

Summary of Financial Results for the Fiscal Year Ended December 31, 2022 [Japan GAAP] (Consolidated)

Name of Company:	Sumitomo Forestry Co., Ltd.	Stock Exchange Listing:	Tokyo
Stock Code:	1911	URL:	http://sfc.jp/english/
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Scheduled Date of Filing Quarterly Securities Report:	March 30, 2023		
Scheduled Date to Commence Dividend Payments:	March 31, 2023		
Scheduled Date of Filing of Securities Report:	March 30, 2023		
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, 2022 (January 1, 2022 – December 31, 2022)

(1) Consolidated results of operations (Cumulative total)

(%: change from the same period of the previous year)

	Net sales		Operating income		Recurring income		Profit for the year attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY Ended December 2022	1,669,707	20.5	158,253	39.2	194,994	41.6	108,672	24.7
FY Ended December 2021	1,385,930	–	113,651	–	137,751	–	87,175	–

Note: Comprehensive income

FY Ended December 2022	187,225 million yen (45.3 %)
FY Ended December 2021	128,877 million yen (–)

	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 2022	543.80	530.99	19.4	13.7	9.5
FY Ended December 2021	457.69	446.69	20.2	11.5	8.2

Note: Equity in income (losses) of affiliates

FY Ended December 2022	25,753 million yen
FY Ended December 2021	17,782 million yen

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 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.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Shareholder's equity per share
	Million yen	Million yen	%	Yen
As of December 31, 2022	1,537,598	682,554	40.8	3,140.26
As of December 31, 2021	1,314,226	540,089	37.7	2,479.76

Note: Shareholders' equity

As of December 31, 2022	627,510 million yen
As of December 31, 2021	495,612 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, 2022	55,276	-52,385	-32,998	147,373
As of December 31, 2021	91,576	-40,254	-7,029	170,035

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 2021	-	35.00	-	45.00	80.00	15,429	17.5	3.6
FY Ended December 2022	-	60.00	-	65.00	125.00	25,115	23.0	4.4
FY Ending December 2023 (forecast)	-	60.00	-	65.00	125.00		32.4	

**3. Forecast of the consolidated financial results for the FY ending December 31, 2023
(Consolidated, January 1, 2023- December 31, 2023)**

(%: 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	1,598,000	-4.3	101,500	-35.9	120,000	-38.5	77,000	-29.1	385.33

* Notice

(1) Changes in main subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): Yes
New Company 2 (Company name): Structural HoldCo, LLC and Structural OpCo, 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, 2022	201,218,236	As of December 31, 2021	201,200,936
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(b) Treasury stock

As of December 31, 2022	1,390,509	As of December 31, 2021	1,338,269
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(c) Average number of shares during the term (cumulative for the quarter)

As of December 31, 2022	199,838,137	As of December 31, 2021	190,465,847
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Non-consolidated financial results (For reference)

Financial results for the fiscal year ended December 31, 2022 (January 1, 2022 – December 31, 2022)

(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 2022	530,547	12.8	2,311	-51.3	16,627	24.4	3,292	-52.8
FY ended December 2021	470,202	–	4,748	–	13,361	–	6,969	–

	Net income per share	Net income per share fully diluted
	Yen	Yen
FY ended December 2022	16.38	16.00
FY ended December 2021	36.39	35.52

Note: 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 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.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2022	828,231	291,030	35.1	1,447.94
As of December 31, 2021	802,501	309,160	38.5	1,538.20

Note: Shareholders' equity
As of December 31, 2022 290,934 million yen
As of December 31, 2021 309,043 million yen

<Reason for difference from previous non-consolidated results>

An increase in the sales amount of the Timber and Building Materials Business due to soaring timber prices and an increase in the unit sales price of the Housing and Construction Business led to the difference between the actual results for the previous fiscal year and the current fiscal year.

* Financial results summaries not subject to audit.

* Cautionary statement regarding business results forecasts and special notes

(Caution regarding forward-looking statements)

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

(Method of obtaining supplemental explanatory material)

The Financial Factbook, which is a supplementary document on Financial Results, is published on the website below.

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

Additionally, the Company will hold a conference for securities analysts and institutional investors on Wednesday, February 15, 2023. The explanatory material on the financial results will be published on the website.

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

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1. Overview of Results of Operations, etc.

(1) Overview of Results of Operations

During the fiscal year under review, the global economy continued a modest recovery as the impact of COVID-19 subsided. However, soaring prices of energy and other commodities brought about by the prolonged invasion of Ukraine by Russia along with other factors such as monetary tightening in Europe and the United States put downward pressure on the economy. Although affected by rising prices brought about by sharp depreciation of the yen and higher resource prices, the Japanese economy has also shown a modest recovery as economic activities—especially consumer spending and capital investment—have been returning to normal owing to the easing of movement restrictions associated with COVID-19 among other factors.

In regard to the housing market, the number of new housing starts in Japan increased owing primarily to strong demand for rental housing, despite a decrease in the number of owner-occupied housing starts from the previous year due to a decline in consumer confidence brought about by rising prices and other such factors. In the United States, the market had remained strong from the previous fiscal year through the beginning of the current fiscal year, but the orders received environment began deteriorating in the second half as motivation to buy declined, mainly due to a significant rise in mortgage interest rates. In Australia, the Group was faced with harsh market conditions against a backdrop of rising mortgage interest rates and construction costs.

