Happiness Grows from Trees

SUMITOMO FORESTRY

# Integrated Report 2026

# Contents

Click the titles in the table of contents, index, or reference pages to jump to the first page of each section.




Corporate, IR, Sustainability information
https://sfc.jp/english/


# Editorial policy

The Sumitomo Forestry Group publishes an Integrated Report every year to inform shareholders, investors, and all other stakeholders about its yearly performance and medium- to long-term initiatives for corporate value enhancement, and to provide an opportunity for further dialogue. This Integrated Report 2026, which reports on activities during the fiscal year ended December 2025, reaffirms the significance of the Wood Cycle and clearly presents the Group's approach to value creation. The report also provides a detailed update on the progress of Mission TREEING 2030 Phase 2, the Medium-term Management Plan established to realize the Long-term Vision for 2030, and presents the strategies and business models of each business segment. We hope that this report will help to further deepen our dialogue with our stakeholders.

## Scope of reporting

Reporting period Fiscal year ended December 2025 (January 1, 2025 to December 31, 2025)

* The report also includes some activities from outside the reporting period.

Scope of reporting Sumitomo Forestry Co., Ltd. and Group companies

Framework and guidance referred to
- "The International Integrated Reporting Framework" issued by the IFRS Foundation
- "Guidance for Collaborative Value Creation 2.0" issued by the Ministry of Economy, Trade and Industry

## Regarding change of fiscal term

The Sumitomo Forestry Group changed the end of its fiscal year from March 31 to December 31, beginning after the fiscal year ended December 2020. As a result of this change, fiscal 2020 refers to the irregular nine-month fiscal period that starts on April 1, 2020 and ends on December 31, 2020.

## Regarding change of segment

Starting from the fiscal year ended December 2023, the Housing and Construction Business was renamed the Housing Business, and the Construction Business, previously included in the Housing Business, was transferred to the Global Construction and Real Estate Business.

Starting from the fiscal year ended December 2024, the Global Housing, Construction and Real Estate Business was renamed the Global Construction and Real Estate Business.

Starting from the fiscal year ending December 2026, the Global Construction and Real Estate Business was renamed the Overseas Housing Business. At the same time, the Real Estate Business was established to consolidate real estate business functions that had previously been dispersed across the Group's divisions.

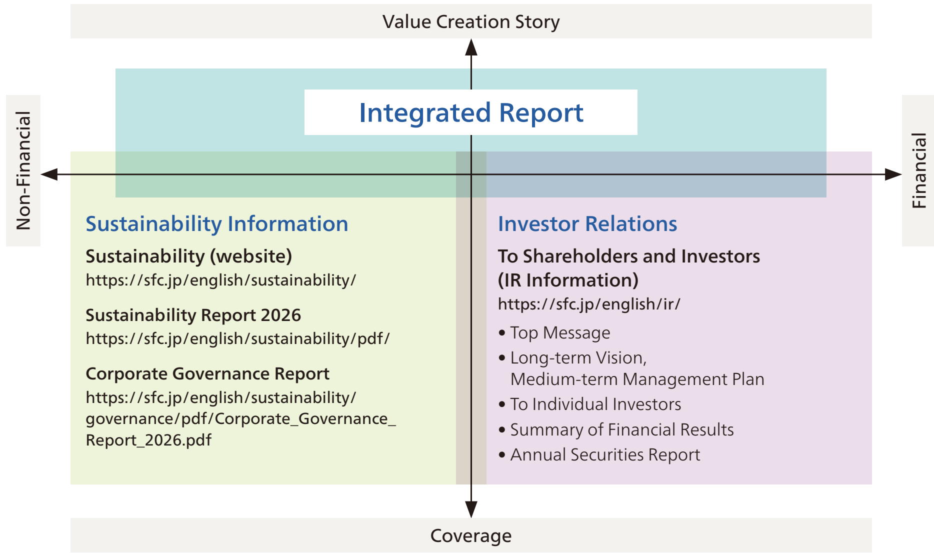
# What This Report Strives to Convey

The Sumitomo Forestry Group publishes this Integrated Report in order to summarize medium- to long-term value creation initiatives from both financial and non-financial perspectives. This report is intended to serve as a medium for stakeholders, including shareholders and investors, to understand our growth story as we strive to enhance engagement with stakeholders.

In addition to this report, the IR section of our website provides a wealth of IR information in both Japanese and English, including financial results, financial factbooks, briefing materials, and monthly order information related to the Housing Business. Detailed information on our sustainability initiatives is available in Japanese and English on the Sustainability section of our website.

### Third-party assurance regarding ESG information

With the aim of guaranteeing the appropriateness and objectivity of the non-financial information disclosed, the environmental and social performance indicators in the Sustainability Report 2026 ESG Data Book have been assured by a third-party assurance provider, KPMG AZSA Sustainability Co., Ltd. Please refer to the link below for details.
https://sfc.jp/english/sustainability/esg-data/pdf/esg-data_2026.pdf#page=39




## Key Highlights of the 2026 Integrated Report

This report provides a detailed overview of the challenges and developments that the Sumitomo Forestry Group is undertaking to achieve its vision for 2030. Three particular highlights are given below.

### Point 1 Value Creation Through the Wood Cycle

From forest management and wood utilization to wooden construction and renewable energy, the Wood Cycle, Sumitomo Forestry's unique value chain, is at the core of our value creation and contributes to the realization of a decarbonized society. This report illustrates how the Company enhances both social value and corporate value through wood.

Turning Forest Value into Social Value →P.6
The "Wood Cycle" Value Chain →P.7

### Point 2 Key Initiatives for the Future

To expand the value of wood globally, this report features initiatives for the future, including the realization of the Wood Cycle in the United States, expansion of medium- to large-scale wooden construction, development of fire-resistant wood materials, measures against hay fever from the forestry sector, and challenges in the space field. Through these examples, the report presents a concrete roadmap toward the realization of our Long-term Vision.

Message from the President →P.13
Chapter 2: Key Initiatives for the Future →P.26

### Point 3 Initiatives Addressing Nine Material Issues That Support Corporate Value

The Sumitomo Forestry Group has identified "Nine Material Issues" from the perspectives of "Value for Our Planet," "Value for People and Society," and "Value for the Market Economy." This report presents the pathway toward sustainable enhancement of corporate value through connections with the financial and non-financial KPIs corresponding to each issue.

Nine Material Issues and the Mid-term Sustainability Targets →P.55

# Message from the Chairman

## Value Creation by the Sumitomo Forestry Group, with Forests as the Starting Point

The history of Sumitomo Forestry is inseparable from the more than 330 years of engagement with forests. By cultivating forests, making the most of wood, and delivering value to people and society, we have taken initiatives that closely align with today's concepts of sustainability, including decarbonization, resource circulation, and coexistence with local communities.

Our Long-term Vision, Mission TREEING 2030, sets forth a clear direction for realizing sustainable growth together with society while expanding the value of wood, with an eye toward achieving a decarbonized society by 2050. It presents the ideal vision for the Sumitomo Forestry Group through concrete business strategies. Through our business activities, we will continue to provide three types of value: value for our planet, value for people and society, and value for the market economy.

As uncertainty in the world continues to intensify, including volatility in the economic environment, rising geopolitical risks, and the increasing frequency of natural disasters associated with climate change, management decisions required to realize our Long-term Vision are becoming more complex and challenging than ever before. Under such circumstances, in order to steadily provide these three values and enhance corporate value on a sustainable basis, it is essential that management and outside directors with diverse expertise and backgrounds engage in open and candid discussions from multiple perspectives, while continuously validating the direction we should pursue.

At the foundation of these efforts lies the Sumitomo Business Spirit, centered on the principle of "Benefit self and benefit others, private and public interests are one and the same." Under a sound and highly effective governance framework, the Board of Directors will continue to fulfill its responsibilities.

Just as forests nurture diverse forms of life, corporate value is also created through collaboration with a wide range of stakeholders. Dialogue and trust with customers, shareholders and investors, employees and their families, business partners, local communities, and all stakeholders who support our business will drive the realization of our Long-term Vision.

We will continue to take on new challenges so that we can pass on the value of trees and forests to the future and remain a company that can inspire pride in the next generation.

Akira Ichikawa
Representative Director, Chairman of the Board

# Corporate Philosophy, Our Values and Code of Conduct

The Sumitomo Forestry Group Code of Conduct
https://sfc.jp/english/corporate/philosophy/code.html

## Corporate Philosophy

The Sumitomo Forestry Group utilizes wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society.
All our efforts are based on Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society.

## Our Values

We provide high-quality products and services that bring joy to our customers.

We create new businesses that lead to happiness for generations to come with a fresh perspective.

We promote a free and open-minded corporate culture that respects diversity.

We set and strive to achieve ambitious goals through ongoing effort.

We do work that wins us the trust of society with fair and honest conduct.

## The Sumitomo Forestry Group Code of Conduct

### Purpose and scope of application

Based on its Corporate Philosophy and Our Values, the Sumitomo Forestry Group shall manage its operations, including the supply chain, in accordance with this Code of Conduct.

### Fair and transparent corporate activities

1. Strict adherence to laws and regulations
2. Prevention of corruption
3. Fair business transactions
4. Fair accounting procedures
5. Communication with stakeholders
6. Maintaining confidentiality
7. Information security
8. Relationships with companies we do business with
9. Protection of intellectual property rights
10. Protection of personal information
11. Responsible advertising/promotional efforts
12. Healthy relationship with the government
13. Stance on organized crime
14. Establishment of a whistleblowing mechanism

### Ethical conduct

15. Avoidance of a conflict of interest
16. Prohibition of misappropriation of company assets
17. Prohibition of insider trading
18. Appropriate gift giving and entertainment
19. Prohibition of political or religious activities

### A respectful, healthy workplace

20. Respect for human rights
21. Prohibition of discrimination and the promotion of diversity
22. Prohibition of forced labor and child labor
23. Freedom of association and collective bargaining rights
24. Appropriate working hours and wages
25. Work/life balance
26. Occupational health and safety
27. Human resources development
28. Prohibition of harassment
29. Protection of privacy

### Business activities that respect society and the environment

30. Customer satisfaction and safety
31. Co-existence with the environment
32. Contribution to the local community

# Value Creation Story—The Sumitomo Forestry Group's Sustainability Management

**The Sumitomo Forestry Group has been engaged in sustainable management based on its Corporate Philosophy, "The Sumitomo Forestry Group utilizes wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society. All our efforts are based on Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society."**

## Corporate Philosophy

### Long-term Vision

P.17

**Mission TREEING 2030**

**~Making our planet safer and more secure for future generations~**

By providing value for our planet, for people and society, and for the market economy, we at the Sumitomo Forestry Group will strive to make our planet safer and more secure for current and future generations of people and all living beings. With our long-held strengths in harnessing and expanding the value of forests and wood, we will create change for a new future.

**Business policy for achieving Mission TREEING 2030**

1. Maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy
2. Advancing globalization
3. Striving for transformation and the creation of new value
4. Transforming our business foundation for growth

### Material management issues

P.55


### Medium-term Management Plan

**Mission TREEING 2030 Phase 1**

(Fiscal year ended December 2022 to fiscal year ended December 2024)

P.19

**Mission TREEING 2030 Phase 2**

(Fiscal year ended December 2025 to fiscal year ending December 2027)

P.20

Three Years of **Reform** and **Implementation** for Dramatic Growth

**Basic Policies**

- Efforts to Address Decarbonization Challenge
- Enhancement of Earning Power
- Deepening of Global Expansion
- Strengthening Management Base
- Further Integration of Business Operations and ESG

**Mission TREEING 2030 Phase 3**

# Value Creation Story—The Sumitomo Forestry Group's Sustainability Management

**In February 2022, we formulated our Long-term Vision Mission TREEING 2030, which looks ahead to our ideal state in 2030, and identified Nine Material Issues in the three areas of value: value for our planet, value for people and society, and value for the market economy. The Sumitomo Forestry Group engages in business activities around the concept of wood, from forest management to distribution, wooden constructions, and wood biomass power generation. We have illustrated this unique value chain in a diagram called the Wood Cycle. We will contribute to a decarbonized society by implementing this Wood Cycle, by increasing the amount of $CO_2$ absorbed by forests, promoting carbon storage in wood, and storing carbon over the long term in wooden buildings.**

## Value Creation Process

→P.32

### Related capital

**Inputs**

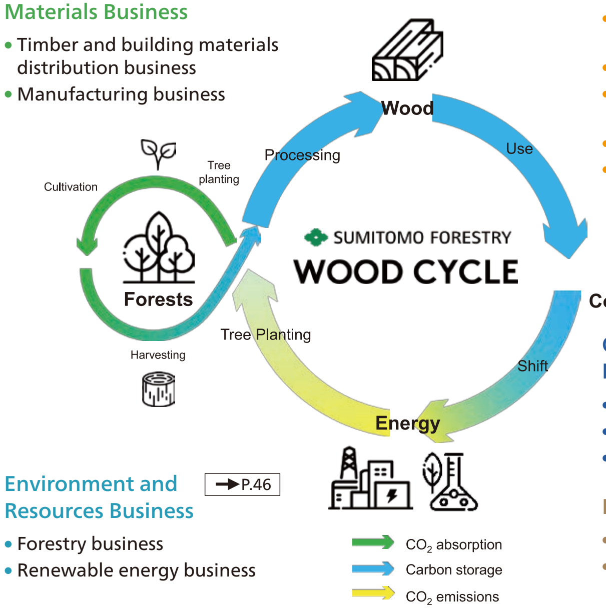
- Natural Capital
- Manufactured Capital
- Human Capital
- Intellectual Capital
- Social Capital
- Financial Capital

### Timber and Building Materials Business →P.34

- Timber and building materials distribution business
- Manufacturing business

### Housing Business →P.36

- Custom-built detached housing business
- Rental housing business
- Residential property development (spec homes) business
- Renovation business
- Greening business




### Overseas Housing Business →P.39

- Single-family homes business
- FITP business*
- Landscaping business

### Environment and Resources Business →P.46

- Forestry business
- Renewable energy business

### Real Estate Business →P.44

- Real estate development business
- Medium- to large-scale wooden construction business

* The Fully Integrated Turn key Provider (FITP) business provides integrated services from design of panels to manufacturing, delivery, and installation.

### Stakeholders of the Sumitomo Forestry Group

- Shareholders and Investors
- Employees and Their Families
- Customers
- Global Society and Local Communities
- Global Environment
- Government and Regulatory Authorities
- Industries and Companies in the Same Business
- Business Partners
- Students
- NPO/NGO

Stakeholder Engagement →P.67

### Value created

**Outcomes**

Value for our planet

×

Value for people and society

×

Value for the market economy

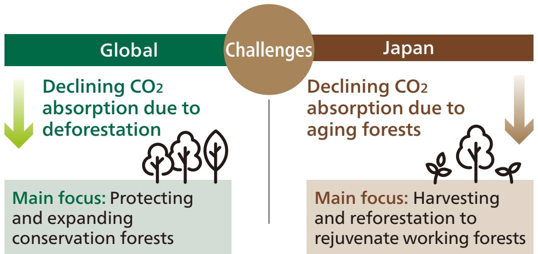
# Turning Forest Value into Social Value

The adoption of the Paris Agreement at the 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change, held in Paris in 2015, served as a catalyst for global efforts toward realizing a decarbonized society. Japan has also declared its commitment to achieving carbon neutrality by 2050, setting a national target of net-zero greenhouse gas emissions. However, carbon neutrality cannot be achieved solely through emission reduction efforts and the transition to renewable energy. Emissions that remain unavoidable despite various initiatives must be offset through other reduction and absorption activities. This is where forests are expected to play a significant and meaningful role. Through photosynthesis, trees absorb $CO_2$ from the atmosphere during their growth process and store carbon within the wood. Achieving carbon neutrality therefore requires not only reducing emissions, but also increasing $CO_2$ absorption by forests and carbon storage through wood.

## Preventing forest loss and rejuvenating working forests to increase $CO_2$ absorption

Since 1990, global forest loss has consistently exceeded forest expansion. Because the reduction of forest area directly leads to a reduction of the amount of $CO_2$ absorbed by forests, forest conservation has become an increasingly important issue in achieving carbon neutrality.

Meanwhile, forests in Japan are facing the challenge of “aging.” To increase the area of young forests, which absorb greater amounts of $CO_2$, it is essential to harvest and effectively utilize mature trees while promoting reforestation to rejuvenate forests.



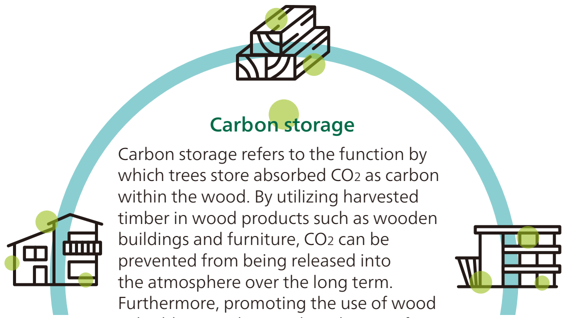

Conservation forest: Forests where functions advancing public interest such as ecosystem conservation, prevention of mountain disasters, and health and culture are prioritized.

Working forests: Sustainably managed forests where trees are harvested and replanted for the production of timber used in building materials, furniture, and other wood products.

## Long-term carbon storage through the use of wood

Carbon absorbed by trees during their growth process continues to be stored even after the trees are turned into wood products. By promoting wooden construction and producing wooden furniture and other wood products, the carbon absorbed by trees can be stored in urban areas over the long term.

In addition, compared with steel- or concrete-structure buildings, wooden construction requires significantly less energy during the manufacturing process, offering the advantage of substantially reducing $CO_2$ emissions.



**Carbon storage**

Carbon storage refers to the function by which trees store absorbed $CO_2$ as carbon within the wood. By utilizing harvested timber in wood products such as wooden buildings and furniture, $CO_2$ can be prevented from being released into the atmosphere over the long term. Furthermore, promoting the use of wood in buildings and expanding the use of bioenergy also help reduce $CO_2$ emissions derived from fossil fuels.

## Contributing to nature positivity by maximizing the value of forests

Nature positivity is an approach aimed at halting biodiversity loss and restoring nature to a positive trajectory.

In addition to absorbing $CO_2$ and storing carbon, forests provide a wide range of functions, including biodiversity conservation, water resource protection, soil conservation, and prevention of landslides and other natural disasters. As such, forests play a vital role in supporting the realization of nature positivity.

Through businesses spanning forests, wood, construction, and energy, the Sumitomo Forestry Group promotes reductions in $CO_2$ emissions and long-term carbon storage through the use of wood, while also contributing to nature positivity.

# The "Wood Cycle" Value Chain

**To realize a decarbonized society and nature positivity, society is increasingly expected to maximize the value of forests and wood resources. At the core of the Sumitomo Forestry Group's efforts to meet these social demands is the Wood Cycle, our unique value chain.**

## What is the Wood Cycle?

The Sumitomo Forestry Group's businesses are built around a unique value chain centered on wood, spanning forest management, manufacturing and distribution of timber and building materials, wooden construction, and biomass power generation. We define this value chain as the Wood Cycle.

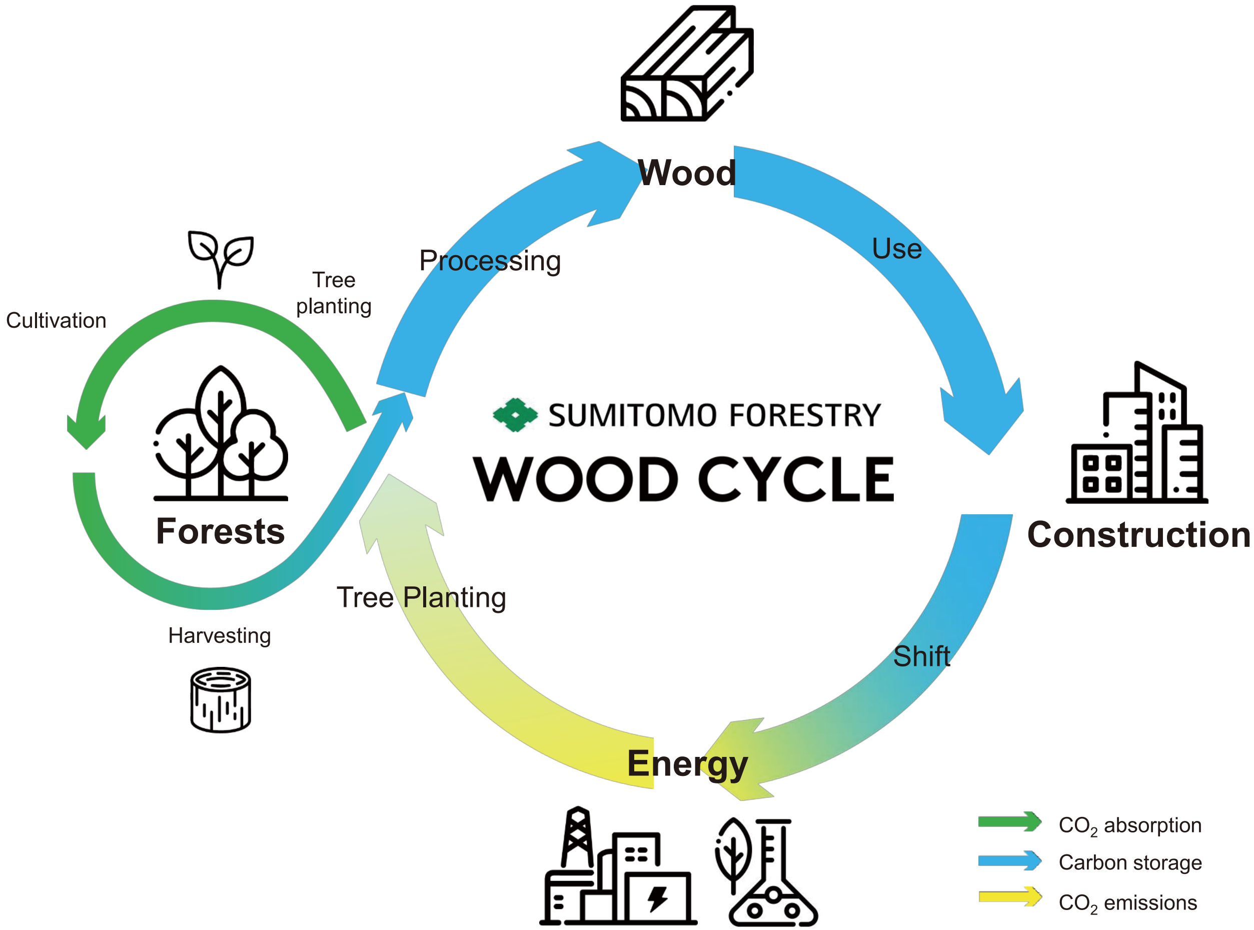
By strengthening each business activity and promoting the Wood Cycle, we advance decarbonization across the fields of forests, timber, construction, and energy. Through these efforts, we promote not only $CO_2$ absorption and carbon storage within our own operations, but also throughout society as a whole, thereby contributing to the realization of a decarbonized society.

Overview of Long-term Vision →P.17

### Creating value from forests

Sustainable forest management and responsible timber procurement are the starting point supporting the Wood Cycle and the source of both value and trust. Through continuous efforts such as ownership of company-managed forests, rigorous procurement management, operation of proprietary standards, acquisition of certifications, and initiatives addressing human rights and environmental issues, we have steadily built trust with society. Based on this trust, we achieve sustainable growth across our businesses.

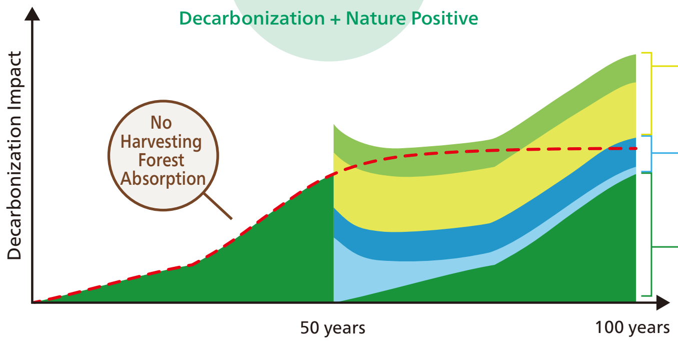
By continuing to circulate the Wood Cycle, the Group promotes business activities that simultaneously enhance value for our planet, value for the market economy, and value for people and society, without compromising any of these forms of value.



# Three Values Created by the "Wood Cycle"

**Wood resources have three decarbonization effects—forests absorb $CO_2$, carbon is fixed inside lumber, and wood resources limit $CO_2$ emissions when used as an alternative fuel. By promoting its businesses, the Sumitomo Forestry Group contributes to decarbonization and creates value for our planet, value for the market economy, and value for people and society.**

## Value for our planet




This is an example calculated based on company-owned forests (Japanese cedar) in Miyazaki.

### Reduction

- Reduction of $CO_2$ emissions through substitution of fossil fuels with wood biomass-derived materials
- Reduction of $CO_2$ emissions through substitution of steel/RC construction material with wood products

### Storage

- Carbon storage in wood products (wooden construction/wood products)
- Carbon storage in woodland residue

### Absorption

- Carbon absorption and sequestration through forest harvesting & reforestation

* The amount of $CO_2$ absorbed by trees is higher when they are young and gradually decreases as they age. Therefore, in commercial forestry, trees are harvested and replanted at regular intervals, such as every 50 years for Japanese cedar.

## Value for the market economy

### Energy businesses

- Operate wood biomass power plants

### Construction business

- Supply wooden structures

### Timber distribution and manufacturing business

- Handles timber and wood products
- Generates sales for the timber and building materials business
- Establishes timber industrial complex

### Construction business

- Supplies housing in Japan and overseas
- Generates sales for the housing and construction and real estate businesses

### Forestry Business

- Owns and manages forests both in Japan and overseas
- Creates forest funds
- Supplies lumber and wood products

## Value for people and society

**Well-being and the promotion of renewable energy, etc.**

**Employment promotion, etc.**

**Preventing natural disasters and conserving water sources, etc.**

# Sumitomo Forestry Group's Contributions to a Decarbonized Society

**The Sumitomo Forestry Group is working toward the decarbonization of society as a whole by reducing greenhouse gas emissions from its business activities, increasing the $CO_2$ absorption volume of forests, promoting carbon storage through increased use of wood products, and achieving long-term carbon storage through wooden construction.**

**The Sumitomo Forestry Group's potential carbon storage**
(as of December 31, 2025)
Carbon storage of owned and managed forests and currently standing wooden buildings and HWP (Harvested Wood Products)

## Indicators and data on each of the forests, wood, construction, and energy fields*1

*1 Collection period: January to December 2025

### Accelerate the cyclical forest business

Forests

**Area of owned forests in Japan**
Approximately **48,000** ha

**Area of owned/managed forests overseas**
Approximately **231,000** ha

**Forest area under Eastwood Climate Smart Forestry Fund I management**
Approximately **94,000** ha

**Forest area under Japan Forest Asset management**
**751** ha

**Number of trees planted annually**
Japan **0.254** million trees
Overseas **7.627** million trees

**Number of seedlings produced annually**
Container seedlings in Japan
Approximately **1.90** million capacity
Seedling production overseas
Approximately **7.666** million

**Ratio of domestic forests that are sustainably managed with consideration to biodiversity**
**100**%

**Forest certification acquisition rate*2**
Japan **100**%
Overseas **82.6**%

*2 Forest certification acquisition rate for the operating area (planted area)

**Harvest area of the Company-owned forests (Japan)**
**1**% or less

**Reforestation rate (Japan and Overseas)**
**100**%

#### Carbon sequestration in forests

Carbon sequestration of forests
**65,334** thousand tons*3
Japan **14,187** thousand tons
Overseas **51,147** thousand tons

*3 Method to calculate carbon sequestration of forests: Cumulative amount x Bulk density x Biomass magnification factor x (1+ratio of underground area as a ratio of above ground area) x Carbon content (utilizing the specific number of each tree species)

### Promote wood change

Wood Energy

**Sustainability procurement survey implementation rate for imported wood product suppliers*4**
**100**%

*4 Ratio of suppliers who completed the sustainability procurement survey among all suppliers who were subject to timber procurement due diligence by the Company's Timber Procurement Committee.

**Volume of wood and wood products handled**
**9,134,000** m³

**Recycling rate of manufacturing site waste**
Japan **99.5**%
Overseas **98.5**%

**Power supply from wood biomass power generation (converted to number of households)*5**
**569,000** households

*5 Total power supply from the six wood biomass power generation facilities in Japan. 262,000 households when converted to ownership ratio.

#### Carbon storage through wood products at manufacturing plants

Cumulative wood products overseas
**16,130** thousand tons*6

*6 HWP carbon storage from overseas housing and manufacturing facilities was calculated with the cooperation of Tokyo University of Agriculture and Technology using figures for Japanese housing as reference.

### Standardize carbon neutral design

Construction

**ZEH order ratio of new, custom-built detached houses in Japan*7**
**81.3**%

*7 Value that includes ZEH, Nearly ZEH, ZEH Oriented in heavy snowfall areas.

**Ratio of new, custom-built detached houses in Japan that have acquired long-life quality housing certification*8**
**97.4**%

*8 Limited to private residences and those with at least the applicable floor area.

**Recycling rate of waste from housing demolition sites**
**96.7**%

**Cumulative number of houses sold**
Japan Approximately **370,000** units
Overseas Approximately **140,000** units

#### Carbon storage through housing

Cumulative houses in Japan
**8,027** thousand tons*9
Cumulative houses overseas
**3,184** thousand tons*6

*9 Carbon storage of Japanese housing HWP was calculated with the cooperation of Tokyo University of Agriculture and Technology based on the number of housing unit starts, the number of owners, and wood usage per floor area to determine carbon storage and amounts of change from housing.

# At a Glance (fiscal year ended December 2025)

**Founded**

**1691**

**Group companies**
(as of December 31, 2025)

| Japan | Overseas |
|---|---|
| 57 | 700 |

**Number of employees (consolidated)**
(as of December 31, 2025)

**27,613**

**Area of forests owned and managed**
(as of December 31, 2025)

**Approx. 374,000 ha**

| | |
|---|---|
| Japan | Approx. 48,000 ha |
| Overseas | Approx. 231,000 ha |
| Forestry funds | Approx. 94,000 ha |
| Japan Forest Asset | 751 ha |

**Number of units sold annually**

| Japan | United States | Australia |
|---|---|---|
| 8,727 units*1 | 10,262 units*2 | 7,404 units*3 |

*1 Total of custom-built detached houses, rental housing, and spec homes.
*2 Total of single-family homes.
*3 Total of order homes and spec homes.

**Net sales**
**2,267.6 billion yen**
Year-on-year change
10.4%

**ROE**
**11.1%**
Year-on-year change
-2.8 percentage points

**PBR**
**1.0 times**
Year-on-year change
-0.2 percentage points

**Shareholders' equity ratio**
**39.0%**
Year-on-year change
-1.6 percentage points

**Recurring income**
**174.9 billion yen**
Year-on-year change
-11.6%

**Net debt-to-equity ratio**
**0.5 times**
Year-on-year change
+0.1 percentage points

**Dividend payout ratio**
**30.4%**
Year-on-year change
+4.9 percentage points

**Dividend per share*4**
**53 yen**
Year-on-year change
+4.7 yen

* The Company conducted a three-for-one stock split with a record date of June 30, 2025.

## Position in each business in Japan and overseas

### Timber and Building Materials Business

Japan

Transaction amount of timber and building materials
**1st**
* Compiled by Sumitomo Forestry.

### Overseas Housing Business

United States

Sales of single-family homes
**11th**
* Based on BUILDER's "2026 Top 100" ranking of U.S. homebuilders by number of homes delivered in fiscal 2025.

Starts of multi-family housing
**4th**
* Compiled by Sumitomo Forestry based on the NMHC 2025 Top 50 of U.S. multi-family housing companies.

Australia

Starts of single-family homes
**1st**


Multi-family housing in the U.S.


Single-family home in Australia

# Our History

**More than 330 years since its founding, Sumitomo Forestry has continued to grow while expanding its business domains through a sustainable business model that provides economic, environmental, and social value, based on Sumitomo's Business Spirit, which places prime importance on integrity and strongly advocates harmony with the public interest.**

**1691 Founding of Sumitomo Forestry**

Besshi Copper Mine opened by the Sumitomo family. Started management of the forests around Besshi Copper Mine used for procuring wood for mine construction and fuel for smelting.

Picture scroll depicting the Besshi Copper Mine in Iyo Province (stored among Sumitomo Historical Archives)

**1894** Teigo Iba appointed manager of Besshi. Launched the Great Reforestation Plan

Sumitomo Forestry spent over a century on reforestation work around the Besshi Copper Mine.

Teigo Iba (stored among Sumitomo Historical Archives)

The Besshi Copper Mine was in a state of degradation during the Meiji era due to the effects of mining operations (stored among Sumitomo Historical Archives)

Mount Besshi in the present day

**1948** Sumitomo Forestry established

**1956** Import business for foreign timber started

Period of rapid economic growth and response to sharp increase in wood demand. We established a system for manufacturing building materials and distributing and selling timber and building materials both domestically and overseas, and became the No. 1 timber and building materials trading company in Japan in terms of transaction amount.

**1970** Started manufacturing business overseas

**1975** Started the custom-built wooden housing business

Harnessing our domestic and overseas wood procurement networks, we provide high-quality wooden houses and have grown into a top brand.

**1977** Entry into the greening business

**1990** Listed on the First Section of the Tokyo Stock Exchange

**2003** Started housing business in the United States

Sumitomo Forestry started its housing business in the United States, where wooden houses are the norm. It then expanded into Australia, where wooden houses are also the primary means of homebuilding.

**2007** Full-scale entry to the elderly care services business

**2008** Started housing business in Australia

**2011** Entered the medium- to large-scale wooden construction business and the renewable energy business in Japan

The Group has been promoting medium- to large-scale wooden construction business in Japan, the United States, Australia and Europe, which can contribute to decarbonization by storing carbon absorbed by wood for a prolonged period of time.

