

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

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Stock Code: 1911	URL: http://sfc.jp/english/
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Scheduled Date of Filing Quarterly Securities Report: November 11, 2022	
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 2022 (January 1, 2022 – September 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	%
3Q FY Ending December 2022	1,206,293	24.6	111,109	59.9	141,870	60.8	82,718	54.3
3Q FY Ended December 2021	968,073	–	69,497	–	88,215	–	53,611	–

Note: Comprehensive income
 3Q FY Ending December 2022 209,206 million yen (126.0%)
 3Q FY Ended December 2021 92,566 million yen (–)

	Net income per share	Net income per share fully diluted
	Yen	Yen
3Q FY Ending December 2022	413.92	404.26
3Q FY Ended December 2021	286.18	279.21

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. Since third quarter consolidated financial statements were not prepared for the fiscal year ended December 31, 2020, which is the transitional period for the change in fiscal year-end, percentage change from the same period of the previous year for the third quarter of the fiscal year ended December 31, 2021 is not shown.

Note 2: 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 September 30, 2022	1,638,076	711,038	39.7
As of December 31, 2021	1,314,226	540,089	37.7

Note: Shareholders' equity
 As of September 30, 2022 651,030 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: No

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	500.40

Note: Revised forecast for the quarter under review: No

* Notice

(1) Changes in main subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): Yes
 New Company: 2 (Company name): Structural HoldCo, LLC, Structural OpCo, LLC.
 Removed: None (Company name):

(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 September 30, 2022	201,215,336	As of December 31, 2021	201,200,936
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(b) Treasury stock

As of September 30, 2022	1,380,540	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 September 30, 2022	199,841,096	As of September 30, 2021	187,331,471
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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 Financial Factbook, which is a supplementary document on Financial Results, is published on the website below.

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

Additionally, the Company will hold a conference for securities analysts and institutional investors on Monday, October 31, 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)	Third quarter cumulative period (September 30, 2022)
Assets		
Current assets		
Cash and deposits	139,957	133,259
Notes and accounts receivable-trade	140,075	148,065
Accounts receivable from completed construction contracts	49,496	–
Accounts receivable from completed construction contracts and contract assets	–	62,787
Marketable securities	3,303	3,186
Merchandise and finished goods	24,426	32,152
Work in process	1,483	2,087
Raw materials and supplies	9,696	11,825
Costs on construction contracts in progress	14,973	17,570
Real estate for sale	49,180	82,576
Real estate for sale in process	332,898	514,943
Short-term loans receivable	35,493	35,752
Accounts receivable-other	54,680	53,544
Other	36,600	53,724
Allowance for doubtful account	(348)	(386)
Total current assets	891,912	1,151,083
Non-current assets		
Property, plant and equipment		
Buildings and structure	109,086	116,845
Accumulated depreciation	(50,736)	(55,784)
Buildings and structures, net	58,350	61,062
Machinery, equipment and vehicles	81,599	91,129
Accumulated depreciation	(58,569)	(67,424)
Machinery, equipment and vehicles, net	23,031	23,705
Land	41,516	48,029
Timber	38,331	40,153
Leased assets	12,578	20,792
Accumulated depreciation	(4,902)	(7,988)
Leased assets, net	7,677	12,804
Construction in process	9,889	13,319
Other	20,112	22,811
Accumulated depreciation	(14,723)	(16,532)
Other, net	5,390	6,279
Total property, plant and equipment	184,183	205,350
Intangible assets		
Goodwill	4,559	8,231
Other	16,111	18,147
Total intangible assets	20,671	26,378
Investments and other assets		
Investment securities	181,436	213,415
Long-term loans receivable	7,115	9,212
Retirement benefit asset	590	499
Deferred tax assets	7,773	8,368
Other	21,448	24,754
Allowance for doubtful account	(902)	(984)
Total investments and other assets	217,460	255,264
Total non-current assets	422,314	486,992
Total assets	1,314,226	1,638,076

(million yen)

