

## Summary of Financial Results for the Fiscal Year Ended December 31, 2021 [Japan GAAP] (Consolidated)

Name of Company:	Sumitomo Forestry Co., Ltd.	Stock Exchange Listing:	Tokyo
Stock Code:	1911	URL:	<a href="https://sfc.jp/english/">https://sfc.jp/english/</a>
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Scheduled Date of Regular General Meeting of Shareholders:	March 29, 2022
Scheduled Date to Commencement Dividend Payment:	March 30, 2022
Scheduled Date of Filing of Securities Report:	March 29, 2022
Supplementary Documents on Financial Results:	Yes
Financial Results Briefing:	Yes (for analysts and institutional investors, in Japanese)

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

### 1. Consolidated financial results for the fiscal year ended December 31, 2021

(January 1, 2021 – December 31, 2021)

(1) Consolidated results of operations (%: change from the previous year)

	Net sales		Operating income		Recurring income		Net income attributable to shareholders of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY Ended December 2021	1,385,930	–	113,651	–	137,751	–	87,175	–
FY Ended December 2020	839,881	–	47,462	–	51,293	–	30,398	–

Note: Comprehensive income  
 FY Ended December 2021 128,877 million yen (-%)  
 FY Ended December 2020 57,069 million yen (-%)

	Net income per share	Net income per share fully diluted	Return on equity	Ratio of recurring income to assets	Operating income margin
	Yen	Yen	%	%	%
FY Ended December 2021	457.69	446.69	20.2	11.5	8.2
FY Ended December 2020	167.54	163.34	8.8	4.9	5.7

Note: Equity in income (losses) of affiliates  
 FY Ended December 2021 17,782 million yen  
 FY Ended December 2020 3,318 million yen

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

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Shareholder's equity per share
	Million yen	Million yen	%	Yen
As of December 31, 2021	1,314,226	540,089	37.7	2,479.76
As of December 31, 2020	1,091,152	399,456	33.7	2,025.13

Note: Shareholders' equity

As of December 31, 2021 495,612 million yen

As of December 31, 2020 367,461 million yen

## (3) Consolidated cash flow position

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investment activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY ended December 2021	91,576	-40,254	-7,029	170,035
FY ended December 2020	46,840	-44,635	-6,782	122,220

## 2. Dividends

	Cash dividends per share					Annual aggregate amount	Payout ratio (Consolidated)	Dividends/net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY Ended December 2020	-	10.00	-	25.00	35.00	6,387	20.9	1.8
FY Ended December 2021	-	35.00	-	45.00	80.00	15,429	17.5	3.6
FY Ending December 2022 (forecast)	-	40.00	-	40.00	80.00		18.6	

## 3. Forecast of the consolidated financial results for the FY ending December 2022 (January 1, 2022 - December 31, 2022)

(%: change from the previous year)

	Net sales		Operating income		Recurring income		Profit for the year attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,524,000	10.0	118,500	4.3	135,000	-2.0	86,000	-1.3	430.30

\* Notice

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

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

- (a) Shares outstanding (including treasury stock)

As of December 31, 2021	201,200,936	As of December 31, 2020	182,778,336
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- (b) Treasury stock

As of December 31, 2021	1,338,269	As of December 31, 2020	1,327,588
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- (c) Average number of shares during the term

As of December 31, 2021	190,465,847	As of December 31, 2020	181,442,403
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Non-consolidated financial results (For reference)

Financial results for the fiscal year ended December 31, 2021 (January 1, 2021 – December 31, 2021)

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

	Net sales		Operating income		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended December 2021	470,202	–	4,748	–	13,361	–	6,969	–
FY ended December 2020	317,658	–	32	–	9,471	–	8,623	–

	Net income per share	Net income per share fully diluted
	Yen	Yen
FY ended December 2021	36.39	35.52
FY ended December 2020	47.25	46.08

Note: The Company has changed its fiscal end from March 31 to December 31 beginning with the fiscal year ended December 31, 2020. The fiscal year covering the nine months started on April 1, 2020 and ended on December 31, 2020 was the transition period. Therefore, full-year changes from the previous corresponding period have not been provided.

- (2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2021	802,501	309,160	38.5	1,538.20
As of December 31, 2020	751,131	284,219	37.8	1,556.78

Note: Shareholders' equity

As of December 31, 2021	309,043 million yen
As of December 31, 2020	284,099 million yen

<Reason for difference from previous non-consolidated results>

The reason for the remarkable difference from the results of the previous fiscal year (ended December 31, 2020) was that it was an irregular fiscal term covering a nine-month period. In addition to this, the housing market in Japan was weak due to COVID-19, leading to sluggish results in the Timber and Building Materials Business and the Housing and Construction Business.

\* Financial results summaries not subject to audit.

\* Cautionary statement regarding business results forecasts and special notes

(Caution regarding forward-looking statements)

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

(Method of Obtaining Supplemental Explanatory Material)

The Company will hold a conference call for analysts and institutional investors on Tuesday, February 15, 2022. The explanatory material on the financial results will be published on the website on Monday, February 14, 2022. Additionally, the Supplementary Information is provided in the Financial Factbook, and the material is published on the website simultaneously with the announcement of financial results.

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

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## 1. Overview of Results of Operations, etc.

