

Disclaimer: This document is translated from the original Japanese financial statements and audit report as required by the Financial Instruments and Exchange Act of Japan. Some information from the original audited financial statements is not included in this translation of the financial statements.

# Annual Securities Report

**The 85th Business Term**

**From January 1, 2024  
to December 31, 2024**

**SUMITOMO FORESTRY CO., LTD.**

## [Financial Status]

### **1 Method of preparing the consolidated financial statements**

The Company's consolidated financial statements are prepared based on the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976).

### **2 Note on independent audit**

The consolidated financial statements of the Company for the fiscal year (January 1, 2024 – December 31, 2024) are audited by Ernst & Young ShinNihon LLC based on the provisions of Article 193-2-1 of the Financial Instruments and Exchange Act.

### **3 Special efforts to ensure fair presentation of consolidated financial statements, etc.**

The Company takes special efforts to ensure fair presentation of consolidated financial statements, etc. Specifically, it is a member of the Financial Accounting Standards Foundation and participates in seminars organized by the Foundation and other organizations, in order to develop systems that can appropriately grasp the contents of accounting standards, etc. and respond appropriately to changes in accounting standards, etc.

# 1. Consolidated Financial Statements

## (1) Consolidated Financial Statements

### (i) Consolidated Balance Sheet

	(million yen)	
	Previous fiscal year (December 31, 2023)	Current fiscal year (December 31, 2024)
<b>Assets</b>		
Current assets		
Cash and deposits	*2 154,067	*2 181,043
Notes and accounts receivable - trade	*2, *5 103,164	*2, *5 104,734
Electronically recorded monetary claims - operating	*5 41,053	*5 44,652
Accounts receivable from completed construction contracts and contract assets	*1, *2 65,213	*1, *2 93,219
Marketable securities	3,167	5,062
Merchandise and finished goods	21,209	22,970
Work in process	2,026	2,524
Raw materials and supplies	12,409	13,838
Costs on construction contracts in progress	*2 16,176	*2 20,435
Real estate for sale	*2 27,930	*2 178,921
Real estate for sale in process	*2 524,556	*2 681,755
Short-term loans receivable	*2 27,358	*2 30,381
Accounts receivable – other	*2 87,420	*2 101,301
Other	*2 50,972	*2 66,022
Allowance for doubtful accounts	(489)	(767)
Total current assets	1,236,230	1,546,090
Non-current assets		
Property, plant and equipment		
Buildings and structures	*2 118,115	*2 131,943
Accumulated depreciation	(59,443)	(66,327)
Buildings and structures, net	58,671	65,616
Machinery, equipment and vehicles	*2 95,486	*2 102,615
Accumulated depreciation	(72,070)	(77,715)
Machinery, equipment and vehicles, net	23,416	24,900
Land	*2 52,317	*2 71,641
Timber	43,177	44,356
Leased assets	28,429	43,169
Accumulated depreciation	(9,821)	(20,486)
Leased assets, net	18,608	22,683
Construction in progress	*2 22,410	*2 47,958
Other	*2 24,011	*2 28,135
Accumulated depreciation	(16,265)	(19,185)
Other, net	7,746	8,950
Total property, plant and equipment	226,345	286,103
Intangible assets		
Goodwill	41,335	42,246
Other	34,755	32,760
Total intangible assets	76,091	75,006
Investments and other assets		
Investment securities	*2, *3 229,667	*2, *3 268,895
Long-term loans receivable	16,418	30,941
Retirement benefit assets	4,653	14,189
Deferred tax assets	*2 8,312	*2 9,460
Other	*2 28,089	*2 31,288
Allowance for doubtful accounts	(1,078)	(843)
Total investments and other assets	286,062	353,929
Total non-current assets	588,497	715,038
Total assets	1,824,727	2,261,128

(million yen)

	Previous fiscal year (December 31, 2023)	Current fiscal year (December 31, 2024)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	*5 107,458	*5 96,983
Electronically recorded obligations – operating	*5 30,931	*5 33,864
Accounts payable for construction contracts	130,618	156,300
Short-term borrowings	*2 51,755	*2 93,702
Commercial paper	30,000	-
Current portion of bonds payable	*2 10,012	*2 10,044
Lease obligations	3,615	5,778
Income tax payable	8,152	8,910
Contract liabilities	*2 86,916	*2 97,588
Provision for bonuses	21,970	23,742
Provision for bonuses for directors (and other officers)	144	168
Provision for warranties for completed construction	10,203	17,699
Asset retirement obligations	325	1,033
Other	104,729	116,340
Total current liabilities	596,829	662,152
Long-term liabilities		
Bonds payable	*2 80,192	*2 70,116
Long-term borrowings	*2 230,306	*2 413,856
Lease obligations	17,991	19,915
Deferred tax liabilities	34,612	38,340
Provision for retirement benefits for directors (and other officers)	372	171
Retirement benefits liability	10,587	9,724
Asset retirement obligations	3,248	2,568
Other	24,128	24,161
Total long-term liabilities	401,437	578,850
Total liabilities	998,265	1,241,002
<b>Net assets</b>		
Shareholders' equity		
Common stock	55,088	55,101
Capital surplus	36,530	34,667
Retained earnings	523,988	613,765
Treasury shares	(2,517)	(2,521)
Total shareholders' equity	613,089	701,012
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	37,201	37,902
Deferred gains (losses) on hedges	5,812	8,533
Foreign currency translation adjustment	97,933	172,840
Remeasurements of defined benefit plans	45	62
Total accumulated other comprehensive income	140,991	219,335
Stock acquisition rights	74	69
Non-controlling interests	72,307	99,711
Total net assets	826,462	1,020,127
Total liabilities and net assets	1,824,727	2,261,128

## (ii) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

## Consolidated Statement of Income

(million yen)

	Previous fiscal year (January 1, 2023 – December 31, 2023)	Current fiscal year (January 1, 2024 – December 31, 2024)
Net sales	*1 1,733,169	*1 2,053,650
Cost of sales	*2 1,324,339	*2 1,550,698
Gross profit	408,830	502,952
Selling, general and administrative expenses	*3, *4 262,573	*3, *4 308,364
Operating income	146,258	194,588
Non-operating income		
Interest income	1,972	3,626
Purchase discount	347	325
Dividend income	2,039	3,182
Share of profit of entities accounted for using equity method	8,338	-
Foreign exchange gains	317	227
Gain on sale of investment securities	-	3,063
Other	9,223	9,290
Total non-operating income	22,236	19,714
Non-operating expenses		
Interest expense	4,338	7,718
Share of loss of entities accounted for using equity method	-	1,900
Other	5,234	6,730
Total non-operating expenses	9,572	16,347
Recurring income	158,921	197,955
Extraordinary income		
Gain on sale of investment securities	1,935	-
Total extraordinary income	1,935	-
Extraordinary loss		
Impairment loss	-	*5 5,926
Total extraordinary loss	-	5,926
Profit before income taxes	160,856	192,029
Income taxes - current	36,688	41,697
Income taxes - deferred	(1,570)	2,926
Total income taxes	35,118	44,624
Profit	125,738	147,405
Profit attributable to non-controlling interests	23,568	30,877
Profit attributable to owners of parent	102,170	116,528

Consolidated Statement of Comprehensive Income

(million yen)

	Previous fiscal year (January 1, 2023 – December 31, 2023)	Current fiscal year (January 1, 2024 – December 31, 2024)
Profit	125,738	147,405
Other comprehensive income		
Valuation difference on available-for-sale securities	221	755
Deferred gains (losses) on hedges	1,053	1,436
Foreign currency translation adjustment	36,621	73,057
Share of other comprehensive income of entities accounted for using equity method	5,424	9,961
Total other comprehensive income	* 43,319	* 85,209
Comprehensive income	169,056	232,614
(Breakdown)		
Comprehensive income attributable to owners of parent	141,969	194,872
Comprehensive income attributable to non-controlling interests	27,088	37,742

## (iii) Consolidated Statement of Changes in Net Assets

Previous fiscal year (January 1, 2023 – December 31, 2023)

(million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the current period	50,074	31,493	447,216	(2,465)	526,318
Changes during the period					
Issuance of new shares					-
Issuance of new shares (exercise of stock acquisition rights)	5,014	5,014			10,028
Dividends of surplus			(25,398)		(25,398)
Profit attributable to owners of parent			102,170		102,170
Purchase of treasury stock				(52)	(52)
Disposal of treasury stock					-
Change in equity interests of parent company due to transactions with non-controlling interests		24			24
Net changes in items other than shareholders' equity					
Total changes during the period	5,014	5,038	76,771	(52)	86,771
Balance at the end of the current period	55,088	36,530	523,988	(2,517)	613,089

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the current period	36,926	3,775	60,443	49	101,192	96	54,948	682,554
Changes during the period								
Issuance of new shares								-
Issuance of new shares (exercise of stock acquisition rights)								10,028
Dividends of surplus								(25,398)
Profit attributable to owners of parent								102,170
Purchase of treasury shares								(52)
Disposal of treasury stock								-
Change in equity interests of parent company due to transactions with non-controlling interests								24
Net changes in items other than shareholders' equity	275	2,037	37,490	(3)	39,799	(22)	17,360	57,137
Total changes during the period	275	2,037	37,490	(3)	39,799	(22)	17,360	143,908
Balance at the end of the current period	37,201	5,812	97,933	45	140,991	74	72,307	826,462

Current fiscal year (January 1, 2024 – December 31, 2024)

(million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the current period	55,088	36,530	523,988	(2,517)	613,089
Changes during the period					
Issuance of new shares	11	11			21
Issuance of new shares (exercise of stock acquisition rights)	3	3			5
Dividends of surplus			(26,750)		(26,750)
Profit attributable to owners of parent			116,528		116,528
Purchase of treasury stock				(4)	(4)
Disposal of treasury stock		0		0	0
Change in equity interests of parent company due to transactions with non-controlling interests		(1,877)			(1,877)
Net changes in items other than shareholders' equity					
Total changes during the period	13	(1,863)	89,778	(4)	87,923
Balance at the end of the current period	55,101	34,667	613,765	(2,521)	701,012

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the current period	37,201	5,812	97,933	45	140,991	74	72,307	826,462
Changes during the period								
Issuance of new shares								21
Issuance of new shares (exercise of stock acquisition rights)								5
Dividends of surplus								(26,750)
Profit attributable to owners of parent								116,528
Purchase of treasury shares								(4)
Disposal of treasury stock								0
Change in equity interests of parent company due to transactions with non-controlling interests								(1,877)
Net changes in items other than shareholders' equity	701	2,721	74,906	16	78,344	(5)	27,403	105,742
Total changes during the period	701	2,721	74,906	16	78,344	(5)	27,403	193,665
Balance at the end of the current period	37,902	8,533	172,840	62	219,335	69	99,711	1,020,127



## (iv) Consolidated Statement of Cash Flows

(million yen)

	Previous fiscal year (January 1, 2023 – December 31, 2023)	Current fiscal year (January 1, 2024 – December 31, 2024)
Net cash provided by (used in) operating activities:		
Profit before income taxes	160,856	192,029
Depreciation and amortization	20,618	27,916
Impairment loss	-	5,926
Amortization of goodwill	5,563	8,453
Increase (decrease) in allowance for doubtful accounts	27	(38)
Increase (decrease) in provision for bonuses	(4,251)	272
Increase (decrease) in provision for bonuses for directors (and other officers)	(19)	24
Increase (decrease) in provision for warranties for completed construction	1,496	2,499
Increase (decrease) in provision for retirement benefits for directors (and other officers)	3	(201)
Increase (decrease) in retirement benefit liability	(5,197)	(10,566)
Interest and dividends income	(4,011)	(6,808)
Interest expense	4,338	7,718
Share of (profit) loss of entities accounted for using equity method	(8,338)	1,900
Losses (gains) on sale of marketable securities and investment securities	(1,935)	(2,965)
Decrease (increase) in notes and account receivable-trade and contract assets	7,731	(17,456)
Decrease (increase) in inventories	(49,042)	(112,119)
Decrease (increase) in other current assets	(11,882)	(16,470)
Increase (decrease) in notes and accounts payable-trade	12,270	(10,321)
Increase (decrease) in advances received	102	2,709
Increase (decrease) in contract liabilities	(813)	348
Increase (decrease) in accrued consumption taxes	2,731	(1,853)
Increase (decrease) in other current liabilities	2,848	3,517
Other	3,970	(9,142)
Subtotal	137,064	65,371
Interest and dividends received	23,221	12,265
Interest paid	(4,272)	(7,540)
Income taxes paid	(30,713)	(43,018)
Net cash provided by (used in) operating activities	125,300	27,078

	(million yen)	
	Previous fiscal year (January 1, 2023 – December 31, 2023)	Current fiscal year (January 1, 2024 – December 31, 2024)
Net cash provided by (used in) investing activities:		
Payments into time deposits	(5,102)	(5,342)
Proceeds from withdrawal of time deposits	10,061	5,371
Decrease (increase) in short-term loans receivable	1,292	(2,655)
Proceeds from sales and redemption of marketable securities	-	5
Payments for purchases of property, plant and equipment	(28,394)	(63,852)
Proceeds from sales of property, plant and equipment	3,861	6,336
Payments for purchases of intangible assets	(4,498)	(5,579)
Payments for purchases of investment securities	(32,811)	(45,563)
Proceeds from sales and redemption of investment securities	4,287	11,554
Payments for transfer of business	(3,974)	*2 (18,378)
Payments for purchase of subsidiary shares resulting in change in scope of consolidation	*3 (49,242)	*3 (776)
Payments of long-term loans receivable	(7,726)	(14,916)
Proceeds from collection of long-term loans receivable	942	2,790
Other payments	(4,705)	(6,038)
Other proceeds	3,513	1,940
Net cash provided by (used in) investing activities	(112,497)	(135,103)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term borrowings	(4,990)	36,220
Net increase (decrease) in commercial paper	30,000	(30,000)
Repayments of finance lease obligations	(3,631)	(4,150)
Proceeds from long-term borrowings	95,016	225,553
Repayments of long-term borrowings	(63,095)	(45,664)
Redemption of bonds	(28)	(10,044)
Proceeds from stock issuance to non-controlling shareholders	3,410	12,183
Cash dividends paid	(25,398)	(26,750)
Cash dividends paid to non-controlling shareholders	(19,510)	(22,271)
Proceeds from purchase of subsidiary shares not resulting in change in scope of consolidation	-	674
Payments for purchase of subsidiary shares not resulting in change in scope of consolidation	(8)	(5,662)
Net decrease (increase) in deposits with withdrawal and usage restrictions	(1,526)	3,217
Other proceeds	0	0
Other payments	(4)	(81)
Net cash provided by (used in) financing activities	10,236	133,225
Effect of exchange rate change on cash and cash equivalents	4,358	6,327
Net increase (decrease) in cash and cash equivalents	27,398	31,526
Cash and cash equivalents at the beginning of the year	147,373	174,771
Cash and cash equivalents at the end of the year	*1 174,771	*1 206,297

## Notes to Consolidated Financial Statements

### (Basis of presentation)

The accompanying consolidated financial statements of Sumitomo Forestry Co., Ltd. (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”), and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

All amounts have been rounded to the nearest millions of yen in the presentation of the accompanying consolidated financial statements. As a result, the totals in million of yen do not necessarily agree with the sum of the individual amounts.

### (Significant information for preparation of consolidated financial statements)

#### 1. Scope of consolidation

The number of subsidiaries that have been included in the scope of consolidation is 449 companies.

Effective from the current fiscal year, Met Group Holdings Pty Ltd and 94 other companies are included in the scope of consolidation as a result of the acquisition of equity interests. In addition, Crescent Hillsborough, LLC and 21 other companies, which were consolidated subsidiaries in the previous fiscal year, are excluded from the scope of consolidation due to the liquidation of equity interests.

#### 2. Fiscal years of consolidated subsidiaries

As the closing date of five domestic consolidated subsidiaries and one overseas consolidated subsidiary is March 31, financial statements based on provisional settlement of accounts as of the consolidated closing date (December 31) are used in the preparation of the consolidated financial statements. The closing date of other consolidated subsidiaries is the same as the consolidated closing date.

#### 3. Application of the equity method

- (1) The equity method is applied to 205 affiliated companies. The main affiliated company using the equity method is Kumagai Gumi Co., Ltd.

Effective from the current fiscal year, Tellus Texas III, LLC and 44 other companies are included in the scope of application of the equity method due to the establishment of these companies. In addition, DRSFA, LLC and 15 other companies, which were affiliated companies using the equity method in the previous fiscal year, are excluded from the scope of application of the equity method due to the liquidation of equity interests.

- (2) Of the affiliated companies using the equity method, for companies with a different closing date from the consolidated closing date, financial statements for their respective fiscal years or financial statements based on the provisional settlement of accounts carried out on the consolidated closing date are used.

