

## Summary of Financial Results for the Second 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:	<a href="http://sfc.jp/english/">http://sfc.jp/english/</a>
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Scheduled Date of Filing Quarterly Securities Report:	August 12, 2022		
Scheduled Date to Commence Dividend Payments:	September 8, 2022		
Supplementary Documents on Financial Results:	Yes		
Quarterly Financial Results Briefing:	Yes (for analysts and institutional investors, in Japanese)		

(Note: Amounts are rounded to the nearest million yen.)

### 1. Consolidated financial results for the second quarter of the FY ending December, 2022 (January 1, 2022 – June 30, 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	%
2Q FY Ending December 2022	782,784	23.7	72,955	51.4	93,558	81.0	49,563	70.1
2Q FY Ended December 2021	632,875	20.3	48,200	79.4	51,700	80.0	29,132	79.2

Note: Comprehensive income  
 2Q FY Ending December 2022 138,013 million yen (146.2%)  
 2Q FY Ended December 2021 56,065 million yen (155.5%)

	Net income per share	Net income per share fully diluted
	Yen	Yen
2Q FY Ending December 2022	248.01	242.22
2Q FY Ended December 2021	160.54	156.52

Note1: 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.

Note2: 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 June 30, 2022	1,504,060	655,180	40.0
As of December 31, 2021	1,314,226	540,089	37.7

Note: Shareholders' equity  
 As of June 30, 2022 601,078 million yen  
 As of December 31, 2021 495,612 million yen

## 2. Dividends

	Cash dividends 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	–	60.00			
FY Ending December 2022 (Forecast)			–	65.00	125.00

Note: Revised dividend forecast for the quarter under review: Yes

## 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	1,613,000	16.4	142,000	24.9	175,000	27.0	100,000	14.7	500.39

Note: Revised forecast for the quarter under review: Yes

### \* 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 June 30, 2022	201,205,336	As of December 31, 2021	201,200,936
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#### (b) Treasury stock

As of June 30, 2022	1,368,758	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 June 30, 2022	199,843,715	As of June 30, 2021	181,461,294
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\* Financial results summaries are 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 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 for securities analysts and institutional investors on Wednesday, August 10, 2022.

The explanatory material on the financial results will be published on the website.

\* This document has been translated from a part of 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)

	Previous consolidated fiscal year (December 31, 2021)	Second quarter cumulative period (June 30, 2022)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	139,957	113,987
Notes and accounts receivable-trade	140,075	145,623
Accounts receivable from completed construction contracts	49,496	–
Accounts receivable from completed construction contracts and contract assets	–	61,311
Marketable securities	3,303	3,186
Merchandise and finished goods	24,426	32,172
Work in process	1,483	1,954
Raw materials and supplies	9,696	10,885
Costs on construction contracts in progress	14,973	14,852
Real estate for sale	49,180	68,593
Real estate for sale in process	332,898	470,253
Short-term loans receivable	35,493	15,752
Accounts receivable-other	54,680	52,918
Other	36,600	48,222
Allowance for doubtful account	(348)	(376)
<b>Total current assets</b>	<b>891,912</b>	<b>1,039,333</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structure	109,086	114,468
Accumulated depreciation	(50,736)	(54,335)
Buildings and structures, net	58,350	60,133
Machinery, equipment and vehicles	81,599	89,827
Accumulated depreciation	(58,569)	(66,025)
Machinery, equipment and vehicles, net	23,031	23,802
Land	41,516	46,701
Timber	38,331	40,601
Leased assets	12,578	18,901
Accumulated depreciation	(4,902)	(6,389)
Leased assets, net	7,677	12,512
Construction in process	9,889	10,421
Other	20,112	22,685
Accumulated depreciation	(14,723)	(16,645)
Other, net	5,390	6,040
<b>Total property, plant and equipment</b>	<b>184,183</b>	<b>200,210</b>
<b>Intangible assets</b>		
Goodwill	4,559	5,007
Other	16,111	17,458
<b>Total intangible assets</b>	<b>20,671</b>	<b>22,465</b>
<b>Investments and other assets</b>		
Investment securities	181,436	199,925
Long-term loans receivable	7,115	10,322
Retirement benefit asset	590	529
Deferred tax assets	7,773	7,915
Other	21,448	24,334
Allowance for doubtful account	(902)	(971)
<b>Total investments and other assets</b>	<b>217,460</b>	<b>242,053</b>
<b>Total non-current assets</b>	<b>422,314</b>	<b>464,728</b>
<b>Total assets</b>	<b>1,314,226</b>	<b>1,504,060</b>