The Company has changed its fiscal term end from March 31 to December 31 beginning with the previous fiscal year ended December 31, 2020 and unified the fiscal year end of our Group on December 31. The fiscal year ended December 31, 2020, which was the transition period, covered the nine months starting on April 1, 2020 and ending on December 31, 2020. Therefore, full-year changes from the previous corresponding period have not been provided. The percentage change from the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020) is provided for reference. For the consolidated results of the fiscal year ended March 31, 2020, the financial statements prepared as of March 31, 2020 are used for the Company and those consolidated subsidiaries with fiscal year-ends in March, and the financial statements prepared as of December 31, 2019 are used for those consolidated subsidiaries with fiscal year-ends in December. However, for the fiscal year under review, the financial statements prepared as of December 31, 2021 are used for the Company and all consolidated subsidiaries.

### <Summary Statements of Income>

(million yen)

	FY Ended December 2021 (January 1, 2021 - December 31, 2021)	FY Ended March 2020 (April 1, 2019 - March 31, 2020)	Change (%)	FY Ended December 2020 (April 1, 2020 - December 31, 2020)
Timber and Building Materials Business	216,858	223,627	-3.0	144,652
Housing and Construction Business	510,939	474,003	+7.8	332,316
Overseas Housing and Real Estate Business	644,573	399,360	+61.4	352,371
Environment and Resources Business	22,299	19,263	+15.8	15,058
Other Businesses	23,944	23,425	+2.2	18,402
Adjustment	-32,683	-35,584	-	-22,918
Net sales	1,385,930	1,104,094	+25.5	839,881
Timber and Building Materials Business	9,984	6,095	+63.8	2,334
Housing and Construction Business	19,641	22,570	-13.0	8,454
Overseas Housing and Real Estate Business	104,334	34,541	+202.1	44,032
Environment and Resources Business	3,931	3,551	+10.7	1,683
Other Businesses	3,012	1,484	+102.9	757
Adjustment	-3,150	-9,419	-	-5,966
Recurring income	137,751	58,824	+134.2	51,293
Actuarial differences for retirement benefit accounting	3,260	-2,572	-	4,823
Recurring income excluding actuarial differences for retirement benefit accounting	134,491	61,396	+119.1	46,470
Net income attributable to shareholders of parent	87,175	27,853	+213.0	30,398

#### (1) Overview of Results of Operations

Although the global economic situation remained difficult due to the impact of COVID-19 during the fiscal year under review, social and economic activities began to return to normal as progress was made on vaccination, resulting in a recovery. However, congestion in the global supply chain and a steep rise in the price of raw materials put downward pressure on the economic recovery. The difficult situation persisted in the Japanese economy due to intermittent declarations of states of emergency starting at the beginning of the year. Since the lifting of the state of emergency in October of last year, the economy has been moving toward recovery as economic activity, primarily consumer spending, resumed against a backdrop of increasing rates of vaccination.

The housing market in Japan was strong, owing in part to increased demand for detached housing during the pandemic and surge demand associated with special tax breaks on home loans. In the United States, housing prices rose sharply as construction costs went up and housing demand soared, but the market remained favorable against a backdrop of improvements in employment conditions and historically low mortgage interest rates. In Australia, rising housing prices and lockdowns had an impact, but the market remained strong owing in part to healthy employment conditions and historically low mortgage interest rates.

In the midst of this business environment, the Group worked actively to achieve the 2021 Medium-Term Management Plan, which ended with the fiscal year under review. In Japan, this included the launch of operations at the wood biomass power generation in Kanda, Fukuoka and the opening of Hotel Vison in Taki, Mie. In the United States, we entered new areas in the detached housing business, further expanded our business domains, including entry into the Build-to-Rent development business, and focused on promoting the business for further growth of the Group. In addition, with the aim of establishing a solid financial base and securing the capacity for future investment, we carried out a public offering and third-party allotment to strengthen the management foundation, which is necessary for sustainable improvement of corporate value.

As a result, net sales were ¥1,385.93 billion (up 25.5% compared to the fiscal year ended March 2020), operating income was ¥113,651 million (up 121.2%), recurring income was ¥137,751 million (up 134.2%), and profit for the period attributable to owners of the parent was ¥87,175 million (up 213.0%). Actuarial differences for retirement benefit accounting came to ¥3,260 million, and recurring income excluding actuarial differences was ¥134,491 million.

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

### *1 Timber and Building Materials Business*

In the distribution business, the timber supply and demand situation was tight worldwide. Leveraging the Group's domestic and international procurement capabilities, we focused on maintaining a system of stable supply for our trading partners. In addition, in order to diversify our revenue streams, we strengthened our efforts to expand wood fuel for biomass power generation and utilize domestic timber, and also focused on expanding sales of plywood and building materials made from sustainable plantation timber. As a result, business results remained favorable.

In the manufacturing business, manufacturing costs were high in Japan, which resulted in sluggish business results. Overseas, business results were sluggish in Indonesia, due in part to the impact of COVID-19 on the plywood and timber business, but in New Zealand, business results were strong owing to increased medium density fiberboard (MDF) and laminated veneer lumber (LVL) sales volumes, despite the impact of the lockdown.

As a result, the Timber and Building Materials Business posted net sales of ¥216,858 million (down 3.0% compared to the fiscal year ended March 2020) and recurring income of ¥9,984 million (up 63.8%).

