SUMITOMO FORESTRY

February 14, 2024

Summary of Financial Results for the Fiscal Year Ended December 31, 2023 [Japan GAAP] (Consolidated)

Name of Company:	Sumitomo Forestry Co., Ltd.	Stock Exchange Listing: Tokyo	
Stock Code	1911	URL: http://sfc.jp/english/	
Representative	Title: President / Representative Director	Name: Toshiro Mitsuyoshi	
Inquiries:	Title: General Manager, Corporate Communications Dept.	Name: Takashi Mizuno	

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Scheduled Date of Regular General Meeting of Shareholders:	March 28, 2024
Scheduled Date to Commence Dividend Payments:	March 29, 2024
Scheduled Date of Filing of Securities Report:	March 28, 2024
Supplementary Documents on Financial Results:	Yes
Quarterly Financial Results Briefing:	Yes (for analysts and institutional investors, in Japanese)

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

1. Consolidated financial results for the FY ended December 31, 2023 (January 1, 2023 – December 31, 2023)

(1) Consolidated results of operations (Cumulative total) (% change from the same period of the previous year)

	Net sales		Operating income		Recurring income		Profit for the year attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY Ended December 2023	1,733,169	3.8	146,755	-7.3	159,418	-18.2	102,479	-5.7
FY Ended December 2022	1,669,707	20.5	158,253	39.2	194,994	41.6	108,672	24.7

Note: Comprehensive income FY Ended December 2023 169,820 million yen (-9.3 %)
FY Ended December 2022 187,225 million yen (45.3%)

	Net income per share	Net income per share fully diluted	Return on equity	Ratio of recurring income to assets	Operating income margin
	Yen	Yen	%	%	%
FY Ended December 2023	505.53	500.44	14.8	9.5	8.5
FY Ended December 2022	543.80	530.99	19.4	13.7	9.5

Note: Equity in income (losses) of affiliates

FY Ended December 2023 8,338 million yen

FY Ended December 2022 25,753 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Shareholder’s equity per share
	Million yen	Million yen	%	Yen
As of December 31, 2023	1,812,722	823,296	41.6	3,686.51
As of December 31, 2022	1,537,598	682,554	40.8	3,140.26

Note: Shareholders’ equity As of December 31, 2023 754,415 million yen
As of December 31, 2022 627,510 million yen

(3) Consolidated cash flow position

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investment activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
As of December 31, 2023	125,300	-112,497	10,236	174,771
As of December 31, 2022	55,276	-52,385	-32,998	147,373

2. Dividends

	Cash dividends per share					Annual aggregate amount	Payout ratio (Consolidated)	Dividends/ net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY Ended December 2022	–	60.00	–	65.00	125.00	25,115	23.0	4.4
FY Ended December 2023	–	60.00	–	65.00	125.00	25,713	24.7	3.7
FY Ending December 2024 (forecast)	–	65.00	–	65.00	130.00		25.2	

3. Forecast of the consolidated financial results for the FY ending December 31, 2024 (Consolidated, January 1, 2024- December 31, 2024)

(% change from the previous year)

	Net sales		Operating income		Recurring income		Profit for the year attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	2,065,000	19.1	161,500	10.0	173,000	8.5	105,500	2.9	515.53

* Notice

(1) Changes in main subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): Yes

New Company 5

(Company name):
SI HoldCo, LLC
SFA JPI Top Holdings, LLC
SFA JPI Holdings, LLC
SFA JPI GuarantorCo, LLC
SFA JPI Services Holdings, LLC

Removed None

(Company name)

(2) Changes in accounting policies, accounting estimates, and restatements
(a) Changes in accounting policies due to revision of accounting standards: Yes
(b) Changes in accounting policies other than those in (a): None
(c) Changes in accounting estimates: None
(d) Restatements: None

(3) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock)

As of December 31, 2023	206,058,468	As of December 31, 2022	201,218,236

(b) Treasury stock

As of December 31, 2023	1,416,107	As of December 31, 2022	1,390,509

(c) Average number of shares during the term (cumulative for the quarter)

As of December 31, 2023	202,715,328	As of December 31, 2022	199,838,137

Non-consolidated financial results (For reference)

Financial results for the fiscal year ended December 31, 2023 (January 1, 2023 – December 31, 2023)

(1) Non-consolidated result of operations

	Net sales		Operating income		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended December 2023	514,556	-3.0	15,175	556.7	41,721	150.9	39,688	—
FY ended December 2022	530,547	12.8	2,311	-51.3	16,627	24.4	3,292	-52.8

	Net income per share	Net income per share fully diluted
	Yen	Yen
FY ended December 2023	194.71	192.76
FY ended December 2022	16.38	16.00

Note: Due to the percentage change from the previous year of the net income for the year ended December 31, 2023 exceeds 1,000%, it is indicated as "—".

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2023	923,263	316,470	34.3	1,537.63
As of December 31, 2022	828,231	291,030	35.1	1,447.94

Note: Shareholders' equity
As of December 31, 2023 316,395 million yen
As of December 31, 2022 290,934 million yen

<Reason for difference from previous non-consolidated results>
Operating income increased mainly due to higher unit sales prices and lower lumber prices in the housing business, and the recurring income and the net profit increased mainly due to higher dividend received from subsidiaries.

* Financial results summaries not subject to audit.

* Cautionary statement regarding business results forecasts and special notes.

(Caution regarding forward-looking statements)
Earnings forecasts and other forward-looking statements in this release are based on data currently available to the Company and certain assumptions that the Company believes are reasonable and are not intended to as a promise by the Company to achieve those forecasts. Actual results may differ substantially due to various factors.

(Obtaining supplemental explanatory material)
The Financial Factbook which is supplementary documents on Financial Results is published on the website as below.
https://sfc.jp/english/ir/library/financial.html
Additionally, the Company will hold a conference for securities analysts and institutional investors on Thursday, February 15, 2024. The explanatory material on the financial results will be published on the website.

* This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

○ Contents of Accompanying Materials

1. Overview of the Results of Operations, etc.

(1) Overview of the Results of Operations

During the fiscal year under review, while the global economy remained steady on the back of strong personal consumption in the U.S., high inflation and rising interest rates in Europe cooled personal consumption and contributed to an economic slump. In the Japanese economy, although rising costs brought about by high resource prices put downward pressure on the economy, the employment and income environment improved and the economy recovered moderately as personal consumption and capital investments picked up.

