[TRANSLATION]

The following is an unofficial English translation of "Matters Available on the Website in relation to the Notice of Convocation of the 81st Ordinary General Meeting of Shareholders" by Sumitomo Forestry Co., Ltd. ("Company"). The Company provides this English translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. The Japanese original is the sole official version and shall prevail in the event of any discrepancy between it and this English translation.

MATTERS AVAILABLE ON THE WEBSITE IN RELATION TO THE NOTICE OF CONVOCATION OF THE 81st ORDINARY GENERAL MEETING OF SHAREHOLDERS

Consolidated Financial Statements

Non-Consolidated Financial Statements

（from April 1, 2020 to December 31, 2020）

Sumitomo Forestry Co., Ltd.

The information above is made available on the Company's website（https://sfc.jp/english） pursuant to the relevant laws and regulations, and Article 17 of the Articles of Incorporation of the Company.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the 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
Dividends from surplus			(5,474)		(5,474)
Net income attributable to owners of parent			30,398		30,398
Purchase of treasury stock				(1)	(1)
Change in ownership interest of parent due to transactions with non-controlling interests		(2,823)			(2,823)
Change in dividends from surplus of overseas consolidated subsidiaries due to change of fiscal term			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
Dividends from surplus								(5,474)
Net income attributable to owners of parent								30,398
Purchase of treasury stock								(1)
Change in ownership interest of parent due to transactions with non-controlling interests								(2,823)
Change in dividends from surplus of overseas consolidated subsidiaries due to change of accounting term								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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Significant fundamental accounting policies for preparing consolidated financial statements

1. Scope of consolidation

There are 267 consolidated subsidiaries. The principal consolidated subsidiaries are Sumitomo Forestry Crest Co., Ltd., Sumitomo Forestry Home Engineering Co., Ltd., Sumitomo Forestry Home Tech Co., Ltd., Sumitomo Forestry Landscaping Co., Ltd., Sumitomo Forestry Residential Co., Ltd., Henley Arch Unit Trust, Henley Arch Pty Ltd., Bloomfield Homes, L.P., Crescent Communities, LLC, DRB Enterprises, LLC, Edge Utah HoldCo, LLC, Gehan Homes, Ltd., MainVue Homes LLC and Mark III Properties, LLC.
Beginning the consolidated fiscal year under review, PT. Kubu Mulia Forsetry, and 28 other companies, in which stakes were newly acquired, are included in the scope of consolidation. Additionally, PT. Mayangkara Tanaman Industri and 1 other company which were equity-method affiliates in the previous consolidated fiscal year, are now included in the scope of consolidation, due to additional acquisition of their stakes.
On the other hand, Paragon Wood Product（Dalian）Co., Ltd., and other 7 companies, which were consolidated subsidiaries in the previous consolidated fiscal year, are excluded from the scope of consolidation due to the completion of liquidation.

2. Application of equity method

(1) There are 107 affiliates that are accounted for by the equity method. The principal equity-method affiliate is Kumagai Gumi Co., Ltd..
Beginning the consolidated fiscal year under review, VISON Hotel Management Co., Ltd. and 9 other companies, in which stakes were newly acquired, are included as equity-method affiliates.
On the other hand, PT. Mayangkara Tanaman Industri and 2 other companies which were equity-method affiliates in the previous consolidated fiscal year, are excluded from the scope of equity method application, due to additional acquisition of their stakes..

(2) For equity-method affiliates that have a fiscal year end that differs from the Company's fiscal year end, financial statements for these different fiscal years are used.

3. Accounting periods of consolidated subsidiaries

The settlement date for 1 domestic consolidated subsidiary and 1 overseas consolidated subsidiary is March 31, so when preparing the consolidated financial statements for the consolidated fiscal year under review, the financial statements based on a provisional settlement of accounts conducted as of the consolidated settlement date were used. Additionally, the settlement date for other consolidated subsidiaries is the same as the consolidated settlement date.

4. Significant Accounting Policies

(1)Valuation standards and methods for important assets

a. Securities

Held-to-maturity securities

Amortized cost method (Straight-line method)

Other securities:

Securities with a market value

Value method based on the market price on the settlement date (unrealized gains and losses are reported in the shareholders' equity section. Sales cost of securities is determined by the moving-average method.)

Securities with no market value

Cost method based on the moving-average method

b. Derivatives

Market value method

c. Inventories

Finished goods, logs and lumber, work in process, raw materials and supplies are stated at cost, which is mainly determined by the moving average method. Costs on uncompleted construction contracts, developed land and housing for sale, and real estate for sale in process are stated at cost, determined by the specific cost method. Net book value of inventories as shown in the consolidated balance sheet is written down when profitability declines.

