[TRANSLATION]

The following is an unofficial English translation of "The 84th Ordinary General Meeting of Shareholders Other Matters Related to Electronic Provision Measures (Matters Omitted from the Delivery Document)" by Sumitomo Forestry Co., Ltd. ("Company"). The Company provides this English translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. The Japanese original is the sole official version and shall prevail in the event of any discrepancy between it and this English translation.

The 84th Ordinary General Meeting of Shareholders Other Matters Related to Electronic Provision Measures (Matters Omitted from the Delivery Document)

Business Report

Consolidated Financial Statements

Non-consolidated Financial Statements

(January 1, 2023, to December 31, 2023)

Sumitomo Forestry Co., Ltd.

Matters concerning shock acquisition rights and other of the Company

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

Name	Allotment date	Number of share acquisition rights	Type and number of shares to be issued	Issue price	Exercise price	Exercise date	Number of people holding
Sumitomo Forestry Co., Ltd. 2015 Stock Acquisition Rights (Stock-based Compensation Type)	August 20, 2015	80	Common stock of the Company 8,000 shares	¥1,233/share	¥1/share	August 21, 2015, to August 20, 2035	2 (excluding outside directors)
Sumitomo Forestry Co., Ltd. 2016 Stock Acquisition Rights (Stock-based Compensation Type)	August 19, 2016	127	Common stock of the Company 12,700 shares	¥1,092/share	¥1/share	August 20, 2016, to August 19, 2036	5 (excluding outside directors)
Sumitomo Forestry Co., Ltd. 2017 Stock Acquisition Rights (Stock-based Compensation Type)	August 18, 2017	111	Common stock of the Company 11,100 shares	¥1,256/share	¥1/share	August 19, 2017, to August 18, 2037	4 (excluding outside directors)

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

(2) Stock acquisition rights held by audit & supervisory board members as of the end of the fiscal year

Name	Allotment date	Number of share acquisition rights	Type and number of shares to be issued	Issue price	Exercise price	Exercise date	Number of people holding
Sumitomo Forestry Co., Ltd. 2017 Stock Acquisition Rights (Stock-based Compensation Type)	August 18, 2017	24	Common stock of the Company 2,400 shares	¥1,256/share	¥1/share	August 19, 2017, to August 18, 2037	1 (excluding outside audit & supervisory board bembers)

(Note) Stock acquisition rights held by an audit & supervisory board member are those allotted during their tenure as a director.

Matters concerning Accounting Auditor

(1) Name of the Accounting Auditor

Ernst & Young ShinNihon LLC

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

	Item	Amount paid
i.	Amount of remuneration and other to be paid by the Company to the Accounting Auditor for services related to Article 2, Paragraph 1 a of the Certified Public Accountants Act (auditing or certification services)	¥ million 117
ii.	Total amount of money and other financial benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	151

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

2. In the audit contract between the Company and the Accounting Auditor, the amount of remuneration for the audit based on the Companies Act and for the audit based on the Financial Instruments and Exchange Act are not and cannot be separated practically. Hence, the amount in item ① indicates the sum of these amounts.

3. Of the Company’s major subsidiaries, Henley Arch Unit Trust, Bloomfield Homes, L.P., Brightland Homes, Ltd., Crescent Communities, LLC, DRB Enterprises, LLC, Edge Utah HoldCo, LLC, Ltd., MainVue Homes LLC, and Mark III Properties, LLC are audited by auditors other than the Company’s Accounting Auditors.

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

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

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

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

＜The system to ensure the appropriateness of business operations＞

(1) Basic Policy for Execution of Duties

i. Since its establishment in the Genroku Era (1688-1704), the Sumitomo Business Spirit, as exemplified by such phrases as "placing prime importance on integrity and sound management" and "under no circumstances shall Sumitomo pursue easy gains or act imprudently," has been the core of our management. We have inherited the philosophy of "national gratitude" where we aim to be a corporate entity that is truly essential to nations and society, and our business stance to create "sustainable forestry" where we nurture and manage forests continuously in an environmentally conscious manner. With these backgrounds, the Company has adopted the management philosophy of "The Sumitomo Forestry Group utilizes wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society. All our efforts are based on Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society." To realize these goals, the following five Action Guidelines have been set:
- ・We provide high-quality products and services that bring joy to our customers.
- ・We create new jobs that lead to happiness for generations to come with a fresh perspective.
- ・We promote a free and open corporate culture that respects diversity.
- ・We set and strive to achieve ambitious goals through ongoing effort.
- ・We do work that wins us the trust of society with fair and honest conduct.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