With regard to the housing market, the number of new housing starts in Japan fell year on year as consumer sentiment declined due to rising selling prices resulting from inflation and soaring construction material prices. In the U.S., despite increased demand for new homes on the back of a drop in the number of pre-owned homes in circulation, the market remained in its adjustment phase due to rising mortgage rates from the previous fiscal year. In Australia, market conditions continued to be difficult amidst persistently high mortgage rates and rising house prices.

In this business environment, the Group has been working toward achieving our targets in the Medium-Term Management Plan "Mission TREEING 2030 Phase 1,"* which enters its final year in the 85th fiscal year (ending December 31, 2024). In Japan, with a view to further expanding the Group's business, we succeeded the business of a construction company that operates primarily in the Karuizawa area, and also launched commercial operation of a wood biomass power generation plant in Sendai City, Miyagi Prefecture. In the U.S., in addition to expanding the areas of our single family homes business, we also put effort into promoting businesses toward the further growth of the Group, including the expansion of the real estate development business through the acquisition of a business company that engages in the development and construction of multi-family housing mainly in the states of Texas and California.

* The following provides an overview of Mission TREEING 2030 Phase 1.

Basic policy
1. Efforts to address decarbonization challenges using wood resources
2. Promotion of a more resilient earnings base
3. Acceleration of global expansion
4. Strengthen management base for sustainable growth
5. Further integration of business operations and ESG

Business targets for the 85th fiscal year (ending December 31, 2024) (Target values at the time when the Plan was prepared)
Net sales of 1,770 billion yen
Recurring income of 173 billion yen (excluding actuarial differences related to retirement benefit accounting)
Net profit attributable to owners of parent of 116 billion yen
ROE of 15% or higher

As a result, net sales were ¥1,733.169 billion (up 3.8% year on year), operating income was ¥146.755 billion (down 7.3%), recurring income was ¥159.418 billion (down 18.2%), and net profit attributable to owners of the parent was ¥102.479 billion (down 5.7%). The actuarial difference related to retirement benefit accounting were ¥5,003 million, so recurring income came to ¥154.416 billion when actuarial differences were excluded.

The following summarizes the performance of each business segment. Note that the previous segments of "Timber and Building Materials Business," "Housing and Construction Business," "Overseas Housing and Real Estate Business," "Environment and Resources Business," and "Other Businesses" have been reorganized and changed to the following segments from the fiscal year under review: "Timber and Building Materials Business," "Housing Business," "Global Housing, Construction and Real Estate Business," "Environment and Resources Business," and "Other Business." The following comparisons with the previous fiscal year were made by comparing figures for the previous fiscal year with figures reclassified under the new segments. Net sales for each segment include intersegment internal sales.

(1) Timber and Building Materials Business

In the distribution business, in addition to working continuously on strengthening collaboration with our partners, we continued to focus on expanding the volume of wood fuels for biomass power generation, utilizing domestic timber, and expanding sales of plywood and construction materials made from sustainable plantation timber. However, the sales volume of timber and timber products declined due to a drop in the number of new housing construction starts, and selling prices also fell, leading to sluggish performance.

In the manufacturing business, sales of construction materials to builders increased in Japan. Overseas, results were sluggish partly due to the downturn in the market conditions for the plywood and particle board businesses in Indonesia.

We also focused on promoting "One Click LCA," and in September last year, launched the JUCORE Mitsumori service, which centralizes the management of data for property information, quotes, expected orders, and budgets and results. In this way, we are advancing efforts to support the improvement of productivity among construction material distributors.

*One Click LCA is a software that can estimate the CO2 emissions generated in the processes from the procurement of raw materials related to construction, to processing, transportation, construction, renovation, and disposal.

As a result of the above, net sales for the Timber and Building Materials Business came to ¥236.101 billion (down 13.7% year on year) and recurring income was ¥11.185 billion (down 24.8% year on year).

(2) Housing Business

In the custom-built detached housing business, in addition to focusing on promoting sales through online ordering activities and the use of social media, we also continued to put effort into increasing orders for housing that meets ZEH specifications, which produces net zero energy consumption. Alongside these efforts, the effects of selling price revisions corresponding to rising costs contributed to strong business performance. In October last year, we updated "GRAND LIFE," a single-floor housing product that can meet the wide-ranging needs of various generations, and incorporated improvements such as an integrated home and yard design and efficient housework flow lines.

In the rental housing business, we continued to promote ordering activities through "Town Square," which uses properties borrowed from the owners of rental homes built by the Company as model showrooms that potential renters can experience for themselves. We also worked on increasing the number of orders, for example with the launch of "Forest Maison GRANDE," a wooden-construction rental apartment development that is fitted with solar panels to promote zero energy consumption by the household unit, striking a balance between design and performance. However, business performance was sluggish due to the increase in personnel costs and other expenditures.

In the spec homes business, we promoted an effective sales strategy based on the sale of homes with ZEH specifications and thorough marketing activities. As a result, unit selling price increased, and business performance remained strong.

In the renovation business, we continued to focus on uncovering demand among owners of "Sumitomo Forestry homes." We also worked on expanding orders by drawing customers' attention to the benefits of our proprietary quake-resistant technology and energy-saving retrofitting through "Reforest," our renovation product for custom-built homes. However, performance was sluggish due to rising personnel costs and other expenditures.

In July last year, we acquired the business of Sasazawa Construction Co., Ltd. and worked to expand the villa business primarily in the Karuizawa area.

As a result of the above, net sales for the Housing Business came to ¥534.028 billion (up 5.0% year on year) and recurring income of ¥32.784 billion (up 112.3% year on year).