(2)Method of depreciating significant assets

a. Property, plant and equipment (excluding lease assets)

For the Company and domestic consolidated subsidiaries, the fixed-percentage method is used primarily. However, the straight-line method is used for buildings (excluding accessory equipment) acquired on or after April 1, 1998 and for accessory equipment and structures acquired on or after April 1, 2016. For overseas consolidated subsidiaries, the straight-line method is used primarily.

b. Intangible assets (excluding lease assets)

The straight-line method is used. The straight-line method is used for the amortization of software used internally based on the estimated internal use period (5 years).

c. Leased assets

Finance leases that do not transfer ownership of the leased assets are depreciated down to a residual value of zero over their useful lives using the straight-line method.

(3)Standards for significant allowances

a. Allowance for doubtful accounts

In order to prepare for expected losses from bad debts, estimated unrecoverable amounts are recorded for general claims based on historical bad-debt ratios, and for specific claims including doubtful accounts, based on individual recoverability.

b. Provision for bonuses

Estimated bonus payments to be charged to income in the current fiscal year are recorded to prepare for accrued bonus payments to employees.

c. Provision for directors' bonuses
Bonus payments to be charged to income in the current fiscal year are recorded to prepare for accrued bonus payments to directors.

d. Provision for warranties for completed construction
A warranty reserve is recorded to prepare for repair costs that may be required for completed construction. The reserve is based on historical costs and future estimates.

e. Provision for directors' retirement benefits
To prepare for the payment of directors' retirement benefits, accrued retirement benefits to directors of certain subsidiaries are recorded based on the amount required at year end in accordance with established internal regulations.

f. Provision for loss in business liquidation
Estimated losses are recorded to prepare for expected losses due to business liquidation.

(4) Accounting process method of retirement benefits

a. Service period attribution method for projected retirement benefits
The method of attributing projected retirement benefits to the period up to the end of the consolidated fiscal year under review when calculating retirement benefit obligations is as per the benefit formula standard.

b. Method of accounting for actuarial differences and past service liabilities
Actuarial differences and past service liabilities are accounted for collectively in the fiscal year in which they occur.

(5) Standards for Revenue and Expenses

The "Accounting Standard for Revenue Recognition"(ASBJ Statement No. 29, March 30, 2018), and the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 30, 2018) are applied. The company will recognize Revenue at an amount that reflects the consideration to which the company expects to be entitled in exchange for transferring goods or services to the customer, when the promised goods or services are transferred to the customer.

(6)Main hedge accounting methods

a. Hedge accounting method
Deferred hedge accounting is adopted.
Appropriation accounting of foreign currency transactions is applied to foreign exchange hedging transactions. Special accounting treatment is used for interest rate swaps when they satisfy the requirements for special treatment.

b. Hedging policy
Foreign exchange forward contracts and foreign currency swaps are utilized to mitigate foreign exchange risks. Interest rate swap transactions are utilized to mitigate interest rate risks.

c. Scope of hedging
Certain foreign exchange transactions, including planned transactions, and borrowings exposed to interest rate risks are hedged in accordance with policies laid out in the management regulations.

d. Method of evaluation for hedge effectiveness
The Company believes foreign exchange forward contracts and foreign currency swaps to be highly effective hedging instruments. Therefore, an evaluation of their effectiveness is omitted. An evaluation of the effectiveness of the special accounting treatment used for interest rate

swaps is omitted.

(7) Amortization method and period of goodwill
Goodwill is amortized by the straight-line method over a period of up to 20 years. However, if its materiality is low, the goodwill is amortized in the year in which it is recognized.

(8)Other important items for compiling consolidated financial statements
Consumption tax
National and regional consumption taxes are accounted for using the net-of-tax method.

Change of Fiscal Term

Following the approval of Partial Amendments of the Articles of Incorporation at the 80th General Meeting of Shareholders held on June 23, 2020, the Company has changed its fiscal term end from March 31 to December 31 from the fiscal year ended December 31, 2020 and unified the fiscal year end of our group on December 31. The fiscal year, which was the transition period, was the nine months starting on April 1, 2020 and ending on December 31, 2020.

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 for the fiscal year ended December 31, 2020 were consolidated based on the financial statements as of December 31, 2020.

Meanwhile, profits and losses of consolidated subsidiaries with a fiscal year ended December for the period from January 1, 2020 to March 31, 2020 were adjusted in the balance of retained earnings.