### *2 Housing and Construction Business*

In the custom-built detached housing business, we stepped up our online marketing efforts as a part of our measures to strengthen our sales capabilities during the COVID-19 pandemic. We also focused on proposals involving plans addressing lifestyle changes by leveraging our design capabilities. Orders received were favorable as we worked on expanding orders for ZEH (net zero energy houses) in response to increased environmental awareness among customers. On the construction side, although the supply chain was disrupted by COVID-19, we worked on leveling of construction starts. Net sales increased as a result, but business results were still sluggish due to lower profit margins arising from increased costs of construction materials worldwide, especially timber.

In the apartment business, we promoted marketing activities using "Town Square" for customers to experience properties rented from owners of apartments we built as model rooms. We also worked on expanding orders for apartments built using the "Wall Frame (WF) method," which allows floor plan changes and flexible spatial design. Nevertheless, as with the custom-built detached housing business, business results were sluggish due to the impact of construction material costs.

In the spec homes business, business results were strong, supported by robust buying interest on top of the successful acquisition of excellent land.

In the renovation business, we focused on expanding orders for earthquake resistance renovations utilizing our advanced technologies, including our proprietary seismic resistance/seismic vibration damper method, and stepped up our sales activities directed toward owners of Sumitomo Forestry Homes.

In addition, we welcomed Cohnan Kensetsu Inc. into the Group last January and set to work on medium- and large-scale wooden architecture buildings and adopting wood construction and material in the non-residential building field.

As a result, the Housing and Construction Business posted net sales of ¥510,939 million (up 7.8% compared to the fiscal year ended March 2020) and recurring income of ¥19,641 million (down 13.0%).

### *3 Overseas Housing and Real Estate Business*

Business results were favorable in the detached housing business in the United States against the backdrop of historically low mortgage interest rates and increased demand for relocating from the city to the suburbs in Washington, Utah, Texas, Maryland, and other areas where the Group is engaged in business activities. In addition, last February, we took over the business of CDL Homes, Inc., which is engaged in the spec homes business in Denver, Colorado, USA. This brought the number of states in which we are engaged in the detached housing business to 14, further expanding our business area. In the real estate development business, we worked on selling off properties according to plan, including those for which the sale had been delayed due to COVID-19. We also sold off some properties early in response to robust demand. This resulted in favorable performance.

Results were strong in the detached housing business in Australia in areas such as Victoria, New South Wales and Western Australia thanks to historically low mortgage interest rates and other factors despite the impact of the lockdowns. In October last year, we decided to participate in a wooden office development project in Melbourne with NTT Urban Development Corporation and Hines (Texas, USA) to work toward the realization of a decarbonized society, launching efforts to bring about a net zero carbon building\*.

As for Southeast Asia, in Vietnam, Indonesia, and Thailand, construction of and sales plans for detached home and condominium projects that were underway were delayed due to COVID-19.

\* A net zero carbon building is a building that is built to energy-saving and energy-creating specifications and combines the use of renewable energy with carbon offsets to virtually eliminate CO2 emissions from its use.

As a result, the Overseas Housing and Real Estate Business posted net sales of ¥644,573 million (up 61.4% compared to the fiscal year ended March 2020) and recurring income of ¥104,334 million (up 202.1%).

### *4 Environment and Resources Business*

In the biomass power generation business, wood biomass power generations in four locations within Japan achieved stable operations along with Kanda Biomass Energy K.K., which was commissioned last June. However, business results were sluggish due to the impact of the revision of contracts with customers with the government's measures to address dramatic changes under the feed-in tariff system (FIT system) for renewable energy coming to an end. Business results were also strong in the reforestation business, owing primarily to increased domestic sales volume in Nelson, a city in the South Island, New Zealand.

Last June, we concluded a partnership agreement with IHI Corporation to develop a consulting business for proper management of tropical peatland and create and sell high-quality carbon credits by properly assessing the value of natural resources, such as the accumulated amount of carbon in forests and soil. Through this partnership, we will leverage the Group's strengths, including the forest management technology cultivated in Japan and other countries and the tropical peatland management technology cultivated in Indonesia, to contribute to the realization of a decarbonized society.

As a result, the Environment and Resources Business posted net sales of ¥22,299 million (up 15.8% compared to the fiscal year ended March 2020) and recurring income of ¥3,931 million (up 10.7%).



## 5 Other Businesses

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

The Other Businesses recorded net sales of ¥23,944 million (up 2.2% compared to the fiscal year ended March 2020) and recurring income of ¥3,012 million (up 102.9%).

### (2) Overview of Financial Position

Total assets totaled ¥1,314,226 million at the end of the current consolidated fiscal year, an increase of ¥223,073 million compared to the end of the previous fiscal year. This was due mainly to an increase in inventories, primarily in the US housing business, and an increase in cash and deposits associated with the issuance of new shares through public offering and third-party allotment. Liabilities totaled ¥774,136 million, an increase of ¥82,440 million compared to the end of the previous fiscal year. This was mainly the result of an increase in notes and accounts payable-trade in the Timber and Building Materials Business. In addition, net assets came to ¥540,089 million and the equity ratio to 37.7% as a result of the issuance of new shares through public offering and third-party allotment.

### (3) Overview of Cash Flow

There was a net increase of ¥47,815 million in cash and cash equivalents (hereafter “cash”) to ¥170,035 million. A summary of cash flow is presented below.

The fiscal year ended December 31, 2020, which was the transition period, covered the nine months starting on April 1, 2020 and ending on December 31, 2020. Therefore, figures for the same period of the previous year have not been provided.