(3) Global Housing, Construction and Real Estate Business

In the single family homes business in the U.S., despite strong performance in the first half of the fiscal year, backed by robust demand and a decline in the number of pre-owned homes in circulation in the states of Washington, Utah, Texas, and Maryland etc. where our Group conducts business, performance in the second half was impacted by a further increase in mortgage rates. As a result, performance was sluggish throughout the fiscal year. In January last year, we acquired equity interest in Southern Impression Homes, which is mainly engaged in land development, construction, sale, and rental management of single family rental homes in Florida. This expanded the coverage of our single family homes business in the U.S. to 16 states. We also put effort into further expanding our Fully Integrated Turnkey Provider (FITP) business, which integrates the processes of panel design, manufacturing, delivery, and installation in a streamlined production system. Such efforts include starting work on the

establishment of a factory to produce wall panels and roof/wall trusses for single family and multi-family homes in North Carolina.
In the real estate development business, results were sluggish due to the postponement of the sale of multi-family housing and commercial and mixed-use complexes that had been scheduled to take place in the fiscal year under review. In November last year, we also acquired equity interest in a business management company that has land acquisition, development management, construction management, and asset management functions, as a part of efforts to expand our real estate business in the U.S. This company comes under the umbrella of JPI Group, which is engaged in the development of multi-family housing in the states of Texas and California.
With regard to the single family homes business in Australia, due to the smooth progress of the construction of order homes and strong sale performance of spec homes, the number of units sold increased, contributing to the recovery of business performance.
In Southeast Asia, in addition to focusing on the sale of landed houses and condominiums in Thailand, Vietnam, and Indonesia, we also participated in the development of landed houses in the suburbs of Jakarta, Indonesia, and of low-rise houses in the suburbs of Ho Chi Minh, Vietnam.
In the medium- to large-scale wooden construction business, in June last year, we completed the construction of a fire-resistant wooden building comprising one basement floor and 10 floors above ground in Chuo-ku, Sapporo, through a joint venture with Kumagai Gumi Co., Ltd. During the same month, we completed the construction of a three-floor development and testing center in Hirakata City, Osaka, through a joint venture with COHNAN KENSETSU INC. With the aim of contributing to the realization of a decarbonized society, we also promoted the use of wood for medium- to large-scale constructions, including the completion of a wooden office building in Melbourne, Australia in October last year, comprising two basement floors and 15 floors above ground.

As a result of the above, net sales for the Global Housing, Construction and Real Estate Business came to ¥948.072 billion (up 8.5% year on year) and recurring profit of ¥112.541 billion (down 30.4% year on year).

(4) Environment and Resources Business

In the renewable energy business, in addition to the Morinomiyako Biomass Energy G.K., a joint venture that started commercial operation in November last year, the woody biomass power plants established in five locations across Japan are in stable operation. However, the rise in fuel procurement costs since the previous fiscal year have contributed to sluggish results.
In the forest resources business, operations in New Zealand produced poor results due to rising costs of harvesting and transporting timber, arising from inflation and a downturn in the selling price of logs bound for China, which is a major market.
In March last year, the Company entered into a partnership with NTT Communications Corporation to provide a platform service aimed at revitalizing the creation and circulation of forest-derived carbon credits under the J-Credit Scheme. By providing comprehensive support for the creation, screening, and transaction matching of forest-derived carbon credits through this partnership, we aim to maximize the value of forests and realize a decarbonized society.

As a result of the above, net sales for the Environment and Resources Business came to¥24.842 billion (up 13.6% year on year) and recurring income was ¥564 million (down 59.4% year on year).

(5) Other Businesses

Besides the aforementioned businesses, the Group is engaged in a wide range of service businesses, including management of private nursing home/private elderly care facilities with nursing care and non-life insurance agency services for residential customers. This also includes the share of investment profit of entities accounted for using equity method associated with Kumagai Gumi Co., Ltd.

As a result of the above, net sales of Other Businesses came to ¥26.038 billion (up 6.0% year on year) and recurring income of ¥2.193 billion (up 13.2% year on year).

(2) Overview of Financial Position

Total assets came to ¥1,812.722 billion at the end of the current consolidated fiscal year, an increase of ¥275.123 billion year on year. This increase was attributable mainly to an increase in real estate for sale accompanying the expansion of the spec home business in the U.S., and the impact of foreign currency conversion and newly consolidated entities. Liabilities increased ¥134.381billion from the end of the previous consolidated fiscal year to ¥989.426 billion, mainly due to the issuance of commercial papers and an increase in long-term borrowings. Net assets came to ¥823.296 billion and equity ratio was 41.6%.

(3) Overview of Cash Flow

There was a net increase of ¥27.398 billion in cash and cash equivalents (hereafter, “cash”) to ¥174.771 billion as at the end of the consolidated fiscal year under review.

A summary of cash flow is presented below.

(Operating activities)

Net cash provided by operating activities was ¥125.3 billion (compared to ¥55.276 billion the previous consolidated fiscal year). This was due mainly to an increase in capital resulting from posting of ¥161.353 billion in income before income taxes, even as funds decreased as a result of an increase in real estate for sale associated with the expansion of the spec home business mainly in the U.S.

(Investment activities)

Net cash used in investment activities was ¥112.497 billion (compared to net cash used of ¥52.385 billion the previous consolidated fiscal year). This was due mainly to the use of funds for the development of multi-family homes, in addition to the acquisition of equity interests in a real estate development business company and truss manufacturing business company in the U.S.

(Financing activities)

Net cash provided by financing activities was ¥10.236 billion (compared to net cash used of ¥32.998 billion the previous consolidated fiscal year). This was due mainly to funds provided by the issuance of commercial papers and the increase in long-term borrowings, which offset the use of funds for the payment of dividends.

(4) Future Outlook

In the global economy, amidst the continued monetary tightening measures to curb rising prices, there is growing uncertainty over the economic outlook due to concerns over high resource prices against the backdrop of the deteriorating situation surrounding the Middle East region, among other factors. In the Japanese economy, while moderate economic recovery is likely to continue as personal consumption continues to pick up on the back of improvements in the employment and income environment, there is a need to pay attention to the risk of an economic downswing caused by global monetary tightening measures and the slowdown of the Chinese economy impacted by the deterioration of the real estate market.

(Future outlook by business segment)

The Group will continue to advance the respective businesses as follows to achieve its targets in the 85th fiscal year (ending December 31, 2024), the final year of Medium-Term Management Plan “Mission TREEING 2030 Phase 1."

