

Disclaimer: This document is translated from the original Japanese financial statements and audit report as required by the Financial Instruments and Exchange Act of Japan. Some information from the original audited financial statements is not included in this translation of the financial statements.

# Annual Securities Report

**The 86th Business Term**

**From January 1, 2025  
to December 31, 2025**

**SUMITOMO FORESTRY CO., LTD.**

## [Financial Status]

### **1 Method of preparing the consolidated financial statements**

The Company's consolidated financial statements are prepared based on the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976).

### **2 Note on independent audit**

The consolidated financial statements of the Company for the fiscal year (January 1, 2025 – December 31, 2025) are audited by Ernst & Young ShinNihon LLC based on the provisions of Article 193-2-1 of the Financial Instruments and Exchange Act.

### **3 Special efforts to ensure fair presentation of consolidated financial statements, etc.**

The Company takes special efforts to ensure fair presentation of consolidated financial statements, etc. Specifically, it is a member of the Financial Accounting Standards Foundation and participates in seminars organized by the Foundation and other organizations, in order to develop systems that can appropriately grasp the contents of accounting standards, etc. and respond appropriately to changes in accounting standards, etc.

# 1. Consolidated Financial Statements

## (1) Consolidated Financial Statements

### (i) Consolidated Balance Sheet

	(million yen)	
	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	*2 181,043	*2 185,405
Notes and accounts receivable - trade	*2,*5 104,734	*2,*5 99,256
Electronically recorded monetary claims - operating	*5 44,652	*5 47,865
Accounts receivable from completed construction contracts and contract assets	*1,*2 93,219	*1,*2 94,535
Marketable securities	5,062	-
Merchandise and finished goods	22,970	*2 25,246
Work in process	2,524	*2 2,838
Raw materials and supplies	13,838	*2 13,957
Costs on construction contracts in progress	*2 20,435	22,663
Real estate for sale	*2 178,921	*2 227,668
Real estate for sale in process	*2 681,755	*2 756,634
Short-term loans receivable	30,381	38,367
Accounts receivable – other	*2 101,301	*2 103,635
Other	*2 66,022	*2 79,039
Allowance for doubtful accounts	(767)	(3,361)
Total current assets	1,546,090	1,693,747
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	*2 131,943	*2 163,502
Accumulated depreciation	(66,327)	(70,698)
Buildings and structures, net	65,616	92,803
Machinery, equipment and vehicles	*2 102,615	*2 119,506
Accumulated depreciation	(77,715)	(82,002)
Machinery, equipment and vehicles, net	24,900	37,503
Land	*2 71,641	*2 68,202
Timber	44,356	44,575
Leased assets	43,169	47,821
Accumulated depreciation	(20,486)	(24,892)
Leased assets, net	22,683	22,929
Construction in progress	*2 47,958	*2 46,644
Other	*2 28,135	*2 30,577
Accumulated depreciation	(19,185)	(20,576)
Other, net	8,950	10,002
Total property, plant and equipment	286,103	322,658
<b>Intangible assets</b>		
Goodwill	38,938	35,499
Other	42,428	40,622
Total intangible assets	81,366	76,121
<b>Investments and other assets</b>		
Investment securities	*2, *3 268,895	*2, *3 377,339
Long-term loans receivable	30,941	37,548
Retirement benefit assets	14,189	17,629
Deferred tax assets	*2 9,460	*2 9,344
Other	*2 31,288	*2 38,365
Allowance for doubtful accounts	(843)	(719)
Total investments and other assets	353,929	479,506
Total non-current assets	721,398	878,285
Total assets	2,267,488	2,572,032

(million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	*5 96,983	*5 87,380
Electronically recorded obligations – operating	*5 33,864	*5 45,456
Accounts payable for construction contracts	156,300	159,748
Short-term borrowings	*2 93,702	*2 140,788
Current portion of bonds payable	*2 10,044	*2 20,047
Lease obligations	5,778	6,622
Income tax payable	8,910	10,846
Contract liabilities	97,588	98,970
Provision for bonuses	23,742	24,222
Provision for bonuses for directors (and other officers)	168	129
Provision for warranties for completed construction	17,699	15,824
Asset retirement obligations	1,033	414
Other	116,012	119,175
Total current liabilities	661,824	729,620
Long-term liabilities		
Bonds payable	*2 70,116	*2 50,284
Long-term borrowings	*2 413,856	*2 532,159
Lease obligations	19,915	19,565
Deferred tax liabilities	41,191	52,036
Provision for retirement benefits for directors (and other officers)	171	141
Retirement benefits liability	9,724	9,446
Provision for share awards for employees	-	163
Asset retirement obligations	2,568	2,597
Other	24,161	39,236
Total long-term liabilities	581,701	705,626
Total liabilities	1,243,525	1,435,246
<b>Net assets</b>		
Shareholders' equity		
Common stock	55,101	55,332
Capital surplus	34,667	25,520
Retained earnings	613,765	688,527
Treasury shares	(2,521)	(6,557)
Total shareholders' equity	701,012	762,822
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	37,902	55,824
Deferred gains (losses) on hedges	8,533	9,554
Foreign currency translation adjustment	172,840	175,710
Remeasurements of defined benefit plans	62	63
Total accumulated other comprehensive income	219,335	241,151
Stock acquisition rights	69	51
Non-controlling interests	103,547	132,762
Total net assets	1,023,963	1,136,786
Total liabilities and net assets	2,267,488	2,572,032

## (ii) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

## Consolidated Statement of Income

(million yen)

	Previous fiscal year (January 1, 2024 – December 31, 2024)	Current fiscal year (January 1, 2025 – December 31, 2025)
Net sales	*1 2,053,650	*1 2,267,577
Cost of sales	*2 1,550,698	*2 1,742,931
Gross profit	502,952	524,645
Selling, general and administrative expenses	*3, *4 308,364	*3, *4 355,921
Operating income	194,588	168,724
Non-operating income		
Interest income	3,626	4,954
Purchase discount	325	475
Dividend income	3,182	2,834
Share of profit of entities accounted for using equity method	-	7,606
Foreign exchange gains	227	-
Gain on sale of investment securities	3,063	4,596
Other	9,290	9,887
Total non-operating income	19,714	30,352
Non-operating expenses		
Interest expense	7,718	13,188
Share of loss of entities accounted for using equity method	1,900	-
Foreign exchange losses	-	52
Other	6,730	10,936
Total non-operating expenses	16,347	24,176
Recurring income	197,955	174,900
Extraordinary income		
Change in fair value of contingent consideration	-	*5 5,328
Total extraordinary income	-	5,328
Extraordinary loss		
Impairment loss	*6 5,926	-
Total extraordinary loss	5,926	-
Profit before income taxes	192,029	180,228
Income taxes - current	41,697	39,362
Income taxes - deferred	2,926	2,548
Total income taxes	44,624	41,910
Profit	147,405	138,318
Profit attributable to non-controlling interests	30,877	31,652
Profit attributable to owners of parent	116,528	106,666

Consolidated Statement of Comprehensive Income

(million yen)

	Previous fiscal year (January 1, 2024 – December 31, 2024)	Current fiscal year (January 1, 2025 – December 31, 2025)
Profit	147,405	138,318
Other comprehensive income		
Valuation difference on available-for-sale securities	755	17,738
Deferred gains (losses) on hedges	1,436	198
Foreign currency translation adjustment	73,057	528
Share of other comprehensive income of entities accounted for using equity method	9,961	4,755
Total other comprehensive income	* 85,209	* 23,220
Comprehensive income	232,614	161,538
(Breakdown)		
Comprehensive income attributable to owners of parent	194,872	128,481
Comprehensive income attributable to non-controlling interests	37,742	33,057

(iii) Consolidated Statement of Changes in Net Assets  
 Previous fiscal year (January 1, 2024 – December 31, 2024)

(million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the current period	55,088	36,530	523,988	(2,517)	613,089
Changes during the period					
Issuance of new shares	11	11			21
Issuance of new shares (exercise of stock acquisition rights)	3	3			5
Dividends of surplus			(26,750)		(26,750)
Profit attributable to owners of parent			116,528		116,528
Purchase of treasury stock				(4)	(4)
Disposal of treasury stock		0		0	0
Change in equity interests of parent company due to transactions with non-controlling interests		(1,877)			(1,877)
Net changes in items other than shareholders' equity					
Total changes during the period	13	(1,863)	89,778	(4)	87,923
Balance at the end of the current period	55,101	34,667	613,765	(2,521)	701,012

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the current period	37,201	5,812	97,933	45	140,991	74	72,307	826,462
Changes during the period								
Issuance of new shares								21
Issuance of new shares (exercise of stock acquisition rights)								5
Dividends of surplus								(26,750)
Profit attributable to owners of parent								116,528
Purchase of treasury shares								(4)
Disposal of treasury stock								0
Change in equity interests of parent company due to transactions with non-controlling interests								(1,877)
Net changes in items other than shareholders' equity	701	2,721	74,906	16	78,344	(5)	31,240	109,578
Total changes during the period	701	2,721	74,906	16	78,344	(5)	31,240	197,502
Balance at the end of the current period	37,902	8,533	172,840	62	219,335	69	103,547	1,023,963

Current fiscal year (January 1, 2025 – December 31, 2025)

(million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the current period	55,101	34,667	613,765	(2,521)	701,012
Changes during the period					
Issuance of new shares	222	222			445
Issuance of new shares (exercise of stock acquisition rights)	9	9			18
Dividends of surplus			(31,904)		(31,904)
Profit attributable to owners of parent			106,666		106,666
Purchase of treasury stock				(4,037)	(4,037)
Disposal of treasury stock				1	1
Change in equity interests of parent company due to transactions with non-controlling interests		(9,378)			(9,378)
Net changes in items other than shareholders' equity					
Total changes during the period	231	(9,147)	74,762	(4,036)	61,810
Balance at the end of the current period	55,332	25,520	688,527	(6,557)	762,822

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of the current period	37,902	8,533	172,840	62	219,335	69	103,547	1,023,963
Changes during the period								
Issuance of new shares								445
Issuance of new shares (exercise of stock acquisition rights)								18
Dividends of surplus								(31,904)
Profit attributable to owners of parent								106,666
Purchase of treasury shares								(4,037)
Disposal of treasury stock								1
Change in equity interests of parent company due to transactions with non-controlling interests								(9,378)
Net changes in items other than shareholders' equity	17,923	1,021	2,871	1	21,816	(18)	29,215	51,013
Total changes during the period	17,923	1,021	2,871	1	21,816	(18)	29,215	112,823
Balance at the end of the current period	55,824	9,554	175,710	63	241,151	51	132,762	1,136,786

## (iv) Consolidated Statement of Cash Flows

(million yen)

	Previous fiscal year (January 1, 2024 – December 31, 2024)	Current fiscal year (January 1, 2025 – December 31, 2025)
Net cash provided by (used in) operating activities:		
Profit before income taxes	192,029	180,228
Depreciation and amortization	27,916	30,939
Impairment loss	5,926	-
Amortization of goodwill	8,453	4,866
Change in fair value of contingent consideration	-	(5,328)
Increase (decrease) in allowance for doubtful accounts	(38)	2,336
Increase (decrease) in provision for bonuses	272	512
Increase (decrease) in provision for bonuses for directors (and other officers)	24	(38)
Increase (decrease) in provision for warranties for completed construction	2,499	(2,162)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(201)	(30)
Increase (decrease) in retirement benefit liability	(10,566)	(3,702)
Increase (decrease) in provision for share awards for employees	-	163
Interest and dividends income	(6,808)	(7,788)
Interest expense	7,718	13,188
Share of (profit) loss of entities accounted for using equity method	1,900	(7,606)
Losses (gains) on sale of marketable securities and investment securities	(2,965)	(4,596)
Decrease (increase) in notes and account receivable-trade and contract assets	(17,456)	2,625
Decrease (increase) in inventories	(112,119)	(92,188)
Decrease (increase) in other current assets	(16,470)	(9,013)
Increase (decrease) in notes and accounts payable-trade	(10,321)	1,572
Increase (decrease) in advances received	2,709	(829)
Increase (decrease) in contract liabilities	348	1,244
Increase (decrease) in accrued consumption taxes	(1,853)	24
Increase (decrease) in other current liabilities	3,517	7,336
Other	(9,142)	12,783
Subtotal	65,371	124,537
Interest and dividends received	12,265	22,096
Interest paid	(7,540)	(13,238)
Income taxes paid	(43,018)	(38,720)
Net cash provided by (used in) operating activities	27,078	94,675

(million yen)

	Previous fiscal year (January 1, 2024 – December 31, 2024)	Current fiscal year (January 1, 2025 – December 31, 2025)
<b>Net cash provided by (used in) investing activities:</b>		
Payments into time deposits	(5,342)	(417)
Proceeds from withdrawal of time deposits	5,371	166
Decrease (increase) in short-term loans receivable	(2,655)	(989)
Proceeds from sales and redemption of marketable securities	5	62
Payments for purchases of property, plant and equipment	(63,852)	(71,212)
Proceeds from sales of property, plant and equipment	6,336	7,707
Payments for purchases of intangible assets	(5,579)	(5,606)
Payments for purchases of investment securities	(45,563)	(61,481)
Proceeds from sales and redemption of investment securities	11,554	16,261
Payments for transfer of business	*2 (18,378)	–
Payments for purchase of subsidiary shares resulting in change in scope of consolidation	*3 (776)	*3 (11,847)
Proceeds from sale of subsidiary shares resulting in change of scope of consolidation	–	837
Payments of long-term loans receivable	(14,916)	(13,738)
Proceeds from collection of long-term loans receivable	2,790	3,895
Other payments	(6,038)	(9,170)
Other proceeds	1,940	789
Net cash provided by (used in) investing activities	(135,103)	(144,743)
<b>Net cash provided by (used in) financing activities:</b>		
Net increase (decrease) in short-term borrowings	36,220	30,439
Net increase (decrease) in commercial paper	(30,000)	–
Repayments of finance lease obligations	(4,150)	(7,330)
Proceeds from long-term borrowings	225,553	196,030
Repayments of long-term borrowings	(45,664)	(97,345)
Redemption of bonds	(10,044)	(10,062)
Proceeds from stock issuance to non-controlling shareholders	12,183	13,322
Cash dividends paid	(26,750)	(31,904)
Purchase of treasury shares	(4)	(4,003)
Purchase of treasury shares of subsidiaries	–	(2,046)
Cash dividends paid to non-controlling shareholders	(22,271)	(29,333)
Proceeds from purchase of subsidiary shares not resulting in change in scope of consolidation	674	380
Payments for purchase of subsidiary shares not resulting in change in scope of consolidation	(5,662)	(4,028)
Net decrease (increase) in deposits with withdrawal and usage restrictions	3,217	(3,363)
Other proceeds	0	1
Other payments	(77)	(31)
Net cash provided by (used in) financing activities	133,225	50,728
Effect of exchange rate change on cash and cash equivalents	6,327	1,621
Net increase (decrease) in cash and cash equivalents	31,526	2,280
Cash and cash equivalents at the beginning of the year	174,771	206,297
Cash and cash equivalents at the end of the year	*1 206,297	*1 208,577

## Notes to Consolidated Financial Statements

### (Basis of presentation)

The accompanying consolidated financial statements of Sumitomo Forestry Co., Ltd. (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”), and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

All amounts have been rounded to the nearest millions of yen in the presentation of the accompanying consolidated financial statements. As a result, the totals in millions of yen do not necessarily agree with the sum of the individual amounts.

### (Significant information for preparation of consolidated financial statements)

#### 1. Scope of consolidation

The number of subsidiaries that have been included in the scope of consolidation is 509 companies. Effective from the current fiscal year, LeTech Co., Ltd. and 82 other companies are included in the scope of consolidation as a result of the acquisition of shares. In addition, Pan Asia Packing Ltd. and 22 other companies, which were consolidated subsidiaries in the previous fiscal year, are excluded from the scope of consolidation due to the sale of shares.

#### 2. Fiscal years of consolidated subsidiaries

As the closing date of a domestic consolidated subsidiary is March 31, financial statements based on provisional settlement of accounts as of the consolidated closing date (December 31) are used in the preparation of the consolidated financial statements. The closing date of other consolidated subsidiaries is the same as the consolidated closing date. In addition, three domestic consolidated subsidiaries have changed their closing date from December 31 to March 31, which is the same as the consolidated closing date.

#### 3. Application of the equity method

(1) The equity method is applied to 248 affiliated companies. The main affiliated company using the equity method is Kumagai Gumi Co., Ltd.

Effective from the current fiscal year, PT. Kurna Sinergi Mas and 58 other companies are included in the scope of application of the equity method due to the acquisition of equity interests. In addition, DNS Asia Investment Pte. Ltd. and 15 other companies, which were affiliated companies using the equity method in the previous fiscal year, are excluded from the scope of application of the equity method due to the liquidation of equity interests.

(2) Of the affiliated companies using the equity method, for companies with a different closing date from the consolidated closing date, financial statements for their respective fiscal years or financial statements based on the provisional settlement of accounts carried out on the consolidated closing date are used.

#### 4. Accounting policies

##### (1) Basis and method of measuring significant assets

###### (i) Marketable securities

Held-to-maturity debt securities

Reported using the amortized cost method (straight-line method)

Available-for-sale securities

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

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

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

Reported using cost accounting based on the moving average method

###### (ii) Derivatives

Derivatives are carried by the market value method.

