Other	1,212	1,755
Total non-operating expenses	2,324	3,954
Recurring income	93,558	67,366
Extraordinary loss		
Impairment loss	2,366	-
Total extraordinary loss	2,366	-
Profit before income taxes	91,192	67,366
Income taxes-current	20,367	16,222
Income taxes-deferred	7,541	(4,139)
Total income taxes	27,909	12,083
Net income	63,283	55,283
Net income attributable to non-controlling interests	13,720	10,468
Net income attributable to owners of the parent	49,563	44,815

Consolidated Statements of Comprehensive Income
For the second quarter cumulative period (consolidated)

(million yen)

	Previous second quarter cumulative period (January 1, 2022 – June 30, 2022)	Current second quarter cumulative period (January 1, 2023 – June 30, 2023)
Net income	63,283	55,283
Other comprehensive income		
Valuation difference on available-fore-sale securities	(721)	4,895
Deferred gains (losses) on hedges	1,388	1,575
Foreign currency translation adjustment	63,364	49,745
Share of other comprehensive income of entities accounted for using equity method	10,700	7,632
Total other comprehensive income	74,730	63,847
Comprehensive income	138,013	119,131
(Breakdown)		
Comprehensive income attributable to shareholders of parent	116,978	103,817
Comprehensive income attributable to non-controlling interests	21,035	15,313

(3) Consolidated Statements of Cash Flows

(million yen)

	Previous second quarter cumulative period (January 1, 2022 – June 30, 2022)	Current second quarter cumulative period (January 1, 2023 – June 30, 2023)
Net cash provided by (used in) operating activities		
Profit before income taxes	91,192	67,366
Depreciation and amortization	8,156	9,513
Impairment loss	2,366	-
Amortization of goodwill	1,325	2,649
Provision for (reversal of) doubtful accounts	72	(28)
Provision for (reversal of) employees' bonuses	(2,406)	(6,089)
Provision for (reversal of) directors' bonuses	(165)	(163)
Provision for (reversal of) warranties for completed construction	(176)	(147)
Provision for (reversal of) directors' retirement benefits	11	(3)
Net defined benefit liability (decrease)	1,016	(172)
Interest and dividends income	(1,390)	(1,899)
Interest expense	1,112	2,198
Equity in (earnings) losses of affiliates	(14,058)	(196)
Losses (gains) on sale of marketable securities and investment securities	(4,660)	(449)
Losses (gains) on devaluation of marketable securities and investment securities	0	-
Decrease (increase) in notes and accounts receivable-trade and contract assets	(9,837)	7,698
Decrease (increase) in inventories	(91,664)	4,827
Other current assets	601	(1,336)
Notes and accounts payable-trade	(14,066)	(18,060)
Advances received	575	(347)
Increase (decrease) in contract liabilities	10,725	4,182
Accrued consumption taxes	(2,062)	1,268
Increase (decrease) in other current liabilities	(78)	115
Other	2,109	4,749
Subtotal	(21,301)	75,678
Interest and dividends income received	19,247	6,071
Interest paid	(1,162)	(2,326)
Income taxes paid	(24,388)	(16,569)
Net cash provided by (used in) operating activities	(27,603)	62,854

(million yen)

	Previous second quarter cumulative period (January 1, 2022 – June 30, 2022)	Current second quarter cumulative period (January 1, 2023 – June 30, 2023)
Cash flows from investment activities		
Payments into time deposits	(5,181)	(5,054)
Proceeds from withdrawal of time deposits	5,136	5,061
Decrease (increase) in short-term loans receivable	(103)	351
Proceeds from sales and redemption of securities	198	-
Payments for purchases of property, plant and equipment	(9,333)	(10,749)
Proceeds from sales of property, plant and equipment	512	494
Payments for purchases of intangible assets	(1,930)	(2,110)
Payments for purchase of investment securities	(13,434)	(13,102)
Proceeds from sales and redemption of investment securities	6,578	2,376
Payments in purchase of subsidiary shares resulting in change in scope of consolidation	(2,257)	(10,247)
Proceeds from purchase of subsidiary shares resulting in change in scope of consolidation	315	-
Payments of long-term loans payable	(2,786)	(585)
Repayments of long-term loans receivable	727	876
Other payments	(1,927)	(1,993)
Other proceeds	1,180	1,160
Net cash provided by (used in) investment activities	(22,305)	(33,521)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	14,919	2,146
Net increase (decrease) in commercial paper	-	25,000
Repayments of finance lease obligations	(1,640)	(1,904)
Proceeds from long-term debt	17,002	55,424
Repayment of long-term debt	(11,053)	(49,046)
Redemption of bonds	(6)	(6)
Proceeds from stock issuance to non-controlling interests	803	45
Cash dividends paid	(9,041)	(13,060)
Cash dividends paid to non-controlling interests	(11,986)	(8,686)
Payments for purchase of subsidiary shares not resulting in change in scope of consolidation	(3,799)	(5)
Net decrease (increase) in deposits with withdrawal and usage restrictions	(1,399)	(110)
Other proceeds	0	0
Other payments	(1)	(2)
Net cash provided by (used in) financing activities	(6,199)	9,797
Effect of exchange rate change on cash and cash equivalents	7,977	5,174
Net increase (decrease) in cash and cash equivalents	(48,131)	44,304
Cash and cash equivalents at the beginning of period	170,035	147,373
Cash and cash equivalents at the end of period	121,904	191,677