i. The Company's representative directors and directors, upon discussion with the audit & supervisory board members, may assign appropriate personnel as support staff to the audit & supervisory board members, and in the event of a transfer, assessment or disciplinary action of such personnel, will seek the approval of the audit & supervisory board members.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Risk Management and Compliance System

i. The Company conduct the Risk Management Committee meets once every three months, elects priority management risks after analyzing and evaluating the content of risks identified by each department and hare and discuss the status of progress management of the response plans formulated for its priority risks. Under the Risk Management Committee, the Company has the Compliance Subcommittee and the Business Continuity Management (BCM) Subcommittee, which enhance the effectiveness of risk management pertaining to Group-wide compliance risks and business interruption risks. The details of these activities are reported to the Board of Directors, and the findings are reflected in the execution of business, such as by the performance of management reviews. During the current fiscal year, the Risk Management Committee met four times, the Compliance Subcommittee met twice, and the BCM Subcommittee met twice, and reports to the Board of Directors were made four times.

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

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

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

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

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

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

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

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

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

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

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

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

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

(Figures in the above Business Report that are less than the indicated unit have been rounded off unless otherwise noted.)

Consolidated Financial Statements

Consolidated Statements of Changes in Net Assets (January 1, 2023 to December 31, 2023)

(Unit: million yen)

	Shareholders' equity					Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Capital Stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the current period	50,074	31,493	447,216	△2,465	526,318	36,926	3,775	60,443	49	101,192	96	54,948	682,554
Changes during the consolidated period													
Issuance of new shares (exercise of share acquisition rights)	5,014	5,014			10,028								10,028
Dividends of surplus			△25,398		△25,398								△25,398
Net income attributable to shareholders of parent			102,479		102,479								102,479
Purchase of treasury shares				△52	△52								△52
Disposal of treasury stock					—								—
Changes in ownership interest of parent due to transactions with non-controlling interests		24			24								24
Changes in items other than shareholders' equity (net amount)						275	2,037	37,516	△3	39,825	△22	13,859	53,662
Total changes during the consolidated period	5,014	5,038	77,080	△52	87,080	275	2,037	37,516	△3	39,825	△22	13,859	140,742
Balance at the end of the current period	55,088	36,530	524,297	△2,517	613,398	37,201	5,812	97,960	45	141,018	74	68,807	823,296

Notes to The Consolidated Financial Statements

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

1. Scope of consolidation

There are 376 consolidated subsidiaries. The major consolidated subsidiaries are Sumitomo Forestry Wood Products Co., Ltd., Sumitomo Forestry Home Engineering Co., Ltd., Sumitomo Forestry Home Tech Co., Ltd., Sumitomo Forestry Residential Co., Ltd., Henley Arch Unit Trust, Henley Arch Pty Ltd., Bloomfield Homes, L.P., Brightland Homes, Ltd., Crescent Communities, LLC, DRB Enterprises, LLC, Edge Utah HoldCo, LLC, MainVue Homes LLC and Mark III Properties, LLC.

Beginning the consolidated fiscal year under review, SI HoldCo, LLC, and 63 other companies, whose shares were newly acquired, are included in the scope of consolidation. Additionally, DDDRB Investments, LLC, which was equity-method affiliates in the previous consolidated fiscal year, is excluded from the scope of equity-method affiliates and has been included in the scope of consolidation due to the increase in shares.
On the other hand, CJ Kaihatsu, LLC and 35 other companies, which were consolidated subsidiaries in the previous consolidated fiscal year, are excluded from the scope of consolidation, due to the sale of shares or the completion of liquidation. Additionally, CC Elizabeth on Seventh, LLC, which was consolidated subsidiaries in the previous consolidated fiscal year, is excluded from the scope of consolidation and has been included as equity-method affiliates due to the reduction in shares.

2. Accounting periods of consolidated subsidiaries

The settlement date for 5 domestic consolidated subsidiaries and 1 overseas consolidated subsidiary is March 31, so when preparing the consolidated financial statements for the consolidated fiscal year under review, the financial statements based on a provisional settlement of accounts conducted as of the consolidated settlement date were used. Additionally, the settlement date for other consolidated subsidiaries is the same as the consolidated settlement date.

3. Application of equity method

(1) There are 176 affiliates that are accounted for by the equity method. The major equity-method affiliate is Kumagai Gumi Co., Ltd.
Beginning the consolidated fiscal year under review, NeXT FOREST Corporation and 28 other companies, in which were newly established, are included as equity-method affiliates.
Additionally, CC Elizabeth on Seventh, LLC , which was consolidated subsidiaries in the previous consolidated fiscal year, is excluded from the scope of consolidation and has been included as equity-method affiliates due to the reduction in shares.
On the other hand, Lost River, LLC and 16 other companies, which were equity-method affiliates in the previous consolidated fiscal year, are excluded from the scope of equity method application, due to the sale of shares or the completion of liquidation.
Additionally, DDDRB Investments, LLC, which was equity-method affiliates in the previous consolidated fiscal year, is excluded from the scope of equity-method affiliates and has been included in the scope of consolidation due to the increase in shares.

