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October 31, 2024

Summary of Financial Results for the Nine 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
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Scheduled Date to commence Dividend Payments: -	
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 nine months of the FY ending December 2024

(January 1, 2024 – September 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	%
Nine months ended September 30, 2024	1,492,337	21.0	142,564	46.0	142,929	43.5	85,556	34.1
Nine months ended September 30, 2023	1,232,884	2.2	97,615	(12.1)	99,579	(29.8)	63,797	(22.9)

(Note) Comprehensive income

Nine months ended September 30, 2024	117,338 Million yen [(26.8%)]
Nine months ended September 30, 2023	160,237 Million yen [(23.4%)]

	Net income per share	Net income per share fully diluted
	Yen	Yen
Nine months ended September 30, 2024	418.06	417.87
Nine months ended September 30, 2023	315.71	311.59

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2024	2,018,938	900,196	40.5
As of December 31, 2023	1,812,722	823,296	41.6

(Note) Shareholders' equity

As of September 30, 2024	817,803 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: None

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: None

* Notice

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included : 1 company (Company name) : SKN GREEN DEVELOPMENT LTD.

Excluded : None (Company name) :

(2) Application of accounting treatment specific to the preparation of the quarterly 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 issued shares (common stock)

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

As of September 30, 2024	206,067,368	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 September 30, 2024	1,416,737	As of December 31, 2023	1,416,107
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(c) Average number of shares outstanding during the period (nine months from the beginning of the fiscal year)

As of September 30, 2024	204,647,894	As of September 30, 2023	202,073,125
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* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: None

* 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 Thursday, October 31, 2024. The explanatory material on the financial results will be published on the website.

○ Contents of Accompanying Materials

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1. Overview of the Results of Operations, etc.

(1) Overview of the Results of Operations for the Period under Review

During the nine months ended September 30, 2024, the Group's results of operations were as follows: net sales of ¥1,492.337 billion (up 21.0% year on year), operating income of ¥142.564 billion (up 46.0% year on year), recurring income of ¥142.929 billion (up 43.5% year on year), and net income attributable to shareholders of parent of ¥85.556 billion (up 34.1% year on year).

The following summarized the results of operations by business segment. Net sales for each business segment include intersegment sales or transfer.

Beginning from the first quarter consolidated accounting period, the name of a reporting segment has been changed. Accordingly, comparisons and analyses for the period under review are based on the name after the change.

<Timber and Building Materials>

While the business performance of the overseas manufacturing business recovered, sales of building materials and timber were sluggish due to a decrease in new housing starts in the distribution business in Japan. As a result, although net sales increased from the same period of the previous consolidated fiscal year, recurring income decreased year on year.

In the Timber and Building Materials, net sales were ¥186.732 billion (up 6.3% year on year) and recurring income was ¥6.323 billion (down 20.5% year on year).

<Housing>

While the number of houses constructed decreased from a year earlier with fewer backlogs at the beginning of the period in the custom-built detached housing business, strong performance in the real estate brokerage business and other factors resulted in recurring income higher than a year earlier despite a year-on-year drop in net sales.

In the Housing, net sales were ¥381.518 billion (down 1.3% year on year) and recurring income was ¥22.492 billion (up 2.0% year on year).

<Global Construction and Real Estate>

As sales grew steadily in the single-family homes business in U.S., and the yen was weakening, both net sales and recurring income increased year on year. The increase in net sales was partly contributed by the U.S. real estate development business company that was newly consolidated in the fourth quarter of the previous consolidated fiscal year.

In the Global Construction and Real Estate, net sales were ¥909.938 billion (up 38.1% year on year) and recurring income was ¥117.214 billion yen (up 66.9% year on year).

<Environment and Resources>

Due partly to an increase in gains from fees of the forest fund established in U.S. and an increase in sales of overseas forestry companies, net sales increased year on year. On the other hand, profitability was sluggish mainly due to a lower margin caused by soaring fuel prices in the domestic biomass power generation business.