In the Timber and Building Materials Business, we will put further emphasis on expanding the supply of wood fuels for biomass power generation and using domestic timber in the distribution business. In the manufacturing business, we will strive to strengthen the integrated production and sales system, as well as work on establishing a circular material supply system through the operation of wood processing factories with the aim of expanding the use of domestic timber. We will also promote decarbonization design and business transformation in the construction material distribution industry by promoting One Click LCA and JUCORE Mitsumori, in order to develop new revenue streams.

In the custom-built detached housing business of the Housing Business, alongside expanding orders of ZEH-specification housing and promoting an ordering strategy that makes the most of the Company’s proposal capabilities tailored to customers’ needs, we will also put greater focus on improving profitability by streamlining construction through means such as improving the construction system to reduce construction period. In the rental housing business, we will continue to work on increasing orders for “Forest Maison GRANDE,” a wooden-construction rental apartment development. In the spec home business, we will boost efforts in the acquisition of excellent business sites by strengthening collaboration with developers. In the renovation business, we will strive to increase renovation orders that harness our proprietary quake-resistant technology by proposing “Reforest,” our renovation product for detached houses.

In the Global Construction and Real Estate Business,* we will roll out a diverse product strategy and efficient sales strategy tailored to customers’ needs in the US single family homes business. Furthermore, in light of our expanded business areas, we will continue to put effort into streamlining the production system, such as by promoting our integrated design, manufacturing, delivery, and installation solution for housing wall panels and other products. In the US real estate development business, we will expand new investment projects such as the development of multi-family housing as well as logistics facilities and life sciences facilities in order to secure stable profits. In addition, we will boost the synergy with the single family homes business through the JPI Group, which we acquired equity interests in during November last year, and build a system that is capable of responding flexibly to future changes in the business environment. In Australia’s single family home business, we will continue to put effort into reducing construction period and costs by streamlining production. As for real estate investment risks overseas, we will continue to carry out monitoring based on internal regulations, such as periodically checking the inventory status of real estate for sale and appraising the market values of real estate owned by the Company. At the same time, we will put further effort into developing a system that can respond flexibly to market conditions.

In the Environment and Resources Business, we will continue to work on ensuring stable operations at each power plant in the renewable energy business through stable procurement of fuel. In the forest resources business, we will put effort into expanding our markets and customer base. In addition, by forming and managing forestry funds, we will strive to expand the surface areas of forests under management and create carbon credits. In November last year, we concluded a business and capital partnership agreement with Green Earth Institute Co., Ltd. to promote the biorefinery** business using wood biomass as raw material. With a view to reducing CO2 emissions and contributing to the decarbonization of society as a whole, we will work on promoting biomass chemicals.

*The name of the business segment was changed from “Global Housing, Construction and Real Estate Business” to “Global Construction and Real Estate Business” with effect from January 2024.

**Biorefinery is a technology that produces chemicals and fuels using biomass, such as plants and agricultural products, as the raw material. There are expectations that it will be able to replace petrochemicals.

(Achievement of SDGs(Sustainable Development Goals) and contribution to the realization of a sustainable society)

In our long-term vision, "Mission TREEING 2030: Making our planet safer and more secure for future generations," the Group has identified nine key issues so that through our business activities, we can provide society with the foundational value for our planet as well as the derivative value for people and society and value for the market economy.

One of the basic policies of the Medium-Term Management Plan "Mission TREEING 2030 Phase 1" is further integration of business operations and ESG, and we have established individual indicators linked to the respective SDGs for each key issue. Among these, with regard to the climate change issue, we are steadily promoting initiatives to achieve RE100 and SBT(Science Based Targets). The Group participated in the international campaign "Race to Zero," which aims to achieve net-zero GHG emissions by 2050. For SBT Scopes 1* and 2**, the Group aims to reduce greenhouse gas emissions by 54.6% compared to 2017 by 2030.

Concerning these initiatives, we conduct scenario analysis by identifying and evaluating their risks and opportunities, and disclose this information in our sustainability report based on TCFD(Task Force on Climate-Related Financial Disclosures) framework established by the Financial Stability Board. In the scenario analysis, we take the assumption that "forests," "wood," and "construction," which are the three pillars of the decarbonization in the wood cycle that we advocate in "Mission TREEING 2030," create business opportunities, and we aim to realize a sustainable society by promoting these businesses.

* Scope 1 refers to direct greenhouse gas emissions from the use of fuels within the Group. (E.g. CO_2 emissions from the use of gasoline in company cars)

** Scope 2 refers to indirect greenhouse gas emissions from purchased electric power and heat. (E.g. CO_2 emissions from the use of electric power at offices)

Along with the aforementioned efforts, the Group will anticipate social changes and further improve our corporate value by such means as enhancing corporate governance, coexisting with the environment, improving customer satisfaction, respecting human rights and diversity, and managing risks as well as complying with laws as we accept feedback from our shareholders and other stakeholders.

Nine material issues and related SDGs

Value for our planet	To enhance the value of forests and wood through sustainable forest management	Nurturing forests to enhance and harness the value of wood and other forest resources.	13, 15
	To realize carbon neutrality by leveraging forests and wood resources	Contributing to the decarbonization of society by reducing our own GHG emissions, by offering timber and wood products that sequestrate carbon, and by providing low-carbon/carbon-free products and services.	7, 13
	To realize a circular bioeconomy by leveraging forests and wood resources	Realizing a circular society by making the most of wood, a renewable and natural resource from the forest ecosystem.	11, 12, 15
Value for people and society	To provide comfortable and secure spaces for society at large	Providing safe, comfortable and secure spaces to society at large.	3, 9, 11
	To improve the livelihood of the local communities where we operate	Creating jobs through our businesses and contributing to the development of local communities.	3, 8, 11
	To create a vibrant environment for all workers	Creating a work environment where everyone throughout the supply chain is safe, healthy and motivated.	3, 5, 8
Value for the market economy	To create new markets with forests and wood	Creating new markets that enrich the economy through the resourceful use of forests and wood.	9, 11
	To transform markets through DX and innovation	Enhancing economic efficiency and added value through business transformation brought about by DX and innovation.	9
	To establish a robust business structure	Contributing to a stable economy by continuously providing value with a structure that is resilient to contingent circumstances.	16

(5) Basic Policy on Profit Distribution and Dividends for FY12/23 and FY12/24

Sumitomo Forestry Co., Ltd. has a fundamental policy of achieving stable and continuous shareholder returns and considers this to be one of its highest priorities. In the future, we will work to improve return on equity (ROE) and increase shareholders' equity by effectively utilizing internal reserves in effective investments that contribute to the improvement of long-term corporate value and in research and development activities. At the same time, we will return an appropriate level of earnings to shareholders in accordance with profits, while taking into account the need to balance these distributions with the base of operations, financial position, cash flow and other items.

