

Summary of Financial Results for the First Quarter of the Fiscal Year Ending December 2022 [Japan GAAP] (Consolidated)

Name of Company:	Sumitomo Forestry Co., Ltd.	Stock Exchange Listing:	Tokyo
Stock Code:	1911	URL:	https://sfc.jp/english/
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Scheduled Date of Filing of Securities Report:	May 12, 2022		
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 2022 (January 1, 2022 – March 31, 2022)

(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 2022	353,898	22.4	27,766	47.7	35,894	73.5	22,598	74.9
1Q FY Ended December 2021	289,055	17.7	18,803	102.7	20,693	100.3	12,922	125.7

Note: Comprehensive income
 1Q FY Ending December 2022 55,270 million yen (52.4%)
 1Q FY Ended December 2021 36,277 million yen (463.7%)

	Net income per share	Net income per share fully diluted
	Yen	Yen
1Q FY Ending December 2022	113.07	110.44
1Q FY Ended December 2021	71.22	69.43

Note: The Company finalized provisional accounting treatments for business combinations which is reflected in the relevant figures for the results.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2022	1,373,110	578,400	38.7
As of December 31, 2021	1,314,226	540,089	37.7

Note: Shareholders' equity
 As of March 31, 2022 531,088 million yen
 As of December 31, 2021 495,612 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 2021	–	35.00	–	45.00	80.00
FY Ending December 2022	–				
FY Ending December 2022 (Est.)		40.00	–	40.00	80.00

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

3. Forecast of the consolidated financial results for the FY ending December 2022 (Consolidated, January 1, 2022- December 31, 2022)

(%: 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	1,524,000	10.0	118,500	4.3	135,000	(2.0)	86,000	(1.3)	430.30

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): 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: 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, 2022	201,200,936	As of December 31, 2021	201,200,936
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(b) Treasury stock

As of March 31, 2022	1,361,172	As of December 31, 2021	1,338,269
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(c) Average number of shares during the term (cumulative for the quarter)

As of March 31, 2022	199,847,398	As of March 31, 2021	181,451,017
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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 be 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 held a conference call for securities analysts and institutional investors on Wednesday, April 27, 2022. The explanatory material and the Factbook as supplementary information, which is the summaries of financial results, will be published on the website after the announcement of financial results.

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

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Quarterly Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(million yen)

	As of December 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	139,957	114,285
Notes and accounts receivable-trade	140,075	142,679
Accounts receivable from completed construction contracts	49,496	–
Accounts receivable from completed construction contracts and contract assets	–	51,484
Marketable securities	3,303	3,189
Merchandise and finished goods	24,426	25,478
Work in process	1,483	1,927
Raw materials and supplies	9,696	9,451
Costs on construction contracts in progress	14,973	14,432
Real estate for sale	49,180	55,265
Real estate for sale in process	332,898	388,546
Short-term loans receivable	35,493	35,549
Accounts receivable-other	54,680	52,076
Other	36,600	33,841
Allowance for doubtful account	(348)	(332)
Total current assets	891,912	927,870
Non-current assets		
Property, plant and equipment		
Buildings and structure	109,086	111,692
Accumulated depreciation	(50,736)	(52,582)
Buildings and structures, net	58,350	59,110
Machinery, equipment and vehicles	81,599	86,079
Accumulated depreciation	(58,569)	(62,901)
Machinery, equipment and vehicles, net	23,031	23,179
Land	41,516	44,679
Timber	38,331	40,315
Leased assets	12,578	18,582
Accumulated depreciation	(4,902)	(6,181)
Leased assets, net	7,677	12,401
Construction in process	9,889	10,592
Other	20,112	20,996
Accumulated depreciation	(14,723)	(15,415)
Other, net	5,390	5,581
Total property, plant and equipment	184,183	195,856
Intangible assets		
Goodwill	4,559	4,960
Other	16,111	16,608
Total intangible assets	20,671	21,569
Investments and other assets		
Investment securities	181,436	189,362
Long-term loans receivable	7,115	8,156
Retirement benefit asset	590	561
Deferred tax assets	7,773	8,400
Other	21,448	22,240
Allowance for doubtful account	(902)	(904)
Total investments and other assets	217,460	227,816
Total non-current assets	422,314	445,240
Total assets	1,314,226	1,373,110

(million yen)

	As of December 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable-trade	134,065	122,006
Accounts payable for construction contracts	98,165	95,562
Short-term borrowings	25,024	34,296
Current portion of bonds	12	12
Lease obligations	825	1,803
Income tax payable	6,248	3,368
Advanced received on construction contracts in progress	40,101	–
Contract liabilities	–	84,060
Provision for bonuses	22,460	23,972
Provision for bonuses for directors (and other officers)	165	–
Provision for warranties for completed construction	7,492	7,623
Asset retirement of obligations	961	939
Other	85,485	59,041
Total current liabilities	421,003	432,681
Long-term liabilities		
Bonds payable	90,152	90,152
Bonds with share acquisition rights	10,035	10,030
Long-term borrowings	168,278	189,067
Lease obligations	8,438	12,752
Deferred tax liabilities	23,044	22,369
Provision for retirement benefits for directors (and other officers)	332	335
Retirement benefits liability	17,148	17,747
Asset retirement of obligations	1,778	1,812
Other	33,929	17,765
Total long-term liabilities	353,134	362,029
Total liabilities	774,136	794,710
Net assets		
Shareholders' equity		
Common stock	50,064	50,064
Capital surplus	33,899	31,505
Retained earnings	359,641	373,197
Treasury shares	(2,362)	(2,407)
Total shareholders' equity	441,241	452,360
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	37,226	35,446
Deferred gains (losses) on hedges	3,403	4,004
Foreign currency translation adjustment	13,699	39,234
Remeasurements of defined benefit plans	42	45
Total accumulated other comprehensive income	54,370	78,729
Share acquisition rights	116	116
Non-controlling interests	44,361	47,196
Total net assets	540,089	578,400
Total liabilities and net assets	1,314,226	1,373,110

