

## Summary of Financial Results for the First Quarter of the Fiscal Year Ending December 2020 [Japan GAAP] (Consolidated)

Name of Company: Sumitomo Forestry Co., Ltd.	Stock Exchange Listing: Tokyo
Stock Code: 1911	URL: <a href="http://sfc.jp/english/">http://sfc.jp/english/</a>
Representative: Title: President / Representative Director	Name: Toshiro Mitsuyoshi
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Date of filing of financial report:	August 12, 2020
Date of commencement of dividend payment (tentative):	-
Preparation of supplementary materials:	Yes
Convening of a first quarter results meeting:	Yes (for financial analysts and institutional investors)

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

### 1. Consolidated financial results for the first quarter of the FY ending December 2020 (April 1, 2020 – June 30, 2020)

(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 2020	245,583	4.5	9,275	105.6	10,329	107.4	5,725	912.4
1Q FY Ended March 2020	235,009	-5.7	4,512	-	4,979	-	565	-

Note: Comprehensive income 1Q FY Ending December 2020 6,435 million yen (804.8%)  
1Q FY Ended March 2020 711 million yen (-%)

	Net income per share	Net income per share fully diluted
	Yen	Yen
1Q FY Ending December 2020	31.56	30.77
1Q FY Ended March 2020	3.12	3.04

Note: Following the approval of Partial Amendments of the Articles of Incorporation at the 80th Annual General Meeting of Shareholders held on June 23, 2020, the company changed its fiscal term end from March 31 to December 31 from the current fiscal year and unified the fiscal year end of our group on December 31. Profits and losses of the company and its consolidated subsidiaries with a fiscal year ending March from April 1, 2019 to June 30, 2019 and profits and losses of consolidated subsidiaries with a fiscal year ending December from January 1, 2019 to March 31, 2019 were previously consolidated into the consolidated statements of operations for the three months ended June 30, 2019 respectively. However, as a result of the above change, profits and losses of the company and all consolidated subsidiaries for the period from April 1, 2020 to June 30, 2020 were consolidated into the consolidated statements of operations for the three months ended June 30, 2020. Meanwhile, profits and losses of consolidated subsidiaries with a fiscal year ending December for the period from January 1, 2020 to March 31, 2020 are adjusted in retained earnings.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2020	1,042,144	358,933	31.5
As of March 31, 2020	1,004,768	357,064	32.1

Note: Shareholders' equity As of June 30, 2020 328,569 million yen  
As of March 31, 2020 322,496 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 2020	–	20.00	–	20.00	40.00
FY Ending December 2020	–				
FY Ending December 2020 (Est.)		10.00	–	20.00	30.00

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

## 3. Forecast of the consolidated financial results for the FY ending December 2020 (Consolidated, April 1, 2020 – December 31, 2020)

(%: 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	777,000	–	22,500	–	24,000	–	11,000	–	60.63

Note: Revised forecast for the quarter under review: Yes

Note: 1 The company changed its fiscal term end from March 31 to December 31 from the fiscal year ending December 31, 2020 and unified the fiscal year end of our group on December 31. The current fiscal year, which is the transition period, is the nine months starting on April 1, 2020 and ending on December 31, 2020, assuming the change of fiscal year end. Therefore, the forecast of the consolidated financial results for the fiscal year ending December 31, 2020 above shows the forecast figures for nine months. As a result, full-year changes from the previous corresponding period have not been provided.

### 2 Adjusted changes

As described above, the current fiscal year is the nine months starting on April 1, 2020 and ending on December 31, 2020. For reference, the rate of increase or decrease compared to the forecast for the current fiscal year is as follows, in accordance with the nine months of the previous fiscal year (from April 1, 2019 to December 31, 2019).

	Net sales		Operating income		Recurring income		Profit for the year attributable to owners of the parent	
		(million yen)						
Full year (April 1, 2020 to December 31, 2020)	777,000	-3.2%	22,500	-41.2%	24,000	-44.3%	11,000	-51.4%

### \* Notice

(1) Changes in main subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None

(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 June 30, 2020	182,752,036	As of March 31, 2020	182,752,036
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(b) Treasury stock

As of June 30, 2020	1,326,958	As of March 31, 2020	1,326,898
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(c) Average number of shares during the term (cumulative for the quarter)

As of June 30, 2020	181,425,118	As of June 30, 2019	181,373,218
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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 Company will hold a conference call for securities analysts and institutional investors on Wednesday, August 12, 2020. The explanatory material on the financial results 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.

