[TRANSLATION]

The following is an unofficial English translation of "The 85th Ordinary General Meeting of Shareholders Other Matters Related to Electronic Provision Measures (Matters Omitted from the Delivery Document)" 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.

The 85th Ordinary General Meeting of Shareholders Other Matters Related to Electronic Provision Measures (Matters Omitted from the Delivery Document)

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(January 1, 2024, to December 31, 2024)

Sumitomo Forestry Co., Ltd.

Matters concerning stock acquisition rights and other of the Company

(1) Stock acquisition rights held by directors as of the end of the fiscal year

Name	Allotment date	Number of share acquisition rights	Type and number of shares to be issued	Issue price	Exercise price	Exercise date	Number of people holding
Sumitomo Forestry Co., Ltd. 2015 Stock Acquisition Rights (Stock-based Compensation Type)	August 20, 2015	54	Common stock of the Company 5,400 shares	¥1,233/share	¥1/share	August 21, 2015, to August 20, 2035	1 (excluding outside directors)
Sumitomo Forestry Co., Ltd. 2016 Stock Acquisition Rights (Stock-based Compensation Type)	August 19, 2016	98	Common stock of the Company 9,800 shares	¥1,092/share	¥1/share	August 20, 2016, to August 19, 2036	4 (excluding outside directors)
Sumitomo Forestry Co., Ltd. 2017 Stock Acquisition Rights (Stock-based Compensation Type)	August 18, 2017	84	Common stock of the Company 8,400 shares	¥1,256/share	¥1/share	August 19, 2017, to August 18, 2037	3 (excluding outside directors)

(Note) A portion of stock acquisition rights held by directors include those allotted during their tenure as executive officers.

Matters concerning Accounting Auditor

(1) Name of the Accounting Auditor

Ernst & Young ShinNihon LLC

(2) Amount of remuneration and other of the Accounting Auditor

	Item	Amount paid
i.	Amount of remuneration and other to be paid by the Company to the Accounting Auditor for services related to Article 2, Paragraph 1 a of the Certified Public Accountants Act (auditing or certification services)	¥ million 115
ii.	Total amount of money and other financial benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	170

(Notes) 1. The Audit & Supervisory Board has confirmed and reviewed the details of the audit plan of the Accounting Auditor, the status of execution of the duties of the accounting audit, and the basis for calculation of the estimate of remuneration by obtaining the necessary materials and hearing reports from directors, relevant internal departments, and the Accounting Auditor. As a result, the Audit & Supervisory Board has determined that the amount of remuneration and other paid to the Accounting Auditor is appropriate, and has given its consent under Article 399, Paragraph 1 of the Companies Act.

2. In the audit contract between the Company and the Accounting Auditor, the amount of remuneration for the audit based on the Companies Act and for the audit based on the Financial Instruments and Exchange Act are not and cannot be separated practically. Hence, the amount in item i. indicates the sum of these amounts.

3. The Company commissions and pays consideration to the Accounting Auditor for examination services related to financial information as services other than those stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act (non-audit services).

4. Of the Company’s major subsidiaries, Henley Arch Unit Trust, Met Group Holdings Pty Ltd, Scott Park Group Pty Ltd., Bloomfield Homes, L.P., Brightland Homes, Ltd., Crescent Communities, LLC, DRB Enterprises, LLC, Edge Utah HoldCo, LLC, Ltd., SFA JPI Top Holdings, LLC, MainVue Homes LLC, and Mark III Properties, LLC are audited by auditors other than the Company’s Accounting Auditors.

(3) Policy on the dismissal or non-reappointment of the Accounting Auditor

The Audit & Supervisory Board shall dismiss the Accounting Auditor upon the consent of all Audit & Supervisory Board members in the event that it is determined that any item under Article 340, Paragraph 1 of the Companies Act applies to the Accounting Auditor.

In addition, if it is determined that the Accounting Auditor is unable to appropriately perform its duties, following a decision by the Audit & Supervisory Board, the Board of Directors will submit a resolution for the dismissal or non-reappointment of the Accounting Auditor at the General Meeting of Shareholders.

System to ensure the appropriateness of business operations and outline of the operational status of such system

< The system to ensure the appropriateness of business operations >

(1) Basic Policy for Execution of Duties

i. Since its establishment in the Genroku Era (1688-1704), the Sumitomo Business Spirit, as exemplified by such phrases as "placing prime importance on integrity and sound management" and "under no circumstances shall Sumitomo pursue easy gains or act imprudently," has been the core of our management. We have inherited the philosophy of "national gratitude" where we aim to be a corporate entity that is truly essential to nations and society, and our business stance to create "sustainable forestry" where we nurture and manage forests continuously in an environmentally conscious manner. With this background, the Company has adopted the management philosophy of "The Sumitomo Forestry Group utilizes wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society. All our efforts are based on Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society." To realize these goals, the following five Action Guidelines have been set:

・We provide high-quality products and services that bring joy to our customers.
・We create new jobs that lead to happiness for generations to come with a fresh perspective.
・We promote a free and open corporate culture that respects diversity.
・We set and strive to achieve ambitious goals through ongoing effort.
・We do work that wins us the trust of society with fair and honest conduct.

ii. The Company's ethics guidelines and values, which all Group executives and employees must observe and which we are sincerely striving to fulfill, have been set forth as the Group Code of Conduct and other rules.

iii. Maintaining an uncompromising stance against anti-social activities is part of the Group's basic policy and one that we adhere to.

(2) System to Ensure Compliance by Executives and Employees to Laws, Regulations and the Articles of Incorporation

i. The Company, as part of the Group's basic policy, has positioned the promotion of compliance as an important management issue and is working to implement the systems and environment to secure this.

ii. For the complete and thorough management of compliance, the Company has formulated relevant regulations and established a Company-wide compliance system with the aim to reinforce internal control functions and enhance remedial capacity across the entire Group on an ongoing basis. It has done so by creating a horizontal, Group-wide compliance promotion committee and an internal reporting system (compliance counter) that can be used by the Group's and subcontractor's executives and employees, which reports to an outside law firm and the general manager of the General Administration Department.

iii. For a system to adequately and appropriately protect financial and accounting statements and other information, the Company will formulate documents with relevant rules and the standardization of operational procedures. The Company has created a system where major departments verify the appropriateness of the financial reporting process and the effectiveness of internal control systems, which is then evaluated by the Internal Audit Department. The Company continues to work to improve the quality of internal control-related functions associated with the appropriateness of financial reporting.