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

4. Significant Accounting Policies

(1) Valuation standards and methods for important assets

i. Securities

Held-to-maturity securities

Amortized cost method (Straight-line method)

Other securities:

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

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.)

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

Cost method based on the moving-average method

ii. Derivatives

Market value method

iii. Inventories

Merchandise, finished goods, work in progress, raw materials and supplies are stated at cost, which is mainly determined by the moving average method. Costs on uncompleted construction works, real estate for sale, and real estate for sale in process are stated at cost, determined by the specific cost method. The balance sheet amount is calculated using the book value devaluation method in accordance with a decline in profitability.

(2) Method of depreciating significant assets

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

The Company and domestic consolidated subsidiaries primarily use the fixed-percentage method. 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. Overseas consolidated subsidiaries primarily use the straight-line method.

ii. intangible assets (excluding leased assets)

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

iii. Leased assets

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

(3) Accounting standards for significant allowances

i. Allowance for doubtful accounts

To prepare for possible losses from bad debts, the estimated recoverable amounts are recorded based on historical default ratios for general claims and based on individual recoverability for specific claims, including doubtful accounts.

ii. Provision for bonuses

To prepare for bonus payments to employees, the estimated amount of bonus payments to be borne by the Company in the current fiscal year is recorded.

iii. Provision for director bonuses

To prepare for bonus payments to directors, the estimated amount of bonus payments to be borne by the Company in the current fiscal year is recorded.

iv. Provision for warranties for completed construction

To prepare for repair costs that may be required on completed construction, a provision is recorded based on historical costs and future estimates.

v. Provision for directors’ retirement benefits

To prepare for retirement benefits to directors, at certain consolidated subsidiaries, the amount to be paid at the end of the period is recorded in accordance with internal regulations.

(4) Accounting process method of retirement benefits

i. Attribution period method for projected retirement benefits

When calculating retirement benefit obligations, the method of attributing projected retirement benefits to the period up to the end of the consolidated fiscal year under review is used according to the benefit formula standard.

ii. 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) Basis for recording revenues and expenses

The main performance obligations of our primary businesses related to revenue from contracts with the Group’s customers and the usual time in which these performance obligations are satisfied (the usual time in which revenue is recognized) are as follows.

i. Sales of products

The Timber and Building Materials Business and the Environment and Resources Business are involved in the sale of timber and building materials, and the Housing Business and the Global Housing, Construction and Real Estate Business conduct mainly house sales. For these sales, revenue is recognized at the time of delivery to the customer when legal ownership, physical possession, significant risks associated with the ownership of the goods and economic value are transferred, and the right to receive payment is confirmed.

In mainly the Timber and Building Materials Business, for transactions in which the Group provides goods to customers as a sales agent, the Group recognizes revenue as the net amount of the compensation received from the customer, minus the amount paid to the supplier of the goods and other items. Compensation for the transaction is received promptly after delivery. Because the time between the fulfillment of the performance obligation and receipt of the compensation is usually less than 1 year, it is not a significant financial factor.

ii. Construction contracts and other

The Housing Business and Global Housing, Construction and Real Estate Business are contracted for the construction of single-family homes and apartment buildings. For these construction and other contracts, revenue is recognized over a specific period of time as performance obligations are fulfilled, the asset is created, and the customer gains control over said asset. Furthermore, the method for estimating the rate of progress as related to the fulfillment of performance obligations is primarily based on the input method based on costs incurred.

However, for construction contracts with a very short period from the date the contract commences to the date performance obligations are due, revenue is not recognized for a certain period of time. Instead, revenue is recognized at the time of delivery when it is deemed that the performance obligation has been fulfilled.

Compensation for transactions is generally received in stages according to the progress of the performance obligation in accordance with the terms of the contract. Because the time between the fulfillment of the performance obligation and receipt of the compensation is usually less than 1 year, it is not a significant financial factor.

(6) Important hedge accounting methods

i. Hedge accounting method

The deferral hedge accounting method is applied. The allocation method is applied to foreign hedging transactions, etc. The exceptional method is used for interest rate swaps if they satisfy the requirements for the exceptional method.

ii. Hedge method

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.

iii. Hedge scope

In accordance with policies stipulated in the management regulations, some foreign exchange transactions, including planned transactions, and borrowings exposed to interest rate risks are hedged.

iv. Hedge effectiveness evaluation method

Foreign exchange forward contracts and foreign currency swaps are recognized to be highly effective hedging instruments, and hence, an evaluation of their effectiveness has been omitted. An evaluation of the effectiveness of the exceptional accounting method for interest rate swaps has been 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, goodwill that is insignificant in amount is amortized in the year in which it is incurred.