Under this business environment, the Group launched its three-year Medium-Term Management Plan called “Mission TREEING 2030 Phase 1,” which started in the fiscal year under review. The targets for FY12/24, the final year of the plan, are net sales of ¥1,770.0 billion, recurring income of ¥173.0 billion (excluding actuarial differences for retirement benefit accounting), profit for the year attributable to owners of the parent of ¥116.0 billion, and ROE of at least 15%. In addition, as the basic policy of the Medium-Term Management Plan, we have come up with five basic themes of pursuing decarbonization through the utilization of timber resources, promoting a more robust revenue base, accelerating global expansion, strengthening the management foundation for sustainable growth, and further integrating business operations and ESG initiatives in order to achieve the goals of the plan. During the fiscal year under review, we focused on expanding orders for environmentally friendly housing products, including the launch of Life Cycle Carbon Minus (LCCM) homes in Japan, as well as on further promoting the detached housing and real estate development businesses in the United States, thereby promoting further growth of the Group.

As a result, net sales came to ¥1,669.77 billion (up 20.5% year on year), operating income to ¥158.253 billion (up 39.2%), recurring income to ¥194.994 billion (up 41.6%), and profit for the year attributable to owners of the parent to ¥108.672 billion (up 24.7%). The actuarial difference for retirement benefit accounting was ¥7.968 billion, so when excluding actuarial differences, recurring income came to ¥187.027 billion.

An overview of conditions for each business segment is as follows. Note that net sales for each segment include intersegment internal sales.

1 Timber and Building Materials Business

In the distribution business, we worked to ensure a stable supply by focusing on strengthening collaboration with our partners as timber prices remained high. We also continued to focus on expanding the volume of wood fuels for biomass power generation and utilizing domestic materials while working to expand sales of plywood and construction materials made from sustainable plantation timber. The business performed well as a result.

Results were strong in the manufacturing business owing primarily to a review of our sales strategy and the effects of reducing costs via labor-saving lines in Japan. Overseas, results were sluggish due to a decrease in the sales volume against a backdrop of economic slowdowns in the main export destinations of the Indonesian plywood and construction materials business. In New Zealand, results were strong owing to an increase in the medium density fiberboard (MDF) and laminated veneer lumber (LVL) sales volumes.

Furthermore, last August, we launched the Japanese language edition of One Click LCA, software that is capable of calculating CO₂ emissions related to construction from raw material procurement to processing, transport, construction, repairs, and demolition, as we worked to support decarbonization of the construction industry.

As a result, net sales in the Timber and Building Materials Business came to ¥273.733 billion (up 26.2% year on year), and recurring income came to ¥14.878 billion (up 49.0%).

2 Housing and Construction Business

In the custom-built detached housing business, we continued to focus on strengthening online marketing. In addition, last April, we launched Life Cycle Carbon Minus (LCCM) homes, which reduce CO₂ emissions during construction, occupancy, and demolition and also generate renewable energy from solar power generation and other sources, thereby creating a negative CO₂ balance over the homes' entire life cycle. We also worked to expand orders for net zero energy homes (ZEH). Net sales increased as a result of higher unit selling prices, but the higher costs associated with soaring material prices resulted in a decrease in income.

In the apartment business, we promoted sales activities via Town Square in which visitors are able to get hands-on with properties rented from owners of apartments built by Sumitomo Forestry as model rooms. We also promoted conversion of all Forest Maison apartment buildings to net zero energy house and condominium (ZEH-M) specifications with higher energy savings. However, results were sluggish due to rising costs associated with soaring material prices.

Results were strong in the spec homes business owing primarily to successful procurement of excellent land.

Results remained strong in the renovation business as we focused on uncovering demand from owners of Sumitomo Forestry homes.

In addition, in the medium- to large-scale wooden construction business, last May, we completed the three-story wooden fireproof Building No. 15, which we designed and constructed on the Yotsuya Campus at Sophia University. Last June, we started construction of a 10-story wooden fireproof building with a basement through a joint venture with Kumagai Gumi Co., Ltd. in Sapporo City. In these and other ways, we promoted the adoption of wood construction and material in medium- to large-scale buildings to contribute to the realization of a decarbonized society.

As a result of the above, net sales in the Housing and Construction Business came to ¥533.506 billion (up 4.4% year on year), and recurring income came to ¥15.899 billion (down 19.1%).

3 Overseas Housing and Real Estate Business

In the single family homes business in the United States, the number of units sold was down from the previous year in areas where the Group engages in business, including Washington, Utah, Texas, and Maryland, due mainly to rising mortgage interest rates. However, the results were favorable owing to higher unit selling prices. Results were strong in the real estate development business owing to higher selling prices and selling some properties earlier than planned. In addition, in December last year, we participated in the development of a seven-story wooden ESG-conscious office building near Dallas, Texas together with IINO KAIUN KAISHA, LTD. and Kumagai Gumi Co., Ltd. as we worked to promote development projects that contribute to decarbonization through the reduction of CO₂ emissions during construction and the carbon-fixing effects of wood.

