[TRANSLATION]

The following is an unofficial English translation of "Matters Available on the Website in relation to the Notice of Convocation of the 82nd Ordinary General Meeting of Shareholders" by Sumitomo Forestry Co., Ltd. ("Company"). The Company provides this English translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. The Japanese original is the sole official version and shall prevail in the event of any discrepancy between it and this English translation.

MATTERS AVAILABLE ON THE WEBSITE IN RELATION TO THE NOTICE OF CONVOCATION OF THE 82nd ORDINARY GENERAL MEETING OF SHAREHOLDERS

Consolidated Financial Statements

Non-Consolidated Financial Statements

(from January 1, 2021 to December 31, 2021)

Sumitomo Forestry Co., Ltd.

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended December 31, 2021

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	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 subscription rights to shares)	2	2			3
Dividends from surplus			(10,950)		(10,950)
Net income attributable to owners of parent			87,175		87,175
Purchase of treasury stock				(21)	(21)
Change in ownership interest of parent due 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					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	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 subscription rights to shares)								3
Dividends from surplus								(10,950)
Net income attributable to owners of parent								87,175
Purchase of treasury stock								(21)
Change in ownership interest of parent due 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Significant fundamental accounting policies for preparing consolidated financial statements

1. Scope of consolidation

There are 324 consolidated subsidiaries. The principal consolidated subsidiaries are Sumitomo Forestry Crest Co., Ltd., Sumitomo Forestry Wood Products Co., Ltd., Sumitomo Forestry Home Engineering Co., Ltd., Sumitomo Forestry Home Tech Co., Ltd., Sumitomo Forestry Landscaping Co., Ltd., Sumitomo Forestry Residential Co., Ltd., Henley Arch Unit Trust, Henley Arch Pty Ltd., Bloomfield Homes, L.P., Crescent Communities, LLC, DRB Enterprises, LLC, Edge Utah HoldCo, LLC, Gehan Homes, Ltd., MainVue Homes LLC and Mark III Properties, LLC.
Beginning the consolidated fiscal year under review, COHNAN KENSETSU INC., and 82 other companies, in which stakes were newly acquired, are included in the scope of consolidation.
On the other hand, Paragon Wood Product（Shanghai）Co., Ltd., and other 12 companies, which were consolidated subsidiaries in the previous consolidated fiscal year, are excluded from the scope of consolidation, due to the transfer of equity and liquidation.
Additionally, due to the reduction in equity, CRP/Crescent Harpeth Heights Venture, LLC, and other 12 companies, which were consolidated subsidiaries in the previous consolidated fiscal year, are excluded from the scope of consolidation, and has been included as equity-method affiliates.

2. Application of equity method

(1) There are 132 affiliates that are accounted for by the equity method. The principal equity-method affiliate is Kumagai Gumi Co., Ltd..
Beginning the consolidated fiscal year under review, HTSC Pearce LN LP and 31 other companies, in which stakes were newly acquired, are included as equity-method affiliates.
Additionally, due to the reduction in equity, CRP/Crescent Harpeth Heights Venture, LLC, and other 12 companies, which were consolidated subsidiaries in the previous consolidated fiscal year, are excluded from the scope of consolidation, and has been included as equity-method affiliates.
On the other hand, Beijing BBMG Decoration Engineering Co., Ltd., and 19 other companies which were equity-method affiliates in the previous consolidated fiscal year, are excluded from the scope of equity method application, due to transfer of equity and liquidation.

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

3. Accounting periods of consolidated subsidiaries

The settlement date for 6 domestic consolidated subsidiaries and 1 overseas consolidated subsidiary is March 31, so when preparing the consolidated financial statements for the consolidated fiscal year under review, the financial statements based on a provisional settlement of accounts conducted as of the consolidated settlement date were used. Additionally, the settlement date for other consolidated subsidiaries is the same as the consolidated settlement date.