**2018** Started full-scale real estate development business in the United States

**2021** Full-scale entry into the large-scale single-family build-to-rent development business in the United States

**2022** The Company announced its Long-term Vision Mission TREEING 2030

Entered the medium- to large-scale wooden construction business overseas

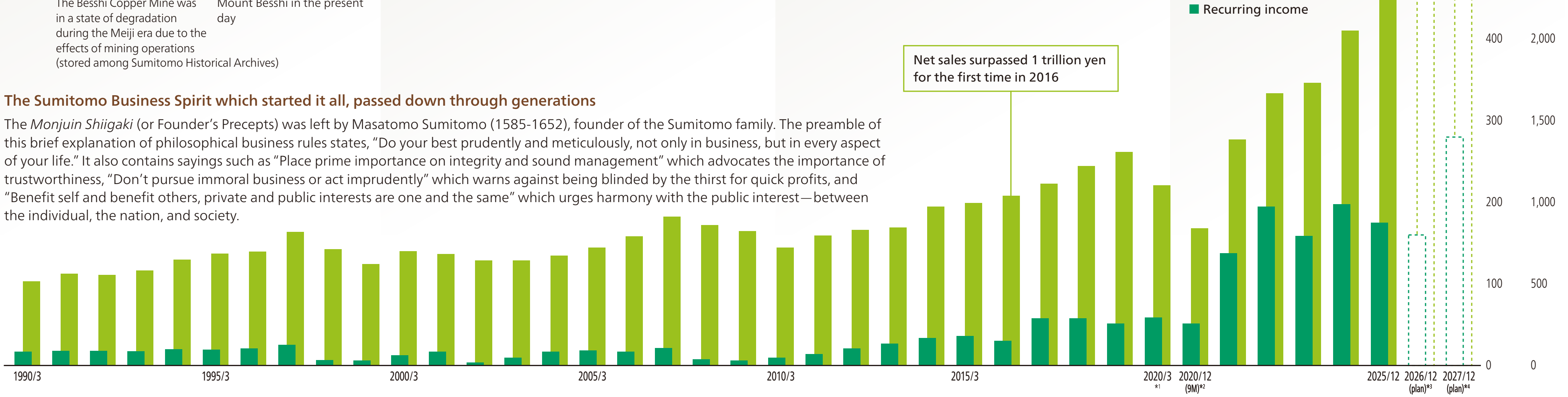
Entered the Fully Integrated Turn key Provider (FITP) business in the United States

**2023** Established the Eastwood Climate Smart Forestry Fund I

By acquiring forest assets and increasing the forest area owned and managed, we will contribute to carbon offsetting for society as a whole.

### The Sumitomo Business Spirit which started it all, passed down through generations

The *Monjuin Shiigaki* (or Founder's Precepts) was left by Masatomo Sumitomo (1585-1652), founder of the Sumitomo family. The preamble of this brief explanation of philosophical business rules states, "Do your best prudently and meticulously, not only in business, but in every aspect of your life." It also contains sayings such as "Place prime importance on integrity and sound management" which advocates the importance of trustworthiness, "Don't pursue immoral business or act imprudently" which warns against being blinded by the thirst for quick profits, and "Benefit self and benefit others, private and public interests are one and the same" which urges harmony with the public interest—between the individual, the nation, and society.




*1 Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) has been applied since the beginning of the fiscal year ended March 2020.
*2 The accounting period for the fiscal year ended December 2020 is the nine-month period from April to December 2020 due to a change in the accounting period.
*3 The planned figure represents the initial plan as of February 13, 2026.  *4 The planned figure represents the initial plan as of February 13, 2025.

# 1 Pathways to Sustainable Growth

With global issues becoming increasingly serious, the Sumitomo Forestry Group is striving to achieve decarbonization and nature positivity by managing the Wood Cycle, its proprietary value chain centered on wood. This chapter presents the Group's growth strategy and management direction, centered on its Long-term Vision Mission TREEING 2030, and Medium-term Management Plan Mission TREEING 2030 Phase 2.

Message from the President

# Turning the Value of Wood into Value for the Future

Toshiro Mitsuyoshi
Representative Director and President

**Growing forests, utilizing wood, using it in buildings over the long term, harnessing it as energy, and then returning it to forests.**
**The Sumitomo Forest Group positions this cycle as the Wood Cycle, the foundation of its business, and aims to contribute to a sustainable society and enhance corporate value while achieving both environmental and economic value.**

## Reflecting on the first year of Mission TREEING 2030 Phase 2 and recognizing management challenges

Global political and economic conditions are becoming increasingly uncertain, and the business environment surrounding corporate management has grown more complex than ever, due to factors such as interest rate and inflation trends and rising geopolitical risks. In the housing and construction markets as well, uncertainty continues amid changes in financial conditions, soaring material prices, and labor shortages. Furthermore, as market environments and demand structures vary significantly by region, companies operating globally are required to make flexible management decisions while accurately assessing local conditions. In addition, trends surrounding decarbonization and ESG-related issues continue to swing under the influence of each nation's policies and social conditions, rendering long-term decision-making increasingly challenging for companies.

Against this business backdrop, the fiscal year ended December 2025, the first year of our Medium-term Management Plan Mission TREEING 2030 Phase 2, was also

# Message from the President

a year that required difficult management decisions for the Sumitomo Forestry Group. While consolidated net sales exceeded the previous year's level, supported by the domestic housing business and the solid performance of the Australian housing business following the acquisition of Metricon in November 2024, profits declined year on year due to the continued market slowdown in the U.S. housing business, one of the major pillars of our earnings.

Although we steadily advanced domestic and overseas initiatives aimed at realizing a decarbonized society, as well as global expansion through M&A and new projects, challenges remain in the aspects of "enhancement of earning power" and "strengthening the management base," such as improving the profitability of underperforming businesses, building a data infrastructure for AI utilization, and securing global human resources.

Mission TREEING 2030 Phase 2 ➔P.20

Rather than being swayed by short-term market fluctuations, the Group has consistently sought to build business foundations that enhance corporate value from a long-term perspective. The concept of providing value to society through the Wood Cycle, a value chain spanning forests, wood, construction, and energy, forms the core of our management philosophy. For our businesses, which create value over time through the sustainable use of forest resources and expanded utilization of wood, management decisions based on a long-term perspective are indispensable.

I believe that challenging conditions provide the ideal opportunity to return to the fundamentals of the business model and advance reforms for the next stage of growth. Precisely because we live in an era of heightened uncertainty, management decisions must be made from the perspective of long-term value creation while responding appropriately to short-term market trends. By steadily implementing reforms for our next leap forward, we will solidify the path toward realizing our Long-term Vision, Mission TREEING 2030.

## Deepening global expansion

While Japan's population is expected to continue declining, many countries around the world, both developed and emerging, are expected to sustain population growth and economic expansion. To steadily capture housing demand in growth markets, secure forest resources, create demand for timber and building materials, and promote wooden construction, it is essential to deepen global expansion centered on our value chain, the Wood Cycle. From the perspective of enhancing corporate value over the medium to long term beyond short-term supply-demand cycles, the Group is actively investing in global markets where high growth is expected.

In the U.S. single-family homes business, which has grown into a core business driving the Group's growth, expansion into new areas through M&A and the strengthening of our business foundation through our five group builders have increased total housing deliveries to a scale equivalent to the 11th-largest homebuilder in the United States.*1 As an important step toward further, expanding this business foundation, in February 2026 we entered into an agreement to acquire Tri Pointe Homes Inc., a publicly listed U.S. homebuilder. Operating in 13 states across the United States and supplying approximately 5,000 homes in 2025, Tri Pointe Homes has established a particularly strong presence in California, the third-largest housing market in the United States, where our Group has not yet entered. The company's strengths lie in its high-value-added strategy, supported by superior design capabilities, quality, and product development tailored to customer needs.

The addition of Tri Pointe Homes to the Group will firmly cement the presence we have built together with our group builders in the United States and elevate us to a new stage of growth. Following completion of the acquisition, the Group will become a homebuilder group equivalent to the fifth largest in the United States,*2 providing a clear path toward achieving our Long-term Vision target of supplying 23,000 homes annually in the U.S. by 2030.

In Australia, another key growth driver alongside the United States, the acquisition of Metricon in November 2024 has made the Group the largest homebuilder group in the country. Like the United States, Australia is expected to see continued population growth among homebuying demographics, making it a market with strong growth potential centered on wooden detached housing. Going forward, we will pursue both business expansion and improved profitability through the creation of Group synergies.

*1 Based on the 2025 U.S. single-family home closings ranking in BUILDER "2026 The Top 100."
*2 Pro forma ranking after the acquisition.

Overseas Housing Business ➔P.39

## Strengthening the management base

To achieve sustainable growth while responding to changes in the business environment, it is essential to develop human resources and establish organizational structures capable of driving business transformation and innovation. One such initiative is the establishment of the Real Estate Division, which consolidates real estate-related operations previously spread across multiple business divisions. Our aim is to develop a real estate business grounded in "*monozukuri*," or craftsmanship, leveraging the development expertise and wooden structure technologies cultivated in Japan and overseas. By strengthening collaboration across businesses,

# Message from the President

we will accumulate development expertise and foster professional talent.

Real Estate Business →P.44

We are also strengthening the human resource foundation that supports the global expansion of our businesses. In addition to developing talent capable of thriving globally through support for language learning and professional certifications, we are strengthening global governance by assigning specialists in finance, legal affairs, IT, and other fields to each region. Through these efforts, we will steadily reinforce the management base that supports sustainable business growth.

Human Resources Strategy →P.62

## Enhancement of earning power

Another area on which we are renewing our focus in order to realize value creation is enhancing our earning power. To improve corporate value over the medium to long term, it is essential not only to expand business scale but also to generate profits that consistently exceed the cost of capital. At present, however, we recognize that there remains room for improvement in the profitability and capital efficiency of each business.

Message from the Executive Officer in Charge of Corporate Planning and Finance →P.22

In the Timber and Building Materials Business, where performance has remained sluggish in recent years, it is urgent to transform the business model into one that is less dependent on new housing starts in Japan and to strengthen earning power. In August 2025, we entered into a capital and business alliance agreement with the GEOLIVE Group, a major building materials distributor. By collaborating beyond the traditional boundaries between trading companies and wholesalers and developing a building materials distribution platform that combines logistics, processing, and construction functions, we aim to establish an efficient supply chain not only for the new housing market, but also for the recurring revenue market, including renovations, and the non-residential wooden construction market.

Timber and Building Materials Business →P.34

Even in the domestic housing business, which continues to deliver strong performance, we are advancing initiatives aimed at further increasing market share and strengthening profitability. By promoting modular design and accelerating DX initiatives, we are implementing front-loading to move peak design operations earlier in the process and improve efficiency across sales, design, and construction operations. In addition, through the use of MYHOMEWORKS, our customer meeting platform, we are enhancing customer convenience and streamlining sales and design processes, while also moving toward full-scale utilization of AI leveraging accumulated data.

Housing Business →P.36

## Challenge toward decarbonization

In Japan, the introduction of a system to calculate, assess, and report environmental impacts, including $CO_2$ emissions across the entire lifecycle of buildings (building LCA), from planning to demolition, is scheduled around 2028. The use of wood in urban buildings is one of the key initiatives toward realizing a decarbonized society. The Group is promoting medium- to large-scale wooden construction in the United States, Australia, Japan, and other regions. Centered on the newly established Real Estate Division, we aim to expand environmentally conscious real estate businesses utilizing wooden construction technologies by accumulating and leveraging development expertise and technological capabilities.

We are also actively working to establish supply foundations for high-quality wood products and maximize the value of timber resources by promoting timber industrial complex projects in Japan and overseas. In Japan, at the Yotsukura Plant of Kowanomori Co., Ltd., which commenced operations in Iwaki City, Fukushima Prefecture in March 2026, we manufacture dimension lumber,*3 primarily using locally sourced Japanese cedar, an area where the domestic timber ratio had previously been low. In the United States as well, we began manufacturing dimension lumber and other products at a sawmill in Louisiana acquired in July 2025. Through these timber industrial complex initiatives in Japan and overseas, we will promote cascade utilization, using wood chips and offcuts generated during the manufacturing process as energy sources, thereby realizing our Wood Cycle value chain.

We are also pursuing new initiatives in the field of forest management, our founding business. In Japan, Japan Forest Asset Co., Ltd. has launched a reforestation business on harvested sites, while in the United States we are expanding the asset area of our first forestry fund. Through such initiatives, we are developing sustainable forestry businesses in Japan and overseas.

*3 Dimension lumber refers to structural lumber such as "2x4" materials used primarily in wood-frame construction methods.

Special Feature:
Expanding the Potential of Wood for Society and the Future →P.27

# Message from the President

## Value created by the Wood Cycle

At the core of the Sumitomo Forestry Group's value creation lies our unique value chain, the Wood Cycle. We believe our mission is to create value through the cycle of growing forests, turning them into wood, using this wood in buildings over the long term, and then growing forests once again.

As concern over climate change grows worldwide, the sustainable use of forest resources and the expanded utilization of wood have become increasingly significant for society. Forests absorb $CO_2$, and when their wood is utilized as timber products, carbon is stored over the long term. Furthermore, when wood is used in buildings, that carbon continues to be stored within urban environments. In this way, the chain of carbon storage extending from forests to cities contributes to the realization of a decarbonized society.

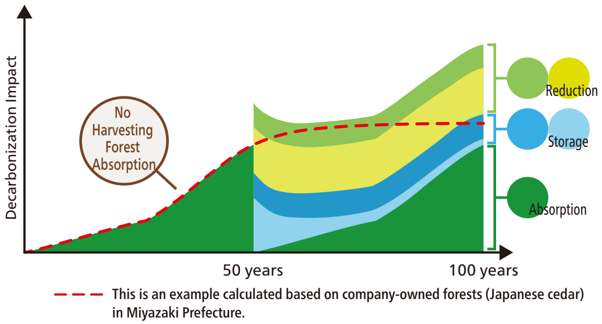
Forests also provide human society with a wide range of benefits beyond wood supply, including ecosystem services, although this value is not yet fully recognized as economic value. While measuring and quantifying the value of ecosystem services is not easy, Sumitomo Forestry is participating in a project involving 18 forestry companies in Japan and overseas. In addition to wood supply from forests, the project seeks to quantify seven indicators, including water supply, climate regulation, biodiversity habitat maintenance, and soil and sediment retention, ultimately aiming to translate this value into monetary terms.

The Group operates businesses globally in areas including forests, wood, construction, and renewable energy, centered on wood as a renewable resource. While each of these businesses creates independent value in its respective market, the foundation underlying them all is the Wood Cycle. Sustaining this cycle contributes not only to realizing a decarbonized society, but also to ensuring stable resource supplies, conserving biodiversity, and strengthening the sustainability of local economies. To achieve these goals, we recognize the need to visualize the added value created across the entire value chain and optimize value distribution among stakeholders.

Together with all participants across our supply chain and every employee, we will continue building trust with society by sharing common goals, including the realization of a decarbonized society, and aligning our actions accordingly. Based on trust and a shared commitment, we aim to simultaneously realize three forms of value—value for our planet, value for people and society, and value for the market economy—and contribute to building a sustainable society over the long term.

Turning Forest Value into Social Value →P.6
The "Wood Cycle" Value Chain →P.7
Three Values Created by the "Wood Cycle" →P.8

Decarbonization Impact of Forest Resources




Reduction: Reduction in $CO_2$ emissions through material substitution / reduction in $CO_2$ emissions through substitution with wood-based building materials
Storage: Carbon storage through the use of wood products / carbon storage through forest residues and other biomass resources
Absorption: Carbon absorption through harvesting and reforestation

## For the future

The businesses of the Sumitomo Forestry Group are supported by the many stakeholders who stand behind us. I would like to express my sincere gratitude to our shareholders and investors, customers, local communities, and all the employees who dedicate themselves to our businesses each day.

In this era of heightened uncertainty, the role expected of companies is becoming increasingly significant. As we work toward realizing our Long-term Vision, we will continue strengthening our business foundation and deepening value creation, aiming to achieve both a sustainable society and enhanced corporate value. Above all, the challenges undertaken by each employee promoting our businesses around the world support the value creation of the Sumitomo Forestry Group. By further strengthening our ability to connect diverse businesses and regions, we will continue evolving into a company capable of creating value globally.

## Overview of Long-term Vision

# Mission TREEING 2030

### ~Making our planet safer and more secure for future generations~

**By providing value for our planet, for people and society, and for the market economy, we at the Sumitomo Forestry Group will strive to make our planet safer and more secure for current and future generations of people and all living beings. With our long-held strengths in harnessing and expanding the value of forests and wood, we will create change for a new future.**

Value for our planet × Value for people and society × Value for the market economy

Nine Material Issues and related SDGs

| | | |
|---|---|---|
| Value for our planet | 1 To enhance the value of forests and wood through sustainable forest management | 13, 15 |
| | 2 To realize carbon neutrality by leveraging forests and wood resources | 7, 13 |
| | 3 To realize a circular bioeconomy by leveraging forests and wood resources | 11, 12, 15 |
| Value for people and society | 4 To provide comfortable and secure spaces for society at large | 3, 9, 11 |
| | 5 To improve the livelihood of the local communities where we operate | 3, 8, 11 |
| | 6 To create a vibrant environment for all workers | 3, 5, 8 |
| Value for the market economy | 7 To create new markets with forests and wood | 9, 11 |
| | 8 To transform markets through DX and innovation | 9 |
| | 9 To establish a robust business structure | 16 |

Our Long-term Vision Mission TREEING 2030 contains detailed business concepts for realizing the Sumitomo Forestry Group's vision with an eye toward achieving a decarbonized society in 2050. To elevate our commitment to achieving this vision, we have set the target year for our Long-term Vision to 2030, which is the same as the Sustainable Development Goals (SDGs). Additionally, we organized the Group's value proposition into "Value for our planet," "Value for people and society," and "Value for the market economy," and then identified Nine Material Issues linked to each. Simultaneously increasing three values while keeping them intact will position us to achieve our Long-term Vision.

### Business policy for achieving Mission TREEING 2030

1. Maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy
2. Advancing globalization
3. Striving for transformation and the creation of new value
4. Transforming our business foundation for growth

**Financial performance target**

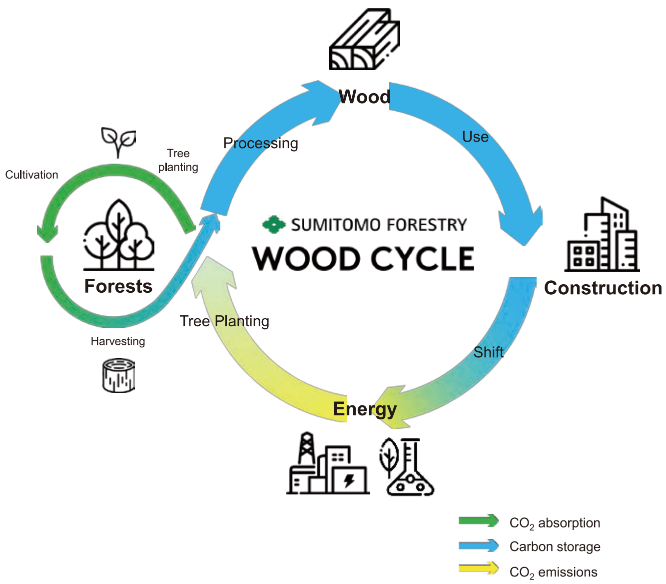
2030 recurring income target

**350.0 billion yen**

# Overview of Long-term Vision

## Moving toward a decarbonized society using the Wood Cycle

One unique aspect of the Group can be found in its business activities around the Wood Cycle, the upstream to downstream value chain for the sustainable natural capital of wood resources. With our operations focused on the three pillars of accelerating the cyclical forest business in the forests area, promoting wood change in the wood area, and standardizing carbon neutral design in the construction area, we will provide unique wood solutions in Japan and abroad harnessing all of these businesses that lead to a carbon neutral society, from forestry management to procurement and manufacturing of timber and construction materials, wooden construction, and wood biomass power generation.




## The Sumitomo Forestry Group's wood solutions

### Forests

**Accelerate the cyclical forest business**

Form forest funds to expand forest coverage by protecting and expanding forests and peatlands around the world, especially in Asia. Contribute to carbon offsets for other companies and society.

- **Beneficiaries**
  New customers who are seeking the value of $CO_2$ absorption
- **Contributions**
  $CO_2$ absorption

**2030 targets**

Owned/Managed forest area

**1,000,000 ha**

### Wood / Energy

**Promote wood change**

Establish a timber industrial complex that will improve the efficiency of domestic forestry and timber production, and contribute to the increase of carbon storage by substituting wood-derived materials.

- **Beneficiaries**
  Supply chain partners
- **Contributions**
  $CO_2$ reduction (Scope 3 – Category 1)

**2030 targets**

Timber industrial complexes domestic timber usage

**1.0 million m³/year**

### Construction

**Standardize carbon neutral design**

Contribute to the decarbonization of other companies and others through the spread of ZEH, ZEB, LCCM housing, and net-zero carbon buildings, as well as the establishment of carbon neutral designs (One Click LCA*1 x EPD*2).

- **Beneficiaries**
  Building owners (general consumers, companies)
- **Contributions**
  $CO_2$ reduction (Scope 3 – Category 11)

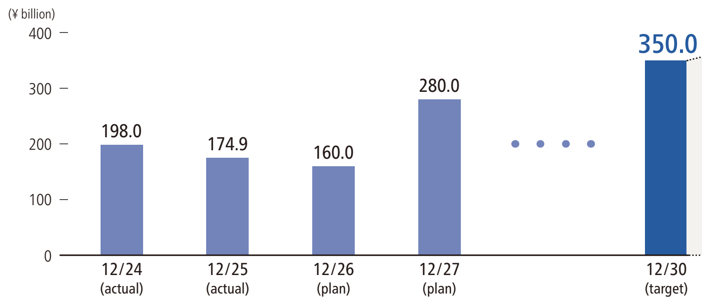
**2030 targets**

Number of housing units sold yearly

**65,000 units (in Japan and overseas)**

*1 A software that visualizes $CO_2$ emissions during construction. Our Company signed an exclusive agency agreement for Japan.
*2 An environmental labeling system based on quantitative environmental data evaluated and certified by a third party.

### Recurring income target




(¥ billion)

| | 12/30 Target | 12/25 Actual |
|---|---|---|
| Timber and Building Materials | 25.0 | 12.8 |
| Housing | 60.0 | 41.3 |
| Global Construction and Real Estate | 270.0 | 119.7 |
| Environment and Resources | 6.0 | -1.3 |
| Other | 2.5 | 4.9 |
| Adjustments | -13.5 | -2.4 |

*The planned figures are based on those announced on February 13, 2025, and the segment classifications are based on the categories used at the time of the announcement.

# Review of Medium-term Management Plans

## 2018 Medium-term Management Plan

Fiscal year ended March 2017 to fiscal year ended March 2019

### Promoting change for a new stage

Also implementing reform of corporate climate to further solidify business foundation

**Basic Policies**

- Pursuing a strategy that anticipates societal changes
  - Expansion of the overseas business
  - Utilization of (domestic) timber
  - Expansion of the elderly care business
  - Expansion of the resources/energy business
- Diversifying revenue sources in the global market
  - In the housing/real estate business, establish a structure for a total of 8,000 houses, 5,000 in the United States and 3,000 in Australia, including via new region entry and M&A.
  - Development of a sustainable afforestation business that takes biodiversity conservation and local communities into account while keeping an eye on global timber demand.
- Transforming the value of wood
  - Creation of new wood value

**Review**

FY2019/3 results

| Net sales | Recurring income |
|---|---|
| 1,308.9 billion yen | 54.8 billion yen*1 |
| Vs. target + 138.9 billion yen | Vs. target − 0.2 billion yen |

- Recurring income for the fiscal year ended March 2018 was 55.6 billion yen,*1 achieving the target for the fiscal year ended March 2019 ahead of schedule.
- Although recurring income for the fiscal year ended March 2019 was slightly below the initial plan, performance is on track to build a business structure facilitating consistent recurring income of 55 billion yen.
- Growth in renewable energy businesses, such as wood biomass power generation.
- Created the W350 Plan, a research and technology development concept for the construction of a wooden high-rise building 350 meters above ground.
- M&A and subsequent business growth in the Overseas Housing and Real Estate Business drove overall performance.

*1 Excluding the effect of actuarial differences

## 2021 Medium-term Management Plan

Fiscal year ended March 2020 to fiscal year ended December 2021

### Promoting creation and growth of new businesses based on future-oriented business strategies

**Basic Policies**

- Promoting future-oriented business strategies for further growth
  - Acceleration of the development and creation of businesses serving as pillars of Group profits by rolling out strategies that anticipate the times and customer needs
- Strengthening the management base for sustainable growth
  - Improvement of the financial standing
  - Improvement of organizational capabilities
- Accelerating R&D and technological innovation utilizing timber
  - Achievement of W30 Plan (30m wooden high-rise buildings)
  - Business labor saving and efficiency
  - Acceleration of technological innovation
- Promoting further integration of business operations and ESG
  - Promotion of integration with business, including further consideration for the environment and strengthening of governance, along with enhancement of disclosures from a medium- to long-term perspective.

**Review**

FY2021/12 results

| Net sales | Recurring income |
|---|---|
| 1,385.9 billion yen | 134.5 billion yen*1 |
| Vs. target + 125.9 billion yen | Vs. target + 49.5 billion yen |

| Net income attributable to owners of parent |
|---|
| 87.2 billion yen |
| Vs. target + 39.2 billion yen |

- Achieved all numerical targets for the fiscal year ended December 2021, exceeding the plan in all target areas.
- Steadily expanded business areas in single-family homes in the United States and Australia.
- Actions in the United States' real estate development business led to expansion of business scale and diversification.
- Worked to develop businesses with the potential to become pillars for the next generation through the expansion of wood biomass power generation facilities and the construction of new large-scale residential facilities for the elderly with living support services.
- Implemented capital increases through public offering and private placements to improve financial standing.

## Mission TREEING 2030 Phase 1

Fiscal year ended December 2022 to fiscal year ended December 2024

### Three years for creating a foundation aimed at future growth and contribution to decarbonization

**Basic Policies**

- Efforts to address decarbonization challenges using timber resources
  - Expand new businesses in Japan and abroad marketing the value of forests as a $CO_2$ sink
  - Promote measures to boost competitiveness of domestic timber
  - Expand medium- and large-scale wooden architecture business
- Promotion of more resilient earnings base
  - Restore earnings power of Housing and Construction business and Timber and Building Materials business as well as promote reforms based on future market changes
  - Boost asset efficiency
- Acceleration of global expansion
  - Expand Housing and Real Estate business in the United States and Australia and establish earnings base in Asia
- Strengthen management base for sustainable growth
  - Promote digitalization
  - Secure human capital and enhance HR development, and increase employee engagement
  - Reinforce risk management
- Further integration of business operations and ESG
  - Steady implementation of measures aimed at achievement of RE100/SBT (Science Based Targets)

**Review**

FY2024/12 results

| Net sales | Recurring income |
|---|---|
| 2,053.7 billion yen | 198.0 billion yen*2 |
| Vs. target + 283.7 billion yen | Vs. target + 25.0 billion yen |

| Net income attributable to shareholders of the parent company | Return on equity (ROE) |
|---|---|
| 116.5 billion yen | 13.9% |
| Vs. target + 0.5 billion yen | Vs. target − 1.1% |

Based on our five basic policies, we are building a foundation for future growth and contributing to decarbonization.

Results
- Increased market share in custom-built housing business.
- Expanded business in single-family homes and multi-family housing in the United States and promoted FITP business.
- Established top market share in single-family homes business in Australia.

Issues
- Business expansion into rental, spec homes, renovations in the Housing Business.
- Diversification and stabilization of earnings in the real estate development business.
- Realization of synergies in Australian housing business.

*2 Recurring income includes actuarial differences regarding employees' retirement benefit obligation (Actuarial differences regarding employees' retirement benefit obligation in the fiscal year ended December 2024 were positive 9.8 billion yen.)

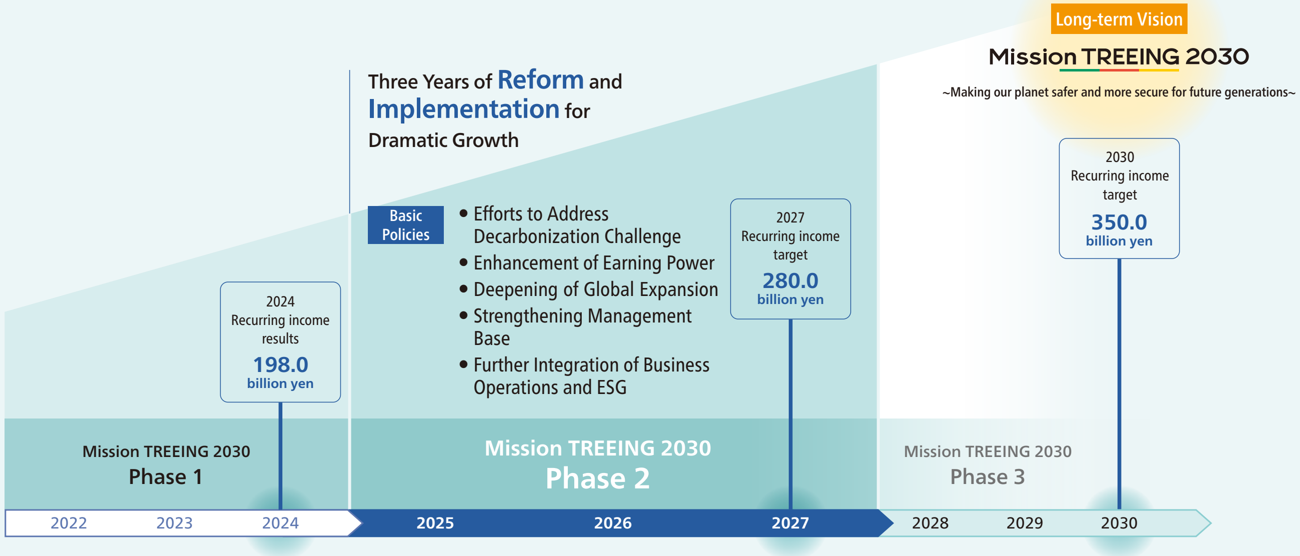
## Medium-term Management Plan Mission TREEING 2030 Phase 2 (Fiscal year ended December 2025 to fiscal year ending December 2027)

**The Sumitomo Forestry Group positions the Medium-term Management Plan Mission TREEING 2030 Phase 2 as "three years of reform and implementation toward the realization of its Long-term Vision." While maintaining financial soundness and continuing growth investments, we aim to achieve sustainable and steady profit growth and enhance corporate value by further deepening value creation centered on wood.**

In the fiscal year ended December 2025, the first year of the Medium-term Management Plan Mission TREEING 2030 Phase 2 (Phase 2), net sales reached a record high of 2,267.6 billion yen, up 10.4% year on year, driven by the consolidation of Metricon, Australia's largest homebuilder, and increased sales in the domestic housing business, which continued to perform strongly.

Meanwhile, in the U.S. housing business and U.S. real estate business, both of which are core businesses of the Group, market conditions remained weak amid persistently high mortgage interest rates and uncertainty over the economic outlook. As a result, recurring income decreased 11.6% year on year to 174.9 billion yen.

While we made progress in initiatives toward decarbonization in Japan and overseas and in the "deepening of global expansion" through M&A and new projects, challenges remain in improving profitability, securing global talent, and other areas related to "enhancement of earning power" and "strengthening management base."