(3) System for the Storing and Maintaining Information Related to Director Duties

i. The Company, in accordance with regulations regarding the storage and maintenance of documents and information, appropriately records and stores important documents, such as minutes of the General Meeting of Shareholders, minutes of the Board of Directors meetings and other legal documents, and other important documents related to decision making, such as requests for management approval.

ii. The Company will work to improve the storage, viewing and sharing functions of information using IT.

(4) Regulations Concerning the Management of the Risk of Loss or Other Relevant Risk Management System at the Company and its Subsidiaries

i. With the aim to establish unified internal control and risk management systems, the Company has formulated regulations regarding risk management and at the same time, has created a committee on risk management, which grasps and assesses Group risks and formulates countermeasures. In such ways, the Company puts into place and reinforces in an ongoing manner the Group's risk management system.

ii. The committee on risk management monitors the progress of countermeasures to various risk scenarios and makes regular reports to the Company's Board of Directors and Audit & Supervisory Board Members.

iii. For serious emergency situations that occur within the Group, Group employees must strive to appropriately apply the "two-hour rule" and report to Company top management in a timely manner. The Company works in an ongoing manner to reinforce the ability to avoid or reduce risk.

iv. In preparation for large-scale disasters, pandemics and other emergencies, the Company promotes business continuity management (BCM) including the formulation of business continuity planning (BCP) to mitigate losses from continuing business operations and thus creates a structure to handle emergency situations. Furthermore, the Company is providing the necessary guidance and advice on promoting BCM to subsidiaries.

(5) System to Ensure the Effective Execution of Business Duties of Company Directors, Subsidiary Directors and Others

i. With the implementation of the executive officer system, the Company has separated decision-making and supervisory functions from operational functions, and with the Board of Directors made up of a small number of members, has created a structure that allows for speedy decision making. Each of the Executive Officers, as the person in charge of the execution of operations, must effectively perform the duties of the operation he/she is responsible for under the guidance and supervision of the Board of Directors.

ii. To enable speedy decision making in response to changes in the operating environment and the optimal assignment of authority, the Company reevaluates in an appropriate manner the Board of Directors agenda criteria, administrative authority regulations and other.

iii. Based on the Group's long-term management plan, the Company formulates a medium-term management plan as well as annual fiscal budget goals and concrete strategies for each business segment and strives to optimally and effectively allocate management resources to fulfill them.

iv. In compliance with internal regulations, the Company assigns a department with primary responsibility for each of the individual subsidiaries. The Company has officers and employees of the departments with primary responsibility assume the position of director at the subsidiaries and so on to appropriately manage the progress of management measures and policies and to effectively promote the execution of business duties at the subsidiaries.

(6) System Regarding the Reporting by Directors and Others of the Subsidiaries on the Execution of Duties and System to Ensure the Appropriateness of Operations of the Corporate Entity Comprising of the Company and its Subsidiaries

i. The Company, through the primary departments in charge, requires important subsidiary management issues to be brought up and the execution of duties to be reported to the Board of Directors, and in doing so, exercises a system of control, checks and balances for the entire corporate entity.

ii. The Company, to ensure effective internal controls of the entire corporate entity, formulates regulations for each of the subsidiaries. In addition, taking into account each company's situation, the Company puts in place an internal audit department and other efforts to promote an environment for autonomous, internal control at each company.

iii. The Company, through the Internal Audit Department, the primary departments in charge, etc., reinforces the checks and balances system and strives in an ongoing manner to raise the quality of oversight and supervision functions, including enhancing compliance systems, of each of the subsidiaries.

(7) In Situations Where the Company's Audit & Supervisory Board Members Request Support Staff to Aid in Their Duties, Matters Concerning Support Staff to Audit & Supervisory Board Members, the Independence of Support Staff from the Directors and Ensuring the Effectiveness of Audit & Supervisory Board Members' Instructions to Support Staff.

i. The Company's representative directors and directors, upon discussion with the audit & supervisory board members, may assign appropriate personnel as support staff to the audit &

supervisory board members, and in the event of a transfer, assessment or disciplinary action of such personnel, will seek the approval of the audit & supervisory board members.

ii. As needed, the Company's audit & supervisory board members will conduct audit work by directing support staff.

iii. The Company's audit & supervisory board members, to ensure that the support staff's independence is not unfairly controlled, will make any necessary requests to the Company's representative directors or the Board of Directors. The representative directors or the Board of Directors will take the necessary measures in regard to these requests.

(8) System for Reporting to Audit & Supervisory Board Members by the Company's Directors and Support Staff, the Company's Subsidiary Directors and Others, Auditors, Staff and People Who Receive Reports from Them, and Other Systems Related to Reporting to Audit & Supervisory Board Members.

i. The Company's audit & supervisory board members, to grasp the decision-making process of important items and the execution of duties by directors, attend the Company's Board of Directors meetings and as needed, Executive Committee meetings and other important meetings.

ii. The Company's executives and employees, when requested by the audit & supervisory board members to report on items related to their execution of duties, will do so in a timely manner. In addition, the Company's executives and employees, in the event they become aware of a situation that could cause grave damage to the Company, unethical behavior or a serious incident that is in violation of laws or regulations, must report to the Company's audit & supervisory board members.

iii. The Company's audit & supervisory board members receive regular reports from the Company's Internal Audit Department and others regarding the Group's compliance, status of risk management activities and internal audit results, and supervise and verify that they are all functioning effectively.

iv. The Company's representative directors regularly exchange opinions with the Company's audit & supervisory board members and at the same time, work to secure an audit environment that ensures the effectiveness of audits.

v. The Company appoints appropriate personnel as audit & supervisory board members for the major subsidiaries and regularly holds Group Board of Auditor meetings to improve the effectiveness of audits at each company and to exchange information.

