

Summary of Financial Results for the First Quarter of the Fiscal Year Ending December 2021 [Japan GAAP] (Consolidated)

Name of Company:	Sumitomo Forestry Co., Ltd.	Stock Exchange Listing:	Tokyo
Stock Code	1911	URL:	https://sfc.jp/english/
Representative:	Title: President / Representative Director	Name:	Toshiro Mitsuyoshi
Inquiries:	Title: General Manager, Corporate Communications	Name:	Toshihiro Horii
	Phone: +81-3-3214-2270		
Scheduled Date of Filing of Securities Report:	May 12, 2021		
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 2021 (January 1, 2021 – March 31, 2021)

(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 2021	289,055	17.7	18,877	103.5	20,767	101.1	12,952	126.2
1Q FY Ended December 2020	245,583	4.5	9,275	105.6	10,329	107.4	5,725	912.4

Note: Comprehensive income

1Q FY Ending December 2021	36,329 million yen (464.5%)
1Q FY Ended December 2020	6,435 million yen (804.8%)

	Net income per share	Net income per share fully diluted
	Yen	Yen
1Q FY Ending December 2021	71.38	69.59
1Q FY Ended December 2020	31.56	30.77

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 first quarter of the fiscal year ended December 2020 was three months from April 1, 2020 to June 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 March 31, 2021	1,145,558	429,197	34.2
As of December 31, 2020	1,091,152	399,456	33.7

Note: Shareholders' equity

As of March 31, 2021	392,201 million yen
As of December 31, 2020	367,461 million yen

2. Dividends

	Cash dividend 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	–				
FY Ending December 2021 (Est.)		25.00	–	25.00	50.00

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

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

(%: 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	1,257,000	–	72,500	–	80,000	–	48,000	–	264.55

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 March 31, 2021	182,780,136	As of December 31, 2020	182,778,336
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(b) Treasury stock

As of March 31, 2021	1,328,050	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 March 31, 2021	181,451,017	As of June 30, 2020	181,425,118
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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 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 held a conference call for securities analysts and institutional investors on Friday, April 30, 2021. The explanatory material on the financial results are 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 are published on the website.

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

○ Contents of Accompanying Materials

Quarterly Consolidated Financial Statements and Main Notes.....	2
(1) Consolidated Balance Sheet.....	2
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....	4
Consolidated Statements of Income	
For the first quarter cumulative period (consolidated)	4
Consolidates Statements of Comprehensive Income	
For the first quarter cumulative period (consolidated)	5
(3) Notes to the Consolidated Financial Statements	6
(Notes related to the Assumption of a Going Concern)	6
(Notes on Significant Changes in Shareholders' Equity).....	6
(Segment Information)	6
(Additional Information).....	7

Quarterly Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(million yen)

	As of December 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	85,850	91,017
Notes and accounts receivable-trade	119,687	114,186
Accounts receivable from completed construction contracts	45,095	43,431
Marketable securities	3,204	3,204
Merchandise and finished goods	13,762	14,613
Work in process	1,312	1,731
Raw materials and supplies	8,080	7,989
Costs on construction contracts in progress	14,993	15,784
Real estate for sale	54,010	49,974
Real estate for sale in process	225,298	260,940
Short-term loans receivable	35,390	35,421
Accounts receivable-other	46,468	47,490
Other	25,208	25,075
Allowance for doubtful accounts	(396)	(419)
Total current assets	677,962	710,437
Non-current assets		
Property, plant and equipment		
Buildings and structures	107,217	115,555
Accumulated depreciation	(45,620)	(48,587)
Buildings and structures, net	61,597	66,968
Machinery, equipment and vehicles	76,794	79,655
Accumulated depreciation	(53,123)	(55,774)
Machinery, equipment and vehicles, net	23,672	23,881
Land	40,725	45,215
Timber	35,753	37,480
Leased assets	11,850	12,071
Accumulated depreciation	(3,743)	(3,930)
Leased assets, net	8,106	8,141
Construction in progress	10,667	8,021
Other	18,338	19,451
Accumulated depreciation	(12,913)	(13,627)
Other, net	5,426	5,823
Total property, plant and equipment	185,948	195,529
Intangible assets		
Goodwill	6,556	7,741
Other	15,071	15,180
Total intangible assets	21,626	22,921
Investments and other assets		
Investment securities	175,262	183,342
Long-term loans receivable	5,471	5,838
Retirement benefit asset	326	306
Deferred tax assets	6,835	8,037
Other	18,631	20,083
Allowance for doubtful account	(909)	(936)
Total investments and other assets	205,617	216,672
Total non-current assets	413,191	435,122
Total assets	1,091,152	1,145,558