Notes to the consolidated balance sheet

(Million yen)

1. Pledged assets and secured liabilities

(1) Pledged assets

Cash and time deposits	3,182
Notes and accounts receivable-trade	36
Accounts receivable from completed construction contracts	1,692
Cost on uncompleted construction contracts	602
Developed land and housing for sale	2,135
Real estate for sale in process	7,606
Accounts receivable-other	12
Buildings and structures	12,256
Machinery, equipment and vehicles	13,332
Land	3,819
Construction in progress	3,058
Investment securities	16,112
Other	3,434
Total	67,274

(2) Secured liabilities

Short-term loans payable	9,771
Long-term loans payable	13,823
Total	23,594

2. Accumulated depreciation of property, plant and equipment 115,398

3. Guaranteed Liabilities etc.

Guarantee on loans, etc. from financial institutions

Purchasers with housing loans applied	19,776
Affiliates under Crescent Communities Group	23,161
Kanda Biomass Energy K.K.	12,298
Morinomiyako Biomass Energy G.K.	2,066
Kawasaki Biomass Electric Power Co., Ltd.	263
Total	57,563

4. Matured notes at the end of the fiscal year

Matured notes at the end of the fiscal year are settled at the date of note clearing. The balance includes the following matured notes as the last day of the current fiscal year was bank holiday.

Notes receivable	6,018
Notes payable	3,196

Notes to the consolidated statements of changes in net assets

1. The number of issued shares as of the end date of the consolidated fiscal year
   Ordinary shares 182,778,336

2. The number of treasury stock as of the end date of the consolidated fiscal year
   Ordinary shares 1,327,558

3. Items related to dividend

(1) Dividend payment

Resolution	Type of shares	Total amount of dividend (Million yen)	Dividend per share (Yen)	Base date	Effective date
Ordinary General Meeting of Shareholders on June 23, 2020	Ordinary shares	3,649	20.00	March 31, 2020	June 24, 2020
Board of Directors' Meeting on November 12, 2020	Ordinary shares	1,825	10.00	September 30, 2020	December 8, 2020

(2) Dividends for which the base dates belongs to the consolidated fiscal year and for which the effective date comes after the end of the consolidated fiscal year
The following matters are due to be resolved at the Meeting.

Resolution	Type of shares	Total amount of dividend (Million yen)	Source of dividend	Dividend per share (Yen)	Base date	Effective date
Ordinary General Meeting of Shareholders on March 30, 2021	Ordinary shares	4,562	Retained earnings	25.00	December 31, 2021	March 31, 2021

4. Type and number of shares subject to subscription rights to shares as of the last day of the consolidated fiscal year under review (excluding those for which the execution period has not yet come)
   Ordinary shares 4,662,643

Notes on financial instruments

1. Matters relating to the state of financial instruments

(1) Policy for dealing wih financial instruments

The Company and its consolidated subsidiaries (“Group”) invest temporary surplus funds in highly safe and secure financial instruments, and use bank loans and bond issue as the primary means of raising capital.

Derivative transactions are used to hedge exchange fluctuation risks of foreign currency denominated transactions and interest rate fluctuation risks of loans payable, and not for speculative purposes.

(2) Contents and risk of financial instruments

Operating receivables, notes and accounts receivable-trade and accounts receivable-other are exposed to customers’ credit risks. Short-term loans are primarily repurchase agreement transactions for investment of short-term funds, between financial institutions with a credit rating that satisfies a certain level, thus the credit risk is insignificant. Securities are primarily negotiable certificates of deposit subject to settlement in the short term. Investment securities are primarily held-to-maturity bonds and securities related to our business, and they are exposed to market price fluctuation risks. Most operating payables (notes and accounts payable and construction payables) are due and payable within one year.

Borrowings and corporate bonds are mainly for working capital needs and capital expenditure. In order to hedge interest rate fluctuation risks of borrowings with floating interest rates, the company partly uses derivative transactions(interest swaps).

Derivative transactions represent forward exchange contracts and currency swaps to hedge exchange fluctuation risks, and interest swaps to hedge interest rate fluctuation risks.

(3) Risk management system concerning financial instruments

a. Management of credit risk

In accordance with the internal rules, the company manages the due dates and balances by corporate customers, and also monitors their credit information at least once an year.

b. Management of market risk

For investment securities, the Group periodically confirms the market value and financial conditions and other aspects of the issuing entities (corporate customers). The Group also consistently reviews the ownership of financial instruments excluding bonds held to maturity, in consideration of the market conditions and its relationships with corporate customers.