### Mission TREEING 2030 Phase 2 Basic Policies, Initiatives and Results

| Basic Policies | Measures | FY2025 Results |
|---|---|---|
| Efforts to address decarbonization challenge | • Create new value from properly managed forests and expand sustainable forestry<br>• Build foundation for expanded use and consumption through deeper wood utilization via manufacturing business expansion<br>• Promote expanded supply of wooden housing and conversion to wooden construction in medium- to large-scale buildings both domestically and internationally | • Expanded assets under the first forest fund and launched the reforestation project in Japan<br>• Promoted medium- to large-scale wooden buildings in the United States, Australia, Japan, and the United Kingdom |
| Enhancement of earning power | • Accelerate innovation and structural reform in domestic business<br>• Establish foundation for real estate development business domestically and internationally<br>• Further improve asset and investment efficiency and profitability with focus on cost of capital | • Made progress in investments and financing activities, including a capital and business alliance with the GEOLIVE Group Corporation and the acquisition of LeTech Corporation<br>• Further accelerated the transformation of the Timber and Building Materials Business toward a business model less dependent on housing starts |
| Deepening of global expansion | • Further improve profitability of overseas housing and real estate business and enhance business base for stable growth<br>• Strengthen support by corporate departments while expanding business domains and scale in each region (Japan, United States, Oceania, Southeast Asia, and Europe) to build and deepen Wood Cycle foundation | • Made a U.S. sawmill company a subsidiary<br>• Launched urban development projects in Vietnam and Indonesia |
| Strengthening management base | • Secure and develop human resources to drive business transformation and creation, promote free and open organizational culture and health management<br>• Renovate business base through IT and digitalization, fundamentally transform operations and improve efficiency through DX promotion<br>• Accelerate technology-driven value creation and promote the improvement of operational quality | • Established the Corporate Division and initiated efforts to strengthen global governance<br>• Identified opportunities for further enhancement in medium- to large-scale wooden construction technologies, real estate development expertise, and the development of talent to support global expansion |
| Further integration of business operation and ESG | • Steadily implement measures to achieve SBT goals<br>• Promote value proposition and market penetration of sustainable and decarbonization-contributing products and services<br>• Thoroughly implement "SAFETY FIRST" and "ZERO DEFECTS"<br>• Conduct business operations with consideration for regional stakeholders | • Received Gold certification under the PRIDE Index for the fourth consecutive year<br>• Selected for the Climate Change A List for the tenth consecutive year and newly included in the Forests A List |

# Medium-term Management Plan Mission TREEING 2030 Phase 2 (Fiscal year ended December 2025 to fiscal year ending December 2027)

### Financial indicators

| | 24/12 result | 25/12 result | Mission TREEING 2030 Phase 2 Target (through 27/12) |
|---|---|---|---|
| ROE | 13.9% | 11.1% | 15.0% or higher |
| Consolidated recurring income | ¥198.0 billion | ¥174.9 billion | ¥280.0 billion |
| Equity ratio | 40.6% | 39.0% | 40.0% or higher |
| Net D/E ratio | 0.4x | 0.5x | Approx. 0.7x |

### Segment targets Net sales

| (¥ billion) | 24/12 result | 25/12 result | Year-on-year change | 26/12 plan | 27/12 plan |
|---|---|---|---|---|---|
| Timber and Building Materials | 253.2 | 253.0 | -0.1% | 274.0 | 333.0 |
| Housing | 508.4 | 542.3 | +6.7% | 596.0 | 645.0 |
| Overseas Housing | 1,071.5 | 1,205.9 | +12.5% | 1,374.0 | 2,245.0*1 |
| Real Estate | 211.5 | 254.1 | +20.1% | 331.0 | |
| Environment and Resources | 27.0 | 26.8 | -0.7% | 28.0 | 31.5 |
| Others | 27.3 | 28.1 | +2.9% | 30.0 | 32.5 |
| Adjustment | -45.1 | -42.5 | - | -43.0 | -67.0 |
| Total | 2,053.7 | 2,267.6 | +10.4% | 2,590.0 | 3,220.0 |

### Segment targets Recurring income

| (¥ billion) | 24/12 result | 25/12 result | Year-on-year change | 26/12 plan | 27/12 plan |
|---|---|---|---|---|---|
| Timber and Building Materials | 10.0 | 12.8 | +27.5% | 10.0 | 16.0 |
| Housing | 32.5 | 38.5 | +18.7% | 38.0 | 45.0 |
| Overseas Housing | 154.0 | 138.0 | -10.4% | 113.0 | 225.0*1 |
| Real Estate | -2.2 | -13.8 | - | 1.0 | |
| Environment and Resources | 0.2 | -1.4 | - | -1.5 | 2.3 |
| Others | 0.8 | 5.0 | +559.0% | 3.5 | 1.8 |
| Adjustment | 2.7 | -4.2 | - | -4.0 | -10.1 |
| Total | 198.0 | 174.9 | -11.6% | 160.0 | 280.0 |

* Effective from the fiscal year ending December 2026, the Real Estate Segment was newly established, and the Real Estate Business and Construction Business previously included in the Global Construction and Real Estate Segment and Housing Segment were transferred to the new segment.
* Effective from the fiscal year ending December 2026, the Global Construction and Real Estate Segment was renamed the Overseas Housing Segment.
* The FY2026/12 plan is based on the forecast announced on February 13, 2026.
* The FY2027/12 plan is based on the forecast announced on February 13, 2025, and the segment classifications are based on those in effect at the time of the announcement.

## Building on achievements and addressing challenges to drive the next stage of growth in Phase 2

In the first year of Phase 2, we advanced investments and strengthened our business foundations in Japan and overseas, while focusing on initiatives to support further growth. In Japan, we strengthened our integrated business platform covering land acquisition, development, operation, and sale through the acquisition of LeTech, with the aim of expanding the rental housing business. In addition, we entered into a capital and business alliance with GEOLIVE Group to strengthen building materials distribution and further enhance the supply chain for timber and building materials distribution.

Overseas, we strengthened our integrated value chain spanning wood, housing and real estate through the acquisition of Tri Pointe Homes, Inc. to expand our U.S. housing business and by making a Louisiana-based sawmill a subsidiary to enhance our timber supply capabilities. In Australia, following the acquisition of Metricon in 2024, we worked to strengthen our housing supply capacity and sales capabilities.

Through these initiatives, we further diversified our business portfolio and advanced the development of a foundation for expanding medium- to long-term earnings opportunities. At the same time, although we achieved growth in net sales, profit growth remained limited. This highlighted several key challenges for the future, including accelerating the conversion of investments into earnings, improving capital efficiency, and further strengthening our earnings structure.

### Investments

| (¥ billion) | Phase 1*2 result | 25/12 full year | Phase 2*3 plan |
|---|---|---|---|
| Forestry fund related | 3.9 | 0.5 | 22.0 |
| Forest resource business | 5.1 | 1.1 | 5.0 |
| Timber industrial complex | 6.7 | 8.1 | 46.0 |
| Manufacturing business | 8.1 | 6.7 | 44.0 |
| FITP business | 31.2 | 3.2 | 4.0 |
| Housing business | 35.1 | 26.7 | 33.0 |
| Medium- to large-scale wooden construction | 24.4 | 1.3 | 45.0 |
| Real estate business | 138.0 | 90.0 | 144.0 |
| Renewable energy | 2.7 | 0.2 | 20.0 |
| System-related | 16.9 | 4.7 | 20.0 |
| Other | 54.2 | 12.2 | 30.0 |
| Total | 326.4 | 154.5 | 413.0 |

### Real estate for sale (net increase)

| (¥ billion) | Phase 1*2 result | 25/12 full year | Phase 2*3 plan |
|---|---|---|---|
| Overseas Housing | 266.4 | 81.3 | 265.0 |
| Domestic Housing | 20.4 | 42.3 | 35.0 |
| Total | 286.8 | 123.6 | 300.0 |

*1 Planned figures for the former Global Construction and Real Estate Segment before the segment reclassification.
*2 Cumulative amount for the three-year period from FY2022/12 to FY2024/12.
*3 Cumulative amount for the three-year period from FY2025/12 to FY2027/12.

## Further integration of business operations and ESG

From a non-financial perspective, we continued to pursue the further integration of business operations and ESG by globally expanding the Wood Cycle, our unique value chain, across the four business fields of forests, wood, construction, and energy, thereby contributing to the realization of a decarbonized society. The expansion of medium- to large-scale wooden buildings and the broader and more advanced utilization of wood contribute both to carbon storage and to reductions in $CO_2$ emissions during construction, and we have made steady progress in the sustainable circulation of forest resources. We have also continued our efforts to improve the energy efficiency of our housing and real estate businesses. On the other hand, securing and developing the talent needed to support the growth of our global businesses remains an important management challenge.

### GHG emissions reduction (SBT targets)

| | 25/12 result | Short-term target vs 2021 (by 2030) | Net-zero targets vs 2021 (by 2050) | |
|---|---|---|---|---|
| Scope 1 and 2 | 40.4% | 42% reduction | 90% reduction | Achieve net-zero emissions by offsetting remaining emissions |
| Scope 3 (Base unit) | 18.0% | 51.6% reduction | 97% reduction | |

# Message from the Executive Officer in Charge of Corporate Planning and Finance


## Achieving sustainable corporate value creation through proactive growth investments and improved capital efficiency

In the first year of Mission TREEING 2030 Phase 2, we steadily executed investments in the housing and real estate businesses and the Timber and Building Materials business in the United States, Australia, and Japan. However, earnings were affected by the slowdown in the U.S. housing market, leaving certain challenges unresolved. Based on these results, as we oversee financial affairs, we will continue to rigorously pursue selective investments, capital recovery, and improvements in capital efficiency, while promoting financial management that balances growth investments with shareholder returns.

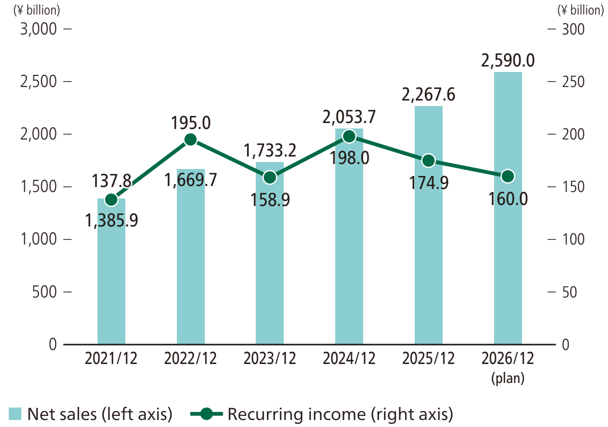
## Review of the first year and outlook for the second year of Mission TREEING 2030 Phase 2

Fiscal year ended December 2025, the first year of Mission TREEING 2030 Phase 2 (“Phase 2”), was a year in which we steadily executed investments aimed at future growth. Net sales increased by 213.9 billion yen year on year to 2,267.6 billion yen, driven mainly by the acquisition of Australia’s Metricon and strong performance in the domestic custom-built detached housing business. However, due to factors including the slowdown in the U.S. housing market, operating income declined by 25.8 billion yen year on year to 168.7 billion yen, recurring income declined by 23.0 billion yen to 174.9 billion yen, and profit attributable to owners of parent declined by 9.8 billion yen to 106.7 billion yen. ROE also fell short of our target of 15%, declining 2.8 percentage points year on year to 11.1%, although it remained above our cost of shareholders’ equity.

For the fiscal year ending December 2026, the second year of Phase 2, we forecast net sales of 2,590.0 billion yen, up 14.2% year on year, while recurring income is expected to decline 8.5% to 160.0 billion yen and profit attributable to owners of parent is expected to decline 10.9% to 95.0 billion yen.

In the fiscal year ending December 2026, in the U.S. housing business, in order to address affordability issues, we expect selling prices and profit margins to decline due to measures including the expansion of more affordable narrow-lot homes and townhomes and strengthening incentives. On the other hand, we plan to secure sales volume by increasing the number of communities under development by approximately 20%. However, recurring income margins in the U.S. housing business are expected to decline due to higher expenses associated with increased headcount. The housing business in Australia is expected to remain solid, supported by a strong order backlog from the previous fiscal year, although rising costs remain a concern. In Japan’s custom-built housing business, we expect higher net sales backed by solid orders from the

**Net sales and recurring income**



# Message from the Executive Officer in Charge of Corporate Planning and Finance

### Trend in main financial indicators

Financial Highlights ➔P.50 Management Discussion and Analysis (MD&A) ➔P.88

| | 2021/12 | 2022/12 | 2023/12 | 2024/12 | 2025/12 | 2026/12 plan* |
|---|---|---|---|---|---|---|
| Equity ratio | 37.7% | 40.8% | 41.3% | 40.6% | 39.0% | – |
| Net debt-to-equity ratio (times) | 0.3 | 0.3 | 0.3 | 0.4 | 0.5 | – |
| Return on equity (ROE) | 20.2% | 19.4% | 14.8% | 13.9% | 11.1% | 9.4% |
| Dividend payout ratio | 17.5% | 23.0% | 24.8% | 25.5% | 30.4% | 32.2% |

* Figures for the fiscal year ending December 2026 are based on the plan announced on February 13, 2026.

previous fiscal year, although profits are expected to decline due to rising material and labor costs. In addition, regarding the situation in the Middle East, we will carefully assess supply chain conditions and respond appropriately, including by reviewing selling prices, while prioritizing the stable procurement of housing materials.

## Toward sustainable growth in shareholder value (financial strategy for Phase 2)

We have positioned the Phase 2 period as "three years of reform and implementation for dramatic growth," aiming to achieve sustainable profit growth by strengthening the value chain from forests to housing and real estate. Our policy of emphasizing financial soundness as the foundation supporting stable growth remains unchanged.

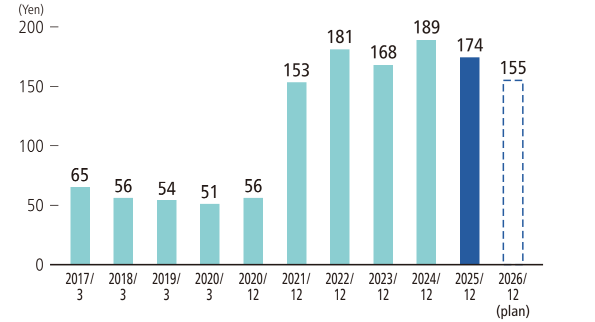
We recognize our cost of shareholders' equity to be in the 7% range and aim to consistently achieve ROE above that level. Rather than relying excessively on financial leverage, we will focus on improving profitability and asset efficiency to enhance ROE. Although current ROE remains below our target, we recognize challenges particularly in the profitability and asset efficiency of our housing and real estate businesses in the United States.

Alongside expanding our Overseas Housing business centered on the United States and Australia, where medium- to long-term growth is expected, we are pursuing improved capital efficiency and enhanced profitability. In particular, in the U.S. single-family homes business, which is a core earnings driver, we are working to strengthen earnings power through initiatives such as cost reductions, enhanced product competitiveness, and improved inventory turnover, thereby expanding our earnings base.

In the fiscal year ended December 2025, the first year of Phase 2, we advanced the development of a business foundation aimed at further growth and expansion of the Wood Cycle. In the United States, we made Plain Dealing Lumber, LLC* a subsidiary in July 2025, aiming to further expand our business in the U.S. market by creating synergies with our existing U.S. single-family homes business, real estate development business, and FITP business. In addition, during the fiscal year ended December 2025, we integrated the management operations of subsidiaries DRB Group and Brightland Homes to optimize our business operating structure. In Japan as well, we promoted initiatives to strengthen our business foundation across each business area, including the construction of a new plant for Kowanomori Co., Ltd., a domestic lumber manufacturing business and timber industrial complex project in Iwaki City, Fukushima Prefecture, the acquisition of LeTech Corporation to

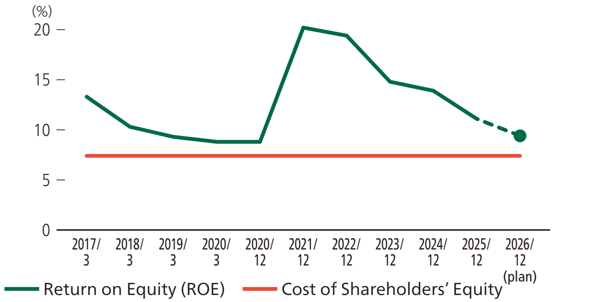
* Renamed from Teal Jones Plain Dealing, LLC in May 2026.

### Earnings per share (EPS) trend




* Due to a change in the fiscal year-end, the fiscal year ended December 2020 consisted of the nine-month period from April to December 2020.
* EPS for the fiscal year ending December 2026 was calculated using the number of shares outstanding as of December 31, 2025.
* The Company conducted a three-for-one stock split with an effective date of June 30, 2025, and per-share information for prior periods has been retroactively adjusted accordingly.

### Return on equity (ROE) trends




* Cost of shareholders' equity is presented in the graph using the figure for the fiscal year ended December 2025 as a constant.

**Cost of Shareholders' Equity (%)**

| Risk-Free Rate | + | Beta (β) Sensitivity | × | Risk Premium | = | Cost of Shareholders' Equity |
|---|---|---|---|---|---|---|
| Safe Asset/ Risk-Free Rate*1 | | Company-Specific Risk | | Expected Excess Return on Equity Investment*2 | | **7% range** Calculated using CAPM |

*1 Set based on 10-year government bond yield.
*2 Set based on historical stock market returns.

# Message from the Executive Officer in Charge of Corporate Planning and Finance

strengthen our real estate business functions, and a capital alliance with GEOLIVE Group Corporation.

Based on this progress in strengthening our business foundation, we acquired Tri Pointe Homes, Inc. in May 2026 to further accelerate growth in the United States. The company has a strong business platform in California, the third-largest housing market in the United States, and through this acquisition we expanded into California and Nevada, where we previously had no presence. Including Tri Pointe Homes, our Group's annual home sales volume ranks approximately fifth in the United States.

Becoming a homebuilder equivalent to fifth largest in the United States through acquisition of Tri Pointe Homes ➔P.41

Funding for the acquisition was secured through bridge financing from banks, and we plan to refinance into long-term stable funding within approximately one year after completion of the acquisition. In considering permanent financing, we will take into account financial soundness, capital efficiency, and market conditions, and examine a combination of debt financing such as long-term borrowings and corporate bonds together with hybrid financing including subordinated bonds. Amid rising interest rates in Japan, we plan to reduce interest rate risk and refinancing risk through measures including the use of long-term fixed interest rates and diversification of borrowing maturities. We are not considering financing that would result in dilution of common shares.

Although the acquisition is expected to temporarily increase interest-bearing debt and the financial indicators will temporarily deteriorate in the short term, our policy of emphasizing financial soundness remains unchanged. Following the acquisition, we will work to improve our financial foundation through earnings expansion, appropriate capital accumulation, and the stabilization of financing.

## Capital allocation balancing growth and capital efficiency

Our capital allocation policy prioritizes investments that contribute to sustainable growth while maintaining a balance with financial soundness and shareholder returns.

In making investment decisions, we establish hurdle rates by country and business and evaluate projects from both capital efficiency and risk perspectives. New investments are required to exceed the applicable hurdle rate based on IRR, with appropriate levels established and managed for each country and business. Through investments in existing businesses aimed at expanding operations and strengthening the value chain, as well as growth investments in new business areas, we will strengthen our earnings base.

For existing businesses, in addition to monitoring progress against profit plans, we continuously monitor efficiency indicators such as ROA and ROIC. Businesses that consistently fall below capital costs will be subject to improvement measures, and if necessary, reviewed for downsizing or divestiture as part of business portfolio optimization.

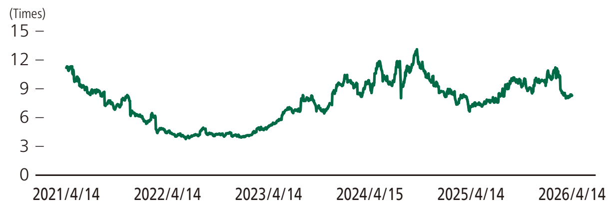
Regarding cash flow, we monitor adjusted cash flow, which excludes net increases in real estate for sale from operating cash flow, as an indicator of our underlying cash generation capability. By maximizing cash generation through the achievement of profit plans and combining this with agile financing under disciplined financial management, we will secure stable funding sources for growth investments.

Through these initiatives, we will continue to manage the balance between capital efficiency and risk while maintaining dialogue with shareholders so that the outcomes of our capital allocation are appropriately reflected in enhanced corporate value.

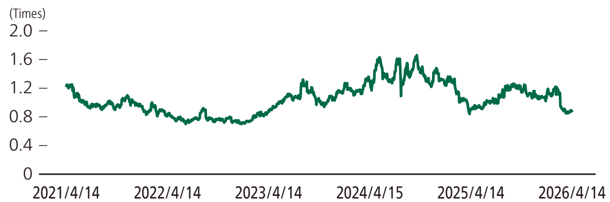
### Growth investment and capital renewal, etc.

| Breakdown (unit: billion yen) | Phase 1 3-year cumulative results | Phase 2 25/12 results |
|---|---|---|
| Forestry Fund Related | 3.9 | 0.5 |
| Forest Resource Business | 5.1 | 1.1 |
| Timber Industrial Complex | 6.7 | 8.1 |
| Manufacturing Business | 8.1 | 6.7 |
| FITP Business | 31.2 | 3.2 |
| Housing Business | 35.1 | 26.7 |
| Medium- to Large-Scale Wooden Construction | 24.4 | 1.3 |
| Real Estate Development Business | 138.0 | 90.0 |
| Renewable Energy | 2.7 | 0.2 |
| System-Related | 16.9 | 4.7 |
| Other | 54.2 | 12.2 |
| Total | 326.4 | 154.5 |

PER




PBR



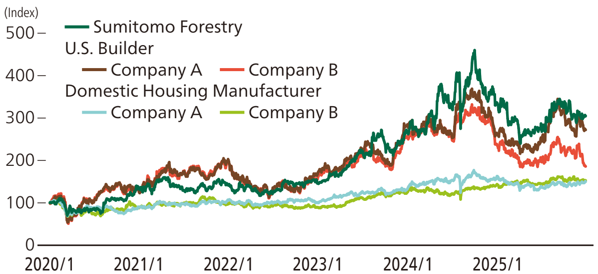
# Message from the Executive Officer in Charge of Corporate Planning and Finance

## Shareholder return policy

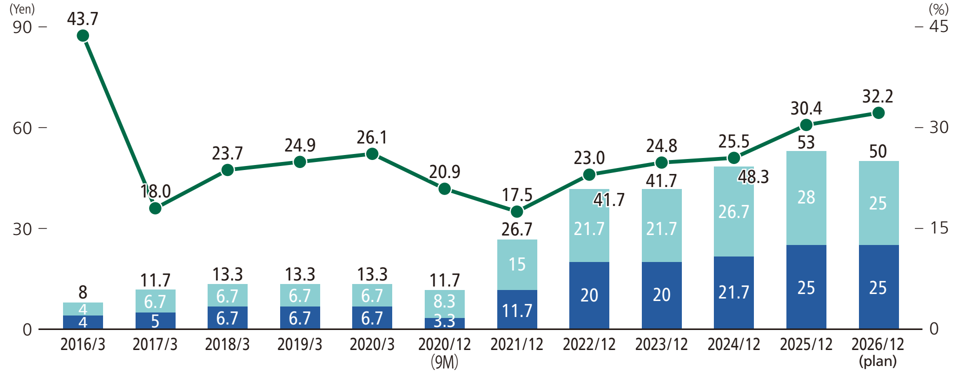
While prioritizing profit expansion through growth investments, our basic policy is to provide stable and consistent shareholder returns. Under Phase 2, our shareholder return policy targets a dividend payout ratio of at least 30% and a minimum annual dividend per share of 50 yen. In July 2025, we implemented a three-for-one stock split to improve stock liquidity and broaden our investor base, thereby creating an environment that enables more shareholders to participate in our Company over the long term. For the fiscal year ended December 2025, we increased the annual dividend by 3 yen from the forecasted 50 yen per share to 53 yen per share, based on the above policy. We will continue striving to provide stable shareholder returns going forward.

Our PBR improved from 0.9 times in the fiscal year ended December 2021 to 1.0 time in the fiscal year ended December 2025, while TSR maintained a cumulative level of 243.9% over the past 10 years, outperforming the TOPIX Total Return Index. We believe that balancing medium- to long-term growth investments with shareholder returns has contributed to this improvement in TSR. Going forward, we will continue enhancing shareholder value and shareholder returns through earnings growth and improved capital efficiency.

### Stock price performance

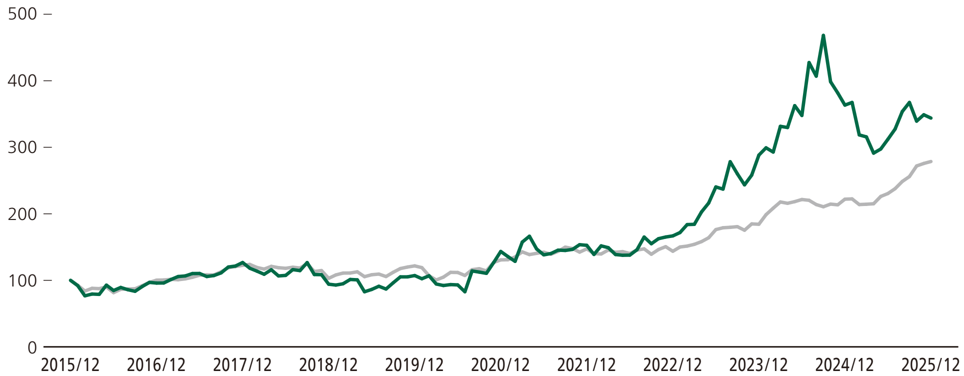



### Shareholder returns




* Plan figures are for the initial plan as of February 13, 2026.
* The Company conducted a three-for-one stock split with an effective date of June 30, 2025, and per-share information for prior periods has been retroactively adjusted accordingly.
* Dividend amounts are rounded to the nearest yen.

### TSR




| | 1 year | 3 years | | 5 years | | 10 years | |
|---|---|---|---|---|---|---|---|
| | | Cumulative | Annual rate | Cumulative | Annual rate | Cumulative | Annual rate |
| Sumitomo Forestry | –6.1% | +124.7% | +31.0% | +152.9% | +20.4% | +243.9% | +13.1% |
| TOPIX | +25.5% | +93.8% | +24.7% | +113.2% | +16.3% | +178.6% | +10.8% |

* Total Shareholder Return (TSR): Total return to shareholders, including capital gains and dividends.
* TSR is calculated based on cumulative dividends and share price fluctuations for Sumitomo Forestry and on the TOPIX Total Return Index for TOPIX. (Calculated by the Company based on Bloomberg data and other sources.)
* The graph shows indexed TSR values with the closing price as of December 31, 2015 set at 100. (The period shown is through December 31, 2025.)
* As the Company conducted a three-for-one stock split with an effective date of June 30, 2025, TSR has been calculated assuming that the stock split had taken place in December 2015.

# 2 Key Initiatives for the Future

The Sumitomo Forestry Group is expanding the value of wood beyond forest resources into construction, technology, cities, and everyday life, while moving forward with the creation of new value. This chapter introduces the specific initiatives and challenges through which the Group is realizing the potential of wood in society and connecting it to a sustainable future, including the realization of the Wood Cycle in the United States, the promotion of medium- to large-scale wooden construction, and expansion into new domains through advanced technologies.

**Special Feature Expanding the Potential of Wood for Society and the Future**

Special Feature 1 Expanding the Potential of Wood for Society and the Future

# Pursuing the Realization of the "Wood Cycle" in the United States

The Sumitomo Forestry Group aims to realize the Wood Cycle in the United States by establishing an integrated supply chain spanning raw material procurement, production and sales of wood products, and housing supply.

### Maximizing the value of wood through the first overseas timber industrial complex project*1

In July 2025, we made Plain Dealing Lumber, LLC*2 a subsidiary.

The plant is planned to process approximately 1,000 thousand $m^3$ of logs annually and produce dimension lumber*3 and other products equivalent to those used in approximately 14,000 typical U.S. homes each year. In addition to sales to external markets, the wood products will be supplied to our FITP*4 operations, single-family homes business, and real estate development business.

Furthermore, utilizing approximately 40 hectares of unused land on the site, we are considering the manufacturing of mass timber*5 and the production and sale of other wood products, where future demand growth is expected. We are also exploring the use of wood chips and sawmill residues generated during the manufacturing process for biomass power generation fuel and biorefinery applications. Through the promotion of cascade utilization, which enables staged and effective use of wood resources, we aim to maximize the value of wood.

*1 Timber industrial complexes: From wood utilization to energy and chemical applications, timber industrial complexes aim to enhance the value of wood and achieve long-term carbon storage. Specifically, these complexes are wood processing operations that promote the cascade use of logs sourced from sustainable forests and maximize the value of low-grade wood and offcuts to ensure that nothing goes to waste.

*2 Renamed from Teal Jones-Plain Dealing, LLC in May 2026.

*3 Structural lumber including "2x4" lumber, primarily used in wood-frame wall construction methods.

*4 Fully Integrated Turn key Provider. Provides builders and developers with integrated services ranging from the design, manufacturing, delivery, and installation of wall panels, floors, and roof trusses. Establishes a stable supply of high-quality materials and an integrated construction framework to rationalize the overall construction process.

*5 Large-scale wood products such as CLT, manufactured by combining multiple wood materials.

### Expanding business through synergies with existing businesses

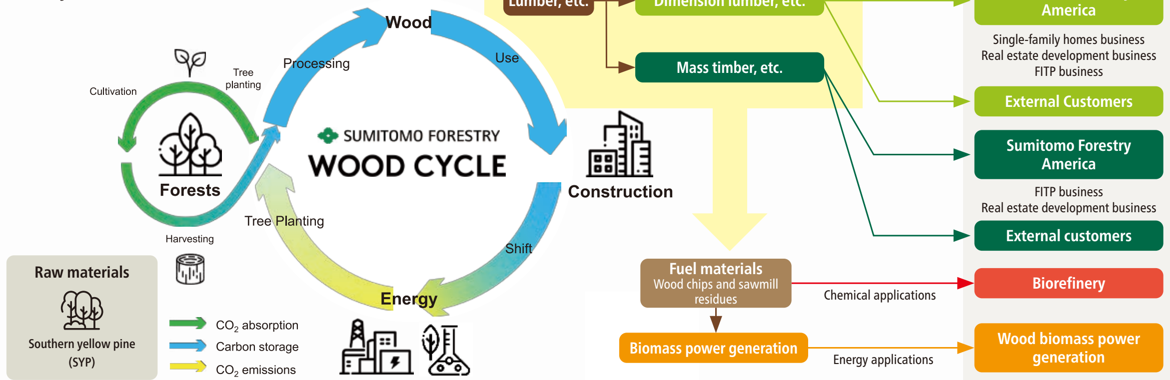
The area surrounding the plant is one of the regions where the Group actively operates its housing business in the United States. The plant's sales territory includes Dallas, Texas, where demand for wood products is particularly high within the state. Leveraging the plant's advantageous location near demand areas for our existing businesses, we will supply wood products to our single-family homes business and real estate development business through FITP operations. By strengthening collaboration within the Group, we will pursue greater stability in lumber supply and improved cost competitiveness. Through realization of the Wood Cycle in the United States, we aim to expand our business while supporting the sustainable growth and value creation of the Group.


### Current status / Challenges

**Current status**
- Secured stable log procurement and sawmill functions in the United States
- Established a foundation integrating lumber production, processing, and logistics
- Commenced production and sales of dimension lumber

**Challenges**
- Establishing collaboration frameworks with existing U.S. housing businesses
- Manufacturing and sales of mass timber and other wood products
- Exploring utilization of wood chips and sawmill residues generated during manufacturing processes

### The role of the timber industrial complex in the Wood Cycle



Special Feature 2 Expanding the Potential of Wood for Society and the Future

# Expanding the Value of Wood Through Medium- to Large-scale Wooden Construction

**Medium- to large-scale wooden construction creates new value for wood in urban spaces while contributing to the environment. The Sumitomo Forestry Group is expanding this potential throughout society.**

## Contributing to a decarbonized society through medium- to large-scale wooden construction

The Sumitomo Forestry Group is expanding the wooden construction technologies and expertise cultivated in the detached housing business into medium- to large-scale buildings, including offices, apartment buildings, commercial facilities, and public facilities, and is promoting wood construction and wood interior utilization as one of its growth strategies.

The construction sector generates substantial $CO_2$ emissions throughout the processes of material manufacturing, transportation, and construction. Wood, however, is a renewable material that absorbs $CO_2$ during growth and continues to store carbon over the long term even after being used as a building material. Therefore, medium- to large-scale buildings with greater wood usage can deliver greater carbon storage effects.

By actively adopting wooden structures and wooden-mixed structures, the Group reduces $CO_2$ emissions during construction while contributing to decarbonization across the entire construction sector.

## Expanding the value of wood across cities and industries

Medium- to large-scale wooden construction is not simply a replacement of materials. The texture, warmth, and humidity-regulating properties of wood enhance the comfort of living and working environments while bringing harmony with nature and functionality to urban spaces. The Group is also scientifically verifying the effects of wooden spaces on people's physical and mental well-being and promoting the creation of enriched living environments that contribute to user well-being. Furthermore, the expansion of medium- to large-scale wooden construction creates broader industrial opportunities ranging from wood supply and processing to design and construction, generating significant ripple effects for regional economies through revitalization of the forestry and timber industries. As a company engaged consistently from forest management through construction, the Sumitomo Forestry Group will continue contributing to the realization of a sustainable society by maintaining healthy forests through continued wood utilization and connecting urban spaces with nature.

### Current status / Challenges

**Current status**

- Expanded wooden construction technologies and design and construction expertise cultivated in the detached housing business into medium- to large-scale buildings
- Accumulated experience in wooden and wooden-mixed structures for offices, apartment buildings, commercial facilities, and public facilities
- Continued alliance with Kumagai Gumi Co., Ltd.
- Secured fire-resistant and earthquake-resistant performance through fire-resistant wooden materials and proprietary construction methods
- Contributed to decarbonization through reductions in $CO_2$ emissions during construction and carbon storage through wood utilization
- Promoted revitalization of regional economies and circular utilization of forest resources through expanded use of domestic timber

**Challenges**

- Improving cost competitiveness compared with reinforced concrete and steel-frame structures
- Developing personnel responsible for design and construction and securing partner companies
- Reducing regulatory burdens and review processes related to wooden and hybrid structures
- Ensuring stable timber supply and optimizing the supply chain
- Expanding recognition among clients and investors regarding the value of medium- to large-scale wooden construction

### Zoom In

**Challenge undertaken** "Midorino no Niwa," a medium- to large-scale wooden-mixed apartment building

As part of efforts to deepen initiatives in medium- to large-scale wooden construction, the Sumitomo Forestry Group designed and constructed "Midorino no Niwa," a six-story company housing complex featuring a wooden-mixed structure, and has commenced its use. The project is positioned as a demonstration project aimed at establishing a standard model for medium- to large-scale wooden-mixed apartment buildings.

By adopting proprietary fire-resistant wooden materials, the building secures fire resistance while retaining the natural texture of wood. In addition, by utilizing materials and construction methods compatible with wooden-mixed and reinforced concrete structures, the project rationalizes design and construction processes, reduces construction costs, and shortens construction periods, thereby promoting the broader implementation of medium- to large-scale wooden construction. The project also calculates embodied carbon from the design stage and works to reduce $CO_2$ emissions throughout the building lifecycle. Furthermore, the Tsukuba Research Institute is continuously measuring the "effects of wood" in the building, scientifically verifying both environmental and residential value and returning the findings to society.

These advanced initiatives were recognized through the receipt of a Wood Design Award. The Group will continue promoting widespread adoption of wooden and wood-based buildings as standard models while contributing to the realization of a decarbonized society.

**Features**

- Reduced construction costs and shortened construction periods through rationalized construction utilizing materials and construction methods compatible with mixed structures
- Reduced $CO_2$ emissions throughout the building lifecycle
- Verification of the "effects of wood" involving employees

Constructed in Tsukuba City, Ibaraki Prefecture, as company housing for Sumitomo Forestry. The building adopts a hybrid floor-plan structure with reinforced concrete in the center and wooden structures on both ends.