4. Significant Accounting Policies

(1)Valuation standards and methods for important assets

a. Securities
Held-to-maturity securities
Amortized cost method (Straight-line method)

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

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

b. Derivatives
Market value method

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

(2)Method of depreciating significant assets

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

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

c. Leased assets
Leased assets in non-ownership-transfer finance lease transactions are depreciated down to a residual value of zero over their useful lives using the straight-line method.

(3)Standards for significant allowances

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

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

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

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

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

(4) Accounting process method of retirement benefits

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

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

(5) Standards for Revenue and Expenses

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

(6)Main hedge accounting methods

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

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

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

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

(7) Amortization method and period of goodwill

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

(8)Other important items for compiling consolidated financial statements

Consumption tax

National and regional consumption taxes are accounted for using the net-of-tax method.

Notes Regarding Changes in Presentation Method

(Accounting of "Accounting Standard for Disclosure of Accounting Estimates")

The "Accounting Standard for the Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) was applied from the consolidated financial statements as of the end of the fiscal year under review, and notes to significant accounting estimates are included in the consolidated financial statements.

Notes Regarding Significant Accounting Estimates

(Impairment of Non-Current Assets)

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

(Million yen)

	Current Consolidated Fiscal Year
Property, plant and equipment and intangible assets	204,854
Amount of impairment loss	3,819

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

① Calculation method

For assets or asset groups that have indicators of impairment, if the sum of the undiscounted future cash flows from such assets is less than the sum of the carrying amounts at the time of determination of impairment loss, an impairment loss is recorded equal to the difference between the carrying amounts at the time of determination of impairment loss and the recoverable amounts.

② Major assumptions used in the calculation of the amounts

The recoverable amount is requested to utilize the higher of the net selling price and value in use. The net selling price is calculated based on the estimated selling price or appraised value. The value in use is also required to be calculated using a number of estimates and assumptions, including future cash flows. Key assumptions used in the calculation of future cash flows are projections of net sales and operating income based on budgets approved by the Board of Directors and other bodies and medium-to long-term business plans, as well as the weighted average cost of capital.

③ Impact on the consolidated financial statements for the following fiscal year

If there is a change in the assumptions and assumptions underlying these estimates, the Company may be required to record additional impairment losses in the consolidated financial statements for the following fiscal year.

Notes to the consolidated balance sheet (Million yen)

1. Pledged assets and secured liabilities

(1) Pledged assets

Cash and time deposits	649
Notes and accounts receivable-trade	36
Accounts receivable from completed construction contracts	2,374
Cost on uncompleted construction contracts	334
Developed land and housing for sale	1,238
Real estate for sale in process	6,230
Accounts receivable-other	4
Buildings and structures	7,237
Machinery, equipment and vehicles	12,086
Land	2,803
Construction in progress	1,958
Investment securities	19,714
Other	3,678
Total	58,341

(2) Secured liabilities

Short-term loans payable	3,197
Commercial Papers	12
Corporate Bond	152
Long-term loans payable	15,126
Other	250
Total	18,737

2. Accumulated depreciation of property, plant and equipment 128,929

3. Guaranteed Liabilities etc.

Guarantee on loans, etc. from financial institutions

Purchasers with housing loans applied	28,516
Kanda Biomass Energy K.K.	19,155
Affiliates under Crescent Communities Group	17,188
Morinomiyako Biomass Energy G.K.	4,004
DRSFA, LLC	332
Kawasaki Biomass Electric Power Co., Ltd.	113
Total	69,307

4. Matured notes at the end of the fiscal year

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

Notes receivable	6,222
Notes payable	3,875

Notes to the consolidated statements of changes in net assets

1. The number of issued shares as of the end date of the consolidated fiscal year
   Ordinary shares 201,200,936

2. The number of treasury stock as of the end date of the consolidated fiscal year
   Ordinary shares 1,338,269

3. Items related to dividend

(1) Dividend payment

Resolution	Type of shares	Total amount of dividend (Million yen)	Dividend per share (Yen)	Base date	Effective date
Ordinary General Meeting of Shareholders on March 30, 2021	Ordinary shares	4,562	25.00	December 31, 2020	March 31, 2021
Board of Directors' Meeting on August 10, 2021	Ordinary shares	6,388	35.00	June 30, 2021	September 8, 2021