The execution and management of derivative transactions are conducted by each company’s department in charge, within a certain limit based on the internal rules, while the status of implementation is periodically reported to the board of directors.

Additionally, these transactions are conducted between domestic and overseas financial institutions with high credit, and therefore, the default risk is considered extremely low.

c. Management of liquidity risk concerning raising capital

The Group manages liquidity risk by having Finance Department prepare and update funding plans based on reports from each department and consolidated subsidiaries.

(4) Supplemental explanation on fair value of financial instruments

The fair value of financial instruments includes the price based on market value and the theoretical price reasonably calculated in the case of no market value. the theoretical price are subject to fluctuation because they employ various factors and assumptions.

2. Matters relating to the market value of financial instruments

The amounts stated in consolidated balance sheets, market value and their differences are shown in the table below. For your information, items of account which are of less importance in the consolidated balance sheet are omitted from this table. Also, items of account for which an accurate grasp of market value is recognized to be extremely difficult are not stated in this table. (refer to the (note)2)

(Million yen)

	Amount stated in consolidated balance sheets*1	Market value*1	Difference
(1) Cash and time deposits	85,850	85,850	―
(2) Notes and accounts receivable-trade	119,687	119,687	―
(3) Securities and investment securities			
a. Bonds held to maturity	964	977	13
b. Affiliates shares	33,917	24,320	(9,597)
c. Other securities	90,710	90,710	―
Total assets	331,129	321,546	(9,584)
(1) Notes and accounts payable-trade	(111,612)	(111,612)	―
(2) Accounts payable for construction contracts	(80,219)	(80,219)	―
(3) Corporate bonds	(90,000)	(89,726)	(274)
(4) Long-term loans payable *2	(161,614)	(160,905)	(709)
Total liabilities	(443,445)	(442,462)	(983)
Derivatives transactions*3			
a. Hedge accounting not applied	110	110	―
b. Hedge accounting applied	2,741	2,741	―
Total derivatives	2,851	2,851	―

*1 Amounts stated under liabilities are shown in brackets.

*2 Amount of Long-term loan payable includes Long-term loan payable due within 1 year.

*3 Assets and liabilities from derivatives transactions are shown in the net amount. If the total is negative figure, the amount is shown in brackets.

(Note) 1 Methods for calculating the market value of financial instruments and matters relating to securities and derivatives trading

Assets

(1) Cash and time deposits and (2) Notes and accounts receivable-trade

Book value is stated for these items. Book value is almost the same as market value because short-term settlement creates the market value.

(3) Securities and investment securities

The market value stated for shares is the exchange quote value. The market value stated for bonds is the exchange quote value or the value indicated by financial institutions.

In addition, for negotiable deposit certificates, the book value is almost the same as the market value because short-term settlement creates the market value.

Liabilities

(1) Notes and accounts payable-trade and (2) Accounts payable for construction contracts

Book value is stated for these items. Book value is almost the same as market value because short-term settlement creates the market value.

(3) Corporate bonds

The market value of corporate bonds is calculated based on the market price.

(4) Long-term loans payable

Book value is stated for long-term loans payable with a variable interest rate, because their market value and book value are assumed to be close. The reasons for this assumption are that the loans reflect market interest rates in the short term and the credit condition of the Company did not significantly change after the loan offer. The present value is calculated for long-term loans payable with a fixed interest rate. The present value is calculated by similar debt from the aggregate amount of principal and interest for long-term loans payable classified according to fixed terms. (*)

(*)For long-term loans payable subject to special accounting for interest rate swaps, the aggregate amount of principal and interest based on the interest rate swap is used.

Derivatives transactions

The market value is the future quotation value or the value indicated by financial institutions. The market value of derivatives such as foreign exchange contracts, etc. to which the allocation method is applied, is stated as part of the market value of receivables and payables, because these derivatives are operated collectively with the hedged receivables and payables. The market value of derivatives, to which special accounting for interest rate swaps and collective accounting for interest rate and currency swaps is applied, is stated as part of the market value of long-term loans payable, because these derivatives are operated collectively with the hedged long-term loans payable.

(Note) 2 Financial instruments for which it is extremely difficult to determine the market value

(Million yen)

	Carrying value
Unlisted shares	2,839
Shares of affiliates	50,036

These are not included in the amount of "(3) Securities and investment securities" because they have no market value, and it is considered to be very difficult to calculate their prevailing prices.

Notes on leasehold properties and other types of real estate

1. Matters relating to the state of leasehold properties and other types of real estate

The Company and some of its consolidated subsidiaries own rental houses, etc. in Japan and overseas (mainly in America).