(iii) Inventories

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

(2) Accounting method for depreciation of significant assets

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

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

(ii) Intangible assets (excluding leased assets)

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

(iii) Leased assets

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

(3) Accounting policy for significant provisions

(i) Allowance for doubtful accounts

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

(ii) Provision for bonuses

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

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

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

(iv) Provision for warranties for completed construction

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

(v) Provision for retirement benefits for directors (and other officers)

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

(vi) Provision for share awards for employees

To prepare for the distribution of the Company's shares to employees based on the Employee Stock Ownership Plan regulations, the Company records an amount based on the estimated stock benefit obligations at the end of the current consolidated fiscal year.

(4) Accounting method for retirement benefits

(i) Method of attributing estimated retirement benefits to period of service

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

(ii) Treatment of actuarial gains or losses and prior service costs

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

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

The main performance obligations in the main business related to the revenue arising from contracts with the Group's customers,

and the ordinary timing for satisfying the performance obligations in question (ordinary timing of revenue recognition) are set out below.

(i) Merchandise sales

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

For transactions in which the Group's role of providing merchandise to customers mainly in the Timber and Building Materials Business is fulfilled by an agent, revenue is recognized on the net amount obtained after deducting the amount paid to the supplier of goods, etc. purchased, from the amount received from the customer as consideration for the merchandise.

As consideration for transactions is received promptly after delivery and the period from the satisfaction of performance obligations to the receipt of consideration is generally within a one-year period, significant financing components are not included.

(ii) Construction contracts, etc.

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

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

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

(6) Significant accounting policies for hedge accounting

(i) Hedge accounting method

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

(ii) Hedging method

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

(iii) Hedged items

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

(iv) Hedge effectiveness evaluation method

Hedge effectiveness is evaluated by comparing the cumulative market fluctuations or cash flow fluctuations of the hedged items with those of the hedging instruments, and assessing the ratio of these fluctuations. However, the evaluation of effectiveness is omitted for interest rate swaps accounted for by the exceptional accounting method.

(7) Goodwill amortization method and period

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

(8) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents in the consolidated statement of cash flows are comprised of cash on hand, deposits that can be withdrawn at any time, and short-term investments with maturities of three months or less from the acquisition date that are readily convertible into cash and are exposed to only an insignificant risk of fluctuation in value.

(Significant accounting estimates)

Initial measurement of trademark rights recognized following the acquisition of Met Group Holdings Pty Ltd

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

(million yen)

	FY ended December 31, 2024	FY ended December 31, 2025
Intangible assets (other)	9,667	10,288
Goodwill	3,341	2,667

In the fiscal year under review, the Group finalized provisional accounting treatment for business combinations, and the amounts for the previous fiscal year reflect revisions to the initial allocation of purchase price due to the finalization of provisional accounting treatment for business combinations.

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

(i) Calculation method

The Group recognizes the excess earning power anticipated at the time of acquisition as goodwill of the acquired company.

In the purchase price allocation related to the acquisition of the shares of Met Group Holdings Pty Ltd, of identifiable assets, intangible assets (trademark rights) are calculated using the income approach (the relief-from-royalty method) based on significant assumptions such as the business plan and royalty rates.

(ii) Major assumptions used in the calculation of the amounts

Intangible assets (trademark rights) are calculated using the relief-from-royalty method under the income approach. The key assumptions used in applying the relief-from-royalty method include the projected revenue growth in the business plan forming the basis of future cash flows, the royalty rate, and the discount rate.

(iii) Impact on the consolidated financial statements for the following fiscal year

If there is a change in the conditions 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.

Recoverability of deferred tax assets

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

(million yen)

	FY ended December 31, 2024	FY ended December 31, 2025
Deferred tax assets (after offsetting)	9,460	9,344
Deferred tax liabilities (after offsetting)	41,191	52,036

In the fiscal year under review, the Group finalized provisional accounting treatment for business combinations, and the amounts for the previous fiscal year reflect revisions to the initial allocation of purchase price due to the finalization of provisional accounting treatment for business combinations.

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

(i) Calculation method

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

(ii) Major assumptions used in the calculation of the 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 selling price, sales volume, gross profit margin, and expenses.

(iii) Impact on the consolidated financial statements for the following fiscal year

As the recoverability of deferred tax assets is dependent on estimates of future taxable income and the scheduling of deductible temporary differences, if there is a change in the conditions and assumptions underlying these estimates, the Company may be required to record an adjusted amount of deferred tax assets under revenue or expenses in the consolidated financial statements for the following fiscal year.

(Changes in Accounting Policies)

(Application of Accounting Standard for Current Income Taxes and other standards)

The Company has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter “Current Income Taxes Standard (revised 2022)”) and other standards from the beginning of the consolidated fiscal year under review.

With regard to the revision related to classification to record income taxes (taxation on other comprehensive income), the Company has conformed to the transitional treatment provided for in the proviso to Paragraph 20-3 of the Current Income Taxes Standard (revised 2022), and the transitional treatment provided for in the proviso to Paragraph 65-2 (2) of “Implementation Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022; hereinafter “Tax Effect Accounting Guidance (revised 2022).” The changes in accounting policies have no impact on the Consolidated Financial Statements for the period under review.

With regard to the revision associated with the review of treatment in Consolidated Financial Statements applied in cases where gain or loss on sale of shares in a subsidiary, etc. among consolidated companies is deferred for tax purposes, the Tax Effect Accounting Guidance (revised 2022) has been applied from the beginning of the consolidated fiscal year under review. The changes in accounting policies have been retrospectively applied, and the Consolidated Financial Statements for the previous consolidated fiscal year reflect the changes in accounting policies. The changes in accounting policies have no impact on the Consolidated Financial Statements for the previous consolidated fiscal year.

(Accounting Standards issued but not yet effective)

- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024, Accounting Standards Board of Japan)
- Guidance on Accounting Standard for Leases (ASBJ Statement No. 33, September 13, 2024, Accounting Standards Board of Japan) and related revisions to Accounting Standards for Enterprises, Guidance on Accounting Standards for Enterprises, Practical Response Reporting, and Transfer Guidance

(1) Overview

The revised versions of the above standards and guidance set out the treatment of recognizing assets and liabilities for all leases by lessees, similar to international accounting standards.

(2) Scheduled date of adoption

The Company expects to adopt the revised standards and guidance from the beginning of the fiscal year ending December 31, 2028.

(3) Impact of the adoption of the revised accounting standards and implementation guidance

The Company is currently evaluating the effect of the adoption of the Accounting Standard for Leases and the relevant ASBJ standards and guidance on the consolidated financial statements.

- Practical Guidelines on Accounting for Financial Instruments (Revised Transfer Guideline No. 9, March 11, 2025, Accounting Standards Board of Japan)

(1) Overview

This standard revises the accounting treatment for equity interests in venture capital funds held by listed companies and others, so that useful information is provided to investors by measuring at fair value shares without a market price that are included in venture capital funds and similar vehicles.

(2) Scheduled Effective Date

The standard is scheduled to be applied from the beginning of the fiscal year ending December 2027.

(3) Impact of Applying the Accounting Standard

The impact on the consolidated financial statements resulting from the application of the Practical Guidelines on Accounting for Financial Instruments is undetermined at this time.

(Changes in presentation)

"Purchase of treasury shares," which was included in "Other payments" under "Net cash provided by (used in) financing activities" in the previous consolidated fiscal year, has been presented as a separate item beginning from the current consolidated fiscal year due to its increased materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the consolidated statement of cash flows for the previous fiscal year, "Other payments" of (81) million yen under "Cash flows from financing activities" has been reclassified as "Purchase of treasury shares" of (4) million yen and "Other payments" of (77) million yen.

(Additional Information)

(Employee Stock Compensation Plan)

Based on a resolution at a Board of Directors meeting held on January 31, 2025, the Company has introduced an employee stock compensation plan (hereinafter, the "Plan") with the objectives of not only enhancing employee benefits, but also nurturing among employees a greater sense of belonging and management participation and raising awareness about the Company's rising financial results and stock prices, thereby aiming to increase medium- to long-term corporate value.

1. Outline of the Plan

For this Plan, a trust will be established using funds contributed by the Company. The trust will acquire shares of the Company, and employees who meet certain criteria will be granted shares upon retirement based on the number of points they have earned. Points will be awarded in accordance with the Share Delivery Regulations formulated by the Board of Directors, taking into account factors such as the number of years of service and the Company's financial performance. The number of points earned by the employee will determine the number shares granted.

2. The Company's shares remaining in the trust

The Company's shares remaining in the trust are recorded as treasury shares within net assets at the book value in the trust (excluding incidental expenses). As of the end of the consolidated fiscal year under review, the book value and the number of such treasury shares are 3,998 million yen and 2,757,700 shares, respectively.

(Consolidated Balance Sheet)

\*1 Of the accounts receivable from completed construction contracts and contract assets, the amount of receivables and contract assets arising from contracts with customers is disclosed in the “Notes to Consolidated Financial Statements (Revenue recognition), 3.(1) Balance of contract assets and contract liabilities.”

\*2 Pledged assets and secured liabilities

The following are the Group’s pledged assets.

(million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Cash and deposits	16,752	1,395
Notes and accounts receivable – trade	1,155	1,110
Accounts receivable from completed construction contracts and contract assets	22,128	6,132
Costs on construction contracts in progress	4,479	—
Real estate for sale	29,359	36,497
Real estate for sale in process	23,149	32,378
Accounts receivable - other	652	498
Buildings and structures	15,911	35,360
Machinery, equipment and vehicles	8,806	20,897
Land	17,563	19,390
Construction in process	9,441	6,979
Investment securities	30,699	58,851
Other	13,762	9,127
Total	193,857	228,614

\*In addition to the above, the following assets, which have been offset and eliminated in the consolidation process, have also been pledged.

(million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Shares of subsidiaries	6	6
Loans receivable from subsidiaries and associates	2,684	2,879

The following are the Group’s secured liabilities.

(million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Short-term borrowings	12,601	20,707
Current portion of bonds payable	12	12
Bonds payable	116	104
Long-term borrowings	17,612	41,134
Total	30,341	61,957

\*3 The following are shares and other securities issued by affiliated companies.

(million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Investment securities	187,540	268,701

\*4 Guarantee obligations

Guarantees on loans, etc. from financial institutions

(million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Customers using housing loans	35,226	33,194
Affiliated companies of JPI Group	862	32,735
Affiliated companies of Crescent Communities Group	41,058	25,931
Kanda Biomass Energy K.K.	13,347	12,334
Paradise 11 Limited	1,176	2,445
PT Biomassa Lestari Nusantara	526	635
Kawasaki Biomass Electric Power Co., Ltd.	55	1

\*5 Matured notes at the end of the fiscal year

Matured notes at the end of the fiscal year are settled on the clearing dates or settlement dates. As the last days of the previous fiscal year and the current fiscal year were business holidays for financial institutions in Japan, the following matured notes at the end of the fiscal year have been included in the balance as of the end of the fiscal years.

(million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Notes receivable - trade	895	296
Electronically recorded monetary claims - operating	4,808	4,940
Notes payable - trade	6	8
Electronically recorded obligations - operating	3,487	5,338

(Consolidated Statement of Income)

\*1 Revenue from contracts with customers

Net sales are not disaggregated into “revenue from contracts with customers” and “other revenue.” The amount of revenue from contracts with customers is omitted as the same information is included in “Notes to Consolidated Financial Statements (Revenue Recognition), 1. Information on the disaggregation of revenue from contracts with customers.”

\*2 The amount of inventory as of the end of the fiscal year is after write-down due to decreased profitability, and the following losses on inventory valuation are included in the cost of sales.

(million yen)

	Previous fiscal year (January 1, 2024 – December 31, 2024)	Current fiscal year (January 1, 2025 – December 31, 2025)
	464	2,349

\*3 The following are the major expense accounts and amounts included in selling, general and administrative (SG&A) expenses.

(million yen)

	Previous fiscal year (January 1, 2024 – December 31, 2024)	Current fiscal year (January 1, 2025 – December 31, 2025)
Salaries and allowances	107,850	130,233
Provision for bonuses	12,986	13,435
Provision for bonuses for directors (and other officers)	168	129
Provision for share awards for employees	—	163
Retirement benefit expenses	(6,392)	738
Provision for retirement benefits for directors (and other officers)	16	9
Provision of allowance for doubtful accounts	(77)	2,359
Provision for warranties for completed construction	6,530	3,020

\*4 Research and development expenses included in selling, general and administrative (SG&A) expenses

(million yen)

	Previous fiscal year (January 1, 2024 – December 31, 2024)	Current fiscal year (January 1, 2025 – December 31, 2025)
	2,817	2,760

\*5 Fair value changes related to contingent consideration

Current Fiscal Year (January 1, 2025 - December 31, 2025)

The share transfer agreement executed on November 30, 2023 by the Company's consolidated subsidiary SFA JPI Top Holdings, LLC for the acquisition of equity interests in JPI Service Holdings, LLC and 17 other companies contained a contingent consideration clause for the acquiree. Due to revisions in the business plan, there was a significant change in the fair value of the contingent consideration, and this change has been recorded as extraordinary income.

\*6 Impairment loss

The Group recorded impairment losses mainly in the following asset groups.

Current fiscal year (January 1, 2024 – December 31, 2024)

Location	Major use	Asset category	Impairment loss (million yen)
Texas (U.S.), etc.	Other	Goodwill	4,193
	Business Assets	Intangible assets (Other)	1,132
		Property, plant and equipment	529

The Group classifies assets based on the categories used for management accounting, which continually identifies profits and losses. Rental assets and idle assets are assessed and grouped individually.

Due to a divergence in business performance from the business plan at the time of acquisition in our consolidated subsidiary TrussWorks Group, the entire unamortized balances of goodwill and the portion of the unamortized balance of intangible assets (other) and property, plant and equipment were recorded as impairment losses under extraordinary losses.

The recoverable amount of these assets is calculated based on the value in use, and the discount rate used for calculating future cash flows is 14.8%.

## (Consolidated Statement of Comprehensive Income)

\* Reclassification adjustments, income taxes and income tax effects attributable to other comprehensive income

(million yen)

	Previous fiscal year (January 1, 2024 – December 31, 2024)	Current fiscal year (January 1, 2025 – December 31, 2025)
Valuation difference on available-for-sale securities:		
Amount incurred during the year	1,934	27,655
Reclassification adjustments	(841)	(1,048)
Amount before income taxes and tax effect	1,093	26,608
Income taxes and tax effect	(338)	(8,870)
Valuation difference on available-for-sale securities	755	17,738
Deferred gains (losses) on hedges:		
Amount incurred during the year	2,024	401
Reclassification adjustments	9	8
Amount before income taxes and tax effect	2,034	409
Income taxes and tax effect	(598)	(211)
Deferred gains (losses) on hedges	1,436	198
Foreign currency translation adjustments:		
Amount incurred during the year	73,057	726
Reclassification adjustments	—	(198)
Amount before income taxes and tax effect	73,057	528
Income taxes and tax effect	—	—
Foreign currency translation adjustments	73,057	528
Share of other comprehensive income of entities accounted for using equity method:		
Amount incurred during the year	10,791	5,478
Reclassification adjustments	(830)	(722)
Share of other comprehensive income of entities accounted for using equity method	9,961	4,755
Total other comprehensive income	85,209	23,220

## (Consolidated Statement of Changes in Net Assets)

Previous fiscal year (January 1, 2024 – December 31, 2024)

## 1. Class and total number of shares outstanding, and class and number of shares of treasury stock

	Number of shares at the beginning of the fiscal year (shares)	Increase in the number of shares in the fiscal year (shares)	Decrease in the number of shares in the fiscal year (shares)	Number of shares at the end of the fiscal year (shares)
Number of shares outstanding				
Common stock (Note 1)	206,058,468	8,900	—	206,067,368
Total	206,058,468	8,900	—	206,067,368
Treasury stock				
Common stock (Note 2,3)	1,416,107	854	6	1,416,955
Total	1,416,107	854	6	1,416,955

- Notes
- 1 The increase in the number of shares of outstanding common stock (8,900 shares) was due to an increase of 4,300 shares due to the exercise of stock acquisition rights, and the issuance of 4,600 shares due to performance-linked stock compensation.
  - 2 The increase in the number of shares of common treasury stock (854 shares) was due to the purchase of odd-lot shares.
  - 3 The decrease in the number of shares of common treasury stock (6 shares) was due to the transfer of odd-lot shares.

## 2. Stock acquisition rights and treasury stock acquisition rights

Classification	Breakdown of stock acquisition rights	Classes of shares subject to stock acquisition rights	Number of shares underlying stock acquisition rights				Balance as of the end of the fiscal year (million yen)
			Beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	End of the fiscal year	
Company	Sumitomo Forestry Co., Ltd. 2015 Stock Acquisition Rights (Stock-based compensation stock option)	—	—	—	—	—	19
	Sumitomo Forestry Co., Ltd. 2016 Stock Acquisition Rights (Stock-based compensation stock option)	—	—	—	—	—	23
	Sumitomo Forestry Co., Ltd. 2017 Stock Acquisition Rights (Stock-based compensation stock option)	—	—	—	—	—	27
	Total	—	—	—	—	—	69

## 3. Dividends

## (1) Dividends paid

Resolution	Classes of shares	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders, March 28, 2024	Common stock	13,375	65.00	December 31, 2023	March 29, 2024
Board of Directors meeting, August 8, 2024	Common stock	13,375	65.00	June 30, 2024	September 9, 2024

(2) Of the dividends with record dates that fall within the current fiscal year, the dividends with effective dates that fall after the end of the current fiscal year

Resolution	Classes of shares	Total amount of dividends (million yen)	Source of dividend	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders, March 28, 2025	Common stock	16,462	Retained earnings	80.00	December 31, 2024	March 31, 2025

Current fiscal year (January 1, 2025 – December 31, 2025)

1. Class and total number of shares outstanding, and class and number of shares of treasury stock

	Number of shares at the beginning of the fiscal year (shares)	Increase in the number of shares in the fiscal year (shares)	Decrease in the number of shares in the fiscal year (shares)	Number of shares at the end of the fiscal year (shares)
Number of shares outstanding				
Common stock (Note 1)	206,067,368	412,488,436	—	618,555,804
Total	206,067,368	412,488,436	—	618,555,804
Treasury stock				
Common stock (Note 2,3,4)	1,416,955	5,705,488	500	7,121,943
Total	1,416,955	5,705,488	500	7,121,943

- Notes
- The increase in the number of shares of outstanding common stock (412,488,436 shares) was due to a stock split resulting in an increase of 412,370,536 shares, an increase of 14,800 shares due to the exercise of stock acquisition rights, and the issuance of 103,100 new shares due to performance-linked stock compensation.
  - The increase in the number of shares of common treasury stock (5,705,488 shares) was due to a stock split resulting in an increase of 4,673,579 shares, an acquisition of 919,400 shares for the Employee Stock Delivery Trust, 109,512 shares equivalent to the Company's interest in treasury shares held by equity-method affiliates, an increase of 1,559 shares due to changes in the ownership ratio of equity-method affiliates, and the purchase of 1,438 odd-lot shares.
  - The decrease in the number of shares of common treasury stock (500 shares) was due to the delivery of shares from the Employee Stock Delivery Trust.
  - The number of shares of treasury stock at the end of the fiscal year includes 2,757,700 shares of the Company held by the Employee Stock Delivery Trust.

