SUMITOMO FORESTRY

May 29, 2020

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

Name of Company:	Sumitomo Forestry Co., Ltd.	Stock Exchange Listing: Tokyo
Stock Code:	1911	URL: http://sfc.jp/english/
Representative:	Title: President / Representative Director	Name: Toshiro Mitsuyoshi
Contact Person:	Title: General Manager, Corporate Communications	Name: Toshihiro Horii
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Date of regular general meeting of shareholders:	June 23, 2020
Date of commencement of dividend payment (tentative):	June 24, 2020
Date of filing of financial report:	June 23, 2020
Preparation of supplementary materials:	Yes
Convening of a results meeting:	Yes (for financial analysts and institutional investors)

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

1. Consolidated financial results for the current fiscal year (April 1, 2019 – March 31, 2020)

(1) Consolidated result of operations (Consolidated total) (% figures represent year-on-year change)

	Net sales		Operating income		Recurring income		Profit for the year attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY Ended March 2020	1,104,094	-15.6	51,377	4.3	58,824	14.4	27,853	-4.5
FY Ended March 2019	1,308,893	7.1	49,247	-7.1	51,436	-11.1	29,160	-3.2

Note: Comprehensive income
FY Ended March 2020 29,239 million yen (17.4%)
FY Ended March 2019 24,899 million yen (-44.1%)

	Net income per share	Net income per share fully diluted	Return on equity	Ratio of recurring income to assets	Operating income Margin
	Yen	Yen	%	%	%
FY Ended March 2020	153.54	149.68	8.8	6.0	4.7
FY Ended March 2019	160.80	155.32	9.3	5.5	3.8

Note: Equity in income (losses) of affiliates
FY Ended March 2020 8,097 million yen
FY ended March 2019 1,715 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Shareholder's Equity per Share
	Million yen	Million yen	%	Yen
As of March 31, 2020	1,004,768	357,064	32.1	1,777.57
As of March 31, 2019	970,976	353,489	32.8	1,755.06

Note: Shareholders' equity
As of March 31, 2020 322,496 million yen
As of March 31, 2019 318,320 million yen

(3) Consolidated cash flow position

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investment activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY ended March 2020	45,724	-38,874	1,142	112,565
FY ended March 2019	40,689	-71,659	11,523	105,102

2. Dividends

	Dividend per share					Annual aggregate amount	Payout ratio (Consolidated)	Dividends/ net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY ended March 2019	–	20.00	–	20.00	40.00	7,296	24.9	2.3
FY ended March 2020	–	20.00	–	20.00	40.00	7,298	26.1	2.3
FY ending December 2020 (Est.)	–	10.00	–	20.00	30.00		155.4	

3. Forecast of the consolidated financial results for the FY ending December 2020 (April 1, 2020 – December 31, 2020)

(% figures represent year-on-year change)

	Net sales		Operating income		Recurring income		Profit for the year attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	744,000	–	13,000	–	15,000	–	3,500	–	19.30

Note: 1 The company plans to change its fiscal term end from March 31 to December 31 from the fiscal year ending December 31, 2020, subject to the approval of Partial Amendments of the Articles of Incorporation at the 80th Annual General Meeting of Shareholders scheduled to be held on June 23, 2020 and unify the fiscal year end of our group on December 31. The following fiscal year, which will be the transition period, will be the nine months starting on April 1, 2020 and ending on December 31, 2020, assuming the change of fiscal year end. Therefore, the forecast of the consolidated financial results for the fiscal year ending December 31, 2020 above shows the forecast figures for nine months. As a result, full-year changes from the previous corresponding period have not been provided.

2 We assume that the coronavirus (COVID-19) epidemic will gradually taper off toward the fiscal year ending December 2020. However, as it will take time to recover demand for timber and building materials and for housing and real estate in Japan and overseas, we expect the impact on business results to continue throughout the fiscal year.

3 Adjusted changes
As described above, the following fiscal year will be the nine months starting on April 1, 2020 and ending on December 31, 2020. For reference, the rate of increase or decrease compared to the forecast for the following fiscal year is as follows, in accordance with the nine months of the fiscal year under review (from April 1, 2019 to December 31, 2019).

(million yen)

	Net sales		Operating income		Recurring income		Profit for the year attributable to owners of the parent	
Full year (April 1, 2020 to December 31, 2020)	744,000	-7.3%	13,000	-66.0%	15,000	-65.2%	3,500	-84.5%

* Notice

(1) Changes in main subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): Yes
New Company 1 (Company name) SFKG Property Asia Pte. Ltd.

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

(3) Number of shares outstanding (common stock)
(a) Shares outstanding (including treasury stock)

As of March 31, 2020	182,752,036	As of March 31, 2019	182,698,636

(b) Treasury stock

As of March 31, 2020	1,326,898	As of March 31, 2019	1,325,804

(c) Average number of shares during the term

As of March 31, 2020	181,406,905	As of March 31, 2019	181,345,520

Non-consolidated financial results (For reference)

Financial results for the current fiscal year (April 1, 2019 – March 31, 2020)

(1) Non-consolidated result of operations (% figures represent year-on-year change)

	Net sales		Operating income		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended March 2020	458,862	-36.4	7,232	94.8	18,260	-5.2	12,962	-36.9
FY ended March 2019	720,989	2.8	3,713	-64.0	19,262	5.8	20,531	51.6

	Net income per share	Net income per share fully diluted
	Yen	Yen
FY ended March 2020	71.05	69.27
FY ended March 2019	112.57	108.75

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2020	694,494	254,063	36.6	1,391.73
As of March 31, 2019	673,063	260,273	38.6	1,426.09

Note: Shareholders' equity
As of March 31, 2020 253,943 million yen
As of March 31, 2019 260,138 million yen

* Financial results summaries not subject to audit.

