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August 8, 2024

Summary of Financial Results for the Six Months of the Fiscal Year Ending December 2024 [Japanese GAAP] (Consolidated)

Name of Company: Sumitomo Forestry Co., Ltd.	Stock Exchange Listing: Tokyo
Securities Code: 1911	URL: https://sfc.jp/english/
Representative: Title: President / Representative Director	Name: Toshiro Mitsuyoshi
Inquiries: Title: General Manager, Corporate Communications Dept.	Name: Takashi Mizuno
Phone: +81-3-3214-2270	
Scheduled Date to file Semi-annual Securities Report: August 9, 2024	
Scheduled Date to commence Dividend Payments: September 9, 2024	
Supplementary Documents on Financial Results: Yes	
Financial Results Briefing: Yes (for analysts and institutional investors, in Japanese)	

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

1. Consolidated financial results for the six months of the FY ending December 2024 (January 1, 2024 - June 30, 2024)

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

	Net sales		Operating income		Recurring income		Profit attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended June 30, 2024	981,416	20.2	93,307	43.0	95,192	41.3	55,709	24.3
Six months ended June 30, 2023	816,483	4.3	65,229	(10.6)	67,366	(28.0)	44,815	(9.6)

(Note) Comprehensive income

Six months ended June 30, 2024	181,572 Million yen [52.4%]
Six months ended June 30, 2023	119,131 Million yen [(13.7%)]

	Net income per share	Net income per share fully diluted
	Yen	Yen
Six months ended June 30, 2024	272.22	272.08
Six months ended June 30, 2023	223.17	218.88

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2024	2,111,469	978,409	42.3
As of December 31, 2023	1,812,722	823,296	41.6

(Note) Shareholders' equity

As of June 30, 2024	894,177 Million yen
As of December 31, 2023	754,415 Million yen

2. Cash Dividends

	Cash dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Total
	Yen	Yen	Yen	Yen	Yen
FY ended December 2023	—	60.00	—	65.00	125.00
FY ending December 2024	—	65.00			
FY ending December 2024 (Forecast)			—	80.00	145.00

(Note) Revisions to the forecast of cash dividends most recently announced: Yes

3. Forecast of the consolidated financial results for the FY ending December 2024 (January 1, 2024 - December 31, 2024)

(%: change from the previous year)

	Net sales		Operating income		Recurring income		Profit attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	2,095,000	20.9	180,000	22.7	193,000	21.1	115,000	12.2	561.94

(Note) Revisions to the forecast of consolidated results most recently announced: Yes

* Notice

(1) Significant changes in the scope of consolidation during the period: None

Newly included : None (Company name) : -

Excluded : None (Company name) : -

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

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

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

(b) Changes in accounting policies due to other reasons : None

(c) Changes in accounting estimates : None

(d) Restatements : None

(4) Number of shares outstanding (common stock)

(a) Total number of shares outstanding at the end of the period (including treasury stock)

As of June 30, 2024	206,065,768	As of December 31, 2023	206,058,468
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(b) Number of treasury stock at the end of the period

As of June 30, 2024	1,416,730	As of December 31, 2023	1,416,107
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(c) Average number of shares outstanding during the period (six months from the beginning of the fiscal year)

As of June 30, 2024	204,646,659	As of June 30, 2023	200,813,143
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* Semi-annual financial results report is exempt from interim review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

(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 as a promise by the Company to achieve those forecasts. Actual results may differ substantially due to various factors.

(Obtain Supplemental Explanatory Material)

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

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

Additionally, the Company will hold a financial results briefing for securities analysts and institutional investors on Friday, August 9, 2024. The explanatory material on the financial results will be published on the website.

○ Contents of Accompanying Materials

Semi-annual Consolidated Financial Statements and Main Notes	4
(1) Consolidated Balance Sheet	4
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Income	
For the second quarter cumulative period (consolidated)	6
Consolidated Statements of Comprehensive Income	
For the second quarter cumulative period (consolidated)	7
(3) Consolidated Statements of Cash Flows	8
(4) Notes to the Semi-annual Consolidated Financial Statements	10
(Notes related to the Assumption of a Going Concern)	10
(Notes on Significant Changes in Shareholders' Equity)	10
(Segment Information)	10
(Significant Subsequent Events)	12

Semi-annual Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(million yen)