Notes on Changes in Accounting Policies

The Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) is applied from the beginning of the current fiscal year, and in accordance with the transitional treatment as prescribed in section 27-2 of the Implementation Guidance on Accounting Standard for Fair Value, the new accounting policies prescribed by the Implementation Guidance on Accounting Standard for Fair Value will be applied in the future. This has no impact on the consolidated financial statements.

Notes regarding Significant Accounting Estimates

Recoverability of deferred tax assets

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

(Unit: million yen)

	Current consolidated fiscal year
Deferred tax asset (after offsetting)	8,312
Deferred tax liabilities (after offsetting)	34,612

(2) Information regarding significant accounting estimates for identified items

i. Calculation method

Deferred tax assets are recorded for future taxable income based on future benefit plans that provide sufficient assurance of recoverability as determined by an assessment of future deductible temporary differences. Estimates of future taxable income are based on budgets and medium- to long-term business plans approved by the Board of Directors, etc

ii. Key assumptions used in the calculation of amounts

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

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

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

Notes to the Consolidated Balance Sheet

1. Balance of contract assets and contract liabilities

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

2. Pledged assets and secured liabilities

(1) Pledged assets

Cash and deposits	2,708	(Unit: million yen)
Notes and accounts receivable-trade	1,260	
Accounts receivable from completed construction contracts and contract assets	7,073	
Costs on construction contracts in progress	1,097	
Real estate for sale	24,227	
Real estate for sale in process	26,353	
Accounts receivable-other	469	
Buildings and structures	12,319	
Machinery, equipment and vehicles	9,871	
Land	8,937	
Construction in progress	4,039	
Investment securities	27,816	
Other	6,570	
Total	132,738	

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

Subsidiary shares	6	(Unit: million yen)
Affiliate borrowings	5,450	

(2) Secured liabilities

Short-term borrowings	5,427	(Unit: Million Yen)
Corporate bonds redeemable within 1 year	12	
Contract Liabilities	109	
Bonds payable	128	
Long-term borrowings	21,295	
Total	26,972	

3. Cumulative depreciation of property, plant and equipment	157,600	(Unit: Million Yen)

4. Guaranteed liabilities, etc.

Guarantee on loans, etc. from financial institutions

Crescent Communities Group affiliates	38,383	(Unit: Million Yen)
Purchasers with housing loans applied	25,921	
Kanda Biomass Energy K.K.	14,474	
Paradise 11 Limited	1,068	
Morinomiyako Biomass Energy G.K.	345	
Kawasaki Biomass Electric Power Co., Ltd.	164	
Total	80,355	

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

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

Notes receivable	1,576	(Unit: Million Yen)
Electronically recorded monetary claims	4,003	
Notes payable	14	
Electronically recorded payables	3,760	

Notes to the Consolidated Statements of Changes in Net Assets

1. The number of issued shares as of the end date of the consolidated fiscal year
   Ordinary shares 206,058,468 (unit:shares)

2. The number of treasury stock as of the end date of the consolidated fiscal year
   Ordinary shares 1,416,107 (unit:shares)

3. Items related to dividends

(1) Dividend payment

Resolution	Share type	Total dividends (million yen)	Per share dividends (yen)	Base date	Effective date
March 30, 2023, Ordinary General Meeting of Shareholders	Ordinary shares	13,060	65.00	December 31, 2022	March 31, 2023
August 8, 2023, Board of Directors' meeting	Ordinary shares	12,338	60.00	June 30, 2023	September 12, 2023

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

The following are due to be resolved

Resolution	Share type	Total dividends (million yen)	Dividend source	Per share dividends (yen)	Base date	Effective date
March 28, 2024, Ordinary General Meeting of Shareholders	Ordinary shares	13,375	Retained earnings	65.00	December 31, 2023	March 29, 2024

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 62,300 (unit:shares)

Notes regarding Financial Instruments

1. Matters regarding the status of financial instruments

(1) Policy for financial instruments

The Company and its consolidated subsidiaries ("Group") invest temporary surplus funds in highly safe and secure financial instruments, and use bank loans and bond issues as the primary means of raising capital.
Derivative transactions are used to hedge exchange fluctuation risks of foreign currency denominated transactions and interest rate fluctuation risks of loans payable, not for speculative purposes.