Based on the above-mentioned basic policy, for the fiscal year ending in December 2023, the Company plans to pay a fiscal year-end dividend of ¥65.00 per share. Together with the interim dividend of ¥60.00 per share that the Company has already paid, this will bring the dividend for the full year to ¥125.00 per share.

For the fiscal year ending in December 2024, the Company plans to pay an annual dividend of ¥130.00 per share consisting of an interim dividend of ¥65.00 and a year-end dividend of ¥65.00.

2. Basic Thinking on Selection of Accounting Standards

The Sumitomo Forestry Group applies Japanese standards when preparing consolidated financial statements. Our policy on the application of international accounting standards is to address the matter appropriately based on circumstances in Japan and other countries where we do business.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(million yen)

	Previous consolidated fiscal year (December 31, 2022)	Current consolidated fiscal year (December 31, 2023)
Assets		
Current assets		
Cash and deposits	128,752	154,067
Notes and accounts receivable-trade	112,487	103,164
Electronically recorded monetary claims	41,974	41,053
Accounts receivable from completed construction contracts and contract assets	57,946	65,213
Marketable securities	3,177	3,167
Merchandise and finished goods	24,576	21,209
Work in process	2,050	2,026
Raw materials and supplies	11,385	12,409
Costs on construction contracts in progress	16,098	16,176
Real estate for sale	106,436	127,930
Real estate for sale in process	434,028	524,556
Short-term loans receivable	28,107	27,358
Accounts receivable-other	56,920	87,218
Other	49,349	50,972
Allowance for doubtful account	(521)	(489)
Total current assets	1,072,763	1,236,028
Non-current assets		
Property, plant and equipment		
Buildings and structures	111,884	118,115
Accumulated depreciation	(54,619)	(59,443)
Buildings and structures, net	57,265	58,671
Machinery, equipment and vehicles	89,673	95,486
Accumulated depreciation	(66,687)	(72,070)
Machinery, equipment and vehicles, net	22,986	23,416
Land	46,328	52,317
Timber	40,247	43,177
Leased assets	19,596	28,359
Accumulated depreciation	(7,392)	(9,821)
Leased assets, net	12,203	18,537
Construction in process	13,459	22,410
Other	21,339	24,011
Accumulated depreciation	(15,025)	(16,265)
Other, net	6,314	7,746
Total property, plant and equipment	198,802	226,274
Intangible assets		
Goodwill	5,911	45,892
Other	16,964	18,466
Total intangible assets	22,876	64,358
Investments and other assets		
Investment securities	203,572	229,667
Long-term loans receivable	8,938	16,418
Retirement benefit assets	710	4,653
Deferred tax assets	7,736	8,312
Other	23,211	28,089
Allowance for doubtful account	(1,010)	(1,078)
Total investments and other assets	243,158	286,062

(million yen)

	Previous consolidated fiscal year (December 31, 2022)	Current consolidated fiscal year (December 31, 2023)
Total non-current assets	464,835	576,694
Total assets	1,537,598	1,812,722

(million yen)

	Previous consolidated fiscal year (December 31, 2022)	Current consolidated fiscal year (December 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	105,540	107,458
Electronically recorded obligations	30,662	30,931
Accounts payable for construction contracts	103,566	130,618
Short-term borrowings	45,966	51,755
Commercial papers	-	30,000
Current portion of bonds	12	10,012
Current portion of bonds with share acquisition rights	10,015	-
Lease obligations	2,120	3,615
Income tax payable	5,137	8,152
Contract liabilities	80,095	86,916
Provision for bonuses	24,210	21,970
Provision for bonuses for directors (and other officers)	163	144
Provision for warranties for completed construction	7,415	10,203
Asset retirement of obligations	234	325
Other	78,975	95,889
Total current liabilities	494,110	587,989
Long-term liabilities		
Bonds payable	90,140	80,192
Long-term borrowings	187,807	230,306
Lease obligations	12,263	17,991
Deferred tax liabilities	35,406	34,612
Provision for retirement benefits for directors (and other officers)	313	372
Retirement benefits liability	11,792	10,587
Asset retirement of obligations	3,608	3,248
Other	19,604	24,128
Total long-term liabilities	360,934	401,437
Total liabilities	855,045	989,426
Net assets		
Shareholders' equity		
Common stock	50,074	55,088
Capital surplus	31,493	36,530
Retained earnings	447,216	524,297
Treasury shares	(2,465)	(2,517)
Total shareholders' equity	526,318	613,398
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	36,926	37,201
Deferred gains (losses) on hedges	3,775	5,812
Foreign currency translation adjustment	60,443	97,960
Remeasurements of defined benefit plans	49	45
Total accumulated other comprehensive income	101,192	141,018
Share acquisition rights	96	74
Non-controlling interests	54,948	68,807
Total net assets	682,554	823,296
Total liabilities and net assets	1,537,598	1,812,722

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

Consolidated Statements of Income

(million yen)

	Previous consolidated fiscal year (January 1, 2022 – December 31, 2022)	Current consolidated fiscal year (January 1, 2023 – December 31, 2023)
Net sales	1,669,707	1,733,169
Cost of sales	1,276,737	1,324,339
Gross profit	392,970	408,830
Selling, general and administrative expenses	234,717	262,076
Operating income	158,253	146,755
Non-operating income		
Interest income	808	1,972
Purchase discount	358	347
Dividend income	2,089	2,039
Share of profit of entities accounted for using equity method	25,753	8,338
Foreign exchange gains	897	317
Gain on sale of investment securities	6,970	-
Other	5,924	9,223
Total non-operating income	42,799	22,236
Non-operating expenses		
Interest expense	3,124	4,338
Other	2,934	5,234
Total non-operating expenses	6,058	9,572
Recurring income	194,994	159,418
Extraordinary income		
Gain on sale of investment securities	-	1,935
Total extraordinary income	-	1,935
Extraordinary loss		
Impairment loss	6,609	-
Total extraordinary loss	6,609	-
Profits before income taxes	188,385	161,353
Income taxes-current	41,517	36,688
Income taxes-deferred	11,714	(1,570)
Total income taxes	53,230	35,118
Net income	135,155	126,235
Profit attributable to non-controlling interests	26,483	23,756
Profit for the year attributable to owners of the parent	108,672	102,479