	Previous consolidated fiscal year (as of December 31, 2023)	Second quarter cumulative period (as of June 30, 2024)
Assets		
Current assets		
Cash and deposits	154,067	150,646
Notes and accounts receivable-trade	103,164	102,509
Electronically recorded monetary claims	41,053	40,156
Accounts receivable from completed construction contracts and contract assets	65,213	73,445
Marketable securities	3,167	3,145
Merchandise and finished goods	21,209	25,577
Work in process	2,026	2,312
Raw materials and supplies	12,409	12,828
Costs on construction contracts in progress	16,176	15,577
Real estate for sale	127,930	158,560
Real estate for sale in process	524,556	668,710
Short-term loans receivable	27,358	26,699
Accounts receivable-other	87,218	92,625
Other	50,972	67,518
Allowance for doubtful account	(489)	(493)
Total current assets	1,236,028	1,439,812
Non-current assets		
Property, plant and equipment		
Buildings and structures	118,115	127,084
Accumulated depreciation	(59,443)	(63,378)
Buildings and structures, net	58,671	63,706
Machinery, equipment and vehicles	95,486	105,856
Accumulated depreciation	(72,070)	(79,392)
Machinery, equipment and vehicles, net	23,416	26,464
Land	52,317	62,530
Timber	43,177	46,697
Leased assets	28,359	32,969
Accumulated depreciation	(9,821)	(13,266)
Leased assets, net	18,537	19,704
Construction in process	22,410	39,140
Other	24,011	26,933
Accumulated depreciation	(16,265)	(18,198)
Other, net	7,746	8,734
Total property, plant and equipment	226,274	266,975
Intangible assets		
Goodwill	45,892	48,431
Other	18,466	20,434
Total intangible assets	64,358	68,866
Investments and other assets		
Investment securities	229,667	267,358
Long-term loans receivable	16,418	26,267
Retirement benefit assets	4,653	5,116
Deferred tax assets	8,312	8,069
Other	28,089	29,849
Allowance for doubtful account	(1,078)	(842)
Total investments and other assets	286,062	335,817
Total non-current assets	576,694	671,657
Total assets	1,812,722	2,111,469

(million yen)

	Previous consolidated fiscal year (as of December 31, 2023)	Second quarter cumulative period (as of June 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	107,458	95,537
Electronically recorded obligations	30,931	26,826
Accounts payable for construction contracts	130,618	141,277
Short-term borrowings	51,755	95,653
Commercial papers	30,000	80,000
Current portion of bonds payable	10,012	10,012
Lease obligations	3,615	3,248
Income taxes payable	8,152	5,269
Contract liabilities	86,916	98,420
Provision for bonuses	21,970	20,521
Provision for bonuses for directors (and other officers)	144	-
Provision for warranties for completed construction	10,203	10,366
Asset retirement obligations	325	323
Other	95,889	96,324
Total current liabilities	587,989	683,775
Long-term liabilities		
Bonds payable	80,192	70,170
Long-term borrowings	230,306	281,359
Lease obligations	17,991	19,824
Deferred tax liabilities	34,612	41,109
Provision for retirement benefits for directors (and other officers)	372	159
Retirement benefits liability	10,587	10,889
Asset retirement obligations	3,248	3,282
Other	24,128	22,494
Total long-term liabilities	401,437	449,286
Total liabilities	989,426	1,133,060
Net assets		
Shareholders' equity		
Common stock	55,088	55,100
Capital surplus	36,530	34,558
Retained earnings	524,297	566,631
Treasury shares	(2,517)	(2,520)
Total shareholders' equity	613,398	653,769
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	37,201	44,412
Deferred gains (losses) on hedges	5,812	9,248
Foreign currency translation adjustment	97,960	186,688
Remeasurements of defined benefit plans	45	61
Total accumulated other comprehensive income	141,018	240,408
Share acquisition rights	74	71
Non-controlling interests	68,807	84,162
Total net assets	823,296	978,409
Total liabilities and net assets	1,812,722	2,111,469

(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, 2023 – June 30, 2023)	Current second quarter cumulative period (January 1, 2024 – June 30, 2024)
Net sales	816,483	981,416
Cost of sales	631,333	740,196
Gross profit	185,150	241,219
Selling, general and administrative expenses	119,921	147,912
Operating income	65,229	93,307
Non-operating income		
Interest income	784	1,627
Purchase discount	172	157
Dividend income	1,114	1,374
Share of profit of entities accounted for using equity method	196	-
Foreign exchange gains	328	-
Gain on sale of investment securities	449	700
Other	3,047	4,790
Total non-operating income	6,091	8,647
Non-operating expenses		
Interest expense	2,198	3,152
Share of loss of entities accounted for using equity method	-	779
Foreign exchange losses	-	55
Other	1,755	2,777
Total non-operating expenses	3,954	6,763
Recurring income	67,366	95,192
Profit before income taxes	67,366	95,192
Income taxes-current	16,222	20,451
Income taxes-deferred	(4,139)	1,618
Total income taxes	12,083	22,069
Net income	55,283	73,123
Net income attributable to non-controlling interests	10,468	17,414
Net income attributable to shareholders of parent	44,815	55,709