#### 4. Accounting policies

- (1) Basis and method of measuring significant assets

##### (i) Marketable securities

Held-to-maturity debt securities

Reported using the amortized cost method (straight-line method)

Available-for-sale securities

Items other than stocks, etc. for which market quotations are not readily available

Reported at fair value based on the market price on the closing date, etc. (All valuation differences are reflected in net assets, with the cost of securities sold determined by the moving average method.)

Stocks, etc. for which market quotations are not readily available

Reported using cost accounting based on the moving average method

##### (ii) Derivatives

Derivatives are carried by the market value method.

(iii) Inventories

Cost accounting based on the moving average method is the main method applied to merchandise, finished goods, work in process, raw materials, and supplies, while cost accounting based on the specific identification method is applied to costs on construction contracts in progress, real estate for sale, and real estate for sale in process. Balance sheet values are calculated using the write-down method based on the decrease in profitability.

(2) Accounting method for depreciation of significant assets

(i) Property, plant and equipment (excluding leased assets)

The Company and its domestic consolidated subsidiaries mainly use the declining-balance method. However, the straight-line method is used for buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings) as well as facilities attached to buildings and structures acquired on or after April 1, 2016. Overseas consolidated subsidiaries mainly use the straight-line method.

(ii) Intangible assets (excluding leased assets)

The straight-line method is used. Note that for software used in-house, the straight-line method based on usable period within the company (five years) is applied.

(iii) Leased assets

For leased assets associated with finance lease transactions other than ownership transfer, the straight-line method is applied by taking the useful life of the asset as the lease period and the salvage value as zero.

(3) Accounting policy for significant provisions

(i) Allowance for doubtful accounts

To prepare for possible bad debts losses such as on trade receivables and loans receivables, an allowance for doubtful accounts is provided to estimate uncollectable amounts based on the historical loan-loss ratio for general accounts receivable, while specific accounts receivable including doubtful accounts based on their individual collectability assessment are provided.

(ii) Provision for bonuses

To prepare for the payment of bonuses to employees, the estimated amount to be paid is recorded.

(iii) Provision for bonuses for directors (and other officers)

To prepare for the payment of bonuses to directors (and other officers), the estimated amount to be paid is recorded.

(iv) Provision for warranties for completed construction

To prepare for the payment of repair costs associated with completed construction, provision for warranties for completed construction is estimated based on actual amounts paid in the past.

(v) Provision for retirement benefits for directors (and other officers)

To prepare for the payment of retirement benefits to directors (and other officers), some consolidated subsidiaries state the amount to be paid at the end of the fiscal year based on internal policies.

(4) Accounting method for retirement benefits

(i) Method of attributing estimated retirement benefits to period of service

In calculating the retirement benefit obligations, the benefit formula method is used to attribute the estimated amount of retirement benefits to periods until the end of the current fiscal year.

(ii) Treatment of actuarial gains or losses and prior service costs

Actuarial gains and losses and prior service costs are recognized in profit or loss in the fiscal year in which the gain and losses are incurred.

(5) Accounting policy for recognition of significant revenues and expenses

The main performance obligations in the main business related to the revenue arising from contracts with the Group's customers, and the ordinary timing for satisfying the performance obligations in question (ordinary timing of revenue recognition) are set out below.

(i) Merchandise sales

The Company is engaged in the sale of timber and building materials through its Timber and Building Materials Business and

Environment and Resources Business, and in the sale of spec homes, etc. in its Housing Business and Global Construction and Real Estate Business. With regard to these sales, revenue is recognized mainly at the point of delivery to the customers because this is the point when significant risks and economic value are transferred alongside legal ownership, physical possession, and the ownership of the merchandise, as well as the point when the entitlement to receive payment is established.

For transactions in which the Group's role of providing merchandise to customers mainly in the Timber and Building Materials Business is fulfilled by an agent, revenue is recognized on the net amount obtained after deducting the amount paid to the supplier of goods, etc. purchased, from the amount received from the customer as consideration for the merchandise.

As consideration for transactions is received promptly after delivery and the period from the satisfaction of performance obligations to the receipt of consideration is generally within a one-year period, significant financing components are not included.

(ii) Construction contracts, etc.

The Housing Business and Global Construction and Real Estate Business carries out the contracting of construction work for single family homes and multi-family housing. For these construction contracts, revenue is recognized over a certain period of time as the performance obligations are satisfied with the creation of the asset and the controlling of said asset by the customer. The method for estimating the progress rate for the satisfaction of the performance obligations mainly follows the input method based on costs incurred.

However, for construction contracts with a short period from the start date of the transaction under the contract to the point when the performance obligation is expected to be completely satisfied, revenue is not recognized over a certain period of time, but at the point of delivery when the performance obligation is deemed to be satisfied.

The consideration for transactions is based on the contract terms, and consideration for transactions is generally received in stages corresponding to the progress in fulfilling the performance obligations. As the period from the satisfaction of performance obligations to the receipt of consideration is generally within a one-year period, significant financing components are not included.

(6) Significant accounting policies for hedge accounting

(i) Hedge accounting method

Deferred hedge accounting is applied. The allocation method is applied to foreign exchange hedging transactions. The exceptional method is applied to interest rate swaps if they satisfy the requirements for the exceptional method.

(ii) Hedging method

Foreign exchange forward exchange contracts and foreign currency swaps are used as hedging instruments to mitigate foreign currency exchange risks. Interest rate swap transactions are used as a hedging method to mitigate interest rate fluctuation risks.

(iii) Hedged items

In line with the management policies, hedged items include certain trade transactions, including planned transactions, as well as borrowings exposed to interest rate fluctuation risk.

(iv) Hedge effectiveness evaluation method

As foreign exchange forward exchange contracts and foreign currency swaps are recognized as highly effective hedging instruments, the evaluation of effectiveness is omitted. The evaluation of effectiveness is also omitted for interest rate swaps accounted for by the exceptional accounting method.

(7) Goodwill amortization method and period

Goodwill is amortized using the straight-line method over its estimated useful life, up to a maximum of 20 years. Insignificant amounts are charged to income in the fiscal year when incurred.

(8) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents in the consolidated statement of cash flows are comprised of cash on hand, deposits that can be withdrawn at any time, and short-term investments with maturities of three months or less from the acquisition date that are readily convertible into cash and are exposed to only an insignificant risk of fluctuation in value.

(Significant accounting estimates)

Impairment of fixed assets

(1) Amounts recorded in the consolidated financial statements for the current fiscal year

(million yen)

	FY ended December 31, 2023	FY ended December 31, 2024
Property, plant and equipment and intangible assets	302,435	361,109
Amount of impairment loss	959	5,926

The impairment loss for the current fiscal year is recorded in "Impairment loss" under "Extraordinary loss", and the impairment loss for the previous fiscal year is recorded in "Other" under "Non-operating expenses" on the consolidated statement of income.

The amount of impairment loss for the fiscal year include impairment loss of 5,854 million yen mainly related to the TrussWorks Group, which is engaged in the manufacture and sales of trusses and other products mainly for multi-family homes in the United States. The breakdown of this impairment loss by item includes 4,193 million yen for goodwill, 1,132 billion yen for intangible fixed assets (other), and 529 million yen for property, plant and equipment.

(2) Other information that contributes to understanding of the content of estimates

(i) Calculation method

The Group classifies assets based on the categories used for management accounting, which continually identifies profits and losses. For an asset or asset group that has an indication of impairment, if its total undiscounted future cash flows are less than the sum of its carrying amount at the time the impairment loss is determined, the difference between the sum of its carrying amount at the time the impairment loss is determined and its recoverable amount is reported as an impairment loss.

Due to the divergence of the TrussWorks Group's performance from the business plan at the time of acquisition, the Company determined that there were indications of impairment. An impairment loss was recorded because the total undiscounted future cash flows for the period corresponding to the remaining amortization period of goodwill, based on the latest business plan, fell below the carrying amount of the asset group including goodwill.

(ii) Major assumptions used in the calculation of the amounts

The recoverable amount is the higher of net realizable value or value in use. The net realizable value is calculated based on the estimated sales price or appraisal value, and value in use is the present value discounted from estimated future cash flows to be generated by the asset group based on budgets and medium- to long-term business plans approved by the Board of Directors.

Value in use is used as the recoverable amount in measuring impairment loss for the TrussWorks Group and the primary assumptions used in the calculation of the value in use are future sales forecasts and discount rates on which future cash flows are based. Future sales forecasts are based on the TrussWorks Group's past performance and external forecast information, as well as the outlook for the relevant housing complex market and changes in the business environment based on information available at the present time. The weighted average cost of capital is used as the discount rate.

(iii) Impact on the consolidated financial statements for the following fiscal year

If there is a change in the conditions and assumptions underlying these estimates, the Company may be required to record additional impairment losses in the consolidated financial statements for the following fiscal year.

Recoverability of deferred tax assets

(1) Amounts recorded in the consolidated financial statements for the current fiscal year

(million yen)

	FY ended December 31, 2023	FY ended December 31, 2024
Deferred tax assets (after offsetting)	8,312	9,460
Deferred tax liabilities (after offsetting)	34,612	38,340

(2) Other information that contributes to understanding of the content of estimates

(i) Calculation method

Deferred tax assets are recognized for future deductible temporary differences determined to be recoverable based on estimates of future taxable income estimated, scheduling for the expected fiscal year of future reversal of deductible temporary differences, etc. In addition, the recoverability for the Company and its major consolidated subsidiaries in Japan is determined in consideration of the classification of the entity as indicated in the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26).

(ii) Major assumptions used in the calculation of the amounts

Estimates of future taxable income are based on budgets approved by the Board of Directors and other bodies and medium- to long-term business plans, and the major assumptions used in these estimates include forecasts of unit selling price, sales volume, gross profit margin, and expenses.

(iii) Impact on the consolidated financial statements for the following fiscal year

As the recoverability of deferred tax assets is dependent on estimates of future taxable income and the scheduling of deductible temporary differences, if there is a change in the conditions and assumptions underlying these estimates, the Company may be required to record an adjusted amount of deferred tax assets under revenue or expenses in the consolidated financial statements for the following fiscal year.

(Accounting Standards issued but not yet effective)

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022, Accounting Standards Board of Japan)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022, Accounting Standards Board of Japan)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022, Accounting Standards Board of Japan)

(1) Overview

The revised versions of the above standards and guidance set out the classifications for recording income taxes, etc. when taxed on other comprehensive income, and the treatment of tax effects on sale of shares of subsidiaries, etc. when the group corporate group tax system is applied.

(2) Scheduled date of adoption

The Company expects to adopt the revised standards and guidance from the beginning of the fiscal year ending December 31, 2025.

(3) Impact of the adoption of the revised accounting standards and implementation guidance

The Company is currently evaluating the effect of the adoption of the Accounting Standard for Current Income Taxes and the relevant ASBJ standards and guidance on the consolidated financial statements.

- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024, Accounting Standards Board of Japan)
- Guidance on Accounting Standard for Leases (ASBJ Statement No. 33, September 13, 2024, Accounting Standards Board of Japan) and related revisions to Accounting Standards for Enterprises, Guidance on Accounting Standards for Enterprises, Practical Response Reporting, and Transfer Guidance

(1) Overview

The revised versions of the above standards and guidance set out the treatment of recognizing assets and liabilities for all leases by lessees, similar to international accounting standards.

(2) Scheduled date of adoption

The Company expects to adopt the revised standards and guidance from the beginning of the fiscal year ending December 31, 2028.

(3) Impact of the adoption of the revised accounting standards and implementation guidance

The Company is currently evaluating the effect of the adoption of the Accounting Standard for Leases and the relevant ASBJ standards and guidance on the consolidated financial statements.

(Consolidated Balance Sheet)

\*1 Of the accounts receivable from completed construction contracts and contract assets, the amount of receivables and contract assets arising from contracts with customers is disclosed in the “Notes to Consolidated Financial Statements (Revenue recognition), 3.(1) Balance of contract assets and contract liabilities.”

\*2 Pledged assets and secured liabilities

The following are the Group’s pledged assets.

(million yen)

	Previous fiscal year (December 31, 2023)	Current fiscal year (December 31, 2024)
Cash and deposits	2,708	16,752
Notes and accounts receivable – trade	1,260	1,155
Accounts receivable from completed construction contracts and contract assets	7,073	22,128
Costs on construction contracts in progress	1,097	4,479
Real estate for sale	24,227	29,359
Real estate for sale in process	26,353	23,149
Accounts receivable - other	469	652
Buildings and structures	12,319	15,911
Machinery, equipment and vehicles	9,871	8,806
Land	8,937	17,563
Construction in process	4,039	9,441
Investment securities	27,816	30,699
Other	6,570	13,762
Total	132,738	193,857

\*In addition to the above, the following assets, which have been offset and eliminated in the consolidation process, have also been pledged.

(million yen)

	Previous fiscal year (December 31, 2023)	Current fiscal year (December 31, 2024)
Shares of subsidiaries	6	6
Loans receivable from subsidiaries and associates	5,450	2,684

The following are the Group’s secured liabilities.

(million yen)

	Previous fiscal year (December 31, 2023)	Current fiscal year (December 31, 2024)
Short-term borrowings	5,427	12,601
Current portion of bonds payable	12	12
Contract liabilities	109	—
Bonds payable	128	116
Long-term borrowings	21,295	17,612
Total	26,972	30,341

\*3 The following are shares and other securities issued by affiliated companies.

(million yen)

	Previous fiscal year (December 31, 2023)	Current fiscal year (December 31, 2024)
Investment securities	148,590	187,540



\*4 Guarantee obligation

Guarantees on loans, etc. from financial institutions

(million yen)

	Previous fiscal year (December 31, 2023)	Current fiscal year (December 31, 2024)
Affiliated companies of Crescent Communities Group	38,383	41,058
Customers using housing loans	25,921	35,226
Kanda Biomass Energy K.K.	14,474	13,347
Paradise 11 Limited	1,068	1,176
Affiliated companies of JPI Group	—	862
PT Biomassa Lestari Nusantara	—	526
Kawasaki Biomass Electric Power Co., Ltd.	164	55
Morinomiyako Biomass Energy G.K.	345	—

\*5 Matured notes at the end of the fiscal year

Matured notes at the end of the fiscal year are settled on the clearing dates or settlement dates. As the last days of the previous fiscal year and the current fiscal year were business holidays for financial institutions in Japan, the following matured notes at the end of the fiscal year have been included in the balance as of the end of the fiscal years.

(million yen)

	Previous fiscal year (December 31, 2023)	Current fiscal year (December 31, 2024)
Notes receivable - trade	1,576	895
Electronically recorded monetary claims - operating	4,003	4,808
Notes payable - trade	14	6
Electronically recorded obligations - operating	3,760	3,487

(Consolidated Statement of Income)

\*1 Revenue from contracts with customers

Net sales are not disaggregated into “revenue from contracts with customers” and “other revenue.” The amount of revenue from contracts with customers is omitted as the same information is included in “Notes to Consolidated Financial Statements (Revenue Recognition), 1. Information on the disaggregation of revenue from contracts with customers.”

\*2 The amount of inventory as of the end of the fiscal year is after write-down due to decreased profitability, and the following losses on inventory valuation are included in the cost of sales.

(million yen)

	Previous fiscal year (January 1, 2023 – December 31, 2023)	Current fiscal year (January 1, 2024 – December 31, 2024)
	62	464

\*3 The following are the major expense accounts and amounts included in selling, general and administrative (SG&A) expenses.

(million yen)

	Previous fiscal year (January 1, 2023 – December 31, 2023)	Current fiscal year (January 1, 2024 – December 31, 2024)
Salaries and allowances	91,145	107,850
Provision for bonuses	11,906	12,986
Provision for bonuses for directors (and other officers)	144	168

Retirement benefit expenses	(2,175)	(6,392)
Provision for retirement benefits for directors (and other officers)	10	16
Provision of allowance for doubtful accounts	130	(77)
Provision for warranties for completed construction	3,338	6,530

\*4 Research and development expenses included in selling, general and administrative (SG&A) expenses

(million yen)

	Previous fiscal year (January 1, 2023 – December 31, 2023)	Current fiscal year (January 1, 2024 – December 31, 2024)
	2,878	2,817

\*5 Impairment loss

The Group recorded impairment losses mainly in the following asset groups.

Current fiscal year (January 1, 2024 – December 31, 2024)

Location	Major use	Asset category	Impairment loss (million yen)
Texas (U.S.), etc.	Other	Goodwill	4,193
	Business Assets	Intangible assets (Other)	1,132
		Property, plant and equipment	529

The Group classifies assets based on the categories used for management accounting, which continually identifies profits and losses. Rental assets and idle assets are assessed and grouped individually.

