

## Summary of Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2021 [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
Inquiries:	Title: General Manager, Corporate Communications Dept. Phone: +81-3-3214-2270	Name:	Toshihiro Horii
Scheduled Date of Filing Quarterly Securities Report:	August 13, 2021		
Scheduled Date to Commence Dividend Payments:	September 8, 2021		
Supplementary Documents on Financial Results:	Yes		
Quarterly 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 second quarter of the FY ending December 31, 2021 (January 1, 2021 – June 30, 2021)

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

	Net sales		Operating income		Recurring income		Net income attributable to shareholders of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2Q FY Ending December 2021	632,875	20.3	48,348	80.0	51,848	80.5	29,192	79.5
2Q FY Ended December 2020	525,947	-0.7	26,865	7.5	28,725	11.8	16,261	29.1

Note: Comprehensive income  
 2Q FY Ending December 2021      56,170 million yen (156.0%)  
 2Q FY Ended December 2020      21,945 million yen (131.0%)

	Net income per share	Net income per share fully diluted
	Yen	Yen
2Q FY Ending December 2021	160.87	156.84
2Q FY Ended December 2020	89.62	87.38

Note: The Company has changed its fiscal term end from March 31 to December 31 beginning with the previous fiscal year ended December 31, 2020 and unified the fiscal year end of our Group on December 31. The cumulative consolidated period for the second quarter of the fiscal year ended December 2020 was six months from April 1, 2020 to September 30, 2020, and the above change from the same period of the previous year is shown by comparison with the period.

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2021	1,182,483	447,111	34.5
As of December 31, 2020	1,091,152	399,456	33.7

Note: Shareholders' equity  
 As of June 30, 2021      407,832 million yen  
 As of December 31, 2020      367,461 million yen

## 2. Dividends

	Cash dividends per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	End of Full year
	Yen	Yen	Yen	Yen	Yen
FY Ended December 2020	–	10.00	–	25.00	35.00
FY Ending December 2021	–	35.00			
FY Ending December 2021 (Forecast)			–	35.00	70.00

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

## 3. Forecast of the consolidated financial results for the FY ending December 31, 2021 (January 1, 2021 - December 31, 2021)

(%: change from the previous year)

	Net sales		Operating income		Recurring income		Net income attributable to shareholders of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,310,000	–	88,000	–	100,000	–	60,000	–	316.70

Note: Revised forecast for the quarter under review: None

Note: The Company has changed its fiscal term end from March 31 to December 31 beginning with the previous fiscal year ended December 31, 2020 and unified the fiscal year end of our Group on December 31. The fiscal year ended December 31, 2020, which was the transition period, covered the nine months starting on April 1, 2020 and ending on December 31, 2020. Therefore, full-year changes from the previous corresponding period have not been provided.

### \* 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, 2021	182,799,936	As of December 31, 2020	182,778,336
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#### (b) Treasury stock

As of June 30, 2021	1,328,371	As of December 31, 2020	1,327,588
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#### (c) Average number of shares during the term (cumulative for the quarter)

As of June 30, 2021	181,461,294	As of September 30, 2020	181,438,160
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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.

<https://sfc.jp/english/ir/library/financial.html>

Additionally, the Company will hold a conference call for securities analysts and institutional investors on Wednesday, August 11, 2021. The explanatory material on the financial results will be published on the website.

\*This document has been translated from 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

(million yen)

	As of December 31, 2020	As of June 30, 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	85,850	91,559
Notes and accounts receivable-trade	119,687	115,354
Accounts receivable from completed construction contracts	45,095	51,540
Marketable securities	3,204	3,288
Merchandise and finished goods	13,762	16,362
Work in process	1,312	1,452
Raw materials and supplies	8,080	8,494
Costs on construction contracts in progress	14,993	15,809
Real estate for sale	54,010	48,375
Real estate for sale in process	225,298	287,229
Short-term loans receivable	35,390	35,412
Accounts receivable-other	46,468	47,458
Other	25,208	30,393
Allowance for doubtful accounts	(396)	(480)
<b>Total current assets</b>	<b>677,962</b>	<b>752,245</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	107,217	116,090
Accumulated depreciation	(45,620)	(49,544)
Buildings and structures, net	61,597	66,546
Machinery, equipment and vehicles	76,794	79,881
Accumulated depreciation	(53,123)	(56,448)
Machinery, equipment and vehicles, net	23,672	23,433
Land	40,725	44,186
Timber	35,753	37,530
Leased assets	11,850	11,810
Accumulated depreciation	(3,743)	(3,953)
Leased assets, net	8,106	7,857
Construction in progress	10,667	6,300
Other	18,338	19,559
Accumulated depreciation	(12,913)	(13,892)
Other, net	5,426	5,667
<b>Total property, plant and equipment</b>	<b>185,948</b>	<b>191,519</b>
<b>Intangible assets</b>		
Goodwill	6,556	4,825
Other	15,071	14,487
<b>Total intangible assets</b>	<b>21,626</b>	<b>19,312</b>
<b>Investments and other assets</b>		
Investment securities	175,262	185,790
Long-term loans receivable	5,471	6,054
Retirement benefit asset	326	487
Deferred tax assets	6,835	7,420
Other	18,631	20,535
Allowance for doubtful account	(909)	(880)
<b>Total investments and other assets</b>	<b>205,617</b>	<b>219,407</b>
<b>Total non-current assets</b>	<b>413,191</b>	<b>430,238</b>
<b>Total assets</b>	<b>1,091,152</b>	<b>1,182,483</b>