Results were sluggish in the single family homes business in Australia as the number of units sold was down from the previous year against a backdrop of higher mortgage interest rates and construction costs. Last April, we made Regal Innovations Pty Ltd (headquartered in New South Wales, Australia), which designs and constructs commercial and public facility exteriors, green belts, and parks, a consolidated subsidiary, thereby entering the public space landscaping business overseas.

In Southeast Asia, we completed construction of a high-rise condominium in Thailand and began delivering landed houses and condominiums in Vietnam and Indonesia in earnest as well.

As a result of the above, net sales in the Overseas Housing and Real Estate Business came to ¥848.724 billion (up 31.7% year on year), and recurring income came to ¥161.317 billion (up 54.6%).

4 Environment and Resources Business

Results were sluggish in the biomass power generation business due to higher fuel procurement costs despite stable operations at wood biomass power plants in five locations across Japan, including Mombetsu City, Hokkaido.

Results were also sluggish in the forestry business due to decreased sales volume in New Zealand arising from lackluster demand for logs in China, which is the main destination.

Last October, we established Eastwood Forests, LLC (headquartered in North Carolina, USA), a forest asset management company that manages forest assets, in the United States to promote a cyclical forest management business as part of our efforts to realize a decarbonized society. Going forward, we will contribute to society-wide carbon offsetting through the formation of an environmental forestry fund via Eastwood Forests.

As a result of the above, net sales in the Environment and Resources Business came to ¥21.871 billion (down 1.9% year on year), and recurring income came to ¥1.392 billion (down 64.6%).

5 Other Businesses

Besides the aforementioned businesses, the Sumitomo Forestry Group is engaged in a wide range of service businesses, including management of private-pay elderly care facilities/assisted living facilities 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.

Net sales in other businesses came to ¥24.553 billion (up 2.5% year on year), and recurring income came to ¥1.938 billion (down 35.7%).

(2) Overview of Financial Position

Total assets came to ¥1,537.598 billion at the end of the current consolidated fiscal year, an increase of ¥223.373 billion year on year. This increase was attributable mainly to an increase in inventory in the US housing business and an increase in investment securities in conjunction with investment in affiliates. Liabilities increased ¥80.908 billion from the end of the previous consolidated fiscal year to ¥855.045 billion. This was mainly due to an increase in interest-bearing debt associated with the purchase of inventory, primarily in the US housing business. Net assets came to ¥682.554 billion, and the equity ratio was 40.8%.

(3) Overview of Cash Flow

There was a net decrease of ¥22.662 billion in cash and cash equivalents (hereafter: “cash”) to ¥147.373 billion. A summary of cash flow is presented below.

(Operating activities)

Net cash provided by operating activities was ¥55.276 billion (compared to ¥91.576 billion the previous consolidated fiscal year). This was due mainly to an increase in capital resulting from posting of ¥188.385 billion in income before income taxes, even as funds decreased as a result of an increase in inventory, primarily in the US housing business.

(Investment activities)

Net cash used in investment activities was ¥52.385 billion (compared to ¥40.254 billion the previous consolidated fiscal year). This was due mainly to the use of funds for the development of multi-family residential and commercial complexes in the United States.

(Financing activities)

Net cash used in financing activities was ¥32.998 billion (compared to ¥7.029 billion the previous consolidated fiscal year). This was due mainly to the payment of dividends.

(4) Future Outlook

The global economy is slowing due to such factors as the prolonged invasion of Ukraine by Russia and the serious energy crisis affecting Europe in particular. There is increasing uncertainty over the future, including monetary tightening moves to control inflation in major developed countries and the impact of economic deceleration in China.

We must continue to pay attention to the risk of an economic downswing caused by rising interest rates and prices while also keeping an eye on geopolitical risks.

(Future outlook by business segment)

The Sumitomo Forestry Group will continue to engage in business as laid out below to achieve its targets in the fiscal year ending December 2023, the second year of Medium-Term Management Plan “Mission TREEING 2030 Phase 1”.

In the Timber and Building Materials Business, we will continue to focus on expanding the supply of wood fuels for biomass power generation and using domestic materials in the distribution business. In the manufacturing business, we will work on establishing a circular material supply system centered on the timber industry complex. We will also strive to spread and expand One Click LCA to promote carbon neutral design, which aims to reduce CO₂ emissions when constructing buildings.

As for the housing business, we will continue to work on promoting orders via online marketing in the custom-built detached housing business while also focusing on improving profitability by streamlining production and enhancing the construction system. In the apartments business, we will continue to focus on marketing via Town Square. In the spec homes business, we will highlight our unique Sumitomo Forestry style residential property development, including our efforts to spread the Forest Garden brand by acquiring environmental certification. In the renovation business, we will work on strengthening sales activities, especially online, and focus on landing orders for environmentally conscious renovations, including thermal insulation and earthquake resistance proposals.