* Cautionary statement regarding business results forecasts and special notes

(Caution regarding forward-looking statements)

Earnings forecasts and other forward-looking statements in this release are based on data currently available to the Company and certain assumptions that the Company believes are reasonable and are not intended to be a promise by the Company to achieve those forecasts. Actual results may differ substantially due to various factors. For information regarding using the assumptions that form the basis for the business results forecasts and cautionary notes about using business results forecasts, please refer to accompanying materials page 4 “1. Overview of Results of Operations, etc. (4) Future Outlook.”

(Method of Obtaining Supplemental Explanatory Material)

The Company will hold a conference call for securities analysts and institutional investors on Monday, June 1, 2020. The explanatory material on the financial results will be published on the website afterwards. Additionally, the Supplementary Information that has heretofore been provided in the summaries of financial results is provided in the Financial Factbook, and the material will be published on the website simultaneously with the announcement of financial results.
http://sfc.jp/english/ir/

Contents of Accompanying Materials

1. Overview of Results of Operations, etc.

(1) Overview of Results of Operations

In the period under review, the global economy continued a mild recovery overall as the economy in the United States recovered against a backdrop of favorable employment conditions despite a slight deceleration of the Chinese economy as a result of trade friction between China and the United States. The Japanese economy also showed a mild recovery owing to improvements in the employment and income environment, despite some signs of weakness in exports and production. However, economic activity in Japan and around the world has been stifled by the spread of COVID-19 since the beginning of this year, creating a dire economic outlook. In the domestic housing market, which has a deep relationship to our Group business, the number of new housing starts was down year on year. This was due to the reactive decline arising from the consumption tax hike as well as a substantial decrease in the number of starts on rental housing resulting primarily from stricter loan criteria imposed by financial institutions. In the United States where the Group does business, favorable employment conditions and low mortgage interest rates made for a strong market. Meanwhile, in Australia, the market was sluggish due to continuation of the adjustment phase for housing prices, stricter criteria for mortgages, and other factors.

Under this business environment, the Sumitomo Forestry Group launched the three-year 2021 Medium-Term Management Plan. The targets are to achieve net sales of ¥1.26 trillion, recurring income of ¥85 billion (excluding actuarial differences for retirement benefit accounting), and ROE of at least 10% by the final year of the plan, which is our 82nd term. As we work toward these targets, there are four themes that will serve as the basic policy for this medium-term management plan, namely “promote future-oriented business strategies for further growth,” “strengthen management base for sustainable growth,” “accelerate R&D and technological innovation utilizing timber,” and “promote further integration of business operations and ESG initiatives.” Based on these themes, we aim to strengthen the management base and further promote future-oriented business. During the year under review, we focused on promoting our businesses to achieve further growth of the Sumitomo Forestry Group. This included further promotion of the detached housing business and the real estate (Multi-Family and Commercial Mix Use.) development business in the United States, expansion of the business area in Australia, and participation in real estate development projects in Southeast Asia. Additionally, last September, the new wood-constructed research building was completed at the Tsukuba Research Institute, the base of R&D at the Sumitomo Forestry Group. A great deal of new technology that increases the value of wood was employed at the new research building as the base of research for the W350 Plan*.

* Our vision for research and technological development to achieve Environmentally-Friendly and Timber-Utilizing Cities centered on construction of a 350-meter-high wood-constructed skyscraper

As a result, net sales were ¥1,104.094 billion (a decrease of 15.6% year-on-year), operating income was ¥51.377 billion (an increase of 4.3% year-on-year), recurring income was ¥58.824 billion (an increase of 14.4% year-on-year), and profit for the year attributable to owners of the parent was ¥27.853 billion (a decrease of 4.5% year-on-year). In regard to actuarial differences for retirement benefit accounting, whereas there was a ¥3.410 billion loss last year, this year there was a ¥2.572 billion loss. Recurring income excluding actuarial differences was up 11.9% year on year from ¥54.846 billion last year to ¥61.396 billion this year.

Starting this year, we have applied the Accounting Standard for Revenue Recognition. As a result, net sales decreased ¥240.302 billion, while operating income and recurring income both increased ¥5.599 billion. Details are provided in “3. Consolidated Financial Statements and Main Notes (5) Notes to the Consolidated Financial Statements (Changes in Accounting Policies).”

An overview of conditions for each business segment is as follows.
In the past, our business segments have been Timber and Building Materials, Housing and Construction, Overseas Housing and Real Estate, and Other, but starting this year, we have changed them to Timber and Building Materials, Housing and Construction, Overseas Housing and Real Estate, Environment and Resources, and Other. For the comparisons below, the figures from last year have been adjusted according to the new business segments. Additionally, net sales for each segment include inter-segment internal sales.

1 Timber and Building Materials Business

In the distribution business, we promoted further strengthening of collaboration with trading partners by reorganizing the sales structure according to the business format of our trading partners. We also focused on increasing exports of domestic materials, expanding our lineup of fuel wood for power generation, and strengthening efforts in non-housing and construction markets while continuing to work on expanding sales of environmentally friendly products such as those made with timber from certified forests and sustainable plantation timber in order to build a business portfolio that does not depend on the housing market and secure diverse revenue streams. However, performance was sluggish due primarily to a weak imported plywood market in Japan, which led to a smaller sales volume. The application of the Accounting Standard for Revenue Recognition resulted in a year-on-year decrease of ¥255.401 billion in net sales.

In the domestic manufacturing business, performance was strong owing to favorable sales of building materials such as stairway and flooring material for use by the Sumitomo Forestry Group. In New Zealand, results were sluggish due to a decline in sales of medium density fiberboard (MDF) to Japan and a rise in manufacturing costs.