(2) Details and risk of financial instruments

Operating receivables, notes and accounts receivable-trade, electronically recorded monetary claims and accounts receivable-other are exposed to customer credit risks. Short-term loans are primarily repurchase agreement transactions for investment of short-term funds with financial institutions that have a credit rating above a certain level, thus the credit risk is minor. Securities are primarily negotiable certificates of deposit subject to settlement in the short term. Investment securities are primarily held-to-maturity bonds and shares related to our business, and they are exposed to market price fluctuation risks.
Most operating payables, such as notes and accounts payable, electronically recorded payables and construction accounts payables, are due and payable within one year.
Borrowings and corporate bonds are mainly used to procure funds for working capital and capital investments. To hedge interest rate fluctuation risks, the company uses derivative transactions (interest rate swaps) for some borrowings with floating interest rates.
Derivative transactions represent forward exchange contracts and currency swaps to hedge foreign currency exchange rate fluctuation risks, and interest swaps to hedge interest rate fluctuation risks.

(3) Risk management for financial instruments

i. Management of credit risk (risks related to the nonperformance of counterparties)

In accordance with the Group’s credit management guidelines, the Company reviews due dates and outstanding balances by corporate customers, and also monitors their credit standing at least once a year.

ii. Management of market risk (fluctuation risk of currency rates, interest rates, etc.)

For investment securities, the Company regularly monitors the market value and financial conditions and other aspects of the issuers (corporate customers), and for except for held-to-maturity bonds, the Company constantly reviews its holdings in consideration of market conditions and its relationships with issuers.

The execution and management of derivative transactions are conducted by the relevant department of each company, within the prescribed limit and in accordance with certain rules outlined in the internal regulations, and the implementation status is regularly reported to the Board of Directors. Additionally, these transactions are diversified and conducted with domestic and overseas financial institutions with high credit; hence, the default risk is considered to be extremely low.

iii. Management of liquidity risk concerning capital procurement (risk of failure to make payments when due)

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

(4) Supplemental explanation on the market value of financial instruments

Given that variable factors are incorporated into calculations of the fair values of financial instruments, such values are subject to change with the adoption of different assumptions and other factors.

2. Matters regarding the fair value of financial instruments

Consolidated balance sheet amounts, market values, and the differences between them are as follows.

（Unit: million yen）

	Amount stated in consolidated balance sheets*1	Market value*1	Difference
(1) Marketable securities and investment securities*3			
i Held-to-maturity securities	279	266	△13
ii Affiliates shares	43,838	40,252	△3,587
iii Other securities	76,873	76,873	—
Total assets	120,990	117,390	△3,600
(1) Corporate bonds*4	(90,204)	(87,991)	△2,213
(2) Long-term loans payable*5	(258,511)	(256,008)	△2,503
Total liabilities	(348,715)	(343,998)	△4,716
Derivative transactions*6			
i Hedge accounting not applied	220	220	—
ii Hedge accounting applied	6,482	6,482	—
Total derivatives	6,703	6,703	—

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

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

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

(Unit: Million Yen)

Classification	Current consolidated fiscal year
Unlisted shares	4,092
Affiliate shares	104,752

These include investments in partnerships and other similar business entities that record the net amount equivalent to equity interest in the consolidated balance sheet (Carrying amounts in balance sheet: 4,435 million yen).

*4 Amount of corporate bonds Includes corporate bonds redeemable within 1 year.
*5 Amount of long-term loan payables includes long-term loans payable due within 1 year.
*6 Assets and liabilities from derivative transactions are shown in the net amount. If the total is a negative figure, the amount is show in parentheses ().

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

The fair values of financial instruments are classified into the following three levels based on the observability and materiality of the input used to calculate fair values.
Level 1: Among the input used to calculate observable fair values, fair values are calculated based on the quoted market prices for the assets or liabilities in an active market.
Level 2: Among the input used to calculate observable fair values, fair values are calculated using input other than Level 1 input.
Level 3: Fair values calculated using input that is not observable.
When multiple forms of input having significant impact on the calculation of fair values are used, fair values are classified at the lowest level of input used to calculate fair values.

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

(Unit: Million Yen)

Classification	Fair values			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Other marketable securities				
Stocks	76,873	—	—	76,873
Derivative transactions				
Currency related	—	6,889	—	6,889
Total assets	76,873	6,889	—	83,761
Derivative transactions				
Currency related	—	185	—	185
Interest related	—	1	—	1
Total liabilities	—	186	—	186

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

(Unit: Million Yen)

Classification	Fair values			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Held-to-maturity debt securities				
Government bonds, municipal bonds, etc.	226	—	—	226
Affiliate shares	40,252	—	—	40,252
Total assets	40,517	—	—	40,517
Bonds payable	—	87,991	—	87,991
Long-term borrowings	—	256,008	—	256,008
Total liabilities	—	343,998	—	343,998

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

Marketable securities and investment securities

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

Derivative transactions

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

Corporate bonds

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

Long-term borrowings

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

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

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

Notes regarding Investment and Rental Property

1. Matters related to leased and other real estate

   The Company and some of its consolidated subsidiaries own rental houses, etc. in areas like Tokyo, and overseas (primarily the United States).