Special Feature 3 Expanding the Potential of Wood for Society and the Future

# Expanding the Value of Wood into New Frontiers Through Technology

**The Sumitomo Forestry Group continues taking on challenges in a broad range of fields aimed at solving environmental and social issues by expanding the potential of wood through technology.**

## Fire-resistant technologies supporting medium- to large-scale wooden construction

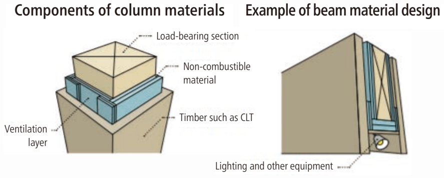
**Social trends**

As promotion of wood utilization in buildings accelerates toward the realization of a decarbonized society, ensuring earthquake resistance and fire resistance in medium- to large-scale wooden construction is becoming increasingly necessary from the perspectives of disaster prevention and mitigation. At the same time, fire-resistant wooden materials face the challenge of relatively high costs, creating a need for technological development that balances performance and economic efficiency in order to expand adoption.

### Development of fire-resistant wooden materials

To address these challenges, Sumitomo Forestry established a proprietary structure utilizing commercially available timber such as CLT and non-combustible materials and developed the cost-competitive original wooden fire-resistant material "Kigurumi CT." In 2021, the product obtained certifications from the Minister of Land, Infrastructure, Transport and Tourism for three-hour fire-resistant beam structures and two- and three-hour fire-resistant column structures.

By overcoming cost challenges while enabling application to medium- to large-scale wooden construction, the technology is raising the fire-resistance performance of wooden construction to a new level.




## Measures against hay fever from the forestry sector

**Social trends**

Japanese cedar pollen allergy is a social issue affecting approximately 40% of the Japanese population. Much of Japan's land area is covered with planted cedar forests established after World War II, and most of these forests are over 20 years old, the age at which they produce pollen. In response, the Japanese government announced the "Comprehensive Policy for Hay Fever Measures" in May 2023, promoting measures such as harvesting and replanting cedar plantations, utilizing cedar timber, and expanding production of low-pollen seedlings.

### Practical application of mass-production technology for pollen-free cedar seedlings

Referring to seedling propagation technologies for pollen-free cedar developed by organizations including the Forestry and Forest Products Research Institute and Niigata University, Sumitomo Forestry is working to establish mass-production methods through tissue culture. In July 2024, we entered into an agreement with the Tokyo Metropolitan Government regarding commercialization of pollen-free cedar production and are advancing propagation and cultivation of seedlings using cones provided by the Tokyo Metropolitan Government. In collaboration with seedling producers in Tokyo, we aim to establish a production system capable of producing more than 100,000 seedlings annually and commercialize the business around 2030. We are advancing practical application of this technology as a means of contributing to the resolution of the social issue of hay fever while creating new value for forest resources.

Pollen-free cedar cones cultivated by the Tokyo Metropolitan Government

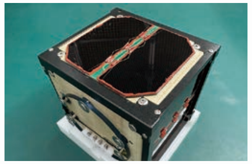
## Expanding wood utilization through demonstration in space

**Technical background**

Wood generates minimal residue when burned and is lightweight and highly permeable to radio waves. These characteristics have attracted attention for potential applications in the space sector. As the use of satellites continues to expand, conventional metal satellites generate fine particles during atmospheric reentry and combustion, which may affect the global environment and communications. Wood is therefore being explored as an alternative material to help address these challenges.

### Joint development of the world's first wooden satellite

Through joint research with Kyoto University, Sumitomo Forestry developed the world's first wooden satellite, LignoSat. By utilizing wood, the satellite burns up completely upon atmospheric reentry, helping to suppress the generation of fine particles. In addition, the research demonstrated that even under the extreme conditions of outer space, wood exhibits excellent durability and stability, with virtually no cracking, warping, or deterioration. By exploring the potential of wood utilization in space and developing technologies for utilizing wood under harsh environments based on the knowledge gained through this research, we aim to expand the use of wood on Earth as well.



**100 mm cubic wooden satellite "LignoSat"**

The satellite structure uses solid magnolia wood harvested and dried from Sumitomo Forestry-owned forests. The structure adopts the traditional Japanese woodworking technique "Tomegata Kakushi Arikumi Tsugi," which enables precise and robust assembly without the use of screws or adhesives.

# 3 Growth Mechanisms Created by Our Businesses

This chapter introduces the mechanisms through which the Sumitomo Forestry Group creates value and links it to sustainable growth. The value creation process summarizes the Group's approach to value creation based on the Wood Cycle, as well as an overall picture of how it creates value by utilizing management capital. Each business section presents growth strategies, competitive advantages, and business models based on the business environment and market trends. It also explains how the Group will strengthen its earnings base and expand added value through priority initiatives, progress, and specific measures under the Medium-term Management Plan Mission TREEING 2030 Phase 2.

# Business Environment Analysis

## Megatrends

**Climate change and biodiversity conservation / Resources and energy issues / Values and lifestyles / Demographic and household trends / Regional revitalization / Respect for human rights / Trend of globalization / Political and economic situation / Advancements in digitalization**

## Risks and opportunities behind the Nine Material Issues

| Risks | Opportunities |
|---|---|
| • Diminishing value of forests caused by increasing severity of natural disasters, and fiercer competition due to the market entry of companies from other industries into industries making use of forests and wood | • Expansion of business opportunities and stronger sources of competitiveness due to the maximization of value of forests and wood |
| • Growing stakeholders' requests and pressure for responses to climate change | • Creation and expansion of business opportunities contributing to carbon neutrality through the use of forests and wood |
| • Increased environmental impact and impairment of natural capital caused by the use and disposal of unsustainable resources | • Expansion of business opportunities using the characteristics of trees which are naturally renewable cyclically |
| • Changes in demographics and reduction in consumer needs | • Increase of business opportunities that capture the diversifying needs for housing and living associated with societal changes |
| • Disruptions to business expansion owing to the negative impact brought forth on communities | • Co-prosperity of communities and the Company through co-existence |
| • Occurrence of occupational injuries and declining employee satisfaction and productivity | • Productivity improvements and innovation creation through increased workforce vitality and the promotion of diversity, equity and inclusion |
| • Loss of business opportunities due to delayed responses to growing markets | • Growing overseas housing markets and creation of new business opportunities using forests and wood |
| • Destruction of existing business value caused by technological innovation | • Productivity improvements in the Company and the whole market driven by DX and innovation as well as creation of innovative value in customer experiences |
| • More profound impact on business activities resulting from unforeseen circumstances, such as natural disasters, infectious diseases, financial crises, and others | • Contribution to sustainable economic growth through resiliently built business operations and structures |

## Strategies

### Long-term Vision

**Business Policy**

1. Maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy
2. Advancing globalization
3. Striving for transformation and the creation of new value
4. Transforming our business foundation for growth

### Medium-term Management Plan
### Mission TREEING 2030 Phase 2

**Basic Policies**

1. Efforts to Address Decarbonization Challenge
2. Enhancement of Earning Power
3. Deepening of Global Expansion
4. Strengthening Management Base
5. Further Integration of Business Operations and ESG

## Nine Material Issues

**Value for our planet**

1. To enhance the value of forests and wood through sustainable forest management
2. To realize carbon neutrality by leveraging forests and wood resources
3. To realize a circular bioeconomy by leveraging forests and wood resources

**Value for people and society**

4. To provide comfortable and secure spaces for society at large
5. To improve the livelihood of the local communities where we operate
6. To create a vibrant environment for all workers

**Value for the market economy**

7. To create new markets with forests and wood
8. To transform markets through DX and innovation
9. To establish a robust business structure

# Value Creation Process

## Inputs

(as of December 31, 2025)

### Natural Capital

- Energy inputs: 9,799 TJ
- Volume of timber and wood products: 9,134,000 $m^3$
- Water usage: 2,895,000 $m^3$
- Forests: 279,000 ha*1

*1 Total area of owned and managed forests in Japan and overseas. Excluding forestry funds and reforestation business in Japan.

### Manufactured Capital

- Wood biomass power generation plants: 7 (Japan)
- Sawmills (Timber and Building Materials): 5 (Japan) and 9 (overseas)
- Number of plants in operation in the FITP business*2: 11 (overseas)

*2 Fully Integrated Turn key Provider (FITP) business providing integrated services from panel design to manufacturing, delivery and construction.

### Human Capital

- Employees on a consolidated basis: 27,613 (including 13,369 overseas)
- Training costs per employee: 173,000 yen (non-consolidated) and 43,000 yen (subsidiaries in Japan)
- First-class architects: 1,078 (non-consolidated) and 387 (subsidiaries in Japan)
- Second-class architects: 1,471 (non-consolidated) and 1,521 (subsidiaries in Japan)

### Intellectual Capital

- R&D spending: 2,760 million yen

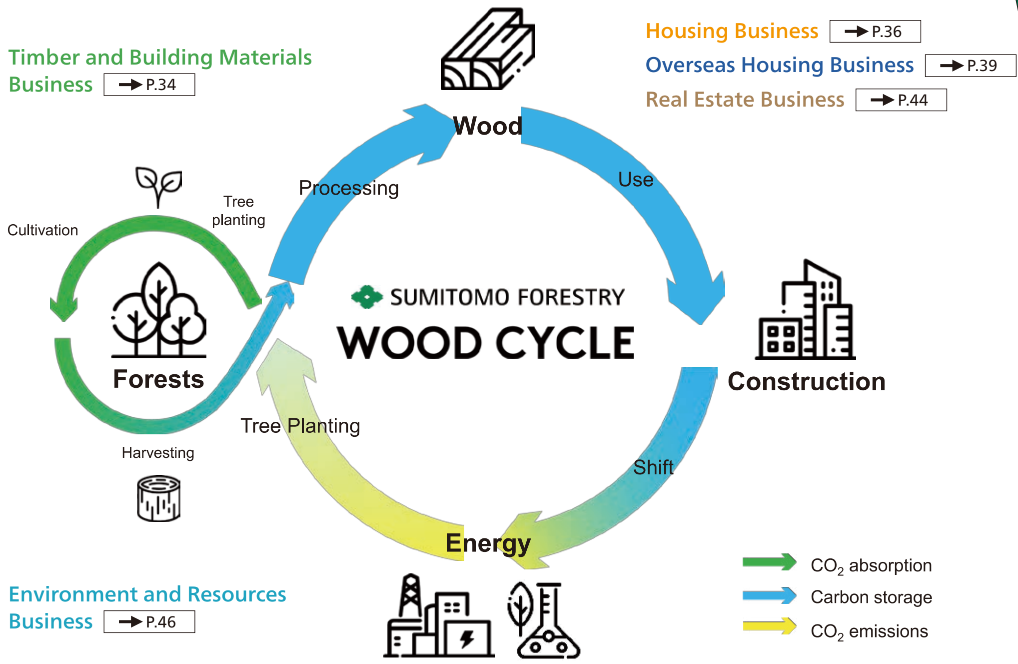
### Social Capital

- Accumulated number of homes delivered: approx. 370,000 units (Japan) and approx. 140,000 units (overseas)

### Financial Capital

- Shareholders' equity: 762.8 billion yen
- Interest-bearing debt: 769.5 billion yen
- Loans and investments: 154.5 billion yen

## Business Model




### Business policy for achieving Mission TREEING 2030

1. Maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy
2. Advancing globalization
3. Striving for transformation and the creation of new value
4. Transforming our business foundation for growth

#### The Wood Cycle

The Wood Cycle refers to the Sumitomo Forestry Group's value chain from upstream to downstream centered on wood, spanning from forest management to the manufacture and distribution of timber and building materials, wooden construction, and wood biomass power generation. By promoting decarbonization projects in the four fields of forests, wood, construction, and energy, and by implementing the Wood Cycle, we aim to contribute to the realization of a decarbonized society by promoting $CO_2$ absorption and carbon storage not only for the Group but also for society as a whole.

The "Wood Cycle" Value Chain → P.7

# Value Creation Process

Material Issues
https://sfc.jp/english/sustainability/management/materiality1.html

## Outputs

(Fiscal 2025)

**Forests** Timber from owned and managed forests*3

**Wood** Volume of timber and wood products

| Environment and Resources Business P.46 | | Timber and Building Materials Business P.34 | |
|---|---|---|---|
| Japan | Overseas | Distribution | Manufacturing |
| 63,000 m³ | 980,000 m³ | 6,094,000 m³ | 1,773,000 m³ |

*3 Timber harvested from forests owned and managed in Japan and overseas. Excluding forestry funds and reforestation business in Japan.

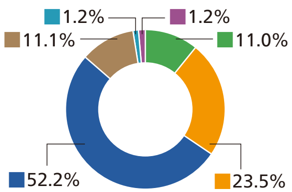
**Construction** Annually supplied houses

| Housing Business P.36 | Overseas Housing Business P.39 | |
|---|---|---|
| Japan*4 | United States*5 | Australia*6 |
| 8,727 | 10,262 | 7,404 |

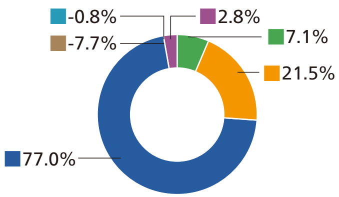
*4 Total of custom-built detached houses, rental houses, and spec homes
*5 Total of spec homes
*6 Total of custom-built detached houses and spec homes

### Breakdown by segment*7 (Fiscal 2025)

Net sales **2,267.6 billion yen**




Recurring income **174.9 billion yen**




■ Timber and Building Materials ■ Housing ■ Overseas Housing ■ Real Estate
■ Environment and Resources ■ Others

*7 The composition by segment excludes inter-segment eliminations (net sales of -42.5 billion yen, recurring income of -4.2 billion yen).

## Impacts (Outcomes)

(Fiscal 2025)

### Natural Capital

+ Carbon sequestration
  - Forests:*8 65,334 thousand tons
  - HWP:*9 27,341 thousand tons

*8 Carbon sequestration of forests owned and managed in Japan and overseas. Excluding forestry funds and reforestation business in Japan.
*9 HWP: Abbreviation for Harvested Wood Products. Wood products manufactured from harvested timber that store, as carbon, the $CO_2$ absorbed by trees during their growth.

+ Biomass power generation
  - Electricity supplied: 1,774,257 MWh

− Industrial waste emissions
  - Waste and other emissions from new construction sites (Housing Business): 26,687.0 tons

− Greenhouse gas emissions
  - Scope 1 and 2: 145,779 tons
  - Scope 3: 11,220,000 tons

### Manufactured Capital

+ Housing technologies that contribute to reduction of environmental impact
  - ZEH order ratio for new custom-built detached homes: 81.3%
  - LCCM home sales

### Human Capital

+ Improvement of work-life balance
  - Employee satisfaction level: 81.0% (non-consolidated) and 67.2% (subsidiaries in Japan)
  - Childcare leave acquisition rate (male): 71.4% (non-consolidated) and 49.0% (subsidiaries in Japan)
  - Return-to-work ratio for childcare leave (female): 100.0% (non-consolidated)
  - Turnover ratio: 2.2% (non-consolidated)

+ Promotion of DEI
  - Ratio of female employees: 25.2% (non-consolidated) and 33.9% (subsidiaries in Japan)

### Intellectual Capital

+ Technical development of wooden construction
  - Elemental technologies for fireproofing, earthquake resistance, etc.
  - Increased strength and durability of wood

+ Expansion of wood applications
  - Biorefinery of wood

### Social Capital

+ Sustainability procurement survey implementation rate in the supply chain
  - Sustainability procurement survey implementation rate for imported wood product supplier: 100% (Timber and Building Materials Business)
  - Sustainability procurement survey implementation rate for suppliers such as building materials and housing equipment manufacturers: 98.2% (Housing Business)

+ Procurement of sustainable timber and wood products
  - Percentage of sustainable timber and wood products handled in distribution business: 100% (Timber and Building Materials Business)
  - Percentage of sustainable wood used as the principal structural member of detached houses: 100% (Housing Business)

+ Efforts to improve customer satisfaction
  - Survey at move-in (stand-alone NPS value):*10 56.6pt

*10 NPS (Net Promoter Score). A new indicator that measures customer loyalty (the degree of "trust" or "value" in a company or brand).

### Financial Capital

+ Shareholder return, credit rating and sustainable growth
  - Annual dividend per share: 53 yen
  - TSR (annualized, past 1 year): -6.1% (past 10 years): 13.1%
  - Long-term rating: A+ (Rating and Investment Information, Inc.)

Timber and Building Materials Segment

# Timber and Building Materials Business

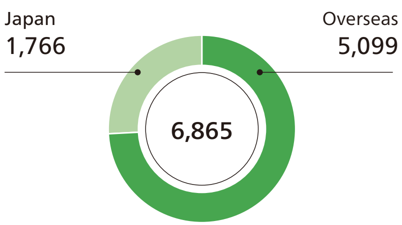

## We will establish a robust business model by promoting solutions that address customer challenges and improve productivity while building a diversified business portfolio.

Although the number of new housing starts in Japan continues to decline and the market environment is becoming increasingly challenging due to regulatory requirements such as structural calculations and energy-efficiency standards, we will enhance customer convenience by developing structural, exterior, and operations platforms that directly contribute to improving productivity at construction sites.

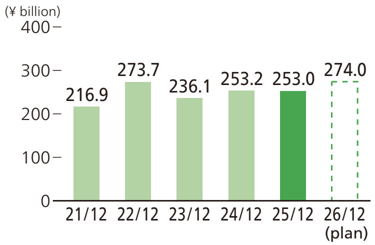
For domestic timber, we will continue promoting its utilization through initiatives such as Kowanomori Co., Ltd., the first timber industrial complex project, while expanding the use of mass timber in the non-residential sector and strengthening exports through overseas marketing activities. In the manufacturing business, we will pursue new value creation through integrated manufacturing and sales initiatives across multiple projects, including the sawmill in Louisiana, U.S., acquired last year. We will also focus on our global timber and building materials strategy through collaboration with the Overseas Housing business and Real Estate business, primarily in the United States, Australia, and Asia. In the biomass fuel business, we will expand long-term stable supply chains and promote technological development. We will also continue advancing decarbonized design and promoting EPD-certified products.

Special Feature 1: Pursuing the Realization of the "Wood Cycle" in the United States →P.27

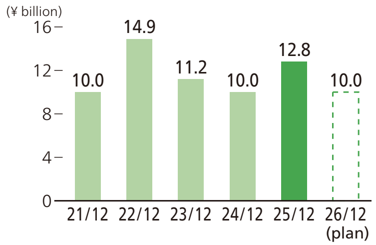
### Number of employees (as of December 31, 2025)




### Net sales




### Recurring income




* The planned figure represents the initial plan as of February 13, 2026.
* For more information about performance for the fiscal year ended December 2025, please visit our website. https://sfc.jp/english/ir/library/statements/2025.html

**Business opportunities**

- Structural changes in distribution and construction systems in Japan's construction and housing markets
- Growing demand among small and medium-sized homebuilders for structural design support in response to revisions to the Building Standards Act* and compliance with energy-efficiency standards

* Revision of the special exemption for Category 4 buildings, under which certain review and inspection requirements were exempted for small-scale wooden buildings designed and supervised by licensed architects.

- Expansion of domestic timber utilization
- Growing momentum toward decarbonization (renewable energy and carbon credit demand, mandatory disclosure of building LCA, and increasing adoption of wooden construction and wood interior utilization, particularly in non-residential buildings)
- Business expansion into housing growth markets such as the United States, Australia, and Asia

**Risks and challenges**

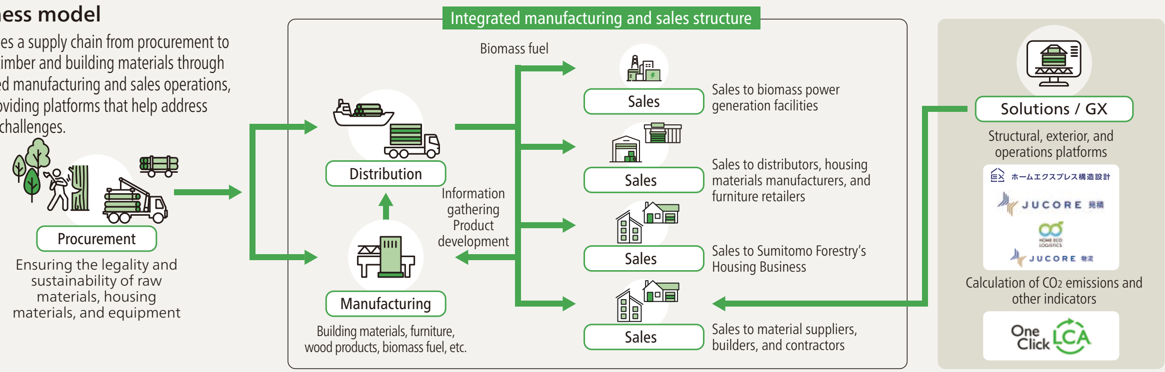
- Ensuring a stable supply of domestic timber and enhancing price competitiveness
- Securing a stable supply of mass timber and biomass fuel
- Promoting decarbonized design and EPD-certified products

### Platforms supporting productivity improvement at construction sites

| | |
|---|---|
| Structural platform | Promotes structural design support, optimization of wood volume, achievement of seismic performance grades, labor-saving construction methods, shorter construction periods, and compliance with regulations. |
| Exterior platform | Promotes labor-saving exterior construction through initiatives such as siding precutting and panelization centered on Sumirin Sash Co., Ltd. |
| Operations platform | Promotes rationalization and labor savings through DX initiatives, including quotations, order processing, and on-site delivery management. |

### Business model

Establishes a supply chain from procurement to sales of timber and building materials through integrated manufacturing and sales operations, while providing platforms that help address industry challenges.



Timber and Building Materials Segment

# Timber and Building Materials Business

## Strategic indicators

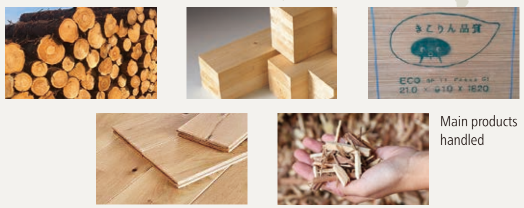
**Domestic timber usage at timber industrial complexes**

2030 target

**1.0 million m³**

## Competitive advantages

- Stable supply network of wood resources with ensured legality and sustainability
- Strong procurement capabilities for high-quality wood resources through a global network
- Integrated manufacturing and sales structure enabled by the Group's overseas manufacturing facilities, supporting the development and marketing of high value-added products
- A fully integrated value chain spanning upstream operations (forests) to downstream operations (construction), maximizing wood utilization and enhancing added value across the Group



Main products handled

## Non-financial information (Results for FY2025)

**Recycling rate at manufacturing facilities**

Japan **99.5%**

Overseas **98.5%**

**Rate of sustainability procurement surveys conducted for imported wood product suppliers**

**100%**

## Progress of Mission TREEING 2030 Phase 2

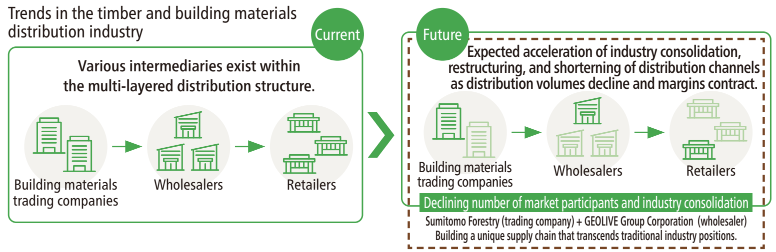
| | | |
|---|---|---|
| Japan | Growth strategy | • Strengthen the stable supply and price competitiveness of domestic timber through the establishment of timber industrial complexes*1<br>• Expand decarbonization-related businesses and productivity improvement support services for the industry through solution-based functions and services<br>• Build a proprietary supply chain and a robust earnings base |
| | Results for FY2025 | • Increased sales volume through expanded sales of wood fuel for biomass power generation<br>• Entered into a capital and business alliance agreement with GEOLIVE Group Corporation, a building materials distribution company<br>• Increased sales of interior building materials, supported by strong order intake and sales in the Group's Housing Business |
| | Future initiatives and challenges | • Provide solutions to issues facing the housing and construction industries through the development of structural, exterior, and operations platforms<br>• Strengthen the supply chain and create synergies through functional complementarity in collaboration with GEOLIVE Group |
| Overseas | Growth strategy | • Further expand the global timber and building materials strategy, primarily in the United States, Australia, and Asia |
| | Results for FY2025 | • Made Plain Dealing Lumber,*2 a U.S. sawmill company in Louisiana, a subsidiary<br>Special Feature 1: Pursuing the Realization of the "Wood Cycle" in the United States →P.27 |
| | Future initiatives and challenges | • Promote Wood Change by expanding production capacity and business locations for biomass-related businesses, including panels and boards, building materials and wood products, engineered wood products, and wood pellets<br>• Maximize business value by connecting supply chains spanning forest plantations, manufacturing and distribution, and construction across key and growth markets, including Japan, the United States, Australia, and Asia |

## Zoom In

### Challenges undertaken

### Creating synergies through a capital and business alliance with GEOLIVE Group

In August 2025, Sumitomo Forestry entered into a capital and business alliance agreement with GEOLIVE Group. To address changes in the market environment surrounding the timber and building materials distribution industry, the two companies will combine their respective functions and expertise to advance business operations. Through these efforts, we will establish a unique end-to-end supply chain that transcends the traditional boundaries between trading companies and wholesalers, while building a robust earnings base.




### Commencement of operations at Kowanomori, a timber industrial complex*1

Kowanomori, a Sumitomo Forestry Group company, established the Yotsukura Plant in Iwaki City, Fukushima Prefecture, and commenced operations in March 2026. The plant primarily manufactures lumber and processed wood products using domestically sourced Japanese cedar, contributing to sustainable forest management and the revitalization of timber markets. This initiative represents the first timber industrial complex project under the Long-term Vision, Mission TREEING 2030. In addition to Kowanomori, we will pursue the establishment of timber industrial complexes in other regions, aiming to achieve annual domestic timber usage of 1.0 million m³ at timber industrial complexes by 2030.

Kowanomori's Yotsukura Plant

*1 A business model that enhances the value of wood utilization from material use to energy and chemical applications while realizing long-term carbon storage. Specifically, it promotes cascade utilization that fully utilizes logs sourced from sustainably managed forests and advances wood processing businesses to maximize the value of low-grade timber and residual materials.

*2 Renamed from Teal Jones Plain Dealing in May 2026.

Housing Segment

# Housing Business

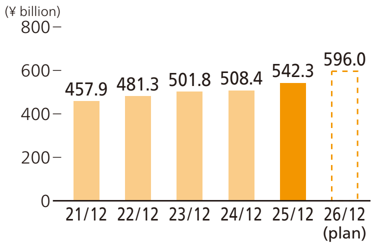
Kenji Inui
Director, Managing Executive Officer
Divisional Manager of Housing Division

**Leveraging our superior design capabilities and product competitiveness, we will expand our market share of custom-built houses while strengthening a stable business foundation through collaboration with Group companies.**

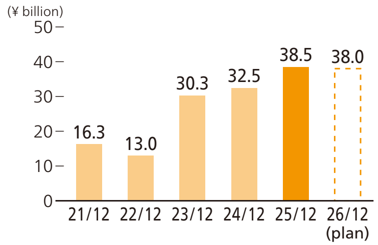
The business environment is becoming increasingly challenging due to a decline in new housing starts associated with Japan's shrinking population, as well as rising construction material and labor costs. Under these circumstances, we will accelerate the deployment of products that capitalize on our strengths, including our proprietary Big-Frame (BF) Structure, and focus on expanding orders for custom-built detached houses. To further strengthen profitability, we are promoting structural reforms centered on the Innovation Strategy Department. In addition to accelerating DX initiatives, we will enhance our Modular Design approach, which standardizes highly refined design details, thereby reducing workloads for design, production, and construction partners while improving productivity and profitability. At the same time, we will strengthen the business foundations of growth areas, including rental housing, spec homes, renovation, resale of renovated properties, and greening businesses, with the aim of achieving sustainable growth.

## Number of employees (as of December 31, 2025)


## Net sales




## Recurring income




* Effective from the fiscal year ending December 2026, the Real Estate Segment was newly established, and the Real Estate Business and Construction Business previously included in the Global Construction and Real Estate Segment and Housing Segment were transferred to the new segment.
* In line with the above segment reclassification, net sales and recurring income for the fiscal years ended December 2021 through December 2025 have been reclassified. The number of employees is based on the segment classification prior to the reclassification as of December 31, 2025, and partially overlaps with the number of employees in the Real Estate Segment.
* The planned figure represents the initial plan as of February 13, 2026.
* For more information about performance for the fiscal year ended December 2025, please visit our website. https://sfc.jp/english/ir/library/statements/2025.html

| | |
|---|---|
| Business opportunities | • Increased borrowing capacity driven by the growth of dual-income households and the wider use of joint mortgages, supporting housing demand<br>• Growing demand for wooden and environmentally conscious housing amid increasing interest in decarbonization<br>• Stable demand for rental housing driven by the increase in single-person households<br>• Expanding housing stock and expected growth in renovation demand |
| Risks and challenges | • Declining new housing starts due to Japan's shrinking population<br>• Rising housing loan interest rates in addition to increasing construction material and labor costs<br>• Diversification of revenue through expansion of rental housing, spec homes, and renovation businesses, as well as Group synergies<br>• Strengthening profitability through shorter construction periods and improved productivity |

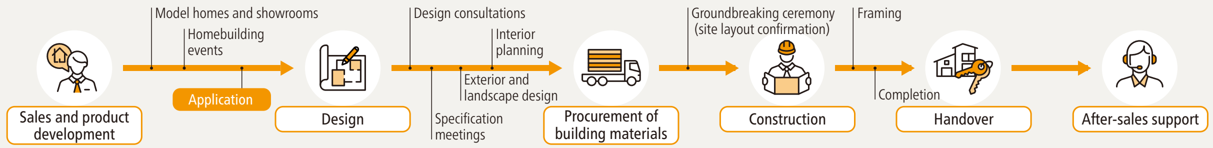
## Creating synergies with Group companies

**Revenue diversification through Group synergies**

| | |
|---|---|
| Rental housing business | Joint development of wooden apartment buildings and land-set products with LeTech Corporation |
| Greening business | • Promotion of integrated design of exterior landscaping<br>• Increase in the coverage rate of exterior landscaping |
| Renovation business | Strengthening relationships with approximately 370,000 Sumitomo Forestry homeowners |

## Business model — Domestic custom-built detached housing business

A dedicated team supports customers throughout every stage of the homebuilding process. After handover, we continue to provide comprehensive support, including maintenance, renovation, and home replacement services.




| | |
|---|---|
| Sales representative | Conducts customer interviews and provides guidance on financing plans, mortgages, and procedures. |
| Architect / Designer | Proposes ideal plans by incorporating ideas and solutions tailored to customer needs. |
| Interior coordinator | Provides interior proposals, including lighting, curtains, and furniture, suited to each customer's lifestyle. |
| Production supervisor | Responsible for explaining construction details and schedules, as well as supervising construction progress. |
| Exterior coordinator | Proposes exterior designs and landscaping plans, including gardens and gates. |

Housing Segment

# Housing Business

## Strategic indicators

**Unit sales***

*Total of custom-built detached houses, rental housing, and spec homes

| | 2025 result | 2027 plan |
|---|---|---|
| Unit sales* | 8,727 | 10,300 |

## Competitive advantages

- Proprietary Big-Frame (BF) Structure, superior design capabilities and product competitiveness that address diverse customer needs, and comprehensive design and construction expertise extending to exterior landscaping
- Domestic and international procurement network for timber and wood-based materials, supported by strong partnerships with construction contractors
- Strong brand equity in wooden construction cultivated over many years
- Extensive after-sales services trusted by approximately 370,000 Sumitomo Forestry homeowners across Japan

## Non-financial information (results for FY2025)

**ZEH ratio for newly built custom-built detached houses in Japan (order basis)*1** 81.3%

*1 Includes ZEH, nearly ZEH, and ZEH oriented for heavy snowfall areas.

**Move-in survey (Standalone NPS*2 score)** 56.6 pt

*2 Net Promoter Score (NPS), an indicator used to measure customer loyalty and the degree of trust and value customers associate with a company or brand.


Custom-built wooden houses


Big-Frame (BF) Structure


Spec homes


Rental housing

## Progress of Mission TREEING 2030 Phase 2

| | |
|---|---|
| Growth strategy | • Expand market share through pricing-segmented sales strategies, including GRAND LIFE single-story homes, the semi-custom Forest Selection series, and the Grand Estate Design Project<br>• Promote fundamental operational reforms utilizing real data, accelerate DX, and improve operational efficiency through front-loading initiatives<br>• Expand environmentally conscious wooden rental housing with superior seismic resistance and sound insulation performance<br>• Promote initiatives to shorten construction periods through higher precut utilization rates and panelization<br>• Strengthen Group businesses, including renovation, resale of renovated properties, real estate brokerage, and greening, while building a cross-organizational growth model |
| Results for FY2025 | • Custom-built houses: Orders remained strong through effective communication of value tailored to customer needs. Both units sold and average selling prices increased<br>• Rental housing: Orders remained solid, and higher average selling prices for rental housing products contributed to steady business performance<br>• Spec homes: Launched the Grand Estate Development Project and intensified sales promotion efforts to meet demand for high-quality homes in urban areas<br>• Renovation: Promoted environmentally conscious renovation projects and actively developed demand among homeowners, resulting in solid business performance |
| Future initiatives and challenges | • Custom-built houses: Promote sales of high-value-added homes, improve operational efficiency to strengthen profitability, and enhance order acquisition activities through web and social media channels<br>• Rental housing: Improve profitability through construction efficiency improvements, cost reductions, and shorter construction periods<br>• Spec homes: Acquire high-quality development sites, further expand the Grand Estate Development Project<br>• Renovation: Promote the value of proprietary seismic resistance and vibration-control technologies while strengthening construction capabilities to support increasing order volume |

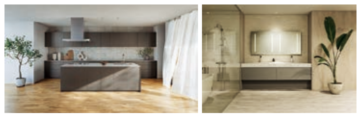
### Domestic custom-built detached housing business: Promoting unique value through enhanced proprietary products

We continue to highlight the unique value of our products, including the proprietary BF Structure, which serves as the standard for Sumitomo Forestry homes; PRIME WOOD, which showcases the beauty and quality of wood; and the Germoglio series of original kitchens and vanity units.