2. Matters relating to the market value of leasehold properties and other types of real estate

(Million yen)

Amount stated in the consolidated balance sheets	Market value
32,786	31,406

(Note) 1 The amount above stated in the consolidated balance sheet is calculated by deducting the accumulated depreciation from the acquisition cost.

(Note) 2 The fair value at the end of the period is as follows.

(1) For major real estate in Japan, the appraisal value by a real estate appraiser, and for other real estate, the amount based on indices that are deemed to appropriately reflect market prices are used.

(2) For overseas real estate, the appraisal value is mainly based on the appraisal value by the local appraiser.

Notes to per-share information

	(Yen)
Net assets per share	2,025.13
Net income per share	167.54

Notes to matters relating to important subsequent events

(Business combination through acquisition)

On January 18, 2021, the company acquired shares in *"Kouei Kousan K.K.*" and included *"Kouei Kousan K.K.*", Cohnan Kensetsu Inc., and three other companies in the scope of consolidation.

1. Outline of the business combination

(1) Name of the acquired company and its business

Name: *"Kouei Kousan K.K.*", Cohnan Kensetsu Inc., and three other companies

Business: Construction business and related business

(2) Main Reasons for the business combination

"Kouei Kousan K.K." is a holding company owning 53.59% of the shares in Cohnan Kensetsu Inc.. Cohnan Kensetsu Inc. is a comprehensive construction company based in Osaka and Tokyo, with strength in its consistent support from project proposals to design, construction and maintenance, and has a proven record of achievement in collective housing units, retail facilities, schools, welfare facilities, research/production facilities, and so on. The Company is working on adoption of wooden materials and increased utilization of wood in manufacturing outside the field of housing, and this share acquisition aims to strengthen middle/large-scale wooden construction business.

(3) Date of the business combination

January 18, 2021

(4) Legal form of the business combination

Share acquisition in exchange of cash

(5) The ratio of acquired voting rights

"Kouei Kousan K.K."	100%
Cohnan Kensetsu Inc.	53.59%

(6) Grounds for deciding the acquired corporation

The Company acquire shares in exchange of cash

2. Acquisition cost and the breakdown thereof

Acquisition cost	cash	5,200 million yen (estimated amount)
Compensation for the acquisition		5,200 million yen (estimated amount)

※The amount above is an estimate at the time of the agreement. Price adjustment and other factors may cause the actual price to differ from the estimate.

3. Major acquisition-related costs

Unable to confirm at present.

4. Amounts of assets acquired and liabilities assumed on the date of the business combination

Unable to confirm at present.

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

Unable to confirm at present.

Notes on Revenue Recognition

Revenue from contracts with customers is recognized based on the following five-step approach, at the amount of consideration for which the Company expects to be entitled to exchange for the goods or services when the control of the promised goods or services is transferred to the customer.

Step 1: Identify Contracts with Customers
Step 2: Identify Performance Obligations in Contracts
Step 3: Calculate Transaction Price
Step 4: Allocate Transaction Prices to Performance Obligations in Contracts
Step 5: Recognize revenue when Performance Obligations are satisfied or satisfied

(1) Revenue from sale of goods

Revenue from the sale of goods mainly includes the sale of lumber and building materials through wholesale, retail, manufacturing and processing, and the sale of houses for sale. At the time of delivery, the Company determines that the customer has control over the goods and fulfills the obligation to fulfill the obligation, and recognizes revenue at the time of delivery.

(2) Revenue from construction contracts

Revenue from construction contracts mainly includes construction of detached houses and apartment buildings. Revenue is recognized over a certain period as the performance obligation is satisfied. The method of estimating the progress rate for fulfillment of performance obligations is mainly based on the input method based on accrued cost.

However, for construction contracts for which the period from the commencement date of the contract to the date when it is expected that the performance obligation will be fully satisfied is very short, revenue is not recognized over a certain period of time, and the performance obligation is judged to be satisfied at the time of delivery, and revenue is recognized at that time.

(3) Revenue from services and other sales

Revenue from services and other sales mainly includes commissions related to agency transactions for timber and building materials, commissions related to guarantee services for detached houses and condominiums, and commissions related to the management and brokerage of real estate. Revenue from these transactions is recognized when the performance obligation is fulfilled when the contractual terms of the contracts are fulfilled. For transactions that satisfy the performance obligation over a certain period of time, revenue is recognized based on the degree of progress in fulfilling the performance obligation.