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

(Unit: million yen)

Consolidated balance sheet amount	Market value
44,125	42,949

(Note)

1. The amount stated on the consolidated balance sheet is the acquisition cost less the accumulated depreciation.
2. The market value at the end of the term is figures used for major real estate in Japan are based on appraisal values by real estate appraisers, and for other real estate (including overseas), are based on indices deemed to appropriately reflect market prices.

Notes regarding Per Share Information

Net assets per share	¥3,686.51
Net income per share	¥505.53

Notes regarding Revenue Recognition

1. Breakdown information about revenue arising from contracts with customers

(Unit: Million Yen)

		Major regional markets (Note) 1	Current consolidated fiscal year
Reporting segment	Timber and Building Materials Business	Japan	164,680
		Other	49,223
		Subtotal	213,903
	Housing Business	Japan	505,157
	Global Housing, Construction and Real Estate Business	USA	774,370
		Australia	147,823
		Other	24,513
		Subtotal	946,705
	Environment and Resources Business	Japan	15,250
		China	3,385
		Indonesia	2,387
		New Zealand	1,838
		Other	622
		Subtotal	23,482
Other		Japan	10,055
Revenue from contracts with customers			1,699,303
Other revenue (Note) 2			33,867
Sales to external customers			1,733,169

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

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

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

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

(Unit: Million Yen)

Classification	Beginning of current fiscal year	End of current fiscal year
Liabilities arising from contracts with customers	162,335	155,022
Contract assets (Note) 1	50,073	54,408
Contract liabilities (Note) 2	80,095	86,916

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

2. Contract liabilities are primarily advances received from customers for construction contracts, real estate transactions, etc. Performance obligations are fulfilled in line with the level of progress in construction and services provided, and contract liabilities are transferred as revenues. Furthermore, the balance of contract liabilities at the beginning of the consolidated fiscal year out of the amount of revenue recognized in the current consolidated fiscal year is 56,924 million yen. Changes in the balances of contract assets and contract liabilities and the amount of revenue recognized from performance obligations that were fulfilled in prior periods were not material in the current fiscal year.

(2) Transaction prices allocated to remaining performance obligations

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

Non-consolidated Financial Statements

Non-consolidated Statements of Changes in Net Assets (January 1, 2023, to December 31, 2023)

(Unit: million yen)

	Shareholders' equity									Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Capital stock	Capital surplus		Retained earnings				Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges		
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings								
					Reserve for reduction entry	General reserve	Retained earnings brought forward						
Balance at the beginning of the current period	50,074	49,014	259	2,857	1,715	139,319	7,311	△293	250,257	37,265	3,412	96	291,030
Changes during the period													
Issuance of new shares (exercise of subscription rights to shares)	5,014	5,014							10,028				10,028
Reversal of general reserve						△30,866	30,866		—				—
Dividends from surplus							△25,398		△25,398				△25,398
Net income							39,688		39,688				39,688
Purchase of treasury stock								△4	△4				△4
Disposal of treasury stock									—				—
Net changes in items other than shareholders' equity (net amount)										187	961	△22	1,126
Total changes during the period	5,014	5,014	—	—	—	△30,866	45,156	△4	24,313	187	961	△22	25,440
Balance at end of current period	55,088	54,028	259	2,857	1,715	108,453	52,467	△297	274,571	37,452	4,373	74	316,470

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:
Items other than stocks, etc. for which market quotations are not readily available
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.)
Stocks, etc. for which market quotations are not readily available
Cost method based on the moving-average method

2. Valuation standards and method for inventories
Merchandise is stated at cost determined by the moving average method. Costs of uncompleted construction contracts, real estate for sale, and real estate for sale in process are stated at cost determined by the specific cost method. Balance sheet values are calculated using the method of book value devaluation based on a decline in profitability.

3. Method of depreciation and amortization of non-current assets
(1) Property, plant and equipment (excluding leased 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.
(2) Intangible assets (excluding leased assets)
The straight-line method is used. Software for internal use is amortized using the straight-line method over the estimated useful life (5 years)
(3) Leased assets
Finance leases that do not transfer ownership of the leased assets are depreciated using the straight-line method, with the lease period being the useful life and the residual value being zero.