In the global housing, construction, and real estate businesses, we completed the restructuring of our organization on January 1, 2023 to promote the medium- to large-scale wooden construction business and the real estate development business in an integrated manner in Japan and overseas. Going forward, we will work on promoting a global real estate development business that includes Japan. In the single family homes business in the United States, we have found ourselves in an adjustment phase since the middle of last year where orders have fallen rapidly in response to rising interest rates. However, in preparation for a recovery in demand, we will work on reinforcing our business base by streamlining our production system, including by promoting integrated design, manufacturing, delivery, and installation of wall panels and other housing products. In the real estate development business in the United States, we will work on expanding new investment projects such as development of medium- to large-scale wooden offices to secure stable revenue while closely monitoring the market and will focus on establishing new revenue streams such as by expanding the detached house rental business. In the single family homes business in Australia, we will work on shortening construction periods and reducing costs by streamlining production. In regard to overseas real estate investment risk, we will continue to monitor the situation based on internal rules, including regularly checking the inventory status of real estate for sale and measuring the value of real estate holdings as we work on further efforts to develop a system that allows us to respond flexibly to market conditions.

In the environment and resources business, we will work on ensuring stable operations at each power plant in the renewable energy business through stable procurement of fuel while focusing on launching operations at new power plants according to plan. Finally, in the forest resources business, we will establish highly accurate technology for measuring CO₂ absorption and fixation by forest resources and promote a business that provides value as a carbon sink through such means as the formation of a forestry fund.

(Climate change initiatives and contribution to achievement of the SDGs)

In our long-term vision Mission TREEING 2030: Making our planet safer and more secure for future generations, the Sumitomo Forestry Group has identified nine key issues and established individual indicators linked to the respective SDGs 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 Medium-Term Management Plan “Mission TREEING 2030 Phase 1” is further integrating business operations and ESG initiatives, and we are steadily promoting initiatives to achieve RE100 and Science Based Targets (SBT). For SBT Scopes 1* and 2**, the Group aims to reduce greenhouse gas emissions by 54.6% compared to 2017 by 2030.

* Scope 1 refers to direct greenhouse gas emissions from the use of fuels within the Group. (E.g. CO₂ 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. CO₂ emissions from the use of electric power at offices)

In addition to the aforementioned efforts, the Sumitomo Forestry Group will anticipate social changes and further improve our corporate value by such means as enhancing corporate governance and strengthening our efforts related to environmental responsibility, improving customer satisfaction, respecting human rights and diversity, risk management and legal compliance 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.	 
	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 sequester carbon, and by providing low-carbon/carbon-free products and services.	 
	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.	 
 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.	  
	To improve the livelihood of the local communities where we operate	Creating jobs through our businesses and contributing to the development of local communities.	  
	To create a vibrant environment for all workers	Creating a work environment where everyone throughout the supply chain is safe, healthy and motivated.	  
 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.	 
	To transform markets through DX and innovation	Enhancing economic efficiency and added value through business transformation brought about by DX and innovation.	
	To establish a robust business structure	Contributing to a stable economy by continuously providing value with a structure that is resilient to contingent circumstances.	

(5) Policy on Profit Distribution and Dividends for FY12/22 and FY12/23

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 ¥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 2023, the Company plans to pay an annual dividend of ¥125.00 per share consisting of an interim dividend of ¥60.00 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, 2021)	Current consolidated fiscal year (December 31, 2022)
Assets		
Current assets		
Cash and deposits	139,957	128,752
Notes and accounts receivable-trade	103,814	112,487
Electronically recorded monetary claims	36,261	41,974
Accounts receivable from completed construction contracts	49,496	–
Accounts receivable from completed construction contracts and contract assets	–	57,946
Marketable securities	3,303	3,177
Merchandise and finished goods	24,426	24,576
Work in process	1,483	2,050
Raw materials and supplies	9,696	11,385
Costs on construction contracts in progress	14,973	16,098
Real estate for sale	49,180	106,436
Real estate for sale in process	332,898	434,028
Short-term loans receivable	35,493	28,107
Accounts receivable-other	54,680	56,920
Other	36,600	49,349
Allowance for doubtful account	(348)	(521)
Total current assets	891,912	1,072,763
Non-current assets		
Property, plant and equipment		
Buildings and structures	109,086	111,884
Accumulated depreciation	(50,736)	(54,619)
Buildings and structures, net	58,350	57,265
Machinery, equipment and vehicles	81,599	89,673
Accumulated depreciation	(58,569)	(66,687)
Machinery, equipment and vehicles, net	23,031	22,986
Land	41,516	46,328
Timber	38,331	40,247
Leased assets	12,578	19,596
Accumulated depreciation	(4,902)	(7,392)
Leased assets, net	7,677	12,203
Construction in process	9,889	13,459
Other	20,112	21,339
Accumulated depreciation	(14,723)	(15,025)
Other, net	5,390	6,314
Total property, plant and equipment	184,183	198,802
Intangible assets		
Goodwill	4,559	5,911
Other	16,111	16,964
Total intangible assets	20,671	22,876
Investments and other assets		
Investment securities	181,436	203,572
Long-term loans receivable	7,115	8,938
Retirement benefit asset	590	710
Deferred tax assets	7,773	7,736
Other	21,448	23,211
Allowance for doubtful account	(902)	(1,010)
Total investments and other assets	217,460	243,158
Total non-current assets	422,314	464,835
Total assets	1,314,226	1,537,598

(million yen)