As a result, the Timber and Building Materials Business posted net sales of ¥223,627 million (a decrease of 54.1% year-on-year) and recurring income of ¥6,095 million (a decrease of 23.6% year-on-year).

2 Housing and Construction Business

In the custom-built detached housing business, we continued to work on enhancing our highly customized proposals for first-time buyers looking for land. We also poured effort into expanding orders for ZEH (net zero-energy homes). Additionally, steady work this year on construction orders received in the previous year led to better results year on year. In conjunction with the application of the Accounting Standard for Revenue Recognition starting this year, the method has been changed to one in which revenue is recognized for all construction over a fixed period as performance obligations are fulfilled.

In our apartment business, we worked on expanding orders, including by launching sales of Forest Maison CARRÉ, which features a roof and outside walls made from highly durable exterior material and a more stylish building design, but results were sluggish due primarily to a slowdown in the rental housing market.

In the renovation business, results were sluggish due primarily to the impact of the reactive decline arising from the consumption tax hike despite the effort we poured into expanding orders for earthquake resistance renovations utilizing our high level of technical capabilities based on proprietary seismic resistance/seismic vibration damper methods.

In our spec home business, we focused on expanding our business in the three major metropolitan areas, strengthening our organizational structure, primarily at branches in Tokyo, Osaka, and Nagoya. This resulted in strong purchases and sales.

In our MOCCA (Timber Solution) business, we continued to promote the use of wood in non-residential buildings, including completion of construction on combined commercial and office buildings and day-care centers.

In order to further strengthen our non-residential business, we acquired a stake in a subsidiary of the Marui Group engaged in interior construction last July and made it an equity-method affiliate. We also signed a business tie-up agreement for collaboration with the Marui Group in various businesses and decided to work together on spatial production and other projects.

As a result, the Housing and Construction Business posted net sales of ¥474,003 million (an increase of 4.7% year-on-year) and recurring income of ¥22,570 million (an increase of 4.5% year-on-year).

3 Overseas Housing and Real Estate Business

In the overseas detached spec home business, the housing markets were strong in states such as Washington, Utah, Texas, Maryland, and North Carolina where the Group is engaged in business activities. As a result, the overall number of units delivered in the United States increased compared to the previous year for favorable business results. In Australia, the Group is engaged in business in Victoria, New South Wales, Queensland, and other areas where the number of units delivered fell below that of the previous year against a backdrop of a slow housing market, so results were sluggish.

Results were solid in the real estate development business in the United States owing primarily to steady sales of Multi-Family and Commercial Mix Use.

As for Southeast Asia, in Vietnam, Indonesia, and Thailand, we made steady progress on detached homes and condominium projects.

Last December, we made Western Australia-based Scott Park Group Pty Ltd., which is engaged in the detached housing business, a consolidated subsidiary thereby entering the Western Australia area. Additionally, in January of this year, we established a joint venture with our strategic partner Kumagai Gumi Co., Ltd. and set to work on a real estate development business in Jakarta, Indonesia.

As a result, the Overseas Housing and Real Estate Business posted net sales of ¥399,360 million (an increase of 9.5% year-on-year) and a recurring income of ¥34,541 million (an increase of 33.8% year-on-year).

4 Environment and Resources Business

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

In the overseas forestation business, the sales volume of plantation timber decreased primarily as a result of the forest fire that occurred last February in Nelson, a city in the South Island, New Zealand where the Group does business, causing stagnation of business results.

In the domestic forest management business, we worked on streamlining forestry management. We also promoted our consulting business for municipalities, including signing partnership agreements in the field of forestry and lumber with Nagato City, Yamaguchi in September of last year and with Nagano Prefecture in December in relation to the forest management program launched in April of last year.

As a result, the Environment and Resources Business posted net sales of ¥19,263 million (a decrease of 1.3% year-on-year) and recurring income of ¥3,551 million (a decrease of 11.5% year-on-year).

5 Other Businesses

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

The Other businesses recorded net sales of ¥23,425 million (an increase of 5.2% year-on-year) and recurring income of ¥1,484 million (an increase of ¥1,400 million).

(2) Overview of Financial Position

Total assets totaled ¥1,004,768 million at the end of the current consolidated fiscal year, an increase of ¥33,792 million. The increase in total assets was attributable mainly to an increase in accounts receivable from completed construction contracts as a result of the change in the method of revenue recognition with respect to construction contracts and an increase in buildings and structures in conjunction with the new establishment of an assisted living facility. Liability increased ¥30,217 million compared to the end of the previous consolidated fiscal year to ¥647,704 million due mainly to the issuance of new corporate bonds and an increase in long-term debt. Net assets totaled ¥357,064 million, and the equity ratio was 32.1%.

(3) Overview of Cash Flow

There was a net increase of ¥7,463 million in cash and cash equivalents (hereinafter: "cash") to ¥112,565 million.

A summary of cash flows is presented below.

(Operating Activities)

Net cash provided by operating activities increased ¥45,724 million (an increase of ¥40,689 million was posted the previous consolidated fiscal year). This was due mainly to an increase in capital resulting from posting of ¥55,118 million in income before income taxes and minority interests, even as funds decreased as a result of an increase in inventories in conjunction with the expansion of the domestic and overseas spec homes businesses.

(Investment Activities)

Net cash decreased ¥38,874 million as a result of investment activities (a decrease of ¥71,659 million was posted the previous consolidated fiscal year). This was due mainly to the use of funds to develop housing and commercial complexes in the United States and acquire a stake in an equity-method affiliate.

(Financing Activities)

Net cash provided by operating activities increased ¥1,142 million (an increase of ¥11,523 million was posted the previous consolidated fiscal year). This was due to an increase in funds from the issuance of straight bonds despite a decrease resulting from payment of dividends.