PRIMEWOOD

Germoglio
(Original kitchens and vanity units)

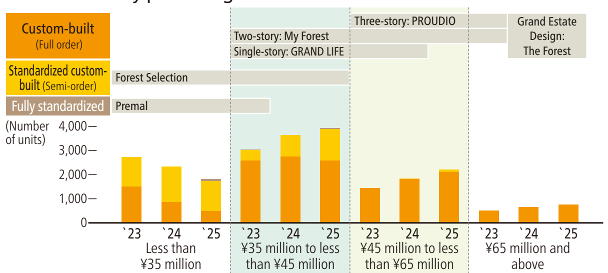

PRIME WOOD


Germoglio

### A product lineup offering a wide range of price points to meet diverse customer needs

In the mass-market segment, we secure sales volume through the semi-custom Forest Selection product line, while in the premium segment we offer custom-built houses such as the Grand Estate Design Project. Through sales strategies tailored to different price ranges, we aim to expand market share.

**Order trends by price range**



Housing Segment

# Housing Business

## Zoom In

### Challenges undertaken

#### Expanding customer touchpoints through real-world experiences: "Cho Sumai Haku" housing fair

In November 2025, Sumitomo Forestry held the "Cho Sumai Haku" housing fair, its first large-scale exhibition event in 12 years. The event was designed to provide an immersive brand experience and make the Company's fan base visible. Attendance exceeded 2,000 groups, surpassing the original target of 1,500 groups. Many visitors were younger generations and families with children, particularly people in their 30s.

At the venue, visitors experienced the value of wood and homebuilding through exhibits featuring the structural framework of the BF Structure, PRIME WOOD displays, and proposals utilizing Gywood®, compressed cedar lumber. Exhibitions showcasing the use of wood in furniture and non-building applications, as well as demonstrations by manufacturers and seminars by experts, also attracted significant interest.

The event reaffirmed the significant influence that real-world experiences—seeing, touching, and experiencing products firsthand—continue to have on customer decision-making, even in an increasingly digital society.


Constructions using Big-Frame Structure

#### Customer meeting platform MYHOME WORKS rolled out across all branches

MYHOME WORKS digitally supports consultations and meetings between customers planning to purchase a Sumitomo Forestry Home and the sales, design, and other staff members involved in their projects. By enabling customers and staff to share and centrally manage documents within the system, information can be organized more efficiently than through conventional paper-based or PDF-based management. Customers can access materials anytime and anywhere, allowing them to make more effective use of their time outside meetings while reducing the burden associated with reviewing materials and preparing for discussions. The comprehensive digital integration of customer meeting information represents an advanced initiative within the housing industry.

MYHOME WORKS functions

## Rental housing business: Promoting decarbonization through wooden rental housing

In its rental housing business, Sumitomo Forestry offers Forest Maison GRANDE, a wooden apartment building brand that combines design excellence with superior performance, as well as The Forest Barque, a commercial construction brand that promotes the use of wood and woodification for offices, medical facilities, and other non-residential buildings. Compared with reinforced concrete and steel-frame apartment buildings, wooden apartment buildings generate lower $CO_2$ emissions (embodied carbon) during material manufacturing and construction while also providing carbon storage benefits through the use of wood. As a result, they help reduce environmental impacts. These buildings also offer industry-leading sound insulation performance, as well as excellent seismic resistance and thermal insulation. They are designed from the perspective of residents to maximize comfort and livability. By leveraging the advantages of wooden construction, we are advancing decarbonization while also focusing on improving profitability through greater construction efficiency, cost reductions, and shorter construction periods.

FOREST MAISON GRANDE

Wooden rental apartment

THE FOREST BARQUE

Commercial construction

## Renovation business: Providing renovation solutions that maximize the value of wood

Reforest, our detached house renovation brand, enhances both spatial value, including wood aesthetics and interior design, and performance value through thermal insulation and seismic reinforcement improvements. It also provides a sense of safety with services that help resolve issues associated with renovation projects, including temporary housing arrangements. In addition, through M Reforest, our condominium renovation brand that combines functionality and design, we propose a new lifestyle concept: "A wooden home within a condominium." These offerings enable us to deliver renovation solutions that leverage Sumitomo Forestry's unique strengths.

Our energy-saving renovation solutions improve heating and cooling efficiency through the installation of insulation materials and high-performance windows, thereby reducing $CO_2$ emissions. The resulting $CO_2$ reduction is equivalent to the annual carbon absorption of approximately 71 cedar trees.* We also enhance the overall environmental performance of homes by proposing smart renovation solutions, including solar power generation systems, high-efficiency water heaters, and storage batteries.

Sumitomo Forestry renovations create living spaces that convey the warmth of wood through the extensive use of timber in interior finishes. At the same time, they contribute to improving the global environment through higher environmental performances and the promotion of long-term carbon storage achieved by extending the life of homes. In this way, we simultaneously deliver comfort and environmental value.

* Based on the insulation renovation model plan (two-story wooden structure, construction area of 69.56 $m^2$, energy-saving region classification 6), calculated using the $CO_2$ emission coefficient for fiscal 2021 reported by Tokyo Electric Power Company to the Ministry of Economy, Trade and Industry and the Ministry of the Environment in 2022, the primary energy consumption data from the Homes-kun Energy-Saving Diagnosis, and the figures published by the Forestry Agency in "How Much Carbon Dioxide Do Forests Absorb?"

Insulation renovation

Condominium renovation

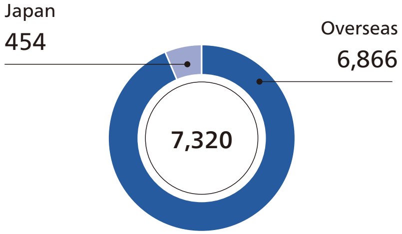
Overseas Housing Segment

# Overseas Housing Business

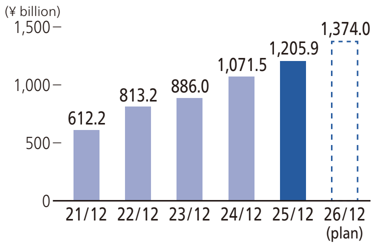

**We aim to dramatically expand our business scale by establishing an overwhelming market position through M&A in overseas markets where housing demand remains strong.**

In overseas markets where robust housing demand is expected, we will drive expansion of the Group's overall performance through the organic growth of existing builders and strategic M&A. In the United States, we are expanding our business footprint with the goal of establishing an annual supply capacity of 23,000 homes by 2030 by steadily capturing solid demand driven by population growth and housing shortages. In Australia, leveraging our strong network covering the country's five major cities, we are promoting initiatives to establish an annual supply capacity of 10,000 homes by 2030. In the U.S. FITP business, we are pursuing fundamental rationalization of the construction process by establishing a vertically integrated system covering everything from the production of structural components to construction. In Asia, we are focusing on large-scale township development projects in Vietnam and Indonesia, among other initiatives, and will achieve sustainable growth through business development tailored to the characteristics and needs of each regional market.

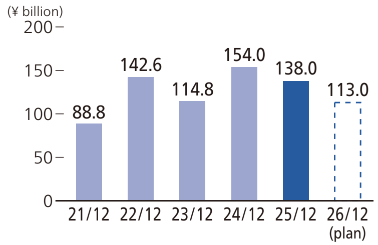
Number of employees (as of December 31, 2025)




Net sales



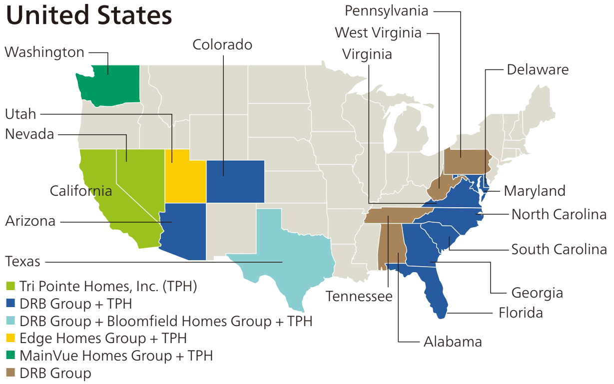

Recurring income




* Effective from the fiscal year ending December 2026, the Real Estate Segment was newly established, and the Real Estate Business and Construction Business previously included in the Global Construction and Real Estate Segment and Housing Segment were transferred to the new segment.
* Effective from the fiscal year ending December 2026, the Global Construction and Real Estate Segment was renamed the Overseas Housing Segment.
* In line with these segment changes, net sales and recurring income for the fiscal years ended December 2021 through December 2025 have been reclassified. The number of employees is based on the segment classification prior to the reclassification as of December 31, 2025, and partially overlaps with the number of employees in the Real Estate Segment.
* The planned figure represents the initial plan as of February 13, 2026.
* For more information about performance for the fiscal year ended December 2025, please visit our website. https://sfc.jp/english/ir/library/statements/2025.html

## Major development regions for the Overseas Housing Business

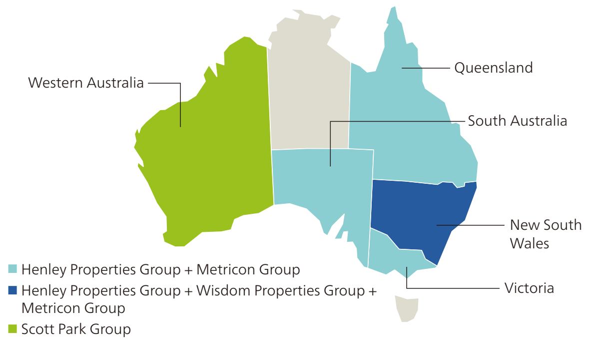
### United States




- Tri Pointe Homes, Inc. (TPH)
- DRB Group + TPH
- DRB Group + Bloomfield Homes Group + TPH
- Edge Homes Group + TPH
- MainVue Homes Group + TPH
- DRB Group

| | |
|---|---|
| Business opportunities | • Stable housing demand is expected to continue due to population growth and housing shortages<br>• Growing expectations for the FITP business as a solution to structural issues such as labor shortages and rising construction costs |
| Risks and challenges | • Development of business infrastructure to achieve 23,000 homes sold in 2030<br>• Leveraging of economies of scale for an organization equivalent to the fifth-largest homebuilder in the United States for land acquisition and procurement of building materials<br>• Strengthening of collaboration with the single-family homes business and multifamily housing business through expansion of FITP business areas |

### Australia




- Henley Properties Group + Metricon Group
- Henley Properties Group + Wisdom Properties Group + Metricon Group
- Scott Park Group

| | |
|---|---|
| Business opportunities | • Strong housing demand and ongoing housing shortages driven by population growth |
| Risks and challenges | • Persistently high housing prices and declining affordability due to population growth and rising land prices<br>• Realization of Group synergies leveraging economies of scale as Australia's leading homebuilder |

Overseas Housing Segment

# Overseas Housing Business

## United States

### Strategic indicators

Unit sales

| | 2025 result | 2030 target |
|---|---|---|
| Unit sales | 10,262 | 23,000 |

### Competitive advantages

- Business operations in the Sun Belt,*1 where population and employment growth are significant
- Superior regionally focused land acquisition capabilities
- Financial strength, procurement capabilities, and unified governance

*1 A warm region of the United States extending from California on the West Coast to North Carolina on the East Coast, south of latitude 37 degrees north, characterized by high employment and population growth rates.

### Non-financial information (Results for FY2025)

Number of homes with environmental certification (U.S. Total): **3,585**

Examples of homes built by Group housing companies

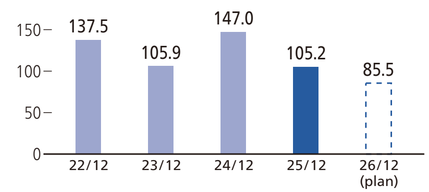
MainVue Homes Group

Edge Homes Group

Bloomfield Homes Group

DRB Group

Recurring income (¥ billion)

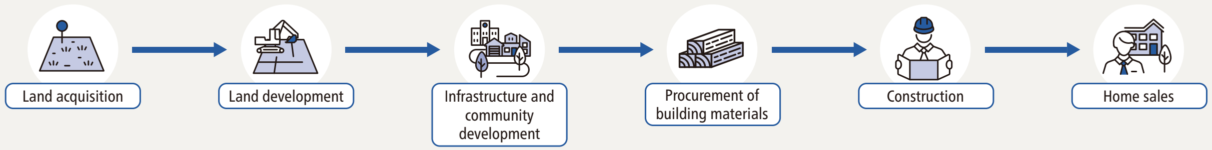



### Results and challenges for the fiscal year ended December 2025

| | |
|---|---|
| Growth strategy | • Continuation of organic growth of four U.S. builders while exploring new M&A opportunities, targeting 17,700 homes sold in 2027<br>• Sequential expansion of the FITP business within Group business areas |
| Results for FY2025 | • Challenging market conditions continued due to persistently high mortgage interest rates, declining affordability resulting from soaring home prices, and deterioration in consumer sentiment caused by uncertainty regarding the economic outlook, resulting in lower home sales |
| Future initiatives and challenges | • Development of business infrastructure toward achieving 23,000 homes sold in 2030<br>• Responding to persistently high mortgage interest rates and uncertainty regarding the economic outlook<br>• Execution of diverse product strategies and effective sales measures suited to market conditions, along with acquisition of quality land<br>• Appropriate control of inventory risk while maintaining financial soundness |

### Business model — U.S. single-family homes business

Established a unique position that combines extensive experience and a proven track record as a local builder deeply rooted in regional markets with the strengths of a national builder, including financial capabilities and procurement power for building materials.




### Specific future initiatives

#### Initiative 1: Product development

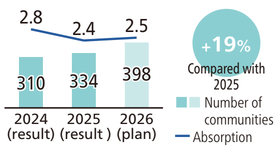
- Strengthening of sales of competitively priced product lines, including new townhome models and single-family homes designed for narrow lots, amid declining affordability

Back-to-Back townhomes
Edge Homes Group

#### Initiative 2: Community strategy

- Increase of the number of communities and appeal to a broader customer base to secure sales volume

Number of communities and absorption*2 trends of four U.S. builders




*2 Monthly contract volume per community.

#### Initiative 3: Management integration

- Integration of the management operations of DRB Group and Brightland Group to establish a robust earnings structure through thorough cost reductions and production rationalization

| | |
|---|---|
| Strengthening the management foundation | • Rebranding to DRB Homes<br>• Strengthening of risk management including inventory management |
| Improving management efficiency | • Integration of core systems<br>• Review and strengthening of personnel development systems<br>• Introduction of DRB Group management methods, including on-site decision-making authority and financial controls |
| Cost reductions | • Joint procurement of materials<br>• Financing initiatives |

#### Initiative 4: Maintaining financial soundness

- Appropriate control of inventory risk through restrained housing starts, promotion of sales of spec homes, and land acquisition through option contracts

| | |
|---|---|
| Maintaining appropriate housing starts | • Restriction of starts of spec homes based on sales conditions at each community<br>• Strengthening of sales of spec homes through incentives and other measures |
| Land holding strategy | • Reduction of financial burdens through the use of option contracts |

Overseas Housing Segment

# Overseas Housing Business

## Zoom In

**Challenge Undertaken** Becoming a homebuilder equivalent to the 5th largest in the United States through acquisition of Tri Pointe Homes

Tri Pointe Homes, Inc. (TPH) is one of the leading U.S. homebuilders listed on the New York Stock Exchange.*1 Founded in California, the company has established a strong business foundation in the western United States while also expanding operations in central and eastern regions.

Through the acquisition completed in May 2026, we made significant progress toward achieving the target of supplying 23,000 homes annually in the United States by 2030, as set forth in Mission TREEING 2030. By incorporating the operational expertise cultivated by TPH as a listed U.S. company, we will strengthen our management foundation. We aim to elevate the Overseas Housing Business to a new growth stage and establish a solid position as a national builder.

*1 Delisted on May 14, 2026.

### Company overview

| | |
|---|---|
| Company name | Tri Pointe Homes, Inc. |
| Representative | Douglas F. Bauer (Chief Executive Officer)<br>Tom J. Mitchell<br>(President and Chief Operating Officer) |
| Year established | 2009 |
| Number of employees | 1,579 (as of December 31, 2025) |

### Characteristics

| Business areas*2 | Cumulative homes sold*2 | Customer satisfaction rate*3 |
|---|---|---|
| 13 states across the United States | Approximately 58,000 homes | 91.7% |

*2 As of February 12, 2026.

*3 Based on surveys conducted by TPH in FY2024. Calculated based on the average of responses regarding satisfaction with housing quality, whether the homebuilder fulfilled its responsibilities, and willingness to recommend the builder to friends and family.

### Examples of communities

Altis at Serenity @North Carolina


Alterra @Seattle


Lark at Valencia @Los Angeles


### Rationale for the TPH acquisition

#### 1. Further expansion of the U.S. single-family homes business

- As a homebuilder **equivalent to the 5th largest** in the United States, pursuit of further scale merits, management efficiency, and enhanced profitability

U.S. single-family home closings ranking (2025)

Sumitomo Forestry*4: 11th, 10,262 homes + TPH: 19th, 4,947 homes

Equivalent to the **5th largest** in the United States*5 based on homes sold

Source: "2026 The Top 100," BUILDER

*4 Total homes sold by the Group's existing builders in the fiscal year ended December 2025.

*5 Pro forma ranking after the acquisition.

#### 2. Expansion into new areas and diversification of products

- Enhance presence in existing business areas while expanding into **California and Nevada, where the Group previously had no presence**, thereby further expanding the Group's product lineup to address diverse homebuyer needs

Competitive advantages of TPH

High value-added brand strategy: business development centered on a "Premium Lifestyle Brand"

**Customer focus**: Maintains high customer satisfaction through a strong customer-first approach

**High quality**: Provides highly functional homes tailored to customer needs through materials, technology, and other features

**Personalization**: Design Studio Personalized consultants provide support tailored to each customer's lifestyle

#### 3. Strengthening the value chain

- Expansion of the housing business strengthens the Wood Cycle value chain we aim to establish in the United States together with our sawmill business and FITP business

Single-family homes

×

Multifamily housing

Expansion of the housing business through this acquisition

**FITP business**: Realization of stable material supply, construction systems, and construction rationalization

**Sawmill business**: Supply of wood and timber products leveraging stable raw material procurement networks

#### 4. Strengthening the management foundation

- By incorporating the operational expertise cultivated by TPH as a listed U.S. company, we will strengthen our management foundation and elevate the U.S. single-family homes business to a new growth stage while establishing a solid position as a national builder

TPH's business operations integrating regional expertise and economies of scale

**Utilization of platforms**: Accelerating growth and stable earnings creation in new markets by leveraging brand strength and product capabilities

**Driving force for market expansion**: Expansion into new markets through dedicated land acquisition teams

**Regionally focused organizational structure**: Capturing local characteristics and needs through broad expertise and networks

Overseas Housing Segment

# Overseas Housing Business

## Australia

### Strategic indicators

| Unit sales | 2025 result | 2030 target |
|---|---|---|
| | 7,404 | 10,000 |

### Competitive advantages

- Ability to expand operations, improve efficiency, and create Group synergies by leveraging economies of scale as Australia's largest homebuilder

### Non-financial information (Results for FY2025)

**Standard installation of all-electric systems and solar panels**

Examples of homes built by Group housing companies

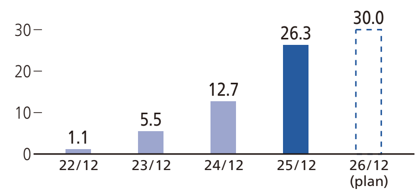
Henley Properties

Wisdom Properties

Scott Park

Metricon

**Recurring income** (¥ billion)

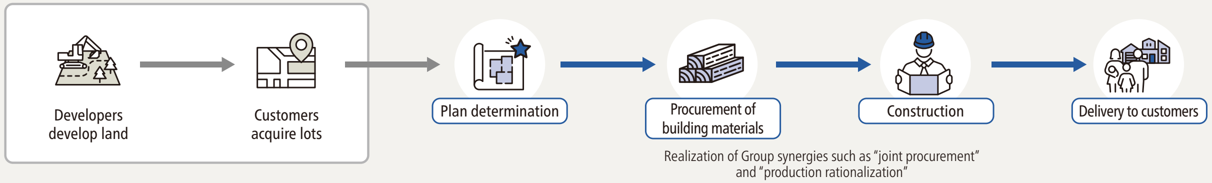



### Progress of Mission TREEING 2030 Phase 2

| | |
|---|---|
| Growth strategy | • Expand product lineup including affordable products, townhouses, and products for high-income customers |
| Results for FY2025 | • Business environment improved due to policy interest rate cuts and other factors<br>• Housing market in Western Australia remained strong<br>• Full-scale contribution to earnings from consolidation of Metricon Group, Australia's largest homebuilder acquired in 2024<br>• Began creating synergies as Australia's largest homebuilder group |
| Future initiatives and challenges | • Focus on production rationalization utilizing expertise and human resources from Japan's custom-built detached housing business<br>• Continued focus on realization of synergies such as joint procurement of materials<br>• Strengthening of product marketing capabilities through a broad product lineup ranging from high-end to affordable housing<br>• Focus on securing land to support stable business growth |

### Business model　Australian order homes business

Leveraging the scale advantages of the order homes business, which has strong cash flow generation capabilities, we aim to create and expand Group synergies.

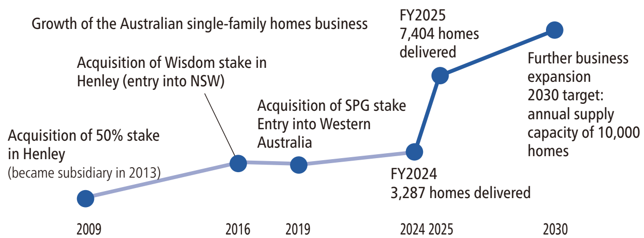



### Zoom In

**Challenges undertaken**　Establishing a stable supply structure as Australia's leading homebuilder

The Group is accelerating expansion of its single-family homes business in Australia, including the acquisition of Metricon Group, Australia's largest homebuilder, in 2024. Through this acquisition, we achieved our Long-term Vision target of supplying 5,500 homes annually six years ahead of the original schedule.

Going forward, in addition to our core single-family homes business, we will steadily generate earnings from landscaping and land development businesses to achieve further profit growth across Australia. We aim to establish an annual supply capacity of 10,000 homes by 2030.



Overseas Housing Segment

# Overseas Housing Business

## U.S. FITP business

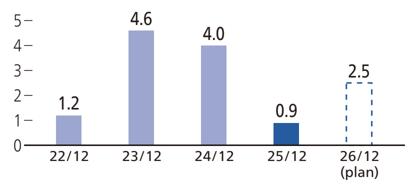
### Strategic indicators

| | 2025 result | 2027 plan |
|---|---|---|
| Number of manufacturing sites | 11 plants | 15 plants or more |
| Expansion of sales ratio to Group Companies | 23.4% | |

### Competitive advantages

- Synergies through collaboration with the Timber and Building Materials business and the U.S. single-family homes and multi-family housing businesses
- High-level construction quality including safety measures

Recurring income (¥ billion)

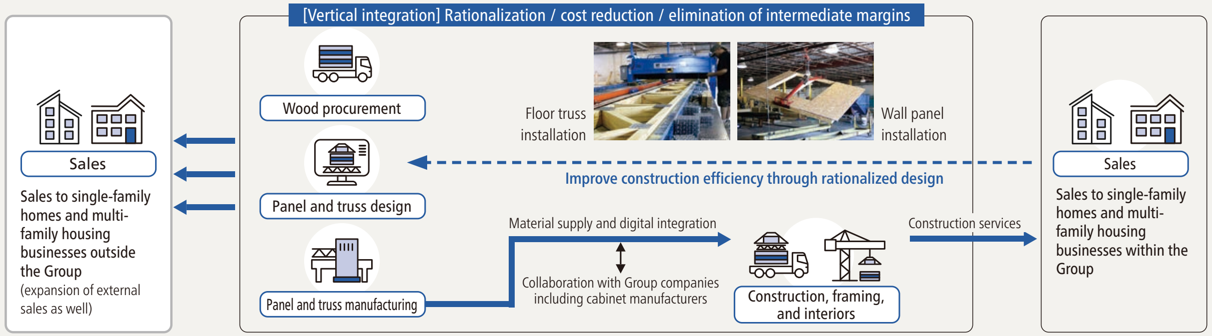



### Progress of Mission TREEING 2030 Phase 2

| | |
|---|---|
| Growth strategy | • Rationalization of production systems through integrated operations from design to construction |
| Results for FY2025 | • Although net sales increased due to the establishment of new plants and other factors, earnings growth remained limited due in part to sluggish housing starts in the single-family homes and multi-family markets |
| Future initiatives and challenges | • Strengthen collaboration with U.S. single-family homes and multi-family housing businesses<br>• Rationalize construction processes and reduce construction costs |

### Business model FITP business

Promote vertical integration of the construction supply chain (from procurement to design, manufacturing, and construction) within the Group, improving efficiency through construction rationalization while also pursuing scale expansion.




## Asia and other regions

### Strategic indicators

- Establishment as the third pillar following the United States and Australia

### Business opportunities

- Strong housing demand driven by population growth

### Progress of Mission TREEING 2030 Phase 2

| | |
|---|---|
| Growth strategy | • Large-scale township development in Asia<br>• Sustainable real estate development business |
| Results for FY2025 | • Indonesia: Promoted the large-scale urban development project "Kota Wisata ECOVIA" in the Jakarta metropolitan area<br>• Vietnam: Promoted township development jointly with local developers |
| Future initiatives and challenges | • Establish systems capable of securing stable earnings<br>• Contribute to realization of a decarbonized society through acquisition of environmental certifications and supply of environmentally conscious housing |

Real Estate Segment

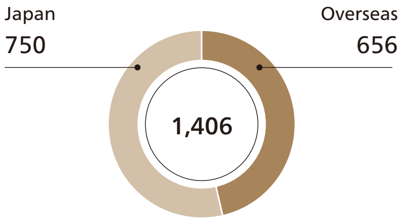
# Real Estate Business


## We will consolidate domestic and overseas real estate functions, strengthen management systems, optimize capital efficiency, and accelerate the expansion of environmentally responsible real estate businesses.

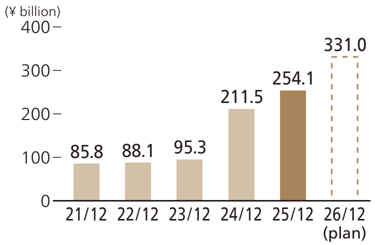
To accelerate the expansion of environmentally conscious real estate businesses that contribute to realizing the Wood Cycle centered on wooden construction both in Japan and overseas, we consolidated functions that had previously been dispersed across multiple business divisions (effective January 2026). Through this organizational restructuring, we will promote domestic and overseas real estate development businesses and medium- to large-scale wooden construction businesses in an integrated manner, while strengthening risk management and improving capital efficiency. In addition, by further strengthening collaboration among businesses, we will establish a business model that generates stable earnings not only through property sales but also through in-house construction, asset management, and property management services. Against the backdrop of growing global momentum toward carbon neutrality, demand is increasing in domestic and overseas real estate markets for mass timber*1 construction, one of our key strengths. Through effective business operations, we will contribute to the realization of a decarbonized and sustainable society.

*1 Construction utilizing mass timber, a type of engineered wood of substantial dimensions manufactured by combining multiple wood materials such as CLT and LVL.

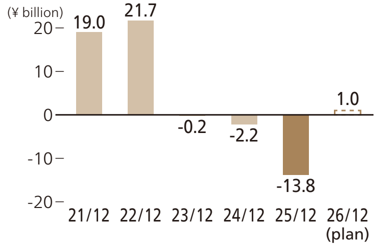
### Number of employees (as of December 31, 2025)




### Net sales



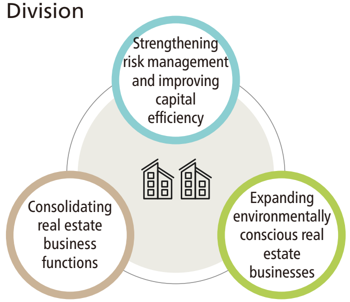

### Recurring income




* The number of employees is a reference figure representing the total number of employees at consolidated subsidiaries under the Real Estate Division as of December 31, 2025.
* The planned figure represents the initial plan as of February 13, 2026.
* For more information about performance for the fiscal year ended December 2025, please visit our website. https://sfc.jp/english/ir/library/statements/2025.html

| | |
|---|---|
| Business opportunities | • Growing demand for wooden and wood-based commercial buildings in Japan and overseas<br>• Expansion of rental housing markets driven by housing shortages in countries and regions with expected population growth<br>• Opportunities to further develop Japan's rental housing market, supported by inheritance planning needs and other factors<br>• Expansion of the market for mass timber projects driven by decarbonization and carbon-neutral initiatives |
| Risks and challenges | • Impact of rising interest rates on real estate markets, including weaker investor sentiment<br>• Fluctuations in supply-demand balance due to changes in property supply<br>• Economic slowdowns caused by geopolitical risks, inflation concerns, and other factors |

### Background and objectives of establishing the Real Estate Division




1 **Strengthening human capital development and technical functions**
Accumulating expertise in business operations and technologies in Japan and overseas

2 **Strengthening collaboration among businesses**
Enhancing collaboration between the rental housing contracting business and rental management business

3 **Establishing the Land Information Committee**
Enabling prompt responses to land information

**Promoting medium- to large-scale wooden construction utilizing mass timber**

### Business model — Real estate development business

Based on the characteristics of each area and development site, we plan and develop multi-family housing, logistics facilities, office buildings, hotels, nursing care facilities, and other properties. We promote development projects through joint ventures with capital partners. In addition to gains on property sales following project completion, we generate diverse fee income through development management, construction contracting, asset management, and related services.


| | Business strategy |
|---|---|
| United States / United Kingdom | Diversify sources of earnings and stabilize periodic earnings<br>Improve capital efficiency<br>Promote vertically integrated mass timber construction |
| Japan | Build a resilient real estate business that generates synergies among development, services, and construction<br>Promote the use of wood in non-residential buildings, including public facilities and hotels |
| Australia | Increase medium- to large-scale wooden construction projects<br>Strengthen the Build to Rent (BTR) multi-family housing business |

Real Estate Segment

# Real Estate Business

## Strategic indicators

### Overseas

| | 2025 result | 2027 plan |
|---|---|---|
| Number of properties sold in the real estate development business | 14 properties | 20 properties (Average annual number during the Medium-term Management Plan period) |
| Multi-family housing units sold in the United States*1 | 1,277 units | 2,800 units |

*1 Refers to the number of units sold in multi-family housing developments in which the Group participates as General Partner

## Competitive advantages

### Overseas

- Business operations in areas with strong population and employment growth potential
- Development of high-value-added properties through community-based engagement with local residents
- Capabilities spanning development, construction, and operation that optimize cost and quality

### Japan

- Rental housing products backed by the Group's long-standing expertise in wooden construction
- Strong capability to promote wooden construction across the Group
- Utilization of expertise within Group companies and creation of business synergies

## Non-financial information (results for FY2025)

- Acquisition of environmental certifications for real estate development projects in the United States and Australia
- Achievement of energy-efficiency standards exceeding industry averages based on Energy Use Intensity (EUI)*2
- Introduction of renewable energy-derived temporary power at construction sites in Japan

*2 Energy Use Intensity (EUI), an energy performance metric defined by the U.S. Environmental Protection Agency (EPA).


Building 1 of Kasugai High School


Wellness Center of Tsuda University

## Progress of Mission TREEING 2030 Phase 2

### Overseas

| | |
|---|---|
| Growth strategy | • Strengthen a stable earnings base through multifamily housing development in areas with growing populations, encompassing development, construction, and operation<br>• Promote decarbonized and sustainable real estate development through wooden construction<br>• Establish in-house capabilities to support mass timber developments, including design and structural planning, cost estimation and project controls, government relations, supply chain management, and financing |
| Results for FY2025 | • Property sales slowed amid a stagnant U.S. real estate market<br>• Initiated development of systems to streamline design and construction management, shorten construction periods, and reduce costs<br>• Launched wooden rental housing development projects in Sydney and Canberra, Australia |
| Future initiatives and challenges | • In light of uncertainties in the business environment, promote the expansion of stable sources of earnings in addition to property sales while maximizing capital efficiency |

### Japan

| | |
|---|---|
| Growth strategy | • Leverage the Group's expertise and experience in real estate development and construction businesses in Japan and overseas to expand global collaboration<br>• Further deepen business development in the non-residential wooden construction market, which offers significant growth potential |
| Results for FY2025 | • Promoted development projects for low-rise wooden residential buildings utilizing the BF Structure<br>• Completed Midorino no Niwa, an employee dormitory in Tsukuba City that serves as a model case for medium- to large-scale wooden-mixed multi-family housing<br>Special Feature 2: Expanding the Value of Wood Through Medium- to Large-Scale Wooden Construction →P.28 |
| Future initiatives and challenges | • Advance the development of a private REIT focused on environmentally conscious real estate<br>• Strengthen collaboration with Group companies, including LeTech Corporation and COHNAN KENSETSU in real estate development and construction businesses |

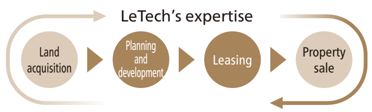
## Zoom In

**Challenges undertaken**

### Strengthening the land-and-build package business to expand the rental housing business

LeTech Corporation, which joined the Sumitomo Forestry Group in 2025, is primarily engaged in the real estate solutions business and rental housing development business. By leveraging the company's expertise in land acquisition and site selection, as well as its integrated capabilities spanning product planning and development through property sales, we will expand our domestic real estate development business. LeTech develops rental housing tailored to the characteristics of each area in Japan's two largest markets, Osaka and Tokyo. In addition, we are working to create synergies and strengthen collaboration through initiatives such as enhancing the Group's existing land-and-build package business*3 and expanding the development of suburban wooden apartment buildings.

*3 A real estate investment approach in which land and buildings are acquired as a package and operated as rental properties.