2. Stock acquisition rights and treasury stock acquisition rights

Classification	Breakdown of stock acquisition rights	Classes of shares subject to stock acquisition rights	Number of shares underlying stock acquisition rights				Balance as of the end of the fiscal year (million yen)
			Beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	End of the fiscal year	
Company	Sumitomo Forestry Co., Ltd. FY2015 Stock Acquisition Rights (Stock-based compensation stock option)	—	—	—	—	—	13
	Sumitomo Forestry Co., Ltd. FY2016 Stock Acquisition Rights (Stock-based compensation stock option)	—	—	—	—	—	18
	Sumitomo Forestry Co., Ltd. FY2017 Stock Acquisition Rights (Stock-based compensation stock option)	—	—	—	—	—	20
Total		—	—	—	—	—	51

### 3. Dividends

#### (1) Dividends paid

Resolution	Classes of shares	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders, March 28, 2025	Common stock	16,462	80.00	December 31, 2024	March 31, 2025
Board of Directors meeting, August 7, 2025	Common stock	15,442	75.00	June 30, 2025	September 8, 2025

Notes 1 On July 1, 2025, the Company conducted a stock split in which each common share was split into three shares. For the year-end dividend of the previous fiscal year and the interim dividend of the current fiscal year, "Dividend per share" is based on the number of shares before the stock split.

2 The total amount of dividends resolved by the Board of Directors on August 7, 2025 includes 69 million yen in dividends for the Company's shares held by the Employee Stock Delivery Trust.

(2) Of the dividends with record dates that fall within the current fiscal year, the following are dividends with effective dates that fall after the end of the current fiscal year

Resolution (planned)	Classes of shares	Total amount of dividends (million yen)	Source of dividend	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders, March 27, 2026	Common stock	17,295	Retained earnings	28.00	December 31, 2025	March 30, 2026

Notes 1 On July 1, 2025, the Company conducted a stock split in which each common share was split into three shares. For the year-end dividend of the current fiscal year, "Dividend per share" is based on the number of shares after the stock split.

2 The total amount of dividends planned to be resolved at the Ordinary General Meeting of Shareholders on March 27, 2026 includes 77 million yen in dividends for the Company's shares held by the Employee Stock Delivery Trust.

#### (Consolidated Statement of Cash Flows)

\*1 Reconciliation of cash and cash equivalents at the end of the fiscal year and the related accounts on the Consolidated Balance Sheet (million yen)

	Previous fiscal year (January 1, 2024 – December 31, 2024)	Current fiscal year (January 1, 2025 – December 31, 2025)
Cash and deposits account	181,043	185,405
Time deposits with deposit term exceeding 3 months	(136)	(710)
Negotiable deposits issued by domestic corporations, included in the marketable securities account	5,000	—
Deposits with withdrawal limits and restrictions on use	(4,603)	(8,074)
Cash equivalents included in short-term loans receivable ( <i>Gensaki</i> )	24,993	31,956
Cash and cash equivalents at end of the fiscal year	206,297	208,577

\*2 Breakdown of major assets and liabilities related to business transfers

The following is a breakdown of assets and liabilities acquired through business acquisitions and the relationship between the acquisition value of the businesses and payments (net) for the business acquisitions.

Previous fiscal year (January 1, 2024 – December 31, 2024)

DRB Group (DRB Group Florida, LLC)

Current assets	7,353 million yen
Non-current assets	6,894
Goodwill	1,601
Current liabilities	(729)

Non-current liabilities	-
Acquisition cost of business	15,119
Cash and cash equivalents	-
Balance: Payments for business transfer (net)	15,119

\*3 Breakdown of major assets and liabilities of companies newly consolidated through the acquisition of equity interests

The following is a breakdown of assets and liabilities at the start of consolidation for companies newly consolidated through the acquisition of equity interests and the relationship between the value of the equity acquired in the related companies and the payments for acquisition (net).

Previous fiscal year (January 1, 2024 – December 31, 2024)

Met Group Holdings Pty Ltd and 9 other companies

Current assets	30,428 million yen
Non-current assets	23,137
Goodwill	3,341
Current liabilities	(34,480)
Non-current liabilities	(5,358)
Non-controlling interests	(6,726)
Acquisition cost of equity interests	10,343
Cash and cash equivalents	(9,774)
Balance: Payments for acquisition (net)	568

Note: The above amounts reflect revisions to the initial allocation of purchase price due to the finalization of provisional accounting treatment for business combinations.

Current fiscal year (January 1, 2025 – December 31, 2025)

LeTech Co., Ltd.

Current assets	25,442 million yen
Non-current assets	2,064
Goodwill	742
Current liabilities	(9,219)
Non-current liabilities	(12,112)
Non-controlling interests	(1,915)
Acquisition cost of equity interests	5,001
Cash and cash equivalents	(2,037)
Balance: Payments for acquisition (net)	2,964

Project Horntail, LLC and 2 other companies

Current assets	1,240 million yen
Non-current assets	25,307
Goodwill	(559)
Current liabilities	(2,647)
Non-current liabilities	(14,366)
Non-controlling interests	(4,416)
Acquisition cost of equity interests	4,558
Cash and cash equivalents	(172)
Balance: Payments for acquisition (net)	4,385

(Lease Transactions)

1. Finance lease transactions (As lessee)

Finance lease transactions other than ownership transfer, and right-of-use assets in subsidiaries to which IFRS 16 and ASC 842 are applied

(1) Components of leased assets

Property, plant and equipment

Models (buildings) in the Housing Business, offices and factories (buildings and land) in the Global Construction and Real Estate Business, and private-pay elderly care facilities (buildings) in Other Businesses

(2) Accounting method for depreciation of leased assets

The accounting method for depreciation of leased assets is set out in “Notes to Consolidated Financial Statements (Significant information for preparation of consolidated financial statements), 4. Accounting policies (2) Accounting method for depreciation of significant assets.”

2. Operating lease transactions (As lessee)

Notes have been omitted due to the immateriality of the transactions.

3. Finance lease transactions (As lessor)

Notes have been omitted due to the immateriality of the transactions.

4. Operating lease transactions (As lessor)

Notes have been omitted due to the immateriality of the transactions.

(Financial Instruments)

1. Status of financial instruments

(1) Policy for financial instruments

The Group invests temporary cash surpluses in highly safe financial assets and mainly uses bank loans and bond insurance to raise funds.

Furthermore, the Group uses derivative transactions to mitigate foreign exchange risks related to normal foreign currency-denominated transactions and interest rate fluctuation risk associated with borrowings, and does not conduct transactions for speculative purposes.

(2) Details of financial instruments and related risk

Notes and accounts receivable-trade, electronically recorded monetary claims, and accounts receivable-other, which are operating receivables, are exposed to customers’ credit risk. As short-term loans receivable are mainly repurchase agreements (*gensaki* transactions) involving contracts with financial institutions with a rating above a certain level and are used for investing short-term funds, credit risk is insignificant. Marketable securities are mainly negotiable deposit certificates subject to settlement in the short term. Investment securities are mainly held-to-maturity bonds and equities of customers and suppliers of Group companies, and are exposed to market price fluctuation risk.

Notes and accounts payable-trade, electronically recorded obligations, and accounts payable for construction contracts are operating payables, almost all of which have payment due dates within one year.

Bank loans and bonds payable are mainly used for procuring the finances required to cover working capital and capital investments. Although bank loans with floating interest rates are exposed to interest rate fluctuation risk, the Group uses derivative transactions (interest rate swaps) for hedging a portion of such loans.

Derivative transactions include forward foreign currency exchange contracts and currency swaps to mitigate the risk of fluctuation in foreign currency exchange rates related to foreign currency-denominated transactions, and interest rate swaps to mitigate the risk of interest rate fluctuation related to interest payments for borrowings.

For information on hedge accounting, including hedging instruments, hedged items, hedging policy, and hedge effectiveness evaluation methods, please refer to “Notes to Consolidated Financial Statements (Significant information for preparation of consolidated financial statements), 4. Accounting policies (6) Significant accounting policies for hedge accounting.”

(3) Risk management for financial instruments

(i) Management of credit risk (risk related to failure by business partners to satisfy performance obligations)

To mitigate credit risk, the Group reviews the due date and receivable balance of each customer in accordance with the Credit Management Guideline. In addition, the Group monitors the credit information of principal customers at least once a year.

(ii) Management of market risk (risk related to foreign exchange rate and interest rate fluctuations)

With regard to investment securities, the Group regularly monitors prices and the financial status of the issuers (business partners). Except for held-to-maturity bonds, the Group constantly reviews the status of its investments by taking into consideration the market situation and its relationship with issuers.

Derivative transactions are executed and managed in accordance with internal rules and policies, within a prescribed scope, by the responsible department of each Group Company, and the status of derivative positions is reported regularly to the Board of Directors.

The Group views the risk of non-performance of contract obligations relating to such transactions as very low since the contracts entered into are diversified among highly creditworthy financial institutions both in Japan and overseas.

(iii) Management of liquidity risk related to financing (risk of failure to meet its contractual obligation in full on maturity dates)

The Finance Department of the Company manages liquidity risk by preparing and revising cash flow plans based on reports from each department and consolidated subsidiaries of the Company.

(4) Supplementary explanation of items relating to the fair values of financial instruments

As variable factors are incorporated into the estimation of the fair values of financial instruments, the relevant value may fluctuate due to adopting different assumptions and other factors. In “Notes to Consolidated Financial Statements (Derivative transactions),” the contract amount, etc. related to derivative transactions does not in itself indicate the market risk associated with derivative transactions.

## 2. Fair value of financial instruments

The amounts in consolidated financial statements, fair values, and their unrealized gain (loss) are set out as follows. Accounts with immaterial amounts in the consolidated financial statements have been omitted.

Previous fiscal year (December 31, 2024)

	Carrying amount reported in the Consolidated Balance Sheet (million yen) *1	Fair value (million yen) *1	Unrealized gain (loss) (million yen)
(1) Marketable securities and investment securities *3			
(i) Held-to-maturity bonds	122	101	(21)
(ii) Shares in affiliates	43,059	44,909	1,850
(iii) Available-for-sale securities	77,600	77,600	—
Total assets	120,780	122,610	1,829
(1) Bonds payable *4	(80,160)	(76,582)	(3,578)
(2) Long-term borrowings *5	(442,574)	(438,511)	(4,063)
Total liabilities	(522,734)	(515,093)	(7,641)
Derivative transactions *6			
(i) Hedge accounting not applied	(100)	(100)	—
(ii) Hedge accounting applied	8,550	8,550	—
Total derivative transactions	8,451	8,451	—

\*1 Liabilities are shown in parentheses.

\*2 Cash has been omitted from the table, and deposits, notes and accounts receivable, negotiable certificates of deposits from among marketable securities, notes and accounts payable, and accounts payable for construction contracts have also been omitted as they are settled in a short period of time and therefore their fair values approximate book value. Accounts with immaterial amounts in consolidated financial statements have also been omitted.

\*3 Shares that do not have readily available market values and investments in partnerships or similar business entities that record the net amount equivalent to equity interest in the Consolidated Balance Sheet, are not included in “(1) Marketable securities and investment securities.” The carrying amounts of these financial instruments in the Consolidated Balance Sheet are as follows.

(million yen)	
Category	Previous fiscal year (December 31, 2024)
Unlisted shares	3,696
Shares in affiliates	144,481

\* These include investments in partnerships or similar business entities that record the net amount equivalent to equity interest in the Consolidated Balance Sheet (amounts in consolidated financial statements: 10,079 million yen).

\*4 Includes bonds payable with due dates within one year.

\*5 Includes long-term borrowings to be repaid within one year.

\*6 Net receivables and payables that arose through derivative transactions are presented on a net basis, while items representing net payables in total are indicated with parentheses.

Current fiscal year (December 31, 2025)

	Carrying amount reported in the Consolidated Balance Sheet (million yen) *1	Fair value (million yen) *1	Unrealized gain (loss) (million yen)
(1) Investment securities *3			
(i) Held-to-maturity bonds	32	32	(1)
(ii) Shares in affiliates	54,138	69,949	15,811
(iii) Available-for-sale securities	103,175	103,175	—
Total assets	157,346	173,156	15,810
(1) Bonds payable *4	(70,331)	(64,962)	(5,369)
(2) Long-term borrowings *5	(569,291)	(555,326)	(13,965)
Total liabilities	(639,622)	(620,289)	(19,334)
Derivative transactions *6			
(i) Hedge accounting not applied	90	90	—
(ii) Hedge accounting applied	8,575	8,575	—
Total derivative transactions	8,665	8,665	—

\*1 Liabilities are shown in brackets ( ).

\*2 Annotation referring to cash has been omitted from the table, and annotation of deposits, notes and accounts receivable, negotiable certificates of deposits from among marketable securities, notes and accounts payable, and accounts payable for construction contracts have been omitted as they are settled in the short-term and therefore their fair value approximates book values. Accounts with immaterial amounts in consolidated financial statements have also been omitted.

\*3 Shares that do not have readily available market values are not included in “(1) Investment securities.” The carrying amounts of these financial instruments in the Consolidated Balance Sheet are as follows.

Category	(million yen)
	Current fiscal year (December 31, 2025)
Unlisted shares	5,430
Shares in affiliates	214,562

\* These include investments in partnerships or similar business entities that record the net amount equivalent to equity interest in the Consolidated Balance Sheet (Amounts in consolidated financial statements: 10,524 million yen).

\*4 Includes bonds payable with due dates within one year.

\*5 Includes long-term borrowings to be repaid within one year.

\*6 Net receivables and payables that arose through derivative transactions are presented, while items representing net payables in total are indicated with parentheses.

Note 1 Redemption schedule for monetary claims and securities with maturities after the consolidated closing date  
Previous fiscal year (December 31, 2024)

	Within 1 year (million yen)	More than 1 year but within 5 years (million yen)	More than 5 years (million yen)
Cash and deposits	169,637	—	—
Notes and accounts receivable - trade	104,734	—	—
Electronically recorded monetary claims - operating	44,652	—	—
Marketable securities and investment securities			
Held-to-maturity bonds (government bonds, local government bonds, etc.)	62	—	60
Available-for-sale securities with maturity	5,000	—	—
Total	324,085	—	60

Current fiscal year (December 31, 2025)

	Within 1 year (million yen)	More than 1 year but within 5 years (million yen)	More than 5 years (million yen)
Cash and deposits	178,414	—	—
Notes and accounts receivable - trade	99,256	—	—
Electronically recorded monetary claims - operating	47,865	—	—
Marketable securities and investment securities			
Bonds held to maturity (government bonds, local government bonds, etc.)	—	—	32
Available-for-sale securities with maturity	—	—	—
<b>Total</b>	<b>325,536</b>	<b>—</b>	<b>32</b>

Note 2 Redemption schedule for bonds payable and long-term borrowings after the consolidated closing date

Previous fiscal year (December 31, 2024)

	Due in 1 year or less (million yen)	Due after 1 year through 2 years (million yen)	Due after 2 years through 3 years (million yen)	Due after 3 years through 4 years (million yen)	Due after 4 years through 5 years (million yen)	Due in more than 5 years (million yen)
Bonds payable	10,044	20,012	12	10,012	20,012	20,068
Long-term borrowings	28,718	36,424	117,162	122,105	39,533	98,632

Current fiscal year (December 31, 2025)

	Due in 1 year or less (million yen)	Due after 1 year through 2 years (million yen)	Due after 2 years through 3 years (million yen)	Due after 3 years through 4 years (million yen)	Due after 4 years through 5 years (million yen)	Due in more than 5 years (million yen)
Bonds payable	20,047	47	10,047	20,047	47	20,096
Long-term borrowings	37,133	90,769	157,859	143,634	38,952	100,945

3. Breakdown of fair value of financial instruments by level

Fair values of financial instruments are categorized into the following three levels according to the observability and importance of inputs relating to the calculation of fair values.

Level 1 fair value: A fair value calculated based on market prices of assets or liabilities relevant to the calculation of said fair value and established in an active market, from among observable inputs relating to the calculation of fair value.

Level 2 fair value: A fair value calculated using inputs relating to the calculation of fair value other than the inputs in Level 1, from among observable inputs relating to the calculation of fair value.

Level 3 fair value: A fair value calculated using unobservable inputs relating to the calculation of fair value.