#### *(Operating Activities)*

Net cash provided by operating activities increased ¥91,576 million. The increase was attributable mainly to an increase in capital resulting from posting ¥133,932 million in income before income taxes despite a decrease in capital resulting from an increase in inventories primarily in the US housing business.

#### *(Investment Activities)*

Net cash decreased ¥40,254 million as a result of investment activities. This was primarily from the use of capital in development of housing complexes and commercial complexes in the United States.

#### *(Financing Activities)*

Net cash used in financing activities was ¥7,029 million. This was attributable mainly to a decrease in capital used in the payment of dividends despite an increase in capital from issuance of new shares through public offering and third-party allotment.

### (4) Future Outlook

The global economy is expected to continue a gentle recovery as vaccination rates increase, despite the resurgence of COVID-19. However, uncertainties remain with respect to the economy due to concern over acceleration of inflation and restrictive monetary policy in the United States against a backdrop of favorable consumer spending and soaring raw material prices as well as deceleration of the Chinese economy as growth in the real estate market reaches a turning point. In addition, the COVID-19 situation requires continued monitoring due to the emergence of new variants. The Japanese economy is also expected to continue recovering, but the impact of the resurgence of COVID-19 since the beginning of the year on social and economic activities and the risk of a downturn caused by supply side constraints need to be watched carefully.

*(Summary of 2021 Medium-Term Management Plan)*

Under the 2021 Medium-Term Management Plan, the Group worked on solving social issues in the midst of changing times, strengthening the management foundation, and further promoting the business for the future based on the four basic policies of promoting future-oriented business strategies for further growth, strengthening the management base for sustainable growth, accelerating R&D and technological innovation utilizing timber, and promoting further integration of business operations and ESG initiatives.

As for the numerical targets, we exceeded the plan with respect to all items for which targets were set.

	Period of 2021 Medium-Term Management Plan				FY Ending March 2022 (82nd Term) Targets
	FY Ended March 2020 (80th Term) Results	FY Ended December 2020 (81st Term) Results	FY Ended December 2021 (82nd Term) Results	Vs. Target	
Net sales	¥1,104.1 billion	¥839.9 billion	¥1,385.9 billion	+¥125.9 billion	¥1,260 billion
Recurring income	¥61.4 billion	¥46.5 billion	¥134.5 billion	+¥49.5 billion	¥85.0 billion
Net income attributable to shareholders of parent	¥27.9 billion	¥30.4 billion	¥87.2 billion	+¥39.2 billion	¥48.0 billion
Return on equity (ROE)	8.8%	8.8%	20.2%	Achieved	10% or higher

- Notes:
1. Recurring income excludes actuarial differences for retirement benefit accounting.
  2. The Company changed the fiscal year end from March 31 to December 31 as of the fiscal year ended December 2020 (81st term). The same change was also made at all but a few consolidated subsidiaries. In conjunction with this, the results for the fiscal year ended December 2020 (81st term), which was the transition period, are for the nine months from April 1, 2020 to December 31, 2020.
  3. The numerical targets in the 2021 Medium-Term Management Plan are the figures planned for the fiscal year ending March 2022 as of the time of the plan's establishment.

As for specific management strategies, we have steadily expanded the area of our detached housing businesses in the United States and Australia and promoted the real estate development business in the United States to expand and diversify the business. We also worked on cultivating businesses that will serve as the next pillars of profits, expanding the wood biomass power generation in which we participate and constructing a large assisted living facility. Furthermore, with the aim of strengthening the management foundation necessary for the sustainable improvement of corporate value, we carried out a public offering and a third-party allotment to improve our financial position.

*(Promoting the Long-Term Vision and Medium-Term Management Plan)*

The Company recently established the Long-Term Vision Mission TREEING 2030 and the Medium-Term Management Plan Mission TREEING 2030 Phase 1.

<Long-Term Vision>

<p>Mission TREEING 2030 ~Making our planet safer and more secure for future generations~</p> <p>By providing value to our planet, to people and society, and to the market economy, we at Sumitomo Forestry Group strive to make our planet safer and more secure for current and future generations of people and all living beings. Utilizing our long-held strengths in harnessing and expanding the value of forests and wood, we will create change for a new future.</p>
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To fulfill our long-term vision, Sumitomo Forestry Group has defined and linked three important issues – providing value to our planet, providing value to people and society, and providing value to the market economy. We are committed to promoting businesses that synergistically and simultaneously enhance all three values without sacrificing each of the other values.

#### <Medium-Term Management Plan>

The Company has set targets for the end of the 85th term (FY ending December 2024) three years from now of ¥1.77 trillion in net sales, ¥173.0 billion in recurring income (excluding actuarial differences for retirement benefit accounting), ¥116.0 billion in profit attributable to owners of parent, and ROE of at least 15%. In addition, there are five themes for the Basic Policy of Medium-Term Management Plan, namely pursuing decarbonization through the utilization of timber resources, promoting a more robust revenue base, accelerating global expansion, strengthening the management foundation for sustainable growth, and further integration of business operations and ESG initiatives, and we will work to achieve these targets under this policy.

#### 1 Pursuing decarbonization through the utilization of timber resources

- Development of new businesses highlighting the value of forests as carbon sinks

We will develop a business of providing the value of forests as carbon sinks by establishing highly accurate technology for measuring the CO<sub>2</sub> absorption/fixation of forest resources, forming a forest fund, and creating carbon credits.