### Reducing environmental impact through mass timber construction

We are planning a wooden rental multi-family housing project near Sydney, Australia, that combines environmental performance with residential comfort. The project is scheduled to receive a Green Star 5 Star certification*4 and begin leasing operations in 2028. The structure is planned to incorporate mass timber in floors 2 through 9. Compared with conventional reinforced concrete (RC) construction, the project aims to reduce embodied carbon—$CO_2$ emissions generated during construction—by approximately 30%. In addition, the use of approximately 1,800 $m^3$ of timber is expected to result in carbon storage of approximately 1,500 tons on a $CO_2$ basis. The Sumitomo Forestry Group is promoting the global adoption of mass timber construction. In Australia, we will continue expanding real estate development utilizing wooden construction and contribute to reducing $CO_2$ emissions.

*4 An environmental certification program developed and administered by the Green Building Council of Australia (GBCA). Buildings are rated on a scale from 4 Star to 6 Star.


Representation of the finished project

Environment and Resources Segment

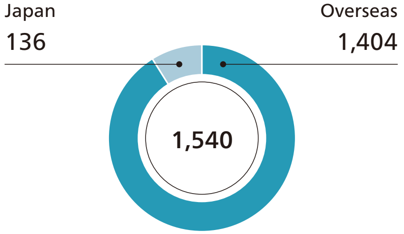
# Environment and Resources Business


## Expanding the potential of forest resources and enhancing the value created by forests.

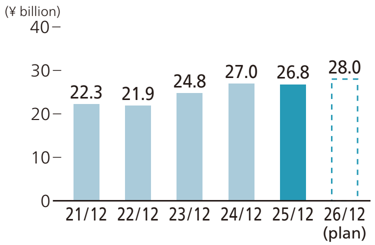
As efforts toward carbon neutrality continue to accelerate, demand for high-quality forest-derived carbon credits is growing. Under Mission TREEING 2030 Phase 2, we will utilize capital from forest funds and other sources to expand the area of appropriately managed forests both in Japan and overseas, while establishing a foundation for sustainable forestry. We will also seek to maximize the value of timber resources through businesses including biomass power generation and biorefinery initiatives. In addition, we are advancing demonstration projects for tropical peatland management technologies in Indonesia, with the aim of establishing a model for sustainable forest management that balances economic value with environmental conservation.

In the fiscal year ending December 2026, we will focus on strengthening profitability through optimization of sales strategies in the forestry business and increasing annual timber production from plantation forests through the establishment of a data-driven management platform. We will also create high-quality carbon credits through forest fund initiatives and other mechanisms, thereby contributing to the realization of a decarbonized society.

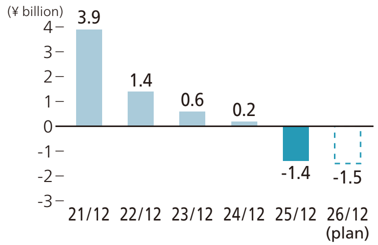
Number of employees (as of December 31, 2025)




Net sales




Recurring income




* The planned figure represents the initial plan as of February 13, 2026.
* For more information about performance for the fiscal year ended December 2025, please visit our website. https://sfc.jp/english/ir/library/statements/2025.html

**Business opportunities**

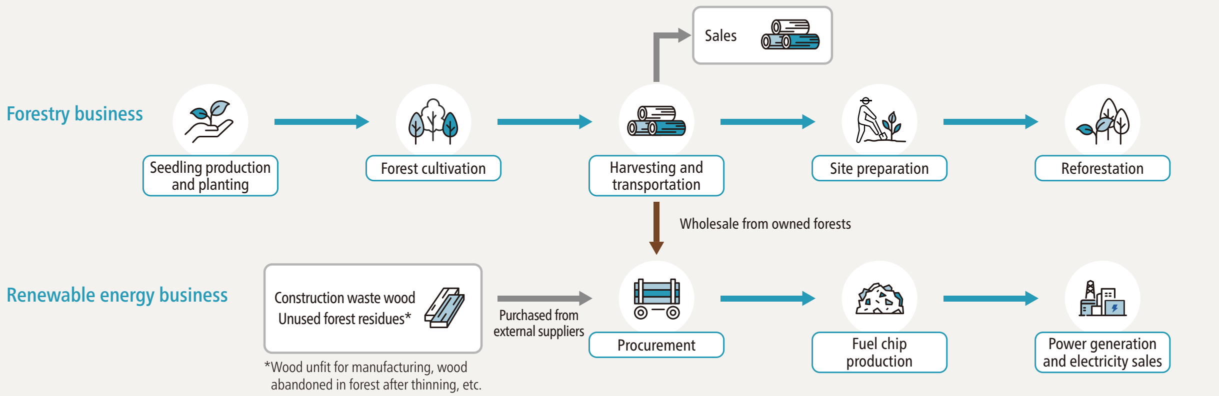
- Growing demand for high-quality carbon credits
- Establishment of economically viable forest management models utilizing J-Credits and other schemes, contributing to higher reforestation rates through the revitalization of Japan's forestry industry
- Growing expectations for the biorefinery sector

**Risks and challenges**

- Strengthening marketing capabilities in overseas forestry businesses
- Enhancing the competitiveness of the biomass power generation business

### Business model

Realizing the Wood Cycle and maximizing the value of forest resources.



Environment and Resources Segment

# Environment and Resources Business

## Strategic indicators

| Forest area owned and managed | 2025 result | 2030 target |
|---|---|---|
| | 374,000 ha | 1,000,000 ha |

## Competitive advantages

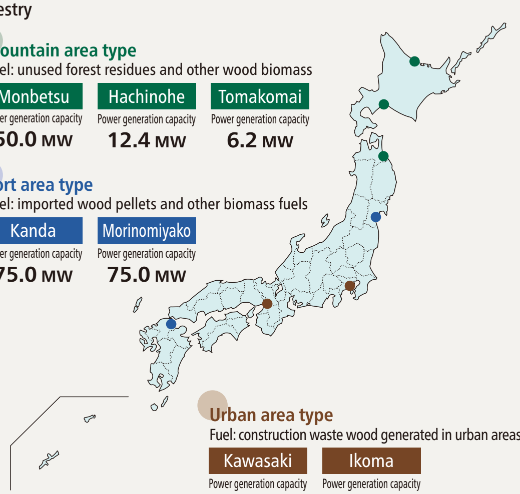
- Extensive expertise and accumulated knowledge in forest management
- Sustainable tropical peatland management technologies
- Expertise in renewable energy power generation and strong fuel procurement capabilities through the Group network

## Non-financial information (results for FY2025)

Carbon sequestration in forests 65,334 thousand tons*
Japan: 14,187 thousand tons
Overseas: 51,147 thousand tons

* Carbon sequestration in forests is calculated as follows: Standing timber volume × basic wood density × biomass expansion factor × (1 + root-to-shoot ratio) × carbon content factor (using species-specific coefficients).

**Wood biomass power plants operated by or invested in by the Sumitomo Forestry**



**Mountain area type**
Fuel: unused forest residues and other wood biomass

| Monbetsu | Hachinohe | Tomakomai |
|---|---|---|
| Power generation capacity 50.0 MW | Power generation capacity 12.4 MW | Power generation capacity 6.2 MW |

**Port area type**
Fuel: imported wood pellets and other biomass fuels

| Kanda | Morinomiyako |
|---|---|
| Power generation capacity 75.0 MW | Power generation capacity 75.0 MW |

**Urban area type**
Fuel: construction waste wood generated in urban areas

| Kawasaki | Ikoma |
|---|---|
| Power generation capacity 33.0 MW | Power generation capacity 10.0 MW |

## Progress of Mission TREEING 2030 Phase 2

### Forestry business

| | |
|---|---|
| Growth strategy | • Expand sustainably managed forests and generate high-quality carbon credits through the promotion of the forest fund business<br>• Advance demonstration projects for tropical peatland management technologies in Indonesia and establish a model for sustainable forest management<br>• Accelerate reforestation of harvested sites and contribute to the revitalization of Japan's forestry industry |
| Results for FY2025 | • Strengthened sales strategies in the forestry business<br>• Made progress in initiatives to create high-quality carbon credits through forest funds and the Forest Value Creation Platform |
| Future initiatives and challenges | • Create high-quality carbon credits and monetize their value<br>• Develop new sales channels and promote new applications for wood<br>• Maximize the value of natural capital |

### Environment and energy business

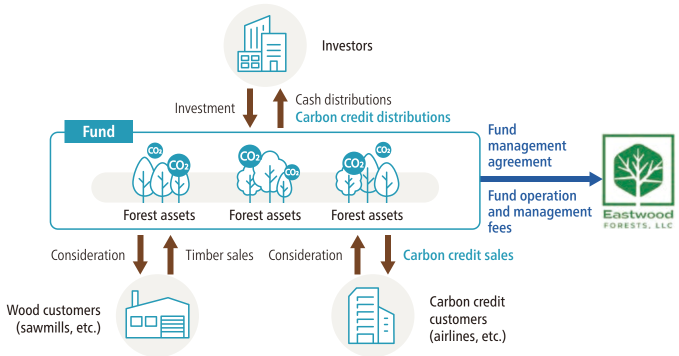
| | |
|---|---|
| Growth strategy | • Improve the profitability of the wood biomass power generation business while maximizing the value of wood resources, including through initiatives in the biorefinery sector |
| Results for FY2025 | • Wood biomass power plants operated stably<br>• Initiated efforts to produce bioethanol derived from wood biomass |
| Future initiatives and challenges | • Ensure the continued stable operation of each power plant<br>• Implement initiatives to reduce fuel costs |

## Zoom In

**Challenge undertaken** Creating high-quality forest-derived carbon credits

As the world moves toward carbon neutrality, expectations for carbon credits generated through forests' $CO_2$ absorption function are increasing. The Sumitomo Forestry Group acquires and manages forest assets through forestry funds and creates and sells both timber and carbon credits through sustainable forest management. In June 2023, we launched the Eastwood Climate Smart Forest Fund I, our first forest fund. As of December 31, 2025, the fund had completed the acquisition of approximately 94,000 hectares of forestland across North America and Central and South America.

In Japan, we are promoting the creation of J-Credits utilizing privately owned and municipally owned forests in Kinko Town, Kagoshima Prefecture, and Shioya Town, Tochigi Prefecture. Through a mechanism that returns revenues to forest owners, we aim to realize sustainable forest management, including for small privately owned forests.



Other Segment

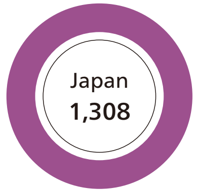
# Lifestyle Services Business


## Contributing to the resolution of social issues through businesses that support diverse life stages and maximizing value for people and society.

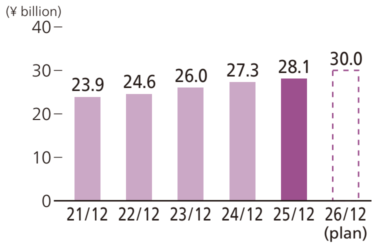
The Lifestyle Services Business includes the operation of private nursing homes and assisted living facilities, as well as a variety of service businesses such as insurance agency services for housing customers and others. Through the provision of value such as safety, security, enjoyment, and enrichment offered by each business, we aim to maximize value for people and society.

Japan's aging rate has continued to rise since the country entered the era of a super-aged society in 2010 and is projected to exceed 30% by 2030, driving further growth in demand for elderly care services. We will proactively seize these opportunities by investing in enhanced training systems and the promotion of DX initiatives, while securing a stable workforce, including overseas talent, to achieve sustainable growth in the elderly care business. At the same time, we will work to improve and strengthen existing businesses, including the insurance business and golf course operations, and continue building a stable earnings base.

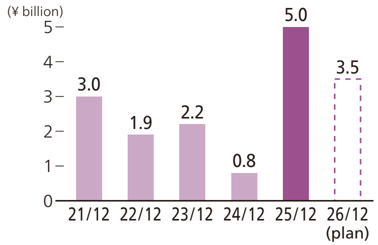
**Number of employees** (as of December 31, 2025)




**Net sales**




**Recurring income**




* In addition to the elderly care business, the Other Segment includes various service businesses, such as insurance agency services related to housing. Recurring income also includes equity in earnings of affiliates, including Kumagai Gumi Co., Ltd.
* The planned figure represents the initial plan as of February 13, 2026.
* For more information about performance for the fiscal year ended December 2025, please visit our website. https://sfc.jp/english/ir/library/statements/2025.html

| | | | | | |
|---|---|---|---|---|---|
| Growth strategy | • Improve and strengthen existing businesses<br>• Launch new initiatives and business development opportunities in the elderly care business, both in Japan and overseas<br>• Leverage expertise cultivated through the Housing Business in creating comfortable living environments | | | | |
| Results for FY2025 | • Number of rooms in housing for the elderly as of December 31, 2025: 1,882 units<br>(combined total for Sumirin Fill Care Co., Ltd. and Sumirin Care Life)<br>• Sumirin Fill Care integrated its brands and established a medical care support system | | | | |
| | Number of nursing care facilities (as of December 31, 2025) | Sumirin Fill Care | • Private nursing homes: 16 facilities<br>• Private nursing homes (hospice residences): 1 facility<br>• Senior daycare centers: 3 locations | Sumirin Care Life | • Private nursing homes: 3 facilities<br>• Private nursing homes (assisted living): 1 facility<br>• Home care services: 7 locations |
| Future initiatives and challenges | • Further enhance elderly care services<br>• Create diverse sources of earnings<br>• Foster an attractive and comfortable working environment | | | | |

### Zoom In

**Challenge undertaken** Sumirin Fill Care integrates brands and establishes a medical care support system with the opening of a new facility

The Sumitomo Forestry Group is working to strengthen its Lifestyle Services Business in anticipation of the continued aging of society. In November 2025, Sumirin Fill Care opened Grand Forest Noborito, a private nursing home. At the same time, the company integrated its two nursing home brands, Grand Forest and Esperanza, under the Grand Forest brand. In addition, Esperanza Kawasaki was converted from a private nursing home into a hospice residence with enhanced medical support and renamed Hospice Residence Grand Forest Kawasaki. By leveraging the expertise in creating wood-based living environments cultivated through the Housing Business, we aim to provide high-quality nursing care services through closer collaboration between nursing care and medical care.


Interior of Grand Forest Noborito


Exterior of Grand Forest Noborito

Other Segment

## Alliance with Kumagai Gumi

### Review of collaboration

Under our alliance with Kumagai Gumi Co., Ltd., we are promoting collaboration initiatives from a medium- to long-term perspective.

In the fiscal year ended December 2025, we held business collaboration promotion committee and joint subcommittee meetings. In the contract business, we established two pillars: medium- to large-scale wooden construction and value-added proposals for environmental greening construction. In the investment business, we continued to pursue real estate development investments, primarily in the United States.

As disclosed on January 8, 2026, we changed the shareholding ratios between Sumitomo Forestry and Kumagai Gumi with the aim of improving capital efficiency. We will, however, continue to advance collaborative initiatives with the company.

**6-year cumulative total for both companies, FY2019/3–FY2024/3**

| Orders received | Net sales | Investments |
|---|---|---|
| 110 billion yen scale | 80 billion yen scale | 20 billion yen scale |

| Areas of Collaboration | Collaboration Results |
|---|---|
| Medium- to large-scale wooden construction | • Launched the medium- to large-scale wooden construction brand "with TREE"<br>• First joint venture project completed: fire-resistant timber building in Sapporo<br>• Secured an order for a hybrid office building combining wooden and steel-frame construction, incorporating numerous timber technologies developed by both companies<br>• Actively promoting wooden and wood-based buildings, primarily offices and schools, through collaboration between the two companies<br>• Implementing jointly developed technologies in medium- to large-scale wooden construction projects |
| Environmental greening | • Expanded proposals and orders for environmentally conscious real estate projects integrating architectural design and greening plans |
| Overseas construction and development | • Completed the largest seven-story mass timber office buildings near Dallas, Texas<br>• Commenced construction of a commercial real estate development project near Seattle featuring a hybrid wood-and-concrete structure |

**Collaboration plan FY2025/3–FY2027/3**

Three-year cumulative targets for both companies

**Contract business**

Medium- to large-scale wooden construction, renovation, and environmental greening

- Orders received: 130 billion yen scale
- Net sales: 110 billion yen scale
- Gross profit: 10 billion yen scale

**Investment business**

Environment and energy, overseas construction and development

- Investments: approximately 30 billion yen scale
  - Invest in domestic and overseas real estate development projects
  - Promote investments in domestic and overseas renewable energy projects

## Research and Development

### Policy on research and development

Trees have great potential for both the sustainability of the global environment and the development of our society and economy. One of the business policies in our Long-term Vision Mission TREEING 2030 is "Maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy." In the field of research and development, we are also working to create a more vibrant environment for people, from the global environment to the living environment, based on our basic policy of increasing the value of trees.

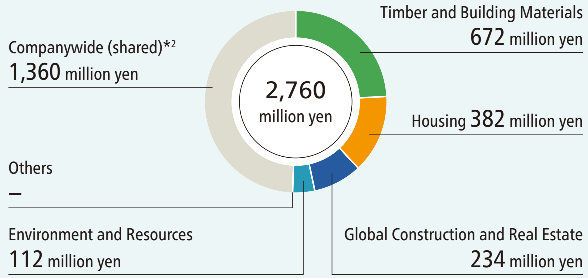
### Research and development strategy

At the Tsukuba Research Institute, which serves as the driving force behind the Sumitomo Forestry Group's research and development activities, we conduct R&D across a broad range of fields, from resources and materials to housing and construction, as well as areas that support the realization of wood-based cities, focusing on the multifaceted value of wood.

Our research themes are defined based on social issues such as the realization of a decarbonized society and the advancement of resource circulation, with an emphasis on areas that contribute to the sustainable utilization of forest resources and the expanded use of wood. In addition to basic research aimed at scientifically elucidating the characteristics of wood and forests, we seek to translate research findings into practical applications through the accumulation of data obtained from performance evaluations and demonstration projects.

By applying these insights across a wide range of fields—including residential and non-residential buildings as well as infrastructure—we aim to create new markets and applications for wood and expand the value of wood throughout society. Our R&D activities are promoted through two complementary approaches: Business Unit R&D, which is aligned with business strategies, and Corporate R&D, which focuses on creating new business opportunities and generating new value. As the core of these efforts, the Tsukuba Research Institute works closely with universities and research institutions to accelerate the social implementation of research outcomes.

**Research and development expenses by segment*1 in FY2025**




*1 Based on the previous segment classification.
*2 Companywide (shared) refers to expenses that are not attributed to a specific segment.

**Tsukuba Research Institute**

**Resources Group**
Tree breeding, afforestation, and environmental greening research
Conducts R&D on domestic and overseas afforestation as well as new tree breeding technologies.

**Materials Group**
High-performance materials and structural materials development
Develops new wood-based materials utilizing domestic timber and fast-growing tree species, as well as technologies for the effective use of wood.

**Housing and Architecture 1 Group**
Building structures and fire resistance technologies development
Develops structural technologies, fire resistance and fire protection technologies, and sound and vibration control technologies for wooden buildings.

**Housing and Architecture 2 Group**
Living environment research
Conducts research on the functions and characteristics of wood and greenery, as well as the effects of the environment on human comfort and health.

**Housing and Architecture 3 Group**
Construction methods development and quality inspection
Conducts R&D across a wide range of areas, from building components and construction methods to labor-saving technologies, while also carrying out quality inspections.

**Planning Group**
Research planning

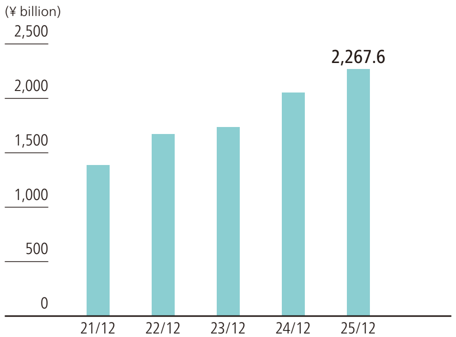
**Administration Group**
Research infrastructure development

Supports research and development from multiple perspectives, including the development of research infrastructure, various surveys and studies, creation of new research themes, and coordination and collaboration with internal and external stakeholders.

# Financial Highlights

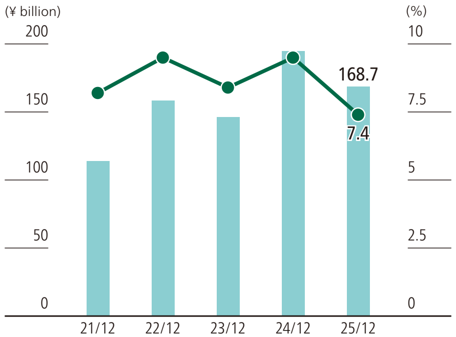
**For further details on the following indicators, please also refer to:**
Message from the Executive Officer in Charge of Corporate Planning and Finance → P.22
Management Discussion and Analysis (MD&A) → P.88

## Net sales




While results in the U.S. housing business were lower than in the previous fiscal year, net sales increased 10.4% year on year to 2,267.6 billion yen, supported by the acquisition of Metricon in Australia and the continued strong performance of the domestic housing business.

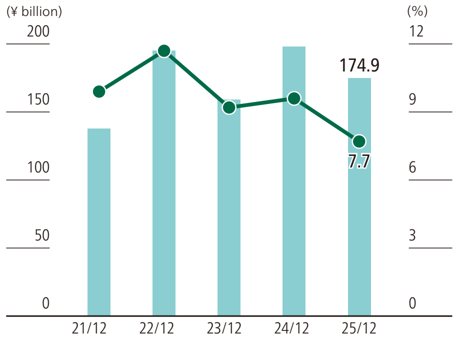
## Operating income / Operating income margin




Operating income (left axis) Operating income margin (right axis)

Due to a decline in units sold and lower profit margins in the U.S. housing business, operating income decreased 13.3% year on year to 168.7 billion yen, and the operating income margin declined 2.1 percentage points to 7.4%.

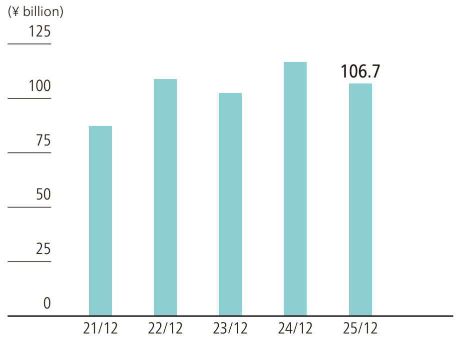
## Recurring income / Recurring income margin




Recurring income (left axis) Recurring income margin (right axis)

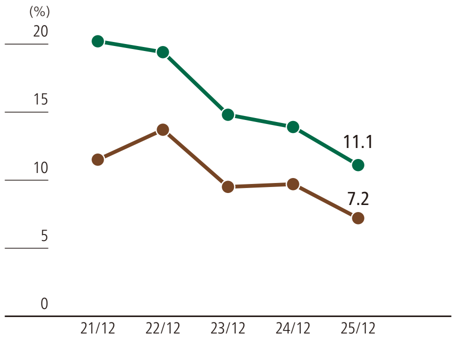
Recurring income was 174.9 billion yen., a decrease of 11.6% from the previous period primarily due to lower home sales and a decline in income margins in the U.S. Housing business.

## Net income attributable to shareholders of parent




Although extraordinary income was recorded due to a reduction in the current estimated payment for performance-based acquisition consideration related to past acquisitions in the United States, net income attributable to owners of parent decreased 8.5% year on year to 106.7 billion yen due to the decline in recurring income.

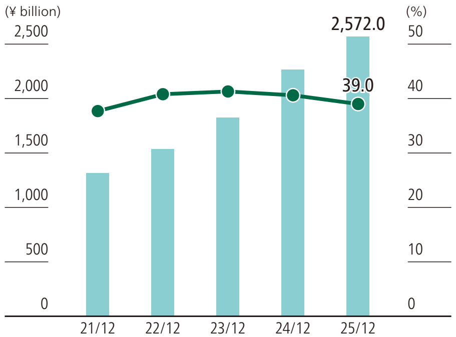
## ROE (Return on equity) / ROA (Return on assets)




ROE ROA

ROE stood at 11.1%, down 2.8 percentage points from the previous fiscal year. We recognize our cost of shareholders' equity to be in the 7% range, and ROE has remained well above that level.

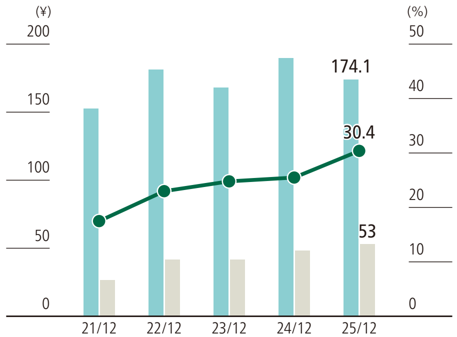
## Total assets / Equity ratio




Total assets (left axis) Equity ratio (right axis)

Total assets increased to 2,572.0 billion yen and the equity ratio was 39.0%, reflecting an increase in real estate held for sale associated with the expansion of the single-family homes business in the United States and the acquisition of LeTech in Japan, as well as an increase in investment securities resulting from expanded investments in the U.S. real estate development business.

## Net income attributable to owners of parent per share*1 / Annual dividend per share*1 / Dividend payout ratio

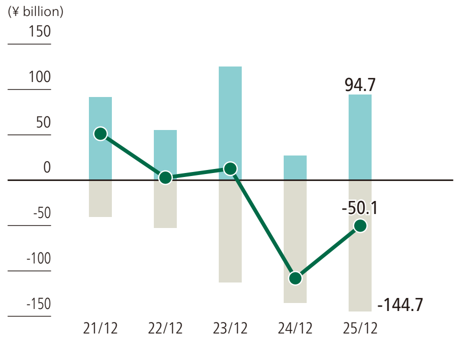



Net income attributable to owners of parent per share (left axis)
Annual dividend per share (left axis)
Dividend payout ratio (right axis)

The annual dividend per share for the fiscal year ended December 2025 amounted to 53 yen.

*1 The Company conducted a three-for-one stock split with an effective date of June 30, 2025, and per-share information for prior periods has been retroactively adjusted accordingly.

## Cash flows




Cash flows from operating activities
Cash flows from investing activities
Free cash flow

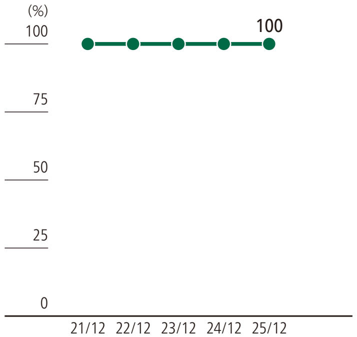
Cash and cash equivalents at December 31, 2025 totaled 208.577 billion yen, an increase of 2.280 billion yen from the end of the previous fiscal year. Net cash provided by operating activities was 94.675 billion yen, while net cash used in investing activities was 144.743 billion yen.

# Non-financial Highlights

**For further details on the following indicators, please also refer to:**

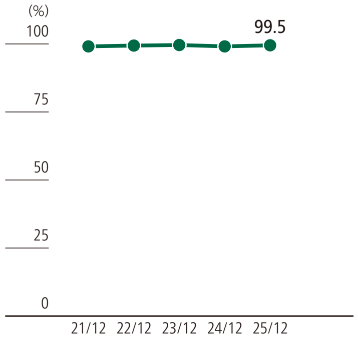
Sustainability Management →P.52

### Sustainability procurement survey implementation rate of suppliers of imported timber



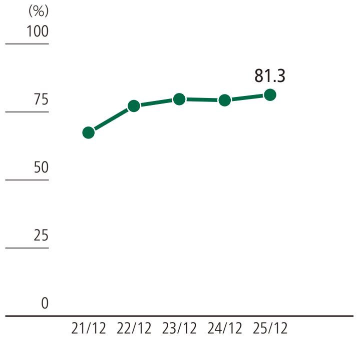

We continue to implement confirmation of legal compliance regarding timber procurement for all suppliers, as well as considerations for human rights, labor, biodiversity conservation, and local communities, and practice sustainable procurement.

### Recycling rate at manufacturing plants in Japan*1



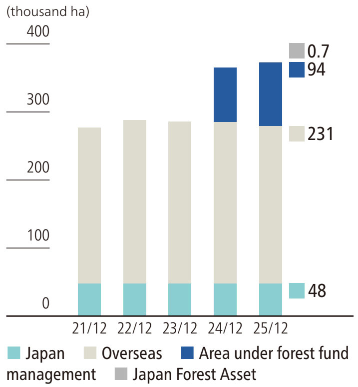

Each manufacturing plant continues to work on reducing waste emissions, and the recycling rate for fiscal 2025 was 99.5% against a plan of 99.6%.

### Rate of ZEH among new custom-built detached houses*2




Although the ratio increased from the previous fiscal year, it fell slightly short of the fiscal 2025 target of 83.0%.

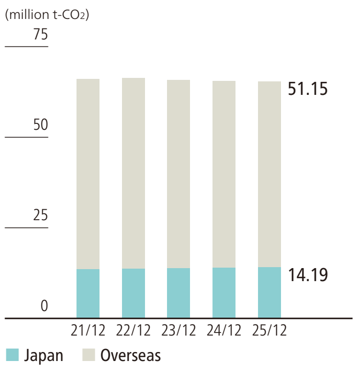
### Area of forest owned, managed




To make permanent use of timber resources while maintaining the public benefit of forests, we are promoting sustainable forest management in Japan and overseas under appropriate management. We launched our first forest fund in fiscal 2024.

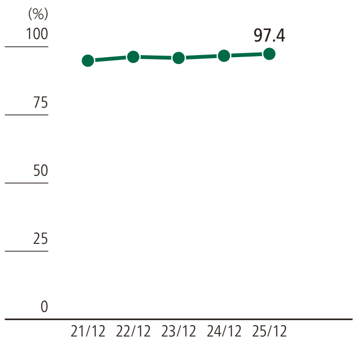
*1 Sumitomo Forestry Crest, Sumitomo Forestry Landscaping, Japan Bio Energy, Okhotsk Bio Energy, and Michinoku Bio Energy
*2 Includes Nearly ZEH and ZEH Oriented.
*3 Rate of taking childcare leave = number of persons starting childcare leave in fiscal year/number of persons whose children were born in the applicable each fiscal year.

### Carbon sequestration amount in area of forest owned and managed (Carbon dioxide equivalent)



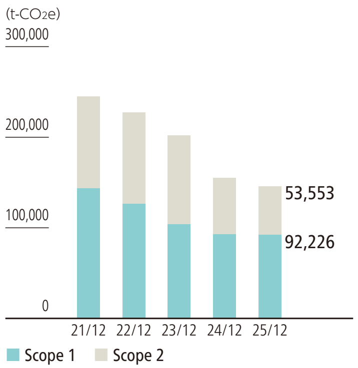

We strive to maintain and improve the public benefit of forests by implementing appropriate management of forests that we own and manage.

### Ratio of houses certified as Long-life Quality Housing among new custom-built detached houses



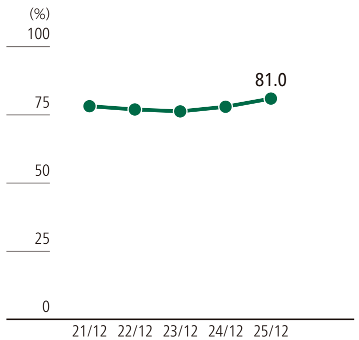

Sumitomo Forestry has set as a standard specification that Sumitomo Forestry homes must clear all conditions for certification as Long-life Quality Housing with the highest grade (evaluation under the Housing Performance Indication System).

### $CO_2$ emissions



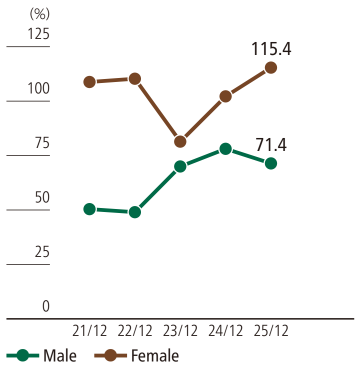

In addition to reducing coal consumption, we introduced renewable energy at overseas manufacturing plants. As a result, Scope 1 and Scope 2 emissions in fiscal 2025 decreased by 6% compared with fiscal 2024.

### Employee satisfaction (non-consolidated)




The results of the employee satisfaction surveys show that 81.0% of employees answered "absolutely or somewhat agree" to the question "Are you satisfied with your work at the Company?" in fiscal 2025.

### Rate of taking childcare leave (non-consolidated)*3




Regarding male employees' participation in childcare, understanding has deepened not only among eligible male employees themselves but also among supervisors and others in the workplace, and the rate reached 71.4% in fiscal 2025.

# 4 Sustainability Management

The Sumitomo Forestry Group aims to achieve both the resolution of social issues and sustainable growth through its businesses. This chapter introduces the Group's approach to sustainability management based on the Nine Material Issues and the system for promoting these initiatives. Through specific initiatives to address environmental and climate change issues, as well as social issues such as human resources, supply chain management, human rights, and stakeholder engagement, the Group is working to further integrate business and ESG.