(million yen)

	Previous consolidated fiscal year (December 31, 2021)	Second quarter cumulative period (June 30, 2022)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	134,065	123,337
Accounts payable for construction contracts	98,165	106,130
Short-term borrowings	25,024	32,044
Current portion of bonds	12	12
Lease obligations	825	2,570
Income tax payable	6,248	4,284
Advanced received on construction contracts in progress	40,101	–
Contract liabilities	–	90,195
Provision for bonuses	22,460	21,587
Provision for bonuses for directors (and other officers)	165	–
Provision for warranties for completed construction	7,492	7,825
Asset retirement of obligations	961	912
Other	85,485	65,052
<b>Total current liabilities</b>	<b>421,003</b>	<b>453,948</b>
<b>Long-term liabilities</b>		
Bonds payable	90,152	90,211
Bonds with share acquisition rights	10,035	10,025
Long-term borrowings	168,278	210,823
Lease obligations	8,438	12,295
Deferred tax liabilities	23,044	31,923
Provision for retirement benefits for directors (and other officers)	332	343
Retirement benefits liability	17,148	18,510
Asset retirement of obligations	1,778	1,832
Other	33,929	18,970
<b>Total long-term liabilities</b>	<b>353,134</b>	<b>394,932</b>
<b>Total liabilities</b>	<b>774,136</b>	<b>848,880</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	50,064	50,066
Capital surplus	33,899	31,485
Retained earnings	359,641	400,162
Treasury shares	(2,362)	(2,422)
<b>Total shareholders' equity</b>	<b>441,241</b>	<b>479,292</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	37,226	36,629
Deferred gains (losses) on hedges	3,403	5,344
Foreign currency translation adjustment	13,699	79,766
Remeasurements of defined benefit plans	42	46
<b>Total accumulated other comprehensive income</b>	<b>54,370</b>	<b>121,786</b>
Share acquisition rights	116	111
Non-controlling interests	44,361	53,991
<b>Total net assets</b>	<b>540,089</b>	<b>655,180</b>
<b>Total liabilities and net assets</b>	<b>1,314,226</b>	<b>1,504,060</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)

	Previous second quarter cumulative period (January 1, 2021 - June 30, 2021)	Current second quarter cumulative period (January 1, 2022 - June 30, 2022)
Net sales	632,875	782,784
Cost of sales	486,137	595,251
Gross profit	146,738	187,533
Selling, general and administrative expenses	98,538	114,578
Operating income	48,200	72,955
Non-operating income		
Interest income	156	200
Purchase discount	164	172
Dividend income	885	1,190
Share of profit of entities accounted for using equity method	1,327	14,058
Foreign exchange gains	–	224
Gain on sale of investment securities	849	4,660
Other	2,404	2,424
Total non-operating income	5,785	22,928
Non-operating expenses		
Interest expense	1,085	1,112
Foreign exchange losses	134	–
Other	1,066	1,212
Total non-operating expenses	2,285	2,324
Recurring income	51,700	93,558
Extraordinary loss		
Impairment loss	3,416	2,366
Total extraordinary loss	3,416	2,366
Profit before income taxes	48,284	91,192
Income taxes-current	11,101	20,367
Income taxes-deferred	683	7,541
Total income taxes	11,785	27,909
Net income	36,499	63,283
Net income attributable to non-controlling interests	7,367	13,720
Net income attributable to owners of the parent	29,132	49,563

Consolidated Statements of Comprehensive Income

For the second quarter cumulative period (consolidated)

(million yen)