When multiple inputs that have a significant effect on the calculation of fair value are used, the fair value is categorized in the level for which the order of priority is the lowest in the calculation of the fair value, among the levels to which each of those inputs belong.

## (1) Financial instruments recorded at fair value in the Consolidated Balance Sheet

Previous fiscal year (December 31, 2024)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Available-for-sale securities				
Stocks	77,600	—	—	77,600
Derivative transactions				
Currency-related	—	8,801	—	8,801
Interest-related	—	—	—	—
Total assets	77,600	8,801	—	86,401
Derivative transactions				
Currency-related	—	349	—	349
Interest-related	—	2	—	2
Total liabilities	—	351	—	351

Current fiscal year (December 31, 2025)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Available-for-sale securities				
Stocks	103,175	—	—	103,175
Derivative transactions				
Currency-related	—	8,765	—	8,765
Interest-related	—	2	—	2
Total assets	103,175	8,767	—	111,942
Derivative transactions				
Currency-related	—	91	—	91
Interest-related	—	10	—	10
Total liabilities	—	102	—	102

## (2) Financial instruments other than financial instruments recorded at fair value in the Consolidated Balance Sheet

Previous fiscal year (December 31, 2024)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Held-to-maturity bonds				
Government bonds, local government bonds, etc.	101	—	—	101
Shares in affiliates	44,909	—	—	44,909
Total assets	45,010	—	—	45,010
Bonds payable	—	76,582	—	76,582
Long-term borrowings	—	438,511	—	438,511
Total liabilities	—	515,093	—	515,093

Current fiscal year (December 31, 2025)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Held-to-maturity bonds				
Government bonds, local government bonds, etc.	32	—	—	32
Shares in affiliates	69,949	—	—	69,949
Total assets	69,981	—	—	69,981
Bonds payable	—	64,962	—	64,962
Long-term borrowings	—	555,326	—	555,326
Total liabilities	—	620,289	—	620,289

(Note) Valuation methodology used for the calculation of fair value and explanation of inputs relating to the calculation of fair value

Marketable securities and investment securities

Listed shares, government bonds and local government bonds, etc. are valued using market prices. As these are transacted in active markets, their fair values are classified as Level 1.

Derivative transactions

As derivatives are transacted over the counter and there are no published market prices, their fair values are calculated based on prices quoted by financial institutions, etc. Accordingly, their fair values are classified as Level 2.

Bonds payable

The fair values of bonds payable are based on the present value calculated by discounting the sum of the principal and interest using an interest rate reflecting credit risk, and redemption periods are taken into account. Accordingly, their fair values are classified as Level 2.

Long-term borrowings

The fair values of long-term borrowings with floating interest rates approximate book value because the interest rate of long-term borrowings reflects market interest rates over the short-term, and the Company's credit standing has not changed significantly since loan execution. Therefore, the relevant book values are used and their fair values are classified as Level 2. The fair values of long-term borrowings with fixed interest rates are principally estimated by discounting the total principal and interest,\* classified by certain maturities, based on estimated interest rates if similar new borrowings were implemented. Accordingly, these fair values are classified as Level 2.

\*For long-term borrowings subjected to exceptional accounting for interest rate swaps, the total principal and interest based on the rate of the interest rate swap in question is applied.

(Securities)

1. Held-to-maturity bonds

Previous fiscal year (December 31, 2024)

	Carrying amount in the Consolidated Balance Sheet (million yen)	Fair value (million yen)	Unrealized gain (loss) (million yen)
(Items for which fair value exceeds the carrying amount in the Consolidated Balance Sheet)			
(i) Government bonds, local government bonds, etc.	62	62	0
(ii) Bonds payable	—	—	—
(iii) Other	—	—	—
Subtotal	62	62	0
(Items for which fair value does not exceed the carrying amount in the Consolidated Balance Sheet)			
(i) Government bonds, local government bonds, etc.	60	39	(21)
(ii) Bonds payable	—	—	—
(iii) Other	—	—	—
Subtotal	60	39	(21)
Total	122	101	(21)

Current fiscal year (December 31, 2025)

	Carrying amount in the Consolidated Balance Sheet (million yen)	Fair value (million yen)	Unrealized gain (loss) (million yen)
(Items for which fair value exceeds the carrying amount in the Consolidated Balance Sheet)			
(i) Government bonds, local government bonds, etc.	—	—	—
(ii) Bonds payable	—	—	—
(iii) Other	—	—	—
Subtotal	—	—	—
(Items for which fair value does not exceed the carrying amount in the Consolidated Balance Sheet)			
(i) Government bonds, local government bonds, etc.	32	32	(1)
(ii) Bonds payable	—	—	—
(iii) Other	—	—	—
Subtotal	32	32	(1)
Total	32	32	(1)

## 2. Available-for-sale securities

Previous fiscal year (December 31, 2024)

	Carrying amount in the Consolidated Balance Sheet (million yen)	Acquisition cost (million yen)	Unrealized gain (loss) (million yen)
(Items for which the carrying amount in the Consolidated Balance Sheet exceeds the acquisition cost)			
(i) Stocks	75,521	19,741	55,780
(ii) Bonds	—	—	—
(iii) Other	—	—	—
Subtotal	75,521	19,741	55,780
(Items for which the carrying amount in the Consolidated Balance Sheet does not exceed the acquisition cost)			
(i) Stocks	2,079	2,572	(493)
(ii) Bonds	—	—	—
(iii) Other	—	—	—
Subtotal	2,079	2,572	(493)
Total	77,600	22,313	55,287

Current fiscal year (December 31, 2025)

	Carrying amount in the Consolidated Balance Sheet (million yen)	Acquisition cost (million yen)	Unrealized gain (loss) (million yen)
(Items for which the carrying amount in the Consolidated Balance Sheet exceeds the acquisition cost)			
(i) Stocks	102,379	20,384	81,995
(ii) Bonds	—	—	—
(iii) Other	—	—	—
Subtotal	102,379	20,384	81,995
(Items for which the carrying amount in the Consolidated Balance Sheet does not exceed the acquisition cost)			
(i) Stocks	797	842	(45)
(ii) Bonds	—	—	—
(iii) Other	—	—	—
Subtotal	797	842	(45)
Total	103,175	21,226	81,950

## 3. Available-for-sale securities sold

Previous fiscal year (January 1, 2024 – December 31, 2024)

	Sales amount (million yen)	Total gain on sales (million yen)	Total loss on sales (million yen)
(1) Stocks	1,242	841	—
(2) Bonds	—	—	—
(3) Other	—	—	—
Total	1,242	841	—

Current fiscal year (January 1, 2025 – December 31, 2025)

	Sales amount (million yen)	Total gain on sales (million yen)	Total loss on sales (million yen)
(1) Stocks	1,433	970	—
(2) Bonds	—	—	—
(3) Other	—	—	—
Total	1,433	970	—

(Derivative transactions)

1. Derivative transactions to which hedge accounting is not applied

Currency-related

Previous fiscal year (December 31, 2024)

Category	Transaction type	Contract amount, etc. (million yen)	Contract amount, etc. due after 1 year (million yen)	Fair value (million yen)	Unrealized gain (loss) (million yen)
Transactions other than market transactions	Forward foreign currency exchange contracts:				
	Sell contract				
	Yen	3,901	—	(42)	(42)
	Australian dollar	—	—	—	—
	Thai Baht	1,952	—	(41)	(41)
Buy contract	Thai Baht	1,319	—	(16)	(16)
	Total	7,172	—	(100)	(100)

Current fiscal year (December 31, 2025)

Category	Transaction type	Contract amount, etc. (million yen)	Contract amount, etc. due after 1 year (million yen)	Fair value (million yen)	Unrealized gain (loss) (million yen)
Transactions other than market transactions	Forward foreign currency exchange contracts:				
	Sell contract				
	Yen	2,550	—	100	100
	Australian dollar	909	—	(10)	(10)
	Thai Baht	—	—	—	—
Buy contract	Thai Baht	—	—	—	—
	Total	3,459	—	90	90

The non-controlling interests arising from business combinations of overseas consolidated subsidiaries are transferred to long-term liabilities (other) due to the presence of put options. The table above does not include this amount.

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related

Previous fiscal year (December 31, 2024)

Hedge accounting method	Transaction type	Major hedged items	Contract amount, etc. (million yen)	Contract amount, due after 1 year (million yen)	Fair value (million yen)
Principle treatment method	Forward foreign currency exchange contracts:				
	Sold	Accounts payable - trade			
	U.S. dollar		7,018	—	(179)
	Euro		3,531	—	(70)
	Thai Baht		3,264	—	297
	Purchased	Accounts payable - trade			
	Yen		—	—	—
Allocation treatment including forward foreign currency exchange, etc.	Forward foreign currency exchange contracts:				
	Sold	Accounts receivable - trade			
	U.S. dollar		2,178	—	*
	Purchased	Accounts payable - trade			
	U.S. dollar		138	—	*
	Euro		129	—	*
	Total			39,897	11,576

\*Items subjected to allocation treatment of forward foreign currency exchange contracts, etc. are accounted for together with accounts payable and accounts receivable, which are the hedged items. As such, their fair value is included in the fair value of relevant accounts payable and accounts receivable.

Current fiscal year (December 31, 2025)

Hedge accounting method	Transaction type	Major hedged items	Contract amount, etc. (million yen)	Contract amount, due after 1 year (million yen)	Fair value (million yen)
Principle treatment method	Forward foreign currency exchange contracts:				
	Sold	Accounts payable - trade			
	U.S. dollar		481	—	(2)
	Euro		—	—	—
	Thai Baht		3,457	—	(78)
	Purchased	Accounts payable - trade			
	Yen		5	—	(0)
Allocation treatment including forward foreign currency exchange, etc.	Forward foreign currency exchange contracts:				
	Sold	Accounts receivable - trade			
	U.S. dollar		—	—	—
	Purchased	Accounts payable - trade			
	U.S. dollar		—	—	—
	Euro		—	—	—
	Total			15,145	10,343

## (2) Interest-related

Previous fiscal year (December 31, 2024)

Hedge accounting method	Transaction type	Major hedged items	Contract amount, etc. (million yen)	Contract amount, due after 1 year (million yen)	Fair value (million yen)
Principle treatment method	Interest rate swap contracts: Receive-variable rate/Pay-fixed rate	Long-term borrowings	2,070	2,023	(2)
Exceptional accounting for interest rate swaps	Interest rate swap contracts: Receive-variable rate/Pay-fixed rate	Long-term borrowings	1,810	712	*
Total			3,880	2,735	(2)

\*Items subjected to exceptional accounting for interest rate swaps are accounted for together with long-term borrowings, which is the hedged item. As such, their fair value is included in the fair value of the relevant long-term borrowings.

Current fiscal year (December 31, 2025)

Hedge accounting method	Transaction type	Major hedged items	Contract amount, etc. (million yen)	Contract amount, due after 1 year (million yen)	Fair value (million yen)
Principle treatment method	Interest rate swap contracts: Receive-variable rate/Pay-fixed rate	Long-term borrowings	2,193	46	(9)
Exceptional accounting for interest rate swaps	Interest rate swap contracts: Receive-variable rate/Pay-fixed rate	Long-term borrowings	1,810	637	*
Total			4,003	684	(9)

\*Items subjected to exceptional accounting for interest rate swaps are accounted for together with long-term borrowings, which is the hedged item. As such, their fair value is included in the fair value of the relevant long-term borrowings.

## (Retirement benefits)

## 1. Overview of retirement benefit plans adopted

The Company, its domestic consolidated subsidiaries, and some of its overseas consolidated subsidiaries have put in place corporate pension funds, contract-based corporate pension plans, and lump-sum retirement benefit plans as their defined benefit plans, and participate in the defined contribution pension system and the Smaller Enterprise Retirement Allowance Mutual Aid (SERAMA) Scheme as their defined contribution plans. Of the defined contribution corporate pension plans, multi-employer schemes that do not allow for the reasonable calculation of plan assets corresponding to the company's contributions are accounted for using the same method as that for defined contribution systems.

Some consolidated subsidiaries have contract-based corporate pension plans and lump-sum retirement benefit plans, and use a simplified method for calculating retirement benefit liability and expenses.

In certain cases, special retirement benefits may be paid to employees upon their retirement.

## 2. Defined benefit plans

(1) Changes in retirement benefit obligations at the beginning and end of the fiscal year (excluding plans to which the simplified method is applied)

(million yen)

	Previous fiscal year (January 1, 2024 – December 31, 2024)	Current fiscal year (January 1, 2025 – December 31, 2025)
Retirement benefit obligations balance at the beginning of the year	73,114	66,841
Service cost	2,795	2,487
Interest cost	1,090	1,335
Actuarial gain and loss	(6,562)	(814)
Retirement benefits paid	(3,704)	(3,741)
Prior service cost	(19)	13
Other	128	(112)
Retirement benefit obligations balance at the end of the year	66,841	66,009

(2) Changes in plan assets at the beginning and end of the fiscal year (excluding plans to which the simplified method is applied)

(million yen)

	Previous fiscal year (January 1, 2024 – December 31, 2024)	Current fiscal year (January 1, 2025 – December 31, 2025)
Plan assets at the beginning of the year	68,387	72,508
Expected return on plan assets	2,106	2,449
Actuarial gain and loss	3,240	1,800
Employer contributions	1,854	1,791
Retirement benefits paid	(3,079)	(3,135)
Plan assets at the end of the year	72,508	75,412

(3) Changes in retirement benefit liability at the beginning and end of the fiscal year for plans to which the simplified method is applied

(million yen)

	Previous fiscal year (January 1, 2024 – December 31, 2024)	Current fiscal year (January 1, 2025 – December 31, 2025)
Retirement benefit liability balance at the beginning of the year	1,207	1,201
Retirement benefit expense	139	191
Retirement benefits paid	(133)	(153)
Contributions	(20)	(20)
Increase due to new consolidation	—	20
Other	8	(19)
Retirement benefit liability balance at the end of the year	1,201	1,219

(4) Changes in year-end balance of retirement benefit liability and plan assets, and retirement benefit liability and assets recorded in the Consolidated Balance Sheet

(million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Funded retirement benefit obligation	59,308	58,559
Plan assets	(73,054)	(75,978)
	(13,746)	(17,420)
Unfunded retirement benefit obligation	9,280	9,237
Net retirement benefit liability in the consolidated balance sheet	(4,465)	(8,183)
Retirement benefit liability	9,724	9,446
Retirement benefit assets	(14,189)	(17,629)
Net retirement benefit liability in the consolidated balance sheet	(4,465)	(8,183)

(5) Components of retirement benefit expense

(million yen)

	Previous fiscal year (January 1, 2024 – December 31, 2024)	Current fiscal year (January 1, 2025 – December 31, 2025)
Service cost	2,795	2,487
Interest cost	1,090	1,335
Expected return on plan assets	(2,106)	(2,449)
Amortization of actuarial gain and loss	(9,802)	(2,614)
Amortization of prior service cost	(19)	13
Retirement benefit expense under the simplified method	139	191
Other	34	(44)
Retirement benefit expense for defined benefit plans	(7,869)	(1,081)

(6) Plan assets

(i) Major components of plan assets

The following are the percentages of the major components of plan assets, by major category, of total plan assets.

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Bonds	35%	33%
Stocks	30	31
Alternative *	20	20
General account	11	11
Other	3	5
Total	100	100

Note: “Alternative” consists primarily of investments in real estate and funds.

(ii) Method of determining the expected long-term return rate on plan assets

To determine the expected long-term return rate on plan assets, the Company takes into consideration the current and anticipated allocation of plan assets and the current and future expected long-term return rate from the diverse assets that constitute plan assets.

(7) Assumptions for actuarial calculations

Major assumptions used in actuarial calculations

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Discount rates	0.299% - 2.727%	0.810% - 3.685%
Expected long-term rate of return on plan assets	3.1%	3.4%
Expected rate of salary increase (point-based system)	5.2%	5.2%

3. Defined contribution plans

The amounts of required contributions to defined contribution plans (including multi-employer defined corporate pension plans similarly accounted for as defined contribution plans) by the Company and its consolidated subsidiaries were 2,556 million yen in the fiscal year ended December 31, 2024 and 3,442 million yen in the fiscal year ended December 31, 2025.

Matters related to multi-employer plans for which required contributions are accounted for as retirement benefit expenses are omitted due to their immateriality.

(Stock options)

1. Expenses and account name related to stock options

Not applicable.