(4) Future Outlook

The global economy is expected to decelerate sharply as economic activities in Japan and other countries continue to be suppressed as a result of COVID-19. There is considerable uncertainty with respect to the impact, so the situation will likely remain unpredictable. This also applies to the Japanese economy. Declines in consumer spending and corporate earnings are expected as a result of COVID-19, and the dire situation is likely to persist as the economy rapidly deteriorates.

(Our COVID-19 Response)

Sumitomo Forestry will come together as a group to implement measures to prevent the spread of infection, placing top priority on ensuring the safety of our stakeholders, including customers, suppliers, and group employees and their families. In terms of finances, we are looking to increase cash on hand and ensure the stability of funds in the medium term. We will also be very careful in our investment decisions as we build a structure capable of flexible procurement of funds to address unanticipated risks and unforeseen circumstances.

(Outlook by Business Segment)

Economic activities have been restricted worldwide as a result of COVID-19, including requests by the governments of major industrial nations that individuals stay at home. Orders for and sales of detached houses in the Housing and Construction Business and Overseas Housing and Real Estate Business are expected to be sluggish based on the rapid deterioration of consumer confidence. Market deceleration is also expected to keep the business environment harsh in the Timber and Building Materials Business. Despite these circumstances, each business division will steadily implement their next steps.

In the Timber and Building Materials Business, we will continue to focus on expanding sales of environmentally friendly products such as those made with timber from certified forests, expanding our lineup of fuel wood for power generation, expanding domestic timber exports, and strengthening efforts in non-housing and construction markets, utilizing our supply chain for procuring sustainable timber in the distribution business. In the manufacturing business, we will further enhance marketing by coordinating with the distribution business and promote integration of manufacturing and sales. In so doing, we will work to develop high value-added products in line with customer needs and boost profitability.

In the Housing and Construction Business, we will focus on marketing of ZEH (net zero-energy homes) and houses with improved disaster resistance in the main custom-built detached housing business while also working on online marketing and housing proposals that address work-from-home needs that are growing in response to the COVID-19 pandemic. In the renovation business, we will engage in group-wide efforts to address the nonconformance to the Building Standards Act in an addition to a detached house constructed by a subsidiary that was announced last September, taking it as a serious incident and making sure it never happens again so that we can rebuild trust.

In the Overseas Housing and Real Estate Business, we will actively utilize online resources in the detached housing business in the United States and Australia and focus on increasing the number of units delivered through marketing based on regional sales strategies while continuing to build a structure for stabilizing revenue in the real estate development business in the United States. Additionally, we will appropriately monitor real estate investment risk based on internal rules, regularly checking the status of real estate for sale inventory and accurately forecasting the value of real estate holdings as we make further efforts to enable a flexible response according to market conditions.

In the Environment and Resources Business, we will secure continuous profits in the biomass power generation business through stable power plant operations and promote further review of power generation businesses that utilize renewable energy. We will also continue to promote a sustainable forestation business in New Zealand, Indonesia, and other countries.

In addition to the aforementioned efforts, the Sumitomo Forestry Group will anticipate social changes and fulfill our corporate social responsibility by such means as enhancing corporate governance and strengthening our efforts related to environmental responsibility, customer satisfaction, respect for human rights and diversity, risk management and legal compliance as we accept feedback from our stakeholders as well as actively contributing to the achievement of the sustainable development goals (SDGs) established as global goals by the United Nations. With respect to global environmental problems, including the increasing number and intensity of natural disasters as a result of climate change, we will steadily implement science-based targets (SBT), which are designed to limit global temperature rise by reducing greenhouse gas emissions, and RE100 with the aim of converting all power used in our business to renewable energy.

On top of this, as we look ahead to the end of the COVID-19 situation, we will work on building a new business structure while also responding quickly to the changing times, including introducing IT-based sales methods and working on work style reform by promoting telecommuting. At the same time, we will work on strengthening our preparation for pandemics, major earthquakes, and other disasters.

(5) Policy on Profit Distribution and Dividends for FY3/20 and FY12/20

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

Based on the above-mentioned basic policy, the Company plans to pay a fiscal year-end dividend of ¥20.00 per share for the fiscal year that ended in March 2020. Together with the interim dividend of ¥20.00 per share that the Company has already paid, this will bring the dividend for the full year to ¥40.00 per share.

Assuming that the partial amendment to the Articles of Incorporation is approved at the 80th Ordinary General Meeting of Shareholders to be held on June 23, 2020, the fiscal year end will be changed from March 31 to December 31 beginning with the next fiscal year. In conjunction with this, the date of record for the year-end dividend will be changed to December 31 in the next fiscal year, which will be the transitional period. The date of record for the interim dividend will be June 30, but the interim dividend for the 81st fiscal year, which will be the transitional period, will be paid on September 30, 2020.

2. Basic Thinking on Selection of Accounting Standards

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

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(million yen)