# Philosophy of Sustainability Management

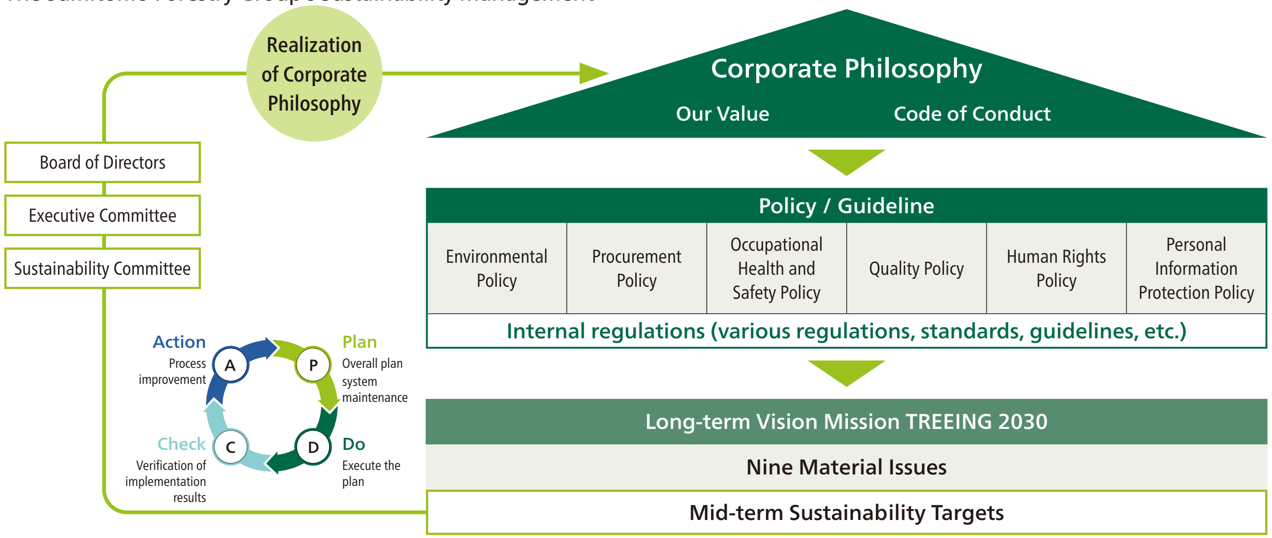
With the aim of realizing a sustainable and prosperous society, the Sumitomo Forestry Group set focus on 2030, the target year for the SDGs, and in February 2022 formulated a Long-term Vision, Mission TREEING 2030, and a Medium-term Management Plan, Mission TREEING 2030 Phase 1 (2022–2024), which embody our long-term business vision for the future of our Group, and is moving forward on its journey toward creating new value. In our Long-term Vision, we have identified Nine Material Issues based on three types of value: value for our planet, value for people and society, and value for the market economy. Furthermore, one of the five basic policies of the Medium-term Management Plan is “further integration of business operations and ESG,” and we have established Mid-term Sustainability Targets that incorporate sustainability strategies and initiatives to address material issues. In February 2025, we formulated Mission TREEING 2030 Phase 2 (2025–2027) of our Medium-term Management Plan, with three years of reform and implementation as a theme, aiming to achieve dramatic growth, and we are accelerating our efforts to further enhance corporate value.

## Supervisory framework

We have set numerical targets for each business division in order to address the Nine Material Issues. The progress and achievement status of each target are confirmed by the Sustainability Committee and reported to the Board of Directors, thereby ensuring that the PDCA cycle is implemented.

The Sustainability Committee is comprised of directors who serve as executive officers, as well as the divisional managers of each business division, with the President and Executive Officer acting as the committee chairperson. To realize its management philosophy, the committee formulates and promotes strategies for the Group’s medium- to long-term ESG issues, including climate change and nature-related issues, manages the progress of the sustainability section of the Medium-term Management Plan, including risk and opportunity analysis, and works to strengthen monitoring of the effectiveness. As of January 2024, the Sustainability Committee has increased the number of its regular meetings to six times a year in order to strengthen efforts to address issues related to quality and occupational safety, and also holds extraordinary meetings as necessary. All proceedings of the Sustainability Committee are reported and submitted to the Board of Directors to integrate business operations with the resolution of societal issues.

The Sumitomo Forestry Group’s Sustainability Management




## Risk check for new business plans by the Executive Committee

All new business and project plans that are brought for deliberation to the Board of Directors and the Executive Committee, which is the advisory body to the President, undergo a risk assessment, including on ESG aspects, considering the entire supply chain. If a risk is identified, a report is made regarding the risk’s nature and measures to deal with it, which is then used to determine implementation. We also incorporate similar ESG risk checks for new businesses and projects that can be implemented under the authority of the respective division or affiliated company that are not subject to deliberation at these meetings. In fiscal 2025, 9 new businesses and projects were discussed. By evaluating matters from multiple angles, including non-financial factors, the Executive Committee contributes to sustainable business management.

# Philosophy of Sustainability Management

## Nine Material Issues

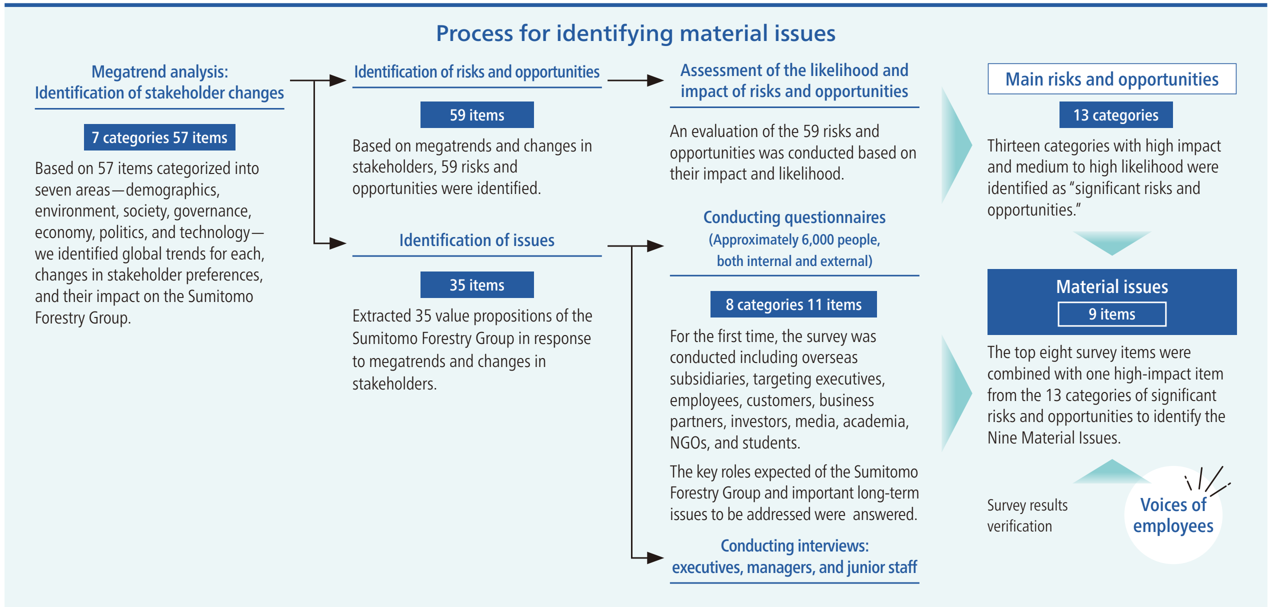
### Identifying material issues

Following the important CSR issues identified in fiscal 2008 and 2014, the Sumitomo Forestry Group developed our Long-term Vision Mission TREEING 2030 in February 2022, and newly identified Nine Material Issues. In the process, we have analyzed geopolitical changes, technological innovations such as DX, and changes in the preferences of stakeholders. We have leveraged the strengths of the Sumitomo Forestry Group, which have grown significantly through M&A and capital and business alliances, as we redefined the areas of contribution unique to the Group as material issues not just for sustainability, but for our entire business.

### Identification method of material issues

To identify material issues, we first extracted matters that would impact the Sumitomo Forestry Group based on the external changes (megatrends) previously described, and set 35 issues classified into the five categories of "Environmental issues (climate change)," "Environmental issues (resources and biodiversity)," "Social issues," "Governance," and "Economic issues." Next, based on the issues identified, we conducted a questionnaire survey of all stakeholders, including customers, business partners, shareholders and investors, outside experts, and employees, and received responses from approximately 6,000 people. Individual interviews with officers, management-level personnel, and junior staff were also conducted.

We narrowed down the material issues for the Sumitomo Forestry Group based on the results of these questionnaires and interviews. Furthermore, through repeated discussions by management at the Sustainability Committee, we performed materiality assessments in consideration of risks and opportunities. Finally, we selected the Nine Material Issues from three perspectives: "value for our planet," "value for people and society" and "value for the market economy."




Nine Material Issues and related SDGs

| Perspective | No. | Material issue | Related SDGs |
|---|---|---|---|
| Value for our planet | 1 | To enhance the value of forests and wood through sustainable forest management | 13, 15 |
| | 2 | To realize carbon neutrality by leveraging forests and wood resources | 7, 13 |
| | 3 | To realize a circular bioeconomy by leveraging forests and wood resources | 11, 12, 15 |
| Value for people and society | 4 | To provide comfortable and secure spaces for society at large | 3, 9, 11 |
| | 5 | To improve the livelihood of the local communities where we operate | 3, 8, 11 |
| | 6 | To create a vibrant environment for all workers | 3, 5, 8 |
| Value for the market economy | 7 | To create new markets with forests and wood | 9, 11 |
| | 8 | To transform markets through DX and innovation | 9 |
| | 9 | To establish a robust business structure | 16 |

## Nine Material Issues and the Mid-term Sustainability Targets

**For details on the review process and FY2025 results, please refer to the Sustainability Report 2026.**
https://sfc.jp/english/sustainability/management/materiality1.html

In response to these accelerating global trends toward ESG investment, the Sumitomo Forestry Group identified its Nine Material Issues in conjunction with the formulation of its Long-term Vision Mission TREEING 2030, announced in February 2022. In the Medium-term Management Plan Mission TREEING 2030 Phase 2, we are reviewing progress and achievement levels after revising some of the evaluation indicators. We incorporate these indicators into the annual activity policies and initiatives of the management departments and manage them accordingly.

### Value for our planet

| Nine Material Issues | Initiatives | Indicators for evaluation | FY2025 targets | FY2025 results | FY2026 targets | FY2027 targets | Related SDGs |
|---|---|---|---|---|---|---|---|
| **1 To enhance the value of forests and wood through sustainable forest management**<br>Nurturing forests to enhance and harness the value of wood and other forest resources. | Utilization of sustainable forest resources | Domestic and overseas certified forest area (ha) | 346,152 | 317,891 | 420,152 | 451,152 | 13, 15 |
| | | Seedlings supplied Domestic forest (10 thousand) | 168 | 142.4 | 185 | 207 | |
| | | Volume of domestic timber handled (1,000 $m^3$) | 2,798 | 2,395 | 3,205 | 3,553 | |
| | | Reforestation projects (ha) | 600 | 496 | 800 | 1,000 | |
| | Responding to nature-related issues | Implementation and improvement of ecosystem monitoring<br>Monitoring of flora and fauna in HCVF*1 areas (Domestic Company-owned forests and overseas afforestation areas) | Implementation, reporting, and disclosure | Implementation, reporting, and disclosure plan | Improvement and enhancement | Setting numerical targets | |
| | | Number of harmonic plants sold*2 (units) | 1,400,000 | 1,350,000 | 1,500,000 | 1,600,000 | |
| **2 To realize carbon neutrality by leveraging forests and wood resources**<br>Contributing to the decarbonization of society by reducing our own GHG emissions, by offering timber and wood products that sequestrate carbon, and by providing low-carbon/carbon-free products and services. | Promotion of decarbonization (Scope 1 and 2) | [Scope 1 and 2] Total greenhouse gas emissions (t-$CO_2$)<br>Change rate compared to FY2021 (%) | 185,157<br>-24.4 | 145,779<br>-40.4 | 176,525<br>-27.9 | 167,892<br>-31.4 | 7, 13 |
| | | Renewable energy consumption rate [efforts to achieve RE100] (%) | 45.1 | 52.7 | 55.4 | 66.3 | |
| | Promotion of decarbonization (Scope 3) | ZEH ratio (%) — Percentage of orders for ZEH type houses out of new custom-built detached housings (number of units) | 83 (6,880) | 81.3 (7,091) | 84 (7,056) | 85 (7,140) | |
| | | Number of environmentally certified houses obtained (total in the U.S.) (houses) | 3,800 | 3,585 | 4,100 | 4,600 | |
| | | Amount of electricity supplied by renewable energy business (MWh) | 826,469 | 820,384 | 843,001 | 840,072 | |
| | | [Scope 3] Category 11 — $CO_2$ emission reduction rate per floor area of sold houses compared to FY2021 — Housing Division | -5.4 | -5.2 | -7.5 | -9.6 | |
| | | [Scope 3] Category 11 — $CO_2$ emission reduction rate per floor area of sold houses compared to FY2021 — Global Construction and Real Estate Division | -13.0 | -17.2 | -14.0 | -16.0 | |
| **3 To realize a circular bioeconomy by leveraging forests and wood resources**<br>Realizing a circular society by making the most of wood, a renewable and natural resource from the forest ecosystem. | Reduction and recycling of industrial waste | Final disposal amount (t) consolidated<br>Change from FY2023 (%) | 21,213<br>-7 | 17,344<br>-17.6 | 21,735<br>-9 | 21,018<br>-12 | 11, 12, 15 |
| | Reduction of water consumption | Water consumption ($m^3$) | 2,971,001 | 2,895,105 | 2,972,632 | 2,989,957 | |
| | | Unit water consumption ($m^3$) — Water withdrawal per net sales ($m^3$ per ¥1 million) | 1.22 | 1.31 | 1.09 | 0.98 | |
| | Management of the supply chain | Rate of sustainability procurement surveys conducted (%) Timber and Building Materials Division — Percentage of companies that grasp their greenhouse gas (GHG) emissions (%) | 38.0 | 66.7 | 39.0 | 40.0 | |

*1 Abbreviation for high conservation value forests. *2 Target trees: Tall trees, medium trees, shrubs

# Nine Material Issues and the Mid-term Sustainability Targets

## Value for people and society

| Nine Material Issues | Initiatives | Indicators for evaluation | | FY2025 targets | FY2025 results | FY2026 targets | FY2027 targets | Related SDGs |
|---|---|---|---|---|---|---|---|---|
| **4 To provide comfortable and secure spaces for society at large** Providing safe, comfortable and secure spaces to society at large. | Improving customer satisfaction | Questionnaire at the time of moving in (Non-consolidated NPS*1 value) (pt) | | 56.0 | 56.6 | 57.0 | 58.0 | |
| | Response to declining birthrate and aging population | Number of rooms available at nursing care facilities (rooms) | | 1,882 | 1,882 | 1,882 | 1,943 | |
| **5 To improve the livelihood of the local communities where we operate** Creating jobs through our businesses and contributing to the development of local communities. | Communication with local communities | Implementation of environmental education programs (Indonesia) (number of schools) | | 22 | 16 | 22 | 22 | |
| | Human rights | Building effective remedial grievance mechanisms | | Revalidation | Revalidation | Establishment | Implementation | |
| **6 To create a vibrant environment for all workers** Creating a work environment where everyone throughout the supply chain is safe, healthy and motivated. | Work-life balance (workstyle reform) | Employee satisfaction level (%) | Non-consolidated | 80.0 | 81.0 | 81.0 | 82.0 | |
| | | | Consolidated in Japan | 64.6 | 67.2 | 66.3 | 68.5 | |
| | Diversity | Ratio of female employees to all employees (%) | Non-consolidated | 25.1 | 25.2 | 26.0 | 26.8 | |
| | | | Consolidated in Japan | 36.0 | 33.9 | 37.0 | 37.1 | |
| | Human resources development | Training cost per employee (¥1,000) | Non-consolidated | 140.0 | 173.4 | 150.0 | 160.0 | |
| | | | Consolidated in Japan | 59.0 | 42.5 | 59.0 | 59.0 | |
| | Occupational health and safety | Number of serious occupational injuries*2 (four or more days of lost worktime) (incidents) | | 0 | 70 | 0 | 0 | |

*1 Net Promoter Score (NPS). NPS is an index used to measure customer loyalty (the amount of trust and affinity for the company and brand).
*2 Occupational accident equivalent to a serious occupational injury in Japan's occupational injury classification (four or more days of absence)

## Value for the market economy

| Nine Material Issues | Initiatives | Indicators for Evaluation | FY2025 Targets | FY2025 results | FY2026 Targets | FY2027 Targets | Related SDGs |
|---|---|---|---|---|---|---|---|
| **7 To create new markets with forests and wood** Creating new markets that enrich the economy through the resourceful use of forests and wood. | Creation of new markets | Volume of domestic timber used through the operation of wood industrial complexes (1,000 $m^3$) | 0 | — | 70 | 102 | |
| | | Cumulative number of EPDs acquired by suppliers (cases) | 55 | 26 | 95 | 145 | |
| **8 To transform markets through DX and innovation** Enhancing economic efficiency and added value through business transformation brought about by DX and innovation. | DX related | Number of RPA citizen developers (persons) | 260 | 296 | 380 | 500 | |
| | | Number of contract IDs through the JUCORE Mitsumori service*3 | 1,070 | 205 | 2,714 | 3,674 | |
| **9 To establish a robust business structure** Contributing to a stable economy by continuously providing value with a structure that is resilient to contingent circumstances. | Governance / Compliance / Non-financial information disclosure | Number of BCM training sessions conducted (times) | 2 | 4 | 2 | 2 | |
| | | Disclosure in securities reports based on SSBJ*4 standards | Identification of scope of applicability | Identification of scope of applicability | Consideration of data collection and reporting methods | Preparation for disclosure | |

*3 Initiatives for building a platform to restructure the wood and building materials industry / quotation support system *4 Sustainability Standards Board of Japan (SSBJ)

# Responding to the Environment Issues and Climate Change

Visit the Sustainability website below for other indicators.
https://sfc.jp/english/sustainability/management/materiality1.html

**Material Issues and related SDGs**

1 To enhance the value of forests and wood through sustainable forest management

2 To realize carbon neutrality by leveraging forests and wood resources

3 To realize a circular bioeconomy by leveraging forests and wood resources

| Indicators for evaluation (numerical targets) | Managing department | FY2025 targets | FY2025 results | FY2025 evaluation | FY2026 targets | FY2027 targets |
|---|---|---|---|---|---|---|
| Seedlings supplied<br>Domestic forests (million) | Environment and Resources Division | 1.68 | 1.424 | × | 1.85 | 2.07 |
| Renewable energy consumption rate<br>[Efforts to achieve RE100] (%) | All Sumitomo Forestry Group Companies | 45.1 | 52.7 | ● | 55.4 | 66.3 |
| Amount of electricity supplied by renewable energy business (MWh) | Environment and Resources Division | 826,469 | 820,384 | × | 843,001 | 840,072 |
| Recycling rate at domestic manufacturing plants (%) | Timber and Building Materials Division | 99.6 | 99.5 | ▲ | 99.6 | 99.6 |
| Water consumption ($m^3$) | All Sumitomo Forestry Group Companies | 2,971,001 | 2,895,105 | ● | 2,972,632 | 2,989,957 |

* Achievement evaluation Target achieved: ● Target not achieved but improved from the previous fiscal year: ▲ Target not achieved and worsened from the previous fiscal year: ×

## The Sumitomo Forestry Group's environmental management

The Sumitomo Forestry Group has established the Environmental Policy and promotes businesses that contribute to the realization of a sustainable society while balancing the environment and the economy, covering the life cycle of products and all processes of business activities across all businesses. In the Medium-term Management Plan Mission TREEING 2030 Phase 2, the Group sets out further integrating business and ESG as one of its five basic policies. The Group has also formulated the Mid-term Sustainability Targets Phase 2 (2025–2027), and is enhancing its environmental management based on these goals.

## Environmental management structure

To practice management in line with its management philosophy, the Sumitomo Forestry Group has established an environmental management structure in which the Representative Director and President of Sumitomo Forestry serves as the person responsible for environmental management. To enhance the effectiveness of environmental activities, the Group has acquired ISO 14001 certification. The General Manager of the Sustainability Department serves as the chief environmental management officer, confirming the progress of environmental targets formulated by each division of the Sumitomo Forestry Group and reporting to the Sustainability Committee, which includes Directors who concurrently serve as Executive Officers. Through this process, the Group steadily implements the PDCA cycle.

The Sustainability Committee meets six times a year and is responsible for supervision, including planning and promoting initiatives to address medium- to long-term ESG issues, including climate change. Matters discussed by the Committee are reported to the Board of Directors by the Director in charge of sustainability promotion, and the Board of Directors is also involved in monitoring environmental performance.

## Support for the TCFD and TNFD recommendations

Climate change and changes in the natural environment, including loss of biodiversity, are recognized as crises that will seriously affect ecosystems and human society. The Sumitomo Forestry Group, whose business is centered on forests and trees, has been quick to recognize the risks and opportunities associated with climate change and changes in the natural environment, and has taken the lead in supporting international initiatives such as the Task Force on Climate-related Financial Disclosures (TCFD) and the Task Force on Nature-related Financial Disclosures (TNFD) in order to properly assess and manage the risks to which its business is exposed. The Sumitomo Forestry Group makes every effort to disclose information, referring to the disclosure recommendations issued by the TCFD and TNFD.

Issues identified using the TCFD and TNFD frameworks are reflected in the targets of each business division and in the Corporate Division under the Medium-term Management Plan Mission TREEING 2030 Phase 2.

# Responding to the Environment Issues and Climate Change

## Identification of risks and opportunities

The major opportunities and risks identified in TCFD scenario analyses and the main opportunities and risks identified in TNFD/LEAP analyses are shown in the table on the right.

With regard to climate change, we considered the state of the world in 2030 under the 4°C scenario, in which no further progress is made in tackling climate change, and under the 1.5°C/2°C scenario, in which progress is made in transforming society toward decarbonization, conducted a financial impact assessment, and discussed measures to address particularly important risks and opportunities. Scenarios from the International Energy Agency (IEA) and the United Nations Intergovernmental Panel on Climate Change (IPCC) were used in conducting the scenario analysis.

For nature-related issues, from the end of 2023 into 2024, we organized a working group consisting of members from the headquarters and business divisions to conduct an analysis using the LEAP approach covering our dependence/impact on nature, risks, and opportunities. The findings of this working group were compiled in March 2024.

Forests and trees, the core of the Sumitomo Forestry Group's businesses, absorb and store carbon from the atmosphere as they grow, while at the same time nurturing biodiversity and providing ecosystem services. These traits led to common or similar analysis results for several items in the TCFD scenario analysis and TNFD/LEAP analysis, suggesting that in the Sumitomo Forestry Group's business, efforts toward decarbonization are related to expanding nature-related business opportunities as well.

Support for the TCFD and TNFD recommendations
https://sfc.jp/english/sustainability/environment/tcfd-tnfd/

C : Items identified only in TCFD scenario analysis  C/N : Items identified in both TCFD scenario analysis and TNFD/LEAP analysis  N : Items identified in TNFD/LEAP analysis only

| Divisions and main businesses | | Major transition risks | Major physical risks | Major opportunities |
|---|---|---|---|---|
| **Timber and Building Materials Division** (distribution and manufacture of wood and building materials) | C | • Increase in costs due to introduction of carbon tax and stricter environmental regulations | • Decrease in wood value and sales due to increased preference for more robust buildings as a result of more severe disasters | • Increase in demand for renovations to environmentally conscious housing due to stricter environmental regulations, increase in sales of wood building materials |
| | C/N | • Increase in costs required to comply with stricter laws and regulations related to illegal and unsustainable forest harvesting | • Decrease in sales and increase in restoration costs due to severe flood damage from heavy rains and other factors or due to shutdown of operations | • Increase in sales due to development of biorefinery technologies and new products |
| | N | • Increase in costs of addressing growing litigation and stricter laws and regulations due to the impact of waste, water use, soil contamination, and land alteration on protected areas, etc. | • Decrease in sales due to less water available as a result of reduced water availability in surrounding areas | • Reduction in water procurement costs through further water conservation in manufacturing processes and reduced and more efficient water use |
| **Housing Division** (custom-built houses, spec homes, greening in Japan) | C | • Decrease in sales of wooden buildings due to long-term and relative decline in the value of wood as a result of progress in decarbonizing technologies for steel, concrete, and other construction materials | • Decrease in sales of wooden detached houses due to increased preference for more robust buildings as a result of more severe disasters | • Increase in sales of environmentally conscious multi-family housing, etc. due to customer preferences, policy changes, etc. |
| | C/N | – | • Increase in cost of premium payments to insurance companies due to increased disaster risk | • Increase in sales due to sales at premium prices in conjunction with enhancing natural symbiotic functions (greening, water retention/permeable pavement, biodiversity initiatives, etc.) within housing and construction sites |
| | N | • Increase in costs required to comply with stricter laws and regulations associated with adverse impacts on surrounding communities and ecosystems due to waste, water use, and soil contamination | – | • Decrease in costs (e.g., greenkeeping) through green space management with reduced ecological impact (e.g., reduced use of pesticides and fertilizers, less intense pruning) |
| **Overseas Housing Division and Real Estate Division** (overseas single-family homes business, building materials manufacturing, and real estate development in Japan and abroad) | C | • Increase in costs due to introduction of carbon tax and stricter environmental regulations | • Increase in material procurement costs due to severe disasters causing building damage, extended construction times, and supply chain disruptions | • Expansion in market for medium- to large-scale wooden constructions due to ESG demand from investors and financial institutions |
| | C/N | • Increase in costs due to soaring wood procurement prices in response to increased demand for wood products to promote decarbonization, etc. | • Increase in cost of insurance premiums for properties under construction due to increased natural disaster risk | • Increase in sales due to acquisition of new customers who value the natural environment in conjunction with enhancing natural symbiotic functions (greening, water retention/permeable pavement, biodiversity initiatives, etc.) within housing and construction sites |
| | N | • Increase in pollution control costs due to delay in introduction of technologies to reduce environmental impact | – | • Reduction in costs through promotion of efficient construction methods (use of panels and trusses) during construction |
| **Environment and Resources Division** (forest management, biomass power generation) | C | • Increase in costs due to introduction of energy-saving heavy equipment in conjunction with the introduction of carbon tax and stricter environmental regulations | • Increase in forest fires due to higher average temperatures, increased costs of wood procurement and replanting | • Increase in demand for renewable energy and increased sales of biomass-derived energy businesses due to strengthened decarbonization policies |
| | C/N | • Increase in costs required to comply with stricter laws and regulations in conjunction with the introduction of policies to promote certification of wood biomass raw materials and PKS | • Decrease in sales due to shutdown of operations in conjunction with forest fires and landslides | • Increase in sales due to the generation of carbon credits in connection with the promotion of forest and peatlands management and forest fund management |
| | N | • Decrease in sales due to unplanned shutdowns following criticism from local communities and NGOs for wood production violating the rights of indigenous and local residents | – | • Increase in sales due to promoting credit markets through participation in rulemaking for biodiversity credits |
| **Lifestyle Service Division*** (nursing home management, insurance business, etc.) | C | • Decrease in sales in the gasoline card business in conjunction with the shift from gasoline vehicles to electric vehicles | • Increase in costs for renovation of owned facilities and BCP response due to more severe disasters | • Increase in insurance subscribers, shorter policy periods, increased renewal frequency, and increased sales due to more severe disasters |

* Only TCFD scenario analysis was conducted for the Lifestyle Services Business

# Responding to the Environment Issues and Climate Change

## Risk and impact management

At the Sumitomo Forestry Group, each department agrees on specific countermeasures and evaluation indicators for business risks, and reports progress to the Risk Management Committee on a quarterly basis.

In the TCFD scenario analysis, risks and opportunities identified by the business-by-business analysis that affect multiple businesses were identified. Of these, particularly important ones were set as cross-organizational issues, and all divisions jointly discussed countermeasures to deal with these. Starting in 2025, as one of its initiatives toward achieving carbon neutrality by 2050, the Group began considering the formulation of a transition plan.

The TNFD/LEAP analysis, on the other hand, utilized some of the TCFD's scenario analysis of physical risks to examine the main proposed countermeasures to address the identified priority risks and opportunities. We plan to conduct a full-scale scenario analysis under TNFD in the future. Furthermore, in accordance with TNFD guidance, the Group will also continue considering the formulation of a nature transition plan.

### Management process of business risks

Identify, analyze, and assess risks in each department, and establish key management risks → Risk Management Committee manages risk response progress → Reports on the discussions of the Risk Management Committee to the Board of Directors

### Process for managing medium- and long-term risks in response to sustainability issues

Each business unit and headquarters division conducts TCFD scenario analysis and TNFD LEAP analysis and considers responses → Progress management of targets at the Sustainability Committee → Reports on the discussions of the Sustainability Committee to the Board of Directors

### Cross-organizational issues and their countermeasures set based on TCFD scenario analysis results

Timber and Building Materials | Housing | Overseas Housing | Real Estate | Environment and Resources | Lifestyle Service

**Items related to multiple business and with a large overall financial impact**

- Rising fuel and energy prices
- Increase in demand for renewable energy due to policies to promote renewable energy
- Tightening of logging regulations
- Growing interest in forest resource carbon footprint
- Growing importance of circularity, including refurbishment and reuse
- Increased demand for creating communities associated with the shift in decarbonization preferences
- Advances in competing building material technologies, including decarbonized concrete and steel
- Expanding demand by establishing medium- to large-scale construction technology

**Organize discussion points on the Wood Cycle**

**Accelerate the cyclical forest business**
- Expansion of forest supply to meet demand for decarbonization shift
- Expanding of biomass and biofuel supply business
- Promoting of circular use of wood

**Promote wood change**
- Strategies for supplying commercial products according to local market conditions
- Strengthen supply chain, including internal completion

**Standardize carbon neutral design**
- Strengthen property management (PM) and facility management (FM)
- Community town development

### Main proposed countermeasures to address identified priority risks and opportunities in the TNFD/LEAP analysis

| Risks and opportunities | | | Countermeasures |
|---|---|---|---|
| Timber and Building Materials Business (manufacturing) | Risk | Decrease in sales and increase in restoration costs due to shutdown of operations at SRP, ASTI, RPI, and VECO, four locations at high risk of internal flooding as a result of severe flooding caused by heavy rains, etc. | • Consider flood risk when selecting operation sites and strengthen disaster prevention measures<br>• Formulate a business continuity plan (BCP) to handle major disasters and establish a rapid restoration system |
| Overseas Housing Business (FITP) | Opportunity | Increase in sales and decrease in costs due to development of new products that reuse waste materials and development of technologies for more efficient use of resources, etc. | • Promote the development of products that make effective use of resources in cooperation with the venous industry to differentiate products in the market |
| Environment and Resources Business (domestic company-owned forests, overseas forest management) | Opportunity | Increase in sales due to sales of smart forestry technologies such as remote sensing, drone surveys, and satellite applications | • Develop service packages to support the accurate understanding of forest health and resource quantity by utilizing the latest remote sensing, drone survey, and satellite technologies, and propose to improve the efficiency and accuracy of forest management<br>• Develop marketing activities for service packages targeting local governments and companies with large company-owned forests |
| Environment and Resources Business (biomass power generation) | Risk | Increase in costs due to higher fuel costs at Mombetsu Biomass Power Generation Plant and Hachinohe Biomass Power Generation Plant, following increased demand and intensified competition for unused wood chips and imported PKS | • Diversify raw material procurement by developing alternative fuels and new supply sources<br>• Manage fuel cost volatility risk through the use of long-term and forward contracts |

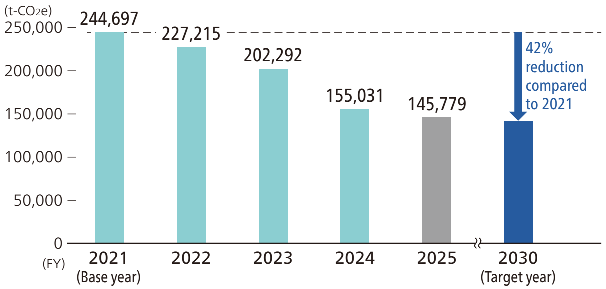
# Responding to the Environment Issues and Climate Change

## Metrics and targets

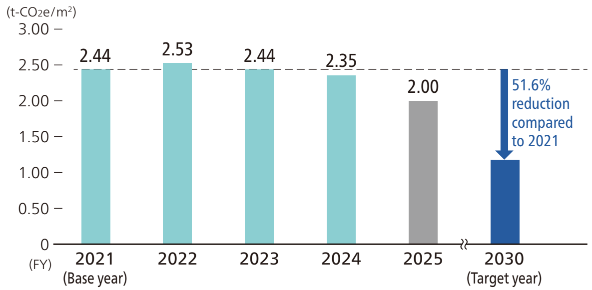
### Formulation of our Science Based Targets (SBT)

The Sumitomo Forestry Group has established long-term targets related to climate change and is promoting initiatives while incorporating them into its Mission TREEING 2030 Phase 1 and Phase 2 Medium-term Management Plans and annual plans. In 2017, the Group declared its intention to formulate Science Based Targets (SBT) and formulated new Group-wide greenhouse gas emissions reduction targets, which were approved as SBT in July 2018. In November 2024, we received certification for new targets and Forest, Land and Agriculture (FLAG) sector*2 targets, which were developed based on an assumption of reaching net-zero emissions by 2050.

SBT progress: Scope 1 and 2




SBT progress: Emissions intensity (sum of Categories 1 and 11 per total floor area of homes sold)




### The Sumitomo Forestry Group's SBT

**Net-zero targets**

- Scope 1 and 2 reduction targets: 90% reduction by 2050 vs. 2021 levels (total amount)
- Scope 3 reduction target: 97% reduction by 2050 vs. 2021 levels (emissions intensity per total floor area of homes sold) (eligible categories: 1, 4, 11)
- Neutralizing residual emissions*1 to achieve net-zero emissions

**Near-term targets**

- Scope 1 and 2 reduction targets: 42% reduction by 2030 vs. 2021 levels (total amount)
- Scope 3 reduction target: 51.6% reduction by 2030 vs. 2021 levels (emissions intensity per total floor area of homes sold) (eligible categories: 1, 11)

**FLAG sector targets**

- In line with FLAG Guidance,*2 signed a commitment required by the SBT Initiative to halt deforestation by December 31, 2025

*1 Emissions that cannot be reduced within a company's value chain by the target year are referred to as residual emissions. The concept of achieving net zero involves neutralization of these residual emissions outside of the value chain through forest carbon absorption and the use of carbon removal technologies.

*2 Guidance for setting science based greenhouse gas emission reduction targets in the forestry, land, and agricultural sectors.

Short-term targets through 2030, updated in accordance with published SBT guidance, have also been approved.

## Progress toward RE100

In March 2020, the Sumitomo Forestry Group joined RE100, an international initiative aiming to convert 100% of electricity used to renewable energy sources. We aim to make 100% of electricity used in our business activities and fuel used in our power generation operations renewable by 2040, and we are accelerating our efforts to utilize renewable energy and reduce greenhouse gas emissions to this end.