(9) System to Ensure that People Who Have Made Reports Under the Provisions Listed Above Are Not Subjected to Disadvantageous Treatment

The Company, in the event that an executive or employee makes a report to the audit & supervisory board members under the provisions listed above, will formulate rules and systems to ensure that the reporter is not subjected to disadvantageous treatment and in addition, will create a strict information management system for that reporter and the content of the report, and will ensure the full understanding of this to the subsidiaries.

(10) Matters Concerning Policy on Procedures for Prepayment or Refund of Expenses Arising in Relation to Performance of Duties as Audit & Supervisory Board Members and Processing of Expenses or Obligations Arising in Relation to the Performance of Other Duties

The Company's Audit & Supervisory Board will accommodate for expenses required by audit & supervisory board members for the execution of duties in the Company's budget. In addition, for emergency or extraordinary expenditures required by the Company's audit & supervisory board members in the execution of duties, the statutory auditor may request a reimbursement from the Company after the fact. The representative directors or the Board of Directors will take the necessary measures in regard to these requests.

(11) Other Relevant Systems to Ensure the Proper Functioning of Audits

i. The Company's Audit & Supervisory Board will strive to ensure the effectiveness of audits by exchanging information and closely coordinating with the Company's Board of Directors during the process of important decision making.

ii. The Company's Audit & Supervisory Board will regularly exchange information with Accounting Auditors to ensure more effective audits.

< Outline of the operational status of the system to ensure the appropriateness of business operations >

(1) Risk Management and Compliance System

i. The Company conduct the Risk Management Committee meets once a quarter, elects priority management risks after analyzing and evaluating the content of risks identified by each division and department and prioritizes the monitoring of progress in addressing priority management risks that are of particularly high importance as individual priority matters. Under the Risk Management Committee, the Company has the Compliance Subcommittee and the Business Continuity Management (BCM) Subcommittee, which enhance the effectiveness of risk management pertaining to Group-wide compliance risks and business interruption risks. The details of these activities are reported to the Board of Directors, and the findings are reflected in the execution of business, such as by the performance of management reviews. During the current fiscal year, the Risk Management Committee met four times, the Compliance Subcommittee met twice, and the BCM Subcommittee met twice, and reports to the Board of Directors were made four times.

ii. To enhance compliance, the Compliance Subcommittee improved the compliance system on an ongoing basis by inspecting legal requirements important for business continuity and other efforts. In addition, the Compliance Counter, the internal reporting contact division, responded appropriately to all reports.

iii. To promote BCM, the Company conducted one safety confirmation and information communication drill and two simulated drills of the Temporary Disaster Action Headquarter in Osaka. To enhance the ability to perform critical operations in the event of a contingency and to improve the viability of the BCM system, executive officers in charge of BCM have been stationed in Osaka since January 2024.

iv. With regard to internal control related to the appropriateness of financial reporting, the Internal Audit Department constantly evaluates each division and subsidiary it oversees in accordance with Company rules and regulations related to financial reporting internal control.

(2) System to Ensure the Efficiency of the Execution of Business Duties by Directors

i. The Company has implemented an executive officer system. In terms of decision-making and supervisory functions, the Board of Directors (held 15 times during the current fiscal year) confirmed important matters related to decision making, progress on the medium-term management plan and the annual budget, financial results, and other matters, and worked to enhance the supervisory function of business execution. In terms of business execution functions, the Board of Executive Officers (held 12 times during the current fiscal year) reported on the progress of business execution and received instructions regarding policies for business execution and other matters from the president.

ii. By appointing officers and employees of the primary departments in charge to serve as officers of subsidiaries, the Company monitored the progress of management initiatives and promoted the efficient execution of business at the subsidiaries.

(3) Systems to Ensure the Appropriateness of Business Operations within the Corporate Group

i. In accordance with the Board of Directors agenda criteria and the affiliated company management regulations, the Company, through the primary departments in charge, discussed important management matters of the subsidiaries and received reports on the execution of business operations at Board of Directors.

ii. In accordance with the affiliated company management regulations, the Internal Audit Department periodically audited subsidiaries and provided guidance and confirmation of improvements when there were matters requiring attention.

(4) Audit system of the audit & supervisory board members

i. The Company has assigned full-time employees to assist Audit & Supervisory Board Members in their audit duties and auditing inspectors who concurrently hold positions of senior management of major departments and the auditing inspectors’ meeting is held once a month. At the auditing inspectors’ meeting, Audit & Supervisory Board Members received reports on the status of business inspections from the auditing inspectors and performed their auditing duties.

ii. Audit & Supervisory Board Members attended important meetings such as the Board of Directors meetings and Executive Committee meetings, and are able to obtain accurate information regarding the managerial decision-making process at appropriate times. To enhance the effectiveness of audits, the Audit & Supervisory Board Members strive to cooperate with the Accounting Auditor as well as the Internal Audit Department. They also received reports regularly from the departments responsible for risk management and compliance, accounting and labor, and monitor and verified that internal controls were functioning effectively. Furthermore, Group Audit & Supervisory Board, attended by Audit & Supervisory Board Members of the major subsidiaries as members, were held six times during the current fiscal year to reinforce the oversight functions of status of Group management activities.

iii. In line with monthly Audit & Supervisory Board, Executive Officers in charge of agenda items of Executive Committee are provided the opportunity to give explanations to and exchange opinions with Audit & Supervisory Board Members and Outside Directors. In addition, Audit & Supervisory Board Members also exchange opinions with representative Directors, generally, every half year.