Notes on Additional Information

(Effects of the COVID-19 on Accounting Estimates)

Although it is extremely difficult to predict the future spread of COVID-19 and the timing of its convergence, the transaction volume of timber and building materials business is decreasing, while the performance of overseas housing and real estate business, mainly in America, has been favorable. Additionally, housing and constructing business are showing signs of recovery since middle of 2020, due to expansion of demand for homes in Japan.

To determine the recoverability of deferred tax assets and the recognition of impairment loss, the Company makes the best estimates based on assumptions that the impact of COVID-19 will be continuously minor, based on information available at the time of preparation of the consolidated financial statements. However, if the conditions or assumptions on which these estimates were made changes, reversal of deferred tax assets or additional account of impairment loss on the consolidated financial statements may be required after the following fiscal year.

NON-CONSOLIDATED FINANCIAL STATEMENTS

NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended December 31, 2020

(Million yen)

	Shareholders' equity									
	Common stock	Capital surplus		Retained earnings					Treasury stock	Total shareholders’ equity
					Other retained earnings					
		Legal capital surplus	Other capital surplus	Legal retained earnings	Reserve for special depreciation	Reserve for reduction entry	General reserve	Retained earnings brought forward		
Balance at the beginning of current period	32,786	31,726	259	2,857	24	1,715	154,177	11,066	(287)	234,323
Changes during the period										
Issuance of new shares	17	17								35
Reversal of reserve for special depreciation					(18)			18		–
Provision of general reserve							117	(117)		–
Dividends from surplus								(5,474)		(5,474)
Net income								8,623		8,623
Purchase of treasury stock									(1)	(1)
Net changes in items other than shareholders’ equity										
Total changes during the period	17	17	–	–	(18)	–	117	3,050	(1)	3,183
Balance at the end of current period	32,803	31,743	259	2,857	6	1,715	154,294	14,116	(288)	237,505

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges		
Balance at the beginning of current period	17,110	2,510	120	254,063
Changes during the period				
Issuance of new shares				35
Reversal of reserve for special depreciation				–
Provision of general reserve				–
Dividends from surplus				(5,474)
Net income				8,623
Purchase of treasury stock				(1)
Net changes in items other than shareholders’ equity	27,540	(566)	-	(26,974)
Total changes during the period	27,540	(566)	-	(30,156)
Balance at the end of current period	44,650	1,944	120	284,219

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Summary of significant accounting policies

1. Valuation standards and method for securities

(1) Held-to-maturity securities
Amortized cost method (Straight-line method)

(2) Shares held in subsidiaries and affiliates
Cost method based on the moving-average method.

(3) Other securities:
Securities with a market value
Value method based on the market price on the closing date (unrealized gains and losses are reported in the shareholders' equity section. Sales cost of securities is determined by the moving-average method.)

Securities with no market value
Cost method based on the moving-average method

2. Valuation standards and method for inventories

Purchased products are stated at cost, which is mainly determined by the moving average method. Costs on uncompleted construction contracts, developed land and housing for sale, and real estate for sale in process are stated at cost, determined by the specific cost method. Net book value of inventories as shown in the non-consolidated balance sheet is written down when profitability declines.

3. Method of depreciation of noncurrent assets

(1) Property, plant and equipment (excluding lease assets)
The declining-balance method of depreciation is used. However, the straight-line method is used for buildings (excluding accessory equipment) acquired on or after April 1, 1998 and for accessory equipment and structures acquired on or after April 1, 2016. For overseas consolidated subsidiaries, the straight-line method is used primarily.

(2) Intangible assets (excluding lease assets)
The straight-line method is used. The straight-line method is used for the amortization of software used internally based on the estimated internal use period (5 years).

(3) Leased assets
Finance leases that do not transfer ownership of the leased assets are depreciated down to a residual value of zero over their useful lives using the straight-line method.

4. Standards for allowance

(1) Allowance for doubtful accounts
In order to prepare for expected losses from bad debts, estimated unrecoverable amounts are recorded for general claims based on historical bad-debt ratios, and for specific claims including doubtful accounts, based on individual recoverability.

(2) Provision for employees' bonuses
Estimated bonus payments to be charged to income in the current fiscal year are recorded to prepare for accrued bonus payments to employees.

(3) Provision for directors' bonuses

Bonus payments to be charged to income in the current fiscal year are recorded to prepare for accrued bonus payments to directors of the Company.

(4) Provision for warranties for completed construction

A warranty reserve is recorded to prepare for repair costs that may be required for completed construction. The reserve is based on historical costs and future estimates.