	Previous second quarter cumulative period (January 1, 2021 - June 30, 2021)	Current second quarter cumulative period (January 1, 2022 - June 30, 2022)
Net income	36,499	63,283
Other comprehensive income		
Valuation difference on available-for-sale securities	1,604	(721)
Deferred gains (losses) on hedges	761	1,388
Foreign currency translation adjustment	14,791	63,364
Share of other comprehensive income of entities accounted for using equity method	2,410	10,700
Total other comprehensive income	19,566	74,730
Comprehensive income	56,065	138,013
(Breakdown)		
Comprehensive income attributable to shareholders of parent	46,661	116,978
Comprehensive income attributable to non-controlling interests	9,404	21,035



## (3) Consolidated Statements of Cash Flows

(million yen)

	Previous second quarter cumulative period (January 1, 2021 - June 30, 2021)	Current second quarter cumulative period (January 1, 2022 - June 30, 2022)
<b>Cash flows from operating activities</b>		
Profit before income taxes	48,284	91,192
Depreciation and amortization	9,136	8,156
Impairment loss	3,416	2,366
Amortization of goodwill	1,148	1,325
Provision for (reversal of) doubtful accounts	(41)	72
Provision for (reversal of) employees' bonuses	82	(2,406)
Provision for (reversal of) directors' bonuses	(106)	(165)
Provision for (reversal of) warranties for completed construction	170	(176)
Provision for loss on business liquidation (decrease)	(76)	-
Provision for (reversal of) directors' retirement benefits	(16)	11
Net defined benefit liability (decrease)	52	1,016
Interest and dividends income	(1,042)	(1,390)
Interest expense	1,085	1,112
Equity in (earnings) losses of affiliates	(1,327)	(14,058)
Losses (gains) on sale of marketable securities and investment securities	(784)	(4,660)
Losses (gains) on devaluation of marketable securities and investment securities	-	0
Decrease (increase) in notes and accounts receivable-trade	739	-
Decrease (increase) in notes and accounts receivable-trade and contract assets	-	(9,837)
Decrease (increase) in inventories	(36,133)	(91,664)
Other current assets	(6,780)	601
Notes and accounts payable-trade	(6,187)	(14,066)
Advances received	5,049	575
Advances received on uncompleted construction contracts	4,127	-
Increase (decrease) in contract liabilities	-	10,725
Accrued consumption taxes	2,415	(2,062)
Increase (decrease) in other current liabilities	71	(78)
Other	540	2,109
<b>Subtotal</b>	<b>23,822</b>	<b>(21,301)</b>
Interest and dividends income received	3,951	19,247
Interest paid	(1,144)	(1,162)
Income taxes paid	(9,411)	(24,388)
<b>Net cash provided by (used in) operating activities</b>	<b>17,218</b>	<b>(27,603)</b>

(million yen)

	Previous second quarter cumulative period (January 1, 2021 - June 30, 2021)	Current second quarter cumulative period (January 1, 2022 - June 30, 2022)
<b>Cash flows from investment activities</b>		
Payments into time deposits	(85)	(5,181)
Proceeds from withdrawal of time deposits	213	5,136
Decrease (increase) in short-term loans receivable	(1)	(103)
Proceeds from sales and redemption of securities	114	198
Payments for purchases of property, plant and equipment	(8,292)	(9,333)
Proceeds from sales of property, plant and equipment	1,556	512
Payments for purchases of intangible assets	(1,485)	(1,930)
Payments for purchase of investment securities	(4,889)	(13,434)
Proceeds from sales and redemption of investment securities	1,339	6,578
Payments for transfer of business	(3,074)	–
Payments for purchase of subsidiary shares resulting in change in scope of consolidation	–	(2,257)
Proceeds from purchase of subsidiary shares resulting in change in scope of consolidation	2,098	315
Payments of long-term loans payable	(665)	(2,786)
Repayments of long-term loans receivable	133	727
Other payments	(1,668)	(1,927)
Other proceeds	929	1,180
Net cash provided by (used in) investment activities	(13,775)	(22,305)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term debt	(3,705)	14,919
Net increase (decrease) in commercial paper	(10,000)	–
Repayments of finance lease obligations	(1,127)	(1,640)
Proceeds from long-term debt	38,886	17,002
Repayment of long-term debt	(11,895)	(11,053)
Redemption of bonds	(76)	(6)
Proceeds from stock issuance to non-controlling interests	79	803
Cash dividends paid	(4,562)	(9,041)
Cash dividends paid to non-controlling interests	(4,613)	(11,986)
Payments for purchase of subsidiary shares not resulting in change in scope of consolidation	(2,578)	(3,799)
Net decrease (increase) in deposits with withdrawal and usage restrictions	(590)	(1,399)
Other proceeds	0	0
Other payments	(2)	(1)
Net cash provided by (used in) financing activities	(183)	(6,199)
Effect of exchange rate change on cash and cash equivalents	1,688	7,977
Net increase (decrease) in cash and cash equivalents	4,947	(48,131)
Cash and cash equivalents at the beginning of period	122,220	170,035
Cash and cash equivalents at the end of period	127,167	121,904

