

Summary of Financial Results for the Fiscal Year Ended December 31, 2020 [Japan GAAP] (Consolidated)

Name of Company: Sumitomo Forestry Co., Ltd.	Stock Exchange Listing: Tokyo
Stock Code: 1911	URL: https://sfc.jp/english/
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Scheduled Date of Regular General Meeting of Shareholders: March 30, 2021
Scheduled Date to Commencement Dividend Payment: March 31, 2021
Scheduled Date of Filing of Securities Report: March 30, 2021
Supplementary Documents on Financial Results: Yes
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 fiscal year ended December 31, 2020

(April 1, 2020 – December 31, 2020)

(1) Consolidated results of operations (Cumulates total) (%: change from 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 2020	839,881	–	47,462	–	51,293	–	30,398	–
FY Ended March 2020	1,104,094	-15.6	51,377	4.3	58,824	14.4	27,853	-4.5

Note: Comprehensive income
 FY Ended December 2020 57,069 million yen (- %)
 FY Ended March 2020 29,239 million yen (17.4 %)

	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 2020	167.54	163.34	8.8	4.9	5.7
FY Ended March 2020	153.54	149.68	8.8	6.0	4.7

Note: Equity in income (losses) of affiliates
 FY Ended December 2020 3,318 million yen
 FY Ended March 2020 8,097 million yen

Note: Following the approval of Partial Amendments of the Articles of Incorporation at the 80th Annual General Meeting of Shareholders held on June 23, 2020, the Company has changed its fiscal term end from March 31 to December 31 beginning with the fiscal year ended December 31, 2020 and unified the fiscal year end of our group on December 31. The fiscal year covering the nine months started on April 1, 2020 and ended on December 31, 2020 was the transition period. Therefore, full-year changes from the previous corresponding period have not been provided.

In the previous consolidated fiscal year, the results of the Company and its consolidated subsidiaries for the fiscal year ended March were consolidated based on the financial statements as of March 31, 2020, and the results of the consolidated subsidiaries for the fiscal year ended December were consolidated based on the financial statements as of December 31, 2019. However, as a result of the above change, the results of the Company and all consolidated subsidiaries were consolidated based on the financial statements as of December 31, 2020. Meanwhile, profits and losses and cash flows of consolidated subsidiaries with a fiscal year ended December for the period from January 1, 2020 to March 31, 2020 are not included in the results for the fiscal year ended December 31, 2020. The adjustments were made in the balance of retained earnings and the balance of cash and cash equivalents, respectively.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Shareholder's Equity per Share
	Million yen	Million yen	%	Yen
As of December 31, 2020	1,091,152	399,456	33.7	2,025.13
As of March 31, 2020	1,004,768	357,064	32.1	1,777.57

Note: Shareholders' equity

As of December 31, 2020 367,461 million yen

As of March 31, 2020 322,496 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
FY ended December 2020	46,840	-44,635	-6,782	122,220
FY ended March 2020	45,724	-38,874	1,142	112,565

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 March 2020	-	20.00	-	20.00	40.00	7,298	26.1	2.3
FY Ended December 2020	-	10.00	-	25.00	35.00	6,387	20.9	1.8
FY Ending December 2021(forecast)	-	25.00	-	25.00	50.00		18.9	

3. Forecast of the consolidated financial results for the FY ending December 2021 (January 1, 2021- December 31, 2021)

(%: change from the previous year)

	Net sales		Operating income		Recurring income		Profit for the year attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,257,000	-	72,500	-	80,000	-	48,000	-	264.55

Note: The Company has changed its fiscal term end from March 31 to December 31 beginning with the fiscal year ended December 31, 2020 and unified the fiscal year end of our Group on December 31. The fiscal year ended December 31, 2020, which was the transition period, covered the nine months starting on April 1, 2020 and ending on December 31, 2020. Therefore, full-year changes from the previous corresponding period have not been provided.

* Notice

- (1) Changes in main subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None
- (2) Changes in accounting policies, accounting estimates, and restatements
- (a) Changes in accounting policies due to revision of accounting standards: None
- (b) Changes in accounting policies other than those in (a): None
- (c) Changes in accounting estimates: None
- (d) Restatements: None

- (3) Number of shares outstanding (common stock)

- (a) Shares outstanding (including treasury stock)

As of December 31, 2020	182,778,336	As of March 31, 2020	182,752,036
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- (b) Treasury stock

As of December 31, 2020	1,327,588	As of March 31, 2020	1,326,898
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- (c) Average number of shares during the term

As of December 31, 2020	181,442,403	As of March 31, 2020	181,406,905
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Non-consolidated financial results (For reference)

Financial results for the current fiscal year (April 1, 2020 – December 31, 2020)

- (1) Non-consolidated result of operations (%: change from the previous year)

	Net sales		Operating income		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended December 2020	317,658	–	32	–	9,471	–	8,623	–
FY ended March 2020	458,862	-36.4	7,232	94.8	18,260	-5.2	12,962	-36.9

	Net income per share	Net income per share fully diluted
	Yen	Yen
FY ended December 2020	47.25	46.08
FY ended March 2020	71.05	69.27

Note: Following the approval of Partial Amendments of the Articles of Incorporation at the 80th Annual General Meeting of Shareholders held on June 23, 2020, the Company has changed its fiscal end from March 31 to December 31 beginning with the fiscal year ended December 31, 2020. The fiscal year covering the nine months starting on April 1, 2020 and ending on December 31, 2020 was the transition period. Therefore, full-year changes from the previous corresponding period have not been provided.

