

## Summary of Financial Results for the First 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: <a href="https://sfc.jp/english/">https://sfc.jp/english/</a>
Representative:	Title: President / Representative Director	Name: Toshiro Mitsuyoshi
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Scheduled Date of Filing of Quarterly Securities Report:	May 12, 2023	
Scheduled Date to Commencement Dividend Payment:	-	
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 first quarter of the FY ending December 2023 (January 1, 2023 – March 31, 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	%
1Q FY ending December 2023	376,305	6.3	24,364	(12.3)	25,591	(28.7)	14,401	(36.3)
1Q FY ended December 2022	353,898	22.4	27,766	47.7	35,894	73.5	22,598	74.9

(Note) Comprehensive income

1Q FY ending December 2023	23,754 Million yen (57.0%)
1Q FY ended December 2022	55,270 Million yen 52.4%

	Net income per share	Net income per share fully diluted
	Yen	Yen
1Q FY ending December 2023	72.07	70.33
1Q FY ended December 2022	113.07	110.44

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2023	1,525,955	689,769	41.5
As of December 31, 2022	1,537,598	682,554	40.8

(Note) Shareholders' equity

As of March 31, 2023	632,889 Million yen
As of December 31, 2022	627,510 Million yen

### 2. Dividends

	Cash dividend 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	—	—	—	—	—
FY ending December 2023(Est.)	—	60.00	—	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	1,598,000	(4.3)	101,500	(35.9)	120,000	(38.5)	77,000	(29.1)	385.33

(Note) Revised forecast for the quarter under review: None

\* 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 HoldCo, 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 March 31, 2023	201,218,236	As of December 31, 2022	201,218,236
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(b) Treasury stock

As of March 31, 2023	1,398,952	As of December 31, 2022	1,390,509
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(c) Average number of shares during the term (cumulative for the quarter)

As of March 31, 2023	199,821,554	As of March 31, 2022	199,847,398
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\* 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. 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 as below.

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

Additionally, the Company will hold a financial results briefing for securities analysts and institutional investors on Thursday, April 27, 2023. The explanatory material on the financial results will be published on the website.

\* This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

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## Quarterly Consolidated Financial Statements and Main Notes

### (1) Consolidated Balance Sheet

	Previous consolidated fiscal year (as of December 31, 2022)	(million yen) First quarter cumulative period (as of March 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	128,752	105,013
Notes and accounts receivable-trade	112,487	106,834
Electronically recorded monetary claims - operating	41,974	36,078
Accounts receivable from completed construction contracts and contract assets	57,946	63,010
Marketable securities	3,177	3,188
Merchandise and finished goods	24,576	21,518
Work in process	2,050	1,967
Raw materials and supplies	11,385	10,475
Costs on construction contracts in progress	16,098	17,979
Real estate for sale	106,436	113,133
Real estate for sale in process	434,028	437,224
Short-term loans receivable	28,107	28,088
Accounts receivable-other	56,920	55,931
Other	49,349	46,721
Allowance for doubtful account	(521)	(453)
Total current assets	1,072,763	1,046,705
Non-current assets		
Property, plant and equipment		
Buildings and structure	111,884	112,486
Accumulated depreciation	(54,619)	(55,662)
Buildings and structures, net	57,265	56,823
Machinery, equipment and vehicles	89,673	90,364
Accumulated depreciation	(66,687)	(67,594)
Machinery, equipment and vehicles, net	22,986	22,770
Land	46,328	47,205
Timber	40,247	40,465
Leased assets	19,596	19,728
Accumulated depreciation	(7,392)	(7,567)
Leased assets, net	12,203	12,162
Construction in process	13,459	14,578
Other	21,339	21,963
Accumulated depreciation	(15,025)	(15,336)
Other, net	6,314	6,627
Total property, plant and equipment	198,802	200,630
Intangible assets		
Goodwill	5,911	10,790
Other	16,964	17,268
Total intangible assets	22,876	28,058
Investments and other assets		
Investment securities	203,572	210,685
Long-term loans receivable	8,938	8,592
Retirement benefit assets	710	709
Deferred tax assets	7,736	8,349
Other	23,211	23,202
Allowance for doubtful account	(1,010)	(974)

(million yen)

	Previous consolidated fiscal year (as of December 31, 2022)	First quarter cumulative period (as of March 31, 2023)
Total investments and other assets	243,158	250,562
Total non-current assets	464,835	479,250
Total assets	1,537,598	1,525,955

(million yen)