Consolidated Financial Statements

Consolidated Statements of Changes in Net Assets (January 1, 2024 to December 31, 2024)

(Unit: million yen)

	Shareholders' equity					Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Capital Stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the current period	55,088	36,530	524,297	△2,517	613,398	37,201	5,812	97,960	45	141,018	74	68,807	823,296
Adjustments for the finalization of provisional accounting treatment			△309		△309			△26		△26		3,501	3,166
Balance at the beginning of the current period reflecting the finalization of provisional accounting treatment	55,088	36,530	523,988	△2,517	613,089	37,201	5,812	97,933	45	140,991	74	72,307	826,462
Changes during the consolidated period													
Issuance of new shares	11	11			21								21
Issuance of new shares (exercise of share acquisition rights)	3	3			5								5
Dividends of surplus			△26,750		△26,750								△26,750
Net income attributable to shareholders of parent			116,528		116,528								116,528
Purchase of treasury shares				△4	△4								△4
Disposal of treasury stock		0		0	0								0
Changes in ownership interest of parent due to transactions with non-controlling interests		△1,877			△1,877								△1,877
Changes in items other than shareholders' equity (net amount)						701	2,721	74,906	16	78,344	△5	27,403	105,742
Total changes during the consolidated period	13	△1,863	89,778	△4	87,923	701	2,721	74,906	16	78,344	△5	27,403	193,665
Balance at the end of the current period	55,101	34,667	613,765	△2,521	701,012	37,902	8,533	172,840	62	219,335	69	99,711	1,020,127

Notes to the Consolidated Financial Statements

Important Fundamental Items and Other Related to the Preparation of the Consolidated Financial Statements

1. Scope of consolidation

There are 449 consolidated subsidiaries. The major consolidated subsidiaries are Sumitomo Forestry Wood Products Co., Ltd., Sumitomo Forestry Home Engineering Co., Ltd., Sumitomo Forestry Home Tech Co., Ltd., Sumitomo Forestry Residential Co., Ltd., Henley Arch Unit Trust, Henley Arch Pty Ltd., Met Group Holdings Pty Ltd., Scott Park Group Pty Ltd., Bloomfield Homes, L.P., Brightland Homes, Ltd., Crescent Communities, LLC, DRB Enterprises, LLC, Edge Utah HoldCo, LLC, SFA JPI Top Holdings, LLC, MainVue Homes LLC and Mark III Properties, LLC.

Beginning the consolidated fiscal year under review, Met Group Holdings Pty Ltd., and 94 other companies, whose shares were newly acquired, are included in the scope of consolidation.
On the other hand, Crescent Hillsborough, LLC and 21 other companies, which were consolidated subsidiaries in the previous consolidated fiscal year, are excluded from the scope of consolidation, due to the completion of liquidation and others.

2. Accounting periods of consolidated subsidiaries

The settlement date for 5 domestic consolidated subsidiaries 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.

3. Application of equity method

(1) There are 205 affiliates that are accounted for by the equity method. The major equity-method affiliate is Kumagai Gumi Co., Ltd.
Beginning the consolidated fiscal year under review, Tellus Texas III, LLC and 44 other companies, in which were newly established, are included as equity-method affiliates.
On the other hand, DRSFA, LLC and 15 other companies, which were equity-method affiliates in the previous consolidated fiscal year, are excluded from the scope of equity method application, due to the sale of shares or the completion of liquidation.

(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.

4. Accounting Policies

(1) Basis and method of measuring significant assets

i. Marketable securities

Held-to-maturity debt securities

Reported by amortized cost method (straight-line method)

Available-for-sale securities

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

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

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

Reported by cost accounting based on the moving average method

ii. Derivatives

Derivatives are carried by the market value method.

iii. Inventories

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

(2) Accounting method for depreciation of significant assets

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

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

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

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

(3) Accounting policy for significant provisions

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

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

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

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

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

(4) Accounting method for retirement benefits

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

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

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

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

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

For transactions in which the Group's role of providing merchandise to customers mainly in the Timber and Building Materials Business is fulfilled by an agent, revenue is recognized on the net amount obtained after deducting the amount paid to the supplier of goods, etc. purchased, from the amount received from the customer as consideration for the merchandise. As consideration for transactions is received promptly after delivery and the period from the fulfillment of performance obligations to the receipt of consideration is generally within a one-year period, significant financing components are not included.

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

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

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

(6) Significant accounting policies for hedge accounting

i. Hedge accounting method

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

ii. Hedging method

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

iii. Hedged items

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

iv. Hedge effectiveness evaluation method

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

(7) Goodwill amortization method and period

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

Notes regarding Significant Accounting Estimates

Impairment of non-current assets

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

(Unit: million yen)

	Current consolidated fiscal year
Property, plant and equipment, and Intangible assets	361,109
Impairment losses recorded	5,926

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

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

i. Calculation method

For an asset or asset group that has an indication of impairment, if its total undiscounted future cash flows are less than the sum of its carrying amount at the time the impairment loss is determined, the difference between the sum of its carrying amount at the time the impairment loss is determined and its recoverable amount is reported as an impairment loss.

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

ii. Key assumptions used in the calculation of amounts

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

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

iii. Impact on the consolidated financial statements of the next fiscal year

If there are changes in the conditions and assumptions underlying these estimates, additional impairment losses may need to be recorded in the consolidated financial statements for the following fiscal year.

Recoverability of deferred tax assets

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

(Unit: million yen)

	Current fiscal year
Deferred tax assets (after offsetting)	9,460
Deferred tax liabilities (after offsetting)	38,340

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

i. Calculation method

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

ii. Key assumptions used in the calculation of amounts

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

iii. Impact on the consolidated financial statements of the next fiscal year

The recoverability of deferred tax assets is dependent on the estimation of future taxable income and the scheduling of future deductible temporary differences. Therefore, if there are changes in the conditions and assumptions underlying these estimates, adjustments to deferred tax assets may be recorded as either income or expenses in the consolidated financial statements for the following fiscal year.

Notes to the Consolidated Balance Sheet

1. Balance of contract assets and contract liabilities
The amounts of accounts receivable from completed construction contracts and contract assets arising from contracts with customers are shown in the consolidated financial statements in the "Notes to the Consolidated Financial Statements, Notes regarding Revenue Recognition, 3. (1) Balance of contract assets and contract liabilities, etc." and hence are omitted.