	Previous consolidated fiscal year (December 31, 2021)	Current consolidated fiscal year (December 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	103,383	105,540
Electronically recorded obligations	30,682	30,662
Accounts payable for construction contracts	98,165	103,566
Short-term borrowings	25,024	45,966
Current portion of bonds	12	12
Current portion of bonds with share acquisition rights	–	10,015
Lease obligations	825	2,120
Income tax payable	6,248	5,137
Advanced received on construction contracts in progress	40,101	–
Contract liabilities	–	80,095
Provision for bonuses	22,460	24,210
Provision for bonuses for directors (and other officers)	165	163
Provision for warranties for completed construction	7,492	7,415
Asset retirement of obligations	961	234
Other	85,485	78,975
Total current liabilities	421,003	494,110
Long-term liabilities		
Bonds payable	90,152	90,140
Bonds with share acquisition rights	10,035	–
Long-term borrowings	168,278	187,807
Lease obligations	8,438	12,263
Deferred tax liabilities	23,044	35,406
Provision for retirement benefits for directors (and other officers)	332	313
Retirement benefits liability	17,148	11,792
Asset retirement of obligations	1,778	3,608
Other	33,929	19,604
Total long-term liabilities	353,134	360,934
Total liabilities	774,136	855,045
Net assets		
Shareholders' equity		
Common stock	50,064	50,074
Capital surplus	33,899	31,493
Retained earnings	359,641	447,216
Treasury shares	(2,362)	(2,465)
Total shareholders' equity	441,241	526,318
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	37,226	36,926
Deferred gains (losses) on hedges	3,403	3,775
Foreign currency translation adjustment	13,699	60,443
Remeasurements of defined benefit plans	42	49
Total accumulated other comprehensive income	54,370	101,192
Share acquisition rights	116	96
Non-controlling interests	44,361	54,948
Total net assets	540,089	682,554
Total liabilities and net assets	1,314,226	1,537,598

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

Consolidated Statements of Income

(million yen)

	Previous consolidated fiscal year (January 1, 2021 - December 31, 2021)	Current consolidated fiscal year (January 1, 2022 - December 31, 2022)
Net sales	1,385,930	1,669,707
Cost of sales	1,063,936	1,276,737
Gross profit	321,994	392,970
Selling, general and administrative expenses	208,344	234,717
Operating income	113,651	158,253
Non-operating income		
Interest income	393	808
Purchase discount	343	358
Dividend income	1,674	2,089
Share of profit of entities accounted for using equity method	17,782	25,753
Foreign exchange gains	747	897
Gain on sale of investment securities	2,222	6,970
Other	5,451	5,924
Total non-operating income	28,613	42,799
Non-operating expenses		
Interest expense	2,219	3,124
Other	2,294	2,934
Total non-operating expenses	4,513	6,058
Recurring income	137,751	194,994
Extraordinary loss		
Impairment loss	3,819	6,609
Total extraordinary loss	3,819	6,609
Profit before income taxes	133,932	188,385
Income taxes-current	23,765	41,517
Income taxes-deferred	5,651	11,714
Total income taxes	29,416	53,230
Net income	104,516	135,155
Profit attributable to non-controlling interests	17,341	26,483
Profit for the year attributable to owners of the parent	87,175	108,672

Consolidated Statements of Comprehensive Income

(million yen)

	Previous consolidated fiscal year (January 1, 2021 - December 31, 2021)	Current consolidated fiscal year (January 1, 2022 - December 31, 2022)
Net income	104,516	135,155
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,947)	(455)
Deferred gains (losses) on hedges	1,337	(96)
Foreign currency translation adjustment	24,955	46,161
Share of other comprehensive income of entities accounted for using equity method	5,017	6,460
Total other comprehensive income	24,361	52,070
Comprehensive income	128,877	187,225
(Breakdown)		
Comprehensive income attributable to shareholders of parent	106,447	155,493
Comprehensive income attributable to non-controlling interests	22,429	31,732

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous consolidated fiscal year (January 1 to December 31, 2021)

(million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	32,803	18,485	283,416	(2,340)	332,363
Changes during the period					
Issuance of new shares	17,259	17,259			34,518
Issuance of new shares (exercise of share acquisition rights)	2	2			3
Dividends from surplus			(10,950)		(10,950)
Profit for the year attributable to owners of the parent			87,175		87,175
Purchase of treasury stock				(21)	(21)
Change in stake of parent company related to transactions with non-controlling interests		(1,847)			(1,847)
Net changes in items other than shareholders' equity					
Total changes during the period	17,261	15,414	76,225	(21)	108,878
Balance at the end of current period	50,064	33,899	359,641	(2,362)	441,241

	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	44,337	1,762	(11,098)	96	35,098	120	31,875	399,456
Changes during the period								
Issuance of new shares								34,518
Issuance of new shares (exercise of share acquisition rights)								3
Dividends from surplus								(10,950)
Profit for the year attributable to owners of the parent								87,175
Purchase of treasury stock								(21)
Change in stake of parent company related to transactions with non-controlling interests								(1,847)
Net changes in items other than shareholders' equity	(7,111)	1,640	24,797	(54)	19,273	(3)	12,486	31,755
Total changes during the period	(7,111)	1,640	24,797	(54)	19,273	(3)	12,486	140,633
Balance at the end of current period	37,226	3,403	13,699	42	54,370	116	44,361	540,089

Current 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					–
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								–
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