Consolidated Statements of Comprehensive Income

(million yen)

	Previous consolidated fiscal year (January 1, 2022 – December 31, 2022)	Current consolidated fiscal year (January 1, 2023 – December 31, 2023)
Net income	135,155	126,235
Other comprehensive income		
Valuation difference on available-for-sale securities	(455)	221
Deferred gains (losses) on hedges	(96)	1,053
Foreign currency translation adjustment	46,161	36,887
Share of other comprehensive income of entities accounted for using equity method	6,460	5,424
Total other comprehensive income	52,070	43,585
Comprehensive income	187,225	169,820
(Breakdown)		
Comprehensive income attributable to shareholders of parent	155,493	142,304
Comprehensive income attributable to non-controlling interests	31,732	27,516

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous consolidated fiscal year (January 1 to December 31, 2022)

(million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	50,064	33,899	359,641	(2,362)	441,241
Changes during the period					
Issuance of new shares (exercise of share acquisition rights)	10	10			20
Dividends from surplus			(21,096)		(21,096)
Profit for the year attributable to owners of the parent			108,672		108,672
Purchase of treasury stock				(103)	(103)
Disposal of treasury stock		0		0	0
Change in stake of parent company related to transactions with non-controlling interests		(2,416)			(2,416)
Net changes in items other than shareholders' equity					
Total changes during the period	10	(2,406)	87,576	(103)	85,076
Balance at the end of current period	50,074	31,493	447,216	(2,465)	526,318

	Accumulated other comprehensive income					Share 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 current period	37,226	3,403	13,699	42	54,370	116	44,361	540,089
Changes during the period								
Issuance of new shares (exercise of share acquisition rights)								20
Dividends from surplus								(21,096)
Profit for the year attributable to owners of the parent								108,672
Purchase of treasury stock								(103)
Disposal of treasury stock								0
Change in stake of parent company related to transactions with non-controlling interests								(2,416)
Net changes in items other than shareholders' equity	(300)	372	46,744	6	46,822	(20)	10,586	57,388
Total changes during the period	(300)	372	46,744	6	46,822	(20)	10,586	142,464
Balance at the end of current period	36,926	3,775	60,443	49	101,192	96	54,948	682,554

Current consolidated fiscal year (January 1 to December 31, 2023)

(million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	50,074	31,493	447,216	(2,465)	526,318
Changes during the period					
Issuance of new shares (exercise of share acquisition rights)	5,014	5,014			10,028
Dividends from surplus			(25,398)		(25,398)
Profit for the year attributable to owners of the parent			102,479		102,479
Purchase of treasury stock				(52)	(52)
Disposal of treasury stock					-
Change in stake of parent company related 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	77,080	(52)	87,080
Balance at the end of current period	55,088	36,530	524,297	(2,517)	613,398

	Accumulated other comprehensive income					Share 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 current period	36,926	3,775	60,443	49	101,192	96	54,948	682,554
Changes during the period								
Issuance of new shares (exercise of share acquisition rights)								10,028
Dividends from surplus								(25,398)
Profit for the year attributable to owners of the parent								102,479
Purchase of treasury stock								(52)
Disposal of treasury stock								-
Change in stake of parent company related to transactions with non-controlling interests								24
Net changes in items other than shareholders' equity	275	2,037	37,516	(3)	39,825	(22)	13,859	53,662
Total changes during the period	275	2,037	37,516	(3)	39,825	(22)	13,859	140,742
Balance at the end of current period	37,201	5,812	97,960	45	141,018	74	68,807	823,296

(4) Consolidated Statements of Cash Flows

(million yen)

	Previous consolidated fiscal year (January 1, 2022 – December 31, 2022)	Current consolidated fiscal year (January 1, 2023 – December 31, 2023)
Net cash provided by (used in) operating activities		
Income before income taxes	188,385	161,353
Depreciation and amortization	17,911	19,918
Impairment loss	6,609	-
Amortization of goodwill	2,741	5,765
Provision for (reversal of) doubtful accounts	164	27
Provision for (reversal of) employees' bonuses	217	(4,251)
Provision for (reversal of) directors' bonuses	(2)	(19)
Provision for (reversal of) warranties for completed construction	(456)	1,496
Provision for (reversal of) directors' retirement benefits	(19)	3
Net defined benefit liability (decrease)	(5,716)	(5,197)
Interest and dividends income	(2,897)	(4,011)
Interest expenses	3,124	4,338
Equity in (earnings) losses of affiliates	(25,753)	(8,338)
Losses (gains) on sale of marketable securities and investment securities	(6,970)	(1,935)
Decrease (increase) in notes and accounts receivable-trade and contract assets	(13,316)	7,731
Decrease (increase) in inventories	(102,094)	(49,042)
Decrease (increase) in other current assets	(3,329)	(11,882)
Increase (decrease) in notes and accounts payable-trade	9,050	12,270
Increase (decrease) in advances received	2,584	102
Increase (decrease) in contract liabilities	(15)	(813)
Increase (decrease) in accrued consumption taxes	(2,079)	2,731
Increase (decrease) in other current liabilities	7,780	2,848
Other	(4,385)	3,970
Subtotal	71,536	137,064
Interest and dividends income received	34,722	23,221
Interest paid	(3,010)	(4,272)
Income taxes paid	(47,972)	(30,713)
Net cash provided by (used in) operating activities	55,276	125,300

(million yen)