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

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## Quarterly Consolidated Financial Statements and Main Notes

### (1) Consolidated Balance Sheet

(million yen)

	Previous consolidated fiscal year (ended March 31, 2020)	First quarter consolidated accounting period (ended June 30, 2020)
<b>Assets</b>		
Current assets		
Cash and time deposits	92,774	130,662
Notes and accounts receivable-trade	123,030	113,538
Accounts receivable from completed construction contracts	34,766	41,431
Marketable securities	3,658	3,648
Finished goods, logs and lumber, boards, others	18,949	18,363
Work in process	1,254	1,574
Raw materials and supplies	8,188	7,792
Costs on uncompleted construction contracts	14,164	15,790
Developed land and housing for sale	66,734	66,094
Real estate for sale in process	185,405	195,092
Short-term loans receivable	20,461	10,364
Accounts receivable-other	46,377	41,188
Other	20,845	22,021
Allowance for doubtful accounts	(545)	(508)
Total current assets	636,059	667,048
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	100,932	105,293
Accumulated depreciation	(42,496)	(43,293)
Buildings and structures, net	58,436	62,000
Machinery, equipment and vehicles	76,946	75,295
Accumulated depreciation	(51,583)	(50,816)
Machinery, equipment and vehicle, net	25,362	24,479
Land	39,603	39,550
Forest assets	34,243	32,807
Leased assets	11,211	10,408
Accumulated depreciation	(4,138)	(3,481)
Leased assets, net	7,073	6,927
Construction in progress	9,399	8,325
Other	17,537	17,901
Accumulated depreciation	(12,207)	(12,469)
Other, net	5,330	5,431
Total property, plant and equipment	179,446	179,519
Intangible assets		
Goodwill	7,588	5,759
Other	14,886	14,468
Total intangible assets	22,474	20,227
Investments and other assets		
Investment securities	137,845	145,114
long-term loans receivable	4,165	4,313
Net defined benefit assets	92	108
Deferred tax assets	5,983	6,587
Other	19,564	20,080
Allowance for doubtful accounts	(860)	(853)
Total investments and other assets	166,789	175,349
Total noncurrent assets	368,709	375,095
Total assets	1,004,768	1,042,144

(million yen)

	Previous consolidated fiscal year (ended March 31, 2020)	First quarter consolidated accounting period (ended June 30, 2020)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	109,179	101,226
Accounts payable for construction contracts	83,281	65,703
Short-term debt	39,403	48,827
Commercial paper	–	40,000
Lease obligations	495	446
Income taxes payable	4,862	2,669
Advances received on uncompleted construction contracts	35,224	32,548
Provision for employees' bonuses	15,337	8,575
Provision for directors' bonuses	143	–
Provision for warranties for completed construction	5,388	5,393
Asset retirement obligation	857	812
Other	68,721	65,024
Total current liabilities	362,892	371,223
Long-term liabilities		
Bonds issued	90,000	90,000
Convertible bonds	10,070	10,065
Long-term debt	120,537	144,064
Lease obligation	7,986	7,872
Deferred tax liabilities	6,262	7,968
Provision for directors' retirement benefits	125	112
Net defined benefit liabilities	22,574	22,733
Asset retirement obligation	1,378	1,397
Other	25,880	27,778
Total long-term liabilities	284,811	311,988
Total liabilities	647,704	683,211
Net assets		
Shareholders' equity		
Common stock	32,786	32,786
Capital surplus	21,290	21,290
Retained earnings	255,545	260,568
Treasury stock	(2,339)	(2,339)
Total shareholders' equity	307,282	312,304
Accumulated other comprehensive income		
Valuation difference on available-for-sale-securities	16,842	21,476
Deferred gains or losses on hedges	2,531	2,746
Foreign currency translation adjustment	(4,240)	(8,044)
Remeasurements of defined benefit plans	82	87
Total accumulated other comprehensive income	15,215	16,265
Subscription rights to shares	120	120
Non-controlling interests	34,448	30,244
Total net assets	357,064	358,933
Total liabilities and net assets	1,004,768	1,042,144