2. Pledged assets and secured liabilities
(1) Pledged assets

Cash and deposits	16,752	(Unit: million yen)
Notes and accounts receivable-trade	1,155	
Accounts receivable from completed construction contracts and contract assets	22,128	
Costs on construction contracts in progress	4,479	
Real estate for sale	29,359	
Real estate for sale in process	23,149	
Accounts receivable-other	652	
Buildings and structures	15,911	
Machinery, equipment and vehicles	8,806	
Land	17,563	
Construction in progress	9,441	
Investment securities	30,699	
Other	13,762	
Total	193,857	

※Other than the above, the following pledged assets are offset due to consolidated adjustments.

Subsidiary shares	6	(Unit: million yen)
Affiliate borrowings	2,684	

(2) Secured liabilities

Short-term borrowings	12,601	(Unit: million yen)
Corporate bonds redeemable within 1 year	12	
Bonds payable	116	
Long-term borrowings	17,612	
Total	30,341	

3. Cumulative depreciation of property, plant and equipment 183,713 (Unit: million yen)

4. Guaranteed liabilities, etc.
Guarantee on loans, etc. from financial institutions

Crescent Communities Group affiliates	41,058	(Unit: million yen)
Purchasers with housing loans applied	35,226	
Kanda Biomass Energy K.K.	13,347	
Paradise 11 Limited	1,176	
JPI Group affiliates	862	
PT Biomassa Lestari Nusantara	526	
Kawasaki Biomass Electric Power Co., Ltd.	55	
Total	92,251	

5. Matured notes, etc. at the end of the fiscal year
Matured notes, etc. at the end of the fiscal year are settled on the notes exchange date or at the date of note clearing. As the last day of the current consolidated fiscal year was a bank holiday, the following matured notes at the end of the fiscal year are included in the balance at the end of the current consolidated fiscal year.

Notes receivable	895	(Unit: million yen)
Electronically recorded monetary claims	4,808	
Notes payable	6	
Electronically recorded payables	3,487	

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 206,067,368 (Unit: shares)

2. The number of treasury stock as of the end date of the consolidated fiscal year
   Ordinary shares 1,416,955 (Unit: shares)

3. Items related to dividends

(1) Dividend payment

Resolution	Share type	Total dividends (million yen)	Per share dividends (yen)	Base date	Effective date
March 28, 2024, Ordinary General Meeting of Shareholders	Ordinary shares	13,375	65.00	December 31, 2023	March 29, 2024
August 8, 2024, Board of Directors' meeting	Ordinary shares	13,375	65.00	June 30, 2024	September 9, 2024

(2) Dividends for which the base date falls in the consolidated fiscal year but the effective date falls after the end of the consolidated fiscal year

The following are due to be resolved

Resolution	Share type	Total dividends (million yen)	Dividend source	Per share dividends (yen)	Base date	Effective date
March 28, 2025, Ordinary General Meeting of Shareholders	Ordinary shares	16,462	Retained earnings	80.00	December 31, 2024	March 31, 2025

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 58,000 (Unit: shares)

Notes regarding Financial Instruments

1. Matters regarding the status of financial instruments

(1) Policy for 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 issues 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, not for speculative purposes.

(2) Details and risk of financial instruments

Operating receivables, notes and accounts receivable-trade, electronically recorded monetary claims and accounts receivable-other are exposed to customer credit risks. Short-term loans are primarily repurchase agreement transactions for investment of short-term funds with financial institutions that have a credit rating above a certain level, thus the credit risk is minor. Securities are primarily negotiable certificates of deposit subject to settlement in the short term. Investment securities are primarily held-to-maturity bonds and shares related to our business, and they are exposed to market price fluctuation risks.

Most operating payables, such as notes and accounts payable, electronically recorded payables and construction accounts payables, are due and payable within one year.

Borrowings and corporate bonds are mainly used to procure funds for working capital and capital investments. To hedge interest rate fluctuation risks, the company uses derivative transactions (interest rate swaps) for some borrowings with floating interest rates.

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

(3) Risk management for financial instruments

i. Management of credit risk (risks related to the nonperformance of counterparties)
In accordance with the Group's credit management guidelines, the Company reviews due dates and outstanding balances by corporate customers, and also monitors their credit standing at least once a year.

ii. Management of market risk (fluctuation risk of currency rates, interest rates, etc.)
For investment securities, the Company regularly monitors the market value and financial conditions and other aspects of the issuers (corporate customers), and for except for held-to-maturity bonds, the Company constantly reviews its holdings in consideration of market conditions and its relationships with issuers.
The execution and management of derivative transactions are conducted by the relevant department of each company, within the prescribed limit and in accordance with certain rules outlined in the internal regulations, and the implementation status is regularly reported to the Board of Directors.
Additionally, these transactions are diversified and conducted with domestic and overseas financial institutions with high credit; hence, the default risk is considered to be extremely low.

iii. Management of liquidity risk concerning capital procurement (risk of failure to make payments when due)
The Group manages liquidity risk by having the Finance Department prepare and update funding plans based on reports from each department and consolidated subsidiary.

(4) Supplemental explanation on the market value of financial instruments
Given that variable factors are incorporated into calculations of the fair values of financial instruments, such values are subject to change with the adoption of different assumptions and other factors.

2. Matters regarding the fair value of financial instruments
Consolidated balance sheet amounts, market values, and the differences between them are as follows.

(Unit: million yen)

	Amount stated in consolidated balance sheets*1	Market value*1	Difference
(1) Marketable securities and investment securities*3			
i Held-to-maturity securities	122	101	△21
ii Affiliates shares	43,059	44,909	1,850
iii Other securities	77,600	77,600	−
Total assets	120,780	122,610	1,829
(1) Corporate bonds*4	(80,160)	(76,582)	△3,578
(2) Long-term loans payable*5	(442,574)	(438,511)	△4,063
Total liabilities	(522,734)	(515,093)	△7,641
Derivative transactions*6			
i Hedge accounting not applied	(100)	(100)	−
ii Hedge accounting applied	8,550	8,550	−
Total derivatives	8,451	8,451	−

*1 Amounts stated under liabilities are shown in parentheses ().