Due to a divergence in business performance from the business plan at the time of acquisition in our consolidated subsidiary TrussWorks Group, the entire unamortized balances of goodwill and the portion of the unamortized balance of intangible assets (other) and property, plant and equipment were recorded as impairment losses under extraordinary losses. The recoverable amount of these assets is calculated based on the value in use, and the discount rate used for calculating future cash flows is 14.8%.

## (Consolidated Statement of Comprehensive Income)

\* Reclassification adjustments and income tax effects attributable to other comprehensive income

(million yen)

	Previous fiscal year (January 1, 2023 – December 31, 2023)	Current fiscal year (January 1, 2024 – December 31, 2024)
Valuation difference on available-for-sale securities:		
Amount incurred during the year	2,444	1,934
Reclassification adjustments	(1,935)	(841)
Amount before tax effect	510	1,093
Tax effect	(289)	(338)
Valuation difference on available-for-sale securities	221	755
Deferred gains (losses) on hedges:		
Amount incurred during the year	1,492	2,024
Reclassification adjustments	(14)	9
Amount before tax effect	1,478	2,034
Tax effect	(425)	(598)
Deferred gains (losses) on hedges	1,053	1,436
Foreign currency translation adjustments:		
Amount incurred during the year	36,880	73,057
Reclassification adjustments	7	—
Amount before tax effect	36,887	73,057
Tax effect	—	—
Foreign currency translation adjustments	36,887	73,057
Share of other comprehensive income of entities accounted for using equity method:		
Amount incurred during the year	5,412	10,791
Reclassification adjustments	12	(830)
Share of other comprehensive income of entities accounted for using equity method	5,424	9,961
Total other comprehensive income	43,585	85,209

## (Consolidated Statement of Changes in Net Assets)

Previous fiscal year (January 1, 2023 – December 31, 2023)

## 1. Class and total number of shares outstanding, and class and number of treasury stocks

	Number of shares at the beginning of the fiscal year (shares)	Increase in the number of shares in the fiscal year (shares)	Decrease in the number of shares in the fiscal year (shares)	Number of shares at the end of the fiscal year (shares)
Number of shares outstanding				
Common stock (Note 1)	201,218,236	4,840,232	—	206,058,468
Total	201,218,236	4,840,232	—	206,058,468
Treasury stock				
Common stock (Note 2)	1,390,509	25,598	—	1,416,107
Total	1,390,509	25,598	—	1,416,107

Notes 1 The increase in the number of outstanding common stock (4,840,232 shares) was due to an increase of 4,819,732 shares resulting from the conversion of convertible bonds with stock acquisition rights, an increase of 18,200 shares due to the exercise of stock acquisition rights, and the issuance of 2,300 shares due to performance-linked stock compensation.

2 The increase in the number of common treasury stock (25,598 shares) was comprised of an increase of 24,429 shares due to changes to the ratio of equity interests of equity method affiliated companies and an increase of 1,169 shares resulting from the purchase of odd-lot shares.

## 2. Stock acquisition rights and treasury stock acquisition rights

Classification	Breakdown of stock acquisition rights	Classes of shares subject to stock acquisition rights	Number of shares underlying stock acquisition rights				Balance as of the end of the fiscal year (million yen)
			Beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	End of the fiscal year	
Company	Sumitomo Forestry Co., Ltd. 2015 Stock Acquisition Rights (Stock-based compensation stock option)	—	—	—	—	—	20
	Sumitomo Forestry Co., Ltd. 2016 Stock Acquisition Rights (Stock-based compensation stock option)	—	—	—	—	—	24
	Sumitomo Forestry Co., Ltd. 2017 Stock Acquisition Rights (Stock-based compensation stock option)	—	—	—	—	—	30
Total		—	—	—	—	—	74

## 3. Dividends

## (1) Dividends paid

Resolution	Classes of shares	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders, March 30, 2023	Common stock	13,060	65.00	December 31, 2022	March 31, 2023
Board of Directors meeting, August 8, 2023	Common stock	12,338	60.00	June 30, 2023	September 12, 2023

(2) Of the dividends with record dates that fall within the current fiscal year, the dividends with effective dates that fall after the end of the current fiscal year

Resolution	Classes of shares	Total amount of dividends (million yen)	Source of dividend	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders, March 28, 2024	Common stock	13,375	Retained earnings	65.00	December 31, 2023	March 29, 2024

Current fiscal year (January 1, 2024 – December 31, 2024)

1. Class and total number of shares outstanding, and class and number of treasury stocks

	Number of shares at the beginning of the fiscal year (shares)	Increase in the number of shares in the fiscal year (shares)	Decrease in the number of shares in the fiscal year (shares)	Number of shares at the end of the fiscal year (shares)
Number of shares outstanding				
Common stock (Note 1)	206,058,468	8,900	—	206,067,368
Total	206,058,468	8,900	—	206,067,368
Treasury stock				
Common stock (Note 2)	1,416,107	854	6	1,416,955
Total	1,416,107	854	6	1,416,955

Notes 1 The increase in the number of outstanding common stock (8,900 shares) was due to an increase of 4,300 shares due to the exercise of stock acquisition rights, and the issuance of 4,600 shares due to performance-linked stock compensation.

2 The increase in the number of common treasury stock (854 shares) was due to the purchase of odd-lot shares.

3 The decrease in the number of common treasury stock (6 shares) was due to the transfer of odd-lot shares.

2. Stock acquisition rights and treasury stock acquisition rights

Classification	Breakdown of stock acquisition rights	Classes of shares subject to stock acquisition rights	Number of shares underlying stock acquisition rights				Balance as of the end of the fiscal year (million yen)
			Beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	End of the fiscal year	
Company	Sumitomo Forestry Co., Ltd. FY2015 Stock Acquisition Rights (Stock-based compensation stock option)	—	—	—	—	—	19
	Sumitomo Forestry Co., Ltd. FY2016 Stock Acquisition Rights (Stock-based compensation stock option)	—	—	—	—	—	23
	Sumitomo Forestry Co., Ltd. FY2017 Stock Acquisition Rights (Stock-based compensation stock option)	—	—	—	—	—	27
Total		—	—	—	—	—	69

### 3. Dividends

#### (1) Dividends paid

Resolution	Classes of shares	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders, March 28, 2024	Common stock	13,375	65.00	December 31, 2023	March 29, 2024
Board of Directors meeting, August 8, 2024	Common stock	13,375	60.00	June 30, 2024	September 9, 2024

(2) Of the dividends with record dates that fall within the current fiscal year, the following are dividends with effective dates that fall after the end of the current fiscal year

Resolution	Classes of shares	Total amount of dividends (million yen)	Source of dividend	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders, March 28, 2025	Common stock	16,462	Retained earnings	80.00	December 31, 2024	March 31, 2025

#### (Consolidated Statement of Cash Flows)

\*1 Reconciliation of cash and cash equivalents at the end of the fiscal year and the related accounts on the Consolidated Balance Sheet  
(million yen)

	Previous fiscal year (January 1, 2023 – December 31, 2023)	Current fiscal year (January 1, 2024 – December 31, 2024)
Cash and deposits account	154,067	181,043
Time deposits with deposit term exceeding 3 months	(155)	(136)
Negotiable deposits issued by domestic corporations, included in the marketable securities account	3,000	5,000
Deposits with withdrawal limits and restrictions on use	(7,141)	(4,603)
Cash equivalents included in short-term loans receivable ( <i>Gensaki</i> )	25,000	24,993
Cash and cash equivalents at end of the fiscal year	174,771	206,297

\*2 Breakdown of major assets and liabilities related to business transfers

The following is a breakdown of assets and liabilities acquired through business acquisitions and the relationship between the acquisition value of the businesses and payments (net) for the business acquisitions.

Current fiscal year (January 1, 2024 – December 31, 2024)

DRB Group (DRB Group Florida, LLC)

Current assets	7,353 million yen
Non-current assets	6,894
Goodwill	1,601
Current liabilities	(729)
Non-current liabilities	-
Acquisition cost of business	15,119
Cash and cash equivalents	-
Balance: Payments for business transfer (net)	15,119

\*3 Breakdown of major assets and liabilities of companies newly consolidated through the acquisition of equity interests

The following is a breakdown of assets and liabilities at the start of consolidation for companies newly consolidated through the acquisition of equity interests and the relationship between the value of the equity acquired in the related companies and the payments for acquisition (net).

Previous fiscal year (January 1, 2023 – December 31, 2023)

SI HoldCo, LLC and 11 other companies

Current assets	22,831 million yen
Non-current assets	14
Goodwill	5,818
Current liabilities	(2,242)
Non-current liabilities	(15,153)
Non-controlling interests	—
Acquisition cost of equity interests	11,268
Cash and cash equivalents	(1,021)
Balance: Payments for acquisition (net)	10,247

JPI Services Holdings, LLC and 17 other companies

Current assets	23,392 million yen
Non-current assets	8,902
Goodwill	19,997
Current liabilities	(26,747)
Non-current liabilities	-
Non-controlling interests	(547)
Acquisition cost of equity interests	24,998
Cash and cash equivalents	(3,388)
Balance: Payments for acquisition (net)	21,610

Note: The above amounts reflect revisions to the initial allocation of acquisition costs due to the finalization of provisional accounting treatment for business combinations.

TrussWorks Holding Company LLC and 1 other company

Current assets	4,626 million yen
Non-current assets	13,919
Goodwill	5,876
Current liabilities	(539)
Non-current liabilities	(121)
Non-controlling interests	(5,961)
Acquisition cost of equity interests	17,801
Cash and cash equivalents	(2)
Balance: Payments for acquisition (net)	17,798

Note: The above amounts reflect revisions to the initial allocation of acquisition costs due to the finalization of provisional accounting treatment for business combinations.

Current fiscal year (January 1, 2024 – December 31, 2024)

Met Group Holdings Pty Ltd and 9 other companies

Current assets	30,428 million yen
Non-current assets	13,470
Goodwill	7,321
Current liabilities	(34,808)
Non-current liabilities	(2,507)

Non-controlling interests	(3,562)
Acquisition cost of equity interests	10,343
Cash and cash equivalents	(9,774)
Balance: Payments for acquisition (net)	568

(Lease Transactions)

1. Finance lease transactions (As lessee)

Finance lease transactions other than ownership transfer, and right-of-use assets in subsidiaries to which IFRS 16 and ASC 842 are applied

(1) Components of leased assets

Property, plant and equipment

Models (buildings) in the Housing Business, offices and factories (buildings and land) in the Global Construction and Real Estate Business, and private-pay elderly care facilities (buildings) in Other Businesses

(2) Accounting method for depreciation of leased assets

The accounting method for depreciation of leased assets is set out in “Notes to Consolidated Financial Statements (Significant information for preparation of consolidated financial statements), 4. Accounting policies (2) Accounting method for depreciation of significant assets.”

2. Operating lease transactions (As lessee)

Notes have been omitted due to the immateriality of the transactions.

3. Finance lease transactions (As lessor)

Notes have been omitted due to the immateriality of the transactions.

4. Operating lease transactions (As lessor)

Notes have been omitted due to the immateriality of the transactions.

(Financial Instruments)

1. Status of financial instruments

(1) Policy for financial instruments

The Group invests temporary cash surpluses in highly safe financial assets and mainly uses bank loans and bond insurance to raise funds.

Furthermore, the Group uses derivative transactions to mitigate foreign exchange risks related to normal foreign currency-denominated transactions and interest rate fluctuation risk associated with borrowings, and does not conduct transactions for speculative purposes.

(2) Details of financial instruments and related risk

Notes and accounts receivable-trade, electronically recorded monetary claims, and accounts receivable-other, which are operating receivables, are exposed to customers’ credit risk. As short-term loans receivables are mainly repurchase agreements (*gensaki* transactions) involving contracts with financial institutions with a rating above a certain level and are used for investing short-term funds, credit risk is insignificant. Marketable securities are mainly negotiable deposit certificates subject to settlement in the short term. Investment securities are mainly held-to-maturity bonds and equities of customers and suppliers of Group companies, and are exposed to market price fluctuation risk.

Notes and accounts payable-trade, electronically recorded obligations, and accounts payable for construction contracts are operating payables, almost all of which have payment due dates within one year.

Bank loans and bonds payable are mainly used for procuring the finances required to cover working capital and capital investments. Although bank loans with floating interest rates are exposed to interest rate fluctuation risk, the Group uses derivative transactions (interest rate swaps) for hedging a portion of such loans.

Derivative transactions include forward foreign currency exchange contracts and currency swaps to mitigate the risk of



fluctuation in foreign currency exchange rates related to foreign currency-denominated transactions, and interest rate swaps to mitigate the risk of interest rate fluctuation related to interest payments for borrowings.

For information on hedge accounting, including hedging instruments, hedged items, hedging policy, and hedge effectiveness evaluation methods, please refer to “Notes to Consolidated Financial Statements (Significant information for preparation of consolidated financial statements), 4. Accounting policies (6) Significant accounting policies for hedge accounting.”

(3) Risk management for financial instruments

(i) Management of credit risk (risk related to failure by business partners to satisfy performance obligations)

To mitigate credit risk, the Group reviews the due date and receivable balance of each customer in accordance with the Credit Management Guideline. In addition, the Group monitors the credit information of principal customers at least once a year.

(ii) Management of market risk (risk related to foreign exchange rate and interest rate fluctuations)

With regard to investment securities, the Group regularly monitors prices and the financial status of the issuers (business partners). Except for held-to-maturity bonds, the Group constantly reviews the status of its investments by taking into consideration the market situation and its relationship with issuers.

Derivative transactions are executed and managed in accordance with internal rules and policies, within a prescribed scope, by the responsible department of each Group Company, and the status of derivative positions is reported regularly to the Board of Directors.

The Group views the risk of non-performance of contract obligations relating to such transactions as very low since the contracts entered into are diversified among highly creditworthy financial institutions both in Japan and overseas.

(iii) Management of liquidity risk related to financing (risk of failure to meet its contractual obligation in full on maturity dates)

The Finance Department of the Company manages liquidity risk by preparing and revising cash flow plans based on reports from each department and consolidated subsidiaries of the Company.

(4) Supplementary explanation of items relating to the fair values of financial instruments

As variable factors are incorporated into the estimation of the fair values of financial instruments, the relevant value may fluctuate due to adopting different assumptions and other factors. In “Notes to Consolidated Financial Statements (Derivative transactions),” the contract amount, etc. related to derivative transactions does not in itself indicate the market risk associated with derivative transactions.

## 2. Fair value of financial instruments

The amounts in consolidated financial statements, fair values, and their unrealized gain (loss) are set out as follows. Accounts with immaterial amounts in the consolidated financial statements have been omitted.

Previous fiscal year (December 31, 2023)

	Carrying amount reported in the Consolidated Balance Sheet (million yen) *1	Fair value (million yen) *1	Unrealized gain (loss) (million yen)
(1) Marketable securities and investment securities *3			
(i) Held-to-maturity bonds	279	266	(13)
(ii) Shares in affiliates	43,838	40,252	(3,587)
(iii) Available-for-sale securities	76,873	76,873	—
Total assets	120,990	117,390	(3,600)
(1) Bonds payable *4	(90,204)	(87,991)	(2,213)
(2) Long-term borrowings *5	(258,511)	(256,008)	(2,503)
Total liabilities	(348,715)	(343,998)	(4,716)
Derivative transactions *6			
(i) Hedge accounting not applied	220	220	—
(ii) Hedge accounting applied	6,482	6,482	—
Total derivative transactions	6,703	6,703	—

\*1 Liabilities are shown in parentheses.

\*2 Cash has been omitted from the table, and deposits, notes and accounts receivable, negotiable certificates of deposits from among marketable securities, notes and accounts payable, and accounts payable for construction contracts have also been omitted as they are settled in a short period of time and therefore their fair values approximate book value. Accounts with immaterial amounts in consolidated financial statements have also been omitted.

\*3 Shares that do not have readily available market values and investments in partnerships or similar business entities that record the net amount equivalent to equity interest in the Consolidated Balance Sheet, are not included in “(1) Marketable securities and investment securities.” The carrying amounts of these financial instruments in the Consolidated Balance Sheet are as follows.

(million yen)	
Category	Previous fiscal year (December 31, 2023)
Unlisted shares	4,092
Shares in affiliates	104,752

\* These include investments in partnerships or similar business entities that record the net amount equivalent to equity interest in the Consolidated Balance Sheet (Amounts in consolidated financial statements: 4,435 million yen).

\*4 Includes bonds payable with due dates within one year.

\*5 Includes long-term borrowings to be repaid within one year.

\*6 Net receivables and payables that arose through derivative transactions are presented on a net basis, while items representing net payables in total are indicated with parentheses.