## 2. Description, volumes and changes in stock options

### (1) Description of stock options

	Sumitomo Forestry Co., Ltd. 2015 Stock Acquisition Rights (Stock-based compensation type)	Sumitomo Forestry Co., Ltd. 2016 Stock Acquisition Rights (Stock-based compensation type)	Sumitomo Forestry Co., Ltd. 2017 Stock Acquisition Rights (Stock-based compensation type)
Date of resolution	July 31, 2015	July 29, 2016	July 28, 2017
Categories and number of individuals covered	Directors of the Company (excluding Outside Directors): 8 Executive officers of the Company (excluding those serving concurrently as Directors): 11	Directors of the Company (excluding Outside Directors): 8 Executive officers of the Company (excluding those serving concurrently as Directors): 13	Directors of the Company (excluding Outside Directors): 8 Executive officers of the Company (excluding those serving concurrently as Directors): 12
Number of stock options granted by class of share (No. of shares) (Note 1)	Common stock: 116,400	Common stock: 124,200	Common stock: 115,500
Grant date	August 20, 2015	August 19, 2016	August 18, 2017
Vesting conditions	No provisions	No provisions	No provisions
Eligible service period	No provisions	No provisions	No provisions
Exercise period*	From August 21, 2015 to August 20, 2035	From August 20, 2016 to August 19, 2036	From August 19, 2017 to August 18, 2037
Number of stock acquisition rights (units)*	109	165	158
Class, description, and number of shares of stock for stock acquisition rights* (Note 2)	Common stock: 32,700	Common stock: 49,500	Common stock: 47,400
Amount paid per share upon exercise of stock acquisition rights (yen)* (Note 3)	1	1	1
Share issue price and capital incorporation amount upon exercise of stock acquisition rights (yen) (Notes 4, 5)	Issuance price: 411 Amount to be incorporated into stated capital: 206	Issuance price: 364 Amount to be incorporated into stated capital: 182	Issuance price: 419 Amount to be incorporated into stated capital: 210
Conditions to exercise stock acquisition rights*	Note 6	Note 6	Note 6
Matters related to the transfer of stock acquisition rights*	The acquisition of stock acquisition rights through transfer must be approved through resolution by the Company's Board of Directors.		
Matters related to the issuance of stock acquisition rights accompanying reorganization*	Note 7	Note 7	Note 7
Matters related to the conditions for acquisition of stock acquisition rights*	Note 8	Note 8	Note 8

\* 1 The above information is as of the end of the fiscal year ended December 31, 2025. Items changed from the last day of the fiscal year under review to the end of the month (February 28, 2026) prior to the date of submission of the Annual Securities Report are shown in parentheses as of the end of the previous month.

\* 2 A stock split was implemented on July 1, 2025, at a ratio of 3 shares for every 1 share of common stock. The figures above reflect the adjusted values after this stock split.

Notes 1 Figures presented have been converted to the equivalent number of shares.

- 2 The number of shares underlying each stock acquisition right (hereafter, "number of shares granted") is 100 shares. However, after the date for the allotment of stock acquisition rights (hereafter, "allotment date"), the Company adjusts the number of shares granted based on the following formula in cases where the Company carries out a stock split (including the allotment of the shares without compensation from the Company's common stock; the same applies to statements relating to stock splits hereafter) or a reverse stock split of its common stock. Fractions of less than one share resulting from the adjustment are rounded to the nearest whole number.

Number of shares granted after adjustment = Number of shares granted before adjustment × Percentage of stock split or reverse stock split

The number of shares granted after adjustment applies from the day after the record date of the stock split in the case of a stock split (if a record date is not specified, the effective date of the stock split), and from the day after the effective date in the case of a reverse stock split. However, if a stock split is carried out on the condition that a proposal to reduce the amount of surplus and increase capital or reserves is approved at the general meeting of shareholders, and in cases where a date prior to the date of the conclusion of the general meeting of shareholders in question is specified as the record date for the stock split, the number of shares granted after adjustment is applied retroactively to the day following this record date, after the day following the date of the conclusion of the general meeting of shareholders.

In addition, after the allotment date, if the Company implements a merger, company split, or share exchange, or if it is necessary to adjust the number of shares granted in accordance with these cases, the Company may make reasonable adjustments to the number of shares granted.

When adjusting the number of shares granted, the Company notifies or gives public notice of the necessary matters to the holders of each stock acquisition right (hereafter, “stock acquisition right holders”) recorded in the share option registry, by the day before the date when the number of shares granted after adjustment becomes applicable. However, if the Company is unable to notify or give public notice by the day before the applicable date in question, it notifies or gives public notice to the stock acquisition right holders promptly thereafter.

- 3 The value of assets invested upon the exercise of each stock acquisition right is the amount obtained by taking the exercise price per share of stocks that can be issued through the exercise of the stock acquisition right in question as one yen, and multiplying that by the number of shares issued.
- 4 The issue price is the sum of the paid-in amount (fair value) of the stock acquisition right on the allotment date and the paid-in amount (one yen per share) when the stock acquisition right is exercised. Persons to whom stock acquisition rights have been allotted offset their payment obligations for the paid-in amount (fair value) of the stock acquisition right in question against the compensation claim to the Company.
- 5 (1) The amount of capital increase when issuing shares through the exercise of stock acquisition rights is half of the maximum amount of capital increase calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance on Accounting of Companies. Any fraction of less than one yen resulting from the calculations is rounded up to the nearest whole number.  
(2) The amount of capital reserve to be increased when issuing shares through the exercise of stock acquisition rights is the amount obtained by subtracting the amount of capital increase stated in (1) from the maximum amount of capital increase stated in (1).
- 6 (1) Stock acquisition right holders may, within the above-mentioned exercise period of stock acquisition rights, exercise their stock acquisition rights from the day following the date marking three years from the grant date, or the day following the date on which they lose their position as a director or executive officer of the Company due to the expiration of their term of office or other reasons, whichever is earlier.  
(2) Stock acquisition right holders may not exercise their stock acquisition rights after the day following the date marking five years from the day following the date on which they lost their position as a director or executive officer of the Company.  
(3) Notwithstanding (1), stock acquisition right holders may, within the exercise period of the abovementioned stock acquisition rights, exercise their stock acquisition rights within 30 days from the day following the date of approval by the general meeting of shareholders (approval by a resolution of the Board of Directors in cases where a resolution by the general meeting of shareholders is not required) on a proposal to approve a merger agreement in which the Company becomes the consolidated company or merged company, or a proposal to approve a share exchange agreement or share transfer plan in which the Company becomes a wholly-owned subsidiary. However, this does not apply in cases where a merger agreement, share exchange agreement, or share transfer plan stipulates that stock acquisition rights of the reorganized company will be granted to stock acquisition right holders pursuant to Note 7.  
(4) The inheritance of stock acquisition rights is permitted only when such rights are succeeded by one of the legal successors of the stock acquisition rights (hereafter, “successor”). The successor may exercise their stock acquisition rights by one of the following dates, whichever is earlier.
  - (i) The date marking three years from the day following the date when the successor is confirmed as the successor of the stock acquisition rights
  - (ii) The date marking five years from the day following the date of death of the stock acquisition right holder
  - (iii) The expiration date of the abovementioned exercise period of the stock acquisition rights
  - (iv) The date marking five years from the day following the date on which the stock acquisition right holder lost their position as director or executive officer of the Company
- (5) Stock acquisition right holders may not exercise the stock acquisition rights in question if they have surrendered such rights.
- 7 When the Company conducts a merger (only where the Company is dissolved due to a merger), absorption-type or incorporation-type company split (only where the Company becomes the split company), stock exchanges or share transfers (only where the Company becomes a wholly-owned subsidiary) (collectively referred to as “reorganization

action”), it grants stock acquisition rights of the stock company (hereafter, “reorganized company”), as set out in (a) to (c) of Paragraph 1 (viii), Article 236 of the Companies Act, to stock acquisition right holders who hold stock acquisition rights remaining (hereafter, “remaining stock acquisition rights”) immediately before the effective date of the reorganization action (date on which the absorption-type merger takes effect in the case of an absorption-type merger, date on which a stock company incorporated through a consolidation-type merger is established in the case of a consolidation-type merger, date on which the absorption-type company split takes effect in the case of an absorption-type split, date on which a stock company incorporated through an incorporation-type company split is established in the case of an incorporation-type company split, date on which a share exchange takes effect in the case of a share exchange, and date on which a wholly owning parent company incorporated through share transfer is established in the case of share transfer; the same applies hereafter), in each of the cases; provided, however, that an absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan shall stipulate that the stock acquisition rights of the reorganized company will be granted in accordance with each of the following items.

(1) Number of stock acquisition rights of the reorganized company to be issued

The same number of rights as the number of remaining stock acquisition rights held by the stock acquisition right holder is issued.

(2) Class of shares of the reorganized company to be issued upon exercise of the stock acquisition rights

Common stocks of the reorganized company

(3) Number of shares of the reorganized company to be issued upon exercise of the stock acquisition rights

To be determined pursuant to Note 2, upon consideration of the conditions or other factors concerning the reorganization action.

(4) Value of assets invested upon the exercise of the stock acquisition rights

The value of assets invested upon the exercise of each stock acquisition right granted is the amount obtained by multiplying the exercise price after reorganization, stipulated below, by the number of shares of the reorganized company to be issued upon the exercise of the stock acquisition rights, determined pursuant to (3). The exercise price after reorganization is one yen per share of the reorganized company that may be granted through the exercise of each stock acquisition right granted.

(5) Exercise period of the stock acquisition rights

The above-mentioned start date of the exercise period of the stock acquisition rights or the effective date of the reorganization, whichever is later, is the expiration date of the exercise period of the stock acquisition rights defined above.

(6) Matters relating to the capital and capital reserves to be increased in the case of share issuance through the exercise of stock acquisition rights, shall be determined pursuant to Note 5.

(7) Restrictions on the acquisition of stock acquisition rights through transfer

The acquisition of stock acquisition rights through transfer requires approval through a resolution by the Board of Directors of the reorganized company.

(8) Provisions governing the acquisition of stock acquisition rights

To be determined pursuant to Note 8.

(9) Other conditions for the exercise of stock acquisition rights

To be determined pursuant to Note 6.

8 If the following proposals (1), (2), (3), (4), or (5) are approved at the Company’s general meeting of shareholders (approval by a resolution of the Board of Directors in cases where a resolution by the general meeting of shareholders is not required), the Company may, on a date prescribed separately by the Company’s Board of Directors, acquire stock acquisition rights without compensation.

(1) Proposal to approve a merger agreement in which the Company becomes the consolidated company or merged company

(2) Proposal to approve a split agreement or split plan in which the Company becomes the split company

(3) Proposal to approve a share exchange agreement or share transfer plan in which the Company becomes a wholly-owned subsidiary

(4) Proposal to approve changes to the Articles of Incorporation that set out provisions on the requirement for the Company’s approval for the acquisition of stock acquisition rights through transfer for all stocks issued by the Company

(5) Proposal to approve changes to the Articles of Incorporation that set out provisions on the requirement for the Company’s approval for the acquisition of stocks through transfer for classes of stocks that are subject to stock acquisition rights, or provisions on the Company’s acquisition of all such classes of stocks through a resolution by the general meeting of shareholders

(2) Volume and changes in stock options

The number of stock options applicable refers to those that existed in the current fiscal year ended December 31, 2025, and have been converted into the equivalent number of shares shown as follows.

(i) Number of stock options

	Sumitomo Forestry Co., Ltd. 2015 Stock Acquisition Rights (Stock-based compensation type)	Sumitomo Forestry Co., Ltd. 2016 Stock Acquisition Rights (Stock-based compensation type)	Sumitomo Forestry Co., Ltd. 2017 Stock Acquisition Rights (Stock-based compensation type)
Unvested stock options (Number of shares)			
As of December 31, 2024	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Unvested as of December 31, 2025	—	—	—
Vested stock options (Number of shares)			
As of December 31, 2024	46,800	63,600	63,600
Vested	—	—	—
Exercised	14,100	14,100	16,200
Forfeited	—	—	—
Unexercised as of December 31, 2025	32,700	49,500	47,400

\* A stock split was implemented on July 1, 2025, at a ratio of 3 shares for every 1 share of common stock. The figures above reflect the adjusted values after this stock split.

(ii) Unit price information

	Sumitomo Forestry Co., Ltd. 2015 Stock Acquisition Rights (Stock-based compensation type)	Sumitomo Forestry Co., Ltd. 2016 Stock Acquisition Rights (Stock-based compensation type)	Sumitomo Forestry Co., Ltd. 2017 Stock Acquisition Rights (Stock-based compensation type)
Exercise price (yen)	1	1	1
Average stock price when exercised (yen)	1,393	1,393	1,427
Fair unit value on the grant date (yen)	411	364	419

\* A stock split was implemented on July 1, 2025, at a ratio of 3 shares for every 1 share of common stock. The figures above reflect the adjusted values after this stock split.

3. Method for estimating a fair unit value for stock options

No stock options were granted in the fiscal year ended December 31, 2025.

4. Method for estimating the number of vested stock options

As it is difficult to reasonably estimate the expiring number of options in the future, a method that reflects only the number of options that have been actually forfeited is generally applied.

## (Income taxes)

## 1. Significant components of deferred tax assets and liabilities

(million yen)

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Deferred tax assets		
Allowance for doubtful accounts	369	282
Provision for bonuses	4,721	5,111
Accrued legal welfare expense on employees' bonuses	719	769
Unpaid enterprise taxes	558	663
Devaluation of real estate for sale	133	155
Retirement benefit liability	2,660	2,517
Devaluation of non-current assets	752	608
Devaluation of financial instruments/golf-club memberships	1,163	1,248
Tax loss carryforwards (Notes)	4,615	7,574
Impairment loss	1,978	1,640
Provision for warranties for completed construction	2,344	1,595
Unrealized gain on non-current assets	472	621
Other	10,626	11,032
Gross deferred tax assets	31,110	33,813
Valuation allowance for tax loss carryforwards (Notes)	(4,122)	(4,959)
Valuation allowance for others	(7,084)	(6,614)
Valuation allowance	(11,205)	(11,573)
Total deferred tax assets	19,905	22,239
Deferred tax liabilities		
Reserve for tax purpose reduction entry of non-current assets	757	779
Retirement benefit assets	4,391	5,473
Gain on securities contributed to employee retirement benefit trusts	1,056	1,087
Valuation difference on available-for-sale securities	16,778	25,676
Land revaluation differences	816	921
Taxes on undistributed earnings of subsidiaries	10,838	12,846
Other	17,001	18,149
Gross deferred tax liabilities	51,636	64,931
Net deferred tax assets (liabilities)	(31,731)	(42,692)

Note Breakdown of amount of tax loss carryforwards and their deferred tax assets by carryforward expiration period.

## Previous fiscal year (December 31, 2024)

	Due in 1 year or less (million yen)	Due after 1 year through 2 years (million yen)	Due after 2 years through 3 years (million yen)	Due after 3 years through 4 years (million yen)	Due after 4 years through 5 years (million yen)	Due in more than 5 years (million yen)	Total (million yen)
Tax loss carryforwards*	148	269	204	217	337	3,441	4,615
Valuation allowance	(148)	(180)	(204)	(217)	(327)	(3,046)	(4,122)
Deferred tax assets	0	88	0	0	10	395	494

\*Tax loss carryforwards is the amount multiplied by the effective statutory tax rate.

Current fiscal year (December 31, 2025)

	Due in 1 year or less (million yen)	Due after 1 year through 2 years (million yen)	Due after 2 years through 3 years (million yen)	Due after 3 years through 4 years (million yen)	Due after 4 years through 5 years (million yen)	Due in more than 5 years (million yen)	Total (million yen)
Tax loss carryforwards*	216	205	133	176	277	6,567	7,574
Valuation allowance	(212)	(205)	(133)	(120)	(126)	(4,163)	(4,959)
Deferred tax assets	4	0	0	55	151	2,404	2,615

\*Tax loss carryforwards is the amount multiplied by the effective statutory tax rate.

2. Major factors underlying the differences between the effective statutory tax rate and the effective income tax rate after application of tax effect accounting

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Effective statutory tax rate	30.6%	30.6%
(Adjustments)		
Permanently non-deductible expenses for tax purposes such as entertainment expenses	0.2	0.3
Permanently non-taxable items such as dividend income	(6.0)	(0.3)
Per capita portion of inhabitant tax	0.2	0.2
Amortization of goodwill	1.4	0.7
Valuation allowance	(1.1)	0.2
Share of profit of entities accounted for using equity method	0.1	(1.0)
Undistributed earnings of subsidiaries, etc.	1.0	1.1
Tax rate differences with overseas subsidiaries, etc.	(6.4)	(5.8)
Other	3.4	(2.7)
Effective corporate income tax rate after application of tax effect accounting	23.2	23.2

3. Adjustment of deferred tax assets and liabilities due to changes in corporate tax rates

"Act to Amend Part of the Income Tax Act, etc." (Law No. 13 of 2020) was passed by the National Diet on March 31, 2025, and the "Special Defense Corporate Tax" will be levied in business years beginning on or after April 1, 2026.

Accordingly, for deferred tax assets and deferred tax liabilities related to temporary differences etc. that are expected to be resolved in consolidated fiscal years beginning on or after January 1, 2027, the statutory effective tax rate has been changed from 30.6% to 31.5% for calculation purposes.

The impact of this change will be minor.

4. Accounting treatment for corporate tax and local corporate tax or accounting treatment for tax effect accounting related thereto

Our company and some of our domestic consolidated subsidiaries apply the group consolidated tax system, and we perform accounting treatment and make disclosures for corporate income tax and local corporate income tax, as well as related tax effect accounting, in accordance with the accounting treatment and disclosure procedures for when the group consolidated tax system (Practical Application Report No. 42, August 12, 2021) is applied.

(Business Combinations)

(Business Combinations through Acquisition)

(Acquisition of Shares in LeTech Co., Ltd.)

At a meeting of the Board of Directors held on March 28, 2025, the Company resolved to conduct a tender offer pursuant to the Financial Instruments and Exchange Act as part of a transaction aimed at making LeTech Co., Ltd. (Stock Code: 3497, Tokyo Stock Exchange Growth Market; hereinafter referred to as the “Target Company”) a wholly-owned subsidiary. The first tender offer commenced on March 31, 2025, and concluded on May 14, 2025. As a result of this tender offer, on May 21, 2025 (upon the commencement of settlement for the first tender offer), the Target Company became a consolidated subsidiary of the Company. Furthermore, the Target Company became a wholly-owned subsidiary through a second tender offer by the Company, the stock consolidation by the Target Company, the request for the transfer of shares, etc. by the Company, and the acquisition of treasury shares by the Target Company, as described in “Transactions under Common Control.”

1. Summary of the business combination

(1) Name of company and description of its business

Name of company: LeTech Co., Ltd.

Description of business: Real estate sales, brokerage, mediation, leasing, management, sales agency services, etc.