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

(million yen)

	Previous second quarter cumulative period (January 1, 2023 – June 30, 2023)	Current second quarter cumulative period (January 1, 2024 – June 30, 2024)
Net income	55,283	73,123
Other comprehensive income		
Valuation difference on available-for-sale securities	4,895	7,231
Deferred gains (losses) on hedges	1,575	1,904
Foreign currency translation adjustment	49,745	85,715
Share of other comprehensive income of entities accounted for using equity method	7,632	13,600
Total other comprehensive income	63,847	108,449
Comprehensive income	119,131	181,572
(Breakdown)		
Comprehensive income attributable to shareholders of parent	103,817	155,099
Comprehensive income attributable to non-controlling interests	15,313	26,473

(3) Consolidated Statements of Cash Flows

(million yen)

	Previous second quarter cumulative period (January 1, 2023 – June 30, 2023)	Current second quarter cumulative period (January 1, 2024 – June 30, 2024)
Net cash provided by (used in) operating activities		
Income before income taxes	67,366	95,192
Depreciation and amortization	9,513	11,036
Amortization of goodwill	2,649	4,722
Provision for (reversal of) doubtful accounts	(28)	(250)
Provision for (reversal of) employees' bonuses	(6,089)	(2,378)
Provision for (reversal of) directors' bonuses	(163)	(144)
Provision for (reversal of) warranties for completed construction	(147)	(594)
Provision for (reversal of) directors' retirement benefits	(3)	(213)
Net defined benefit liability (decrease)	(172)	(368)
Interest and dividends income	(1,899)	(3,001)
Interest expenses	2,198	3,152
Equity in (earnings) losses of affiliates	(196)	779
Losses (gains) on sale of marketable securities and investment securities	(449)	(700)
Decrease (increase) in notes and accounts receivable-trade and contract assets	7,698	(3,133)
Decrease (increase) in inventories	4,827	(71,197)
Decrease (increase) in other current assets	(1,336)	(8,870)
Increase (decrease) in notes and accounts payable-trade	(18,060)	(22,903)
Increase (decrease) in advances received	(347)	3,615
Increase (decrease) in contract liabilities	4,182	6,748
Increase (decrease) in accrued consumption taxes	1,268	(2,241)
Increase (decrease) in other current liabilities	115	206
Other	4,749	(5,427)
Subtotal	75,678	4,033
Interest and dividends income received	6,071	5,981
Interest paid	(2,326)	(3,443)
Income taxes paid	(16,569)	(27,038)
Net cash provided by (used in) operating activities	62,854	(20,467)

(million yen)

	Previous second quarter cumulative period (January 1, 2023 – June 30, 2023)	Current second quarter cumulative period (January 1, 2024 – June 30, 2024)
Net cash provided by (used in) investment activities		
Payments into time deposits	(5,054)	(215)
Proceeds from withdrawal of time deposits	5,061	62
Decrease (increase) in short-term loans receivable	351	850
Proceeds from sales and redemption of securities	-	5
Payments for purchases of property, plant and equipment	(10,749)	(31,071)
Proceeds from sales of property, plant and equipment	494	1,113
Payments for purchases of intangible assets	(2,110)	(2,757)
Payments for purchase of investment securities	(13,102)	(20,472)
Proceeds from sales and redemption of investment securities	2,376	1,223
Payments for transfer of business	-	(16,161)
Payments for purchase of subsidiary shares resulting in change in scope of consolidation	(10,247)	(195)
Payments in long-term loans payable	(585)	(7,690)
Repayments of long-term loans receivable	876	28
Other payments	(1,993)	(1,192)
Other proceeds	1,160	925
Net cash provided by (used in) investment activities	(33,521)	(75,548)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term debt	2,146	47,188
Net increase (decrease) in commercial papers	25,000	50,000
Repayments of finance lease obligations	(1,904)	(2,256)
Proceeds from long-term debt	55,424	57,353
Repayment of long-term debt	(49,046)	(33,256)
Redemption of bonds	(6)	(10,022)
Proceeds from stock issuance to non-controlling interests	45	4,410
Cash dividends paid	(13,060)	(13,375)
Cash dividends paid to non-controlling interests	(8,686)	(11,732)
Payments for purchase of subsidiary shares not resulting in change of scope of consolidation	(5)	(5,662)
Net decrease (increase) in deposits with withdrawal and usage restrictions	(110)	2,525
Other proceeds	0	0
Other payments	(2)	(3)
Net cash provided by (used in) financing activities	9,797	85,171
Effect of exchange rate change on cash and cash equivalents	5,174	8,954
Net increase (decrease) in cash and cash equivalents	44,304	(1,890)
Cash and cash equivalents at the beginning of period	147,373	174,771
Cash and cash equivalents at the end of period	191,677	172,881