Current fiscal year (December 31, 2024)

	Carrying amount reported in the Consolidated Balance Sheet (million yen) *1	Fair value (million yen) *1	Unrealized gain (loss) (million yen)
(1) Marketable securities and investment securities *3			
(i) Held-to-maturity bonds	122	101	(21)
(ii) Shares in affiliates	43,059	44,909	1,850
(iii) Available-for-sale securities	77,600	77,600	—
Total assets	120,780	122,610	1,829
(1) Bonds payable *4	(80,160)	(76,582)	(3,578)
(2) Long-term borrowings *5	(442,574)	(438,511)	(4,063)
Total liabilities	(522,734)	(515,093)	(7,641)
Derivative transactions *6			
(i) Hedge accounting not applied	(100)	(100)	—
(ii) Hedge accounting applied	8,550	8,550	—
Total derivative transactions	8,451	8,451	—

\*1 Liabilities are shown in brackets ( ).

\*2 Annotation referring to cash has been omitted from the table, and annotation of deposits, notes and accounts receivable, negotiable certificates of deposits from among marketable securities, notes and accounts payable, and accounts payable for construction contracts have been omitted as they are settled in the short-term and therefore their fair value approximates book values. Accounts with immaterial amounts in consolidated financial statements have also been omitted.

\*3 Shares that do not have readily available market values are not included in “(1) Marketable securities and investment securities.” The carrying amounts of these financial instruments in the Consolidated Balance Sheet are as follows.  
(million yen)

Category	Current fiscal year (December 31, 2024)
Unlisted shares	3,696
Shares in affiliates	144,481

\* These include investments in partnerships or similar business entities that record the net amount equivalent to equity interest in the Consolidated Balance Sheet (Amounts in consolidated financial statements: 10,079 million yen).

\*4 Includes bonds payable with due dates within one year.

\*5 Includes long-term borrowings to be repaid within one year.

\*6 Net receivables and payables that arose through derivative transactions are presented, while items representing net payables in total are indicated with parentheses.

Note 1 Redemption schedule for monetary claims and securities with maturities after the consolidated closing date

Previous fiscal year (December 31, 2023)

	Within 1 year (million yen)	More than 1 year but within 5 years (million yen)	More than 5 years (million yen)
Cash and deposits	149,118	—	—
Notes and accounts receivable - trade	103,164	—	—
Electronically recorded monetary claims - operating	41,053	—	—
Marketable securities and investment securities			
Held-to-maturity bonds (government bonds, local government bonds, etc.)	167	62	50
Available-for-sale securities with maturity	3,000	—	—
Total	296,502	62	50

Current fiscal year (December 31, 2024)

	Within 1 year (million yen)	More than 1 year but within 5 years (million yen)	More than 5 years (million yen)
Cash and deposits	169,637	—	—
Notes and accounts receivable - trade	104,734	—	—
Electronically recorded monetary claims - operating	44,652	—	—
Marketable securities and investment securities			
Bonds held to maturity (government bonds, local government bonds, etc.)	62	—	60
Available-for-sale securities with maturity	5,000	—	—
Total	324,085	—	60

Note 2 Redemption schedule for bonds payable and long-term borrowings after the consolidated closing date

Previous fiscal year (December 31, 2023)

	Due in 1 year or less (million yen)	Due after 1 year through 2 years (million yen)	Due after 2 years through 3 years (million yen)	Due after 3 years through 4 years (million yen)	Due after 4 years through 5 years (million yen)	Due in more than 5 years (million yen)
Bonds payable	10,012	10,044	20,044	12	10,012	40,080
Long-term borrowings	28,204	30,211	110,400	36,437	15,605	37,654

Current fiscal year (December 31, 2024)

	Due in 1 year or less (million yen)	Due after 1 year through 2 years (million yen)	Due after 2 years through 3 years (million yen)	Due after 3 years through 4 years (million yen)	Due after 4 years through 5 years (million yen)	Due in more than 5 years (million yen)
Bonds payable	10,044	20,012	12	10,012	20,012	20,068
Long-term borrowings	28,718	36,424	117,162	122,105	39,533	98,632

3. Breakdown of fair value of financial instruments by level

Fair values of financial instruments are categorized into the following three levels according to the observability and importance of inputs relating to the calculation of fair values.

Level 1 fair value: A fair value calculated based on market prices of assets or liabilities relevant to the calculation of said fair value and established in an active market, from among observable inputs relating to the calculation of fair value.

Level 2 fair value: A fair value calculated using inputs relating to the calculation of fair value other than the inputs in Level 1, from among observable inputs relating to the calculation of fair value.

Level 3 fair value: A fair value calculated using unobservable inputs relating to the calculation of fair value.

When multiple inputs that have a significant effect on the calculation of fair value are used, the fair value is categorized in the level for which the order of priority is the lowest in the calculation of the fair value, among the levels to which each of those inputs belong.

(1) Financial instruments recorded at fair value in the Consolidated Balance Sheet

Previous fiscal year (December 31, 2023)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Available-for-sale securities				
Stocks	76,873	—	—	76,873
Derivative transactions				
Currency-related	—	6,889	—	6,889
Total assets	76,873	6,889	—	83,761
Derivative transactions				
Currency-related	—	185	—	185
Interest-related	—	1	—	1
Total liabilities	—	186	—	186

Current fiscal year (December 31, 2024)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Available-for-sale securities				
Stocks	77,600	—	—	77,600
Derivative transactions				
Currency-related	—	8,801	—	8,801
Total assets	77,600	8,801	—	86,401
Derivative transactions				
Currency-related	—	349	—	349
Interest-related	—	2	—	2
Total liabilities	—	351	—	351

(2) Financial instruments other than financial instruments recorded at fair value in the Consolidated Balance Sheet

Previous fiscal year (December 31, 2023)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Held-to-maturity bonds				
Government bonds, local government bonds, etc.	266	—	—	266
Shares in affiliates	40,252	—	—	40,252
Total assets	40,517	—	—	40,517
Bonds payable	—	87,991	—	87,991
Long-term borrowings	—	256,008	—	256,008
Total liabilities	—	343,998	—	343,998

Current fiscal year (December 31, 2024)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Held-to-maturity bonds				
Government bonds, local	101	—	—	101
government bonds, etc.				
Shares in affiliates	44,909	—	—	44,909
Total assets	45,010	—	—	45,010
Bonds payable	—	76,582	—	76,582
Long-term borrowings	—	438,511	—	438,511
Total liabilities	—	515,093	—	515,093

(Note) Valuation methodology used for the calculation of fair value and explanation of inputs relating to the calculation of fair value

Marketable securities and investment securities

Listed shares, government bonds and local government bonds, etc. are valued using market prices. As these are transacted in active markets, their fair values are classified as Level 1.

Derivative transactions

As derivatives are transacted over the counter and there are no published market prices, their fair values are calculated based on prices quoted by financial institutions, etc. Accordingly, their fair values are classified as Level 2.

Bonds payable

The fair values of bonds payable are based on the present value calculated by discounting the sum of the principal and interest using an interest rate reflecting credit risk, and redemption periods are taken into account. Accordingly, their fair values are classified as Level 2.

Long-term borrowings

The fair values of long-term borrowings with floating interest rates approximate book value because the interest rate of long-term borrowings reflects market interest rates over the short-term, and the Company's credit standing has not changed significantly since loan execution. Therefore, the relevant book values are used and their fair values are classified as Level 2. The fair values of long-term borrowings with fixed interest rates are principally estimated by discounting the total principal and interest,\* classified by certain maturities, based on estimated interest rates if similar new borrowings were implemented. Accordingly, these fair values are classified as Level 2.

\*For long-term borrowings subjected to exceptional accounting for interest rate swaps, the total principal and interest based on the rate of the interest rate swap in question is applied.

(Securities)

1. Held-to-maturity bonds

Previous fiscal year (December 31, 2023)

	Carrying amount in the Consolidated Balance Sheet (million yen)	Fair value (million yen)	Unrealized gain (loss) (million yen)
(Items for which fair value exceeds the carrying amount in the Consolidated Balance Sheet)			
(i) Government bonds, local government bonds, etc.	229	230	1
(ii) Bonds payable	—	—	—
(iii) Other	—	—	—
Subtotal	229	230	1
(Items for which fair value does not exceed the carrying amount in the Consolidated Balance Sheet)			
(i) Government bonds, local government bonds, etc.	50	36	(14)
(ii) Bonds payable	—	—	—
(iii) Other	—	—	—
Subtotal	50	36	(14)
Total	279	266	(13)

Current fiscal year (December 31, 2024)

	Carrying amount in the Consolidated Balance Sheet (million yen)	Fair value (million yen)	Unrealized gain (loss) (million yen)
(Items for which fair value exceeds the carrying amount in the Consolidated Balance Sheet)			
(i) Government bonds, local government bonds, etc.	62	62	0
(ii) Bonds payable	—	—	—
(iii) Other	—	—	—
Subtotal	62	62	0
(Items for which fair value does not exceed the carrying amount in the Consolidated Balance Sheet)			
(i) Government bonds, local government bonds, etc.	60	39	(21)
(ii) Bonds payable	—	—	—
(iii) Other	—	—	—
Subtotal	60	39	(21)
Total	122	101	(21)

## 2. Available-for-sale securities

Previous fiscal year (December 31, 2023)

	Carrying amount in the Consolidated Balance Sheet (million yen)	Acquisition cost (million yen)	Unrealized gain (loss) (million yen)
(Items for which the carrying amount in the Consolidated Balance Sheet exceeds the acquisition cost)			
(i) Stocks	74,631	20,113	54,518
(ii) Bonds	—	—	—
(iii) Other	—	—	—
Subtotal	74,631	20,113	54,518
(Items for which the carrying amount in the Consolidated Balance Sheet does not exceed the acquisition cost)			
(i) Stocks	2,242	2,570	(328)
(ii) Bonds	—	—	—
(iii) Other	—	—	—
Subtotal	2,242	2,570	(328)
Total	76,873	22,683	54,190

Current fiscal year (December 31, 2024)

	Carrying amount in the Consolidated Balance Sheet (million yen)	Acquisition cost (million yen)	Unrealized gain (loss) (million yen)
(Items for which the carrying amount in the Consolidated Balance Sheet exceeds the acquisition cost)			
(i) Stocks	75,521	19,741	55,780
(ii) Bonds	—	—	—
(iii) Other	—	—	—
Subtotal	75,521	19,741	55,780
(Items for which the carrying amount in the Consolidated Balance Sheet does not exceed the acquisition cost)			
(i) Stocks	2,079	2,572	(493)
(ii) Bonds	—	—	—
(iii) Other	—	—	—
Subtotal	2,079	2,572	(493)
Total	77,600	22,313	55,287

## 3. Available-for-sale securities sold

Previous fiscal year (January 1, 2023 – December 31, 2023)

	Sales amount (million yen)	Total gain on sales (million yen)	Total loss on sales (million yen)
(1) Stocks	3,243	1,935	—
(2) Bonds	—	—	—
(3) Other	—	—	—
Total	3,243	1,935	—



Current fiscal year (January 1, 2024 – December 31, 2024)

	Sales amount (million yen)	Total gain on sales (million yen)	Total loss on sales (million yen)
(1) Stocks	1,242	841	—
(2) Bonds	—	—	—
(3) Other	—	—	—
Total	1,242	841	—

(Derivative transactions)

1. Derivative transactions to which hedge accounting is not applied

Currency-related

Previous fiscal year (December 31, 2023)

Category	Transaction type	Contract amount, etc. (million yen)	Contract amount, etc. due after 1 year (million yen)	Fair value (million yen)	Unrealized gain (loss) (million yen)
Transactions other than market transactions	Forward foreign currency exchange contracts:				
	Sell contract				
	Yen	2,856	—	174	174
	U.S. dollar	347	—	11	11
	Thai Baht	491	491	15	15
	Buy contract				
	Thai Baht	447	447	20	20
Total		4,141	938	220	220

Current fiscal year (December 31, 2024)

Category	Transaction type	Contract amount, etc. (million yen)	Contract amount, etc. due after 1 year (million yen)	Fair value (million yen)	Unrealized gain (loss) (million yen)
Transactions other than market transactions	Forward foreign currency exchange contracts:				
	Sell contract				
	Yen	3,901	—	(42)	(42)
	U.S. dollar	—	—	—	—
	Thai Baht	1,952	—	(41)	(41)
	Buy contract				
	Thai Baht	1,319	—	(16)	(16)
Total		7,172	—	(100)	(100)

The non-controlling interests arising from business combinations of overseas consolidated subsidiaries are transferred to long-term liabilities (other) due to the presence of put options. The table above does not include this amount.

## 2. Derivative transactions to which hedge accounting is applied

### (1) Currency-related

Previous fiscal year (December 31, 2023)

Hedge accounting method	Transaction type	Major hedged items	Contract amount, etc. (million yen)	Contract amount, due after 1 year (million yen)	Fair value (million yen)
Principle treatment method	Forward foreign currency exchange contracts:				
	Sold	Accounts payable - trade			
	U.S. dollar		5,513	—	53
	Euro		1,891	—	15
	Thai Baht		4,586	2,634	177
	Purchased	Accounts payable - trade			
	U.S. dollar		21,150	13,529	6,243
	Euro		4,917	—	(5)
Allocation treatment including forward foreign currency exchange, etc.	Forward foreign currency exchange contracts:				
	Sold	Accounts receivable - trade	1,062	—	*
	U.S. dollar				
	Purchased	Accounts payable - trade			
	U.S. dollar		642	—	*
	Euro		86	—	*
Total			39,847	16,163	6,483

\*Items subjected to allocation treatment of forward foreign currency exchange contracts, etc. are accounted for together with accounts payable and accounts receivable, which are the hedged items. As such, their fair value is included in the fair value of relevant accounts payable and accounts receivable.

Current fiscal year (December 31, 2024)

Hedge accounting method	Transaction type	Major hedged items	Contract amount, etc. (million yen)	Contract amount, due after 1 year (million yen)	Fair value (million yen)
Principle treatment method	Forward foreign currency exchange contracts:				
	Sold	Accounts payable - trade			
	U.S. dollar		7,018	—	(179)
	Euro		3,531	—	(70)
	Thai Baht		3,264	—	297
	Purchased	Accounts payable - trade			
	U.S. dollar		18,701	11,576	8,397
	Euro		4,938	—	107
Allocation treatment including forward foreign currency exchange, etc.	Forward foreign currency exchange contracts:				
	Sold	Accounts receivable - trade	2,178	—	*
	U.S. dollar				
	Purchased	Accounts payable - trade			
	U.S. dollar		138	—	*
	Euro		129	—	*
Total			39,897	11,576	8,552

\*Items subjected to allocation treatment of forward foreign currency exchange contracts, etc. are accounted for together with accounts payable and accounts receivable, which are the hedged items. As such, their fair value is included in the fair value of relevant accounts payable and accounts receivable.

## (2) Interest-related

Previous fiscal year (December 31, 2023)

Hedge accounting method	Transaction type	Major hedged items	Contract amount, etc. (million yen)	Contract amount, due after 1 year (million yen)	Fair value (million yen)
Principle treatment method	Interest rate swap contracts: Receive-variable rate/Pay-fixed rate	Long-term borrowings	100	59	(1)
Exceptional accounting for interest rate swaps	Interest rate swap contracts: Receive-variable rate/Pay-fixed rate	Long-term borrowings	1,810	785	*
Total			1,910	844	(1)

\*Items subjected to exceptional accounting for interest rate swaps are accounted for together with long-term borrowings, which is the hedged item. As such, their fair value is included in the fair value of the relevant long-term borrowings.

Current fiscal year (December 31, 2024)

Hedge accounting method	Transaction type	Major hedged items	Contract amount, etc. (million yen)	Contract amount, due after 1 year (million yen)	Fair value (million yen)
Principle treatment method	Interest rate swap contracts: Receive-variable rate/Pay-fixed rate	Long-term borrowings	2,070	2,023	(2)
Exceptional accounting for interest rate swaps	Interest rate swap contracts: Receive-variable rate/Pay-fixed rate	Long-term borrowings	1,810	712	*
Total			3,880	2,735	(2)

\*Items subjected to exceptional accounting for interest rate swaps are accounted for together with long-term borrowings, which is the hedged item. As such, their fair value is included in the fair value of the relevant long-term borrowings.

## (Retirement benefits)

## 1. Overview of retirement benefit plans adopted

The Company, its domestic consolidated subsidiaries, and some of its overseas consolidated subsidiaries have put in place corporate pension funds, contract-based corporate pension plans, and lump-sum retirement benefit plans as their defined benefit plans, and participate in the defined contribution pension system and the Smaller Enterprise Retirement Allowance Mutual Aid (SERAMA) Scheme as their defined contribution plans. Of the defined contribution corporate pension plans, multi-employer schemes that do not allow for the reasonable calculation of plan assets corresponding to the company's contributions are accounted for using the same method as that for defined contribution systems.