(2) Main reason for the business transfer

In the rental housing business, which has traditionally centered on contracting, we aim to expand into the real estate solutions sector. For example, starting in 2024, we have planned to launch a “land set” business in which we construct rental housing on business sites, lease them out, and then sell the land and buildings together to customers. LeTech Co., Ltd. possesses a solid business foundation built through the development of its LEGALAND low-rise rental apartment complex. Furthermore, as it possesses the know-how and network required for everything from land acquisition to planning, development, leasing, and property sales, we believe that adding the company to our group will generate significant synergies.

(3) Date of business combination

May 21, 2025 (Deemed acquisition date: April 30, 2025)

(4) Legal form of the business combination

Business transfer with cash

(5) Name of company after business combination

No change in name

(6) Percentage of Voting Rights Acquired

69.0%

(7) Principal Basis for Selecting the Acquired Company

This is due to the Company’s acquisition of shares in exchange for cash

2. Period for which the business results of the acquiree are included in the consolidated financial statements of the Company

May 1, 2025 to December 31, 2025

3. Breakdown of consideration for acquisition and type of consideration

<u>Consideration for acquisition</u>	<u>Cash</u>	<u>5,001 million yen</u>
Acquisition cost:		5,001 million yen

4. Description and amount of primary acquisition-related costs

Advisory fee: 213 million yen

5. Amount of goodwill, reason for recognition, and method and period of amortization

(1) Amount of goodwill

742 million yen

(2) Reason for recognition

The acquisition cost exceeded the fair value of net assets acquired at the date of business combination

(3) Amortization method and period

Straight-line amortization over eight years

6. Amount and breakdown of assets acquired and liabilities assumed on the date of business transfer

Current assets	25,442 million yen
Non-current assets	2,064
<hr/> Total assets	<hr/> 27,506
Current liabilities	9,219
Non-current liabilities	12,112
<hr/> Total liabilities	<hr/> 21,331

7. Estimated impact on the consolidated statement of income for the current fiscal year if the business transfer is assumed to have been completed on the first day of the fiscal year, and the calculation method

Net sales	7,047 million yen
Recurring income (loss)	441
Profit (loss) attributable to owners of parent	315

(Calculation Method for Estimated Amounts) (Unaudited information)

The difference between net sales and profit and loss information calculated on the assumption that the business combination was completed on the first day of the fiscal year and net sales and profit and loss information in the statement of income of the acquired company is used as the approximate amount of the impact. In addition, the amortization amount is calculated as if the goodwill recognized at the time of the business combination had occurred on the first day of the current consolidated fiscal year, and is included in the approximate amount.

(Transactions under Common Control, etc.)

(Additional Acquisition of Shares in Subsidiary (LeTech Co., Ltd.))

1. Summary of the transaction

(1) Names of the combining parties and their business activities

Name of company: LeTech Co., Ltd.

Description of business: Real estate sales, brokerage, mediation, leasing, management, sales agency services, etc.

(2) Date of business combination

Acquisition through a tender offer: June 30, 2025 (Deemed acquisition date: April 30, 2025)

Acquisition through a request for the sale of shares: October 16, 2025 (Deemed acquisition date: August 1, 2025)

Acquisition of treasury stock by LeTech Co., Ltd.: October 17, 2025 (Deemed acquisition date: August 1, 2025)

Acquisition of treasury stock by LeTech Co., Ltd.: October 22, 2025 (Deemed acquisition date: August 1, 2025)

(3) Legal form of the business combination

Acquisition of shares from non-controlling shareholders

(4) Name of the combined entity

No change in name

(5) Other matters regarding the transaction

The Company acquired additional shares of LeTech Co., Ltd. through the second tender offer. Subsequently, the Company made

LeTech Co., Ltd. a wholly-owned subsidiary through a stock consolidation by LeTech Co., Ltd., a request for the transfer of shares pursuant to Article 179, Paragraph 1 of the Companies Act by the Company, and the acquisition of treasury stock by LeTech Co., Ltd.

2. Summary of accounting treatment

In accordance with the “Accounting Standard for Business Combinations” and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures,” this transaction is treated as a transaction with a non-controlling shareholder among transactions under common control.

### 3. Matters concerning the additional acquisition of subsidiary shares

#### Breakdown of acquisition cost and consideration by type

Consideration for the acquisition of subsidiary shares by the Company	Cash	2,287	million yen
Consideration for the acquisition of treasury stock by LeTech Co., Ltd.	Cash	2,045	million yen
Acquisition cost		4,332	million yen

Note 1 The consideration for the Company's acquisition of shares in the subsidiary is stated as the total of transactions on June 30, 2025, and October 16, 2025.

2 The consideration for the acquisition of treasury stock by LeTech Co., Ltd. is stated as the total of the transactions on October 17, 2025, and October 22, 2025

### 4 Matters concerning changes in the Company's equity interest related to transactions with non-controlling shareholders

#### (1) Major factors affecting capital surplus

Additional acquisition of shares in subsidiaries and acquisition of treasury stock by consolidated subsidiaries

#### (2) Decrease in capital surplus due to transactions with non-controlling shareholders

2,608 million yen

#### (Determination of Provisional Accounting Treatment for Business Combinations of Metricon Group)

A business combination with Met Group Holdings Pty Ltd and 9 other companies, which was conducted on November 1, 2024 (Australian time), was provisionally accounted for in the previous fiscal year, but was finalized in the current fiscal year.

Upon finalization of this preliminary accounting treatment, significant revisions were reflected in the initial allocation of purchase price.

As a result, the amount of goodwill calculated on a provisional basis of 7,321 million yen decreased by 3,980 million yen to 3,341 million yen. The decrease in goodwill was due to an increase of 9,667 million yen in other intangible assets (trademarks), 2,851 million yen in deferred tax liabilities, 3,165 million yen in non-controlling interests, and a decrease of 328 million yen in accounts payable.

#### (Asset retirement obligations)

Asset retirement obligations recorded in the Consolidated Balance Sheet

#### 1. Overview of asset retirement obligations

Asset retirement obligations include the obligation to restore properties to their original state in accordance with real estate lease contracts and fixed-term commercial land lease agreements for housing exhibition sites used for model homes, offices, etc.

#### 2. Method of calculating the amounts of asset retirement obligations

Asset retirement obligations are calculated using discount rates ranging from 0.00% to 2.54% and estimating expected usage terms ranging from 5 years to 49 years after acquisition.

#### 3. Changes in total asset retirement obligations

(million yen)

	Previous fiscal year (January 1, 2024 – December 31, 2024)	Current fiscal year (January 1, 2025 – December 31, 2025)
Balance at beginning of the year	3,573	3,601
Increase in liability incurred for property, plant and equipment acquired	118	68
Change in estimates	22	22
Accretion expense	13	14
Liabilities settled	(126)	(694)
Balance at end of the year	3,601	3,010

(Investment properties)

The Company and some of its consolidated subsidiaries hold rental properties such as rental condominiums in Tokyo and other areas and overseas (mainly in the United States). The net rental income from the investment properties (the income is recorded in net sales and the expense is principally charged to cost of sales) was 565 million yen for the fiscal year ended December 31, 2024, and gain on sales (recorded as non-operating income) was 475 million yen. For the fiscal year ended December 31, 2025, net rental income from the investment properties (the income is recorded in net sales and the majority of expenses is charged to cost of sales) was 674 million yen, gain on sales (recorded as non-operating income) was 502 million yen, and impairment loss (recorded as non-operating expenses) was 1,149 million yen.

The amounts recognized in the Consolidated Balance Sheet, changes during the fiscal year, and fair values related to investment properties were as follows:

(million yen)		
	Previous fiscal year (January 1, 2024 – December 31, 2024)	Current fiscal year (January 1, 2025 – December 31, 2025)
Carrying amount in the Consolidated Balance Sheet		
Balance at beginning of the year	44,125	57,125
Changes during the year	13,000	11,010
Balance at end of the year	57,125	68,135
Fair value at end of the year	57,657	73,840

- Notes
- 1 The amounts in the consolidated financial statements are obtained by deducting accumulated depreciation from the cost of acquisition.
  - 2 The main components of changes in the carrying amounts for the fiscal year ended December 31, 2024 included an increase of 17,827 million yen due to acquisitions of real estate, an increase of 4,046 million yen due to exchange rate fluctuations, a decrease of 6,486 million yen due to change of purpose of holding to real estate for sale, a decrease of 1,977 million yen due to sales of real estate, and a decrease of 411 million yen due to depreciation. The main components of changes in the carrying amounts for the fiscal year ended December 31, 2025 included an increase of 23,736 million yen due to acquisitions of real estate, an increase of 583 million yen due to new consolidations, an increase of 930 million yen due to exchange rate fluctuations, a decrease of 11,194 million yen due to change in purpose for holding real estate for sale, a decrease of 1,145 million yen due to sales of real estate, a decrease of 481 million yen due to depreciation, and a decrease of 1,149 million yen due to impairment loss.
  - 3 The fair value at the end of the fiscal year is based on the appraisal value determined by real estate appraisers as well as an amount based on indicators that appropriately reflect the market price.
  - 4 Pre-development planned properties (amount in consolidated financial statements: 17,350 million yen for the fiscal year ended December 31, 2024, and 7,435 million yen for the fiscal year ended December 31, 2025) are not included in real estate for rent, etc. because they are in the initial stages of development and it is extremely difficult to determine their fair values.

(Revenue recognition)

1. Information on the disaggregation of revenue from contracts with customers

(million yen)

		Main regional market (Note 1)	Previous fiscal year (January 1, 2024 – December 31, 2024)	Current fiscal year (January 1, 2025 – December 31, 2025)
Reportable segments	Timber and Building Materials	Japan	176,011	182,571
	Other	Other	55,509	49,472
		Subtotal	231,519	232,043
Other	Housing Business	Japan	513,092	554,978
	Global Construction and Real Estate Business	U.S.	1,050,885	1,028,953
		Australia	162,868	347,264
		Other	24,298	32,361
		Subtotal	1,238,051	1,408,578
	Environment and Resources Business Japan	Japan	15,109	14,725
		China	4,131	3,941
		Indonesia	3,004	2,726
Other		3,334	3,375	
Subtotal		25,577	24,767	
Other	Japan	10,864	11,146	
Revenue from contracts with customers			2,019,104	2,231,513
Other revenue (Note 2)			34,546	36,064
Sales to and contract revenues from external customers			2,053,650	2,267,577

Notes 1 Classified based on the location of customers.

2 “Other revenue” includes rental income, etc. based on the Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

2. Information that serves as the basis for understanding revenue from contracts with customers

Information that serves as the basis for understanding revenue from contracts with customers is omitted from the notes as the same information is included in “Notes to Consolidated Financial Statements (Significant information for preparation of consolidated financial statements), 4. Accounting policies (5) Accounting policy for recognition of significant revenues and expenses.”

3. Information on the relationship between the satisfaction of performance obligations based on contracts with customers and cash flows from those contracts as well as the amount and date of revenue expected to be recognized in and after the fiscal year following the contracts with customers that exist at the end of the current fiscal year

Previous fiscal year (January 1, 2024 – December 31, 2024)

(1) Balance of contract assets and contract liabilities for the fiscal year ended December 31, 2024

(million yen)

Category	Beginning balance	Ending balance
Receivables arising from contracts with customers	155,022	168,894
Contract assets (Note 1)	54,408	73,711
Contract liabilities (Note 2)	86,916	97,588

Notes 1 The main component of contract assets is unbilled account receivables related to revenue recognized based on the

measurement of progress of construction contracts, etc. On the Consolidated Balance Sheet, it is included under “Accounts receivable from completed construction contracts and contract assets.” Construction is deemed to be completed upon completion of inspection by the customer, and the amount is transferred to receivables at the point when the rights of the Company and its consolidated subsidiaries become unconditional.

- 2 The main component of contract liabilities is advances received from customers in construction contracts, real estate sales, etc. Performance obligations are satisfied with the progress of construction and provision of services, and the contract liability is transferred to revenue. Of the amount of revenue recognized in the previous fiscal year, the amount included in the contract liability balance as of the beginning of the fiscal year is 49,083 million yen. Changes in contract assets and contract liabilities during the previous fiscal year, and the amount of revenue recognized from the performance obligations satisfied in past periods during the current fiscal year, are immaterial.

(2) Transaction price allocated to the remaining performance obligations

With regard to the transaction price allocated to the remaining performance obligations, as there are no significant contracts that are initially expected to have a contract period exceeding one year, the Group has applied a practical expedient and omitted descriptions of such transactions.

Current fiscal year (January 1, 2025 – December 31, 2025)

(1) Balance of contract assets and contract liabilities for the fiscal year ended December 31, 2025

Category	Beginning balance	Ending balance
Receivables arising from contracts with customers	168,894	162,381
Contract assets (Note 1)	73,711	79,275
Contract liabilities (Note 2)	97,588	98,970

(million yen)

Notes 1 The main component of contract assets is unbilled account receivables related to revenue recognized based on the measurement of progress of construction contracts, etc. On the Consolidated Balance Sheet, it is included under “Accounts receivable from completed construction contracts and contract assets.” Construction is deemed to be completed upon completion of inspection by the customer, and the amount is transferred to receivables at the point when the rights of the Company and its consolidated subsidiaries become unconditional.

- 2 The main component of contract liabilities is advances received from customers in construction contracts, real estate sales, etc. Performance obligations are satisfied with the progress of construction and provision of services, and the contract liability is transferred to revenue. Of the amount of revenue recognized in the current fiscal year, the amount included in the contract liability balance as of the beginning of the fiscal year is 69,919 million yen. Changes in contract assets and contract liabilities during the current fiscal year, and the amount of revenue recognized from the performance obligations satisfied in past periods during the current fiscal year, are immaterial.

(2) Transaction price allocated to remaining performance obligations

With regards to transaction price allocated to remaining performance obligations, as there are no significant contracts that are initially expected to have a contract period exceeding one year, the Group has applied a practical expedient and omitted descriptions of such transactions.

(Segment and related information)

[Segment information]

#### 1. Outline of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance. The Group establishes business divisions by products and services, and each division formulates comprehensive strategies for the products and services it handles.

Accordingly, the Group is classified into four reportable segments (the Timber and Building Materials Business, Housing Business, Global Construction and Real Estate Business, and Environment and Resources Business) based on division and identified by products and services.

The Timber and Building Materials Business is engaged in the procurement, manufacture, processing and sale of timber and building materials, etc. The Housing Business is engaged in the construction, after-maintenance and renovation of detached houses and multi-family housing, sale of spec homes, the development, leasing, management, purchase and sale and brokerage of real estate, contracting for house exterior fixtures and landscaping works, urban greening works, CAD and site surveys, etc. The Global Construction and Real Estate Business is engaged in the sale of spec homes, construction of detached houses, design, manufacture, delivery, and installation of trusses and panels for detached houses and apartment buildings, development of multi-family housing and commercial complexes in overseas markets, domestic subcontracting of medium to large-scale construction projects, etc. The Environment and Resources Business is engaged in sustainable energy business and forest resources business, etc.

#### 2. Calculation methods used for net sales, profit or loss, assets and the other items on each reportable segment

The accounting methods for reportable business segments are generally in accordance with those described in “Notes to Consolidated Financial Statements (Significant information for preparation of consolidated financial statements),” with the exception of the treatment of retirement benefit expenses.

With regard to retirement benefit expenses, amounts accounted for in a lump sum, such as actuarial differences, are not included in the profits or losses for the business segments.

Business segment profits are based on recurring income.

Inter-segment sales and transfers are based on market prices, etc.

Segment information in the previous fiscal year reflects revisions to the initial allocation of purchase price due to the finalization of provisional accounting treatment for business combinations.

### 3. Information on the amounts of net sales, profit or loss, assets and other items for each reportable segment

Previous fiscal year (January 1, 2024 – December 31, 2024)

(million yen)

	reportable segment					Other (Note 1)	Total	Adjustments (Note 2)	Amounts in consolidated financial statements (Note 3)
	Timber and Building Materials Business	Housing Business	Global Construction and Real Estate Business	Environment and Resources Business	Total				
Net sales									
(1) Sales to and contract revenues from external customers	231,519	541,803	1,238,859	25,619	2,037,801	15,257	2,053,057	593	2,053,650
(2) Inter-segment sales or inter-segment transfers	21,637	497	1,138	1,331	24,603	12,057	36,660	(36,660)	—
Total	253,156	542,300	1,239,997	26,950	2,062,404	27,314	2,089,717	(36,067)	2,053,650
Segment income (loss)	10,001	35,173	147,451	236	192,860	705	193,566	4,389	197,955
Segment assets	243,739	236,358	1,400,112	90,907	1,971,116	73,725	2,044,842	222,646	2,267,488
Other items									
Depreciation and amortization (Note 4)	4,374	6,118	12,116	2,042	24,649	2,342	26,991	925	27,916
Amortization of goodwill	—	359	8,093	—	8,453	—	8,453	—	8,453
Interest income	366	12	3,155	66	3,598	0	3,598	28	3,626
Interest expense	967	763	9,355	757	11,841	164	12,005	(4,287)	7,718
Share of profit (loss) of entities accounted for using equity method	(193)	—	(2,331)	232	(2,292)	391	(1,901)	1	(1,900)
Investments in equity method affiliates	8,360	—	126,497	11,069	145,926	39,876	185,801	6	185,807
Increase in property, plant and equipment and intangible assets (Note 4)	10,543	7,837	61,126	4,681	84,188	1,550	85,738	1,506	87,243

Notes 1 “Other” refers to business segments not included in the reportable segments, and includes businesses operating private-pay elderly care facilities and elderly residences that combine living support service, insurance agency business, contracting of civil engineering and construction works, etc.