(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

(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 Second Quarter Cumulative Period (Consolidated) (January 1, 2021 to June 30, 2021)

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

(million yen)

	Reporting Segment					Other (Notes 1)	Total	Adjustment (Notes 2)	Total shown in the quarterly consolidated fiscal statement (Notes 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	11,112	36,059	2,019	52,060	1,386	53,445	(1,745)	51,700

- (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.
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 Impairment Loss on Noncurrent Assets, Goodwill, etc., for each Reporting Segment

(Significant impairment loss on noncurrent assets)

The "Other" segment recorded impairment loss associated with private-pay elderly care/assisted living facilities operations. The amount recorded for impairment loss in the second quarter cumulative period (consolidated) was ¥3,416 million.

(Important change in the amount of goodwill)

An impairment loss on goodwill was recorded in the "Other" segment, so the amount of goodwill has decreased. The decrease in goodwill resulting from this event in the second quarter cumulative period (consolidated) was ¥2,316 million.

## II Current Second Quarter Cumulative Period (Consolidated) (January 1, 2022 to June 30, 2022)

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

(million yen)

	Reporting Segment					Other (Notes 1)1	Total	Adjustment (Notes 2)	Total shown in the quarterly consolidated fiscal statement (Notes 3)
	Timber and Building Materials	Housing and Construction	Overseas Housing and Real Estate	Environment and Resources	Total				
Net sales									
(1) Unaffiliated customers	126,170	255,761	383,972	9,651	775,555	6,927	782,482	303	782,784
(2) Intersegment sales/ transfer	10,283	179	346	725	11,533	4,851	16,384	(16,384)	–
Total	136,453	255,940	384,318	10,376	787,087	11,778	798,866	(16,081)	782,784
Segment income (loss)	7,401	5,878	81,197	1,059	95,535	1,255	96,790	(3,231)	93,558

- (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 ¥3,231 million includes ¥96 million in eliminated intersegment transaction and ¥3,135 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 Noncurrent Assets, Goodwill, etc., for each Reporting Segment

(Significant impairment loss on noncurrent assets)

In the “Environment and Resources Business” segment, we reviewed the business plan for wind power generation facilities and reflected delays from the initial plan and such. As a result, we expect difficulty in recovering the investment amount and have recorded an impairment loss accordingly. The amount recorded for impairment loss in the second quarter cumulative period (consolidated) was ¥2,366 million.

(Important change in the amount of goodwill)

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. The Accounting Standard for Revenue Recognition has been applied, so “Accounts receivable from completed construction contracts”, which had been presented under “Current assets” on the Consolidated Balance Sheet in the previous fiscal year, is included in “Accounts receivable from completed construction contracts and contract assets” as of the first quarter cumulative period (consolidated). In addition, “Advances received on construction contracts in progress” and some items from “Other” that had been presented under “Current liabilities” along with some items from “Other” that had been presented under “Long-term liabilities” are now included in “Contract liabilities”. Furthermore, “Decrease (increase) in notes and accounts receivable-trade”, which had been presented under “Cash flows from operating activities” on the Consolidated Statements of Cash Flows in the previous second quarter cumulative period (consolidated), is included in “Decrease (increase) in notes and accounts receivable-trade and contract assets” as of the current second quarter cumulative period (consolidated). Some items from “Advances received”, “Advances received on uncompleted construction contracts”, some items from “Increase (decrease) in other current liabilities”, and some items from “Other” are included in “Increase (decrease) in contract liabilities”. 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 and the previous second quarter cumulative period (consolidated) have not been restated using the new method.

(Accounting Estimates of Impact of COVID-19)

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.