Some consolidated subsidiaries have contract-based corporate pension plans and lump-sum retirement benefit plans, and use a simplified method for calculating retirement benefit liability and expenses.

In certain cases, special retirement benefits may be paid to employees upon their retirement.

## 2. Defined benefit plans

(1) Changes in retirement benefit obligations at the beginning and end of the fiscal year (excluding plans to which the simplified method is applied)

(million yen)

	Previous fiscal year (January 1, 2023 – December 31, 2023)	Current fiscal year (January 1, 2024 – December 31, 2024)
Retirement benefit obligations balance at the beginning of the year	73,506	73,114
Service cost	2,894	2,795
Interest cost	1,052	1,090
Actuarial gain and loss	(1,460)	(6,562)
Retirement benefits paid	(2,870)	(3,704)
Prior service cost	(76)	(19)
Other	68	128
Retirement benefit obligations balance at the end of the year	73,114	66,841

(2) Changes in plan assets at the beginning and end of the fiscal year (excluding plans to which the simplified method is applied)

(million yen)

	Previous fiscal year (January 1, 2023 – December 31, 2023)	Current fiscal year (January 1, 2024 – December 31, 2024)
Plan assets at the beginning of the year	63,575	68,387
Expected return on plan assets	1,831	2,106
Actuarial gain and loss	3,542	3,240
Employer contributions	1,847	1,854
Retirement benefits paid	(2,407)	(3,079)
Plan assets at the end of the year	68,387	72,508

(3) Changes in retirement benefit liability at the beginning and end of the fiscal year for plans to which the simplified method is applied

(million yen)

	Previous fiscal year (January 1, 2023 – December 31, 2023)	Current fiscal year (January 1, 2024 – December 31, 2024)
Retirement benefit liability balance at the beginning of the year	1,150	1,207
Retirement benefit expense	155	139
Retirement benefits paid	(126)	(133)
Contributions	(20)	(20)
Other	48	8
Retirement benefit liability balance at the end of the year	1,207	1,201

(4) Changes in year-end balance of retirement benefit liability and plan assets, and retirement benefit liability and assets recorded in the Consolidated Balance Sheet

(million yen)

	Previous fiscal year (December 31, 2022)	Current fiscal year (December 31, 2023)
Funded retirement benefit obligation	65,725	59,308
Plan assets	(68,862)	(73,054)
	(3,138)	(13,746)
Unfunded retirement benefit obligation	9,071	9,280
Net retirement benefit liability in the consolidated balance sheet	5,934	(4,465)
Retirement benefit liability	10,587	9,724
Retirement benefit assets	(4,653)	(14,189)
Net retirement benefit liability in the consolidated balance sheet	5,934	(4,465)

(5) Components of retirement benefit expense

(million yen)

	Previous fiscal year (January 1, 2023 – December 31, 2023)	Current fiscal year (January 1, 2024 – December 31, 2024)
Service cost	2,894	2,795
Interest cost	1,052	1,090
Expected return on plan assets	(1,831)	(2,106)
Amortization of actuarial gain and loss	(5,003)	(9,802)
Amortization of prior service cost	(76)	(19)
Retirement benefit expense under the simplified method	155	139
Other	(40)	34
Retirement benefit expense for defined benefit plans	(2,849)	(7,869)

(6) Plan assets

(i) Major components of plan assets

The following are the percentages of the major components of plan assets, by major category, of total plan assets.

	Previous fiscal year (December 31, 2023)	Current fiscal year (December 31, 2024)
Bonds	36%	35%
Stocks	29	20
Alternative *	16	20
General account	12	11
Other	7	3
Total	100	100

Note: “Alternative,” which was included in “other” in the previous fiscal year, has been presented independently in the fiscal year under review in view of its increased materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified. Accordingly, in the major components of plan assets for the previous fiscal year, 23% previously presented as “other” has been reclassified as 16% in “alternative” and 7% in “other.”

“Alternative” consists primarily of investments in real estate and funds.

(ii) Method of determining the expected long-term return rate on plan assets

To determine the expected long-term return rate on plan assets, the Company takes into consideration the current and anticipated allocation of plan assets and the current and future expected long-term return rate from the diverse assets that constitute plan assets.

(7) Assumptions for actuarial calculations

Major assumptions used in actuarial calculations

	Previous fiscal year (December 31, 2023)	Current fiscal year (December 31, 2024)
Discount rates	0.000% - 1.839%	0.299% - 2.727%
Expected long-term rate of return on plan assets	2.9%	3.1%
Expected rate of salary increase (point-based system)	5.2%	5.2%

3. Defined contribution plans

The amounts of required contributions to defined contribution plans (including multi-employer defined corporate pension plans similarly accounted for as defined contribution plans) by the Company and its consolidated subsidiaries were 1,986 million yen in the fiscal year ended December 31, 2023 and 2,556 million yen in the fiscal year ended December 31, 2024.

Matters related to multi-employer plans for which required contributions are accounted for as retirement benefit expenses are omitted due to their immateriality.

(Stock options)

1. Expenses and account name related to stock options

Not applicable.

## 2. Description, volumes and changes in stock options

### (1) Description of stock options

	Sumitomo Forestry Co., Ltd. 2015 Stock Acquisition Rights (Stock-based compensation type)	Sumitomo Forestry Co., Ltd. 2016 Stock Acquisition Rights (Stock-based compensation type)	Sumitomo Forestry Co., Ltd. 2017 Stock Acquisition Rights (Stock-based compensation type)
Date of resolution	July 31, 2015	July 29, 2016	July 28, 2017
Categories and number of individuals covered	Directors of the Company (excluding Outside Directors): 8 Executive officers of the Company (excluding those serving concurrently as Directors): 11	Directors of the Company (excluding Outside Directors): 8 Executive officers of the Company (excluding those serving concurrently as Directors): 13	Directors of the Company (excluding Outside Directors): 8 Executive officers of the Company (excluding those serving concurrently as Directors): 12
Number of stock options granted by class of share (No. of shares) (Note 1)	Common stock: 38,800	Common stock: 41,400	Common stock: 38,500
Grant date	August 20, 2015	August 19, 2016	August 18, 2017
Vesting conditions	No provisions	No provisions	No provisions
Eligible service period	No provisions	No provisions	No provisions
Exercise period*	From August 21, 2015 to August 20, 2035	From August 20, 2016 to August 19, 2036	From August 19, 2017 to August 18, 2037
Number of stock acquisition rights (units)*	156	212	212 (204)
Class, description, and number of stocks for stock acquisition rights* (Note 2)	Common stock: 15,600	Common stock: 21,200	Common stock: 21,200 (20,400)
Amount paid per share upon exercise of stock acquisition rights (yen)* (Note 3)	1	1	1
Share issue price and capital incorporation amount upon exercise of stock acquisition rights (yen) (Notes 4, 5)	Issuance price: 1,234 Amount to be incorporated into stated capital: 617	Issuance price: 1,093 Amount to be incorporated into stated capital: 547	Issuance price: 1,257 Amount to be incorporated into stated capital: 629
Conditions to exercise stock acquisition rights*	Note 6	Note 6	Note 6
Matters related to the transfer of stock acquisition rights*	The acquisition of stock acquisition rights through transfer must be approved through resolution by the Company's Board of Directors.		
Matters related to the issuance of stock acquisition rights accompanying reorganization*	Note 7	Note 7	Note 7
Matters related to the conditions for acquisition of stock acquisition rights*	Note 8	Note 8	Note 8

\*The above information is as of the end of the fiscal year ended December 31, 2024. Items changed from the last day of the fiscal year under review to the end of the month (February 28, 2025) prior to the date of submission of the Annual Securities Report are shown in parentheses as of the end of the previous month.

Notes 1 Figures presented have been converted to the equivalent number of shares.

- The number of shares underlying each stock acquisition right (hereafter, "number of shares granted") is 100 shares. However, after the date for the allotment of stock acquisition rights (hereafter, "allotment date"), the Company adjusts the number of shares granted based on the following formula in cases where the Company carries out a stock split (including the allotment of the shares without compensation from the Company's common stock; the same applies to statements relating to stock splits hereafter) or a reverse stock split of its common stock. Fractions of less than one share resulting from the adjustment are rounded to the nearest whole number.

Number of shares granted after adjustment = Number of shares granted before adjustment × Percentage of stock split or reverse stock split

The number of shares granted after adjustment applies from the day after the record date of the stock split in the case of a stock split (if a record date is not specified, the effective date of the stock split), and from the day after the effective date in the case of a reverse stock split. However, if a stock split is carried out on the condition that a proposal to reduce the amount of surplus and increase capital or reserves is approved at the general meeting of shareholders, and in cases where a date prior to the date of the conclusion of the general meeting of shareholders in question is specified as the record date for the stock split, the number of shares granted after adjustment is applied retroactively to the day following this record date, after the day following the date of the conclusion of the general meeting of shareholders.

In addition, after the allotment date, if the Company implements a merger, company split, or share exchange, or if it is necessary to adjust the number of shares granted in accordance with these cases, the Company may make reasonable adjustments to the number of shares granted.

When adjusting the number of shares granted, the Company notifies or gives public notice of the necessary matters to the holders of each stock acquisition right (hereafter, “stock acquisition right holders”) recorded in the share option registry, by the day before the date when the number of shares granted after adjustment becomes applicable. However, if the Company is unable to notify or give public notice by the day before the applicable date in question, it notifies or gives public notice to the stock acquisition right holders promptly thereafter.

- 3 The value of assets invested upon the exercise of each stock acquisition right is the amount obtained by taking the exercise price per share of stocks that can be issued through the exercise of the stock acquisition right in question as one yen, and multiplying that by the number of shares issued.
- 4 The issue price is the sum of the paid-in amount (fair value) of the stock acquisition right on the allotment date and the paid-in amount (one yen per share) when the stock acquisition right is exercised. Persons to whom stock acquisition rights have been allotted offset their payment obligations for the paid-in amount (fair value) of the stock acquisition right in question against the compensation claim to the Company.
- 5 (1) The amount of capital increase when issuing shares through the exercise of stock acquisition rights is half of the maximum amount of capital increase calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance on Accounting of Companies. Any fraction of less than one yen resulting from the calculations is rounded up to the nearest whole number.  
 (2) The amount of capital reserve to be increased when issuing shares through the exercise of stock acquisition rights is the amount obtained by subtracting the amount of capital increase stated in (1) from the maximum amount of capital increase stated in (1).
- 6 (1) Stock acquisition right holders may, within the above-mentioned exercise period of stock acquisition rights, exercise their stock acquisition rights from the day following the date marking three years from the grant date, or the day following the date on which they lose their position as a director or executive officer of the Company due to the expiration of their term of office or other reasons, whichever is earlier.  
 (2) Stock acquisition right holders may not exercise their stock acquisition rights after the day following the date marking five years from the day following the date on which they lost their position as a director or executive officer of the Company.  
 (3) Notwithstanding (1), stock acquisition right holders may, within the exercise period of the abovementioned stock acquisition rights, exercise their stock acquisition rights within 30 days from the day following the date of approval by the general meeting of shareholders (approval by a resolution of the Board of Directors in cases where a resolution by the general meeting of shareholders is not required) on a proposal to approve a merger agreement in which the Company becomes the consolidated company or merged company, or a proposal to approve a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary. However, this does not apply in cases where a merger agreement, share exchange agreement, or share transfer plan stipulates that stock acquisition rights of the reorganized company will be granted to stock acquisition right holders pursuant to Note 7.  
 (4) The inheritance of stock acquisition rights is permitted only when such rights are succeeded by one of the legal successors of the stock acquisition rights (hereafter, “successor”). The successor may exercise their stock acquisition rights by one of the following dates, whichever is earlier.
  - (i) The date marking three years from the day following the date when the successor is confirmed as the successor of the stock acquisition rights
  - (ii) The date marking five years from the day following the date of death of the stock acquisition right holder
  - (iii) The expiration date of the abovementioned exercise period of the stock acquisition rights
  - (iv) The date marking five years from the day following the date on which the stock acquisition right holder lost their position as director or executive officer of the Company
- (5) Stock acquisition right holders may not exercise the stock acquisition rights in question if they have surrendered such rights.
- 7 When the Company conducts a merger (only where the Company is dissolved due to a merger), absorption-type or incorporation-type company split (only where the Company becomes the split company), stock exchanges or share transfers (only where the Company becomes a wholly-owned subsidiary) (collectively referred to as “reorganization action”), it grants stock acquisition rights of the stock company (hereafter, “reorganized company”), as set out in (a) to (e) of Paragraph 1 (viii), Article 236 of the Companies Act, to stock acquisition right holders who hold stock acquisition rights remaining (hereafter, “remaining stock acquisition rights”) immediately before the effective date of the



reorganization action (date on which the absorption-type merger takes effect in the case of an absorption-type merger, date on which a stock company incorporated through a consolidation-type merger is established in the case of a consolidation-type merger, date on which the absorption-type company split takes effect in the case of an absorption-type split, date on which a stock company incorporated through an incorporation-type company split is established in the case of an incorporation-type company split, date on which a share exchange takes effect in the case of a share exchange, and date on which a wholly owning parent company incorporated through share transfer is established in the case of share transfer; the same applies hereafter), in each of the cases; provided, however, that an absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan shall stipulate that the stock acquisition rights of the reorganized company will be granted in accordance with each of the following items.

- (1) Number of stock acquisition rights of the reorganized company to be issued  
The same number of rights as the number of remaining stock acquisition rights held by the stock acquisition right holder is issued.
  - (2) Class of shares of the reorganized company to be issued upon exercise of the stock acquisition rights  
Common stocks of the reorganized company
  - (3) Number of shares of the reorganized company to be issued upon exercise of the stock acquisition rights  
To be determined pursuant to Note 2, upon consideration of the conditions or other factors concerning the reorganization action.
  - (4) Value of assets invested upon the exercise of the stock acquisition rights  
The value of assets invested upon the exercise of each stock acquisition right granted is the amount obtained by multiplying the exercise price after reorganization, stipulated below, by the number of shares of the reorganized company to be issued upon the exercise of the stock acquisition rights, determined pursuant to (3). The exercise price after reorganization is one yen per share of the reorganized company that may be granted through the exercise of each stock acquisition right granted.
  - (5) Exercise period of the stock acquisition rights  
The above-mentioned start date of the exercise period of the stock acquisition rights or the effective date of the reorganization, whichever is later, is the expiration date of the exercise period of the stock acquisition rights defined above.
  - (6) Matters relating to the capital and capital reserves to be increased in the case of share issuance through the exercise of stock acquisition rights, shall be determined pursuant to Note 5.
  - (7) Restrictions on the acquisition of stock acquisition rights through transfer  
The acquisition of stock acquisition rights through transfer requires approval through a resolution by the Board of Directors of the reorganized company.
  - (8) Provisions governing the acquisition of stock acquisition rights  
To be determined pursuant to Note 8.
  - (9) Other conditions for the exercise of stock acquisition rights  
To be determined pursuant to Note 6.
- 8 If the following proposals (1), (2), (3), (4), or (5) are approved at the Company's general meeting of shareholders (approval by a resolution of the Board of Directors in cases where a resolution by the general meeting of shareholders is not required), the Company may, on a date prescribed separately by the Company's Board of Directors, acquire stock acquisition rights without compensation.
- (1) Proposal to approve a merger agreement in which the Company becomes the consolidated company or merged company
  - (2) Proposal to approve a split agreement or split plan in which the Company becomes the split company
  - (3) Proposal to approve a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary
  - (4) Proposal to approve changes to the Articles of Incorporation that set out provisions on the requirement for the Company's approval for the acquisition of stock acquisition rights through transfer for all stocks issued by the Company
  - (5) Proposal to approve changes to the Articles of Incorporation that set out provisions on the requirement for the Company's approval for the acquisition of stocks through transfer for classes of stocks that are subject to stock acquisition rights, or provisions on the Company's acquisition of all such classes of stocks through a resolution by the general meeting of shareholders

(2) Volume and changes in stock options

The number of stock options applicable refers to those that existed in the current fiscal year ended December 31, 2024, and have been converted into the equivalent number of shares shown as follows.