2 Details of the adjustments are as follows.

(1) Adjustments for sales to external customers of 593 million yen are attributable to the administrative departments, and comprised mainly of rent from the Company's landholdings.

(2) Adjustments for segment income (loss) of 4,389 million yen include 57 million yen in eliminated inter-segment transactions, 9,802 million yen of retirement benefits liability adjustments (gain), and (5,470) million yen of corporate loss, which are not allocated to any of the reportable segments.

Corporate income (loss) mainly comprises selling, general and administrative expenses, non-operating income, and non-operating expenses not belonging to any of the reportable segments.

(3) Adjustments for segment assets of 222,646 million yen include (11,599) million yen of inter-segment eliminations and 234,245 million yen of corporate assets, which are not allocable to any of the segment assets.

Corporate assets mainly comprise surplus funds managed by the Company's Head Office (cash and deposits, marketable securities, and short-term loan receivables), long-term investments (investment securities), and assets used by administrative departments.

3 The total amounts of segment income or loss and segment assets are reconciled with recurring income and total assets, respectively, in the Consolidated Financial Statements.

4 Depreciation and amortization and increase in property, plant and equipment and intangible assets include long-term prepaid expenses and write-offs associated with these expenses.

Current fiscal year (January 1, 2025 – December 31, 2025)

(million yen)

	reportable segment					Other (Note 1)	Total	Adjustments (Note 2)	Amounts in consolidated financial statements (Note 3)
	Timber and Building Materials Business	Housing Business	Global Construction and Real Estate Business	Environment and Resources Business	Total				
Net sales									
(1) Sales to and contract revenues from external customers	232,043	584,644	1,409,803	24,809	2,251,300	15,685	2,266,984	592	2,267,577
(2) Inter-segment sales or inter-segment transfers	20,931	736	1,333	1,954	24,954	12,430	37,384	(37,384)	—
Total	252,974	585,381	1,411,136	26,763	2,276,254	28,114	2,304,368	(36,792)	2,267,577
Segment income (loss)	12,755	41,264	119,703	(1,281)	172,441	4,889	177,330	(2,431)	174,900
Segment assets	297,962	291,091	1,577,764	88,116	2,254,933	77,858	2,332,790	239,242	2,572,032
Other items									
Depreciation and amortization (Note 4)	4,490	6,574	14,563	2,010	27,637	2,384	30,022	917	30,939
Amortization of goodwill	3	421	4,442	—	4,866	—	4,866	—	4,866
Interest income	317	25	4,366	36	4,743	2	4,744	210	4,954
Interest expense	1,423	1,308	14,866	915	18,511	168	18,679	(5,491)	13,188
Share of profit (loss) of entities accounted for using equity method	4,859	—	(1,671)	123	3,311	4,308	7,619	(13)	7,606
Investments in equity method affiliates	16,595	—	197,791	11,836	226,223	42,473	268,695	5	268,701
Increase in property, plant and equipment and intangible assets (Note 4)	11,933	9,108	38,059	2,194	61,295	3,336	64,630	1,275	65,905

Notes 1 “Other” refers to business segments not included in the reportable segments, and includes businesses operating private-pay elderly care facilities and elderly residences that combine living support service, insurance agency business, contracting of civil engineering and construction works, etc.

2 Details of the adjustments are as follows.

(1) Adjustments for sales to external customers of 592 million yen are attributable to the administrative departments, and mainly comprised of rent from the Company’s landholdings.

(2) Adjustments for segment income (loss) of (2,431) million yen include (666) million yen in elimination of inter-segment transactions, 2,627 million yen of retirement benefits liability adjustments (gain), and (4,392) million yen of corporate loss, which are not allocated to any of the reportable segments.

Corporate income (loss) mainly comprises selling, general and administrative expenses, non-operating income, and non-operating expenses not belonging to any of the reportable segments.

(3) Adjustments for segment assets of 239,242 million yen include (12,106) million yen of inter-segment eliminations and 251,348 million yen of corporate assets, which are not allocable to the segment assets.

Corporate assets mainly comprise surplus funds managed by the Company’s Head Office (cash and deposits, marketable securities, and short-term loan receivables), long-term investments (investment securities), and assets used by administrative departments.

3 The total amounts of segment income or loss and segment assets are reconciled with recurring income and total assets, respectively, in the Consolidated Financial Statements.

4 Depreciation and amortization and increase in property, plant and equipment and intangible assets include long-term prepaid expenses and write-offs associated with these expenses.

[Related information]

Previous fiscal year (January 1, 2024 – December 31, 2024)

1. Products and services information

(million yen)

	Timber and Building Materials	Housing	Other	Total
Sales to and contract revenues from external customers	273,839	1,746,659	33,153	2,053,650

2. Geographic area information

(1) Net sales

(million yen)

Japan	United States	Australia	Other Area	Total
773,431	1,062,521	165,655	52,043	2,053,650

Note: Sales are classified based on the location of customers.

(2) Property, plant and equipment

(million yen)

Japan	United States	New Zealand	Australia	Other Area	Total
101,209	87,892	39,898	30,375	26,729	286,103

3. Major customer information

Customer information has been omitted since there are no sales to and contract revenues from any specific external customer that account for 10% or more of consolidated net sales.

Current fiscal year (January 1, 2025 – December 31, 2025)

1. Products and services information

(million yen)

	Timber and Building Materials	Housing	Other	Total
Sales to and contract revenues from external customers	283,766	1,950,674	33,137	2,267,577

2. Geographic area information

(1) Net sales

(million yen)

Japan	United States	Australia	Other Area	Total
830,936	1,041,639	350,142	44,860	2,267,577

Note: Sales are classified based on the location of customers.

(Changes in presentation)

Net sales related to “Australia,” which was included in “Other Area” in the previous fiscal year, has been presented independently in the fiscal year under review in view of its increased materiality. To reflect this change in presentation, “2. Geographic area information (1) Net sales” for the previous fiscal year has been reclassified. Accordingly, in net sales for the previous fiscal year, 217,698 million yen presented as “Other Area” has been reclassified as 165,655 million yen in “Australia” and 52,043 million yen in “Other Area.”

(2) Property, plant and equipment

(million yen)

Japan	United States	New Zealand	Australia	Other Area	Total
107,442	105,525	39,993	36,925	32,773	322,658

3. Major customer information

Customer information has been omitted since there are no sales to and contract revenues from any specific external customer that account for 10% or more of consolidated net sales.

[Information of loss on impairment of non-current assets for each reportable segment]

Previous fiscal year (January 1, 2024 – December 31, 2024)

(million yen)

	Timber and Building Materials Business	Housing Business	Global Construction and Real Estate Business	Environment and Resources Business	Other	Elimination and/or Corporate	Total
Loss on impairment of non-current assets	6	—	5,854	27	39	—	5,926

Note: "Other" refers to businesses operating private-pay elderly care facilities and elderly residences that combine living support services

Current fiscal year (January 1, 2025 – December 31, 2025)

(million yen)

	Timber and Building Materials Business	Housing Business	Global Construction and Real Estate Business	Environment and Resources Business	Other	Elimination and/or Corporate	Total
Loss on impairment of non-current assets	82	—	1,631	—	—	—	1,713

[Information of amortization and balance of goodwill for each reportable segment]

Previous fiscal year (January 1, 2024 – December 31, 2024)

(million yen)

	Timber and Building Materials Business	Housing Business	Global Construction and Real Estate Business	Environment and Resources Business	Other	Elimination and/or Corporate	Total
Amortization of goodwill	—	359	8,093	—	—	—	8,453
Balance of goodwill	—	1,976	36,963	—	—	—	38,938

Current fiscal year (January 1, 2025 – December 31, 2025)

(million yen)

	Timber and Building Materials Business	Housing Business	Global Construction and Real Estate Business	Environment and Resources Business	Other	Elimination and/or Corporate	Total
Amortization of goodwill	3	421	4,442	—	—	—	4,866
Balance of goodwill	—	2,296	33,203	—	—	—	35,499

[Information on gain on negative goodwill by each reportable segment]

Not applicable.

(Related Party Transactions)

Previous fiscal year (January 1, 2024 – December 31, 2024)

Transactions with related parties

Transactions between the Company and related parties

Non-consolidated subsidiaries and affiliated companies.

Category	Name	Location	Capital or investment (million yen)	Description of business or occupation	Ratio of voting rights ownership (owned) (%)	Relationship with related party	Transactions (Note)	Transaction amount (million yen)	Account	Balance at the end of the year (million yen)
Director and their immediate family member(s)	Yoshimasa Tetsu and his immediate family member(s)	—	—	Audit & Supervisory Board Member of the Company	—	Audit & Supervisory Board Member of the Company, Contracting of residential construction	Contracting of residential construction	93	Contract liabilities	41

Note: Transaction terms and the policies for determining transaction terms are the same as for general transaction terms.

(Per share information)

	Previous fiscal year (January 1, 2024 – December 31, 2024)	Current fiscal year (January 1, 2025 – December 31, 2025)
Net assets per share (yen)	1,499.06	1,642.00
Profit per share (yen)	189.80	174.13
Profit per share fully diluted (yen)	189.67	174.07

Note 1: The basis for the calculation of net assets per share is as follows.

	Previous fiscal year (December 31, 2024)	Current fiscal year (December 31, 2025)
Total net assets (million yen)	1,023,963	1,136,786
Breakdown of deductions from total net assets (million yen)	103,616	132,813
(Stock acquisition rights (million yen))	(69)	(51)
(Non-controlling interests (million yen))	(103,547)	(132,762)
Total net assets for common stock (million yen)	920,347	1,003,973
Number of shares of common stock outstanding (shares)	618,202,104	618,555,804
Number of shares of treasury stock (shares)	4,250,865	7,121,943
Number of shares of common stock used for the calculation of net asset per share (shares)	613,951,239	611,433,861

2 The basis for the calculation of profit per share and profit per share fully diluted is as follows.

	Previous fiscal year (January 1, 2024 – December 31, 2024)	Current fiscal year (January 1, 2025 – December 31, 2025)
Profit per share		
Profit attributable to owners of parent (million yen)	116,528	106,666
Profit not attributable to shareholders of common stock (million yen)	—	—
Profit attributable to shareholders of parent for common stock (million yen)	116,528	106,666
Weighted average number of shares of common stock issued (shares)	613,945,620	612,550,316
Profit per share fully diluted		
Adjusted profit attributable to owners of parent (million yen)	—	—
Breakdown of increase in common stock (shares)	426,028	226,586
(Stock acquisition rights (shares))	(177,177)	(143,634)
(Performance-linked stock compensation (shares))	(248,851)	(82,952)
Overview of potentially dilutive shares not included in the calculation of diluted profit per share due to absence of dilutive effects	—	—

3 The above information reflects revisions to the initial allocation of purchase price due to the finalization of provisional accounting treatment for business combinations.

4 On July 1, 2025, the Company conducted a stock split in which each common share was split into three shares. Accordingly, the net assets per share, the profit per share and the profit per share fully diluted were calculated on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

- 5 In calculating profit per share and profit per share fully diluted, the Company's shares held by the Employee Stock Delivery Trust are included in treasury stocks to be deducted in the calculation of the average number of shares issued during the period. In addition, in calculating net assets per share, the Company's shares are included in the treasury stocks deducted from the total number of shares outstanding at the end of the period.

(Significant Subsequent Events)

(Business combination through acquisition)

The Company is pleased to announce that on February 13, 2026, the Board of Directors resolved to acquire 100% of the shares in Tri Pointe Homes, Inc. (hereinafter, TPH), which is engaged in homebuilding business in the United States, through our U.S. subsidiary Sumitomo Forestry America, Inc. (hereinafter, SFAM), and to begin procedures to make TPH a consolidated subsidiary. The acquisition will be completed subject to approval at a shareholders meeting convened by TPH, receipt of customary approvals and other permissions required from relevant authorities and fulfillment of other necessary procedures.

#### 1. Overview of business combination

##### (1) Name of acquired company and description of its business

Name of acquired company: Tri Pointe Homes, Inc. and 37 other companies

Description of business: Operates homebuilding businesses and other related businesses in the U.S.

##### (2) Main reasons for business combination

Since the opening of the Besshi Copper Mine in 1691, Sumitomo Forestry Group began with the management of forests for copper mining and over a history of 335 years expanded business domains in line with the needs of the times and growth in overseas market has become one of key strategic pillars in recent years. In the U.S., we entered single-family homes business in 2003, followed by the establishment of Henley USA (currently known as MainVue Homes) in 2010. Since 2013, we have welcomed homebuilders with competitive footprint in each region into the Group, including Bloomfield Homes, Brightland Homes※1, DRB Group, and Edge Homes, and expanded our business areas, primarily in metropolitan regions with strong population and employment growth. Annual number of units sold have increased significantly from 516 units in 2013※2 to 10,262 units in 2025※3, making the U.S. single-family homes business a core driver of our growth. Furthermore, the multifamily rental housing business operated by Crescent and JPI has also expanded steadily, with combined housing starts by the two companies exceeding 5,000 units in 2024.

U.S. is the world's largest wooden housing market, with a population just over 340 million and approximately 1.5 million housing starts annually. Supported by continued population growth and a structural housing supply shortage, the market is expected to see stable medium to long-term growth. In response to persistent industry-wide challenges such as labor shortages, rising labor costs, and longer construction timelines, we are advancing our FITP business※4. Furthermore, we acquired a sawmill factory in Louisiana to make them a consolidated subsidiary in 2025. Through businesses covering log procurement, the production and sale of wood products, and housing supply, we seek to enhance the value of timber resources and create synergies across its businesses by realizing a value chain centered around "Wood" referred to as the "Wood Cycle".

Under our Long-Term Vision "Mission TREEING 2030," we aim to further expand our U.S. single-family homes business and increase annual housing supply to 23,000 units by 2030. To achieve this, we have pursued both organic growth within existing home builders and new M&A opportunities.

TPH is a leading homebuilder listed on New York Stock Exchange with 6,460 deliveries in 2024, operating across 13 states, including regions where we are yet to enter. TPH has established a particularly strong presence in California, Texas, and Arizona, with a differentiated strategy focused on value added brand and prime locations.

Through achieving the following four objectives of this acquisition, we aim to elevate the U.S. single-family homes business to a new stage of growth and further solidify its position as a national builder.

##### i. Further Expansion of the U.S. Single-Family Homes Business

- The combined annual number of units sold of approximately 18,000 units (equivalent to a top 5 U.S. homebuilder) ※5 from our existing U.S. homebuilders and TPH, represents a major step toward achieving the target of supplying 23,000 homes in the U.S. by 2030 as set forth in "Mission TREEING 2030"
- As a homebuilder equivalent to the 5<sup>th</sup> largest in the U.S., we aim to further pursue economies of scale and enhance profitability by improving management efficiency.

##### ii. Expansion of Geographic Footprint and Product Diversification

- TPH operates in California and Nevada, states where we are yet to enter, and has built a particularly strong business foundation in California. We will expand our business footprint through capturing demand in the state ranked third nationwide in housing construction permits.
- TPH pursues a value-added brand strategy, "Premium Lifestyle Brand", focused on customer centricity, superior

quality and personalization and offers a broad product line-up. We will further diversify our products to accommodate diverse customer demand.

iii. Strengthening Value Chain

- Through the expansion of our U.S. single-family homes business, together with our sawmill operations and FITP business operating across the U.S., we will strengthen its “Wood Cycle” value chain.

iv. Strengthening Business Foundation

- Establish a solid business foundation by incorporating the business management expertise TPH has cultivated as a publicly listed U.S. company.
- We aim to elevate our U.S. single-family housing business to a new stage of growth and establish a solid position as a national homebuilder.

Notes

※1 Gehan Homes changed its registered name to Brightland Homes and is consolidated under DRB Group

※2 Results for the fiscal year ended March 31, 2014

※3 Results for the fiscal year ended December 31, 2025

※4 FITP Business: An abbreviation for "Fully Integrated Turn-key Provider", a business that provides end-to-end services covering the design, manufacturing, delivery, and construction of panels and trusses

※5 Calculated by aggregating the combined number of units sold of our existing homebuilders in FY2024 with TPH's FY2024 number of units sold, with reference to Builder Online 2025 Builder 100

(3) Date of business combination

Second quarter of the 2026 fiscal year (planned)

Execution of the acquisition is subject to receipt of approval at a shareholders meeting convened by TPH, and approval from relevant authorities and other customary closing conditions.

(4) Legal form of business combination

The acquisition will be implemented by way of "reverse triangular merger", in which Teton NewCo, Inc., a wholly owned subsidiary of SFA Operations, LLC. established as a wholly owned subsidiary by SFAM (the "Acquisition Subsidiary"), will be merged with TPH. The surviving company will be TPH and its shareholders will receive cash, while TPH, the surviving company, will become an indirect wholly owned subsidiary of SFAM as the Acquisition Subsidiary will merge into TPH and dissolve.

(5) Name of company after business combination

Tri Pointe Homes, Inc. (planned)

(6) Percentage of voting rights to be acquired

100% (planned)

(7) Main basis for determining the acquiring company

SFAM, a wholly owned consolidated subsidiary, is acquiring the shares with cash.

2. Breakdown of acquisition price and type of consideration

Acquisition price: approximately USD 4,281 million (654,946 million yen) (cash)

Acquisition cost: approximately USD 4,281 million (654,946 million yen)

Note: The acquisition price includes the full amount required to purchase all outstanding shares, Performance Share Unit

Awards and approximate amount of advisory fees and other expenses payable in association with the acquisition.

The amounts in Japanese yen are calculated at a rate of 1 USD = 153 yen.

3. Description and amount of primary acquisition-related costs

Nothing has been finalized at this time.