- Promotion of measures to improve competitiveness of domestic timber

In addition to improving the efficiency and productivity of undertakings to improve the competitiveness of domestic timber, we will promote commercialization of a large-scale manufacturing business premised on cascade use\* of domestic timber.

- Expansion of medium- to large-sized wooden buildings business

We will expand the medium- to large-sized wooden buildings business to reduce embodied carbon\*\* and operational carbon\*\*\* in Japan and overseas.

\* Cascade use refers to using forest resources such as thinnings and left-over timber as well as waste wood and offcuts as efficiently as possible.

\*\* Embodied carbon refers to CO<sub>2</sub> emissions from, for example, the process of building construction (procurement of raw materials, manufacturing, construction, demolition, etc.).

\*\*\* Operational carbon refers to CO<sub>2</sub> emissions from the use of buildings.

#### 2 Promoting a more robust revenue base

- Restoration of profitability of the Housing and Construction and the Timber and Building Materials Businesses and promotion of reform in anticipation of future market changes

In the Housing and Construction Business, we will restore profitability by accurately identifying post-COVID-19 demand, anticipating a decrease in the number of new housing starts in the medium to long term, streamlining, and improving productivity.

In the Timber and Building Materials Business, we will create new revenue opportunities by rebuilding the overseas manufacturing business, establishing a cyclical material supply system centered on the wood industrial complex, and promoting decarbonization related businesses and digital transformation (DX).

- Improvement of asset efficiency

For less profitable businesses and inefficient assets, we will carefully examine the significance of owning them and work to improve efficiency from the perspective of improving asset efficiency and raising funds. In addition, we will promote efforts to improve capital efficiency using ROIC as an indicator and develop investment criteria that reflect business risks.

### 3 Accelerating global expansion

We will work to further expand the detached housing business in the United States and Australia as a pillar of the Group's earnings. We will promote efforts to create group synergy through joint purchasing of materials, panel business, and more as well as streamlining in preparation for a sharp rise in labor costs in the future. In addition, in the real estate development business, we will improve capital efficiency with a business model that utilizes outside capital.

In the business in Asia, we will establish a stable earnings base by promoting the detached housing business.

### 4 Strengthening the management foundation for sustainable growth

- Promotion of digitalization

We will promote digitalization company-wide through proactive initiatives such as digitization of customer relationships, development of next-generation design and production systems, and improvement of IT literacy inside the Company.

- Securing of human resources, enhancement of training, and improvement of employee engagement

We will secure and develop human resources in response to business expansion, improve employee engagement, promote work style reform, and work on diversity initiatives.

- Strengthening of risk management

We will enhance our internal audit function to respond to the diversification and globalization of risks.

We will build a BCM system that addresses unforeseen circumstances such as large-scale natural disasters, cyber terrorism, and viruses.

### 5 Further integration of business operations and ESG initiatives

- Steady implementation of measures to achieve RE100/SBT (Science Based Targets)

We will steadily promote efforts for RE100/SBT Scopes 1\* and 2\*\*, which are environmental targets associated with our business activities. In regard to SBT Scope 3\*\*\*, we will promote decarbonization through proactive proposals, and we will improve energy-saving performance and promote the development of ZEH (net zero energy houses) and ZEB (net zero energy buildings) so that we can provide customers with choices.

\* Scope 1 emissions are direct greenhouse gas emissions that occur from a company's own use of fuel, etc. (E.g. CO2 emissions associated with the use of gasoline by company vehicles)

\*\* Scope 2 emissions are indirect greenhouse gas emissions from electric power and heat purchased by the company. (E.g. CO2 emissions associated with the use of electric power at offices)

\*\*\* Scope 3 emissions are greenhouse gas emissions in the supply chain. (E.g. CO2 emissions when products sold are used)

In addition to the aforementioned efforts, the Sumitomo Forestry Group will work to further improve corporate value by anticipating social changes, enhancing our corporate governance, and continuing to strengthen our efforts related to environmental responsibility, customer satisfaction, respect for human rights and diversity, risk management and legal compliance as we accept feedback from our shareholders and other stakeholders.

In addition, we will fulfill our corporate social responsibilities by actively working on contributing to the achievement of Sustainable Development Goals (SDGs), including further integration of our business operations and ESG initiatives, which is a part of the Basic Policy of our Medium-Term Management Plan.

### (5) Policy on Profit Distribution and Dividends for FY12/21 and FY12/22

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 ¥45.00 per share for the fiscal year that ended in December 2021. Together with the interim dividend of ¥35.00 per share that the Company has already paid, this will bring the dividend for the full year to ¥80.00 per share.

Additionally, for the next fiscal year, the dividend per share will be ¥40.00 for both the interim and year-end dividend for an annual dividend of ¥80.00.

