

Summary of Financial Results for the Third 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:	https://sfc.jp/english/
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:	November 12, 2021		
Scheduled Date to Commence Dividend Payments:	-		
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 third quarter of the FY ending December 31, 2021 (January 1, 2021 – September 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	%
3Q FY Ending December 2021	968,073	-	69,718	-	88,436	-	53,701	-
3Q FY Ended December 2020	-	-	-	-	-	-	-	-

Note: Comprehensive income
 3Q FY Ending December 2021 92,723 million yen (-%)
 3Q FY Ended December 2020 -million yen (-%)

	Net income per share	Net income per share fully diluted
	Yen	Yen
3Q FY Ending December 2021	286.66	279.68
3Q FY Ended December 2020	-	-

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. Consolidated results of operations (cumulative total) for the third quarter of the fiscal year ended December 31, 2020 and the percentage change from the same period of the previous year for the third quarter of the fiscal year ending December 31, 2021 are not shown, since the Company did not prepare consolidated financial statements for the third quarter of the previous fiscal year, which was the transition period for the change in fiscal term end.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2021	1,270,668	509,547	36.7
As of December 31, 2020	1,091,152	399,456	33.7

Note: Shareholders' equity
 As of September 30, 2021 466,025 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 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	1,367,000	–	103,000	–	126,000	–	75,000	–	393.77

Note: Revised forecast for the quarter under review: Yes

Note 1: 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 started on April 1, 2020 and ended on December 31, 2020. Therefore, full-year changes from the previous corresponding period have not been provided.

Note 2: We expect net sales, operating income, recurring income, and net income attributable to shareholders of parent to exceed the previously announced figures, mainly due to higher-than-expected growth in the number of units sold and profit margins in Overseas Housing and Real Estate Business against the backdrop of favorable housing market conditions in the U.S.

* 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 September 30, 2021	201,200,936	As of December 31, 2020	182,778,336
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(b) Treasury stock

As of September 30, 2021	1,328,593	As of December 31, 2020	1,327,588
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(c) Average number of shares during the term (cumulative for the quarter)

3Q FY ending December 31, 2021	187,331,471	3Q FY ended December 31, 2020	–
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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. Average number of shares during the third quarter of the fiscal year ended December 31, 2020 (cumulative for the quarter) is not shown, since we did not prepare consolidated financial statements for the third quarter of the previous fiscal year, which was the transition period for the change in fiscal term end.

* 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 Fact book which is supplementary documents on Financial Results is published on the website.

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

Additionally, the Company held a conference call for securities analysts and institutional investors on Friday, October 29, 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.

Contents of Accompanying Materials

Quarterly Consolidated Financial Statements and Main Notes	2
(1) Consolidated Balance Sheet	2
(2) Consolidated Statements of Income and Consolidates Statements of Comprehensive Income	4
Consolidated Statements of Income	
For the third quarter cumulative period (consolidated)	4
Consolidated Statements of Comprehensive Income	
For the third 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
(Matters related to Change in Fiscal Year End)	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 September 30, 2021
Assets		
Current assets		
Cash and deposits	85,850	128,378
Notes and accounts receivable-trade	119,687	122,405
Accounts receivable from completed construction contracts	45,095	52,828
Marketable securities	3,204	3,198
Merchandise and finished goods	13,762	19,012
Work in process	1,312	1,757
Raw materials and supplies	8,080	9,379
Costs on construction contracts in progress	14,993	19,108
Real estate for sale	54,010	47,377
Real estate for sale in process	225,298	313,514
Short-term loans receivable	35,390	35,476
Accounts receivable-other	46,468	49,975
Other	25,208	32,560
Allowance for doubtful accounts	(396)	(334)
Total current assets	677,962	834,632
Non-current assets		
Property, plant and equipment		
Buildings and structure	107,217	116,983
Accumulated depreciation	(45,620)	(50,488)
Buildings and structures, net	61,597	66,496
Machinery, equipment and vehicles	76,794	80,025
Accumulated depreciation	(53,123)	(57,088)
Machinery, equipment and vehicles, net	23,672	22,937
Land	40,725	43,559
Timber	35,753	37,561
Leased assets	11,850	11,590
Accumulated depreciation	(3,743)	(4,032)
Leased assets, net	8,106	7,558
Construction in process	10,667	7,444
Other	18,338	20,027
Accumulated depreciation	(12,913)	(14,380)
Other, net	5,426	5,647
Total property, plant and equipment	185,948	191,202
Intangible assets		
Goodwill	6,556	4,346
Other	15,071	14,744
Total intangible assets	21,626	19,091
Investments and other assets		
Investment securities	175,262	191,096
Long-term loans receivable	5,471	6,205
Retirement benefit asset	326	486
Deferred tax assets	6,835	7,882
Other	18,631	20,960
Allowance for doubtful account	(909)	(885)
Total investments and other assets	205,617	225,743
Total non-current assets	413,191	436,036
Total assets	1,091,152	1,270,668

(million yen)