In the Environment and Resources, net sales were ¥19.865 billion (up 10.3% year on year) and recurring loss was ¥0.210 billion (recurring income of ¥0.747 billion in the same period of the previous consolidated fiscal year).

<Other>

Since the occupancy ratio of private nursing home/private elderly care facilities with nursing care business increased, net sales increased year on year. Meanwhile, recurring income decreased year on year due in part to a decrease in share of profit of entities accounted for using equity method.

In the Other, net sales were ¥20.011 billion (up 3.1% year on year) and recurring income was ¥0.675 billion (down 53.7% year on year).

(2) Overview of Financial Position for the Period under Review

Total assets came to ¥2,018.938 billion at the end of the period under review, an increase of ¥206.216 billion year on year. This increase was attributable mainly to an increase in real estate for sale accompanying the expansion of the spec home business chiefly in U.S. Liabilities increased ¥129.316 billion from the end of the previous consolidated fiscal year to ¥1,118.741 billion, mainly due to an increase in borrowings. Net assets came to ¥900.196 billion and equity ratio was 40.5%.

Quarterly Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(million yen)

	Previous consolidated fiscal year (as of December 31, 2023)	Third quarter cumulative period (as of September 30, 2024)
Assets		
Current assets		
Cash and deposits	154,067	133,946
Notes and accounts receivable-trade	103,164	99,124
Electronically recorded monetary claims	41,053	35,898
Accounts receivable from completed construction contracts and contract assets	65,213	82,047
Marketable securities	3,167	3,145
Merchandise and finished goods	21,209	23,947
Work in process	2,026	2,481
Raw materials and supplies	12,409	13,286
Costs on construction contracts in progress	16,176	19,113
Real estate for sale	127,930	153,888
Real estate for sale in process	524,556	628,534
Short-term loans receivable	27,358	25,762
Accounts receivable-other	87,218	93,146
Other	50,972	62,845
Allowance for doubtful account	(489)	(481)
Total current assets	1,236,028	1,376,683
Non-current assets		
Property, plant and equipment		
Buildings and structures	118,115	124,379
Accumulated depreciation	(59,443)	(62,988)
Buildings and structures, net	58,671	61,391
Machinery, equipment and vehicles	95,486	100,046
Accumulated depreciation	(72,070)	(75,271)
Machinery, equipment and vehicles, net	23,416	24,776
Land	52,317	62,153
Timber	43,177	44,192
Leased assets	28,359	30,391
Accumulated depreciation	(9,821)	(12,426)
Leased assets, net	18,537	17,965
Construction in process	22,410	39,901
Other	24,011	25,894
Accumulated depreciation	(16,265)	(17,654)
Other, net	7,746	8,240
Total property, plant and equipment	226,274	258,619
Intangible assets		
Goodwill	45,892	42,226
Other	18,466	19,777
Total intangible assets	64,358	62,003
Investments and other assets		
Investment securities	229,667	250,688
Long-term loans receivable	16,418	28,303
Retirement benefit assets	4,653	5,352
Deferred tax assets	8,312	8,467
Other	28,089	29,632
Allowance for doubtful account	(1,078)	(809)
Total investments and other assets	286,062	321,633
Total non-current assets	576,694	642,255
Total assets	1,812,722	2,018,938

(million yen)