(4) Consolidated Statements of Cash Flows

(million yen)

	Previous consolidated fiscal year (January 1, 2021 - December 31, 2021)	Current consolidated fiscal year (January 1, 2022 - December 31, 2022)
Net cash provided by (used in) operating activities		
Income before income taxes	133,932	188,385
Depreciation and amortization	16,491	17,911
Impairment loss	3,819	6,609
Amortization of goodwill	2,110	2,741
Provision for (reversal of) doubtful accounts	(177)	164
Provision for (reversal of) employees' bonuses	4,599	217
Provision for (reversal of) directors' bonuses	59	(2)
Provision for (reversal of) warranties for completed construction	1,085	(456)
Provision for loss on business liquidation	(368)	-
Provision for (reversal of) directors' retirement benefits	(8)	(19)
Net defined benefit liability (decrease)	(2,760)	(5,716)
Interest and dividends income	(2,068)	(2,897)
Interest expense	2,219	3,124
Equity in (earnings) losses of affiliates	(17,782)	(25,753)
Losses (gains) on sale of marketable securities and investment securities	(2,222)	(6,970)
Decrease (increase) in notes and accounts receivable-trade	(21,582)	-
Decrease (increase) in notes and accounts receivable-trade and contract assets	-	(13,316)
Decrease (increase) in inventories	(67,205)	(102,094)
Other current assets	(14,893)	(3,329)
Increase (decrease) in notes and accounts payable-trade	46,023	9,050
Advances received	5,487	2,584
Advances received on uncompleted construction contracts	5,124	-
Increase (decrease) in contract liabilities	-	(15)
Accrued consumption taxes	3,332	(2,079)
Increase (decrease) in other current liabilities	(4,627)	7,780
Other	1,803	(4,385)
Subtotal	92,389	71,536
Interest and dividends income received	25,093	34,722
Interest paid	(2,310)	(3,010)
Income taxes paid	(23,596)	(47,972)
Net cash provided by (used in) operating activities	91,576	55,276

(million yen)

	Previous consolidated fiscal year (January 1, 2021 - December 31, 2021)	Current consolidated fiscal year (January 1, 2022 - December 31, 2022)
Net cash provided by (used in) investment activities		
Payments into time deposits	(5,230)	(5,212)
Proceeds from withdrawal of time deposits	538	5,222
Decrease (increase) in short-term loans receivable	(78)	(2,562)
Proceeds from sales and redemption of securities	204	2
Payments for purchases of property, plant and equipment	(20,614)	(31,999)
Proceeds from sales of property, plant and equipment	3,944	6,004
Payments for purchases of intangible assets	(3,664)	(4,666)
Payments for purchase of investment securities	(14,430)	(26,247)
Proceeds from sales and redemption of investment securities	3,312	17,041
Payments for transfer of business	(3,513)	(3,648)
Payments for purchase of subsidiary shares resulting in change in scope of consolidation	-	(2,165)
Proceeds from purchase of subsidiary shares resulting in change in scope of consolidation	2,098	328
Payments of long-term loans payable	(2,207)	(5,734)
Repayments of long-term loans receivable	688	2,822
Other payments	(3,161)	(3,197)
Other proceeds	1,859	1,626
Net cash provided by (used in) investment activities	(40,254)	(52,385)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term debt	(1,399)	10,517
Net increase (decrease) in commercial paper	(10,000)	-
Repayments of finance lease obligations	(1,887)	(3,279)
Proceeds from long-term debt	52,447	54,095
Repayment of long-term debt	(54,174)	(45,267)
Redemption of bonds	(134)	(77)
Proceeds from issuance of shares	34,304	-
Proceeds from stock issuance to non-controlling interests	119	1,686
Cash dividends paid	(10,950)	(21,096)
Cash dividends paid to non-controlling interests	(11,580)	(24,762)
Payments for purchase of subsidiary shares not resulting in change in scope of consolidation	(2,578)	(3,799)
Net decrease (increase) in deposits with withdrawal and usage restrictions	(1,194)	(1,015)
Other proceeds	0	0
Other payments	(3)	(2)
Net cash provided by (used in) financing activities	(7,029)	(32,998)
Effect of exchange rate change on cash and cash equivalents	3,521	7,444
Net increase (decrease) in cash and cash equivalents	47,815	(22,662)
Cash and cash equivalents at the beginning of period	122,220	170,035
Cash and cash equivalents at the end of period	170,035	147,373

(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. 30, July 4, 2019) has been applied from the beginning of the fiscal year under review. In accordance with the provisional measures set forth in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policies established by the Accounting Standard for Fair Value Measurement, etc., will be applied going forward. This does not affect the consolidated financial statements.

(Changes in Presentation)

(Consolidated Balance Sheet)

Electronically recorded monetary claims included in notes and accounts receivable-trade under current assets and electronically recorded obligations included in notes and accounts payable-trade under current liabilities in the previous fiscal year have become more significant in terms of monetary amount. As such, these have been presented independently in the current fiscal year. In order to reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been restated.

As a result, the ¥140.075 billion in notes and accounts receivable-trade under current assets in the consolidated balance sheet of the previous fiscal year has been restated as ¥103.814 billion in notes and accounts receivable-trade and ¥36.261 billion in electronically recorded monetary claims, while the ¥134.065 billion in notes and accounts payable-trade under current liabilities has been restated as ¥103.383 billion in notes and accounts payable-trade and ¥30.682 billion in electronically recorded obligations.