- (2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2020	751,131	284,219	37.8	1,556.78
As of March 31, 2020	694,494	254,063	36.6	1,391.73

Note: Shareholders' equity

As of December 31, 2020	284,099 million yen
As of March 31, 2020	253,943 million yen

<Reason for difference from previous non-consolidated results>

As stated above, the reason for the difference from the results of the previous fiscal year (ended March 31, 2020) was that the fiscal year ended December 31, 2020 was an irregular fiscal term covering a nine-month period. In addition to this, the housing market in Japan was weak due to COVID-19, leading to sluggish results in the Timber and Building Materials Business and the Housing and Construction Business. Consequently, net sales, operating income, recurring income, and net income all dropped significantly.

* 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 be a promise by the Company to achieve those forecasts. Actual results may differ substantially due to various factors. For information regarding using the assumptions that form the basis for the business results forecasts and cautionary notes about using business results forecasts, please refer to accompanying materials page 5 “1. Overview of Results of Operations, etc. (4) Future Outlook.”

(Method of Obtaining Supplemental Explanatory Material)

The Company held a conference call for analysts and institutional investors on Tuesday, February 16, 2021. The explanatory material on the financial results are published on the website afterward. Additionally, the Supplementary Information is provided in the Financial Factbook, and the material are published on the website simultaneously with the announcement of financial results.

<https://sfc.jp/english/ir/>

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1. Overview of Results of Operations, etc.

The fiscal year-end of the Company was changed from March 31 to December 31 starting from the fiscal year under review, and the Group's fiscal year-ends have been consolidated on December 31. In conjunction with this, the fiscal year under review is an irregular transition period covering the nine months from April 1 to December 31, 2020. As such, the percentages of year-on-year changes represent comparisons with the first nine months of the previous fiscal year (April 1 to December 31, 2019; hereinafter "the same period of the previous fiscal year"). For the consolidated results of the same period of the previous fiscal year, the financial statements prepared as of December 31, 2019 are used for the Company and those consolidated subsidiaries with fiscal year-ends in March, and the financial statements prepared as of September 30, 2019 are used for those consolidated subsidiaries with fiscal year-ends in December. However, for the fiscal year under review, the financial statements prepared as of December 31, 2020 are used for the Company and all consolidated subsidiaries.

The profit and loss and cash flow from January 1 to March 31, 2020 at consolidated subsidiaries with fiscal year-ends of December are not included in the results for the fiscal year under review. Instead, the balance of retained earnings and the balance of cash and cash equivalents have been adjusted accordingly.

(1) Overview of Results of Operations

In the period under review, the global economy rapidly plunged into harsh conditions due to COVID-19, but there were signs of economic recovery in the United States and China prompted by enactment of monetary and fiscal policies that brought about a resumption of economic activity. The Japanese economy was also hit hard by the reduced comings and goings, particularly the lodging, transportation, and restaurant industries. However, consumer spending and exports have been trending toward recovery.

In the domestic housing market, the number of new housing starts was sluggish due primarily to weakened consumer sentiment and restrictions on business activities under the declaration of a state of emergency associated with the COVID-19 pandemic. In the United States, the housing market fell into temporary decline up to the beginning of the fiscal year, but against a backdrop of historically low mortgage rates and low existing home inventory, the market recovered and has been performing favorably overall. Additionally, in Australia, which faced its first economic recession in 29 years, the market was declining initially, but signs of a recovery appeared owing in part to lower mortgage interest rates and the government's housing construction subsidy program.

In the midst of such business conditions, the Group kept up our business activities, prioritizing the safety of our customers, trading partners, and our employees and their families while taking the utmost precaution to prevent the spread of the virus. This fiscal year marked the second year of our 2021 Medium-Term Management Plan. In Japan, we made the decision to bring a general contractor into the Group for the purpose of expanding our medium- to large-sized timber constructed building business and also began participating in a wood biomass power generation project in Sendai City. In the United States, we focused on promoting the business for further growth of the Group, including expanding the area of our detached housing business.

As a result, net sales were ¥839.881 billion (up 4.6% compared to the same period of the previous fiscal year), operating income was ¥47.462 billion (up 24.0%), recurring income was ¥51.293 billion (up 19.1%), and profit for the period attributable to owners of the parent was ¥30.398 billion (up 34.4%). Actuarial differences for retirement benefit accounting came to ¥4.823 billion, and recurring income excluding actuarial differences was ¥46.470 billion.

An overview of conditions for each business segment is as follows.

Note that net sales for each segment include inter-segment internal sales.

1 Timber and Building Materials Business

In the distribution business, we worked to strengthen our collaboration with our trading partners and developed a versatile business portfolio, continuing to focus on expanding our lineup of fuel wood for biomass power generation, increasing exports of domestic materials, and strengthening efforts in non-housing and construction markets. We also put more focus on expanding sales of plywood made with sustainable plantation timber in the aim of reducing environmental impact. However, performance was sluggish due to the decreased sales volume of plywood and other lumber products resulting from weakness in the domestic housing market caused by the COVID-19 pandemic.

Performance was also sluggish in the domestic manufacturing business due to the decreased sales volume of fixtures, flooring, and other products resulting from weakness in the housing market. Overseas, the sales volume of medium density fiberboard (MDF) from New Zealand decreased, particularly in Japan, but performance was strong due to the reduction in manufacturing costs. In Indonesia, performance was sluggish due to the decreased sales volume of plywood, particle board, and other products.

As a result, the Timber and Building Materials Business posted net sales of ¥144,652 million (down 16.7% compared to the same period of the previous fiscal year) and recurring income of ¥2,334 million (down 54.7%).

2 Housing and Construction Business

In the custom-built detached housing business, sales activities were voluntarily suspended last April in response to the declaration of a state of emergency, so there was a drop in orders received early in the fiscal year. Under these circumstances, we focused on online sales activities, such as rolling out MYHOME PARK, a service that allows users to experience our home building virtually. In addition, we leveraged our design capabilities to focus on proposing plans corresponding to new lifestyles, such as the changes in work styles brought about by the spread of telecommuting, and as a result, orders recovered to a level surpassing the same period of the previous fiscal year. On the other hand, profitability was down due to increased production costs, including labor costs, and there were delays in construction caused by COVID-19. As such, performance was sluggish.