	Previous consolidated fiscal year (as of December 31, 2023)	Third quarter cumulative period (as of September 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	107,458	91,076
Electronically recorded obligations	30,931	21,406
Accounts payable for construction contracts	130,618	138,535
Short-term borrowings	51,755	91,417
Commercial papers	30,000	70,000
Current portion of bonds payable	10,012	10,012
Lease obligations	3,615	2,941
Income taxes payable	8,152	4,527
Contract liabilities	86,916	94,206
Provision for bonuses	21,970	27,739
Provision for bonuses for directors (and other officers)	144	-
Provision for warranties for completed construction	10,203	9,223
Asset retirement obligations	325	398
Other	95,889	84,513
Total current liabilities	587,989	645,993
Long-term liabilities		
Bonds payable	80,192	70,170
Long-term borrowings	230,306	312,260
Lease obligations	17,991	18,140
Deferred tax liabilities	34,612	36,156
Provision for retirement benefits for directors (and other officers)	372	166
Retirement benefits liability	10,587	10,751
Asset retirement obligations	3,248	3,169
Other	24,128	21,937
Total long-term liabilities	401,437	472,749
Total liabilities	989,426	1,118,741
Net assets		
Shareholders' equity		
Common stock	55,088	55,101
Capital surplus	36,530	34,599
Retained earnings	524,297	583,102
Treasury shares	(2,517)	(2,520)
Total shareholders' equity	613,398	670,283
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	37,201	39,969
Deferred gains (losses) on hedges	5,812	6,622
Foreign currency translation adjustment	97,960	100,868
Remeasurements of defined benefit plans	45	61
Total accumulated other comprehensive income	141,018	147,520
Share acquisition rights	74	69
Non-controlling interests	68,807	82,324
Total net assets	823,296	900,196
Total liabilities and net assets	1,812,722	2,018,938

(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 third quarter cumulative period (January 1, 2023 – September 30, 2023)	Current third quarter cumulative period (January 1, 2024 – September 30, 2024)
Net sales	1,232,884	1,492,337
Cost of sales	950,525	1,124,516
Gross profit	282,359	367,820
Selling, general and administrative expenses	184,744	225,257
Operating income	97,615	142,564
Non-operating income		
Interest income	1,337	2,295
Purchase discount	256	235
Dividend income	1,157	1,433
Share of profit of entities accounted for using equity method	183	-
Foreign exchange gains	267	-
Gain on sale of investment securities	449	699
Other	4,881	6,878
Total non-operating income	8,530	11,539
Non-operating expenses		
Interest expense	3,393	5,467
Share of loss of entities accounted for using equity method	-	647
Foreign exchange losses	-	252
Other	3,173	4,807
Total non-operating expenses	6,566	11,173
Recurring income	99,579	142,929
Profit before income taxes	99,579	142,929
Income taxes-current	27,032	32,021
Income taxes-deferred	(6,750)	(22)
Total income taxes	20,282	31,999
Net income	79,298	110,931
Net income attributable to non-controlling interests	15,501	25,374
Net income attributable to shareholders of parent	63,797	85,556

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

(million yen)

	Previous third quarter cumulative period (January 1, 2023 – September 30, 2023)	Current third quarter cumulative period (January 1, 2024 – September 30, 2024)
Net income	79,298	110,931
Other comprehensive income		
Valuation difference on available-for-sale securities	1,602	2,811
Deferred gains (losses) on hedges	1,183	338
Foreign currency translation adjustment	66,891	2,776
Share of other comprehensive income of entities accounted for using equity method	11,264	483
Total other comprehensive income	80,940	6,407
Comprehensive income	160,237	117,338
(Breakdown)		
Comprehensive income attributable to shareholders of parent	138,657	92,059
Comprehensive income attributable to non-controlling interests	21,581	25,279

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes related to the Assumption of a Going Concern)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Notes on Segment Information, etc.)

Previous Third Quarter Cumulative Period (Consolidated) (January 1, 2023 to September 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 quarterly consolidated fiscal statement (Note 3)
	Timber and Building Materials	Housing	Global Construction and Real Estate	Environment and Resources	Total				
Net sales									
(1) Unaffiliated customers	159,637	386,321	658,289	17,048	1,221,295	11,154	1,232,449	435	1,232,884
(2) Intersegment sales/transfer	16,039	417	644	961	18,062	8,250	26,312	(26,312)	—
Total	175,676	386,738	658,933	18,010	1,239,357	19,405	1,258,762	(25,877)	1,232,884
Segment income (loss)	7,955	22,047	70,240	747	100,987	1,458	102,446	(2,866)	99,579

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 ¥2,866 million includes ¥70 million in eliminated intersegment transactions and ¥2,936 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 Losses on Noncurrent Assets, Goodwill, etc. for Each Reporting Segment

Not applicable.