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

Resolution	Type of shares	Total amount of dividend (Million yen)	Source of dividend	Dividend per share (Yen)	Base date	Effective date
Ordinary General Meeting of Shareholders on March 29, 2022	Ordinary shares	9,041	Retained earnings	45.00	December 31, 2021	March 30, 2022

4. Type and number of shares subject to subscription rights to shares as of the last day of the consolidated fiscal year under review (excluding those for which the execution period has not yet come)
   Ordinary shares 4,719,726

Notes Regarding Financial Instruments

1. Matters regarding the status of financial instruments

(1) Policy for dealing with financial instruments

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

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

(2) Contents and risk of financial instruments

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

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

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

(3) Risk management system concerning financial instruments

a. Management of credit risk

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

b. Management of market risk

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

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

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

c. Management of liquidity risk concerning raising capital

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

(4) Supplemental explanation on market value of financial instruments

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

2. Matters regarding the fair values of financial instruments

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

(Million yen)

	Amount stated in consolidated balance sheets*1	Market value*1	Difference
(1) Cash and time deposits	139,957	139,957	–
(2) Notes and accounts receivable-trade	140,075	140,075	–
(3) Securities and investment securities			
a. Held-to-maturity securities	759	766	6
b. Affiliates shares	41,608	36,285	(5,323)
c. Other securities	80,809	80,809	–
Total assets	403,208	397,892	(5,316)
(1) Notes and accounts payable-trade	(134,065)	(134,065)	–
(2) Accounts payable for construction contracts	(98,165)	(98,165)	–
(3) Corporate bonds *2	(90,164)	(90,021)	(143)
(4) Long-term loans payable *3	(186,466)	(185,990)	(476)
Total liabilities	(508,859)	(508,241)	(618)
Derivatives transactions*4			
a. Hedge accounting not applied	62	62	–
b. Hedge accounting applied	5,115	5,115	–
Total derivatives	5,177	5,177	–

*1 Amounts stated under liabilities are shown in brackets.

*2 Amount of Corporate bonds include Commercial papers.

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

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

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

Assets

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

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

(3) Securities and investment securities

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

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

Liabilities

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

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

(3) Corporate bonds

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

(4) Long-term loans payable

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

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

Derivatives transactions

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

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

(Million yen)

	Carrying value
Unlisted shares	3,243
Shares of affiliates	58,320

These are not included in the amount of “(3) Securities and investment securities” because they have no market price, and it is considered to be very difficult to calculate their market values.

Notes Regarding Investment and Rental Property

1. Matters relating to the state of leasehold properties and other types of real estate
   The Company and some of its consolidated subsidiaries own rental houses, etc. in Japan and overseas (mainly in America).

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

(Million yen)

Amount stated in the consolidated balance sheets	Market value
28,509	27,834

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

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

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

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

Notes Regarding Per Share Information

	(Yen)
Net assets per share	2,479.76
Net income per share	457.69

Notes on Revenue Recognition

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

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

(1) Revenue from sale of goods

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

(2) Revenue from construction contracts

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

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

(3) Revenue from services and other sales

Revenue from services and other sales mainly includes commissions related to agency transactions for timber and building materials, commissions related to guarantee services for detached houses and condominiums, and commissions related to the management and brokerage of real estate.

Revenue from these transactions is recognized when the performance obligation is fulfilled when the contractual terms of the contracts are fulfilled. For transactions that satisfy the performance obligation over a certain period of time, revenue is recognized based on the degree of progress in fulfilling the performance obligation.

Notes Regarding Additional Information

(Effects of the COVID-19 on Accounting Estimates)

In the fiscal year under review, in light of the prolonged effect of COVID-19 , the Company reviewed its business plan for the operation of fee-based nursing homes and serviced elderly housing, and as a result recorded an impairment loss related to this business. Although it is extremely difficult to predict the future spread of COVID-19 and the timing of its convergence, there has been no significant effect for our group, although there was a certain effect on our results for the fiscal year under review.