	Previous consolidated fiscal year (January 1, 2022 – December 31, 2022)	Current consolidated fiscal year (January 1, 2023 – December 31, 2023)
Net cash provided by (used in) investment activities		
Payments into time deposits	(5,212)	(5,102)
Proceeds from withdrawal of time deposits	5,222	10,061
Decrease (increase) in short-term loans receivable	(2,562)	1,292
Proceeds from sales and redemption of securities	2	-
Payments for purchases of property, plant and equipment	(31,999)	(28,394)
Proceeds from sales of property, plant and equipment	6,004	3,861
Payments for purchases of intangible assets	(4,666)	(4,498)
Payments for purchase of investment securities	(26,247)	(32,811)
Proceeds from sales and redemption of investment securities	17,041	4,287
Payments for transfer of business	(3,648)	(3,974)
Payments for purchase of subsidiary shares resulting in change in scope of consolidation	(2,165)	(49,242)
Proceeds from purchase of subsidiary shares resulting in change of scope of consolidation	328	-
Payments in long-term loans payable	(5,734)	(7,726)
Repayments of long-term loans receivable	2,822	942
Other payments	(3,197)	(4,705)
Other proceeds	1,626	3,513
Net cash provided by (used in) investment activities	(52,385)	(112,497)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term debt	10,517	(4,990)
Net increase (decrease) in commercial papers	-	30,000
Repayments of finance lease obligations	(3,279)	(3,631)
Proceeds from long-term debt	54,095	95,016
Repayment of long-term debt	(45,267)	(63,095)
Redemption of bonds	(77)	(28)
Proceeds from stock issuance to non-controlling interests	1,686	3,410
Cash dividends paid	(21,096)	(25,398)
Cash dividends paid to non-controlling interests	(24,762)	(19,510)
Payments for purchase of subsidiary shares not resulting in change of scope of consolidation	(3,799)	(8)
Net decrease (increase) in deposits with withdrawal and usage restrictions	(1,015)	(1,526)
Other proceeds	0	0
Other payments	(2)	(4)
Net cash provided by (used in) financing activities	(32,998)	10,236
Effect of exchange rate change on cash and cash equivalents	7,444	4,358
Net increase (decrease) in cash and cash equivalents	(22,662)	27,398
Cash and cash equivalents at the beginning of period	170,035	147,373
Cash and cash equivalents at the end of period	147,373	174,771

(5) Notes to the Consolidated Financial Statements

(Notes related to the Assumption of a Going Concern)

Not applicable

(Changes in Accounting Policies)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31, June 17, 2021) has been applied from the beginning of the fiscal year under review. In accordance with the provisional measures set forth in paragraph 27-2 of the Accounting Standard for Fair Value Measurement, the new accounting policies established by the Accounting Standard for Fair Value Measurement will be applied going forward. This does not affect the consolidated financial statements.

(Segment Information)

1. Outline of Reporting Segments

Reporting segments are discrete constituent units of the Sumitomo Forestry Group for which financial statements are separately prepared. In order to determine the allocation of the Group’s management resources and evaluate its business results, the Board of Directors regularly discusses the reporting segments.

The Sumitomo Forestry Group has established divisions in its Headquarters to handle its products, services and regions. Each division formulates comprehensive strategies for the products and services that it handles and uses these strategies to conduct its business activities.

Therefore, the Sumitomo Forestry Group consists of different product, service and region-oriented segments which are based around divisions. There are four reporting segments: the Timber and Building Materials Business, the Housing Business, the Global Housing, Construction and Real Estate Business, and the Environment and Resources Business.

The Timber and Building Materials Business is engaged in the purchase, manufacture, processing and sale, etc. of timber and building materials. The Housing Business is engaged in the contracted construction, aftersales maintenance, and renovation of detached houses and apartment buildings, the sale of spec homes, the leasing, management, purchase and sale and brokerage of real estate, house exterior fixtures and landscaping works contracting, urban greening works, CAD and site surveys, etc. The Global Housing, Construction and Real Estate Business is engaged in the sale of spec homes, construction of detached houses, development of multi-family and commercial mix use properties in overseas markets, the contracted construction of medium- to large-scale construction projects in Japan, etc. The Environment and Resources Business is engaged in the renewable energy generation business, the forestry business, and more.

(Matters Related to Changes in Reporting Segments, etc.)

In conjunction with the reorganization in January 2023, beginning from the consolidated accounting year under review, the reporting segments have been changed from the previous four classifications of Timber and Building Materials Business, Housing and Construction Business, Overseas Housing and Real Estate Business, and Environment and Resources Business, to the four segments of Timber and Building Materials Business, Housing Business, Global Housing, Construction and Real Estate Business, and Environment and Resources Business.

Segment information for the previous cumulative consolidated accounting year has been prepared based on the new reporting segments.

2. Method Used for Calculating Sales, Income (loss), Assets and Other Items by Each Reporting Segment

The accounting treatment used for all reporting segments is basically the same as the accounting treatment method adopted in the preparation of the consolidated financial statements, except for the treatment used to account for retirement benefit cost.

Lump-sum expenses such as actuarial differences for retirement benefit cost are not included in the income or losses of business segments.

Segment income figures are based on recurring income.

Intersegment sales and transfers are priced in accordance with prevailing market prices.

3. Information regarding Sales, Income (loss), Assets and Other Items by Each Reporting Segment

Previous consolidated fiscal year (January 1 to December 21, 2022)

(million yen)

	Reporting segment					Other (Note 1)	Total	Adjustment (Note 2)	Total shown in the consolidated financial statement (Note 3)
	Timber and Building Materials	Housing	Global Housing, Construction and Real Estate	Environment and Resources	Total				
Net sales									
(1) Unaffiliated customers	253,196	508,342	872,828	20,501	1,654,868	14,241	1,669,109	599	1,669,707
(2) Intersegment sales/transfer	20,536	375	701	1,370	22,981	10,312	33,293	(33,293)	—
Total	273,733	508,717	873,529	21,871	1,677,849	24,553	1,702,402	(32,694)	1,669,707
Segment income (loss)	14,878	15,440	161,775	1,392	193,486	1,938	195,423	(429)	194,994
Segment assets	235,952	188,091	787,288	92,583	1,303,913	74,283	1,378,197	159,402	1,537,598
Other items									
Depreciation and amortization (Note 4)	3,611	4,961	4,113	2,200	14,885	1,954	16,838	1,073	17,911
Amortization of goodwill	36	—	2,705	—	2,741	—	2,741	—	2,741
Interest income	40	10	702	44	796	0	796	12	808
Interest expense	688	431	3,269	518	4,905	195	5,100	(1,976)	3,124
Equity in earnings (losses) of affiliates	(252)	—	23,197	552	23,496	2,256	25,753	0	25,753
Investments in equity method affiliates	7,082	—	69,328	5,352	81,762	40,576	122,338	7	122,344
Increase in property, plant and equipment and intangible assets (Note 4)	4,342	5,605	21,770	2,946	34,663	1,189	35,852	87	35,939

(Notes) 1. "Other" is business segments not included in the reporting segments. Such segments include private nursing home/private elderly care facilities with nursing care business, insurance agency business, and civil engineering/construction work.