*2 Cash and cash equivalents are omitted from the notes, and deposits, notes and accounts receivable-trade, securities that are negotiable certificates of deposit, notes and accounts payable-trade, and accounts payable-construction are stated at their carrying amounts as they are settled in a short period of time therefore are omitted from the notes. In addition, items of insignificant amount are also omitted.

*3 Stocks, etc. for which market quotations are not readily available are not included in "(1) Marketable securities and investment Securities." The carrying amounts of such financial instruments in the consolidated balance sheet are as follows.

(Unit: million yen)

Classification	Current consolidated fiscal year
Unlisted shares	3,696
Affiliate shares	144,481

These include investments in partnerships and other similar business entities that record the net amount equivalent to equity interest in the consolidated balance sheet (Carrying amounts in balance sheet:

10,079 million yen).

*4 Amount of corporate bonds Includes corporate bonds redeemable within 1 year.

*5 Amount of long-term loan payables includes long-term loans payable due within 1 year.

*6 Assets and liabilities from derivative transactions are shown in the net amount. If the total is a negative figure, the amount is show in parentheses ().

3. Matters concerning a breakdown of the fair values of financial products by level, etc.

The fair values of financial instruments are classified into the following three levels based on the observability and materiality of the input used to calculate fair values.

Level 1: Among the input used to calculate observable fair values, fair values are calculated based on the quoted market prices for the assets or liabilities in an active market.

Level 2: Among the input used to calculate observable fair values, fair values are calculated using input other than Level 1 input.

Level 3: Fair values calculated using input that is not observable.

When multiple forms of input having significant impact on the calculation of fair values are used, fair values are classified at the lowest level of input used to calculate fair values.

(1) Financial instruments recorded on the consolidated balance sheet at fair values

(Unit: million yen)

Classification	Fair values			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities Other marketable securities Stocks	77,600	–	–	77,600
Derivative transactions Currency related	–	8,801	–	8,801
Total assets	77,600	8,801	–	86,401
Derivative transactions Currency related	–	349	–	349
Interest related	–	2	–	2
Total liabilities	–	351	–	351

(2) Financial instruments other than financial instruments recorded on the consolidated balance sheet at fair values

(Unit: million yen)

Classification	Fair values			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities Held-to-maturity debt securities Government bonds, municipal bonds, etc.	101	–	–	101
Affiliate shares	44,909	–	–	44,909
Total assets	45,010	–	–	45,010
Bonds payable	–	76,582	–	76,582
Long-term borrowings	–	438,511	–	438,511
Total liabilities	–	515,093	–	515,093

(Note) Explanation of valuation techniques to calculate fair values and input used to calculate fair values

Marketable securities and investment securities

Listed stocks, government bonds and municipal bonds are valued using market prices. As these are traded in active markets, their fair values are classified as Level 1 fair value.

Derivative transactions

As over-the-counter transactions have no published quoted market price, fair values are calculated based on prices and other factors provided by financial institutions that handle them and are classified as Level 2 fair value.

Corporate bonds

The fair values of bonds are calculated using the discounted current value method based on the total amount of principal and interest and an interest rate, taking into account the remaining term of the bond and credit risk. They are classified as Level 2 fair value.

Long-term borrowings

The fair values of long-term borrowings with floating interest rates are based on book value because the interest rate of long-term borrowings reflects market interest rates quickly and the Company's credit standing has not changed significantly since implementing the loans. The fair values of long-term borrowings with floating interest rates are classified as Level 2 fair value.

The fair values of long-term borrowings with fixed interest rates are based on the present value of the total principal and interest(*) of the relevant long-term borrowings classified by certain periods of time and discounted by the interest rate for similar borrowings. The fair values of long-term borrowings with fixed interest rates are classified as Level 2 fair value.

(*) For long-term borrowings that qualify for extraordinary treatment of interest rate swaps, the fair values are based on the sum of the principal and interest rate of the interest rate swap.

Notes regarding Investment and Rental Property

1. Matters related to leased and other real estate
   The Company and some of its consolidated subsidiaries own rental multi-family housing, etc. in areas like Tokyo, and overseas (primarily the United States).

2. Matters related to the market value of leased and other real estate

(Unit: million yen)

Consolidated balance sheet amount	Market value
57,125	57,657

(Notes)

1. The amount stated on the consolidated balance sheet is the acquisition cost less the accumulated depreciation.
2. The market value at the end of the term is based on appraisal values by real estate appraisers, the amount based on indices deemed to appropriately reflect market prices, and others.

Notes regarding Per Share Information

Net assets per share	¥4,497.17
Net income per share	¥569.40

Notes regarding Revenue Recognition

1. Breakdown information about revenue arising from contracts with customers

(Unit: million yen)

		Major regional markets (Note) 1	Current consolidated fiscal year
Reporting segment	Timber and Building Materials Business	Japan	176,011
		Other	55,509
		Subtotal	231,519
	Housing Business	Japan	513,092
	Global Construction and Real Estate Business	USA	1,050,885
		Australia	162,868
		Other	24,298
		Subtotal	1,238,051
	Environment and Resources Business	Japan	15,109
		China	4,131
		Indonesia	3,004
		Other	3,334
		Subtotal	25,577
Other		Japan	10,864
Revenue from contracts with customers			2,019,104
Other revenue (Note) 2			34,546
Sales to external customers			2,053,650

(Notes)
1. Classification is based on the location of the customer.
2. Other revenue includes rental income based on the Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

2. Basic information to understand revenue arising from contracts with customers

Notes are omitted because the same information is presented in the Consolidated Financial Statements in the section, "Notes to the Consolidated Financial Statements, Important Fundamental Items and Other Related to the Preparation of the Consolidated Financial Statements, 4. Significant Accounting Policies (5) Basis for recording revenues and expenses."

3. Information about the relationship between the fulfillment of performance obligations based on contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized in the next consolidated fiscal year based on contracts with customers that exist for the current consolidated fiscal year

(1) Balance of contract assets and contract liabilities, etc.