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

NON-CONSOLIDATED FINANCIAL STATEMENTS

NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the year ended December 31, 2020

(Million yen)

	Shareholders' equity									
	Common stock	Capital surplus		Retained earnings					Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings					
					Reserve for special depreciation	Reserve for reduction entry	General reserve	Retained earnings brought forward		
Balance at the beginning of current period	32,803	31,743	259	2,857	6	1,715	154,294	14,116	(288)	237,505
Changes during the period										
Issuance of new shares	17,259	17,259								34,518
Issuance of new shares (Exercise of subscription rights to shares)	2	2								3
Reversal of reserve for special depreciation					(6)			6		–
Provision of general reserve							428	(428)		–
Dividends from surplus								(10,950)		(10,950)
Net income								6,969		6,969
Purchase of treasury stock									(3)	(3)
Net changes in items other than shareholders' equity										
Total changes during the period	17,261	17,261	–	–	(6)	–	428	(4,404)	(3)	30,537
Balance at the end of current period	50,064	49,004	259	2,857	–	1,715	154,722	9,712	(291)	268,043

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges		
Balance at the beginning of current period	44,650	1,944	120	284,219
Changes during the period				
Issuance of new shares				34,518
Issuance of new shares (Exercise of subscription rights to shares)				3
Reversal of reserve for special depreciation				–
Provision of general reserve				–
Dividends from surplus				(10,950)
Net income				6,969
Purchase of treasury stock				(3)
Net changes in items other than shareholders' equity	(7,005)	1,412	(3)	(5,596)
Total changes during the period	(7,005)	1,412	(3)	(24,941)
Balance at the end of current period	37,645	3,356	116	309,160

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Summary of significant accounting policies

1. Valuation standards and method for securities

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

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

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

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

2. Valuation standards and method for inventories

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

3. Method of depreciation of noncurrent assets

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

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

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

4. Standards for allowance

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

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

(3) Provision for directors' bonuses

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

(4) Provision for warranties for completed construction

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

(5) Provision for retirement benefits

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

a. Service period attribution method for projected retirement benefits

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

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

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

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

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

5. Standards for Revenue and Expenses

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

6. Hedge accounting methods

(1) Hedge accounting method

Deferred hedge accounting is adopted.

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

(2) Hedging policy

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

(3) Scope of hedging

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

(4) Method of evaluation for hedge effectiveness

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

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

Notes on Changes in Presentation Method

(Accounting of "Accounting Standard for Disclosure of Accounting Estimates")

The "Accounting Standard for the Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) has been applied from the financial statements as of the end of the fiscal year under review, and significant accounting estimates have been recorded in the financial statements.

Notes on Significant Accounting Estimates

Not applicable.

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

1. Pledged assets and liabilities for pledge

(1)Pledged assets

Investment securities	15,790
Stocks of subsidiaries and affiliates	3,204
Long-term loans receivable from subsidiaries and affiliates	122
Other	1,764
Total	20,880

(2)Liabilities for pledge

There are no liabilities corresponding to the pledged assets above.

2. Accumulated depreciation on property, plant and equipment	28,829
3. Accumulated advanced depreciation on property, plant and equipment	1,332

4. Guaranteed liabilities

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

Kanda Biomass Energy K.K.	19,155
Sumitomo Forestry America, Inc.	16,925
Morinomiyako Biomass Energy G.K.	4,004
Sumitomo Forestry (Singapore) Ltd.	2,793
Hachinohe Biomass Electric Power Co., Ltd.	2,199
PT. Kutai Timber Indonesia	1,610
Vina Eco Board Co., Ltd.	1,153
Michinoku Bio Energy Co., Ltd.	119
PT. AST Indonesia	115
Kawasaki Biomass Electric Power Co., Ltd.	113
Sumikyo Co., Ltd.	50
Sumikyo Wintec Co., Ltd.	9
PT. Sumitomo Forestry Indonesia	4
Total	48,247