In the apartment business, we worked on expanding orders for apartments constructed via our original “Wall Frame (WF) method,” but the rental housing market recovery was delayed by COVID-19, so there was a decrease in orders received. In our spec homes business, we focused on online sales activities on top of the previous efforts of procuring excellent land and preparing a construction system, and as a result, the number of houses sold remained strong.

In the renovation business, despite the effort we poured into expanding orders for earthquake resistance renovations utilizing our high level of technical capabilities, including our proprietary seismic resistance/seismic vibration damper method, COVID-19 had a particularly significant impact on renovations performed while the customer was living in the residence, so performance was sluggish.

Last November, we made the decision to bring general contractor Cohnan Kensetsu Inc., which operates in Osaka and Tokyo, into the Group in order to further expand our medium- to large-sized timber constructed building projects.

As a result, the Housing and Construction Business posted net sales of ¥332,316 million (down 3.6% compared to the same period of the previous fiscal year) and recurring income of ¥8,454 million (down 46.3%).

3 Overseas Housing and Real Estate Business

In the detached housing business in the United States, restrictions were placed on sales activities such as those on visiting housing display centers in Washington, Utah, Texas, Maryland, North Carolina, and other areas due to COVID-19 at the beginning of the fiscal year under review, causing a temporary decline in those housing markets. However, the markets subsequently recovered against a backdrop of record low mortgage interest rates and increased demand for new builds in the suburbs associated with the spread of telecommuting, so performance was favorable. Additionally, last December, we took over the business of Builders Professional Group, LLC, which is engaged in the spec homes business primarily in the Atlanta area of Georgia in the United States. This expanded our detached housing business in the United States so that we now have operations in 13 states, including Georgia. In the real estate development business, plans for sales of Multi-Family and Commercial Mix Use were postponed due to COVID-19, so performance was sluggish.

In the detached housing business in Australia, there were signs of a recovery in the housing markets in Victoria, New South Wales, Queensland, West Australia, and other areas owing to government housing construction subsidies and record low mortgage interest rates. However, there were delays in construction starts due to COVID-19, so performance was sluggish.

As for Southeast Asia, in Vietnam, Indonesia, and Thailand, progress on detached home and condominium projects that were underway was delayed due to COVID-19.

As a result, the Overseas Housing and Real Estate Business posted net sales of ¥352,371 million (up 25.8% compared to the same period of the previous fiscal year) and recurring income of ¥44,032 million (up 92.1%).

4 Environment and Resources Business

Business results were strong in the biomass power generation business owing to stable operations of our three wood biomass power plants across Japan, including in Mombetsu City, Hokkaido.

Business results were also strong in the overseas reforestation business, owing primarily to increased sales volume in Nelson, a city in the South Island, New Zealand. Additionally, we made an equity-method affiliate, which is engaged in the reforestation business in West Kalimantan, Indonesia, a consolidated subsidiary and also acquired a neighboring forest asset as we worked to reinforce the structure of our sustainable business operations. However, income was down in the Environment and Resources Business due primarily to the recording of a loss on step acquisitions under non-operating expenses in conjunction with the conversion of the equity-method affiliate into a consolidated subsidiary.

In the domestic forest operation business, we signed a comprehensive partnership with Nishiawakura Village, Aida-gun, Okayama and Sumitomo Mitsui Trust Bank, Limited for the promotion of a forest trust with a forestation asset as the trust property in August of last year. As a forestry expert, we will provide management support with respect to forestation asset management methods and increasing the efficiency of forestation, felling, and other activities carried out by a forest management company. Utilizing the know-how cultivated through this agreement, we will contribute to the promotion of regional revitalization based on forestry as we roll out our forest trust efforts.

As a result, the Environment and Resources Business posted net sales of ¥15,058 million (up 11.8% compared to the same period of the previous fiscal year) and recurring income of ¥1,683 million (down 31.0%).

5 Other Businesses

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

The Other Businesses recorded net sales of ¥18,402 million (up 6.4% compared to the same period of the previous fiscal year) and recurring income of ¥757 million (up 7.3%).

(2) Overview of Financial Position

Total assets totaled ¥1,091,152 million at the end of the current consolidated fiscal year, an increase of ¥86,385 million compared to the end of the previous consolidated fiscal year. This was due mainly to an increase in investment securities from the rise in market value of listed stocks held and an increase in inventories associated with expansion of the overseas housing and real estate business. Liabilities increased ¥43,993 million compared to the end of the previous consolidated fiscal year to ¥691,696 million due mainly to increases in commercial paper issued and debt. Net assets totaled ¥399,456 million, and the equity ratio was 33.7%.

(3) Overview of Cash Flow

There was a net increase of ¥9,656 million in cash and cash equivalents (hereafter: “cash”) to ¥122,220 million. The increase includes an adjustment of ¥13,170 million in conjunction with the change in fiscal year-end.

A summary of cash flow is presented below.

In conjunction with the change in fiscal year-end, the fiscal year under review is an irregular transition period covering the nine months from April 1 to December 31, 2020. For that reason, no figures are provided for year-on-year comparison.

(Operating Activities)

Net cash provided by operating activities increased ¥46,840 million. The increase was attributable mainly to an increase in capital resulting from posting ¥50,211 million in income before income taxes despite a decrease in capital resulting from an increase in inventories associated with expansion of the overseas housing and real estate business.

(Investment Activities)

Net cash decreased ¥44,635 million as a result of investment activities. This was due mainly to the use of funds to construct an assisted living facility in Japan and to develop Multi-Family and Commercial Mix Use and take over a spec homes business in the United States.