(5) Provision for retirement benefits

A provision for retirement benefits is provided for the necessary amounts based on the estimates of retirement benefit obligations and pension assets at the end of the reporting fiscal year. Should the total estimated figure for pension assets at the end of the reporting fiscal year exceed the total estimated figure for retirement benefit obligations, the surplus is recognized as prepaid pension cost.

a. Service period attribution method for projected retirement benefits

The method of attributing projected retirement benefits to the period up to the end of the consolidated fiscal year under review when calculating retirement benefit obligations is as per the benefit formula standard.

b. Method of accounting for actuarial differences and past service liabilities

Actuarial differences and past service liabilities are typically accounted for collectively in the fiscal year in which they occur.

(6) Provision for losses on business of subsidiaries and affiliates

A provision for losses on business of subsidiaries and affiliates is provided to prepare for possible losses by taking into consideration the financial position of the company.

5. Standards for Revenue and Expenses

The "Accounting Standard for Revenue Recognition"(ASBJ Statement No. 29, March 30, 2018), and the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 30, 2018) are applied. The company will recognize Revenue at an amount that reflects the consideration to which the company expects to be entitled in exchange for transferring goods or services to the customer, when the promised goods or services are transferred to the customer.

6. Hedge accounting methods

(1) Hedge accounting method

Deferred hedge accounting is adopted.

Appropriation accounting of foreign currency transactions is applied to foreign exchange hedging transactions. Special accounting treatment is applied to interest rate swaps when they satisfy the requirements for such.

(2) Hedging policy

Foreign exchange forward contracts and foreign currency swaps are utilized to mitigate foreign exchange risks. Interest rate swap transactions are utilized to mitigate interest rate risks.

(3) Scope of hedging

Certain foreign exchange transactions, including planned transactions, and borrowings exposed to interest rate risks are hedged in accordance with policies laid out in the management regulations.

(4) Method of evaluation for hedge effectiveness

The Company believes foreign exchange forward contracts and foreign currency swaps to be highly effective hedging instruments. Therefore, an evaluation of their effectiveness is omitted. An evaluation of the effectiveness of the special accounting treatment used for interest rate swaps is omitted.

7. Other important items for compiling non-consolidated financial statements
Consumption tax
National and regional consumption taxes are accounted for using the net-of-tax method.

Change of Fiscal Term

Following the approval of Partial Amendments of the Articles of Incorporation at the 80th General Meeting of Shareholders held on June 23, 2020, the Company has changed its fiscal term end from March 31 to December 31 from the fiscal year ended December 31, 2020 and unified the fiscal year end of our group on December 31. The fiscal year, which was the transition period, was the nine months starting on April 1, 2020 and ending on December 31, 2020.

Notes to the non-consolidated balance sheet (Million yen)

1. Pledged assets and liabilities for pledge

(1)Pledged assets

Investment securities	14,857
Stocks of subsidiaries and affiliates	1,512
Long-term loans receivable from subsidiaries and affiliates	122
Other	1,562
Total	18,052

(2)Liabilities for pledge
There is no obligation corresponding to the pledged assets above.

2. Accumulated depreciation on property, plant and equipment	26,049
3. Accumulated advanced depreciation on property, plant and equipment	1,337

4. Guaranteed liabilities

(1) Guarantee on loans, etc. of subsidiaries and affiliates from financial institutions

Sumitomo Forestry America, Inc.	24,884
Kanda Biomass Energy K.K.	12,298
Sumitomo Forestry (Singapore) Ltd.	2,286
Hachinohe Biomass Electric Power Co., Ltd.	2,277
Morinomiyako Biomass Energy G.K.	2,066
PT. Kutai Timber Indonesia	1,553
Vina Eco Board Co., Ltd.	1,125
Sumirin Hong Kong Limited	278
Kawasaki Biomass Electric Power Co., Ltd.	263
Sumitomo Forestry Australia Pty Ltd.	189
Michinoku Bio Energy Co., Ltd.	126
PT. Sumitomo Forestry Indonesia	89
Sumikyo Co., Ltd.	66
Sumikyo Wintec Co., Ltd.	9
Total	47,507

(2) Guarantee on other loans from financial institutions

Purchasers with housing loans applied	18,546

5. Monetary receivables from and payables to subsidiaries and affiliates (excluding amounts disclosed under separate classifications)

Short-term monetary receivable	35,306
Short-term monetary payable	60,636
Long-term monetary payable	1,672

6. Matured notes at the end of the fiscal year

Matured notes at the end of the fiscal year are settled at the date of note clearing. The balance includes the following matured notes as the last day of the current fiscal year was bank holiday.