(4) Notes to the Semi-annual Consolidated Financial Statements

(Notes related to the Assumption of a Going Concern)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

Previous 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 (Note 1)	Total	Adjustment (Note 2)	Total shown in the semi- annual consolidated fiscal statement (Note 3)
	Timber and Building Materials	Housing	Global 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 segment loss of ¥760 million includes ¥100 million in eliminated intersegment transactions 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 semi-annual consolidated statements of income.

2. Information on Important Loss on Noncurrent Assets, Goodwill, etc. for Each Reporting Segment

Not applicable.

Current Second Quarter Cumulative Period (Consolidated) (January 1, 2024 to June 30, 2024)

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 semi- annual consolidated fiscal statement (Note 3)
	Timber and Building Materials	Housing	Global Construction and Real Estate	Environment and Resources	Total				
Net sales									
(1) Unaffiliated customers	114,187	252,789	594,574	12,147	973,698	7,416	981,114	302	981,416
(2) Intersegment sales/transfer	10,152	258	430	561	11,401	5,976	17,377	(17,377)	—
Total	124,339	253,047	595,004	12,709	985,099	13,392	998,491	(17,075)	981,416
Segment income (loss)	4,962	14,441	77,211	(838)	95,777	556	96,332	(1,140)	95,192

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 segment loss of ¥1,140 million includes ¥174 million in eliminated intersegment transactions and ¥1,314 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 semi-annual consolidated statements of income.

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

Beginning from the first quarter consolidated accounting period, the previous reporting segment of Global Housing, Construction and Real Estate segment has been changed to the Global Construction and Real Estate segment. This is only a change in the name of the reporting segment and has no impact on segment information.

The new segment name is also shown for reporting segments in the previous second quarter cumulative period (consolidated).

3. Information on Important Loss on Noncurrent Assets, Goodwill, etc. for Each Reporting Segment

This information has little significance and has therefore been omitted.

(Significant Subsequent Events)

(Establishment of joint venture company (subsidiary))

The Board of Directors of the Company, at its meeting held on March 28, 2024, resolved to establish SKN GREEN DEVELOPMENT LTD. (hereinafter “SKN”), a joint venture company with Kumagai Gumi Co., Ltd. (hereinafter “Kumagai Gumi”) and NTT Urban Development Corporation (hereinafter “NTT Urban Development”), through the Company’s consolidated subsidiary, Sumirin Vietnam Company Limited, and established SKN on July 8, 2024 (Vietnam time). SKN will be a consolidated subsidiary of the Company.

1. Objective of establishment of subsidiary

The three Japanese companies, namely the Company, Kumagai Gumi, and NTT Urban Development, will participate in a township development project in Thuan An City, Binh Duong Province, Vietnam, together with Vietnamese real estate developer, Kim Oanh Group (hereinafter “KOG”). For the participation in this project, SKN was established between the Company’s wholly owned subsidiary, Sumirin Vietnam Company Limited, Kumagai Gumi, and NTT Urban Development’s wholly owned subsidiary, NTT UD Asia Pte Ltd. The township development will be conducted by a joint venture company in which SKN and KOG will make joint capital investments.

2. Overview of subsidiary established

- | | |
|---|--|
| (1) Name: | SKN GREEN DEVELOPMENT LTD. |
| (2) Location: | Ho Chi Minh City, Vietnam |
| (3) Name and position of representatives: | Koichi Nomoto, Chairman
Yu Uenishi, General Director |
| (4) Business description: | Real estate development in the southern Vietnam region of Binh Duong Province |
| (5) Capital: | 40,506,000 USD (6,061 million JPY) (Note) |
| (6) Date of establishment: | July 8, 2024 (Vietnam time) |
| (7) Shareholding ratios: | Sumirin Vietnam Company Limited, 50%
Kumagai Gumi Co., Ltd., 25%
NTT UD Asia Pte Ltd., 25% |

(Note) Capital is presented at the amount as of the submission of this semi-annual financial results report.

The amount in Japanese yen converted at the currency exchange rate of August 1, 2024