	Previous consolidated fiscal year (ended March 31, 2019)	Current consolidated fiscal year (ended March 31, 2020)
Assets		
Current assets		
Cash and time deposit	82,421	92,774
Notes and accounts receivable-trade	135,636	123,030
Accounts receivable from completed construction contracts	9,601	34,766
Marketable securities	5,304	3,658
Finished goods, logs and lumber, boards, others	20,588	18,949
Work in process	1,443	1,254
Raw materials and supplies	8,039	8,188
Costs on uncompleted construction contracts	26,945	14,164
Developed land and housing for sale	63,736	66,734
Real estate for sale in process	173,472	185,405
Short-term loans receivable	20,267	20,461
Accounts receivable-other	45,967	46,377
Other	16,756	20,845
Allowance for doubtful accounts	(355)	(545)
Total current assets	609,820	636,059
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	87,084	100,932
Accumulated depreciation	(39,850)	(42,496)
Buildings and structures, net	47,234	58,436
Machinery, equipment and vehicles	76,357	76,946
Accumulated depreciation	(49,245)	(51,583)
Machinery, equipment and vehicles, net	27,113	25,362
Land	39,513	39,603
Forest assets	35,439	34,243
Leased assets	8,535	11,211
Accumulated depreciation	(4,115)	(4,138)
Leased assets, net	4,419	7,073
Construction in progress	11,770	9,399
Other	15,328	17,537
Accumulated depreciation	(10,815)	(12,207)
Other, net	4,513	5,330
Total property, plant and equipment	170,000	179,446
Intangible assets		
Goodwill	12,651	7,588
Other	13,900	14,886
Total intangible assets	26,551	22,474
Investments and other assets		
Investment Securities	140,968	137,845
Long-term loans receivable	2,501	4,165
Net defined benefit assets	238	92
Deferred tax assets	4,945	5,983
Other	16,991	19,564
Allowance for doubtful account	(1,039)	(860)
Total investments and other assets	164,605	166,789
Total noncurrent assets	361,156	368,709
Total assets	970,976	1,004,768

(million yen)

	Previous consolidated fiscal year (ended March 31, 2019)	Current consolidated fiscal year (ended March 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	118,547	109,179
Accounts payable for construction contracts	75,595	83,281
Short-term debt	61,506	39,403
Lease obligations	584	495
Income taxes payable	4,902	4,862
Advances received on uncompleted construction contracts	52,198	35,224
Provision for employees' bonuses	14,353	15,337
Provision for directors' bonuses	143	143
Provision for warranties for completed construction	3,733	5,388
Asset retirement obligation	853	857
Other	41,359	68,721
Total current liabilities	373,772	362,892
Long-term liabilities		
Bonds issues	70,000	90,000
Convertible bonds	10,090	10,070
Long-term debt	102,269	120,537
Lease obligation	4,436	7,986
Deferred tax liabilities	11,474	6,262
Provision for directors' retirement benefits	127	125
Net defined benefit liabilities	19,822	22,574
Asset retirement obligation	1,157	1,378
Other	24,339	25,880
Total long-term liabilities	243,714	284,811
Total liabilities	617,486	647,704
Net assets		
Shareholders' equity		
Common stock	32,752	32,786
Capital surplus	22,247	21,290
Retained earnings	241,427	255,545
Treasury stock	(2,337)	(2,339)
Total shareholders' equity	294,088	307,282
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25,196	16,842
Deferred gains or losses on hedges	752	2,531
Foreign currency translation adjustment	(1,733)	(4,240)
Remeasurements of defined benefit plans	17	82
Total accumulated other comprehensive income	24,232	15,215
Subscription rights to shares	135	120
Non-controlling interests	35,034	34,448
Total net assets	353,489	357,064
Total liabilities and net assets	970,976	1,004,768

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

Consolidated Statements of Income

(million yen)

	Previous consolidated fiscal year (April 1, 2018– March 31, 2019)	Current consolidated fiscal year (April 1, 2019– March 31, 2020)
Net sales	1,308,893	1,104,094
Cost of sales	1,076,747	861,405
Gross profit	232,146	242,689
Selling, general and administrative expenses	182,899	191,312
Operating income	49,247	51,377
Non-operating income		
Interest income	437	451
Purchase discounts	363	365
Dividends income	1,677	1,552
Equity in earnings of affiliates	1,715	8,097
Other	2,382	3,020
Total non-operating income	6,573	13,485
Non-operating expenses		
Interest expenses	2,015	2,706
Sales discount	710	693
Foreign exchange losses	190	101
Other	1,469	2,538
Total non-operating expenses	4,384	6,038
Recurring income	51,436	58,824
Extraordinary gains		
Gain on sales of noncurrent assets	86	102
Gain on sales of investment securities	4,740	3
Gain on step acquisitions	629	–
Gain on change in equity	16	–
Total extraordinary gains	5,471	105
Extraordinary loss		
Loss on sales of noncurrent assets	–	35
Loss on retirement of noncurrent assets	162	227
Loss on devaluation of investment securities	–	1,943
Loss on liquidation of subsidiaries and affiliates	–	53
Loss on liquidation of subsidiaries and associates	–	212
Loss from change in equity interest	–	111
Impairment loss	126	389
Disaster losses	–	840
Total extraordinary loss	289	3,811
Income before income taxes and minority interests	56,618	55,118
Income taxes-current	15,468	16,730
Income taxes-deferred	724	(477)
Total income taxes	16,192	16,253
Net income	40,426	38,865
Profit attributable to non-controlling interests	11,266	11,013
Profit for the year attributable to owners of the parent	29,160	27,853

Consolidated Statements of Comprehensive Income

(million yen)

	Previous consolidated fiscal year (April 1, 2018 - March 31, 2019)	Current consolidated fiscal year (April 1, 2019 - March 31, 2020)
Net income	40,426	38,865
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,144)	(8,128)
Deferred gains or losses on hedges	974	1,778
Foreign currency translation adjustment	(8,075)	(2,990)
Share in equity method affiliates	(282)	(286)
Total other comprehensive income (loss)	(15,527)	(9,626)
Comprehensive income	24,899	29,239
(Breakdown)		
Comprehensive income attributable to owners of the parent	15,293	18,835
Comprehensive income attributable to non-controlling interests	9,606	10,404

(3) Consolidated Statements of Changes in Net Assets

Previous consolidated fiscal year (April 1, 2018 - March 31, 2019)