	As of December 31, 2020	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable-trade	111,612	115,688
Accounts payable for construction contracts	80,219	87,011
Short-term borrowings	50,106	29,039
Commercial paper	10,000	–
Current portion of bonds	–	12
Lease obligations	1,005	701
Income tax payable	1,937	4,151
Advanced received on construction contracts in progress	32,956	43,496
Provision for bonuses	16,781	24,870
Provision for bonuses for directors (and other officers)	106	–
Provision for warranties for completed construction	6,175	6,258
Provision for loss on business liquidation	368	203
Assets retirement obligation	945	923
Other	68,082	74,348
Total current liabilities	380,293	386,702
Long-term liabilities		
Bonds payable	90,000	90,158
Bonds with share acquisition rights	10,055	10,040
Long-term borrowings	133,255	189,707
Lease obligations	8,512	8,366
Deferred tax liabilities	18,578	22,069
Provision for retirement benefits for directors (and other officers)	111	327
Retirement benefits liability	18,700	20,030
Asset retirement of obligations	1,544	1,589
Other	30,650	32,133
Total long-term liabilities	311,403	374,419
Total liabilities	691,696	761,121
Net assets		
Shareholders' equity		
Common stock	32,803	50,064
Capital surplus	18,485	33,899
Retained earnings	283,416	326,167
Treasury shares	(2,340)	(2,342)
Total shareholders' equity	332,363	407,787
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	44,337	50,036
Deferred gains (losses) on hedges	1,762	2,836
Foreign currency translation adjustment	(11,098)	5,348
Remeasurements of defined benefit plans	96	18
Total accumulated other comprehensive income	35,098	58,238
Share acquisition rights	120	116
Non-controlling interests	31,875	43,405
Total net assets	399,456	509,547
Total liabilities and net assets	1,091,152	1,270,668

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

(Consolidated Statements of Income)

(For the third quarter cumulative period (consolidated))

(million yen)

	Nine months ended September 30, 2021
Net sales	968,073
Cost of sales	747,447
Gross profit	220,626
Selling, general and administrative expenses	150,907
Operating income	69,718
Non-operating income	
Interest income	246
Purchase discount	246
Dividend income	1,452
Share of profit of entities accounted for using equity method	14,905
Other	5,410
Total non-operating income	22,259
Non-operating expenses	
Interest expense	1,652
Sales discounts	441
Foreign exchange losses	313
Other	1,135
Total non-operating expenses	3,541
Recurring income	88,436
Extraordinary loss	
Impairment loss	3,416
Total extraordinary loss	3,416
Profit before income taxes	85,020
Income taxes-current	19,871
Income taxes-deferred	(493)
Total income taxes	19,378
Net income	65,641
Net income attributable to non-controlling interests	11,940
Net income attributable to shareholders of parent	53,701

(Consolidated Statements of Comprehensive Income)

(For the third quarter cumulative period (consolidated))

(million yen)

	Nine months ended September 30, 2021
Net income	65,641
Other comprehensive income	
Valuation difference on available-for-sale securities	5,747
Deferred gains (losses) on hedges	1,103
Foreign currency translation adjustment	17,017
Share of other comprehensive income of entities accounted for using equity method	3,214
Total other comprehensive income (loss)	27,081
Comprehensive income	92,723
(Breakdown)	
Comprehensive income attributable to shareholders of parent	76,842
Comprehensive income attributable to non-controlling interests	15,881

(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)

Capital stock and legal capital surplus both increased by ¥14,987 million with the issuing of new shares through public offering with a payment due date of July 9, 2021. In addition, capital stock and legal surplus both increased by ¥2,248 million with the issuing of new shares by way of third-party allotment with a payment due date of August 6, 2021. As a result, capital stock came to ¥50,064 million and capital surplus to ¥33,899 million at the end of the third quarter consolidated accounting period.

(Matters related to Change in Fiscal Year End)

In response to the approval of the partial change to the articles of incorporation at the 80th Annual General Meeting of Shareholders held on June 23, 2020, the fiscal year-end of the Company was changed from March 31 to December 31 starting from the previous fiscal year, and the Group's fiscal year-ends have been consolidated on December 31.

No consolidated financial statements were prepared for the third quarter of the previous fiscal year, which was the transition period for the change in fiscal term end. As such, no results are provided for the third quarter of the previous fiscal year.

(Segment Information)

Third quarter cumulative period under review (consolidated, January 1, 2021 - September 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	138,984	365,265	437,000	15,874	957,124	10,514	967,638	434	968,073
(2) Intersegment sales/transfer	15,251	245	613	919	17,029	7,789	24,819	(24,819)	-
Total	154,236	365,511	437,613	16,794	974,153	18,304	992,457	(24,384)	968,073
Segment income (loss)	5,559	13,516	68,533	2,998	90,606	1,989	92,595	(4,159)	88,436

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 ¥4,159 million includes ¥110 million in eliminated intersegment transaction and ¥4,049 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 management of private-pay elderly care/assisted living facilities was recorded. The amount of the impairment loss was ¥3,416 million in the third 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 third 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-10 will remain minor.

However, based on the COVID-19 situation when preparing the consolidated financial statements for the second quarter, we revised the business plan related to management of private-pay elderly care/assisted living facilities. As a result, an impairment loss was recorded for the business.

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