Notes receivable	5,629
Notes payable	3,074

Notes to non-consolidated statements of income (Million yen)

Transactions with subsidiaries and affiliates	
Net sales	10,148
Purchase of goods	88,140
Non-operating income	
Interest income	144
Dividends income	9,365
Other	136
Non-operating expenses	1,216

Notes to non-consolidated statements of changes in net assets

The number of treasury stock as of the end of the reporting fiscal year

Ordinary shares	287,048

Notes to tax effect accounting

1. Details of the main reason for occurrence of deferred tax assets and liabilities

Deferred tax assets	
Allowance for doubtful accounts	2,594
Provision for bonuses	2,191
Loss on devaluation of developed land and housing for sale etc.	406
Provision for retirement benefit	2,663
Provision for loss on business of subsidiaries and affiliates	702
Loss on devaluation of securities of subsidiaries and affiliates	5,873
Loss on devaluation of investment securities and golf club membership	1,864
Provision for warranties for completed construction	686
Other	9,130
Subtotal deferred tax assets	26,109
Valuation reserve	(11,261)
Total deferred tax assets	14,848
Deferred tax liabilities	
Reserve for advanced depreciation on noncurrent assets	757
Gain on contribution of securities to retirement benefit trust	1,168
Valuation difference on available-for-sale securities	19,414
Other	3,057
Total deferred tax liabilities	24,396
Deferred tax liabilities in net	(9,547)

2. Breakdown of major items giving rise to material differences between the statutory effective tax rate and the effective rate of corporate and other income taxes after application of tax effect accounting

Statutory effective tax rate	30.6%
(Adjustment)	
Non-deductible expenses such as entertainment expense	2.5%
Non-taxable income such as dividends received	(32.9)%
Inhabitants' tax-per capita levy	1.8%
Valuation allowance	(2.5)%
Other	(2.4)%
Effective rate of corporate and other income taxes after application of tax effect accounting	(2.8)%

Notes to related party transactions

1. Subsidiaries and affiliates, etc.

(Million yen)

Type	Name of company	Share of voting rights owned by the Company	Relationship	Transaction description	Transaction amount (* 4)	Accounting item	Year-End balance (* 4)
Subsidiary	Sumitomo Forestry Home Engineering Co., Ltd.	Direct 100.0%	Supply of paid materials Construction of ordered housing Interlock of directors	Construction of housing ordered by the Company (* 1)	58,233	Accounts receivable-other Accounts payable for construction contracts	20,746 21,363
Subsidiary	Sumitomo Forestry Home Tech Co., Ltd.	Direct 100.0%	After maintenance of housing Interlock of directors	Deposit of surplus fund to the Company (* 2)	-	Deposits received	12,448
Subsidiary	Sumitomo Forestry America, Inc.	Direct 100.0%	Interlock of directors	Debt guarantee (* 3)	24,884	-	-
Affiliate	Kanda Biomass Energy K.K.	Direct 41.5%	Interlock of directors	Debt guarantee (* 3)	12,298	-	-

(*1) Transaction terms and policy for determining transaction terms are determined in the same way as for general transaction conditions.
(*2) Transaction amounts are not shown, because the transactions are conducted repeatedly, and the purpose for this is to centralize fund management within the Group.
(*3) The Company guarantees debt for loans borrowed from financial institutions.
(*4) Transaction amounts do not include consumption tax, etc., while year-end balances do.

Notes to per-share information

	(Yen)
Net assets per share	1,556.78
Net income per share	47.25

Notes to matters relating to important subsequent events

The same content is stated in "Notes to matters relating to important subsequent events" in the consolidated financial statements, and thus the notes are omitted.

Notes on Revenue Recognition

The same content is stated in "Notes on Revenue Recognition" in the consolidated financial statements, and thus the notes are omitted.

Notes on Additional Information

(Effects of the COVID-19 on Accounting Estimates)

Although it is extremely difficult to predict the future spread of COVID-19 and the timing of its convergence, the transaction volume of timber and building materials business is decreasing, while

the performance of overseas housing and real estate business, mainly in America, has been favorable. Additionally, housing and constructing business are showing signs of recovery since middle of 2020, due to expansion of demand for detached homes in Japan.
To determine the recoverability of deferred tax assets and the recognition of impairment loss, the Company makes the best estimates based on assumptions that the impact of COVID-19 will be continuously minor, based on information available at the time of preparation of the financial statements. However, if the conditions or assumptions on which these estimates were made changes, reversal of deferred tax assets or additional account of impairment loss on the financial statements may be required after the following fiscal year.