2. Adjustments are as presented below.

(1) Adjusted sales to unaffiliated customers of ¥599 million are attributable to the administrative departments and comprised mainly of rent from Company landholdings.

(2) The adjusted business loss of ¥429 million includes ¥39 million in eliminated intersegment transactions, a ¥7,968 million actuarial gain associated with retirement benefit costs, and ¥8,357 million in corporate losses which are not allocated to any of the reporting segments.

Corporate income (loss) is primarily selling, general and administrative expenses, non-operating income or non-operating expenses not belonging to any reporting segments.

(3) The adjusted segment assets of ¥159,402 million include ¥12,921 million in eliminated intersegment transactions and ¥172,323 million in corporate assets which are not allocated to any of the reporting segments.

Corporate assets are mainly unused funds after management (cash and deposits, securities, and short-term debt), long-term investments (investment securities) and assets used by administrative departments.

3. Total segment income (loss) and segment assets are adjusted against recurring income and assets shown in the consolidated financial statements, respectively.

4. The increase in depreciation expenses, property, plant and equipment and intangible assets includes long-term prepaid expenses and write offs associated with these expenses.

Current consolidated fiscal year (January 1 to December 31, 2023)

(million yen)

	Reporting segment					Other (Note 1)	Total	Adjustment (Note 2)	Total shown in the consolidated financial statement (Note 3)
	Timber and Building Materials	Housing	Global Housing, Construction and Real Estate	Environment and Resources	Total				
Net sales									
(1) Unaffiliated customers	213,903	533,499	947,276	23,523	1,718,201	14,375	1,732,576	593	1,733,169
(2) Intersegment sales/transfer	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	112,541	564	157,075	2,193	159,267	151	159,418
Segment assets	226,743	216,917	1,034,580	88,990	1,567,230	75,886	1,643,117	169,605	1,812,722
Other items									
Depreciation and amortization (Note 4)	4,333	5,712	4,521	2,173	16,740	2,060	18,800	1,118	19,918
Amortization of goodwill	—	180	5,586	—	5,765	—	5,765	—	5,765
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
Equity in earnings (losses) of affiliates	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	22,897	3,844	38,858	3,276	42,134	971	43,105

(Notes) 1. “Other” is business segments not included in the reporting segments. Such segments include private nursing home/private elderly care facilities with nursing care business, insurance agency business, and civil engineering/construction work.

2. Adjustments are as presented below.

(1) Adjusted sales to unaffiliated customers of ¥593 million are attributable to the administrative departments and comprised mainly of rent from Company landholdings.

(2) The adjusted business income of ¥151 million includes ¥76 million in eliminated intersegment transactions, ¥5,003 million actuarial gain associated with retirement benefit costs, and ¥4,776 million in corporate losses which are not allocated to any of the reporting segments.

Corporate income (loss) is primarily selling, general and administrative expenses, non-operating income or non-operating expenses not belonging to any reporting segments.

(3) The adjusted segment assets of ¥169,605 million include ¥12,183 million in eliminated intersegment transactions and ¥181,787 million in corporate assets which are not allocated to any of the reporting segments.

Corporate assets are mainly unused funds after management (cash and deposits, securities, and short-term debt), long-term investments (investment securities) and assets used by administrative departments.

3. Total segment income (loss) and segment assets are adjusted against recurring income and assets shown in the consolidated financial statements, respectively.

4. The increase in depreciation expenses, property, plant and equipment and intangible assets includes long-term prepaid expenses and write offs associated with these expenses.

(Per-Share Information)

	Previous consolidated fiscal year (January 1, 2022 – December 31, 2022)	Current consolidated fiscal year (January 1, 2023 – December 31, 2023)
Net assets per share	¥3,140.26	¥3,686.51
Net income per share	¥543.80	¥505.53
Net income per share fully diluted	¥530.99	¥500.44

(Notes) 1. The basis for calculating net assets per share is as follows.

	Previous consolidated fiscal year (December 31, 2022)	Current consolidated fiscal year (December 31, 2023)
Total net assets (million yen)	682,554	823,296
Breakdown of deductions from total net assets (million yen)	55,044	68,881
(Subscription rights to shares (million yen))	(96)	(74)
(Non-controlling interests (million yen))	(54,948)	(68,807)
Total net assets for common stock (million yen)	627,510	754,415
Number of common stocks issued (shares)	201,218,236	206,058,468
Number of treasury stocks (shares)	1,390,509	1,416,107
Number of common stocks used for calculation of net asset per share (shares)	199,827,727	204,642,361

2. The basis for calculating net income per share and net income per share fully diluted is as follows.

	Previous consolidated fiscal year (January 1, 2022 – December 31, 2022)	Current consolidated fiscal year (January 1, 2023 – December 31, 2023)
Net income per share		
Profit for the year attributable to owners of the parent (million yen)	108,672	102,479
Income not available to common stockholders (million yen)	—	—
Profit attributable to owners of parent for common stock (million yen)	108,672	102,479
Weighted average number of shares issued (shares)	199,838,137	202,715,328
Net income per share fully diluted		
Adjusted profit for the year attributable to owners of the parent (million yen)	—	—
Common shares increase (shares)	4,819,837	2,061,189
(Convertible bonds with stock acquisition rights (shares))	(4,680,883)	(1,929,902)
(Stock acquisition rights (shares))	(90,000)	(69,046)
(Performance-linked stock compensation (shares))	(48,954)	(62,241)
Overview of potentially dilutive common shares not included in computation of diluted net income per share because of their anti-dilutive effect	—	—

(Significant Subsequent Events)

Not applicable