4. Amount of goodwill, reason for recognition, and method and period of amortization

Nothing has been finalized at this time.

5. Amount and breakdown of assets to be acquired and liabilities to be assumed on the date of business transfer

Nothing has been finalized at this time.

6. Financing of acquisition cost

The acquisition will be funded through a bridge loan followed by permanent financing within approximately one year from completion of the acquisition. For permanent financing, we are considering borrowings from financial institutions and hybrid financing taking financial soundness into account. We do not anticipate financing methods that would result in

dilution of common equity.

(Sale of Shares in an Equity-method Affiliate)

At a meeting of the Board of Directors held on December 26, 2025, the Company resolved to partially sell the common stock of Kumagai Gumi Co., Ltd. (hereinafter, "Kumagai Gumi"), an equity-method affiliate of the Company, and, following a resolution by Kumagai Gumi on January 8, 2026 for the secondary offering, shares were sold as follows.

1. Purpose of the sale of shares

The purpose of the sale is to improve capital efficiency and optimize the capital relationship. Even after the sale, Kumagai Gumi will continue to be an equity-method affiliate of the Company as the Company will continue to have significant influence by seconding officers and maintaining a close alliance relationship. In addition, the Company will further strengthen its alliance relationship with Kumagai Gumi while proactively exploring and promoting investment in areas of collaboration, including in the construction business.

2. Method of sale

Secondary offering through purchase and underwriting by an underwriter (Underwriter: Daiwa Securities Co., Ltd.)

3. Timing of sale

January 26, 2026

February 25, 2026

4. Number of shares sold, shareholding ratio after sale, sale price, and gain on sale

- |                                   |   |   |
|-----------------------------------|---|---|
| (1) Number of shares sold         | : | 11,473,400 shares   |
| (2) Shareholding ratio after sale | : | 15.0%   |
| (3) Sale price                    | : | 18,403 million yen  |
| (4) Gain on sale                  | : | The Company expects to record a gain on sale of shares of subsidiaries and associates of 5,697 million yen as extraordinary income. |

Note: In connection with the secondary offering through purchase and underwriting conducted on January 26, 2026, Daiwa Securities Co., Ltd. was granted the right ("Green Shoe Option") to acquire up to 1,496,500 additional shares of Kumagai Gumi stock from the Company at the same price as the underwriting price. This Green Shoe Option was exercised to the maximum extent, and on February 25, 2026, 1,496,500 shares of Kumagai Gumi stock were sold. The figures presented in "4. Number of shares sold, shareholding ratio after sale, sale price, and gain on sale" were calculated after including these shares.

(Lawsuit Filed Against a Consolidated Subsidiary)

PT. Mayangkara Tanaman Industri (hereinafter, "MTI"), a consolidated subsidiary of the Company, was named as a defendant in a lawsuit filed with the Pontianak District Court of the Republic of Indonesia (hereinafter, "Indonesia") on January 9, 2026, as described below.

1. Overview of the Lawsuit

- (1) Name: Ministry of the Environment, and Environmental Control Agency of the Republic of Indonesia (hereinafter, the "plaintiff")
- (2) Location: Special Regional Province of Jakarta, Republic of Indonesia

2. Cause of the Lawsuit and Background Leading to the Filing

MTI is engaged in the forestry business in West Kalimantan Province, Indonesia. In 2023, a fire broke out within part of a business site. According to the petition, the plaintiff is understood to have filed the lawsuit in connection with this fire.

3. Details of the Lawsuit

According to the petition, the plaintiff's main claims are as follows.

- (1) Issuance of a provisional injunction to suspend planting activities in the affected area for the duration of the lawsuit and until a final judgment is reached
- (2) Payment of compensation to the public treasury in the amount of IDR 347,689 million (3,234 million yen) for damages caused by the fire.
- (3) Implementation of environmental restoration measures for the affected area

Note: The amounts in Japanese yen are calculated at a rate of 1 IDR = 0.0093 yen.

#### 4. Future Outlook

The Company and MTI will respond appropriately after reviewing the details of the lawsuit. At this stage, there are discrepancies between the Company's understanding and the plaintiff's claims regarding the cause of the fire, its location and the extent of the affected area, and the Company intends to contest these claims. It is difficult at present to reasonably estimate the impact of the lawsuit.

#### (Changes in Reporting Segments)

Business segments in the "segment information" section were previously divided into four categories: "Timber and Building Materials," "Housing," "Global Construction and Real Estate," and "Environment and Resources." However, as of the beginning of the fiscal year ending in December 2026, the Company has decided to categorize its business segments under five categories: "Timber and Building Materials," "Housing," "Overseas Housing," "Real Estate," and "Environment and Resources."

The reason for these changes is to consolidate the real estate business functions currently handled by individual business departments in order to ensure the expansion of the Company's environmentally conscious real estate business, which contributes to the Wood Cycle with a focus on wooden architecture in Japan and overseas. In January 2026, the Company established the Real Estate Division and changed the name of the Global Construction and Real Estate Division to the Overseas Housing Division.

The main change is that the leasing, management, purchase and sale of real estate in Japan and overseas, as well as the contracted construction of domestic medium- to large-scale construction projects in Japan, which were previously included in "Housing" and "Global Construction and Real Estate," have now been included in "Real Estate."

Information regarding the amounts of net sales, profits, and losses for each reporting segment for the consolidated fiscal year under review based on the revised business segment classifications is as follows.

Furthermore, information regarding assets and other items for each reporting segment after the revision is currently being calculated.

Current consolidated fiscal year (January 1, 2025 to December 31, 2025)

(million yen)

	Reporting segment						Other (Note 1)	Total	Adjustment (Note 2)	Total shown in the consolidated financial statement (Note 3)
	Timber and Building Materials	Housing	Overseas Housing	Real Estate	Environment and Resources	Total				
Net sales										
(1) Unaffiliated customers	232,043	541,420	1,200,567	252,461	24,809	2,251,300	15,685	2,266,984	592	2,267,577
(2) Intersegment sales/transfer	20,931	888	5,325	1,590	1,954	30,687	12,431	43,117	(43,117)	—
Total	252,974	542,307	1,205,892	254,051	26,763	2,281,987	28,115	2,310,102	(42,525)	2,267,577
Segment income (loss)	12,755	38,532	137,964	(13,776)	(1,370)	174,105	5,026	179,131	(4,231)	174,900

(Notes) 1. "Other" is a business segment not included in the reporting segments. This segment includes private nursing home/private elderly care facilities with nursing care business, insurance agency business, and civil engineering/construction work.

2. Adjustments are as presented below.

- (1) Adjusted sales to unaffiliated customers of 592 million yen are attributable to the administrative departments and comprised mainly of rent from Company landholdings.
- (2) The adjusted segment loss of 4,231 million yen includes (2,467) million yen in eliminated intersegment transactions, a 2,627 million yen actuarial gain associated with retirement benefit costs, and (4,392) million yen in corporate losses

which are not allocated to any of the reporting segments.

Corporate income (loss) is primarily selling, general and administrative expenses, non-operating income or non-operating expenses not belonging to any reporting segments.

3. Total segment income (loss) is adjusted against recurring income shown in the consolidated financial statements.

## (5) Supplementary information

[Schedule of bonds payable]

Company	Issue name	Issue date	Balance at the beginning of the fiscal year (million yen)	Balance at the end of the fiscal year (million yen)	Interest rate (%)	Collateral	Redemption date
Sumitomo Forestry Co., Ltd.	Third Series Unsecured Straight Bonds	June 17, 2016	20,000	20,000 (20,000)	0.33	Unsecured	2026
Sumitomo Forestry Co., Ltd.	Fourth Series Unsecured Straight Bonds	March 7, 2018	10,000 (10,000)	—	0.25	Unsecured	2025
Sumitomo Forestry Co., Ltd.	Fifth Series Unsecured Straight Bonds	March 7, 2018	10,000	10,000	0.35	Unsecured	2028
Sumitomo Forestry Co., Ltd.	Sixth Series Unsecured Straight Bonds	March 7, 2018	10,000	10,000	0.70	Unsecured	2033
Sumitomo Forestry Co., Ltd.	Eighth Series Unsecured Straight Bonds	March 6, 2019	10,000	10,000	0.38	Unsecured	2029
Sumitomo Forestry Co., Ltd.	Ninth Series Unsecured Straight Bonds	December 6, 2019	10,000	10,000	0.28	Unsecured	2029
Sumitomo Forestry Co., Ltd.	Tenth Series Unsecured Straight Bonds	December 6, 2019	10,000	10,000	0.69	Unsecured	2039
Other corporate bonds	—	—	160 (44)	331 (47)	—	—	—
Total	—	—	80,160 (10,044)	70,331 (20,047)	—	—	—

Notes 1 Numbers in parentheses indicate the amount of bonds to be redeemed within one year.

2 The scheduled redemption amounts within five years after the consolidated closing date are as follows.

Due in 1 year or less (million yen)	Due after 1 year through 2 years (million yen)	Due after 2 years through 3 years (million yen)	Due after 3 years through 4 years (million yen)	Due after 4 years through 5 years (million yen)
20,047	47	10,047	20,047	47

[Schedule of borrowings, etc.]

Category	Balance at the beginning of the fiscal year (million yen)	Balance at the end of the fiscal year (million yen)	Average interest rate (%)	Repayment date
Short-term borrowings	64,984	103,655	4.42	—
Current portion of long-term borrowings	28,718	37,133	1.51	—
Current portion of lease obligations	5,778	6,622	4.50	—
Long-term borrowings (excluding current portion of long-term borrowings)	413,856	532,159	4.20	2027 - 2045
Lease obligations (excluding current portion of lease obligations)	19,915	19,565	3.93	2027 - 2055
Total	533,251	699,133	—	—

Notes 1 Average interest rate is calculated using the weighted average of interest rates on the balance at the end of the current fiscal year.

- 2 The following are the amounts of long-term borrowings and lease obligations to be redeemed within five years after the consolidated closing date (excluding those to be repaid within one year).

	Due after 1 year through 2 years (million yen)	Due after 2 years through 3 years (million yen)	Due after 3 years through 4 years (million yen)	Due after 4 years through 5 years (million yen)
Long-term borrowings	90,769	157,859	143,634	38,952
Lease obligations	5,262	2,650	2,355	1,819

[Schedule of asset retirement obligations]

As the amount of asset retirement obligations at the beginning and the end of the current fiscal year is below one-hundredth of the total amount of liabilities and net assets at the beginning and the end of the current fiscal year, the schedule is omitted in accordance with the provisions of Article 92, Paragraph 2 of the Ordinance on Consolidated Financial Statements.

(2) Other

Semi-annual information for the fiscal year under review

	Semi-annual fiscal period	Fiscal year under review
Net sales (million yen)	1,074,750	2,267,577
Profit before income taxes (million yen)	88,221	180,228
Profit attributable to owners of parent (million yen)	49,320	106,666
Net income per share (yen)	80.38	174.13

Notes 1 In the fiscal year under review, the Group finalized provisional accounting treatment for business combinations, and each detail related to the semi-annual accounting period reflects revisions to the initial allocation of purchase price due to the finalization of provisional accounting treatment for business combinations.

- 2 On July 1, 2025, the Company conducted a stock split in which each common share was split into three shares. Accordingly, net income per share was calculated on the assumption that the stock split was conducted at the beginning of the current consolidated fiscal year.
- 3 In calculating net income per share, the Company's shares held by the Employee Stock Delivery Trust are included in the shares of treasury stock deducted in the calculation of the average number of shares issued during the period.

# Independent Auditor’s Audit Report and Internal Control Audit Report

March 25, 2026

The Board of Directors  
Sumitomo Forestry Co., Ltd

Ernst & Young ShinNihon LLC	
Tokyo, Japan	
Designated Engagement Partner	Masato Nakagawa
Certified Public Accountant	
Designated Engagement Partner	Natsuki Saiki
Certified Public Accountant	
Designated Engagement Partner	Keiichiro Ochi
Certified Public Accountant	

<Consolidated financial statements audit>

## Opinion

Pursuant to Article 193-2, Section 1 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying consolidated financial statements of Sumitomo Forestry Co., Ltd. (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) included in “Financial Information” for the fiscal year from January 1, 2025 to December 31, 2025 which comprise the consolidated balance sheet, the consolidated statements of income, comprehensive income, changes in net assets, and cash flows, significant accounting policies, other related notes, and the consolidated supplemental schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, including those applicable to audits of financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters.

Initial measurement of trademark rights recognized following the acquisition of Met Group Holdings Pty Ltd	
Description of Key Audit Matter	Auditor's Response
<p>The Company acquired 51% of the shares of Met Group Holdings Pty Ltd for 10,343 million yen on November 1, 2024, making it a consolidated subsidiary. As stated in the Notes to Consolidated Financial Statements (Business Combinations), the Company finalized the provisional accounting treatment for the allocation of purchase price from the previous fiscal year.</p> <p>In allocating the purchase price of 10,343 million yen, the Company engaged external experts for fair value measurement to recognize and measure the identifiable assets acquired and liabilities assumed. As a result, the Company recorded trademark rights of 9,667 million yen and goodwill of 3,341 million yen at the date of the business combination. As of the end of the current fiscal year, the trademark rights and goodwill amounted to 10,288 million yen and 2,667 million yen, respectively.</p> <p>The measurement of trademark rights was calculated using the relief-from-royalty method, which is part of the income approach, and is affected by estimates of future cash flows and discount rates. The estimation of future cash flows involves key assumptions requiring management's judgment, including sales revenue growth projections in the business plan, royalty rates, and discount rates.</p> <p>Due to the material significance of the trademark rights, the inclusion of management judgment in the key assumptions used in the measurement, and the uncertainty involved in these estimates, we have determined that the initial measurement of trademark rights recognized through the acquisition of Met Group Holdings Pty Ltd is a key audit matter.</p>	<p>In examining the initial measurement of trademark rights, we involved component auditors and primarily performed the following procedures.</p> <ul style="list-style-type: none"> <li>• To understand the purpose of acquiring Met Group Holdings Pty Ltd and its positioning in the Company's business strategy, we questioned management and reviewed the minutes of management meetings and board meetings and relevant contracts.</li> <li>• We examined the results of analysis of identifiable assets acquired and liabilities assumed performed by management and the external valuation specialists engaged by management, and evaluated management's judgments.</li> <li>• To assess the appropriateness of the sales revenue growth projections in the business plan, which is a key assumption used in measuring the fair value of intangible assets, we made inquiries of management regarding the basis for these projections and compared them with historical performance and industry market growth rates.</li> <li>• Regarding the estimation methods and key assumptions adopted in measuring the fair value of intangible assets, we involved valuation specialists from our audit firm's network to examine the selected estimation methods and evaluate key assumptions such as royalty rates and discount rates.</li> </ul>

## **Other Information**

The other information comprises the information included in the Annual Securities Report but does not include the consolidated financial statements, the non-consolidated financial statements and our audit report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditors and Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion from an independent standpoint. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditors and the Board of Corporate Auditors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Internal control audit>

### **Opinion**

Pursuant to Article 193-2, Section 2 of the Financial Instruments and Exchange Act of Japan, we have audited the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as at December 31, 2025 of Sumitomo Forestry Co., Ltd. ("Management's Report").

In our opinion, Management's Report referred to above, which represents that the internal control over financial reporting as at December 31, 2025 of Sumitomo Forestry Co., Ltd. is effective, presents fairly, in all material respects, the result of management's assessment of internal control over financial reporting in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

### **Basis for Opinion**

We conducted our internal control audit in accordance with auditing standards on internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, including those applicable to audits of financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management, the Corporate Auditors and Board of Corporate Auditors for the Management's Report on the Internal Control over Financial Reporting**

Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of Management's Report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

The Corporate Auditors and Board of Corporate Auditors are responsible for monitoring and verifying the design and operation of internal control over financial reporting.

Internal control over financial reporting may not prevent or detect misstatements.

### **Auditor's Responsibilities for the Audit of Internal Control**

Our objectives are to obtain reasonable assurance about whether Management's Report is free from material misstatement, and to issue an auditor's report that includes our opinion from an independent standpoint.

As part of an audit in accordance with auditing standards on internal control generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence relating to the result of management's assessment of internal control over financial reporting in Management's Report. The design and performance of audit procedures for internal control audits is based on our judgement in consideration of the materiality of the effect on the reliability of financial reporting.
- Consider the overall presentation of Management's Report with regards to the scope, procedures, and result of the assessment of

internal control over financial reporting including descriptions by management.

- Obtain sufficient appropriate audit evidence regarding the result of management’s assessment of internal control over financial reporting in Management’s Report. We are responsible for the direction, supervision, and performance of the audit of Management’s Report. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditors and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the internal control audit, the results of the internal control audit, any significant deficiencies in internal control that we identify, and the results of corrective measures for such significant deficiencies.

We also provide the Corporate Auditors and the Board of Corporate Auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

**Fee-related information-**

The amounts of fees for financial statement audits and other services charged to Sumitomo Forestry Co., Ltd. and its controlled entities by us and other EY member firms for the fiscal year ended December 31, 2025 are disclosed in “Status of corporate governance, etc. (3) Status of audit” included in the “Status of the Reporting Company” section in the annual securities report.

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Note to Users of Independent Auditor’s Report**

Other information described in the Independent Auditor’s Report and information referenced above in fee-related information relate to the Japanese annual securities report and the Independent Auditor’s Report therein, and thus solely represent the English translation of the original Independent Auditor’s Report in accordance with the Financial Instruments and Exchange Act of Japan.

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Notes:

1. The original copy of the above Independent Auditor’s Report is in the custody of the Company—the submitter of this Securities Report.
2. The XBRL data is not included in the scope of Audit.