(million yen)

	As of December 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable-trade	111,612	106,218
Accounts payable for construction contracts	80,219	81,487
Short-term borrowings	50,106	34,868
Commercial paper	10,000	–
Current portion of bonds	–	65
Lease obligations	1,005	836
Income taxes payable	1,937	5,062
Advances received on construction contracts in progress	32,956	38,917
Provision for bonuses	16,781	21,012
Provision for bonuses for directors (and other officers)	106	–
Provision for warranties for completed construction	6,175	6,329
Provision for loss on business liquidation	368	346
Asset retirement obligation	945	931
Other	68,082	68,205
Total current liabilities	380,293	364,276
Long-term liabilities		
Bonds payable	90,000	90,164
Bonds with share acquisition rights	10,055	10,050
Long-term borrowings	133,255	170,729
Lease obligations	8,512	8,758
Deferred tax liabilities	18,578	19,522
Provision for retirement benefits for directors (and other officers)	111	331
Retirement benefits liabilities	18,700	19,790
Asset retirement obligation	1,544	1,549
Other	30,650	31,193
Total long-term liabilities	311,403	352,085
Total liabilities	691,696	716,361
Net assets		
Shareholders' equity		
Common stock	32,803	32,804
Capital surplus	18,485	16,913
Retained earnings	283,416	291,806
Treasury shares	(2,340)	(2,341)
Total shareholders' equity	332,363	339,182
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	44,337	45,927
Deferred gains (losses) on hedges	1,762	2,109
Foreign currency translation adjustment	(11,098)	4,893
Remeasurements of defined benefit plans	96	90
Total accumulated other comprehensive income	35,098	53,019
Share acquisition rights to shares	120	118
Non-controlling interests	31,875	36,879
Total net assets	399,456	429,197
Total liabilities and net assets	1,091,152	1,145,558

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

(Consolidated Statements of Income)

(For the first quarter cumulative period (consolidated))

(million yen)

	Three months ended June 30, 2020	Three months ended March 31, 2021
Net sales	245,583	289,055
Cost of sales	192,572	223,114
Gross profit	53,012	65,941
Selling, general and administrative expenses	43,737	47,064
Operating income	9,275	18,877
Non-operating income		
Interest income	46	66
Purchase discount	79	84
Dividend income	748	37
Share of profit of entities accounted for using equity method	180	817
Foreign exchange gains	235	—
Other	812	1,965
Total non-operating income	2,099	2,969
Non-operating expenses		
Interest expenses	624	546
Sales discounts	153	142
Other	269	391
Total non-operating expenses	1,045	1,079
Recurring income	10,329	20,767
Profit before income taxes	10,329	20,767
Income taxes-current	2,905	5,428
Income taxes-deferred	(781)	(904)
Total income taxes	2,124	4,524
Net income	8,205	16,243
Net income attributable to non-controlling interests	2,480	3,291
Net income attributable to shareholders of parent	5,725	12,952

(Consolidates Statements of Comprehensive Income)

(For the first quarter cumulative period (consolidated))

(million yen)

	Three months ended June 30, 2020	Three months ended March 31, 2021
Net income	8,205	16,243
Other comprehensive income		
Valuation difference on available-for-sale securities	4,693	1,555
Deferred gains (losses) on hedges	215	517
Foreign currency translation adjustment	(5,705)	15,330
Share of other comprehensive income of entities accounted for using equity method	(973)	2,684
Total other comprehensive income (loss)	(1,770)	20,086
Comprehensive income	6,435	36,329
(Breakdown)		
Comprehensive income attributable to shareholders of parent	6,775	30,874
Comprehensive income attributable to non-controlling interests	(340)	5,456

(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

(Segment Information)

I Previous first quarter cumulative period (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 work.

2 The adjusted business loss of ¥951 million includes ¥236 million in eliminated intersegment transaction 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

II First quarter cumulative period under review (consolidated, January 1, 2021 - March 31, 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	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)	989	3,464	14,740	1,538	20,731	1,000	21,731	(964)	20,767

- 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.

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 provisional increase in goodwill associated with this is ¥1,477 million.

(Additional Information)

(Impact of COVID-19 on Accounting Estimates)

Concerning the determination of recoverability of deferred tax assets from the previous fiscal year 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, 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 first quarter. We have prepared our best estimates based on information available to us at the time of preparing our quarterly consolidated financial statements.