(million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of previous period	32,672	23,637	219,562	(2,333)	273,538
Changes during the period					
Issuance of new shares	26	26			53
Issuance of new shares (exercise of share acquisition rights)	53	53			106
Dividends from surplus			(7,295)		(7,295)
Profit for the year attributable to owners of the parent			29,160		29,160
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock		0		0	0
Change in stake of parent company related to transactions with non-controlling interests		(1,470)			(1,470)
Net changes in items other than shareholders' equity					
Total changes during the period	80	(1,390)	21,865	(5)	20,550
Balance at the end of previous period	32,752	22,247	241,427	(2,337)	294,088

	Accumulated other comprehensive income					Subscription rights to shares	Noncontrolling 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			
Balance at the beginning of previous period	33,258	(221)	5,053	9	38,099	129	33,873	345,639
Changes during the period								
Issuance of new shares								53
Issuance of new shares (exercise of share acquisition rights)								106
Dividends from surplus								(7,295)
Profit for the year attributable to owners of the parent								29,160
Purchase of treasury stock								(5)
Disposal of treasury stock								0
Change in stake of parent company related to transactions with non-controlling interests								(1,470)
Net changes in items other than shareholders' equity	(8,062)	974	(6,786)	8	(13,867)	6	1,161	(12,700)
Total changes during the period	(8,062)	974	(6,786)	8	(13,867)	6	1,161	7,850
Balance at the end of previous period	25,196	752	(1,733)	17	24,232	135	35,034	353,489

Current consolidated fiscal year (April 1, 2019 – March 31, 2020)

(million yen)

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

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

(4) Consolidated Statements of Cash Flows

(million yen)

	Previous consolidated fiscal year (April 1, 2018 - March 31, 2019)	Current consolidated fiscal year (April 1, 2019 – March 31, 2020)
Cash flows from operating activities		
Income before income taxes and minority interests	56,618	55,118
Depreciation and amortization	13,696	14,388
Impairment loss	126	389
Amortization of goodwill	6,418	6,143
Provision for (reversal of) doubtful accounts	(1,341)	35
Provision for (reversal of) employees' bonuses	1,457	1,021
Provision for (reversal of) directors' bonuses	(3)	–
Provision for (reversal of) warranties for completed construction	137	1,681
Provision for (reversal of) directors' retirement benefits	15	(2)
Net defined benefit liability	3,154	2,814
Interest and dividends income	(2,114)	(2,003)
Interest expenses	2,015	2,706
Equity in (earnings) losses of affiliates	(1,715)	(8,097)
Losses (gains) on sales of marketable securities and investment securities	(4,740)	(3)
Losses (gains) on devaluation of marketable securities and investment securities	–	1,943
Disaster losses	–	840
Loss on liquidation of subsidiaries and affiliates	–	53
Loss (gain) on liquidation of subsidiaries and associates	–	212
Losses (gains) on step acquisitions	(629)	–
Loss (gain) on change in equity	–	111
Losses (gains) on sales/disposal of fixed assets	76	160
Decrease (increase) in notes and accounts receivable-trade	(8,694)	(1,152)
Inventories	(21,173)	(7,415)
Other current assets	(3,959)	(1,986)
Notes and accounts payable, trade	6,118	(10,506)
Advances received	1,122	1,041
Advances received on uncompleted construction contracts	2,234	(2,789)
Accrued consumption taxes	212	(1,142)
Other current liabilities	993	2,274
Other	1,457	(847)
Subtotal	51,482	54,987
Interest and dividends income received	6,337	10,991
Interest paid	(2,027)	(2,697)
Income taxes paid	(15,103)	(17,557)
Net cash provided by (used in) operating activities	40,689	45,724

(million yen)

	Previous consolidated fiscal year (April 1, 2018 - March 31, 2019)	Current consolidated fiscal year (April 1, 2019 - March 31, 2020)
Cash flows from investment activities		
Payments into time deposits	(5,236)	(7,273)
Proceeds from withdrawal of time deposits	5,294	5,298
Decrease (increase) in short-term loans receivable	138	304
Proceeds from sales and redemption of securities	10	305
Payments for purchases of fixed assets	(20,204)	(21,998)
Proceeds from sales of fixed assets	1,584	2,816
Payments for purchases of intangible assets	(2,839)	(3,156)
Payments for purchase of investment securities	(13,556)	(15,810)
Proceeds from sales and redemption of investment securities	8,901	6
Payments for purchase of shares of subsidiaries resulting in change in scope of consolidation	(46,771)	(1,158)
Payments of long-term loans payable	(1,342)	(1,771)
Repayments of long-term loans receivable	1,741	262
Other payments	(2,186)	(3,762)
Other proceeds	2,807	7,065
Net cash provided by (used in) investment activities	(71,659)	(38,874)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	8,817	(17,153)
Repayments of finance lease obligations	(1,632)	(1,565)
Proceeds from long-term debt	25,789	39,782
Repayment of long-term debt	(10,648)	(22,682)
Proceeds from issuance of bonds	20,000	20,000
Proceeds from issuance of convertible bonds	10,100	–
Payments for redemption of convertible bonds	(19,900)	–
Proceeds from stock issuance to non-controlling interests	32	3,576
Cash dividends paid	(7,295)	(7,297)
Cash dividends paid to non-controlling interests	(6,652)	(11,108)
Payments for purchase of subsidiary shares not resulting in change in scope of consolidation	(6,715)	(3,449)
Net decrease (increase) in deposits with withdrawal and usage restrictions	(371)	1,040
Other proceeds	0	0
Other payments	(3)	(2)
Net cash provided by (used in) financing activities	11,523	1,142
Effect of exchange rate change on cash and cash equivalents	(1,007)	(528)
Net increase (decrease) in cash and cash equivalents	(20,453)	7,463
Cash and cash equivalents at the beginning of period	125,555	105,102
Cash and cash equivalents at the end of period	105,102	112,565