(Unit: million yen)

Classification	Beginning of current fiscal year	End of current fiscal year
Liabilities arising from contracts with customers	155,022	168,894
Contract assets (Note) 1	54,408	73,711
Contract liabilities (Note) 2	86,916	97,588

(Notes) 1. Contract assets are primarily unbilled accounts receivable for revenues recognized according to the level of progress in construction and other contracts and are included in the consolidated balance sheets as "Current assets" under "Accounts receivable from completed construction contracts and contract assets." When construction work is completed with the customer's inspection and when the rights of the Company and its consolidated subsidiaries become unconditional, the amount is transferred to receivables.

2. Contract liabilities are primarily advances received from customers for construction contracts, real estate transactions, etc. Performance obligations are fulfilled in line with the level of progress in construction and services provided, and contract liabilities are transferred as revenues. Furthermore, the balance of contract liabilities at the beginning of the consolidated fiscal year out of the amount of revenue recognized in the current consolidated fiscal year is 49,083 million yen. Changes in the balances of contract assets and contract liabilities and the amount of revenue recognized from performance obligations that were fulfilled in prior periods were not material in the current fiscal year.

(2) Transaction prices allocated to remaining performance obligations

For transaction prices allocated to remaining performance obligations, because there are no material contracts with an initially expected contract period of more than a year, the Group applies the practical expedient method and has omitted them from the notes.

Non-consolidated Financial Statements

Non-consolidated Statements of Changes in Net Assets (January 1, 2024, to December 31, 2024)

(Unit: million yen)

	Shareholders’ equity									Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Capital stock	Capital surplus		Retained earnings				Treasury stock	Total shareholders’ equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges		
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings								
					Reserve for reduction entry	General reserve	Retained earnings brought forward						
Balance at the beginning of the current period	55,088	54,028	259	2,857	1,715	108,453	52,467	△297	274,571	37,452	4,373	74	316,470
Changes during the period													
Issuance of new shares	11	11							21				21
Issuance of new shares (exercise of subscription rights to shares)	3	3							5				5
Reversal of general reserve						12,341	△12,341		–				–
Dividends from surplus							△26,750		△26,750				△26,750
Net income							51,200		51,200				51,200
Purchase of treasury stock								△4	△4				△4
Disposal of treasury stock			0					0	0				0
Net changes in items other than shareholders’ equity (net amount)										756	1,360	△5	2,112
Total changes during the period	13	13	0	–	–	12,341	12,109	△4	24,472	756	1,360	△5	26,584
Balance at end of current period	55,101	54,042	259	2,857	1,715	120,794	64,576	△301	299,043	38,209	5,733	69	343,053

Notes to the Non-Consolidated Financial Statements

Significant Accounting Policies

1. Basis and method of measuring securities

(1) Held-to-maturity debt securities

Reported by amortized cost method (straight-line method)

(2) Shares of subsidiaries and affiliates

Reported by cost accounting based on the moving average method

(3) Available-for-sale securities

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

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

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

Reported by cost accounting based on the moving average method

2. Basis and method of measuring inventories

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

3. Accounting method for depreciation of non-current assets

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

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

(2) Intangible assets (excluding leased assets)

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

(3) Leased assets

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

4. Accounting policy for provisions

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

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

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

(4) Provision for warranties for completed construction

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

(5) Provision for retirement benefits

To prepare for the payment of retirement benefits to employees, provision for retirement benefits is estimated based on projected benefit obligations and pension assets at the end of the current fiscal year. If the estimated amount of pension assets exceeds the estimated amount of retirement benefit obligations at the end of the fiscal year, the excess amount is recorded as prepaid pension costs.

i. Method of attributing estimated retirement benefits to period of service

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

ii. Treatment of actuarial gains or losses and prior service costs

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

(6) Provision for loss on business of subsidiaries and associates

To prepare for possible losses related to the business of subsidiaries and affiliates, the Company records estimated losses considering the financial conditions of such companies.

5. Accounting policy for recognition of significant revenues and expenses

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

i. Merchandise sales

The Company is engaged in the sale of timber and building materials through its Timber and Building Materials Business, and in the sale of spec homes, etc. in its Housing Business. With regard to these sales, revenue is recognized mainly at the point of delivery to the customers because this is the point when significant risks and economic value is transferred alongside legal ownership, physical possession, and the ownership of the merchandise, as well as the point when the entitlement to receive payment is established.

For transactions in which the Company's role of providing merchandise to customers mainly in the Timber and Building Materials Business is fulfilled by an agent, revenue is recognized on the net amount obtained after deducting the amount paid to the supplier of goods, etc. purchased, from the amount received from the customer as consideration for the merchandise. As consideration for transactions is received promptly after delivery and the period from the fulfillment of performance obligations to the receipt of consideration is generally within a one-year period, significant financing components are not included.

ii. Construction contracts, etc.

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

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

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

6. Accounting policies for hedge accounting

(1) Hedge accounting method

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

(2) Hedging method

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

(3) Hedged items

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

(4) Hedge effectiveness evaluation method

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

Notes on Important Accounting Estimates

Recoverability of deferred tax assets

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

(Unit: million yen)

	Current fiscal year
Deferred tax assets (after offsetting)	－
Deferred tax liabilities (after offsetting)	16,958

(2) Other information that contributes to understanding of the details of estimates
The notes are omitted because “Notes to the Consolidated Financial Statements, Notes Regarding Significant Accounting Estimates” in the Consolidated Financial Statements contain the same information.

Notes to the Non-consolidated Balance Sheet

1. Pledged assets and secured liabilities

Pledged assets

Investment securities	22,072	(Unit: million yen)
Stocks of subsidiaries and affiliates	3,659	
Long-term loans receivable from subsidiaries and affiliates	104	
Other	2,462	
Total	28,298	

The above assets have been pledged due to guarantees for deferred payments of import duties, guarantees for borrowings of affiliates from financial institutions, and security deposits of defect warranties under law for execution of warranty against housing defects, etc.