4. Standards for allowance
(1) Allowance for doubtful accounts
To prepare for possible losses from bad debts, the estimated recoverable amounts are recorded based on historical default ratios for general claims and based on individual recoverability for specific claims, including doubtful accounts.
(2) Provision for bonuses
To prepare for bonus payments to employees, the estimated amount of bonus payments to be borne by the Company in the current fiscal year is recorded.
(3) Provision for director bonuses
To prepare for bonus payments to directors, the estimated amount of bonus payments to be borne by the Company in the current fiscal year is recorded.
(4) Provision for warranties for completed construction
To prepare for repair costs that may be required on completed construction, a provision is recorded based on historical costs and future estimates.
(5) Provision for retirement benefits
To prepare for retirement benefits to employees, the Company records the amount to be paid based on projected benefit obligations and pensions assets at the end of the current fiscal year. If the estimated amount of pension assets exceeds the estimated amount of retirement benefit obligations at the end of the fiscal year, the excess amount is recorded as prepaid pension cost.
i. Attribution period method for projected retirement benefits
When calculating retirement benefit obligations, the method of attributing projected retirement benefits to the period up to the end of the consolidated fiscal year under review is used according to the benefit formula standard.
ii. 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.

(6) Allowance for subsidiary and affiliate business losses

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

5. Basis for recording revenues and expenses

The main performance obligations of our primary businesses related to revenue from contracts with the Company's customers and the usual time in which these performance obligations are satisfied (the usual time revenue is recognized) are as follows.

i. Sales of products

The Timber and Building Materials Business is involved in the sale of timber and building materials, and the Housing Business conducts mainly house sales. For these sales, revenue is recognized at the time of delivery to the customer when legal ownership, physical possession, significant risks associated with the ownership of the goods and economic value are transferred and the right to receive payment is confirmed.

In mainly the Timber and Building Materials Business, for transactions in which the Company provides goods to customers as a sales agent, the Group recognizes revenue as the net amount of the compensation received from the customer, minus the amount paid to the supplier of the goods and other items. Compensation for the transaction is received promptly after delivery. Because the time between the fulfillment of the performance obligation and receipt of the compensation is usually less than 1 year, it is not a significant financial factor.

ii. Construction contracts and other

The Housing Business and the Global Housing, Construction and Real Estate Business are contracted for the construction of single-family homes and apartment buildings. For these construction and other contracts, revenue is recognized over a specific period of time as performance obligations are fulfilled, the asset is created and the customer gains control over said asset. Furthermore, the method for estimating the rate of progress as related to the fulfillment of performance obligations is primarily based on the input method based on costs incurred.

However, for construction contracts with a very short period from the date the contract commences to the date performance obligations are due, revenue is not recognized for a certain period of time. Instead, revenue is recognized at the time of delivery when it is deemed that the performance obligation has been fulfilled.

Compensation for transactions is generally received in stages according to the progress of the performance obligation in accordance with the terms of the contract. Because the time between the fulfillment of the performance obligation and receipt of the compensation is usually less than 1 year, it is not a significant financial factor.

6. Hedge accounting methods

(1) Hedge accounting method

The deferral hedge accounting method is applied. The allocation method is applied to foreign hedging transactions, etc. The exceptional method is used for interest rate swaps if they satisfy the requirements for the exceptional method.

(2) Hedge method

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) Hedge scope

In accordance with policies stipulated in the management regulations, some foreign exchange transactions, including planned transactions, and borrowings exposed to interest rate risks are hedged.

(4) Hedge effectiveness evaluation method

Foreign exchange forward contracts and foreign currency swaps are recognized to be highly effective hedging instruments, and hence, an evaluation of their effectiveness has been omitted. An evaluation of the effectiveness of the exceptional accounting method for interest rate swaps has been omitted.

Notes on Changes in Accounting Policies

The Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) is applied from the beginning of the current fiscal year, and in accordance with the transitional treatment as prescribed in Section 27-2 of the Implementation Guidance on Accounting Standard for Fair Value, the new accounting policies prescribed by the Implementation Guidance on Accounting Standard for Fair Value will be applied in the future. This has no impact on the non-consolidated financial statements.

Notes on Important Accounting Estimates

Recoverability of deferred tax assets

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

(Unit: Million Yen)

	Current fiscal year
Deferred tax assets (after offsetting)	—
Deferred tax liabilities (after offsetting)	16,008

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

The notes are omitted because "Notes to the Consolidated Financial Statements, Notes Regarding Significant Accounting Estimates" in the Consolidated Financial Statements contain the same information.