(Financing Activities)

Net cash used in financing activities was ¥6,782 million. This was attributable mainly to an increase in capital from issuance of commercial papers and an increase in debt as well as a decrease in capital from payment of dividends and acquisition of additional stake in consolidated subsidiaries.

(4) Future Outlook

The global economy has recovered from the temporary severe stagnation owing in part to the swift monetary easing and economic measures enacted by major countries, but since the end of last year, there has been a surge in COVID-19 cases in each country, and large-scale restrictions on activities have been implemented again, primarily in Europe. As such, uncertainty over the future has grown. Overall, there was a recovery in consumer spending and an increase in exports in Japan as well, but there is lingering concern of a significant delay in economic recovery due to the redeclarations of a state of emergency in Tokyo and other major cities at the beginning of the fiscal year. Additionally, there are many political and economic concerns, including what will happen with the trade friction between the United States and China under the Biden administration, so the future will remain unpredictable.

(Outlook by Business Segment)

The business environment in Japan and other countries has changed significantly from our initial assumptions due to the rapid spread of COVID-19. Nevertheless, in our 82nd fiscal year, which is the final year of our 2021 Medium-Term Management Plan, our Group will push forward on strengthening our management foundation for sustainable growth and promoting future-oriented business strategies for further growth.

In the Timber and Building Materials Business, we will work to expand sales of environmentally friendly products such as plantation timber utilizing our supply chain for procuring sustainable timber in the distribution business while continuing to focus on expansion efforts in non-housing and construction markets and building a stable system for the supply of fuel wood for power generation. In the manufacturing business, we will promote further integration of manufacturing and sales through coordination with the distribution business and work on developing high value-added products in line with customer needs as we seek to boost profitability.

In the Housing and Construction Business, we will continue to focus on marketing activities for ZEH (net zero-energy homes) in our flagship custom-built detached housing business. We will also strengthen our online sales activities and focus on proposing plans addressing customer needs corresponding to lifestyle changes, including the spread of telecommuting. Last August, we announced measures to prevent the recurrence of the nonconformance to the Building Standards Act in an addition to a detached house constructed by a subsidiary. These measures were based on recommendations by a special investigative committee that included outside experts. We take this incident seriously and will come together as a Group to implement measures to prevent recurrence.

In the Overseas Housing and Real Estate Business, we will promote construction of the orders received in the previous fiscal year in the detached housing business in the United States and Australia. We will also focus on increasing the number of units delivered by rolling out products corresponding to the characteristics of business areas and implementing efforts that accurately capture customer demand, including that related to telecommuting. In the real estate development business in the United States, we will promote sales of Multi-Family and Commercial Mix Use according to plan and work on expanding new investment projects while carefully assessing the market to ensure stable profits. Additionally, we will appropriately monitor real estate investment risk based on internal rules, regularly checking the status of real estate for sale inventory and accurately measuring the value of real estate holdings as we make further efforts to prepare a system capable of a flexible response according to market conditions.

In the Environment and Resource Business, we will work on achieving stable operations at our power plants that are already operational and launching operations at new plants according to plan in our biomass power generation business while also working to further expand our renewable energy business. We will also continue to promote a sustainable forest management business in Japan, New Zealand, Indonesia and Papua New Guinea.

(Efforts to address climate change and contribution to achievement of Sustainable Development Goals [SDGs])

In 2015, the Paris Agreement was adopted at the United Nations Climate Change Conference (COP21). Initiatives for a decarbonized society are accelerating all over the world, including Japan's declaration that it would aim to become carbon neutral with net zero greenhouse gas emissions by 2050. Sumitomo Forestry is also committed to engaging in steady efforts to address climate change, including Science Based Targets (SBT), which are long-term targets for greenhouse gas emissions based on scientific grounds, and RE100, which aims to power all business operations with only renewable energy.

The forest resources we manage and hold are important natural capital. Not only do they produce mature timber but they also absorb carbon dioxide (CO₂) for carbon fixation, recharge water sources, preserve biodiversity, and prevent landslides. By richly utilizing timber with low environmental impact, timber constructed buildings generate less CO₂ emissions when constructed compared to other materials such as iron and concrete. As long as the buildings are used, they provide long-term carbon fixation. In addition, wood biomass power generation businesses produce much less CO₂ than power generation using fossil fuels. Through these businesses, the Sumitomo Forestry Group will solve environmental and social issues and create public benefit consisting of environmental value and social value.

On the path toward achievement of Sustainable Development Goals (SDGs), which are global development goals established by the United Nations, we put forth the promotion of “further integration of business operations and ESG initiatives” as one of the basic policies of the Sumitomo Forestry Group 2021 Medium-Term Business Plan, and we are actively working on targets to contribute to the achievement of SDGs. In these and other ways, we will fulfill our corporate social responsibility.

In addition to the aforementioned efforts, the Sumitomo Forestry Group will anticipate social changes, enhance our corporate governance, and continue to strengthen our efforts related to environmental responsibility, customer satisfaction, respect for human rights and diversity, risk management and legal compliance as we accept feedback from our stakeholders.

Moreover, in order to address the new normal brought about by COVID-19, we will work on creating new added value, improving productivity, and achieving work style reform by such means as actively promoting digital transformation (DX), including the utilization of real data.

(5) Policy on Profit Distribution and Dividends for FY12/20 and FY12/21

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 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 total earnings, 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, the Company plans to pay a fiscal year-end dividend of ¥25.00 per share for the fiscal year that ended in December 2020. Together with the interim dividend of ¥10.00 per share that the Company has already paid, this will bring the dividend for the full year to ¥35.00 per share.

Additionally, for the next fiscal year, the dividend per share will be ¥25.00 for both the interim and year-end dividend for an annual dividend of ¥50.00.