## **2. Basic Thinking on Selection of Accounting Standards**

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

### 3. Consolidated Financial Statements and Main Notes

#### (1) Consolidated Balance Sheet

(million yen)

	Previous consolidated fiscal year (December 31, 2020)	Current consolidated fiscal year (December 31, 2021)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	85,850	139,957
Notes and accounts receivable-trade	119,687	140,075
Accounts receivable from completed construction contracts	45,095	49,496
Marketable securities	3,204	3,303
Merchandise and finished goods	13,762	24,426
Work in process	1,312	1,483
Raw materials and supplies	8,080	9,696
Costs on construction contracts in progress	14,993	14,973
Real estate for sale	54,010	49,180
Real estate for sale in process	225,298	332,898
Short-term loans receivable	35,390	35,493
Accounts receivable-other	46,468	54,680
Other	25,208	36,600
Allowance for doubtful account	(396)	(348)
<b>Total current assets</b>	<b>677,962</b>	<b>891,912</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structure	107,217	109,086
Accumulated depreciation	(45,620)	(50,736)
Buildings and structures, net	61,597	58,350
Machinery, equipment and vehicles	76,794	81,599
Accumulated depreciation	(53,123)	(58,569)
Machinery, equipment and vehicles, net	23,672	23,031
Land	40,725	41,516
Timber	35,753	38,331
Leased assets	11,850	12,578
Accumulated depreciation	(3,743)	(4,902)
Leased assets, net	8,106	7,677
Construction in process	10,667	9,889
Other	18,338	20,112
Accumulated depreciation	(12,913)	(14,723)
Other, net	5,426	5,390
<b>Total property, plant and equipment</b>	<b>185,948</b>	<b>184,183</b>
<b>Intangible assets</b>		
Goodwill	6,556	4,559
Other	15,071	16,111
<b>Total intangible assets</b>	<b>21,626</b>	<b>20,671</b>
<b>Investments and other assets</b>		
Investment securities	175,262	181,436
Long-term loans receivable	5,471	7,115
Retirement benefit asset	326	590
Deferred tax assets	6,835	7,773
Other	18,631	21,448
Allowance for doubtful account	(909)	(902)
<b>Total investments and other assets</b>	<b>205,617</b>	<b>217,460</b>
<b>Total non-current assets</b>	<b>413,191</b>	<b>422,314</b>
<b>Total assets</b>	<b>1,091,152</b>	<b>1,314,226</b>

(million yen)

	Previous consolidated fiscal year (December 31, 2020)	Current consolidated fiscal year (December 31, 2021)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	111,612	134,065
Accounts payable for construction contracts	80,219	98,165
Short-term borrowings	50,106	25,024
Current portion of bonds	–	12
Commercial paper	10,000	–
Lease obligations	1,005	825
Income tax payable	1,937	6,248
Advanced received on construction contracts in progress	32,956	40,101
Provision for bonuses	16,781	22,460
Provision for bonuses for directors (and other officers)	106	165
Provision for warranties for completed construction	6,175	7,492
Provision for loss on business liquidation	368	–
Asset retirement of obligations	945	961
Other	68,082	85,485
Total current liabilities	380,293	421,003
Long-term liabilities		
Bonds payable	90,000	90,152
Bonds with share acquisition rights	10,055	10,035
Long-term borrowings	133,255	168,278
Lease obligations	8,512	8,438
Deferred tax liabilities	18,578	23,044
Provision for retirement benefits for directors (and other officers)	111	332
Retirement benefits liability	18,700	17,148
Asset retirement of obligations	1,544	1,778
Other	30,650	33,929
Total long-term liabilities	311,403	353,134
Total liabilities	691,696	774,136
Net assets		
Shareholders' equity		
Common stock	32,803	50,064
Capital surplus	18,485	33,899
Retained earnings	283,416	359,641
Treasury shares	(2,340)	(2,362)
Total shareholders' equity	332,363	441,241
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	44,337	37,226
Deferred gains (losses) on hedges	1,762	3,403
Foreign currency translation adjustment	(11,098)	13,699
Remeasurements of defined benefit plans	96	42
Total accumulated other comprehensive income	35,098	54,370
Share acquisition rights	120	116
Non-controlling interests	31,875	44,361
Total net assets	399,456	540,089
Total liabilities and net assets	1,091,152	1,314,226

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

## Consolidated Statements of Income

(million yen)

	Previous consolidated fiscal year (April 1, 2020 - December 31, 2020)	Current consolidated fiscal year (January 1, 2021 - December 31, 2021)
Net sales	839,881	1,385,930
Cost of sales	648,557	1,063,936
Gross profit	191,323	321,994
Selling, general and administrative expenses	143,862	208,344
Operating income	47,462	113,651
Non-operating income		
Interest income	232	393
Purchase discount	240	343
Dividend income	1,237	1,674
Share of profit of entities accounted for using equity method	3,318	17,782
Foreign exchange gains	—	747
Other	3,401	7,673
Total non-operating income	8,428	28,613
Non-operating expenses		
Interest expense	1,830	2,219
Sales discounts	440	613
Foreign exchange losses	271	—
Other	2,056	1,681
Total non-operating expenses	4,596	4,513
Recurring income	51,293	137,751
Extraordinary loss		
Loss on devaluation of investment securities	1,082	—
Impairment loss	—	3,819
Total extraordinary loss	1,082	3,819
Income before income taxes	50,211	133,932
Income taxes-current	9,940	23,765
Income taxes-deferred	110	5,651
Total income taxes	10,050	29,416
Net income	40,161	104,516
Profit attributable to non-controlling interests	9,763	17,341
Net income attributable to shareholders of parent	30,398	87,175



Consolidated Statements of Comprehensive Income

(million yen)

	Previous consolidated fiscal year (April 1, 2020 - December 31, 2020)	Current consolidated fiscal year (January 1, 2021 - December 31, 2021)
Net income	40,161	104,516
Other comprehensive income		
Valuation difference on available-for-sale securities	27,575	(6,947)
Deferred gains (losses) on hedges	(534)	1,337
Foreign currency translation adjustment	(7,211)	24,955
Share of other comprehensive income of entities accounted for using equity method	(2,922)	5,017
Total other comprehensive income (loss)	16,908	24,361
Comprehensive income	57,069	128,877
(Breakdown)		
Comprehensive income attributable to owners of the parent	50,282	106,447
Comprehensive income attributable to non-controlling interests	6,788	22,429