(Consolidated Statements of Income)

Gain on sale of investment securities included in other under non-operating income in the previous fiscal year has become more significant in terms of monetary amount. As such, it has been presented independently in the current fiscal year. In order to reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been restated.

As a result, the ¥7.673 billion in other under non-operating income in the consolidated statements of income of the previous fiscal year has been restated as ¥2.222 billion in gain on sale of investment securities and ¥5.451 billion in other.

(Application of Accounting Standard for Revenue Recognition)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the fiscal year under review. The Accounting Standard for Revenue Recognition has been applied, so “Accounts receivable from completed construction contracts”, which had been presented under “Current assets” on the Consolidated Balance Sheet in the previous fiscal year, is included in “Accounts receivable from completed construction contracts and contract assets” as of the fiscal year under review. In addition, “Advances received on construction contracts in progress” and some items from “Other” that had been presented under “Current liabilities” along with some items from “Other” that had been presented under “Long-term liabilities” are now included in “Contract liabilities”. Furthermore, “Decrease (increase) in notes and accounts receivable-trade”, which had been presented under “Cash flows from operating activities” on the Consolidated Statements of Cash Flows in the previous fiscal year, is included in “Decrease (increase) in notes and accounts receivable-trade and contract assets” as of the fiscal year under review. Some items from “Advances received”, “Advances received on uncompleted construction contracts”, some items from “Increase (decrease) in other current liabilities”, and some items from “Other” are included in “Increase (decrease) in contract liabilities”. In accordance with the provisional measures set forth in paragraph 89-4 of the Accounting Standard for Revenue Recognition, the figures from the previous fiscal year have not been restated using the new method.

(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, the forestry business, and more.

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

Previous consolidated fiscal year (January 1 to December 31, 2021)

(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	195,800	510,627	643,740	20,987	1,371,155	14,181	1,385,336	594	1,385,930
(2) Intersegment sales/ transfer	21,058	312	832	1,312	23,514	9,762	33,277	(33,277)	–
Total	216,858	510,939	644,573	22,299	1,394,669	23,944	1,418,613	(32,683)	1,385,930
Segment income (loss)	9,984	19,641	104,334	3,931	137,889	3,012	140,901	(3,150)	137,751
Segment assets	219,948	198,747	540,636	89,708	1,049,039	78,722	1,127,761	186,464	1,314,226
Other items									
Depreciation and amortization (Note 4)	3,341	4,992	2,878	2,109	13,321	2,097	15,418	1,074	16,491
Amortization of goodwill	–	263	1,763	–	2,025	84	2,110	–	2,110
Interest income	29	11	328	14	382	0	382	12	393
Interest expense	515	461	2,416	566	3,958	226	4,184	(1,965)	2,219
Equity in earnings (losses) of affiliates	(19)	(53)	14,141	670	14,739	3,043	17,782	0	17,782
Investments in equity method affiliates	8,566	570	46,959	4,611	60,707	39,214	99,921	7	99,928
Increase in property, plant and equipment and intangible assets (Note 4)	3,195	4,706	13,132	4,257	25,289	1,145	26,434	144	26,579

- (Notes)
- “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.
 - Adjustments are as presented below.
 - Adjusted sales to unaffiliated customers of ¥594 million are attributable to the administrative departments and comprised mainly of rent from Company landholdings.
 - The adjusted business loss of ¥3.150 billion includes ¥182 million in eliminated intersegment transactions, a ¥3.260 billion actuarial gain associated with retirement benefit costs, and ¥6.227 billion 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.
 - The adjusted segment assets of ¥186.464 billion include ¥11.671 billion in eliminated intersegment transactions and ¥198.135 billion 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.
 - Total segment income (loss) and segment assets are adjusted against recurring income and assets shown in the consolidated financial statements, respectively.
 - 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, 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 and Construction	Overseas Housing and Real Estate	Environment and Resources	Total				
Net sales									
(1) Unaffiliated customers	253,196	533,147	848,023	20,501	1,654,868	14,241	1,669,109	599	1,669,707
(2) Intersegment sales/ transfer	20,536	358	701	1,370	22,965	10,312	33,276	(33,276)	–
Total	273,733	533,506	848,724	21,871	1,677,833	24,553	1,702,385	(32,678)	1,669,707
Segment income (loss)	14,878	15,899	161,317	1,392	193,486	1,938	195,423	(429)	194,994
Segment assets	235,952	209,118	766,261	92,583	1,303,913	74,283	1,378,197	159,402	1,537,598
Other items									
Depreciation and amortization (Note 4)	3,611	5,369	3,705	2,200	14,885	1,954	16,838	1,073	17,911
Amortization of goodwill	36	263	2,442	–	2,741	–	2,741	–	2,741
Interest income	40	10	702	44	796	0	796	12	808
Interest expense	688	453	3,247	518	4,905	195	5,100	(1,976)	3,124
Equity in earnings (losses) of affiliates	(252)	(47)	23,244	552	23,496	2,256	25,753	0	25,753
Investments in equity method affiliates	7,082	1,586	67,743	5,352	81,762	40,576	122,338	7	122,344
Increase in property, plant and equipment and intangible assets (Note 4)	4,342	5,673	21,702	2,946	34,663	1,189	35,852	87	35,939