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)

	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposit	92,774	85,850
Notes and accounts receivable-trade	123,030	119,687
Accounts receivable from completed construction contracts	34,766	45,095
Marketable securities	3,658	3,204
Finished goods, logs and lumber, boards, others	18,949	13,762
Work in process	1,254	1,312
Raw materials and supplies	8,188	8,080
Costs on uncompleted construction contracts	14,164	14,993
Developed land and housing for sale	66,734	54,010
Real estate for sale in process	185,405	225,298
Short-term loans receivable	20,461	35,390
Accounts receivable-other	46,377	46,468
Other	20,845	25,208
Allowance for doubtful accounts	(545)	(396)
Total current assets	636,059	677,962
Non-current assets		
Property, plant and equipment		
Buildings and structures	100,932	107,217
Accumulated depreciation	(42,496)	(45,620)
Buildings and structures, net	58,436	61,597
Machinery, equipment and vehicles	76,946	76,794
Accumulated depreciation	(51,583)	(53,123)
Machinery, equipment and vehicles, net	25,362	23,672
Land	39,603	40,725
Forest assets	34,243	35,753
Leased assets	11,211	11,850
Accumulated depreciation	(4,138)	(3,743)
Leased assets, net	7,073	8,106
Construction in progress	9,399	10,667
Other	17,537	18,338
Accumulated depreciation	(12,207)	(12,913)
Other, net	5,330	5,426
Total property, plant and equipment	179,446	185,948
Intangible assets		
Goodwill	7,588	6,556
Other	14,886	15,071
Total intangible assets	22,474	21,626
Investments and other assets		
Investment securities	137,845	175,262
Long-term loans receivable	4,165	5,471
Net defined benefit assets	92	326
Deferred tax assets	5,983	6,835
Other	19,564	18,631
Allowance for doubtful account	(860)	(909)
Total investments and other assets	166,789	205,617
Total noncurrent assets	368,709	413,191
Total assets	1,004,768	1,091,152

(million yen)

	Previous consolidated fiscal year (ended March 31, 2020)	Current consolidated fiscal year (ended December 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	109,179	111,612
Accounts payable for construction contracts	83,281	80,219
Short-term debt	39,403	50,106
Commercial paper	–	10,000
Lease obligations	495	1,005
Income taxes payable	4,862	1,937
Advances received on uncompleted construction contracts	35,224	32,956
Provision for employees' bonus	15,337	16,781
Provision for directors' bonuses	143	106
Provision for warranties for completed construction	5,388	6,175
Provision for loss on business liquidation	–	368
Asset retirement obligation	857	945
Other	68,721	68,082
Total current liabilities	362,892	380,293
Long-term liabilities		
Bonds issues	90,000	90,000
Bonds with subscription rights to shares	10,070	10,055
Long-term debt	120,537	133,255
Lease obligation	7,986	8,512
Deferred tax liabilities	6,262	18,578
Provision for directors' retirement benefits	125	111
Net defined benefit liabilities	22,574	18,700
Asset retirement obligation	1,378	1,544
Other	25,880	30,650
Total long-term liabilities	284,811	311,403
Total liabilities	647,704	691,696
Net assets		
Shareholders' equity		
Common stock	32,786	32,803
Capital surplus	21,290	18,485
Retained earnings	255,545	283,416
Treasury stock	(2,339)	(2,340)
Total shareholders' equity	307,282	332,363
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,842	44,337
Deferred gains or losses on hedges	2,531	1,762
Foreign currency translation adjustment	(4,240)	(11,098)
Remeasurements of defined benefit plans	82	96
Total accumulated other comprehensive income	15,215	35,098
Subscription rights to shares	120	120
Non-controlling interests	34,448	31,875
Total net assets	357,064	399,456
Total liabilities and net assets	1,004,768	1,091,152

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

Consolidated Statements of Income

(million yen)

	Consolidated fiscal year ended March 31, 2020	Consolidated fiscal year ended December 31, 2020
Net sales	1,104,094	839,881
Cost of sales	861,405	648,557
Gross profit	242,689	191,323
Selling, general and administrative expenses	191,312	143,862
Operating income	51,377	47,462
Non-operating income		
Interest income	451	232
Purchase discounts	365	240
Dividends income	1,552	1,237
Equity in earnings of affiliates	8,097	3,318
Other	3,020	3,401
Total non-operating income	13,485	8,428
Non-operating expenses		
Interest expenses	2,706	1,830
Sales discounts	693	440
Foreign exchange losses	101	271
Other	2,538	2,056
Total non-operating expenses	6,038	4,596
Recurring income	58,824	51,293
Extraordinary gains		
Gain on sales of non-current assets	102	–
Gain on sales of investment securities	3	–
Total extraordinary gains	105	–
Extraordinary loss		
Loss on sales of non-current assets	35	–
Loss on retirement of non-current assets	227	–
Loss on devaluation of investment securities	1,943	1,082
Loss on liquidation of subsidiaries and affiliates	53	–
Loss on liquidation of subsidiaries and associates	212	–
Loss from change in equity interest	111	–
Impairment loss	389	–
Disaster losses	840	–
Total extraordinary loss	3,811	1,082
Income before income taxes	55,118	50,211
Income taxes-current	16,730	9,940
Income taxes-deferred	(477)	110
Total income taxes	16,253	10,050
Net income	38,865	40,161
Profit attributable to non-controlling interests	11,013	9,763
Profit attributable to owners of the parent	27,853	30,398

Consolidated Statements of Comprehensive Income

(million yen)

	Consolidated fiscal year ended March 31, 2020	Consolidated fiscal year ended December 31, 2020
Net income	38,865	40,161
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,128)	27,575
Deferred gains or losses on hedges	1,778	(534)
Foreign currency translation adjustment	(2,990)	(7,211)
Share in equity method affiliates	(286)	(2,922)
Total other comprehensive income (loss)	(9,626)	16,908
Comprehensive income	29,239	57,069
(Breakdown)		
Comprehensive income attributable to owners of the parent	18,835	50,282
Comprehensive income attributable to non-controlling interests	10,404	6,788