(i) Number of stock options

	Sumitomo Forestry Co., Ltd. 2015 Stock Acquisition Rights (Stock-based compensation type)	Sumitomo Forestry Co., Ltd. 2016 Stock Acquisition Rights (Stock-based compensation type)	Sumitomo Forestry Co., Ltd. 2017 Stock Acquisition Rights (Stock-based compensation type)
Unvested stock options (Number of shares)			
As of December 31, 2023	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Unvested as of December 31, 2024	—	—	—
Vested stock options (Number of shares)			
As of December 31, 2023	16,500	22,100	23,700
Vested	—	—	—
Exercised	900	900	2,500
Forfeited	—	—	—
Unexercised as of December 31, 2024	15,600	21,200	21,200

(ii) Unit price information

	Sumitomo Forestry Co., Ltd. 2015 Stock Acquisition Rights (Stock-based compensation type)	Sumitomo Forestry Co., Ltd. 2016 Stock Acquisition Rights (Stock-based compensation type)	Sumitomo Forestry Co., Ltd. 2017 Stock Acquisition Rights (Stock-based compensation type)
Exercise price (yen)	1	1	1
Average stock price when exercised (yen)	4,329	4,329	4,767
Fair unit value on the grant date (yen)	1,233	1,092	1,256

3. Method for estimating a fair unit value for stock options

No stock options were granted in the fiscal year ended December 31, 2024.

4. Method for estimating the number of vested stock options

As it is difficult to reasonably estimate the expiring number of options in the future, a method that reflects only the number of options that have been actually forfeited is generally applied.

## (Income taxes)

## 1. Significant components of deferred tax assets and liabilities

(million yen)

	Previous fiscal year (December 31, 2023)	Current fiscal year (December 31, 2024)
Deferred tax assets		
Allowance for doubtful accounts	446	369
Provision for bonuses	4,374	4,721
Accrued legal welfare expense on employees' bonuses	664	719
Unpaid enterprise taxes	789	558
Devaluation of real estate for sale	142	133
Retirement benefit liability	2,923	2,660
Devaluation of non-current assets	766	752
Devaluation of financial instruments/golf-club memberships	1,168	1,163
Tax loss carryforwards (Notes)	4,326	4,615
Impairment loss	2,184	1,978
Provision for warranties for completed construction	1,429	2,344
Unrealized gain on non-current assets	443	472
Other	9,457	10,626
Gross deferred tax assets	29,112	31,110
Valuation allowance for tax loss carryforwards (Notes)	(3,870)	(4,122)
Valuation allowance for others	(9,464)	(7,084)
Valuation allowance	(13,334)	(11,205)
Total deferred tax assets	15,778	19,905
Deferred tax liabilities		
Reserve for tax purpose reduction entry of non-current assets	757	757
Retirement benefit assets	1,455	4,391
Gain on securities contributed to employee retirement benefit trusts	1,056	1,056
Valuation difference on available-for-sale securities	16,443	16,778
Land revaluation differences	814	816
Taxes on undistributed earnings of subsidiaries	8,956	10,838
Other	12,596	14,150
Gross deferred tax liabilities	42,078	48,785
Net deferred tax assets (liabilities)	(26,300)	(28,880)

Note Breakdown of amount of tax loss carryforwards and their deferred tax assets by carryforward expiration period.

## Previous fiscal year (December 31, 2023)

	Due in 1 year or less (million yen)	Due after 1 year through 2 years (million yen)	Due after 2 years through 3 years (million yen)	Due after 3 years through 4 years (million yen)	Due after 4 years through 5 years (million yen)	Due in more than 5 years (million yen)	Total (million yen)
Tax loss carryforwards*	260	148	268	213	330	3,106	4,326
Valuation allowance	(260)	(148)	(268)	(213)	(330)	(2,650)	(3,870)
Deferred tax assets	—	—	—	—	—	456	456

\*Tax loss carryforwards is the amount multiplied by the effective statutory tax rate.

Current fiscal year (December 31, 2024)

	Due in 1 year or less (million yen)	Due after 1 year through 2 years (million yen)	Due after 2 years through 3 years (million yen)	Due after 3 years through 4 years (million yen)	Due after 4 years through 5 years (million yen)	Due in more than 5 years (million yen)	Total (million yen)
Tax loss carryforwards*	148	269	204	217	337	3,441	4,615
Valuation allowance	(148)	(269)	(204)	(217)	(337)	(2,947)	(4,122)
Deferred tax assets	—	—	—	—	—	494	494

\*Tax loss carryforwards is the amount multiplied by the effective statutory tax rate.

2. Major factors underlying the differences between the effective statutory tax rate and the effective income tax rate after application of tax effect accounting

	Previous fiscal year (December 31, 2023)	Current fiscal year (December 31, 2024)
Effective statutory tax rate	30.6%	30.6%
(Adjustments)		
Permanently non-deductible expenses for tax purposes such as entertainment expenses	0.2	0.2
Permanently non-taxable items such as dividend income	(4.4)	(6.0)
Per capita portion of inhabitant tax	0.2	0.2
Amortization of goodwill	0.9	1.4
Valuation allowance	(1.7)	(1.1)
Share of profit of entities accounted for using equity method	(0.5)	0.1
Undistributed earnings of subsidiaries, etc.	0.8	1.0
Tax rate differences with overseas subsidiaries, etc.	(7.1)	(6.4)
Other	3.5	3.4
Effective corporate income tax rate after application of tax effect accounting	21.8	23.2

(Changes in presentation)

“Undistributed earnings of subsidiaries, etc.,” which was included in “Other” in the previous fiscal year, has been presented independently in the fiscal year under review in view of its increased materiality. Accordingly, in the major factors underlying the differences between the effective statutory tax rate and the effective income tax rate after application of tax effect accounting for the previous fiscal year, 3.5% presented as “other” has been reclassified as 0.8% in “undistributed earnings of subsidiaries, etc.” and 2.7% in “other.”

(Business Combinations)

(Business Transfer by DRB Group)

At the Board of Directors meeting held on February 29, 2024, the Company resolved to take over the business of US-based Biscayne Homes, LLC and Biscayne Homes Lagoon, LLC through the Company's consolidated subsidiary DRB Group, and the Business Acquisition Agreement was signed on February 29, 2024 (U.S. time). Pursuant to this agreement, the Company completed the acquisition of the business on March 1, 2024 (U.S. time).

1. Summary of the business combination

(1) Name of company and description of its business

Name of company: Biscayne Homes, LLC and Biscayne Homes Lagoon, LLC

Description of business: Construction and sales of housing for sale

(2) Main reason for the business transfer

With the aim of expanding its business in the state of Florida, which has the second largest number of construction permits in the U.S. and is expected to continue to expand its housing market, the Company acquired the business from Biscayne Homes, LLC and Biscayne Homes Lagoon, LLC, which are engaged in the for-sale housing business in Tampa City, Florida.

(3) Date of business combination

March 1, 2024 (U.S. time)

(4) Legal form of the business combination

Business transfer with cash

(5) Name of company after business combination

DRB Group Florida, LLC

(6) Basis for determining the acquiring company

The Company's consolidated subsidiary, DRB Group, is the acquiring company because it is paying cash for the business transfer.

2. Period for which the business results of the acquiree are included in the consolidated financial statements of the Company

March 1, 2024 to December 31, 2024

3. Breakdown of consideration for acquisition and type of consideration

Consideration for acquisition	Cash	15,119 million yen
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Acquisition cost:	15,119 million yen
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Note: Consideration for the acquisition reflects price adjustments based on business transfer agreements.

4. Description and amount of primary acquisition-related costs

Advisory fee: 232 million yen

5. Amount of goodwill, reason for recognition, and method and period of amortization

(1) Amount of goodwill

1,601 million yen

(2) Reason for recognition

The acquisition cost exceeded the fair value of net assets acquired at the date of business combination

(3) Amortization method and period

Straight-line amortization over three years

6. Amount and breakdown of assets acquired and liabilities assumed on the date of business transfer

Current assets	7,353 million yen
Non-current assets	6,894
Total assets	14,246
Current liabilities	729
Non-current liabilities	-
Total liabilities	729

7. Estimated impact on the consolidated statement of income for the current fiscal year if the business transfer is assumed to have been completed on the first day of the fiscal year, and the calculation method

Notes have been omitted due to the immateriality of the transactions.

(Determination of Provisional Accounting Treatment for Business Combinations of JPI Group)

A business combination with JPI Services Holdings, LLC and 17 other companies, which was conducted on November 30, 2023 (U.S. time), was provisionally accounted for in the previous fiscal year, but was finalized in the current fiscal year. In addition, contingent consideration as an earnout clause is measured at fair value as of the acquisition date to predict the likelihood of future payment.

Upon finalization of these preliminary accounting treatments, significant revisions were reflected in the initial allocation of acquisition costs.

As a result, the amount of goodwill calculated on a provisional basis of 24,261 million yen was increased by 2,888 million yen to 27,149 million yen. The increase in goodwill was due to an increase of 7,899 million yen resulting from the adjustment of the acquisition price, increases of 4,840 million yen in other intangible assets (order backlog, amortization period over two years), 440 million yen in other intangible assets (trademarks), 73 million yen in lease assets, 667 million yen in accounts payable-other, and a decrease of 324 million yen in non-controlling interests.

(Determination of Provisional Accounting Treatment for Business Combinations of TrussWorks Group)

A business combination with TrussWorks Holding Company LLC and one other company, which was conducted on November 2, 2023 (U.S. time), was provisionally accounted for in the previous fiscal year, but was finalized in the current fiscal year.

Upon finalization of this preliminary accounting treatment, significant revisions were reflected in the initial allocation of acquisition costs.

As a result, the amount of goodwill calculated on a provisional basis of 13,876 million yen decreased by 8,000 million yen to 5,876 million yen. The decrease in goodwill was due to an increase of 414 million yen resulting from the adjustment of the acquisition price, as well as increases of 10,135 million yen in other intangible assets (customer-related assets, amortization period over eight years), 2,484 million yen in other intangible assets (order backlog, etc. amortization period over 11 months), and 4,206 million yen in non-controlling interests.

(Acquisition of equity interests of Met Group Holdings Pty Ltd and nine other companies)

1. Summary of the business combination

(1) Name of the acquiree and business description

Name of the acquiree: Met Group Holdings Pty Ltd and nine other companies

Description of business: Single-family homes business

(2) Main reason for implementing the business combination

Meticon Group is Australia's largest home builder and is mainly engaged in the order home business in Victoria, Queensland, New South Wales, and South Australia, where it has established a strong brand presence. With the acquisition of Meticon's shares, Sumitomo Forestry Group will rank first in Australia with more than 7,000 housing starts a year for single-family homes in the country, in combination with existing Group companies, and aims to expand its housing business in Australia and build a stable revenue portfolio for its overseas housing business.

The Company will pursue group synergies in the single-family homes business by reducing material procurement costs and building an even more stable supply system. In addition, since Meticon has been expanding its business domains to

cover areas such as further affordable single-family home products, townhouses, and construction of public housing in response to rising housing prices, the Company aims to increase its market share in the single-family homes business and grow in new business domains.

(3) Date of business combination

November 1, 2024 (U.S. time)

(4) Legal form of the business combination

Acquisition of equity interests with cash

(5) Name of company after business combination

No change in name

(6) Ratio of voting rights acquired

51%

(7) Basis for determining the acquiring company

PHSF Capital Pty Ltd, a consolidated subsidiary newly established by Sumitomo Forestry Australia Pty Ltd. is acquiring the shares with cash.

2. Period for which the business results of the acquiree are included in the consolidated financial statements of the Company

The deemed acquisition date is December 31, 2024, and only the balance sheet as of December 31, which is the closing date of the acquired company, is consolidated. Accordingly, the results of the acquired company are not included in the consolidated statement of income for the fiscal year under review.

3. Breakdown of consideration for acquisition and type of consideration

Consideration for acquisition	Cash	10,343 million yen
Acquisition cost:		10,343 million yen

4. Description and amount of primary acquisition-related costs

Advisory fee: 382 million yen

5. Amount of goodwill, reason for recognition, and method and period of amortization

(1) Amount of goodwill

7,321 million yen

Note: The above amount is calculated on a provisional basis because the allocation of acquisition costs has not been completed since the period from the business combination date to the closing date is short and the identification of identifiable assets and liabilities as of the business combination date and the estimation of market value have not been completed.

(2) Reason for recognition

The acquisition cost exceeded the fair value of net assets acquired at the date of business combination

(3) Amortization method and period

Straight-line amortization over the period in which the effect of the acquisition continues.

6. Amount and breakdown of assets acquired and liabilities assumed on the date of business transfer

Current assets	30,428 million yen
Non-current assets	13,470
Total assets	43,898
Current liabilities	34,808
Non-current liabilities	2,507
Total liabilities	37,314

7. Estimated impact on the consolidated statement of income for the current fiscal year if the business combination is assumed to have been completed on the first day of the fiscal year, and the calculation method

Net sales	193,130 million yen
Recurring income (loss)	1,638
Profit (loss) attributable to owners of parent	526

(Calculation Method for Estimated Amounts) (Unaudited information)

The difference between net sales and profit and loss information calculated on the assumption that the business combination was completed on the first day of the fiscal year and net sales and profit and loss information in the statement of income of the acquired company is used as the approximate amount of the impact. In addition, the amortization amount is calculated as if the goodwill recognized at the time of the business combination had occurred on the first day of the current consolidated fiscal year, and is included in the approximate amount.

(Asset retirement obligations)

Asset retirement obligations recorded in the Consolidated Balance Sheet

1. Overview of asset retirement obligations

Asset retirement obligations include the obligation to restore properties to their original state in accordance with real estate lease contracts and fixed-term commercial land lease agreements for housing exhibition sites used for model homes, offices, etc.

2. Method of calculating the amounts of asset retirement obligations

Asset retirement obligations are calculated using discount rates ranging from 0.00% to 2.15% and estimating expected usage terms ranging from five years to 49 years after acquisition.

3. Changes in total asset retirement obligations

(million yen)

	Previous fiscal year (January 1, 2023 – December 31, 2023)	Current fiscal year (January 1, 2024 – December 31, 2024)
Balance at beginning of the year	3,843	3,573
Increase in liability incurred for property, plant and equipment acquired	261	118
Change in estimates	78	22
Accretion expense	12	13
Liabilities settled	(620)	(126)
Balance at end of the year	3,573	3,601



(Investment properties)

The Company and some of its consolidated subsidiaries hold rental properties such as rental condominiums in Tokyo and other areas and overseas (mainly in the United States). The net rental income from the investment properties (the income is recorded in net sales and the expense is principally charged to cost of sales) was 639 million yen for the fiscal year ended December 31, 2023, and gain on sales (recorded as non-operating income) was 518 million yen. The net rental income from the investment properties (the income is recorded in net sales and the majority of expenses is charged to cost of sales) was 565 million yen and gain on sales (recorded as non-operating income) was 475 million yen for the fiscal year ended December 31, 2024.

The amounts recognized in the Consolidated Balance Sheet, changes during the fiscal year, and fair values related to investment properties were as follows:

(million yen)

	Previous fiscal year (January 1, 2023 – December 31, 2023)	Current fiscal year (January 1, 2024 – December 31, 2024)
Carrying amount in the Consolidated Balance Sheet		
Balance at beginning of the year	39,383	44,125
Changes during the year	4,742	13,000
Balance at end of the year	44,125	57,125
Fair value at end of the year	42,949	57,657

- Notes 1 The amounts in the consolidated financial statements are obtained by deducting accumulated depreciation from the cost of acquisition.
- 2 The main components of changes in the carrying amounts for the fiscal year ended December 31, 2023 included an increase of 7,266 million yen due to acquisitions of real estate, an increase of 1,813 million yen due to exchange rate fluctuations, a decrease of 3,552 million yen due to sales of real estate, and a decrease of 785 million yen due to depreciation. The main components of changes in the carrying amounts for the fiscal year ended December 31, 2024 included an increase of 17,827 million yen due to acquisitions of real estate, an increase of 4,046 million yen due to exchange rate fluctuations, a decrease of 6,486 million yen due to change of purpose of holding to real estate for sale, a decrease of 1,977 million yen due to sales of real estate, and a decrease of 411 million yen due to depreciation.
- 3 The fair value at the end of the fiscal year is based on the appraisal value determined by real estate appraisers as well as an amount based on indicators that appropriately reflect the market price.
- 4 The Company owns rental land in Ehime Prefecture (amount in consolidated financial statements: 644 million yen for the fiscal year ended December 31, 2023 and 644 million yen for the fiscal year ended December 31, 2024). However, as it is difficult to determine and confirm the land area due to historical reasons, it is extremely challenging to determine the fair value of this rental land. Accordingly, it is not included in investment property.
- 5 Pre-development planned properties (amount in consolidated financial statements: 17,350 million yen for the fiscal year ended December 31, 2024) are not included in real estate for rent, etc. because they are in the initial stage of development and it is extremely difficult to determine their fair values.