## (3) Consolidated Statements of Changes in Net Assets

Previous consolidated fiscal year (April 1, 2020 - December 31, 2020)

(million yen)

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

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

Current consolidated fiscal year (January 1, 2021 - December 31, 2021)

(million yen)

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

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	44,337	1,762	(11,098)	96	35,098	120	31,875	399,456
Changes during the period								
Issuance of new shares								34,518
Issuance of new shares (exercise of share acquisition rights)								3
Dividends from surplus								(10,950)
Net income attributable to shareholders of parent								87,175
Purchase of treasury stock								(21)
Change in stake of parent company related to transactions with non-controlling interests								(1,847)
Net changes in items other than shareholders' equity	(7,111)	1,640	24,797	(54)	19,273	(3)	12,486	31,755
Total changes during the period	(7,111)	1,640	24,797	(54)	19,273	(3)	12,486	140,633
Balance at the end of current period	37,226	3,403	13,699	42	54,370	116	44,361	540,089

## (4) Consolidated Statements of Cash Flows

(million yen)

	Previous consolidated fiscal year (April 1, 2020 - December 31, 2020)	Current consolidated fiscal year (January 1, 2021 - December 31, 2021)
Net cash provided by (used in) operating activities		
Income before income taxes	50,211	133,932
Depreciation and amortization	11,503	16,491
Impairment loss	–	3,819
Amortization of goodwill	1,055	2,110
Provision for (reversal of) doubtful accounts	7	(177)
Provision for (reversal of) employees' bonuses	3,305	4,599
Provision for (reversal of) directors' bonuses	(37)	59
Provision for (reversal of) warranties for completed construction	963	1,085
Provision for loss on business liquidation	368	(368)
Provision for (reversal of) directors' retirement benefits	(14)	(8)
Net defined benefit liability	(4,052)	(2,760)
Interest and dividends income	(1,468)	(2,068)
Interest expense	1,830	2,219
Equity in (earnings) losses of affiliates	(3,318)	(17,782)
Losses (gains) on devaluation of marketable securities and investment securities	1,082	–
Decrease (increase) in notes and accounts receivable-trade	(5,803)	(21,582)
Inventories	(10,951)	(67,205)
Other current assets	(3,710)	(14,893)
Notes and accounts payable-trade	1,106	46,023
Advances received	4,151	5,487
Advances received on uncompleted construction contracts	(2,564)	5,124
Accrued consumption taxes	1,478	3,332
Other current liabilities	6,907	(4,627)
Other	3,633	(419)
Subtotal	55,682	92,389
Interest and dividends income received	8,473	25,093
Interest paid	(1,880)	(2,310)
Income taxes paid	(15,435)	(23,596)
Net cash provided by (used in) operating activities	46,840	91,576

(million yen)

	Previous consolidated fiscal year (April 1, 2020 - December 31, 2020)	Current consolidated fiscal year (January 1, 2021 - December 31, 2021)
Net cash provided by (used in) investment activities		
Payments into time deposits	(288)	(5,230)
Proceeds from withdrawal of time deposits	2,259	538
Decrease (increase) in short-term loans receivable	645	(78)
Proceeds from sales and redemption of securities	544	204
Payments for purchases of property, plant and equipment	(25,390)	(20,614)
Proceeds from sales of property, plant and equipment	2,780	3,944
Payments for purchases of intangible assets	(2,487)	(3,664)
Payments for purchase of investment securities	(9,189)	(14,430)
Proceeds from sales and redemption of investment securities	267	3,312
Payments for transfer of business	(13,960)	(3,513)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	2,098
Payments of long-term loans payable	(1,524)	(2,207)
Repayments of long-term loans receivable	43	688
Other payments	(2,435)	(3,161)
Other proceeds	4,100	1,859
Net cash provided by (used in) investment activities	(44,635)	(40,254)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term debt	(13,806)	(1,399)
Net increase (decrease) in commercial paper	10,000	(10,000)
Repayments of finance lease obligations	(1,361)	(1,887)
Proceeds from long-term debt	41,616	52,447
Repayment of long-term debt	(23,631)	(54,174)
Redemption of bonds	–	(134)
Proceeds from issuance of shares	–	34,304
Proceeds from stock issuance to non-controlling interests	103	119
Cash dividends paid	(5,474)	(10,950)
Cash dividends paid to non-controlling interests	(7,694)	(11,580)
Payments for purchase of subsidiary shares not resulting in change in scope of consolidation	(5,491)	(2,578)
Net decrease (increase) in deposits with withdrawal and usage restrictions	(1,043)	(1,194)
Other proceeds	–	0
Other payments	(1)	(3)
Net cash provided by (used in) financing activities	(6,782)	(7,029)
Effect of exchange rate change on cash and cash equivalents	447	3,521
Net increase (decrease) in cash and cash equivalents	(4,129)	47,815
Cash and cash equivalents at the beginning of period	112,565	122,220
Net increase (decrease) in cash and cash equivalents resulting in change in scope of consolidation	615	–
Net increase (decrease) in cash and cash equivalents associated with change in fiscal year-end	13,170	–
Cash and cash equivalents at the end of period	122,220	170,035

(5) Notes to the Consolidated Financial Statements

(Notes related to the Assumption of a Going Concern)

Not applicable

(Segment Information)

1. Outline of Reporting Segments

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

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

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

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

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

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

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

Segment income figures are based on recurring income.