2. Accumulated depreciation on property, plant and equipment	33,898	(Unit: million yen)
3. Accumulated advanced depreciation on property, plant and equipment	1,431	(Unit: million yen)

4. Guaranteed liabilities, etc.

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

Sumitomo Forestry America, Inc.	39,070	(Unit: million yen)
Kanda Biomass Energy K.K.	13,347	
Sumitomo Forestry Australia Pty Ltd.	5,772	
Kowa no Mori Inc.	5,033	
Hachinohe Biomass Electric Power Co., Ltd.	1,698	
PT. Sumitomo Forestry Indonesia	1,058	
PT. Kutai Timber Indonesia	870	
Open Bay Timber Ltd.	240	
Mombetsu Biomass Electric Power Co.,Ltd.	102	
Michinoku Bio Energy Co., Ltd.	96	
Kawasaki Biomass Electric Power Co., Ltd.	55	
Sumitomo Forestry (Singapore) Ltd.	51	
Sumikyo Co., Ltd.	14	
Sumikyo Wintec Co., Ltd.	2	
Total	67,408	

(2) Guarantee on other loans from financial institutions

Purchasers with housing loans applied	32,643	(Unit: million yen)

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

Short-term monetary receivable	46,590	(Unit: million yen)
Short-term monetary payable	99,934	
Long-term monetary payable	1,169	

6. Matured notes, etc. at the end of the fiscal year

Matured notes, etc. that matured at the end of the fiscal year that are settled on the notes exchange date or at the date of note clearing. As the last day of the current fiscal year was a bank holiday, the following matured notes, etc. at the end of the fiscal year were included in the balance at the end of the current fiscal year.

Notes receivable	882	(Unit: million yen)
Electronically recorded monetary claims	4,648	
Electronically recorded payables	3,295	

Notes to the Non-consolidated Statements of Income

Transactions with subsidiaries and affiliates

Net sales	20,409	(Unit: million yen)
Purchase of goods	135,050	
Non-operating income		
Interest income	199	
Dividends income	39,421	
Other	235	
Non-operating expenses	43	

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 291,176 (Unit: shares)

Notes on Tax Effect Accounting

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

Deferred tax assets		
Allowance for doubtful accounts	2,723	(Unit: million yen)
Provision for bonuses	2,731	
Devaluation of real estate for sale	113	
Provision for loss on business of subsidiaries and affiliates	1,384	
Devaluation of securities of subsidiaries and affiliates	6,954	
Devaluation of financial instruments/golf-club memberships	1,123	
Provision for warranties for completed construction	1,944	
Other	7,556	
Subtotaldeferred tax assets	24,529	
Valuation allowance	△15,111	
Total deferred tax assets	9,418	

Deferred tax liabilities		
Reserve for tax purpose reduction entry of non-current assets	757	(Unit: million yen)
Prepaid pension costs	3,809	
Gain on securities contributed to employee retirement benefit trusts	1,056	
Valuation difference on available-for-sale securities	16,740	
Other	4,015	
Total deferred tax liabilities	26,376	

Deferred tax liabilities in net	△16,958	(Unit: million yen)

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

Statutory effective tax rate	30.6%
(Adjustment)	
Permanently non-deductible expenses for tax purposes such as entertainment expenses	1.0%
Permanently non-taxable items such as dividend income	△20.9%
Per capita portion of inhabitant tax	0.4%

Valuation allowance	△2.4%
Other	△1.5%
Effective corporate income tax rate after application of tax effect accounting	7.3%

Notes on Transactions with Related Parties

1. Subsidiaries and affiliates, etc. (Unit: million yen)

Type	Name of company	Share of voting rights owned by the Company	Relationship	Transaction description	Transaction amount	Accounting item	Year-end balance
Subsidiary	Sumitomo Forestry Home Engineering Co., Ltd.	Direct 100.0%	Supply of paid materials, Construction of ordered housing, Concurrent directors	Construction of housing ordered by the company (*1)	101,578	Accounts receivable-other Accounts payable for construction contracts	31,516 33,886
Subsidiary	Sumitomo Forestry Home Tech Co., Ltd.	Direct 100.0%	After maintenance of housing, Concurrent directors	Deposit of surplus funds (*2)	—	Deposits received	23,183
Subsidiary	Sumitomo Forestry America, Inc.	Direct 100.0%	Concurrent directors	Debt guarantees (*3)	39,070	—	—
Subsidiary	Sumitomo Forestry Australia Pty Ltd.	Direct 100.0%	Concurrent directors	Underwriting of capital increase	12,517	—	—
Subsidiary	Sumitomo Forestry Europe Ltd.	Direct 100.0%	Concurrent directors	Underwriting of capital increase	11,301	—	—
Affiliate	Kanda Biomass Energy K.K.	Direct 41.5%	Concurrent directors	Debt guarantees (*3)	13,347	—	—

(*1) Transaction terms and the policies for determining transaction terms are the same as for general transaction terms.
(*2) Transaction amounts are not shown because the transactions are conducted repeatedly and the purpose of the transactions are to centrally manage funds within the Group.
(*3) The Company guarantees borrowings from financial institutions.

2. Directors and individual shareholders, etc. (Unit: million yen)

Type	Name of shareholder	Share of voting rights owned by the shareholder	Relationship	Transaction description	Transaction amount (*2)	Accounting item	Year-end balance
Director and their immediate family member(s)	Yoshimasa Tetsu and his immediate family member(s)	—	Audit & Supervisory Board Member of the Company, Contracting of residential construction	Contracting of residential construction (*1)	93	Contract liabilities	41

(*1) Transaction terms and the policies for determining transaction terms are the same as for general transaction terms.
(*2) Transaction amounts do not include consumption taxes.

Notes on Per-Share Information

Net assets per share	¥1,666.78
Net income per share	¥248.82

Notes on Revenue Recognition

The same content is stated in “Notes to Consolidated Financial Statements, Notes Regarding Revenue Recognition” in the consolidated financial statements, and thus the notes are omitted.

(Amounts in the Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements have been rounded to the nearest whole number.)