(million yen)

	As of December 31, 2020	As of June 30, 2021
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	111,612	107,625
Accounts payable for construction contracts	80,219	86,017
Short-term borrowings	50,106	44,136
Commercial papers	10,000	–
Current portion of bonds	–	65
Lease obligations	1,005	754
Income taxes payable	1,937	3,738
Advances received on construction contracts in progress	32,956	39,087
Provision for bonuses	16,781	17,523
Provision for bonuses for directors (and other officers)	106	–
Provision for warranties for completed construction	6,175	6,493
Provision for loss on business liquidation	368	292
Asset retirement obligation	945	950
Other	68,082	73,538
<b>Total current liabilities</b>	<b>380,293</b>	<b>380,218</b>
<b>Long-term liabilities</b>		
Bonds payable	90,000	90,158
Bonds with share acquisition rights	10,055	10,045
Long-term borrowings	133,255	171,943
Lease obligations	8,512	8,575
Deferred tax liabilities	18,578	20,832
Provision for retirement benefits for directors (and other officers)	111	324
Retirement benefits liability	18,700	19,826
Asset retirement obligations	1,544	1,529
Other	30,650	31,921
<b>Total long-term liabilities</b>	<b>311,403</b>	<b>355,153</b>
<b>Total liabilities</b>	<b>691,696</b>	<b>735,372</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	32,803	32,828
Capital surplus	18,485	16,674
Retained earnings	283,416	308,046
Treasury shares	(2,340)	(2,342)
<b>Total shareholders' equity</b>	<b>332,363</b>	<b>355,205</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	44,337	45,887
Deferred gains (losses) on hedges	1,762	2,267
Foreign currency translation adjustment	(11,098)	4,460
Remeasurements of defined benefit plans	96	11
<b>Total accumulated other comprehensive income</b>	<b>35,098</b>	<b>52,626</b>
<b>Share acquisition rights</b>	<b>120</b>	<b>118</b>
<b>Non-controlling interests</b>	<b>31,875</b>	<b>39,162</b>
<b>Total net assets</b>	<b>399,456</b>	<b>447,111</b>
<b>Total liabilities and net assets</b>	<b>1,091,152</b>	<b>1,182,483</b>

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

(Consolidated Statements of Income)

(For the second quarter cumulative period (consolidated))

(million yen)

	Six months ended September 30, 2020	Six months ended June 30, 2021
Net sales	525,947	632,875
Cost of sales	408,715	486,137
Gross profit	117,232	146,738
Selling, general and administrative expenses	90,368	98,391
Operating income	26,865	48,348
Non-operating income		
Interest income	150	156
Purchase discount	153	164
Dividend income	769	885
Share of profit of entities accounted for using equity method	1,062	1,327
Other	1,856	3,253
Total non-operating income	3,989	5,785
Non-operating expenses		
Interest expense	1,227	1,085
Sales discounts	292	286
Foreign exchange losses	17	134
Other	592	779
Total non-operating expenses	2,128	2,285
Recurring income	28,725	51,848
Extraordinary loss		
Impairment loss	–	3,416
Total extraordinary loss	–	3,416
Profit before income taxes	28,725	48,431
Income taxes-current	6,737	11,101
Income taxes-deferred	(440)	726
Total income taxes	6,297	11,828
Net income	22,428	36,604
Net income attributable to non-controlling interests	6,168	7,411
Net income attributable to shareholders of parent	16,261	29,192

(Consolidated Statements of Comprehensive Income)

(For the second quarter cumulative period (consolidated))