Intersegment transactions are priced in accordance with prevailing market prices.

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

Previous consolidated fiscal year (April 1, 2020 - December 31, 2020)

(million yen)

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

- Notes:
- 1 “Other” is business segments not included in the reporting segments. Such segments include private-pay elderly care/assisted living facilities business, insurance agency business, and civil engineering/construction work.
  - 2 Adjustments are as presented below.
    - (1) Adjusted sales to unaffiliated customers of ¥449 million are attributable to the administrative departments and comprised mainly of rent from Company landholdings.
    - (2) The adjusted business loss of ¥5,966 million includes ¥429 million in eliminated intersegment transactions, a ¥4,823 million actuarial gain associated with retirement benefit costs, a ¥6,422 million adjustment to reserves for bonus payment associated with the change in fiscal year-end, and ¥3,938 million in corporate losses which are not allocated to any of the reporting segments.  
Corporate income (loss) is primarily selling, general and administrative expenses, non-operating income or non-operating expenses not belonging to any reporting segments.
    - (3) The adjusted segment assets of ¥162,542 million include ¥8,986 million in eliminated intersegment transactions and ¥171,528 million in corporate assets which are not allocated to any reporting segment.  
Corporate assets are mainly unused funds after management (cash and deposits, securities, and short-term debt), long-term investments (investment securities) and assets used by administrative departments.
  - 3 Total segment income (loss) and segment assets are adjusted against recurring income and assets shown in the consolidated financial statements, respectively.
  - 4 The increase in depreciation expenses, property, plant and equipment and intangible assets includes long-term prepaid expenses and write offs associated with these expenses.

Current consolidated fiscal year (January 1, 2021 - December 31, 2021)

(million yen)

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

- Notes:
- 1 “Other” is business segments not included in the reporting segments. Such segments include private-pay elderly care/assisted living facilities business, insurance agency business, and civil engineering/construction work.
  - 2 Adjustments are as presented below.
    - (1) Adjusted sales to unaffiliated customers of ¥594 million are attributable to the administrative departments and comprised mainly of rent from Company landholdings.
    - (2) The adjusted business loss of ¥3,150 million includes ¥182 million in eliminated intersegment transactions, a ¥3,260 million actuarial loss associated with retirement benefit costs, and ¥6,227 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 ¥186,464 million include ¥11,671 million in eliminated intersegment transactions and ¥198,135 million in corporate assets which are not allocated to any reporting segment.  
Corporate assets are mainly unused funds after management (cash and deposits, securities, and short-term debt), long-term investments (investment securities) and assets used by administrative departments.
  - 3 Total segment income (loss) and segment assets are adjusted against recurring income and assets shown in the consolidated financial statements, respectively.
  - 4 The increase in depreciation expenses, property, plant and equipment and intangible assets includes long-term prepaid expenses and write offs associated with these expenses.



## (Per-Share Information)

	Previous consolidated fiscal year (April 1, 2020 - December 31, 2020)	Current consolidated fiscal year (January 1, 2021 - December 31, 2021)
Net assets per share	¥2,025.13	¥2,479.76
Net income per share	¥167.54	¥457.69
Net income per share fully diluted	¥163.34	¥446.69

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

	Previous consolidated fiscal year (December 31, 2020)	Current consolidated fiscal year (December 31, 2021)
Total net assets (million yen)	399,456	540,089
Breakdown of deductions from total net (million yen)	31,995	44,478
(Subscription rights to shares (million yen))	(120)	(116)
(Non-controlling interests (million yen))	(31,875)	(44,361)
Total net assets for common stock (million yen)	367,461	495,612
Number of common stocks issued (shares)	182,778,336	201,200,936
Number of treasury stocks (shares)	1,327,588	1,338,269
Number of common stocks used for calculation of net asset per share (shares)	181,450,748	199,862,667

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

	Previous consolidated fiscal year (April 1, 2020 - December 31, 2020)	Current consolidated fiscal year (January 1, 2021 - December 31, 2021)
Net income per share		
Profit attributable to owners of the parent (million yen)	30,398	87,175
Income not available to common stockholders (million yen)	–	–
Profit attributable to owners of the parent for common stock (million yen)	30,398	87,175
Weighted average number of shares issued (shares)	181,442,403	190,465,847
Net income per share fully diluted		
Adjusted profit attributable to owners of parent (million yen)	–	–
Common shares increase (shares)	4,662,581	4,689,918
(Convertible bonds with stock acquisition rights (shares))	(4,562,044)	(4,591,346)
(Stock acquisition rights (shares))	(100,537)	(98,572)
Overview of potentially dilutive common shares not included in computation of diluted net income per share because of their anti-dilutive effect	–	–

(Additional Information)

(Impact of COVID-19 on Accounting Estimates)

Based on the prolonged impact of the COVID-19 situation when preparing the consolidated financial statements for the fiscal year under review, we revised the business plan related to management of private-pay elderly care/assisted living facilities. As a result, an impairment loss was recorded for the business. It is very difficult to predict how COVID-19 will spread and when it will come to an end. Although there was a certain impact on the Group's business results in the current consolidated fiscal year, there has been no significant impact.

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

(Important Subsequent Events)

Not applicable