(4) Notes to the Consolidated Financial Statements

(Notes related to the Assumption of a Going Concern)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

In the current second quarter cumulative period (consolidated), common stock increased by ¥4,873 million and capital surplus increased by ¥4,882 million. As of the end of the current second quarter consolidated period, common stock was ¥54,947 million and capital surplus was ¥36,374 million.

This was mainly due to an increase in common stock of ¥4,860 million and capital surplus of ¥4,860 million due to the transfer of convertible bond-type bonds with share acquisition rights.

(Changes in Accounting Policies)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31, June 17, 2021) has been applied from the beginning of the first quarter cumulative period. In accordance with the provisional measures set forth in paragraph 27-2 of the Accounting Standard for Fair Value Measurement, the new accounting policies established by the Accounting Standard for Fair Value Measurement will be applied going forward. This does not affect the quarterly consolidated financial statements.

(Segment Information)

I Previous Second Quarter Cumulative Period (Consolidated) (January 1, 2022 to June 30, 2022)

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

(million yen)

	Reporting Segment					Other (Notes 1)	Total	Adjustment (Notes 2)	Total shown in the quarterly consolidated fiscal statement (Notes 3)
	Timber and Building Materials	Housing	Global Housing, Construction and Real Estate	Environment and Resources	Total				
Net sales									
(1) Unaffiliated customers	126,170	243,390	396,344	9,651	775,555	6,927	782,482	303	782,784
(2) Intersegment sales/transfer	10,283	195	346	725	11,549	4,851	16,400	(16,400)	—
Total	136,453	243,585	396,690	10,376	787,104	11,778	798,882	(16,098)	782,784
Segment income (loss)	7,401	5,532	81,542	1,059	95,535	1,255	96,790	(3,231)	93,558

(Notes) 1 “Other” is business segments not included in the reporting segments. Such segments include private nursing home/private elderly care facilities with nursing care business, insurance agency business, and civil engineering/construction work.

2 The adjusted business loss of ¥3,231 million includes ¥96 million in eliminated intersegment transaction and ¥3,135 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 income in the quarterly consolidated statements of income.

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

(Significant impairment loss on noncurrent assets)

In the Environment and Resources Business segment, business plans related to wind power generation facilities were revised to reflect omissions, etc. from the original plans. Consequently, as it is expected to be difficult to recover the amount of investment, an impairment loss was recorded. The amount of impairment loss recorded for the current second cumulative period (consolidated) is ¥2,366 million.

(Important change in the amount of goodwill)

Not applicable

II Current Second Quarter Cumulative Period (Consolidated) (January 1, 2023 to June 30, 2023)

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

(million yen)

	Reporting Segment					Other (Notes 1)	Total	Adjustment (Notes 2)	Total shown in the quarterly consolidated fiscal statement (Notes 3)
	Timber and Building Materials	Housing	Global Housing, Construction and Real Estate	Environment and Resources	Total				
Net sales									
(1) Unaffiliated customers	105,662	262,804	429,773	10,932	809,170	7,012	816,182	301	816,483
(2) Intersegment sales/transfer	10,063	163	418	707	11,352	5,700	17,052	(17,052)	—
Total	115,724	262,967	430,191	11,639	820,521	12,713	833,234	(16,751)	816,483
Segment income (loss)	5,533	15,527	45,757	304	67,121	1,005	68,126	(760)	67,366

(Notes) 1 “Other” is business segments not included in the reporting segments. Such segments include private nursing home/private elderly care facilities with nursing care business, insurance agency business, and civil engineering/construction work.

2 The adjusted business loss of ¥760 million includes ¥100 million in eliminated intersegment transaction and ¥860 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 income in the quarterly consolidated statements of income.

2. Matters Related to Changes to Reporting Segments, etc.

In conjunction with the reorganization in January 2023, beginning from the first quarter consolidated accounting period, the reporting segments have been changed from the previous four classifications of Timber and Building Materials Business, Housing and Construction Business, Overseas Housing and Real Estate Business, and Environment and Resources Business, to the four segments of Timber and Building Materials Business, Housing Business, Global Housing, Construction and Real Estate Business, and Environment and Resources Business.

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

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

Not applicable