(3) Consolidated Statements of Changes in Net Assets

Consolidated fiscal year ended March 31, 2020

(million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of previous period	32,752	22,247	241,427	(2,337)	294,088
Cumulative effects of change in accounting policies			(6,437)		(6,437)
Restated balance	32,752	22,247	234,990	(2,337)	287,651
Changes during the period					
Issuance of new shares	26	26			52
Issuance of new shares (exercise of share acquisition rights)	8	8			15
Dividends from surplus			(7,297)		(7,297)
Profit attributable to owners of the parent			27,853		27,853
Purchase of treasury stock				(2)	(2)
Change in stake of parent company related to transactions with non-controlling interests		(991)			(991)
Net changes in items other than shareholders' equity					
Total change during the period	34	(957)	20,555	(2)	19,630
Balance at the end of previous period	32,786	21,290	255,545	(2,339)	307,282

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of previous period	25,196	752	(1,733)	17	24,232	135	35,034	353,489
Cumulative effects of change in accounting policies								(6,437)
Restated balance	25,196	752	(1,733)	17	24,232	135	35,034	347,052
Changes during the period								
Issuance of new shares								52
Issuance of new shares (exercise of share acquisition rights)								15
Dividends from surplus								(7,297)
Profit attributable to owners of the parent								27,853
Purchase of treasury stock								(2)
Change in stake of parent company related to transactions with non-controlling interests								(991)
Net changes in items other than shareholders' equity	(8,354)	1,778	(2,507)	65	(9,017)	(15)	(586)	(9,619)
Total change during the period	(8,354)	1,778	(2,507)	65	(9,017)	(15)	(586)	10,012
Balance at the end of previous period	16,842	2,531	(4,240)	82	15,215	120	34,448	357,064

Consolidated fiscal year ended December 31, 2020

(million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	32,786	21,290	255,545	(2,339)	307,282
Changes during the period					
Issuance of new shares	17	17			35
Issuance of new shares (exercise of share acquisition rights)					–
Dividends from surplus			(5,474)		(5,474)
Profit attributable to owners of the parent			30,398		30,398
Purchase of treasury stock				(1)	(1)
Change in stake of parent company related to transactions with non-controlling interests		(2,823)			(2,823)
Change in retained earnings of overseas consolidated subsidiaries, etc. associated with change in fiscal year-end			2,947		2,947
Net changes in items other than shareholders' equity					
Total changes during the period	17	(2,805)	27,871	(1)	25,082
Balance at the end of current period	32,803	18,485	283,416	(2,340)	332,363

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	16,842	2,531	(4,240)	82	15,215	120	34,448	357,064
Changes during the period								
Issuance of new shares								35
Issuance of new shares (exercise of share acquisition rights)								–
Dividends from surplus								(5,474)
Profit attributable to owners of the parent								30,398
Purchase of treasury stock								(1)
Change in stake of parent company related to transactions with non-controlling interests								(2,823)
Change in retained earnings of overseas consolidated subsidiaries, etc. associated with change in fiscal year-end								2,947
Net changes in items other than shareholders' equity	27,494	(768)	(6,857)	14	19,883	–	(2,573)	17,310
Total changes during the period	27,494	(768)	(6,857)	14	19,883	–	(2,573)	42,392
Balance at the end of current period	44,337	1,762	(11,098)	96	35,098	120	31,875	399,456

(4) Consolidated Statements of Cash Flows

(million yen)

	Consolidated fiscal year ended March 31, 2020	Consolidated fiscal year ended December 31, 2020
Net cash provided by (used in) operating activities		
Income before income taxes	55,118	50,211
Depreciation and amortization	14,388	11,503
Impairment loss	389	–
Amortization of goodwill	6,143	1,055
Provision for (reversal of) doubtful accounts	35	7
Provision for (reversal of) employees' bonuses	1,021	3,305
Provision for (reversal of) directors' bonuses	–	(37)
Provision for (reversal of) warranties for completed construction	1,681	963
Provision for loss on business liquidation	–	368
Provision for (reversal of) directors' retirement benefits	(2)	(14)
Net defined benefit liability	2,814	(4,052)
Interest and dividends income	(2,003)	(1,468)
Interest expenses	2,706	1,830
Equity in (earnings) losses of affiliates	(8,097)	(3,318)
Losses (gains) on sales of marketable securities and Investment securities	(3)	–
Losses (gains) on devaluation of marketable securities and Investment securities	1,943	1,082
Disaster losses	840	–
Loss on liquidation of subsidiaries and affiliates	53	–
Loss (gain) on liquidation of subsidiaries and associates	212	–
Loss (gain) on change in equity	111	–
Losses (gains) on sales/disposal of non-current assets	160	–
Decrease (increase) in notes and accounts receivable-trade	(1,152)	(5,803)
Inventories	(7,415)	(10,951)
Other current assets	(1,986)	(3,710)
Notes and accounts payable, trade	(10,506)	1,106
Advances received	1,041	4,151
Advances received on uncompleted construction contracts	(2,789)	(2,564)
Accrued consumption taxes	(1,142)	1,478
Other current liabilities	2,274	6,907
Other	(847)	3,633
Subtotal	54,987	55,682
Interest and dividends income received	10,991	8,473
Interest paid	(2,697)	(1,880)
Income taxes paid	(17,557)	(15,435)
Net cash provided by (used in) operating activities	45,724	46,840

(million yen)