	Previous consolidated fiscal year (December 31, 2021)	Third quarter cumulative period (September 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	134,065	124,899
Accounts payable for construction contracts	98,165	103,420
Short-term borrowings	25,024	42,884
Current portion of bonds	12	12
Current portion of bonds with share acquisition rights	–	10,020
Lease obligations	825	2,039
Income tax payable	6,248	3,099
Advanced received on construction contracts in progress	40,101	–
Contract liabilities	–	94,702
Provision for bonuses	22,460	29,467
Provision for bonuses for directors (and other officers)	165	–
Provision for warranties for completed construction	7,492	7,198
Asset retirement of obligations	961	195
Other	85,485	65,602
Total current liabilities	421,003	483,537
Long-term liabilities		
Bonds payable	90,152	90,146
Bonds with share acquisition rights	10,035	–
Long-term borrowings	168,278	266,791
Lease obligations	8,438	13,030
Deferred tax liabilities	23,044	31,842
Provision for retirement benefits for directors (and other officers)	332	309
Retirement benefits liability	17,148	19,013
Asset retirement of obligations	1,778	2,542
Other	33,929	19,827
Total long-term liabilities	353,134	443,501
Total liabilities	774,136	927,038
Net assets		
Shareholders' equity		
Common stock	50,064	50,072
Capital surplus	33,899	31,491
Retained earnings	359,641	421,262
Treasury shares	(2,362)	(2,445)
Total shareholders' equity	441,241	500,380
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	37,226	41,605
Deferred gains (losses) on hedges	3,403	5,529
Foreign currency translation adjustment	13,699	103,469
Remeasurements of defined benefit plans	42	47
Total accumulated other comprehensive income	54,370	150,650
Share acquisition rights	116	99
Non-controlling interests	44,361	59,908
Total net assets	540,089	711,038
Total liabilities and net assets	1,314,226	1,638,076

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

Consolidated Statements of Income

For the third quarter cumulative period (consolidated)

(million yen)

	Previous third quarter cumulative period (January 1, 2021 - September 30, 2021)	Current third quarter cumulative period (January 1, 2022 - September 30, 2022)
Net sales	968,073	1,206,293
Cost of sales	747,447	919,163
Gross profit	220,626	287,130
Selling, general and administrative expenses	151,129	176,021
Operating income	69,497	111,109
Non-operating income		
Interest income	246	499
Purchase discount	246	262
Dividend income	1,452	1,212
Share of profit of entities accounted for using equity method	14,905	23,643
Gain on sale of investment securities	1,721	4,909
Other	3,689	3,642
Total non-operating income	22,259	34,166
Non-operating expenses		
Interest expense	1,652	1,935
Foreign exchange losses	313	68
Other	1,576	1,402
Total non-operating expenses	3,541	3,405
Recurring income	88,215	141,870
Extraordinary loss		
Impairment loss	3,416	2,366
Total extraordinary loss	3,416	2,366
Profit before income taxes	84,798	139,503
Income taxes-current	19,871	31,855
Income taxes-deferred	(557)	4,563
Total income taxes	19,314	36,418
Net income	65,485	103,086
Net income attributable to non-controlling interests	11,873	20,368
Net income attributable to owners of the parent	53,611	82,718

Consolidated Statements of Comprehensive Income

For the third quarter cumulative period (consolidated)

(million yen)

	Previous third quarter cumulative period (January 1, 2021 - September 30, 2021)	Current third quarter cumulative period (January 1, 2022 - September 30, 2022)
Net income	65,485	103,086
Other comprehensive income		
Valuation difference on available-for-sale securities	5,747	4,200
Deferred gains (losses) on hedges	1,103	1,230
Foreign currency translation adjustment	17,017	85,865
Share of other comprehensive income of entities accounted for using equity method	3,214	14,825
Total other comprehensive income	27,081	106,121
Comprehensive income	92,566	209,206
(Breakdown)		
Comprehensive income attributable to shareholders of parent	76,752	178,997
Comprehensive income attributable to non-controlling interests	15,814	30,209

(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)

Previous Third Quarter Cumulative Period (Consolidated) (January 1, 2021 to September 30, 2021)

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	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	13,294	68,533	2,998	90,385	1,989	92,374	(4,159)	88,215

- 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.
 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 Non-current Assets, Goodwill, etc., for each Reporting Segment

(Significant impairment loss on non-current 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 third 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 third quarter cumulative period (consolidated) was ¥2,316 million.

Current Third Quarter Cumulative Period (Consolidated) (January 1, 2022 to September 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	190,047	381,556	608,413	15,101	1,195,117	10,737	1,205,853	439	1,206,293
(2) Intersegment sales/ transfer	15,815	258	534	1,001	17,608	7,455	25,062	(25,062)	–
Total	205,862	381,814	608,947	16,102	1,212,724	18,191	1,230,916	(24,623)	1,206,293
Segment income (loss)	10,639	7,640	126,366	1,291	145,936	1,961	147,897	(6,027)	141,870

- 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 ¥6,027 million includes ¥99 million in eliminated intersegment transaction and ¥5,928 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

(Significant impairment loss on non-current 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 third 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”. 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.

(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.