(5) Notes to the Consolidated Financial Statements

(Notes related to the Assumption of a Going Concern)

Not applicable

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition)

It became possible to apply 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) from the beginning of the consolidated fiscal year starting on or after April 1, 2018. As such, the Accounting Standard for Revenue Recognition has been applied from the beginning of the fiscal year under review. The amount expected to be received in exchange for promised goods or services is recognized as revenue at the time control of those goods or services is transferred to the customer.
The main changes resulting from application of the Accounting Standard for Revenue Recognition are as follows:

(1) Recognition of revenue related to agent transactions

In regard to revenue related to the domestic distribution business, primarily in the Timber and Building Materials segment, the total amount of consideration received from the customer was recognized as revenue in the past. However, for transactions where the Company's role in providing the product to the customer is fulfilled by an agent, the method of revenue recognition has changed to one in which the net amount after the amount paid to the supplier is deducted from the amount received from the customer is recognized as revenue.

(2) Recognition of revenue related to construction contracts

In regard to construction contracts in the Housing and Construction segment and the Overseas Housing and Real Estate segment, the percentage-of-completion method was used if the outcome of a construction contract could be estimated reliably, and the completed contract method was used for other short-term construction contracts. However, the method has been changed to one in which revenue is recognized for all construction over a fixed period as performance obligations are fulfilled. Additionally, the method used for estimating progress on fulfillment of performance obligations is the input method based on costs incurred. An alternative treatment is applied for construction contracts where the period from the transaction start date to the expected date of complete fulfillment of performance obligations is very short. In these cases, revenue is not recognized over a fixed period but rather at the time of complete fulfillment of performance obligations.

(3) Recognition of revenue related to warranty service

In the Housing and Construction segment, a free inspection service is provided to customers after delivery based on construction or sales contracts for custom-built detached houses and other products. In the past, revenue was not recognized for this service, but the method has been changed to one in which performance obligations are identified in relation to delivery of the custom-built detached house or other product and in relation to the service, and revenue is recognized when those performance obligations are fulfilled.

Application of the Accounting Standard for Revenue Recognition is in accordance with the transitional treatment as provided in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retroactively applying new accounting policies prior to the beginning of the fiscal year under review is added to or deducted from retained earnings, and the balance was adjusted to apply the new standard from the beginning of the period under review. However, the Company has applied the method prescribed in proviso (1) of Paragraph 86 of the Accounting Standard for Revenue Recognition. For contract changes made before the beginning of the period under review, the treatment set forth in (1) to (3) below is implemented based on the contract conditions after all changes have been reflected, and the cumulative effect is added to or deducted from retained earnings at the beginning of the period under review.

(1) Classification as fulfilled or unfulfilled performance obligations
(2) Calculation of transaction price
(3) Allocation of transaction price to fulfilled or unfulfilled performance obligations
As a result, net sales in the fiscal year under review decreased by ¥240,302 million, and cost of sales decreased by ¥245,901 million. Operating income, recurring income, and quarterly net income before income taxes each increased by ¥5,599 million. Beginning of period retained earnings decreased by ¥6,437 million.
The impact on per-share information is provided in the relevant section.

(Segment Information)

1. Outline of Reporting Segments

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

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

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

The "Timber and Building Materials Business" is engaged in the purchase, manufacture, processing and sale, etc. of timber and building materials. The "Housing and Construction Business" is engaged in the construction, maintenance and renovation of detached houses and apartment buildings, the sale of spec homes, the leasing, management, purchase and sale and brokerage of real estate, house exterior fixtures, landscaping works contracting, urban greening works, CAD, site surveys, etc. The "Overseas Housing and Real Estate Business" is engaged in the sale of spec homes, construction of detached houses, development of Multi-Family and Commercial Mix Use in overseas markets. The "Environment and Resources Business" is engaged in the biomass power generation business, forestation business, etc.

(Changes to Reporting Segments)

In conjunction with the reorganization in April 2019, beginning with the fiscal year under review, the reporting segments have been changed from "Timber and Building Materials," "Housing and Construction," and "Overseas Housing and Real Estate" to "Timber and Building Materials," "Housing and Construction," "Overseas Housing and Real Estate," and "Environment and Resources."

The main change is that the biomass power generation business and overseas reforestation business, which had been included in "Other," is included in "Environment and Resources" business.

Segment information from the previous consolidated fiscal year has been prepared based on the new reporting segments.

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

The accounting treatment used for all reporting segments is basically the same as that stated in "Basis of Presenting the Consolidated Financial Statements," except for the treatment used to account for retirement benefit cost.

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

Segment income figures are based on recurring income.
Intersegment transactions are priced in accordance with prevailing market prices.

As detailed under Changes in Accounting Policies, the Accounting Standard for Revenue Recognition has been applied from the beginning of the fiscal year under review. The accounting method related to revenue recognition has changed, so the method of measuring segment profit and loss has likewise been changed.
As a result of this change, compared to the previous method, net sales in the Timber and Building Materials Business decreased by ¥255,401 million, net sales in the Housing and Construction Business increased by ¥15,799 million, segment income increased by ¥5,662 million, net sales in the Other decreased by ¥699 million, and segment income decreased by ¥62 million in the fiscal year under review.