(Revenue recognition)

1. Information on the disaggregation of revenue from contracts with customers

(million yen)

		Main regional market (Note 1)	Previous fiscal year (January 1, 2023 – December 31, 2023)	Current fiscal year (January 1, 2024 – December 31, 2024)
Reportable segments	Timber and	Japan	164,680	176,011
Other	Building Materials	Other	49,223	55,509
	Business	Subtotal	213,903	231,519
	Housing Business	Japan	505,157	513,092
	Global Construction and Real Estate Business	U.S.	774,370	1,050,885
		Australia	147,823	162,868
		Other	24,513	24,298
		Subtotal	946,705	1,238,051
	Environment and Resources Business Japan	Japan	15,250	15,109
		China	3,385	4,131
		Indonesia	2,387	3,004
		Other	2,460	3,334
		Subtotal	23,482	25,577
	Other		Japan	10,055
Revenue from contracts with customers			1,699,303	2,019,104
Other revenue (Note 2)			33,867	34,546
Sales to and contract revenues from external customers			1,733,169	2,053,650

Notes 1 Classified based on the location of customers.

2 “Other revenue” includes rental income, etc. based on the Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

3 Beginning from the current fiscal year, the segment name Overseas Housing, Construction and Real Estate Business has been changed to Global Construction and Real Estate Business.

In addition, information on the disaggregation of revenue from contracts with customers for the previous fiscal year is prepared using the new segment name.

4 Revenue from contracts with customers in the New Zealand market, which was presented independently in the previous fiscal year, has been included in “other” in the fiscal year under review in view of its decreased materiality. To reflect this change in presentation, the information on the disaggregation of revenue from contracts with customers for the previous fiscal year has been reclassified. Accordingly, in the information on the disaggregation of revenue from contracts with customers for the previous fiscal year, 1,838 million yen in “New Zealand” and 622 million yen in “other” has been reclassified as 2,460 million yen presented as “other.”

2. Information that serves as the basis for understanding revenue from contracts with customers

Information that serves as the basis for understanding revenue from contracts with customers is omitted from the notes as the same information is included in “Notes to Consolidated Financial Statements (Significant information for preparation of consolidated financial statements), 4. Accounting policies (5) Accounting policy for recognition of significant revenues and expenses.”

3. Information on the relationship between the satisfaction of performance obligations based on contracts with customers and cash flows from those contracts as well as the amount and date of revenue expected to be recognized in and after the fiscal year following the contracts with customers that exist at the end of the current fiscal year

Previous fiscal year (January 1, 2023 – December 31, 2023)

(1) Balance of contract assets and contract liabilities for the fiscal year ended December 31, 2022

(million yen)

Category	Beginning balance	Ending balance
Receivables arising from contracts with customers	162,335	155,022
Contract assets (Note 1)	50,073	54,408
Contract liabilities (Note 2)	80,095	86,916

- Notes 1 The main component of contract assets is unbilled account receivables related to revenue recognized based on the measurement of progress of construction contracts, etc. On the Consolidated Balance Sheet, it is included under “Accounts receivable from completed construction contracts and contract assets.” Construction is deemed to be completed upon completion of inspection by the customer, and the amount is transferred to receivables at the point when the rights of the Company and its consolidated subsidiaries become unconditional.
- 2 The main component of contract liabilities is advances received from customers in construction contracts, real estate sales, etc. Performance obligations are satisfied with the progress of construction and provision of services, and the contract liability is transferred to revenue. Of the amount of revenue recognized in the previous fiscal year, the amount included in the contract liability balance as of the beginning of the fiscal year is 56,924 million yen. Changes in contract assets and contract liabilities during the previous fiscal year, and the amount of revenue recognized from the performance obligations satisfied in past periods during the current fiscal year, are immaterial.

(2) Transaction price allocated to the remaining performance obligations

With regard to the transaction price allocated to the remaining performance obligations, as there are no significant contracts that are initially expected to have a contract period exceeding one year, the Group has applied a practical expedient and omitted descriptions of such transactions.

Current fiscal year (January 1, 2024 – December 31, 2024)

(1) Balance of contract assets and contract liabilities for the fiscal year ended December 31, 2023

(million yen)

Category	Beginning balance	Ending balance
Receivables arising from contracts with customers	155,022	168,894
Contract assets (Note 1)	54,408	73,711
Contract liabilities (Note 2)	86,916	97,588

- Notes 1 The main component of contract assets is unbilled account receivables related to revenue recognized based on the measurement of progress of construction contracts, etc. On the Consolidated Balance Sheet, it is included under “Accounts receivable from completed construction contracts and contract assets.” Construction is deemed to be completed upon completion of inspection by the customer, and the amount is transferred to receivables at the point when the rights of the Company and its consolidated subsidiaries become unconditional.
- 2 The main component of contract liabilities is advances received from customers in construction contracts, real estate sales, etc. Performance obligations are satisfied with the progress of construction and provision of services, and the contract liability is transferred to revenue. Of the amount of revenue recognized in the current fiscal year, the amount included in the contract liability balance as of the beginning of the fiscal year is 49,083 million yen. Changes in contract assets and contract liabilities during the current fiscal year, and the amount of revenue recognized from the performance obligations satisfied in past periods during the current fiscal year, are immaterial.

(2) Transaction price allocated to remaining performance obligations

With regards to transaction price allocated to remaining performance obligations, as there are no significant contracts that are initially expected to have a contract period exceeding one year, the Group has applied a practical expedient and omitted descriptions of such transactions.

(Segment and related information)

[Segment information]

#### 1. Outline of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance. The Group establishes business divisions by products and services, and each division formulates comprehensive strategies for the products and services it handles.

Accordingly, the Group is classified into four reportable segments (the Timber and Building Materials Business, Housing Business, Global Construction and Real Estate Business, and Environment and Resources Business) based on division and identified by products and services.

The Timber and Building Materials Business is engaged in the procurement, manufacture, processing and sale of timber and building materials, etc. The Housing Business is engaged in the construction, after-maintenance and renovation of detached houses and multi-family housing, sale of spec homes, leasing, management, purchase and sale and brokerage of real estate, contracting for house exterior fixtures and landscaping works, urban greening works, CAD and site surveys, etc. The Global Construction and Real Estate Business is engaged in the sale of spec homes, construction of detached houses, development of multi-family housing and commercial complexes in overseas markets, domestic subcontracting of medium to large-scale construction projects, etc. The Environment and Resources Business is engaged in sustainable energy business and forest resources business, etc.

(Matters Related to Changes in Reportable Segments)

Beginning from the current fiscal year, the segment name Overseas Housing, Construction and Real Estate Business has been changed to Global Construction and Real Estate Business. This was only a change in the name of the reportable segment and has no impact on the segment information.

In addition, information on the disaggregation of revenue from contracts with customers for the previous fiscal year is prepared using the new segment name.

#### 2. Calculation methods used for net sales, profit or loss, assets and the other items on each reportable segment

The accounting methods for reportable business segments are generally in accordance with those described in “Notes to Consolidated Financial Statements (Significant information for preparation of consolidated financial statements),” with the exception of the treatment of retirement benefit expenses.

With regard to retirement benefit expenses, amounts accounted for in a lump sum, such as actuarial differences, are not included in the profits or losses for the business segments.

Business segment profits are based on recurring income.

Inter-segment sales and transfers are based on market prices, etc.

Segment information in the previous fiscal year reflects revisions to the initial allocation of acquisition costs due to the finalization of provisional accounting treatment for business combinations.

## 3. Information on the amounts of net sales, profit or loss, assets and other items for each reportable segment

Previous fiscal year (January 1, 2023 – December 31, 2023)

(million yen)

	reportable segment					Other (Note 1)	Total	Adjustments (Note 2)	Amounts in consolidated financial statements (Note 3)
	Timber and Building Materials Business	Housing Business	Global Construction and Real Estate Business	Environment and Resources Business	Total				
Net sales									
(1) Sales to and contract revenues from external customers	213,903	533,499	947,276	23,523	1,718,201	14,375	1,732,576	593	1,733,169
(2) Inter-segment sales or inter- segment transfers	22,198	529	796	1,319	24,841	11,663	36,504	(36,504)	—
Total	236,101	534,028	948,072	24,842	1,743,042	26,038	1,769,080	(35,911)	1,733,169
Segment income (loss)	11,185	32,784	112,044	564	156,578	2,193	158,770	151	158,921
Segment assets	226,743	216,917	1,046,585	88,990	1,579,236	75,886	1,655,122	169,605	1,824,727
Other items									
Depreciation and amortization (Note 4)	4,333	5,712	5,221	2,173	17,439	2,060	19,500	1,118	20,618
Amortization of goodwill	—	180	5,383	—	5,563	—	5,563	—	5,563
Interest income	294	10	1,584	87	1,975	0	1,975	(3)	1,972
Interest expense	853	527	5,019	649	7,047	180	7,227	(2,889)	4,338
Share of profit (loss) of entities accounted for using equity method	128	—	6,046	(26)	6,148	2,189	8,338	0	8,338
Investments in equity method affiliates	7,813	—	93,468	6,194	107,475	41,109	148,584	6	148,590
Increase in property, plant and equipment and intangible assets (Note 4)	4,743	7,374	34,700	3,844	50,662	3,276	53,937	971	54,908

Notes 1 “Other” refers to business segments not included in the reportable segments, and includes businesses operating private-pay elderly care facilities and elderly residences that combine living support service, insurance agency business, contracting of civil engineering and construction works, etc.

2 Details of the adjustments are as follows.

(1) Adjustments for sales to external customers of 593 million yen are attributable to the administrative departments, and comprised mainly of rent from the Company's landholdings.

(2) Adjustments for segment income (loss) of 151 million yen include (76) million yen in eliminated inter-segment transactions, 5,003 million yen of retirement benefits liability adjustments (gain), and (4,776) million yen of corporate loss, which are not allocated to any of the reportable segments.

Corporate income (loss) mainly comprises selling, general and administrative expenses, non-operating income, and non-operating expenses not belonging to any of the reportable segments.

(3) Adjustments for segment assets of 169,605 million yen include (12,183) million yen of inter-segment eliminations and 181,787 million yen of corporate assets, which are not allocable to any of the segment assets.

Corporate assets mainly comprise surplus funds managed by the Company's Head Office (cash and deposits, marketable securities, and short-term loan receivables), long-term investments (investment securities), and assets used by administrative departments.

3 The total amounts of segment income or loss and segment assets are reconciled with recurring income and total assets, respectively, in the Consolidated Financial Statements.

4 Depreciation and amortization and increase in property, plant and equipment and intangible assets include long-term prepaid expenses and write-offs associated with these expenses.

Current fiscal year (January 1, 2024 – December 31, 2024)

(million yen)

	reportable segment					Other (Note 1)	Total	Adjustments (Note 2)	Amounts in consolidated financial statements (Note 3)
	Timber and Building Materials Business	Housing Business	Global Construction and Real Estate Business	Environment and Resources Business	Total				
Net sales									
(1) Sales to and contract revenues from external customers	231,519	541,803	1,238,859	25,619	2,037,801	15,257	2,053,057	593	2,053,650
(2) Inter-segment sales or inter- segment transfers	21,637	497	1,138	1,331	24,603	12,057	36,660	(36,660)	—
Total	253,156	542,300	1,239,997	26,950	2,062,404	27,314	2,089,717	(36,660)	2,053,650
Segment income (loss)	10,001	35,173	147,451	236	192,860	705	193,566	4,389	197,955
Segment assets	243,739	236,358	1,393,753	90,907	1,964,757	73,725	2,038,482	222,646	2,261,128
Other items									
Depreciation and amortization (Note 4)	4,374	6,118	12,116	2,042	24,649	2,342	26,991	925	27,916
Amortization of goodwill	—	359	8,093	—	8,453	—	8,453	—	8,453
Interest income	366	12	3,155	66	3,598	0	3,598	28	3,626
Interest expense	967	763	9,355	757	11,841	164	12,005	(4,287)	7,718
Share of profit (loss) of entities accounted for using equity method	(193)	—	(2,331)	232	(2,292)	391	(1,901)	1	(1,900)
Investments in equity method affiliates	8,360	—	126,497	11,069	145,926	39,876	185,801	6	185,807
Increase in property, plant and equipment and intangible assets (Note 4)	10,543	7,837	54,767	4,681	77,829	1,550	79,378	1,506	80,884

Notes 1 “Other” refers to business segments not included in the reportable segments, and includes businesses operating private-pay elderly care facilities and elderly residences that combine living support service, insurance agency business, contracting of civil engineering and construction works, etc.

2 Details of the adjustments are as follows.

(1) Adjustments for sales to external customers of 593 million yen are attributable to the administrative departments, and mainly comprised of rent from the Company’s landholdings.

(2) Adjustments for segment income (loss) of 4,389 million yen include 57 million yen in elimination of inter-segment transactions, 9,802 million yen of retirement benefits liability adjustments (gain), and (5,470) million yen of corporate loss, which are not allocated to any of the reportable segments.

Corporate income (loss) mainly comprises selling, general and administrative expenses, non-operating income, and non-operating expenses not belonging to any of the reportable segments.

(3) Adjustments for segment assets of 222,646 million yen include (11,599) million yen of inter-segment eliminations and 234,245 million yen of corporate assets, which are not allocable to the segment assets.

Corporate assets mainly comprise surplus funds managed by the Company’s Head Office (cash and deposits, marketable securities, and short-term loan receivables), long-term investments (investment securities), and assets used by administrative departments.

3 The total amounts of segment income or loss and segment assets are reconciled with recurring income and total assets, respectively, in the Consolidated Financial Statements.

4 Depreciation and amortization and increase in property, plant and equipment and intangible assets include long-term prepaid expenses and write-offs associated with these expenses.

[Related information]

Previous fiscal year (January 1, 2023 – December 31, 2023)

1. Products and services information

(million yen)

	Timber and Building Materials	Housing	Other	Total
Sales to and contract revenues from external customers	229,570	1,471,325	32,274	1,733,169

2. Geographic area information

(1) Net sales

(million yen)

Japan	United States	Other Area	Total
753,106	784,793	195,270	1,733,169

Note: Sales are classified based on the location of customers.

(2) Property, plant and equipment

(million yen)

Japan	United States	New Zealand	Australia	Other Area	Total
98,633	54,288	39,246	17,700	16,478	226,345

3. Major customer information

Customer information has been omitted since there are no sales to and contract revenues from any specific external customer that account for 10% or more of consolidated net sales.

Current fiscal year (January 1, 2024 – December 31, 2024)

1. Products and services information

(million yen)

	Timber and Building Materials	Housing	Other	Total
Sales to and contract revenues from external customers	273,839	1,746,659	33,153	2,053,650

2. Geographic area information

(1) Net sales

(million yen)

Japan	United States	Other Area	Total
773,431	1,062,521	217,698	2,053,650

Note: Sales are classified based on the location of customers.

(2) Property, plant and equipment

(million yen)

Japan	United States	New Zealand	Australia	Other Area	Total
101,209	87,892	39,898	30,375	26,729	286,103

(Changes in presentation)

Property, plant and equipment related to “Australia,” which was included in “Other Area” in the previous fiscal year, has been presented independently in the fiscal year under review in view of its increased materiality. To reflect this change in presentation, “2. Geographic area information (2) Property, plant and equipment” for the previous fiscal year has been reclassified. Accordingly, in property, plant and equipment for the previous fiscal year, 34,178 million yen presented as “Other Area” has been reclassified as 17,700 million yen in “Australia” and 16,478 million yen in “Other Area.”

### 3. Major customer information

Customer information has been omitted since there are no sales to and contract revenues from any specific external customer that account for 10% or more of consolidated net sales.

[Information of loss on impairment of non-current assets for each reportable segment]

Previous fiscal year (January 1, 2023 – December 31, 2023)

(million yen)

	Timber and Building Materials Business	Housing Business	Global Construction and Real Estate Business	Environment and Resources Business	Other	Elimination and/or Corporate	Total
Loss on impairment of non-current assets	—	—	415	186	—	357	959

Current fiscal year (January 1, 2024 – December 31, 2024)

(million yen)

	Timber and Building Materials Business	Housing Business	Global Construction and Real Estate Business	Environment and Resources Business	Other	Elimination and/or Corporate	Total
Loss on impairment of non-current assets	6	—	5,854	27	39	—	5,926

Note: "Other" refers to businesses operating private-pay elderly care facilities and elderly residences that combine living support services

[Information of amortization and balance of goodwill for each reportable segment]

Previous fiscal year (January 1, 2023 – December 31, 2023)

(million yen)

	Timber and Building Materials Business	Housing Business	Global Construction and Real Estate Business	Environment and Resources Business	Other	Elimination and/or Corporate	Total
Amortization of goodwill	—	180	5,383	—	—	—	5,563
Balance of goodwill	—	2,335	39,001	—	—	—	41,335

Current fiscal year (January 1, 2024 – December 31, 2024)

(million yen)

	Timber and Building Materials Business	Housing Business	Overseas Housing, Construction and Real Estate Business	Environment and Resources Business	Other	Elimination and/or Corporate	Total
Amortization of goodwill	—	359	8,093	—	—	—	8,453
Balance of goodwill	—	1,976	40,271	—	—	—	42,246

[Information on gain on negative goodwill by each reportable segment]

Not applicable.