- (Notes)
- “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.
 - Adjustments are as presented below.
 - Adjusted sales to unaffiliated customers of ¥599 million are attributable to the administrative departments and comprised mainly of rent from Company landholdings.
 - The adjusted business loss of ¥429 million includes ¥39 million in eliminated intersegment transactions, a ¥7.968 billion actuarial gain associated with retirement benefit costs, and ¥8.357 billion 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.
 - The adjusted segment assets of ¥159.402 billion include ¥12.921 billion in eliminated intersegment transactions and ¥172.323 billion 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.
 - Total segment income (loss) and segment assets are adjusted against recurring income and assets shown in the consolidated financial statements, respectively.
 - 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, 2021 - December 31, 2021)	Current consolidated fiscal year (January 1, 2022 - December 31, 2022)
Net assets per share	¥2,479.76	¥3,140.26
Net income per share	¥457.69	¥543.80
Net income per share fully diluted	¥446.69	¥530.99

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

	Previous consolidated fiscal year (December 31, 2021)	Current consolidated fiscal year (December 31, 2022)
Total net assets (million yen)	540,089	682,554
Breakdown of deductions from total net (million yen)	44,478	55,044
(Subscription rights to shares (million yen))	(116)	(96)
(Non-controlling interests (million yen))	(44,361)	(54,948)
Total net assets for common stock (million yen)	495,612	627,510
Number of common stocks issued (shares)	201,200,936	201,218,236
Number of treasury stocks (shares)	1,338,269	1,390,509
Number of common stocks used for calculation of net asset per share (shares)	199,862,667	199,827,727

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, 2021 - December 31, 2021)	Current consolidated fiscal year (January 1, 2022 - December 31, 2022)
Net income per share		
Profit for the year attributable to owners of the parent (million yen)	87,175	108,672
Income not available to common stockholders (million yen)	–	–
Profit attributable to owners of parent for common stock (million yen)	87,175	108,672
Weighted average number of shares issued (shares)	190,465,847	199,838,137
Net income per share fully diluted		
Adjusted profit for the year attributable to owners of the parent (million yen)	–	–
Common shares increase (shares)	4,689,918	4,819,837
(Convertible bonds with stock acquisition rights (shares))	(4,591,346)	(4,680,883)
(Stock acquisition rights (shares))	(98,572)	(90,000)
Performance-linked stock compensation (shares)	(–)	(48,954)
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, but the Sumitomo Forestry Group has not been significantly impacted by the pandemic, although performance was affected to an extent in the fiscal year under review.

As such, when determining recoverability of deferred tax assets and recognition of impairment loss, we have prepared our best estimates as of the end of the fiscal year under review based on information available to us at the time of preparing our consolidated financial statements, assuming that the impact of COVID-19 will remain minor. However, in the event that there is a change in the conditions or hypotheses that these estimates were based on, it could have an impact on our consolidated financial statements for the next fiscal year and beyond.

(Significant Subsequent Events)

(Business combination through acquisition)

On January 13, 2023 (US time), Sumitomo Forestry Co., Ltd. acquired an 80% stake in SI HoldCo, LLC, which is the holding company of the US-based Southern Impression Homes Group, through consolidated subsidiary Gehan Homes, Ltd. and made it a consolidated subsidiary.

1. Overview of business combination

(1) Name of acquired company and description of its business

Name of acquired company: SI HoldCo, LLC and 11 other companies

Description of business: Holding company of Southern Impression Homes Group, which develops land, constructs, sells, and manages rental properties for single-family rental homes

(2) Main reasons for business combination

The Company will make the Southern Impression Homes Group, which is engaged in residential land development, constructing, sales, and rental management of single-family homes primarily for investors in the state of Florida, a consolidated subsidiary, thereby entering the single-family housing business in the state. Equity interests were acquired for the purpose of further expanding the single-family spec housing business that we are already engaged in in the United States and entering the real estate leasing and management business there, starting with Florida, one of the largest markets in the country.

(3) Date of business combination

January 13, 2023 (US time)

(4) Legal form of business combination

Acquisition of equity interests with cash

(5) Percentage of voting rights to be acquired

80%

(6) Main basis for determining the acquiring company

Our consolidated subsidiary Gehan Homes, Ltd. is acquiring the stake with cash.

2. Breakdown of acquisition price and type of consideration

Acquisition price: ¥11.520 billion (cash)

Acquisition cost: ¥11.520 billion

Note: The acquisition price does not include the conditional acquisition price.

3. Description and amount of major acquisition-related expenses

Nothing has been finalized at this time.

4. Amount of goodwill, reason for goodwill, and method and period of amortization

Nothing has been finalized at this time.

5. Amount and breakdown of assets and liabilities to be accepted on the date of business combination
Nothing has been finalized at this time.

6. Details of conditional acquisition price stipulated in business combination agreement and accounting policy after current fiscal year
Under the agreement, additional payments are to be made based on the degree of achievement of future performance indicators by the acquired company. The variable portion of the conditional acquisition price will be recognized in accordance with U.S. GAAP.