(million yen)

	Six months ended September 30, 2020	Six months ended June 30, 2021
Net income	22,428	36,604
Other comprehensive income		
Valuation difference on available-for-sale securities	9,055	1,604
Deferred gains (losses) on hedges	(102)	761
Foreign currency translation adjustment	(7,513)	14,791
Share of other comprehensive income of entities accounted for using equity method	(1,923)	2,410
Total other comprehensive income (loss)	(483)	19,566
Comprehensive income	21,945	56,170
(Breakdown)		
Comprehensive income attributable to shareholders of parent	18,734	46,721
Comprehensive income attributable to non-controlling interests	3,211	9,449



## (3) Quarterly Consolidated Statements of Cash Flows

(million yen)

	Six months ended September 30, 2020	Six months ended June 30, 2021
Cash flows from operating activities		
Profit before income taxes	28,725	48,431
Depreciation	7,603	8,997
Impairment loss	–	3,416
Amortization of goodwill	608	1,140
Increase (decrease) in allowance for doubtful accounts	14	(41)
Increase (decrease) in provision for bonuses	1,518	82
Increase (decrease) in provision for bonuses for directors (and other officers)	(143)	(106)
Increase (decrease) in provision for warranties for completed construction	197	170
Increase (decrease) in provision for loss on business liquidation	–	(76)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(14)	(16)
Increase (decrease) in retirement benefit liability	489	52
Interest and dividend income	(918)	(1,042)
Interest expenses	1,227	1,085
Share of loss (profit) of entities accounted for using equity method	(1,062)	(1,327)
Loss (gain) on sales and retirement of non-current assets	(69)	–
Decrease (increase) in trade receivables	12,829	739
Decrease (increase) in inventories	(6,309)	(36,133)
Decrease (increase) in other current assets	(1,137)	(6,780)
Increase (decrease) in trade payables	(21,833)	(6,187)
Increase (decrease) in advances received	1,482	5,049
Increase (decrease) in advances received on construction contracts in progress	(376)	4,127
Increase (decrease) in accrued consumption taxes	923	2,415
Increase (decrease) in other current liabilities	2,268	71
Other, net	1,571	(244)
Subtotal	27,595	23,822
Interest and dividends received	3,211	3,951
Interest paid	(1,306)	(1,144)
Income taxes paid	(10,277)	(9,411)
Net cash provided by operating activities	19,224	17,218

(million yen)

	Six months ended September 30, 2020	Six months ended June 30, 2021
Cash flows from investment activities		
Payments into time deposits	(225)	(85)
Proceeds from withdrawal of time deposits	2,167	213
Decrease (increase) in short-term loans receivable	635	(1)
Proceeds from sales and redemption of securities	544	114
Purchase of property, plant and equipment	(16,946)	(8,292)
Proceeds from sales of property, plant and equipment	1,689	1,556
Purchases of intangible assets	(1,178)	(1,485)
Purchase of investment securities	(5,108)	(4,889)
Proceeds from sales of investment securities	0	1,339
Payments for acquisition of businesses	–	(3,074)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	2,098
Payments of long-term loans payable	(1,075)	(665)
Collection of long-term loans receivable	30	133
Other payments	(1,942)	(1,668)
Other proceeds	1,165	929
Net cash used in investment activities	(20,242)	(13,775)
Cash flows from financial activities		
Net increase (decrease) in short-term borrowings	(22,026)	(3,705)
Net increase (decrease) in commercial papers	20,000	(10,000)
Repayments of finance lease obligations	(867)	(1,127)
Proceeds from long-term borrowings	38,330	38,886
Repayments of long-term borrowings	(9,560)	(11,895)
Redemption of bonds	–	(76)
Proceeds from share issuance to non-controlling shareholders	75	79
Dividends paid	(3,649)	(4,562)
Dividends paid to non-controlling shareholders	(4,667)	(4,613)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,349)	(2,578)
Net decrease (increase) in restricted deposits	(618)	(590)
Other proceeds	–	0
Other payments	(0)	(2)
Net cash provided by (used in) financing activities	15,669	(183)
Effect of exchange rate change on cash and cash equivalents	317	1,688
Net increase (decrease) in cash and cash equivalents	14,968	4,947
Cash and cash equivalents at the beginning of period	112,565	122,220
Increase (decrease) in cash and cash equivalents due to change of fiscal year end	13,170	–
Cash and cash equivalents at the end of period	140,703	127,167

(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)

Not applicable

(Segment Information)