(2) Guarantee on other loans from financial institutions

Purchasers with housing loans applied	27,757

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

Short-term monetary receivable	42,833
Short-term monetary payable	78,641
Long-term monetary payable	1,575

6. Matured notes at the end of the fiscal year

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

Notes receivable	5,824
Notes payable	3,655

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

Transactions with subsidiaries and affiliates	
Net sales	14,589
Purchase of goods	130,991
Non-operating income	
Interest income	155
Dividends income	6,654
Other	191
Non-operating expenses	122

Notes to non-consolidated statements of changes in net assets

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

Ordinary shares	288,374

Notes to tax effect accounting (Million yen)

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

Deferred tax assets	
Allowance for doubtful accounts	2,998
Provision for bonuses	2,372
Loss on devaluation of developed land and housing for sale etc.	162
Provision for retirement benefit	1,800
Provision for loss on business of subsidiaries and affiliates	697
Loss on devaluation of securities of subsidiaries and affiliates	6,670
Loss on devaluation of investment securities and golf club membership	1,300
Provision for warranties for completed construction	559
Other	8,677
Subtotal deferred tax assets	25,235
Valuation reserve	(12,275)
Total deferred tax assets	12,959
Deferred tax liabilities	
Reserve for advanced depreciation on noncurrent assets	757
Gain on contribution of securities to retirement benefit trust	1,168
Valuation difference on available-for-sale securities	16,338
Other	3,726
Total deferred tax liabilities	21,988
Deferred tax liabilities in net	(9,029)

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

Statutory effective tax rate	30.6%
(Adjustment)	
Non-deductible expenses such as entertainment expense	3.1%
Non-taxable income such as dividends received	(20.7)%
Inhabitants' tax-per capita levy	2.2%
Valuation allowance	10.7%
Other	0.6%
Effective rate of corporate and other income taxes after application of tax effect accounting	26.5%

Notes to related party transactions

1. Subsidiaries and affiliates, etc.

(Million yen)

Type	Name of company	Share of voting rights owned by the Company	Relationship	Transaction description	Transaction amount (* 4)	Accounting item	Year-End balance (* 4)
Subsidiary	Sumitomo Forestry Home Engineering Co., Ltd.	Direct 100.0%	Supply of paid materials Construction of ordered housing Interlock of officers	Construction of housing ordered by the Company (* 1)	86,847	Accounts receivable-other Accounts payable for construction contracts	27,026 28,338
Subsidiary	Sumitomo Forestry Home Tech Co., Ltd.	Direct 100.0%	After maintenance of housing Interlock of officers	Deposit of surplus fund to the Company (* 2)	-	Deposits received	16,351
Subsidiary	Sumitomo Forestry America, Inc.	Direct 100.0%	Interlock of officers	Subscription of capital increase Debt guarantee (* 3)	10,002 16,925	-	-
Affiliate	Kanda Biomass Energy K.K.	Direct 41.5%	Interlock of officers	Debt guarantee (* 3)	19,155	-	-

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

2. Officers and individual shareholders, etc.

(Million yen)

Type	Name	Share of voting rights	Relationship	Transaction description	Transaction amount (* 2)	Item	Year-End balance
Officer's close relatives	Close relatives of Akira Ichikawa	-	Contracting for housing construction	Contracting for housing construction (* 1)	38	-	-

(*1) The policy for determining the terms and conditions of transactions is determined in the same manner as the general terms and conditions of transactions.
(*2) Consumption tax, etc. are not included in the transaction amount.

Notes to per-share information

	(Yen)
Net assets per share	1,538.20
Net income per share	36.39

Notes on Revenue Recognition

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

Notes on Additional Information

(Effects of the COVID-19 on Accounting Estimates)

Although it is extremely difficult to predict the future spread of COVID-19 and the timing of its convergence, we have not experienced any material effect, although there was some effect on our results for the fiscal year under review.

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