Notes to the Non-consolidated Balance Sheet

1. Pledged assets and secured liabilities

Pledged assets

Investment securities	21,017	(Unit: million yen)
Stocks of subsidiaries and affiliates	3,659	
Long-term loans receivable from subsidiaries and affiliates	113	
Other	2,245	
Total	27,034	

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

2. Accumulated depreciation on property, plant and equipment 31,495 (Unit: million yen)

3. Accumulated advanced depreciation on property, plant and equipment 1,390 (Unit: million yen)

4. Guaranteed liabilities, etc.

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

Kanda Biomass Energy K.K.	14,474	(Unit: million yen)
Sumitomo Forestry America, Inc.	13,070	
Sumitomo Forestry Australia Pty Ltd.	2,964	
Hachinohe Biomass Electric Power Co., Ltd.	1,906	
PT. Kutai Timber Indonesia	1,099	
Mombetsu Biomass Electric Power Co.,Ltd.	490	
Morinomiyako Biomass Energy G.K	345	
Sumitomo Forestry (Singapore) Ltd.	292	
Open Bay Timber Ltd.	227	
Kawasaki Biomass Electric Power Co., Ltd.	164	
Okhotsk Bio Energy Co.,Ltd.	122	
Michinoku Bio Energy Co., Ltd.	104	
Sumikyo Co., Ltd.	30	
Sumikyo Wintec Co., Ltd.	18	
Total	35,305	

(2) Guarantee on other loans from financial institutions

Purchasers with housing loans applied 25,166 (Unit: million yen)

(3) Guarantee on lease transactions

Builder Solutions Group North Carolina, LLC 2,553 (Unit: million yen)

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

Short-term monetary receivable	45,037	(Unit: million yen)
Short-term monetary payable	88,509	
Long-term monetary payable	1,236	

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

Notes receivable	1,554	(Unit: million yen)
Electronically recorded monetary claims	3,589	
Electronically recorded payables	3,562	

Notes to the Non-consolidated Statements of Income

Transactions with subsidiaries and affiliates

Net sales	17,232	(Unit: million yen)
Purchase of goods	149,994	
Non-operating income		
Interest income	150	
Dividends income	23,740	
Other	185	
Non-operating expenses	41	

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 290,328 (Unit:shares)

Notes on Tax Effect Accounting

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

Deferred tax assets		
Allowance for doubtful accounts	3,438	(Unit: million yen)
Provision for bonuses	2,573	
Devaluation of real estate for sale	142	
Provision for loss on business of subsidiaries and affiliates	557	
Devaluation of securities of subsidiaries and affiliates	6,636	
Devaluation of financial instruments/golf-club memberships	1,131	
Provision for warranties for completed construction	886	
Other	7,866	
Subtotaldeferred tax assets	23,228	
Valuation allowance	△16,407	
Total deferred tax assets	6,821	

Deferred tax liabilities		
Reserve for tax purpose reduction entry of non-current assets	757	(Unit: million yen)
Prepaid pension costs	1,151	
Gain on securities contributed to employee retirement benefit trusts	1,056	
Valuation difference on available-for-sale securities	16,402	
Other	3,464	
Total deferred tax liabilities	22,829	

Deferred tax liabilities in net	△16,008	(Unit: million yen)

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

Statutory effective tax rate	30.6%
(Adjustment)	
Permanently non-deductible expenses for tax purposes such as entertainment expenses	0.5%
Permanently non-taxable items such as dividend income	△16.0%
Per capita portion of inhabitant tax	0.5%
Valuation allowance	△6.6%
Other	0.1%
Effective corporate income tax rate after application of tax effect accounting	9.1%

Notes on Transactions with Related Parties

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

Type	Name of company	Share of voting rights owned by the Company	Relationship	Transaction description	Transaction amount	Accounting item	Year-end balance
Subsidiary	Sumitomo Forestry Home Engineering Co., Ltd.	Direct 100.0%	Supply of paid materials, Construction of ordered housing, Concurrent directors	Construction of housing ordered by the company (*1)	102,636	Accounts receivable-other Accounts payable for construction contracts	31,314 33,651
Subsidiary	Sumitomo Forestry Home Tech Co., Ltd.	Direct 100.0%	After maintenance of housing, Concurrent directors	Deposit of surplus funds (*2)	—	Deposits received	18,114
Subsidiary	Sumitomo Forestry America, Inc.	Direct 100.0%	Concurrent directors	Underwriting of capital increase Debt guarantees (*3)	70,456 13,070	—	—
Affiliate	Kanda Biomass Energy K.K.	Direct 41.5%	Concurrent directors	Debt guarantees (*3)	14,474	—	—

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

Notes on Per-Share Information

Net assets per share	¥1,537.63
Net income per share	¥194.71

Notes on Revenue Recognition

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

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