	Previous consolidated fiscal year (as of December 31, 2022)	First quarter cumulative period (as of March 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	105,540	100,341
Electronically recorded obligations - operating	30,662	26,163
Accounts payable for construction contracts	103,566	98,131
Short-term borrowings	45,966	55,445
Commercial papers	-	10,000
Current portion of bonds payable	12	10,012
Current portion of bonds with share acquisition rights	10,015	10,010
Lease obligations	2,120	2,074
Income taxes payable	5,137	3,133
Contract liabilities	80,095	86,655
Provision for bonuses	24,210	23,080
Provision for bonuses for director (and other officers)	163	-
Provision for warranties for completed construction	7,415	6,794
Asset retirement obligations	234	216
Other	78,975	64,453
Total current liabilities	494,110	496,507
Long-term liabilities		
Bonds payable	90,140	80,140
Long-term borrowings	187,807	173,847
Lease obligations	12,263	12,395
Deferred tax liabilities	35,406	36,050
Provision for retirement benefits for directors (and other officers)	313	319
Retirement benefits liability	11,792	11,702
Asset retirement obligations	3,608	3,605
Other	19,604	21,620
Total long-term liabilities	360,934	339,678
Total liabilities	855,045	836,185
Net assets		
Shareholders' equity		
Common stock	50,074	50,074
Capital surplus	31,493	31,501
Retained earnings	447,216	448,557
Treasury shares	(2,465)	(2,481)
Total shareholders' equity	526,318	527,650
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	36,926	37,832
Deferred gains (losses) on hedges	3,775	4,135
Foreign currency translation adjustment	60,443	63,230
Remeasurements of defined benefit plans	49	42
Total accumulated other comprehensive income	101,192	105,239
Share acquisition rights	96	96
Non-controlling interests	54,948	56,784
Total net assets	682,554	689,769
Total liabilities and net assets	1,537,598	1,525,955

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

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

	(million yen)	
	Previous first quarter cumulative period (January 1, 2022 – March 31, 2022)	Current first quarter cumulative period (January 1, 2023 – March 31, 2023)
Net sales	353,898	376,305
Cost of sales	272,389	293,924
Gross profit	81,510	82,381
Selling, general and administrative expenses	53,744	58,017
Operating income	27,766	24,364
Non-operating income		
Interest income	82	291
Purchase discount	84	86
Dividend income	64	61
Share of profit of entities accounted for using equity method	3,367	821
Foreign exchange gains	276	31
Gain on sale of investment securities	4,386	189
Other	1,121	1,637
Total non-operating income	9,381	3,116
Non-operating expenses		
Interest expense	506	1,140
Other	747	748
Total non-operating expenses	1,252	1,888
Recurring income	35,894	25,591
Profit before income taxes	35,894	25,591
Income taxes-current	9,253	6,584
Income taxes-deferred	(1,165)	(418)
Total income taxes	8,089	6,166
Net income	27,806	19,425
Net income attributable to non-controlling interests	5,208	5,024
Net income attributable to shareholders of parent	22,598	14,401

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

(million yen)

	Previous first quarter cumulative period (January 1, 2022 – March 31, 2022)	Current first quarter cumulative period (January 1, 2023 – March 31, 2023)
Net income	27,806	19,425
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,842)	943
Deferred gains (losses) on hedges	513	404
Foreign currency translation adjustment	24,933	2,518
Share of other comprehensive income of entities accounted for using equity method	3,860	464
Total accumulated other comprehensive income	27,464	4,329
Comprehensive income	55,270	23,754
(Breakdown)		
Comprehensive income attributable to shareholders of parent	46,956	18,448
Comprehensive income attributable to non-controlling interests	8,314	5,306



(3) Notes to the Consolidated Financial Statements  
 (Notes related to the Assumption of a Going Concern)  
 Not applicable

(Notes on Significant Changes in Shareholders' Equity)  
 Not applicable

(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 First Quarter Cumulative Period (Consolidated) (From January 1, 2022 to March 31, 2022)

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 Build- ing Mate- rials	Housing	Global Hous- ing, Con- struction and Real Estate	Environ- ment and Resources	Total				
Net sales									
(1) Unaffiliated customers	60,997	113,622	170,340	5,252	350,211	3,544	353,755	143	353,898
(2) Intersegment sales/trans- fer	5,052	36	160	332	5,580	2,194	7,774	(7,774)	-
Total	66,048	113,659	170,501	5,584	355,791	5,738	361,529	(7,631)	353,898
Segment income (loss)	3,482	688	31,931	919	37,020	1,124	38,144	(2,249)	35,894

- 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 ¥2,249 million includes ¥123 million in eliminated intersegment transaction and ¥2,126 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 Important Loss on Noncurrent Assets, Goodwill, etc. for Each Reporting Segment

Not applicable.

## II Current First Quarter Cumulative Period (Consolidated) (January 1, 2023 to March 31, 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 Housing, Construction and Real Estate	Environment and Resources	Total				
Net sales									
(1) Unaffiliated customers	54,002	119,774	193,225	5,542	372,543	3,619	376,162	143	376,305
(2) Intersegment sales/transfer	4,782	27	182	342	5,334	2,520	7,854	(7,854)	-
Total	58,784	119,802	193,407	5,884	377,877	6,139	384,016	(7,710)	376,305
Segment income (loss)	2,366	3,074	19,684	421	25,545	948	26,494	(902)	25,591

- 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 ¥902 million includes ¥108 million in eliminated intersegment transaction and ¥1,011 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 under review, 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 first quarter cumulative consolidated accounting period has been prepared based on the new reporting segments.

### 3. Information on Important Loss on Noncurrent Assets, Goodwill, etc. for Each Reporting Segment (Significant Changes in Amount of Goodwill)

In the Global Housing, Construction and Real Estate segment, we acquired equity interest in SI HoldCo, LLC and 11 other companies and made it a consolidated subsidiary. The increase in goodwill from this event was ¥5,865 million. This amount is based on information available at this time, and may be revised in the future if additional information becomes available.