Current Third Quarter Cumulative Period (Consolidated) (January 1, 2024 to September 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 quarterly consolidated fiscal statement (Note 3)
	Timber and Building Materials	Housing	Global Construction and Real Estate	Environment and Resources	Total				
Net sales									
(1) Unaffiliated customers	171,155	381,153	909,221	18,982	1,480,511	11,390	1,491,900	436	1,492,337
(2) Intersegment sales/transfer	15,577	365	717	883	17,541	8,621	26,163	(26,163)	—
Total	186,732	381,518	909,938	19,865	1,498,052	20,011	1,518,063	(25,726)	1,492,337
Segment income (loss)	6,323	22,492	117,214	(210)	145,819	675	146,495	(3,565)	142,929

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 ¥3,565 million includes ¥118 million in eliminated intersegment transactions and ¥3,683 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.

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 third quarter cumulative period (consolidated).

3. Information on Impairment Losses on Noncurrent Assets, Goodwill, etc. for Each Reporting Segment

This information has little significance and has therefore been omitted.

(Notes related to Statements of Cash Flows)

Quarterly Consolidated Statements of Cash Flows for the period under review were not prepared.

Depreciation and amortization (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the current third quarter cumulative period were as follows.

	Previous third quarter cumulative period (January 1, 2023 – September 30, 2023)	Current third quarter cumulative period (January 1, 2024 – September 30, 2024)
Depreciation and amortization	14,538 Million yen	16,843 Million yen
Amortization of goodwill	3,946	7,237

(Additional Information)

(Business combination through acquisition)

At the meeting of the Board of Directors held on September 30, 2024, the Company decided by resolution the acquisition of 51% of the equity shares of Met Group Holdings Pty Ltd. (hereinafter, Metricon), a holding company of Metricon Group that is engaged in housing business in Australia, through the Company's consolidated subsidiary Sumitomo Forestry Australia Pty Ltd. to make Metricon a consolidated subsidiary of the Company. It entered into a stock purchase agreement on September 30, 2024 (Australia time). In accordance with this agreement, the transaction of the shares will be conducted on November 1, 2024 (Australia time).

1. Overview of business combination

(1) Name of acquired company and description of its business

Name of acquired company: Met Group Holdings Pty Ltd. and 9 other companies

Description of business: Single-family homes business

(2) Main reasons for business combination

Metricon Group is Australia's largest home builder that is mainly engaged in the order home business in Victoria, Queensland, New South Wales, and South Australia, and has established a strong brand presence. With the acquisition of Metricon's shares, Sumitomo Forestry Group will rank first in Australia with more than 7,000 housing starts a year for single-family homes in the country, in combination with existing Group companies, and aim to expand our housing business in Australia and build a stable revenue portfolio for its overseas housing business.

The Company will pursue group synergy in the single-family homes business by reducing material procurement costs, and building an even more stable supply system. In addition, since Metricon has been expanding its business domains to cover areas such as further affordable single-family home products, townhouses, and construction of public housing in response to rising housing prices, the Company aims to increase its market share in the single-family homes business and grow in new business domains.

(3) Date of business combination

November 1, 2024 (Australia time) (Scheduled)

(4) Legal form of business combination

Acquisition of shares with cash

(5) Percentage of voting rights to be acquired

51.0%

(6) Main basis for determining the acquiring company

PHSF Capital Pty Ltd, a consolidated subsidiary newly established by Sumitomo Forestry Australia Pty Ltd. is acquiring the shares with cash.

2. Breakdown of acquisition price and type of consideration

Acquisition price: AUD 115 million (¥11,414 million) (cash)

Acquisition cost: AUD 115 million (¥11,414 million)

Note: The abovementioned amounts are estimates as of the point of acquisition, and the actual amounts may differ from the above due to price adjustments and other factors in the future. The amounts in Japanese yen were converted at the exchange rate on October 1, 2024.

3. Amount of goodwill, reason for goodwill, and method and period of amortization

Nothing has been finalized at this time.