	Consolidated fiscal year ended March 31, 2020	Consolidated fiscal year ended December 31, 2020
Net cash provided by (used in) investment activities		
Payments into time deposits	(7,273)	(288)
Proceeds from withdrawal of time deposits	5,298	2,259
Decrease (increase) in short-term loans receivable	304	645
Proceeds from sales and redemption of securities	305	544
Payments for purchases of property, plant and equipment	(21,998)	(25,390)
Proceeds from sales of property, plant and equipment	2,816	2,780
Payments for purchases of intangible assets	(3,156)	(2,487)
Payments for purchase of investment securities	(15,810)	(9,189)
Proceeds from sales of investment securities	6	267
Payments for transfer of business	–	(13,960)
Payments for purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,158)	–
Payments of long-term loans payable	(1,771)	(1,524)
Repayments of long-term loans receivable	262	43
Other payments	(3,762)	(2,435)
Other proceeds	7,065	4,100
Net cash provided by (used in) investment activities	(38,874)	(44,635)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term debt	(17,153)	(13,806)
Net increase (decrease) in commercial paper	–	10,000
Repayments of finance lease obligations	(1,565)	(1,361)
Proceeds from long-term debt	39,782	41,616
Repayment of long-term debt	(22,682)	(23,631)
Proceeds from issuance of bonds	20,000	–
Proceeds from stock issuance to non-controlling interests	3,576	103
Cash dividends paid	(7,297)	(5,474)
Cash dividends paid to non-controlling interests	(11,108)	(7,694)
Payments for purchase of subsidiary shares not resulting in change in scope of consolidation	(3,449)	(5,491)
Net decrease (increase) in deposits with withdrawal and usage restrictions	1,040	(1,043)
Other proceeds	0	–
Other payments	(2)	(1)
Net cash provided by (used in) financing activities	1,142	(6,782)
Effect of exchange rate change on cash and cash equivalents	(528)	447
Net increase (decrease) in cash and cash equivalents	7,463	(4,129)
Cash and cash equivalents at the beginning of period	105,102	112,565
Net increase (decrease) in cash and cash equivalents resulting in change in scope of consolidation	–	615
Net increase (decrease) in cash and cash equivalents associated with change in fiscal year-end	–	13,170
Cash and cash equivalents at the end of period	112,565	122,220

(5) Notes to the Consolidated Financial Statements

(Notes related to the Assumption of a Going Concern)

Not applicable

(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 and Construction Business, the Overseas Housing 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 and Construction Business" is engaged in the construction, 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, landscaping works contracting, urban greening works, CAD, site surveys, etc. The "Overseas Housing and Real Estate Business" is engaged in the sale of spec homes, construction of detached houses, development of Multi-Family and Commercial Mix Use in overseas markets. The "Environment and Resources Business" is engaged in the biomass power generation business, reforestation business, etc.

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 that stated in "Basis of Presenting 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 transactions are priced in accordance with prevailing market prices.

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

Consolidated fiscal year ended March 31, 2020

(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 and construction	Overseas housing and real estate	Environment and resources	Total				
Net sales									
(1) Unaffiliated customers	202,525	473,151	398,780	16,248	1,090,705	12,765	1,103,470	625	1,104,094
(2) Intersegment sales/transfers	21,102	852	579	3,015	25,548	10,661	36,209	(36,209)	–
Total	223,627	474,003	399,360	19,263	1,116,253	23,425	1,139,678	(35,584)	1,104,094
Segment income (loss)	6,095	22,570	34,541	3,551	66,758	1,484	68,243	(9,419)	58,824
Segment assets	195,591	181,789	336,580	75,900	789,860	77,146	867,007	137,761	1,004,768
Other									
Depreciation and amortization (Note 4)	2,987	4,632	2,449	2,022	12,090	1,649	13,739	649	14,388
Amortization of goodwill	–	–	5,975	–	5,975	168	6,143	–	6,143
Interest income	73	45	187	123	428	0	428	23	451
Interest expenses	777	560	3,098	516	4,951	207	5,158	(2,453)	2,706
Equity in earnings (losses) of affiliates	(559)	7	6,535	391	6,374	1,722	8,096	0	8,097
Investments in equity method affiliates	7,827	1,337	37,928	1,932	49,024	34,132	83,156	8	83,164
Increase in property, plant and equipment and intangible assets (Note 4)	4,061	3,399	13,962	1,677	23,098	10,705	33,804	4,099	37,903

- Notes:
- 1 “Other” is business segments not included in the reporting segments. Such segments include private pay elderly care facilities business, insurance agency business, and civil engineering/construction work.
 - 2 Adjustments are as presented below.
 - (1) Adjusted sales to unaffiliated customers of ¥625 million are attributable to the administrative departments and comprised mainly of rent from Company landholdings.
 - (2) The adjusted business loss of ¥9,419 million includes ¥482 million in eliminated intersegment transactions, a ¥2,572 million actuarial loss associated with retirement benefit costs and ¥6,365 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 ¥137,761 million include ¥8,314 million in eliminated intersegment transactions and ¥146,075 million in corporate assets which are not allocated to any reporting segment.
Corporate assets are mainly unused funds after management (cash, 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.