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

(Consolidated Statements of Income)

(For the first quarter cumulative period (consolidated))

(million yen)

	The First Quarter of the FY2021	The First Quarter of the FY2022
Net sales	289,055	353,898
Cost of sales	223,114	272,389
Gross profit	65,941	81,510
Selling, general and administrative expenses	47,138	53,744
Operating income	18,803	27,766
Non-operating income		
Interest income	66	82
Purchase discount	84	84
Dividend income	37	64
Share of profit of entities accounted for using equity method	817	3,367
Foreign exchange gains	–	276
Gain on sale of investment securities	558	4,386
Other	1,407	1,121
Total non-operating income	2,969	9,381
Non-operating expenses		
Interest expense	546	506
Sales discounts	142	171
Other	391	575
Total non-operating expenses	1,079	1,252
Recurring income	20,693	35,894
Profit before income taxes	20,693	35,894
Income taxes-current	5,428	9,253
Income taxes-deferred	(926)	(1,165)
Total income taxes	4,502	8,089
Net income	16,191	27,806
Net income attributable to non-controlling interests	3,268	5,208
Net income attributable to shareholders of parent	12,922	22,598

(Consolidated Statements of Comprehensive Income)

(For the first quarter cumulative period (consolidated))

(million yen)

	The First Quarter of the FY2021	The First Quarter of the FY2022
Net income	16,191	27,806
Other comprehensive income		
Valuation difference on available-for-sale securities	1,555	(1,842)
Deferred gains (losses) on hedges	517	513
Foreign currency translation adjustment	15,330	24,933
Share of other comprehensive income of entities accounted for using equity method	2,684	3,860
Total other comprehensive income	20,086	27,464
Comprehensive income	36,277	55,270
(Breakdown)		
Comprehensive income attributable to shareholders of parent	30,844	46,956
Comprehensive income attributable to non-controlling interests	5,433	8,314

(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. 30, July 4, 2019) has been applied from the beginning of the first quarter cumulative period. In accordance with the provisional measures set forth in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policies established by the Accounting Standard for Fair Value Measurement, etc., will be applied going forward. This does not affect the quarterly financial statements.

(Segment Information)

I Previous First Quarter Cumulative Period (Consolidated) (From January 1, 2021 to March 31, 2021)

1. Information regarding Sales and Income (Loss) for Each Reporting Segment

(million yen)

	Segment					Other (Note1)	Total	Adjustment (Note 2)	Total shown in the quarterly consolidated fiscal statement (Note3)
	Timber and Building Materials	Housing and Construction	Overseas Housing and Real Estate	Environment and Resources	Total				
Net sales									
(1) Unaffiliated customers	42,574	116,055	120,799	5,937	285,365	3,550	288,916	140	289,055
(2) Intersegment sales/transfer	4,647	22	191	380	5,241	2,366	7,607	(7,607)	–
Total	47,221	116,078	120,991	6,318	290,607	5,916	296,523	(7,468)	289,055
Segment income (loss) (Notes) 4	989	3,391	14,740	1,538	20,657	1,000	21,657	(964)	20,693

- 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 ¥964 million includes ¥136 million in eliminated intersegment transaction and ¥827 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.
 4. Segment income (loss) reflects the important revision of the initial allocated amount for acquisition cost in conjunction with the finalization of the provisional accounting treatment pertaining to the business combination.

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

(Important change in the amount of goodwill)

In the Housing and Construction segment, equity was acquired in *Kouei Kousan K.K.*, *COHNAN KENSETSU INC.*, and three other companies, making them consolidated subsidiaries. The increase in goodwill associated with this is ¥2,101 million.

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

1. Information regarding Sales and Income (Loss) for Each Reporting Segment

(million yen)

	Segment					Other (Note1)	Total	Adjustment (Note2)	Total shown in the quarterly consolidated fiscal statement (Note3)
	Timber and Building Materials	Housing and Construction	Overseas Housing and Real Estate	Environment and Resources	Total				
Net sales									
(1) Unaffiliated customers	60,997	121,075	162,887	5,252	350,211	3,544	353,755	143	353,898
(2) Intersegment sales/transfer	5,052	28	160	332	5,572	2,194	7,766	(7,766)	–
Total	66,048	121,103	163,048	5,584	355,783	5,738	361,521	(7,623)	353,898
Segment income (loss)	3,482	1,260	31,358	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-pay elderly care/assisted living facilities business, insurance agency business, and civil engineering/construction work.
 2. The adjusted business 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

(Additional Information)

(Application of Accounting Standard for Revenue Recognition)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the current first quarter cumulative period. Because the Accounting Standard for Revenue Recognition was applied, “Accounts receivable from construction contracts,” which was presented under “Current assets” on the consolidated balance sheet for the previous fiscal year, is included in “Accounts receivable from completed construction contracts and contract assets” as of this first quarter cumulative period. In addition, a portion of “Advances received on construction contracts in progress” and “Other,” which were presented under “Current liabilities,” and a portion of “Other,” which was presented under “Long-term liabilities,” are included in “Contract liabilities” as of this first quarter cumulative period. In accordance with the provisional measures set forth in paragraph 89-4 of the Accounting Standard for Revenue Recognition, the figures from the previous fiscal year have not been restated using the new method.

(Impact of COVID-19 on Accounting Estimates)

There are no significant changes to the assumptions provided in the (Additional Information) section of the previous year’s securities report, including how COVID-19 will spread and when the pandemic will come to an end.