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

Previous consolidated fiscal year (April 1, 2018 – March 31, 2019)

(million yen)

	Reporting segment					Other (Note 1)	Total	Adjustment (Note 2)	Total shown in the consolidated financial statement (Note 3)
	Timber and building materials	Housing and construction	Overseas housing and real estate	Environment and resources	Total				
Net sales									
(1) Unaffiliated customers	464,091	452,234	364,365	15,138	1,295,829	12,466	1,308,295	598	1,308,893
(2) Intersegment sales/transfers	22,999	604	513	4,388	28,505	9,805	38,310	(38,310)	–
Total	487,091	452,839	364,878	19,526	1,324,333	22,272	1,346,605	(37,712)	1,308,893
Segment income (loss)	7,980	21,598	25,812	4,012	59,403	85	59,488	(8,052)	51,436
Segment assets	207,408	155,773	321,486	75,873	760,540	66,968	827,508	143,467	970,976
Other									
Depreciation and amortization (Note 4)	3,073	4,699	1,760	1,679	11,210	1,688	12,898	798	13,696
Amortization of goodwill	–	–	6,250	–	6,250	168	6,418	–	6,418
Interest income	101	39	127	137	405	0	405	32	437
Interest expenses	706	520	2,257	96	3,579	199	3,777	(1,762)	2,015
Equity in earnings (losses) of affiliates	(49)	(1)	923	315	1,188	526	1,714	0	1,715
Investments in equity method affiliates	8,937	–	28,205	1,396	38,538	33,556	72,094	(8)	72,086
Increase in property, plant and equipment and intangible assets (Note 4)	2,178	6,865	7,984	3,914	20,941	1,287	22,228	(1,014)	21,214

Notes:

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

2 Adjustments are as presented below.

(1) Adjusted sales to unaffiliated customers of ¥598 million are attributable to the administrative departments and comprised mainly of rent from Company landholdings.

(2) The adjusted business loss of ¥8,052 million includes ¥382 million in eliminated intersegment transactions, a ¥3,410 million actuarial gain associated with retirement benefit costs and ¥4,260 million in corporate losses which are not allocated to any of the reporting segments. Corporate income (loss) is primarily selling, general and administrative expenses, non-operating income or non-operating expenses not belonging to any reporting segments.

(3) The adjusted segment assets of ¥143,467 million include ¥7,683 million in eliminated intersegment transactions and ¥151,151 million in corporate assets which are not allocated to any reporting segment.
Corporate assets are mainly unused funds after management (cash, deposits and securities), long-term investments (investment securities) and assets used by administrative departments.

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

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

Current Consolidated Fiscal Year (April 1, 2019 – March 31, 2020)

(million yen)

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

Notes:

1. "Other" is business segments not included in the reporting segments. Such segments include private pay elderly care facilities business, insurance agency business, and civil engineering/construction work.
2. Adjustments are as presented below.
   (1) Adjusted sales to unaffiliated customers of ¥625 million are attributable to the administrative departments and comprised mainly of rent from Company landholdings.
   (2) The adjusted business loss of ¥9,419 million includes ¥482 million in eliminated intersegment transactions, a ¥2,572 million actuarial loss associated with retirement benefit costs and ¥6,365 million in corporate losses which are not allocated to any of the reporting segments. Corporate income (loss) is primarily selling, general and administrative expenses, non-operating income or non-operating expenses not belonging to any reporting segments.
   (3) The adjusted segment assets of ¥137,761 million include ¥8,314 million in eliminated intersegment transactions and ¥146,075 million in corporate assets which are not allocated to any reporting segment.
   Corporate assets are mainly unused funds after management (cash and deposits, securities, and short-term debt), long-term investments (investment securities) and assets used by administrative departments.
3. Total segment income (loss) and segment assets are the total adjusted recurring income and assets shown in the consolidated financial statements, respectively.
4. The increase in depreciation expenses, property, plant and equipment and intangible assets includes long-term prepaid expenses and write offs associated with these expenses.

(Per-Share Information)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net assets per share	¥1,755.06	¥1,777.57
Net income per share	¥160.80	¥153.54
Net income per share (diluted)	¥155.32	¥149.68

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

	Fiscal year ended March 31, 2019 (As of March 31, 2019)	Fiscal year ended March 31, 2020 (As of March 31, 2020)
Total net assets (million yen)	353,489	357,064
Breakdown of deductions from total net (million yen)	35,169	34,568
(Subscription rights to shares (million yen))	(135)	(120)
(Non-controlling interests (million yen))	(35,034)	(34,448)
Total net assets for common stock (million yen)	318,320	322,496
Number of common stocks issued (shares)	182,698,636	182,752,036
Number of treasury stocks (shares)	1,325,804	1,326,898
Number of common stocks used for calculation of net asset per share (shares)	181,372,832	181,425,138

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

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net income per share		
Profit for the year attributable to owners of the parent (million yen)	29,160	27,853
Income not available to common stockholders (million yen)	–	–
Profit for the year attributable to owners of the parent for common stock (million yen)	29,160	27,853
Weighted average number of shares issued (shares)	181,345,520	181,406,905
Net income per share fully diluted		
Adjusted profit for the year attributable to owners of parent (million yen)	–	–
Common shares increase (shares)	6,396,884	4,671,111
(Convertible bonds with stock acquisition rights (shares))	(6,281,036)	(4,562,044)
(Stock acquisition rights (shares))	(115,848)	(109,067)
Overview of potentially dilutive common shares not included in computation of diluted net income per share because of their anti-dilutive effect	–	–

3. As described in “Changes in Accounting Policies,” the Accounting Standard for Revenue Recognition has been applied early. As a result, in the fiscal year under review, net assets per share have decreased by 14.15 yen, while net income per share and net income per share fully diluted have increased by 21.33 yen and 20.79 yen, respectively.

(Important Subsequent Events)

Issuance of commercial papers

The Company issued commercial papers as follows for the purpose of securing liquid funds:

(1) Monetary amount (total)	40,000 million yen
(2) Price of issue (total)	39,958 million yen
(3) Date of issue	April 1, 2020 and April 8, 2020
(4) Redemption period	June 30, 2020 and March 31, 2021
(5) Interest rate	Determined based on short-term money market rates
(6) Existence of collateral, etc.	No collateral/No guarantee