Consolidated Financial Year ended December 31, 2020

(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 and construction	Overseas housing and real estate	Environment and resources	Total				
Net sales									
(1) Unaffiliated customers	131,112	332,007	351,842	14,233	829,193	10,239	839,432	449	839,881
(2) Intersegment sales/transfers	13,541	309	529	825	15,204	8,163	23,367	(23,367)	–
Total	144,652	332,316	352,371	15,058	844,397	18,402	862,798	(22,918)	839,881
Segment income (loss)	2,334	8,454	44,032	1,683	56,503	757	57,259	(5,966)	51,293
Segment assets	187,331	182,111	378,772	99,435	847,649	80,961	928,610	162,542	1,091,152
Other									
Depreciation and amortization (Note 4)	2,302	3,487	1,945	1,533	9,267	1,559	10,826	677	11,503
Amortization of goodwill	–	–	848	80	928	126	1,055	–	1,055
Interest income	24	14	131	50	219	0	219	12	232
Interest expenses	418	363	1,921	315	3,017	142	3,159	(1,329)	1,830
Equity in earnings (losses) of affiliates	(738)	(702)	3,484	(5)	2,039	1,279	3,318	0	3,318
Investments in equity method affiliates	6,427	623	37,590	1,978	46,618	37,328	83,946	7	83,953
Increase in property, plant and equipment and intangible assets (Note 4)	3,027	3,962	9,345	1,837	18,171	1,150	19,321	1,770	21,090

- Notes:
- 1 “Other” is business segments not included in the reporting segments. Such segments include private pay elderly care/assisted living facilities business, insurance agency business, and civil engineering/construction work.
 - 2 Adjustments are as presented below.
 - (1) Adjusted sales to unaffiliated customers of ¥449 million are attributable to the administrative departments and comprised mainly of rent from Company landholdings.
 - (2) The adjusted business loss of ¥5,966 million includes ¥429 million in eliminated intersegment transactions, a ¥4,823 million actuarial gain associated with retirement benefit costs, a ¥6,422 million adjustment to reserves for bonus payment associated with the change in fiscal year-end, and ¥3,938 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 ¥162,542 million include ¥8,986 million in eliminated intersegment transactions and ¥171,528 million in corporate assets which are not allocated to any reporting segment.
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)

	Fiscal year ended March 31, 2020	Fiscal year ended December 31, 2020
Net assets per share	¥1,777.57	¥2,025.13
Net income per share	¥153.54	¥167.54
Net income per share (diluted)	¥149.68	¥163.34

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

	Fiscal year ended March 31, 2020 (As of March 31, 2020)	Fiscal year ended December 31, 2020 (As of December 31, 2020)
Total net assets (million yen)	357,064	399,456
Breakdown of deductions from total net (million yen)	34,568	31,995
(Subscription rights to shares (million yen))	(120)	(120)
(Non-controlling interests (million yen))	(34,448)	(31,875)
Total net assets for common stock (million yen)	322,496	367,461
Number of common stocks issued (shares)	182,752,036	182,778,336
Number of treasury stocks (shares)	1,326,898	1,327,588
Number of common stocks used for calculation of net asset per share (shares)	181,425,138	181,450,748

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

	Fiscal year ended March 31, 2020	Fiscal year ended December 31, 2020
Net income per share		
Profit attributable to owners of the parent (million yen)	27,853	30,398
Income not available to common stockholders (million yen)	–	–
Profit attributable to owners of the parent for common stock (million yen)	27,853	30,398
Weighted average number of shares issued (shares)	181,406,905	181,442,403
Net income per share fully diluted		
Adjusted profit attributable to owners of parent (million yen)	–	–
Common shares increase (shares)	4,671,111	4,662,581
(Convertible bonds with stock acquisition rights (shares))	(4,562,044)	(4,562,044)
(Stock acquisition rights (shares))	(109,067)	(100,537)
Overview of potentially dilutive common shares not included in computation of diluted net income per share because of their anti-dilutive effect	–	–

(Additional Information)

(Impact of COVID-19 on Accounting Estimates)

It is exceedingly difficult to predict how COVID-19 will spread and when it will subside. At the Sumitomo Forestry Group, the trade volume in our Timber and Building Materials Business is on the decline, but the Overseas Housing and Real Estate Business, primarily in the United States, is performing favorably. On top of that, orders received in the Housing and Construction Business have been recovering since the middle of last year owing to increased demand for detached houses in Japan.

When determining the recoverability of deferred tax assets and recognizing impairment losses, our assumption was that the impact of COVID-19 will continue to be minor, and we have come up with our best estimates as of the end of the fiscal year under review based on information available to us at the time of preparing the consolidated financial statements. However, if changes were to arise in the conditions and assumptions used for making these estimates, it may become necessary to reverse deferred tax assets or record additional impairment loss in the consolidated financial statements for the next fiscal year or later.

(Important Subsequent Events)

(Business combination through acquisition)

On January 18, 2021, the Company acquired the shares of Koei Kosan Co., Ltd. and made it and Cohnan Kensetsu Inc. along with three other companies consolidated subsidiaries.

1. Overview of merger

(1) Name of acquired company and description of business

Name of acquired company: Koei Kosan Co., Ltd., Cohnan Kensetsu Inc., and three other companies
Description of business: Construction and related businesses

(2) Main reason(s) for merger

Koei Kosan Co., Ltd. is a holdings company that holds 53.59% of the shares of Cohnan Kensetsu Inc. Cohnan Kensetsu Inc. is a general contractor with operations in Osaka and Tokyo. The company's strength is that it is capable of handling everything from planning and proposal to design, construction, and after-sale maintenance. It has a solid track record of constructing housing complexes, commercial facilities, schools, welfare facilities, research facilities, production facilities, and more. The Company is promoting the adoption of wood construction and material in the non-residential building field and acquired these shares for the purpose of further strengthening the medium- to large-sized timber constructed building business.

(3) Timing of merger

January 18, 2021

(4) Legal form of merger

Cash-based stake acquisition

(5) Percentage of voting rights acquired

Koei Kosan Co., Ltd.: 100%
Cohnan Kensetsu Inc. and 3 others: 53.59%

(6) Main grounds for decision

The Company is acquiring equity paying cash.

2. Breakdown of acquisition price and type of consideration

Acquisition price	Cash	¥5,200 million (estimate)
Cost of acquisition		¥5,200 million (estimate)

Note: The amount above is approximate as of the date the agreement was signed and may differ from the actual amount depending on future price adjustments, etc.

3. Amount of goodwill, reason for goodwill, and method and period of amortization
Not yet determined