## (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 1Q Cumulative Period (Consolidated) (April 1, 2019 – June 30, 2019)	1Q Cumulative Period under Review (Consolidated) (April 1, 2020 – June 30, 2020)
Net sales	235,009	245,583
Cost of sales	185,468	192,572
Gross profit	49,542	53,012
Selling, general and administrative expenses	45,030	43,737
Operating income	4,512	9,275
Non-operating income		
Interest income	101	46
Purchase discounts	89	79
Dividends income	643	748
Equity in earnings of affiliates	245	180
Foreign exchange gains	35	235
Other	452	812
Total non-operating income	1,566	2,099
Non-operating expenses		
Interest expenses	698	624
Sales discount	171	153
Other	229	269
Total non-operating expenses	1,098	1,045
Recurring income	4,979	10,329
Extraordinary gains		
Gain on sales of noncurrent assets	18	–
Total extraordinary gains	18	–
Extraordinary loss		
Loss on sales of noncurrent assets	1	–
Loss on retirement of noncurrent assets	16	–
Disaster losses	1,601	–
Loss on liquidation of subsidiaries and affiliates	53	–
Total extraordinary loss	1,671	–
Income before income taxes and non-controlling interests	3,326	10,329
Income taxes-current	1,926	2,905
Income taxed-deferred	(876)	(781)
Total income taxes	1,050	2,124
Net income	2,277	8,205
Profit attributable to non-controlling interests	1,711	2,480
Profit attributable owners of parent	565	5,725

(Consolidated Statements of Comprehensive Income)

(For the first quarter cumulative period (consolidated))

(million yen)

	Previous 1Q Cumulative Period (Consolidated) (April 1, 2019 – June 30, 2019)	1Q Cumulative Period under Review (Consolidated) (April 1, 2020 – June 30, 2020)
Net income	2,277	8,205
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,109)	4,693
Deferred gains or losses on hedges	(102)	215
Foreign currency translation adjustment	650	(5,705)
Share in equity method affiliates	(3)	(973)
Total other comprehensive income (loss)	(1,565)	(1,770)
Comprehensive income	711	6,435
Comprehensive income attributable to owners of the parent	(1,066)	6,775
Comprehensive income attributable to non-controlling interests	1,777	(340)



### (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

(Segment Information)

I Previous first quarter cumulative period (consolidated, April 1, 2019 – June 30, 2019)

#### 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 and Construction	Overseas Housing and Real Estate	Environment and Resources	Total				
Net sales									
(1) Unaffiliated customers	52,618	98,210	77,863	3,152	231,843	3,007	234,850	160	235,009
(2) Intersegment sales/transfer	4,857	59	141	943	6,000	2,363	8,363	(8,363)	–
Total	57,475	98,269	78,004	4,095	237,843	5,370	243,213	(8,204)	235,009
Segment income (loss)	926	430	3,921	507	5,783	61	5,844	(865)	4,979

- Notes: 1. "Other" is business segments not included in the reporting segments. Such segments include private-pay elderly care facilities business, insurance agency business and civil engineering/construction contracting business.
2. The adjusted business loss of ¥865 million includes ¥208 million in eliminated intersegment transactions and ¥657 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 First quarter cumulative period under review (consolidated, April 1, 2020 – June 30, 2020)

### 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 and Construction	Overseas Housing and Real Estate	Environment and Resources	Total				
Net sales									
(1) Unaffiliated customers	41,466	95,943	100,249	4,549	242,208	3,207	245,415	169	245,583
(2) Intersegment sales/transfer	5,232	38	182	257	5,709	2,315	8,023	(8,023)	–
Total	46,698	95,981	100,431	4,807	247,917	5,521	253,438	(7,855)	245,583
Segment income (loss)	784	(648)	10,935	712	11,783	(503)	11,279	(951)	10,329

- Notes: 1. “Other” is business segments not included in the reporting segments. Such segments include private-pay elderly care facilities business, insurance agency business and civil engineering/construction contracting business.
2. The adjusted business loss of ¥951 million includes ¥236 million in eliminated intersegment transactions and ¥715 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

#### (Additional Information)

##### (Impact of COVID-19 on Accounting Estimates)

Concerning the determination of recoverability of deferred tax assets and recognition of impairment loss, we have prepared our best estimates based on information available to us at the time of preparing our consolidated financial statements at the end of the previous consolidated fiscal year, assuming that there would be an impact during the fiscal year under review.

No material changes have been made to the conditions or assumptions of these estimates in the first quarter. We have prepared our best estimates based on information available to us at the time of preparing our quarterly consolidated financial statements.