(Related Party Transactions)

Previous fiscal year (January 1, 2023 – December 31, 2023)

Transactions with related parties

Transactions between the Company and related parties

Non-consolidated subsidiaries and affiliated companies.

Category	Name	Location	Capital or investment (million yen)	Description of business or occupation	Ratio of voting rights ownership (owned) (%)	Relationship with related party	Transactions (Note)	Transaction amount (million yen)	Account	Balance at the end of the year (million yen)
Affiliated company	Kanda Biomass Energy K.K.	Miyako, Fukuoka Prefecture	2,161	Biomass power generation business	(Ownership) Direct 41.5	Officer holding concurrent position	Guarantee of indebtedness	14,474	—	—

Note: The Company provided guarantee of indebtedness at the requests of lending banks.

Current fiscal year (January 1, 2024 – December 31, 2024)

Transactions with related parties

Transactions between the Company and related parties

Non-consolidated subsidiaries and affiliated companies.

Category	Name	Location	Capital or investment (million yen)	Description of business or occupation	Ratio of voting rights ownership (owned) (%)	Relationship with related party	Transactions (Note)	Transaction amount (million yen)	Account	Balance at the end of the year (million yen)
Director and their immediate family member(s)	Yoshimasa Tetsu and his immediate family member(s)	—	—	Audit & Supervisory Board Member of the Company	—	Audit & Supervisory Board Member of the Company, Contracting of residential construction	Contracting of residential construction	93	Contract liabilities	41

Note: Transaction terms and the policies for determining transaction terms are the same as for general transaction terms.

(Per share information)

	Previous fiscal year (January 1, 2023 – December 31, 2023)	Current fiscal year (January 1, 2024 – December 31, 2024)
Net assets per share (yen)	3,684.87	4,497.17
Profit per share (yen)	504.01	569.40
Profit per share fully diluted (yen)	498.93	569.01

Note 1: The basis for the calculation of net assets per share is as follows.

	Previous fiscal year (December 31, 2023)	Current fiscal year (December 31, 2024)
Total net assets (million yen)	826,462	1,020,127
Breakdown of deductions from total net assets (million yen)	72,382	99,780
(Stock acquisition rights (million yen))	(74)	(69)
(Non-controlling interests (million yen))	(72,307)	(99,711)
Total net assets for common stock (million yen)	754,080	920,347
Number of common stocks outstanding (shares)	206,058,468	206,067,368
Number of treasury stocks (shares)	1,416,107	1,416,955
Number of common stocks used for the calculation of net asset per share (shares)	204,642,361	204,650,413

2 The basis for the calculation of profit per share and profit per share fully diluted is as follows.

	Previous fiscal year (January 1, 2023 – December 31, 2023)	Current fiscal year (January 1, 2024 – December 31, 2024)
Profit per share		
Profit attributable to owners of parent (million yen)	102,170	116,528
Profit not attributable to shareholders of common stock (million yen)	—	—
Profit attributable to shareholders of parent for common stock (million yen)	102,170	116,528
Weighted average number of shares of common stock issued (shares)	202,715,328	204,648,540
Profit per share fully diluted		
Adjusted profit attributable to owners of parent (million yen)	—	—
Breakdown of increase in common stock (shares)	2,061,189	142,031
(Convertible bonds with stock acquisition rights (shares))	(1,929,902)	(—)
(Stock acquisition rights (shares))	(69,046)	(59,081)
(Performance-linked stock compensation (shares))	(62,241)	(82,950)
Overview of potentially dilutive shares not included in the calculation of diluted profit per share due to absence of dilutive effects	—	—

3 The above information reflects revisions to the initial allocation of acquisition costs due to the finalization of provisional accounting treatment for business combinations.

(Significant Subsequent Events)

(Tender offer to acquire shares of LeTech Corporation)

At a meeting of the Board of Directors held on March 28, 2025, the Company resolved to conduct a tender offer under the Financial Instruments and Exchange Act as part of a transaction aimed at making LeTech Corporation (Securities Code: 3497, listed on the Tokyo Stock Exchange Inc. Growth Market; the "Target Company ") a wholly-owned subsidiary.

As of March 28, 2025, the Company did not own any target shares or stock acquisition rights.

The tender offer is neither being conducted in the United States nor being made available to residents in the United States, and therefore details are not provided herein. For details, please refer to the Annual Securities Report presented in Japanese.

(Acquisition of stock of real estate development business company in Indonesia)

At the Board of Directors meeting held on February 28, 2025, the Company resolved to acquire a 49% stake in PT. Kurnia Sinergi Mas, an operating company engaged in the urban development business in the outskirts of Jakarta, Indonesia, through its consolidated subsidiary, PT. Sumitomo Forestry Indonesia. PT. Kurnia Sinergi Mas will be an equity method affiliate of the Company.

(1) Purpose of stock acquisition

To participate in the real estate development business in Indonesia.

(2) Name of the acquiree and business description

Name of the acquiree: PT. Kurnia Sinergi Mas

Description of business: Real estate development projects in the suburbs of Jakarta, Indonesia

Amount of capital: 2,742,800 million IDR (24,959 million yen) (Note)

(3) Date of stock acquisition

May 2025 (Indonesia time) (scheduled)

(4) Number of shares to be acquired and share of equity after acquisition

Number of shares to be acquired: 1,343,972 shares

Share of equity after acquisition: 49%

Acquisition Cost: 2,488,692 million IDR (22,647 million yen) (scheduled) (Note)

Note: Amounts of capital and acquisition cost are estimated at the time of stock acquisition.

Amounts are converted into Japanese yen at the rate of exchange for March 6, 2025.

## (5) Supplementary information

## [Schedule of bonds payable]

Company	Issue name	Issue date	Balance at the beginning of the fiscal year (million yen)	Balance at the end of the fiscal year (million yen)	Interest rate (%)	Collateral	Redemption date
Sumitomo Forestry Co., Ltd.	Third Series Unsecured Straight Bonds	June 17, 2016	20,000	20,000	0.33	Unsecured	2026
Sumitomo Forestry Co., Ltd.	Fourth Series Unsecured Straight Bonds	March 7, 2018	10,000	10,000 (10,000)	0.25	Unsecured	2025
Sumitomo Forestry Co., Ltd.	Fifth Series Unsecured Straight Bonds	March 7, 2018	10,000	10,000	0.35	Unsecured	2028
Sumitomo Forestry Co., Ltd.	Sixth Series Unsecured Straight Bonds	March 7, 2018	10,000	10,000	0.70	Unsecured	2033
Sumitomo Forestry Co., Ltd.	Seventh Series Unsecured Straight Bonds	March 6, 2019	10,000 (10,000)	—	—	Unsecured	2024
Sumitomo Forestry Co., Ltd.	Eighth Series Unsecured Straight Bonds	March 6, 2019	10,000	10,000	0.38	Unsecured	2029
Sumitomo Forestry Co., Ltd.	Ninth Series Unsecured Straight Bonds	December 6, 2019	10,000	10,000	0.28	Unsecured	2029
Sumitomo Forestry Co., Ltd.	Tenth Series Unsecured Straight Bonds	December 6, 2019	10,000	10,000	0.69	Unsecured	2039
Other corporate bonds	—	—	204 (12)	160 (44)	—	—	—
Total	—	—	90,204 (10,012)	80,160 (10,044)	—	—	—

Notes 1 Numbers in parentheses indicate the amount of bonds to be redeemed within one year.

2 The scheduled redemption amounts within five years after the consolidated closing date are as follows.

Due in 1 year or less (million yen)	Due after 1 year through 2 years (million yen)	Due after 2 years through 3 years (million yen)	Due after 3 years through 4 years (million yen)	Due after 4 years through 5 years (million yen)
10,044	20,012	12	10,012	20,012

[Schedule of borrowings, etc.]

Category	Balance at the beginning of the fiscal year (million yen)	Balance at the end of the fiscal year (million yen)	Average interest rate (%)	Repayment date
Short-term borrowings	23,551	64,984	5.04	—
Current portion of long-term borrowings	28,204	28,718	1.59	—
Current portion of lease obligations	3,615	5,778	4.47	—
Long-term borrowings (excluding current portion of long-term borrowings)	230,306	413,856	3.93	2026 - 2038
Lease obligations (excluding current portion of lease obligations)	17,991	19,915	3.84	2026 - 2053
Other interest-bearing liabilities Commercial paper (current portion of interest-bearing liabilities)	30,000	—	—	—
Total	333,668	533,251	—	—

Notes 1 Average interest rate is calculated using the weighted average of interest rates on the balance at the end of the current fiscal year.

- 2 The following are the amounts of long-term borrowings and lease obligations to be redeemed within five years after the consolidated closing date (excluding those to be repaid within one year).

	Due after 1 year through 2 years (million yen)	Due after 2 years through 3 years (million yen)	Due after 3 years through 4 years (million yen)	Due after 4 years through 5 years (million yen)
Long-term borrowings	36,424	117,162	122,105	39,533
Lease obligations	5,417	2,635	2,760	1,805

[Schedule of asset retirement obligations]

As the amount of asset retirement obligations at the beginning and the end of the current fiscal year is below one-hundredth of the total amount of liabilities and net assets at the beginning and the end of the current fiscal year, the schedule is omitted in accordance with the provisions of Article 92, Paragraph 2 of the Ordinance on Consolidated Financial Statements.

(2) Other

Semi-annual information for the fiscal year under review

	Semi-annual fiscal period	Fiscal year under review
Net sales (million yen)	981,416	2,053,650
Profit before income taxes (million yen)	92,959	192,029
Profit attributable to owners of parent (million yen)	54,149	116,528
Net income per share (yen)	264.60	569.40

Note: In the fiscal year under review, the Group finalized provisional accounting treatment for business combinations, and each detail related to the semi-annual accounting period reflects revisions to the initial allocation of acquisition costs due to the finalization of provisional accounting treatment for business combinations.

# Independent Auditor's Audit Report and Internal Control Audit Report

March 28, 2025

The Board of Directors  
Sumitomo Forestry Co., Ltd

Ernst & Young ShinNihon LLC	
Tokyo, Japan	
Designated Engagement Partner	Masato Nakagawa
Certified Public Accountant	
Designated Engagement Partner	Natsuki Saiki
Certified Public Accountant	
Designated Engagement Partner	Keiichiro Ochi
Certified Public Accountant	

<Consolidated financial statements audit>

## Opinion

Pursuant to Article 193-2, Section 1 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying consolidated financial statements of Sumitomo Forestry Co., Ltd. (the "Company") and its consolidated subsidiaries (collectively, the "Group") included in "Financial Information" for the fiscal year from January 1, 2024 to December 31, 2024, which comprise the consolidated balance sheet, the consolidated statements of income, comprehensive income, changes in net assets, and cash flows, significant accounting policies, other related notes, and the consolidated supplemental schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Assessment and measurement of impairment losses for property, plant and equipment, intangible assets, and goodwill related to the TrussWorks Group	
Description of Key Audit Matter	Auditor's Response
<p>As stated in the Notes to Consolidated Financial Statements (Consolidated Statement of Income) *5 Impairment loss, the Company recorded impairment loss of 5,854 million yen (4,193 million yen for goodwill, 1,132 million yen for intangible assets (other), and 529 million yen for property, plant and equipment) related to the TrussWorks Group, which is engaged in the manufacture and sales of trusses and other products mainly for multi-family homes in the United States in the consolidated balance sheet as of December 31, 2024.</p> <p>The Company classifies assets based on the categories used for management accounting, which continually identifies profits and losses. For an asset or asset group that has an indication of impairment, if its total undiscounted future cash flows are less than the sum of its carrying amount at the time the impairment loss is determined, the difference between the sum of its carrying amount at the time the impairment loss is determined and its recoverable amount is reported as an impairment loss.</p> <p>As stated in the Notes to Consolidated Financial Statements (Significant accounting estimates), due to the divergence of the TrussWorks Group's performance for this consolidated fiscal year from the business plan at the time of acquisition, the Company determined that there were indications of impairment. An impairment loss was recorded because the total undiscounted future cash flows for the period corresponding to the remaining amortization period of goodwill, based on the latest business plan, fell below the carrying amount of the asset group that includes goodwill.</p> <p>Value in use is used as the recoverable amount in measuring impairment loss for the TrussWorks Group, and the future cash flows used in the calculation of value in use are based on business plans approved by management. Business plans are significantly influenced by subjective judgments made by management, including those related to relevant market trends, and unless appropriate methods and assumptions are used, the financial position and subsequent operating results may not be presented appropriately. Therefore, we have determined that the assessment and measurement of impairment losses for property, plant and equipment, intangible assets, and goodwill related to the TrussWorks Group is a key audit matter.</p>	<p>In examining the assessment and measurement of impairment losses for property, plant and equipment, intangible assets and goodwill, we mainly performed the following audit procedures.</p> <ul style="list-style-type: none"> <li>• We compared the estimated duration of future cash flows with the remaining amortization period for goodwill.</li> <li>• We reviewed the consistency between future cash flows and the business plan approved by management and others.</li> <li>• We compared the business plan at the time of acquisition with subsequent actual results to assess the effectiveness of management's estimation process.</li> <li>• We discussed the significant assumptions included in estimates with TrussWorks Group management and reviewed the minutes of management meetings and other meetings. We also compared these assumptions to available external data and to past performance.</li> <li>• We reviewed the consistency between value in use and future cash flows, performed recalculations of value in use, and compared the difference between the carrying amount and value in use with the recorded amount of impairment loss.</li> <li>• We involved specialists from our network of firms to evaluate both the valuation model used for value in use and the discount rate.</li> </ul>

## **Other Information**

The other information comprises the information included in the Annual Securities Report but does not include the consolidated financial statements, the non-consolidated financial statements and our audit report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditors and Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion from an independent standpoint. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.



We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditors and the Board of Corporate Auditors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Internal control audit>

### **Opinion**

Pursuant to Article 193-2, Section 2 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as at December 31, 2024 of Sumitomo Forestry Co., Ltd. ("Management's Report").

In our opinion, Management's Report referred to above, which represents that the internal control over financial reporting as at December 31, 2024 of Sumitomo Forestry Co., Ltd. is effective, presents fairly, in all material respects, the result of management's assessment of internal control over financial reporting in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

### **Basis for Opinion**

We conducted our internal control audit in accordance with auditing standards on internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management, the Corporate Auditors and Board of Corporate Auditors for the Management's Report on the Internal Control over Financial Reporting**

Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of Management's Report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

The Corporate Auditors and Board of Corporate Auditors are responsible for monitoring and verifying the design and operation of internal control over financial reporting.

Internal control over financial reporting may not prevent or detect misstatements.

### **Auditor's Responsibilities for the Audit of Internal Control**

Our objectives are to obtain reasonable assurance about whether Management's Report is free from material misstatement, and to issue an auditor's report that includes our opinion from an independent standpoint.

As part of an audit in accordance with auditing standards on internal control generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence relating to the result of management's assessment of internal control over financial reporting in Management's Report. The design and performance of audit procedures for internal control audits is based on our judgement in consideration of the materiality of the effect on the reliability of financial reporting.
- Consider the overall presentation of Management's Report with regards to the scope, procedures, and result of the assessment of internal control over financial reporting including descriptions by management.

- Obtain sufficient appropriate audit evidence regarding the result of management’s assessment of internal control over financial reporting in Management’s Report. We are responsible for the direction, supervision, and performance of the audit of Management’s Report. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditors and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the internal control audit, the results of the internal control audit, any significant deficiencies in internal control that we identify, and the results of corrective measures for such significant deficiencies.

We also provide the Corporate Auditors and the Board of Corporate Auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

#### **Fee-related information-**

The amounts of fees for financial statement audits and other services charged to Sumitomo Forestry Co., Ltd. and its controlled entities by us and other EY member firms for the fiscal year ended December 31, 2024 are disclosed in “Status of corporate governance, etc. (3) Status of audit” included in the “Status of the Reporting Company” section in the annual securities report.

#### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

#### **Note to Users of Independent Auditor’s Report**

Other information described in the Independent Auditor’s Report and information referenced above in fee-related information relate to the Japanese annual securities report and the Independent Auditor’s Report therein, and thus solely represent the English translation of the original Independent Auditor’s Report in accordance with the Financial Instruments and Exchange Act of Japan.

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#### Notes:

1. The original copy of the above Independent Auditor’s Report is in the custody of the Company—the submitter of this Securities Report.
2. The XBRL data is not included in the scope of Audit.