I Previous second quarter cumulative period (consolidated, April 1, 2020 - September 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	84,339	208,330	216,450	9,820	518,939	6,704	525,643	304	525,947
(2) Intersegment sales/transfer	10,112	230	361	526	11,229	5,129	16,358	(16,358)	–
Total	94,451	208,560	216,810	10,346	530,168	11,833	542,001	(16,054)	525,947
Segment income (loss)	1,713	3,469	24,599	1,940	31,720	(78)	31,642	(2,917)	28,725

- 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 work.
- 2 The adjusted business loss of ¥2,917 million includes ¥253 million in eliminated intersegment transaction and ¥2,665 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 non-current assets, goodwill, etc., for each reporting segment

Not applicable

II Second quarter cumulative period under review (consolidated, January 1, 2021 - June 30, 2021)

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	88,700	247,055	279,417	10,445	625,617	6,959	632,576	299	632,875
(2) Intersegment sales/transfer	9,701	162	396	673	10,932	5,109	16,041	(16,041)	-
Total	98,401	247,216	279,814	11,118	636,549	12,068	648,617	(15,742)	632,875
Segment income (loss)	2,870	11,259	36,059	2,019	52,207	1,386	53,593	(1,745)	51,848

- Notes: 1 "Other" is business segments not included in the reporting segments. Such segments include private-pay elderly care/assisted living facilities business, insurance agency business, and civil engineering/construction work.
- 2 The adjusted business loss of ¥1,745 million includes ¥176 million in eliminated intersegment transaction and ¥1,569 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 non-current assets, goodwill, etc., for each reporting segment

(Material impairment loss on non-current assets)

In the other segment, an impairment loss associated with a private elderly - care facility/private-pay elderly care facilities was recorded. The amount of the impairment loss was ¥3,416 million in the second quarter cumulative period (consolidated).

(Important change in the amount of goodwill)

Because an impairment of goodwill was recorded in the other segment, the amount of goodwill has decreased. The decrease in goodwill associated with this amounted to ¥2,316 million in the second quarter cumulative period (consolidated).

(Additional Information)

(Impact of COVID-19 on Accounting Estimates)

Concerning the determination of recoverability of deferred tax assets and recognition of impairment loss at the end of previous consolidated fiscal year, we have prepared our best estimates based on information available to us at the time of preparing our consolidated financial statements, assuming that the impact of COVID-19 will remain minor.

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

(Significant Subsequent Events)

At the meeting of the board of directors held on June 23, 2021, a resolution was passed to issue and offer for sale new shares. On July 9, 2021, new shares were issued by way of public offering, and on August 6, new shares were issued by way of third-party allotment, and payment for both is complete.

1. Issuance of new shares by way of public offering (general offering)

- |                                       |   |
|---------------------------------------|---|
| (1) Number and type of shares issued: | 16,000,000 ordinary shares              |
| (2) Issue price:                      | ¥1,873.40 per share                     |
| (3) Total amount:                     | ¥29,974,400,000                         |
| (4) Recapitalization amount:          | ¥936.70 per share                       |
| (5) Total amount of recapitalization: | ¥14,987,200,000                         |
| (6) Payment due date:                 | July 9, 2021                            |
| (7) Method of offering or allotment:  | General offering (book building method) |

2. Sale of shares (over-allotment)

- |                                     |                           |
|-------------------------------------|---------------------------|
| (1) Number and type of shares sold: | 2,400,000 ordinary shares |
| (2) Selling price:                  | ¥1,954 per share          |
| (3) Total amount:                   | ¥4,689,600,000            |
| (4) Delivery date:                  | July 12, 2021             |

3. Issuance of new shares by way of third-party allotment (private placement of new shares related to over-allotment)

- |   |  |
|---|--|
| (1) Number and type of shares issued:     | 2,400,000 ordinary shares                    |
| (2) Issue price:                          | ¥1,873.40 per share                          |
| (3) Total amount:                         | ¥4,496,160,000                               |
| (4) Recapitalization amount:              | ¥936.70 per share                            |
| (5) Total amount of recapitalization:     | ¥2,248,080,000                               |
| (6) Payment due date:                     | August 6, 2021                               |
| (7) Method of offering or allotment:      | Third party allotment                        |
| (8) Receiving party and number of shares: | Daiwa Securities Co. Ltd. (2,400,000 shares) |

4. Use of funds

In regard to the proceeds from the issuance of new shares through the above public offering and third-party allotment, ¥32,291 million will be allocated to working capital and repayment of long-term debt in the US business by December 2022, and ¥2,000 million will be allocated to operations in the Australian business by December 2022.