In fiscal 2025, renewable energy introduced for electricity used in the Sumitomo Forestry Group's business activities accounted for 43.6% of the Group's total electricity use, 3.8 percentage points higher than in fiscal 2024. In the Mid-term Sustainability Targets Phase 2 (2025–2027), the Group has set a target of introducing 66.3%*3 of renewable energy in the electricity used in its business activities by fiscal 2027.

* 3 Excludes offices and other facilities located in New Zealand, which is aiming to achieve RE100 by 2035 as an entire country (52.7% achieved as of fiscal 2025).

# Responding to the Environment Issues and Climate Change

## Nature Positive Statement

In 2025, the Sumitomo Forestry announced its Nature Positive Statement. We do business in Japan and overseas based on the concept of sustainable, recycling-oriented forestry: "Plant trees, nurture forests, use them as resources, and replant to cover the amount used."

At the same time, environmental issues such as climate change and loss of nature are becoming more serious around the world, directly and indirectly affecting local communities, economies, and people's lives. We feel that we have a responsibility as a company to help resolve these issues by working to gain a quantitative understanding of the relationship between our business and biodiversity.

**Nature Positive Statement (excerpt)**

The Sumitomo Forestry Group will work to realize this goal by implementing the Wood Cycle of forests, timber, construction, and renewable energy in order to contribute to Nature Positive, an initiative to halt and reverse the loss of nature by 2030.

Based on the concept of sustainable forestry, the Sumitomo Forestry Group systematically carries out afforestation, forest cultivation, and harvesting, and works to produce timber sustainably. In addition to appropriate harvesting and forest operation management, the Group maintains the health of forests through thinning, underbrush clearing, and other activities. However, many of these initiatives involve process management to confirm whether activities are being properly implemented, rather than confirming the resulting "status" of forests.

In fiscal 2025, the Group therefore launched a pilot project to quantify the results of related initiatives in each business division. To quantitatively understand its contribution to Nature Positive and use this as reference material for considering the formulation of specific action targets, the Group has begun rolling out and is promoting surveys of forest biodiversity, water recharge volume, and other matters.

The Group plans to incorporate these results into its "Nature Positive targets" under the sustainability targets to be set in the next Medium-term Management Plan.

**Main monitoring survey projects and collaboration partners, including experts**

| Business | Survey target | Target site | Expert collaboration partners |
|---|---|---|---|
| Forests | (Biodiversity) Plant and mammal monitoring | Indonesia, West Kalimantan | Biome Inc. |
| | (Biodiversity) Monitoring of wildlife habitat conditions | Hyuga Company-owned Forest, Japan | Regional Environmental Planning Inc. |
| | (Biodiversity) Plant and animal monitoring | Monbetsu Company-owned Forest, Japan | The University of Tokyo |
| | (Water resources) Water volume and water quality monitoring | Monbetsu Company-owned Forest, Japan | The University of Tokyo |
| | (Carbon) Tree species identification of broadleaf trees and wide-area carbon assessment | Monbetsu Company-owned Forest, Japan | The University of Tokyo |
| Manufacturing/ construction | Effectiveness of community support in procurement areas | East Java, Indonesia | The University of Tokyo |
| | Reduction of timber usage in the truss and panel manufacturing business | United States | Company survey |
| | Assessment and reduction of environmental impact in timber manufacturing and construction | Japan | Waseda University |
| Urban greening | Biodiversity monitoring of greenery in detached houses in Japan | Japan | Biome Inc. |
| | Ecosystem monitoring in land development business in the United States | United States | Nature metrics |
| All businesses | Survey and reduction of water usage across all businesses | All business sites | Company survey |

### Engagement in international frameworks to realize Nature Positive

The Sumitomo Forestry Group is proactively engaging not only in implementation through its businesses, but also in the formation of international rules and the advancement of evaluation methods, toward the realization of a decarbonized society and Nature Positive.

Since fiscal 2025 the Sumitomo Forestry Group has been taking on the challenge of visualizing the value of ecosystem services provided by forests as a member of the ISFC. Through the visualization project, we will work on the measurement and evaluation of seven important ecosystem services targeting a total of 23 million hectares of forests managed by 18 international forestry companies in 38 countries. In fiscal 2025, the Group also participated in the Forestry Agency's consideration of biodiversity evaluation methods and became an international member of FSC.

**For more information on the Nature Positive Statement, please visit the Sustainability website below.**
https://sfc.jp/english/sustainability/environment/biodiversity/

# Human Resources Strategy

For other indicators, please refer to the sustainability portion of our website linked below.
https://sfc.jp/english/sustainability/management/materiality6.html

**Material issues and related SDGs**

6 To create a vibrant environment for all workers

| Indicators for evaluation (numerical targets) | | Managing department | FY2025 targets | FY2025 results | FY2025 evaluation | FY2026 targets | FY2027 targets |
|---|---|---|---|---|---|---|---|
| Paid leave usage ratio (%) | Non-consolidated | Personnel Department | 69.5 | 72.1 | ● | 70.0 | 70.0 |
| | Subsidiaries in Japan | | 70.9 | 70.9 | ● | 72.6 | 77.1 |
| Male childcare leave acquisition rate (%) | Non-consolidated | Personnel Department | 100.0 | 71.4 | × | 100.0 | 100.0 |
| | Subsidiaries in Japan | | 55.7 | 49.0 | ▲ | 61.7 | 68.2 |
| Female officer ratio (%) | Non-consolidated | Personnel Department | 16.3 | 12.9 | × | 18.8 | 21.4 |
| Training costs per employee (¥ thousand) | Non-consolidated | Personnel Department | 140.0 | 173.4 | ● | 150.0 | 160.0 |
| | Subsidiaries in Japan | | 59.0 | 42.5 | × | 59.0 | 59.0 |

* Achievement evaluation Achieved: ● Not achieved but improved from previous year: ▲ Not achieved and declined compared to previous year: ×

The Sumitomo Forestry Group has established the following three pillars as its human resources strategy and sets forth "nurturing employees who learn by themselves, think about the essence of things, and take action on their own" and "creating a workplace culture in which employees can work open mindedly and be energetic" as the Group's basic policy for human resource development. We aim to realize our Corporate Philosophy by cultivating human resources who will transform and create businesses, and by fostering an open-minded and energetic corporate culture.

Human resources strategy issues and countermeasures

| Pillars of our human resources strategies | Issues | Countermeasures |
|---|---|---|
| Securing and developing human resources who will transform and create businesses | • Acquisition of specialized and globally minded human resources to respond to business diversification<br>• Development of management personnel who can bring out the diverse potential and motivation of employees and co-create strategies<br>• Development of employees with the ability to improve operations, transform businesses, and create businesses | • Introduction of a system for the recruitment of specialized human resources<br>• Securing globally minded human resources by strengthening the recruitment of international students<br>• Human resources development through skill maps and one-on-one meetings<br>• Implementation of management skills training for all managers to draw out the abilities of each and every employee<br>• Participation in various training programs to acquire the business skills necessary for formulating strategies for business creation, and dispatch to cross-industry exchanges and training<br>• Systematic assignments for the purpose of selecting and developing next-generation managers |
| A system to maximize employee performance and a free and open corporate culture | • Creation of an open-minded and energetic organizational culture that ensures psychological safety so that all employees can work with passion, express their autonomy, and utilize their diverse abilities and values<br>• Respect for employees' career aspirations and provision of a system for job reassignment and reskilling support that allows employees to play an active role in a wide range of areas | • New graduate and mid-career recruitment by job category and work area<br>• Establishment of a career advancement system based on the individual's aspirations through the Dual Career Ladder (a method that offers both managerial and specialized career pathways)<br>• Implementation of talent management based on the evaluation of individual employees' skills and behaviors<br>• Establishment of an integrated core human resources system for the Group in Japan<br>• Reskilling according to the human resource needs of each Group company and the skills possessed by employees<br>• Spreading of understanding and fuller awareness of diversity, equity, and inclusion<br>• Implementation of corporate culture reform projects tailored to the characteristics of the organization<br>• Implementation of psychological safety training for management |
| Promotion of health management | • Improvement of productivity and revitalization of the organization by maintaining and improving employee health | • Guidance on improvement for high-risk employees and departments using the results of health checkups and stress checks<br>• Creation of opportunities to maintain and improve health<br>• Education to improve health literacy<br>• Regular provision of information by public health nurses and clinical psychologists, and strengthening cooperation with health personnel at each site |

# Human Resources Strategy

## Human resources development

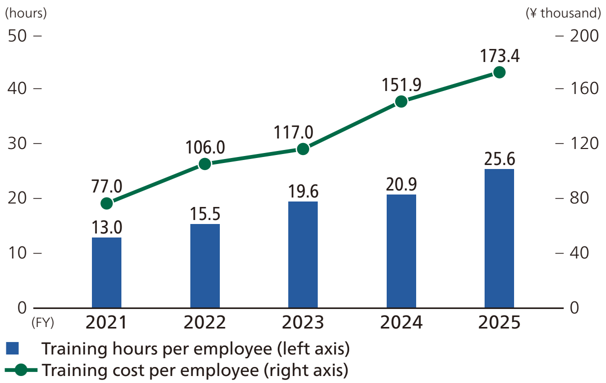
With regard to Group-wide human resource development, the Personnel Department's Sumitomo Forestry Business Institute plays a central role in planning and promoting human resource development measures for all employees, from new recruits to middle and upper management. In addition, we have assigned training managers to each business division and Group company to conduct training programs for acquiring the knowledge and skills necessary for each business, and to plan human resource development measures.

### Training programs and costs

In addition to Company-led training, the Sumitomo Forestry Group supports employee learning that emphasizes independence. In addition to over 300 courses, including job category and grade-specific skill development programs, e-learning, correspondence courses, and external training opportunities aimed at the acquisition of business skills and knowledge, we offer online video learning courses that allow employees to learn from a wide range of practical, job-relevant programs. Additionally, we have a system in place to subsidize part of the costs for external training courses that are not designated by the Company.

At Sumitomo Forestry (non-consolidated), training expenses per employee amounted to 173,400 yen (up 21,500 yen from fiscal 2024), and training hours per employee totaled 25.6 hours (up 4.7 hours over the same period). We believe that the main factors behind this increase are the expansion of self-development training, which has led to an increase in the number of participants, and the implementation of rank-based training in conjunction with revisions to the personnel system.

Training costs & hours (non-consolidated)




### Global human resources development

As the Group expands its global business development, it is working to secure and develop global human resources who will support the management foundation in each region. Since January 2025, the Corporate Division has been working to develop planning-oriented human resources who can play active roles globally by supporting not only the improvement of language skills but also the acquisition of professional qualifications in areas such as finance, accounting, and legal affairs. In addition, the Group will develop human resources capable of handling multiple operations through human resources rotations within the Corporate Division, while dispatching expatriates with specialized expertise to each region, thereby strengthening global governance.

This program allows employees who were in charge of overseas-related businesses for many years, including those posted overseas, to provide 1-on-1 guidance to aspiring overseas assignees. Since fiscal 2022, the Group has also implemented a program covering international affairs in general. In fiscal 2025, 22 employees participated in the program.

### Introduction of a DX human resources development system

Under the policy of promoting DX with the participation of all employees, the Group positions all employees as "human resources with digital literacy." To support employee learning, the Group offers courses to prepare for the IT Passport Examination and the Grade 3 Test of Statistics, with the aim of helping employees acquire basic knowledge of IT and security and deepen their understanding of the importance of utilizing real data.

In addition, to develop "advanced digital human resources" who will serve as leaders in promoting DX at business divisions, the Group has established a training system in two specialized fields: "DX planning and promotion human resources" and "data utilization human resources." The program began operating in 2025. Over the full year, approximately 80 employees participated in the training, and around 60% of them received certification in "DX human resources basics." The Group will continue to offer this training from 2026 onward and further promote DX at Sumitomo Forestry.

### Management personnel development

We conduct selective training for employees who are at least 35 years old. In fiscal 2025, 55 employees took part in 11 programs, focusing on management leadership development training and transformational training for middle management.

In addition, to enhance the capabilities of managers, the Group provides management skills training designed to bring out the abilities of each employee, as well as psychological safety training aimed at creating open workplaces where employees can engage in free and open discussions. These programs are provided to all managers, and in fiscal 2025, 360 and 795 employees participated in the respective programs.

For more details about our training programs, please visit our website.
https://sfc.jp/english/sustainability/social/employment/career-support.html

# Human Resources Strategy

## Health management and work-life balance

The Sumitomo Forestry Group believes that maintaining and improving employee health not only contributes to the happiness of each employee, but also leads to higher productivity and greater operational efficiency. Based on this approach, the Group established the Sumitomo Forestry Group Declaration on Health Management in 2021. In the Mid-term Sustainability Targets, the Group sets targets such as improving employee satisfaction, the rate of childcare leave taken by male employees, and the rate of paid leave taken, as well as reducing long working hours, and is promoting initiatives that also include domestic subsidiaries.

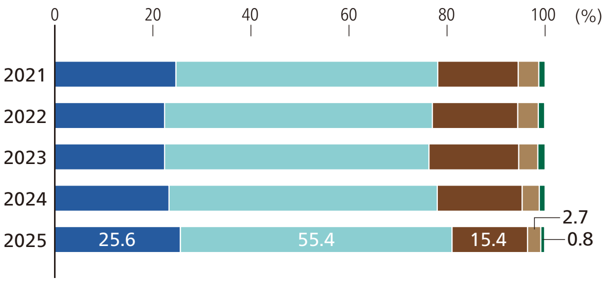
The Group had set a target of 100% for the rate of childcare leave taken by male employees in fiscal 2025, but the actual rate was 71.4%. Through early guidance and the sharing of internal case studies, the average number of childcare leave days taken has increased, and the system is becoming more widely embedded within the Group. In addition, to support employees in balancing family care and work, the Group will establish a new Family Care Leave System in 2026 and continue to develop an environment that supports diverse work styles.

### Male childcare leave acquisition rate

| | | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 |
|---|---|---|---|---|---|---|
| Non-consolidated | Acquisition rate (%) | 50.4 | 49.0 | 70.0 | 78.1 | 71.4 |
| Subsidiaries in Japan | Acquisition rate (%) | 28.0 | 32.8 | 28.0 | 48.7 | 49.0 |

### Trends in employee satisfaction from the employee awareness survey (non-consolidated)

Q: Are you satisfied working for the Company?




■ Completely satisfied ■ Satisfied ■ Neither satisfied nor dissatisfied ■ Unsatisfied ■ Totally unsatisfied

## Diversity, equity and inclusion

In April 2024, we issued the Sumitomo Forestry Group Declaration on DEI, which defines and clarifies the terms diversity, equity and inclusion. With regard to diversity under the DEI Declaration, the Group manages targets based on four indicators as measures for promoting the advancement of women.

In fiscal 2025, the Group achieved its target for the ratio of female managers, but did not achieve its targets for the other three indicators. To achieve these targets, the Group conducted awareness-raising activities aimed at encouraging employees to consider their careers over the long term, including training for each level, such as candidates for manager positions, newly appointed managers, and candidates for female leadership positions. The Group will continue to further strengthen awareness-raising activities as part of its DEI initiatives.

### Indicators for women's empowerment (non-consolidated)

| | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 |
|---|---|---|---|---|---|
| Ratio of female employees (%)*1 | 22.6 | 23.1 | 23.8 | 24.4 | 25.2 |
| Ratio of newly graduated female recruits (%)*2 | 26.9 | 33.1 | 34.1 | 32.8 | 36.6 |
| Ratio of female employees in management positions (%) | 2.2 | 2.4 | 3.2 | 3.7 | 4.2 |
| Average years of service of female employees*3 | 11 years 8 months | 12 years | 12 years | 12 years | 11 years 9 months |

*1 Includes employees seconded to affiliated companies and does not include officers, secondments to Sumitomo Forestry, and exchange dispatches.

*2 Calculated by adding, to the number of new graduates who joined the Company in April, those joining the Company from the preceding May to March.

*3 Calculated as of the end of each fiscal year.

### Ratio of female employees in management positions / Gender wage gap (non-consolidated)

| | | FY2023 | FY2024 | FY2025 |
|---|---|---|---|---|
| Ratio of female employees in management positions (%)*4 | | 3.2 | 3.7 | 4.2 |
| Gender wage gap (%)*4, 5 | All employees | 47.8 | 49.4 | 51.6 |
| | Regular employees | 63.2 | 65.9 | 68.0 |
| | Part-time and fixed-term employees | 59.6 | 60.4 | 62.1 |

*4 Calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

*5 The gender wage gap is the ratio of the average annual wage of female employees to the average annual wage of male employees in the same fiscal year (in this case, fiscal 2023). Average annual wages for part-time and fixed-term employees are calculated by converting to the equivalent number of regular employees based on regular employee statutory work hours. There is no difference in wages for equal work between men and women, and the main reason for the difference in wages between men and women is the difference in the composition of jobs between men and women.

### Promoting the growth and career development of female human resources through cross-industry exchanges

In November 2025, as part of information exchange among nine housing manufacturers,*6 a meeting was held for women in sales and design positions, with approximately 170 participants in total from the participating companies. Across company boundaries, participants shared examples of balancing work and childcare, management, and motivation enhancement, and engaged in candid exchanges of views on careers and working styles through group discussions. Participants commented that "the values and experiences of people at other companies were helpful" and "my concerns about my career were eased, and I felt that I wanted to work at my own pace," indicating that sharing diverse role models helped increase motivation.

Discussion in progress

*6 The nine companies are Asahi Kasei Homes, Sekisui Chemical, Sekisui House, Daiwa House Industry, Mitsui Home, Toyota Housing, Panasonic Homes, Misawa Homes, and Sumitomo Forestry. The Company has participated since 2008.

# Supply Chain Management

Sumitomo Forestry Group Procurement Policy / Supply Chain Management in Distribution and Housing Businesses
https://sfc.jp/english/sustainability/social/supply-chain/

**Material issues and related SDGs**

3 To realize a circular bioeconomy by leveraging forests and wood resources

| Indicators for evaluation (numerical targets) | | Managing department | FY2025 targets | FY2025 results | FY2025 evaluation | FY2026 targets | FY2027 targets |
|---|---|---|---|---|---|---|---|
| Percentage of sustainable wood used in new custom-built detached houses (principal structural materials) (%) | | Housing Division | 100 | 100 | ● | 100 | 100 |
| Sustainability procurement survey | Companies where greenhouse gas emissions are tracked (%) | Timber and Building Materials Division | 38.0 | 66.7 | ● | 39.0 | 40.0 |
| | Companies with greenhouse gas emission reduction plans (%) | | 27.0 | 52.2 | ● | 28.0 | 30.0 |

* Achievement evaluation Achieved: ● Not achieved but improved from previous year: ▲ Not achieved and declined compared to previous year: ×

## Supply chain management

The Sumitomo Forestry Group recognizes its responsibility to address human rights and environmental issues in the supply chain of its businesses, and contributes to the realization of a sustainable society throughout the entire supply chain by promoting the wider use of certified timber in the market. Since establishing the Wood Procurement Standards in 2005, the Group has developed its initiatives for responsible procurement while gradually expanding their scope. Today, in addition to timber, the Group conducts procurement activities that take into consideration the economy, society, and the environment for all procured items, including metals and building materials, based on the Sumitomo Forestry Group Procurement Policy.

## Structure for promoting wood procurement management

The Sumitomo Forestry Group established the Wood Procurement Committee, which is chaired by the head of Procurement Committee, which is chaired by the head of Sumitomo Forestry 's Corporate Division and comprises managers from the departments in charge of wood procurement. The Wood Procurement Committee confirms legality and sustainability and conducts the Sustainability Procurement Survey for direct-import suppliers subject to screening and suppliers with whom overseas Group companies engage. Inspections are conducted either once a year or once every two years, depending on the risk level of each country.

**FY2025 results**

| Wood Procurement Committee | Sustainability Procurement Survey |
|---|---|
| Held 4 meetings | Conducted by 290 companies |

## Procurement of sustainable timber and wood products

The Sumitomo Forestry Group conducts timber procurement due diligence at each procurement department to ensure the legality and sustainability of timber. In addition to confirming that suppliers can provide wood products made from legally harvested timber, the Group also checks suppliers' traceability and supplier management. Even if legality can be ensured, for timber and wood products that do not meet the definition of "sustainable timber and wood products," the Group plans and implements measures to shift to alternative materials, such as selectively logged natural timber and plantation timber, and to gradually stop handling such products.

Based on the timber procurement due diligence manual, each procurement staff member confirms 52 items of information, including supplier information, raw material tree species, supply region, supply volume, supplier survey results, and records of visits, and verifies legality and sustainability. In addition, the Group conducts risk assessments based on countries, regions, tree species, and other factors, in accordance with the criteria for assessing illegal logging risks related to timber procurement established by the Wood Procurement Committee. The Group also confirms whether there are any violations of the rights of workers or local residents in supply regions and the status of biodiversity conservation, thereby identifying environmental and social risks in the supply chain.

In fiscal 2025, the Group conducted reviews of 53 companies in risk category A,* 46 companies in risk category B,* and 191 companies in risk category C.*

* Risk categories: A (low risk), B (medium risk), and C (high risk).
Category A covers important suppliers regardless of contract volume or period.
For categories B and C, in addition to confirming documents certifying that timber was harvested in compliance with the laws and regulations of the logging country, the Group also confirms traceability to the logging site.

### Policy on sustainable timber and wood products

To confirm the legality as precondition, we define timber and wood products as sustainable if they fulfill one of the following:

**Sustainable**

- ● Environmental: Not contributing to deforestation
- ● Social: Not violating human rights such as occupational safety, forced labor, indigenous rights, etc.

1. Certified timber and materials sourced from certified forests: FSC, PEFC, and SGEC
   (Regardless of CoC connection, we place emphasis on certification at time of production and promote a shift to certified timber)
2. Wood from planted forests
3. Wood from natural forests where forest management and distribution can be assessed as sustainable.
   (This does not include wood from conversion forests. = wood harvested from natural forests that were converted to farm land such as oil palm plantations)
4. Recycled wood

* SGEC-CoC (Trademark License No. SGEC/31-32-86), PEFC-CoC (Trademark License No. PEFC/31-32-86)
* FSC® (License No. FSC-C113957)

# Human Rights

| Material issues and related SDGs | Indicators for evaluation (numerical targets) | Managing department | FY2025 targets | FY2025 results | FY2025 evaluation | FY2026 targets | FY2027 targets |
|---|---|---|---|---|---|---|---|
| 5 To improve the livelihood of the local communities where we operate | Building grievance mechanisms | Sustainability Department | Revalidation | Revalidation | ● | Establishment | Implementation |

* Achievement evaluation Achieved: ● Not achieved but improved from previous year: ▲ Not achieved and declined compared to previous year: ×

## Respect for human rights

The Sumitomo Forestry Group positions respect for human rights as an important foundation of its business activities, based on international norms such as the International Bill of Human Rights and the United Nations Guiding Principles on Business and Human Rights. Through the establishment and ongoing review of its human rights policy, the Group clearly states its prohibition of discrimination and non-tolerance of forced labor and child labor, and ensures respect for the human rights of all people, including women, children, and indigenous peoples. The Group also asks its business partners to commit to respecting human rights, and works to identify and reduce human rights risks throughout the supply chain through human rights due diligence. When necessary, the Group also supports business partners in their initiatives to respect human rights.

The Sumitomo Forestry Group Human Rights Policy
https://sfc.jp/english/sustainability/social/human-rights/

## Implementation of due diligence and managing important risks

The Sumitomo Forestry Group identifies negative impacts on human rights in its business activities through human rights due diligence and works to prevent and mitigate such impacts. Since 2017, the Group has advanced these initiatives while incorporating the knowledge of external experts, and in 2019 conducted risk mapping for each business division. In 2025, the Group reviewed its risk mapping based on the most recent business environment, identified important human rights issues, and organized their relationship with each business. As a result, the Group identified the following human rights issues as significant risks.

Respect for rights of indigenous peoples and communities, occupational safety and health management, prevention of negative impact on the safety and health of local residents, prevention of forced labor and child labor, and construction of a grievance mechanism

### Responses to identified risks

For the identified risks, each business takes measures to reduce and remedy risks. In planning new businesses and projects, the Group also conducts risk checks with the entire supply chain in view. These checks also cover social items, including consideration for the human rights of workers and other stakeholders.

### Operation and improvement of grievance mechanisms

Sumitomo Forestry recognizes the importance of grievance mechanisms (complaint handling mechanisms). Accordingly, our Customer Service Department serves as a point of contact that handles requests for consultations from customers and neighbors of our housing construction sites. We also have a compliance hotline, an external consultation service through the Employee Assistance Program (EAP) and a harassment hotline for business partners and employees. Moreover, we accept inquiries, including complaints, at our website in Japanese, English, and Chinese. Inquiries sent to our website are forwarded by the contact point of the Corporate Communications Department to the relevant specialized department at the head office or to the responsible department for the appropriate treatment of the inquiry according to its details.

In April 2026, we became a regular member of the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), a general incorporated association that provides a grievance platform in accordance with the United Nations Guiding Principles on Business and Human Rights, as a regular member company. Through the platform operated by JaCER, an independent third party, the Company also accepts grievances and reports concerning human rights violations from all stakeholders.

JaCER website: https://jacer-bhr.org/en/index.html

### Respecting human rights in overseas forestry business

In the Sumitomo Forestry Group's overseas forestry business, we have implemented the following initiatives relative to stakeholder engagement and grievance mechanisms.

**Indonesia**

A grievance mechanism has been established with consideration for the rights of indigenous peoples and local communities.
Opinions from local communities are collected in writing or in person, and responses are provided after approval by management.

**Papua New Guinea**

Suggestion boxes have been installed so that anyone in the local community, whether internal or external to the company, can submit opinions.

**New Zealand**

When important exchanges take place with stakeholders, including neighboring residents and contractors, the details are recorded in the stakeholder register. By communicating after understanding the background of past interactions, the Company uses this as a way to help build smooth relationships.

## Stakeholder Engagement

Stakeholder engagement
https://sfc.jp/english/sustainability/management/stakeholder.html

The Sumitomo Forestry Group has created opportunities for dialogue with various stakeholders in order to expand our extensive global business that ranges from upstream to downstream operations. In addition to striving to build trust with stakeholders by disclosing appropriate information in a timely manner, we work to solve critical issues by using provided opinions as feedback and reflecting them in business activities and to link that process to further value creation.

### Stakeholders of the Sumitomo Forestry Group


| | Responsibilities | Communication methods |
|---|---|---|
| Customers | • Providing safe, high-quality products and services<br>• Disclosing timely and accurate information and providing accountability<br>• Understand the requests and needs and improve satisfaction through communication | • Sumitomo Forestry Call Center<br>• Customer Satisfaction Survey<br>• Websites and media, news magazines, etc.<br>• Exhibitions and various other events |
| Employees and their families | • Creating a fair work environment with respect for human rights and no discrimination<br>• Providing and developing a workplace that promotes the emotional and physical wellbeing of employees and their families, as well as allowing individuals of various backgrounds and circumstances to maximize their potential<br>• Equally and fairly evaluating personnel<br>• Establishing educational systems able to drive and improve skills<br>• Establishing measures, policies and other regulations to enhance the work-life balance | • Conducting regular consultations and performance reviews<br>• Conducting employee satisfaction surveys<br>• Conducting stress checks<br>• Installing a compliance hotline<br>• Implementing briefings during policy revisions and enhancing inquiry methods (use of AI chatbots, etc.)<br>• Employee Assistance Program (EAP) service<br>• Holding discussions between the President and employees<br>• Holding Family Open Day<br>• Carrying out meetings with management made up of both labor and management committee members<br>• Publishing internal magazines, creating an internal website |
| Shareholders and investors | • Disclosing timely and accurate information<br>• Pursuing informational transparency and accountability<br>• Executing the appropriate premium redemption to shareholders | • General Meeting of Shareholders, financial results briefings, business briefings for investors, site briefings, etc. as well as individual one-on-one meetings and meetings with shareholders<br>• Communicating information on websites, integrated reports, shareholder correspondence, various briefing materials and in other relevant forms<br>• Responding to surveys for assessment and research agencies related to sustainability, etc. |
| Business partners | • Building equal and fair relationships with business partners<br>• Improving the occupational health and safety environment<br>• Complying with all relevant laws and regulations | • Engaging in purchasing and procurement activities<br>• Conducting safety conferences, safety patrols and building contractor meetings<br>• Conducting workshops and informational exchange meetings<br>• Conducting supplier evaluations (surveys and questionnaires) |
| Global environment | • Preserving the natural environment and biodiversity<br>• Reducing the environmental impact of business activities<br>• Developing and providing products and services with minimal environmental impact | • Providing an environment for business<br>• Supplying and standardizing environmentally conscious housing<br>• Acting as volunteers in building forests such as in reforestation<br>• Carrying on a dialogue with NPOs/NGOs<br>• Conducting environmental and social contribution activities linked up with NPOs/NGOs |
| Global society and local communities | • Contributing to solutions to both global and local challenges in society | • Participating in employee volunteer activities<br>• Supporting the formation of communities through social contribution activities<br>• Preparation of Regional Infrastructure |

# Stakeholder Engagement

## Actual dialogue with stakeholders

| Customers | FY2024 | FY2025 |
|---|---|---|
| Number of calls received by the call center | 130,016 | 126,433 |
| Customer satisfaction ratio (surveyed when residents move in) | 97.2% | 96.8% |

| Employees and their families | FY2024 | FY2025 |
|---|---|---|
| Overtime working hours (compared to FY2017)(non-consolidated) | 13.1% reduction | 14.5% reduction |
| Education expense per employee (non-consolidated) | ¥152,000 | ¥173,000 |

| Shareholders and investors | FY2024 | FY2025 |
|---|---|---|
| Individual meeting for analysts and investors (in and outside Japan) | 478 | 662 |
| Full-year dividend per share (year ended December 31)* | ¥48.3 | ¥53 |

* The Company conducted a three-for-one stock split with an record date of June 30, 2025, and the past dividend results have been retroactively adjusted accordingly.

| Business partners | FY2024 | FY2025 |
|---|---|---|
| Sustainability procurement survey implementation rate of suppliers of imported timber | 100% | 100% |
| Evaluation and feedback based on the Supplier Evaluation Standards implementation rate | 100% | 100% |

| Global environment | FY2024 | FY2025 |
|---|---|---|
| Percentage of orders for ZEH out of new custom-built detached housings in Japan | 79.3% | 81.3% |
| Percentage of sustainable timber and wood products handled | 100% | 100% |

| Global society and local communities | FY2024 | FY2025 |
|---|---|---|
| Expenditure on social contribution activities | Approx. ¥81 million | Approx. ¥80 million |
| Cumulative number of visitors to Mt. Fuji Manabi no Mori | Approx. 1,600 | Approx. 1,400 |

### Dialogue with employees — Communication between the President and field employees

The Sumitomo Forestry Group regularly provides opportunities for communication between the President and employees. In 2025, we conducted exchanges of opinions through a field dialogue program conducted by President Mitsuyoshi himself at ten branches and sales offices throughout Japan. The President provided an explanation of the Wood Cycle and answered questions from employees. Participating employees commented that they wanted to "use what they learned from the dialogue and communicate it to customers," and video of the event was distributed within the Company.

Field dialogue program conducted by President Mitsuyoshi

Human Resources Strategy → P.62

### Dialogue with customers — Customer surveys

Sumitomo Forestry conducts surveys of customers who have purchased custom-built houses at three points: upon move-in, in the second year, and in the tenth year. In the fiscal 2025 survey, the satisfaction ratio was 96.8% in the survey of new owners, and 97.3% in the survey of second-year owners. The comments obtained from the questionnaire are the unfiltered views of customers, and we work to improve the level of satisfaction by sharing those opinions with related in-house departments. By using the questionnaire results to revise current measures, we try to improve customer satisfaction.

### Dialogue with shareholders and investors — Briefings

Sumitomo Forestry actively discloses information to enhance management transparency. In addition to individual meetings, site briefings, and briefings for individual investors, the Company is expanding opportunities for dialogue through engagement and roadshows with overseas investors, including online meetings, and actively participates in IR conferences in Japan and overseas.

Track record of dialogue with investors (FY2025)

| Individual IR meetings | Briefings for individual investors |
|---|---|
| Total in Japan and overseas: 662 | 2 |
| **Overseas roadshows** | **IR conferences** |
| 4 (U.S., Europe, Australia, and Asia) | Total in Japan and overseas: 10 |

Message from the Officer in Charge of Corporate Planning and Finance → P.22
IR FAQ → P.94

### Dialogue with business partners — Sustainability procurement survey

The Housing Division conducts an annual Sustainability Procurement Survey of existing suppliers, covering 53 items related to social and environmental matters and the sustainability of timber procurement. In fiscal 2025, 89 companies were subject to the survey, representing 98.2% of the total purchase amount from target manufacturers in the previous fiscal year, and the response rate was 100%. The Company shares its approach to responsible procurement, including the Sumitomo Forestry Group Code of Ethics and the Sumitomo Forestry Group Procurement Policy, by distributing recorded videos of the Sustainability Procurement Survey briefing. It also provides feedback to all suppliers based on the survey results. If a supplier has not addressed any "high-risk" items, we individually confirm the situation, request improvements, and thoroughly record the responses. We continue to follow up with suppliers that still have issues and encourage improvements.

Supply Chain Management → P.65

# 5 Corporate Governance

This chapter introduces the governance system that supports the sustainable enhancement of corporate value and initiatives to improve its effectiveness. It explains how the Group is strengthening its ability to respond to a rapidly changing management environment through constructive discussions by directors with diverse knowledge and experience, as well as stronger risk management and compliance.

# Corporate Governance

Sumitomo Forestry Basic Policy on Corporate Governance
https://sfc.jp/english/ir/keiei/pdf/CorporateGovernance.pdf

## Approach to corporate governance

In order to carry out its material issue "To establish a robust business structure," the Sumitomo Forestry Group seeks to ensure management transparency, sound and legal business practices as well as rapid decision-making and business execution based on its Corporate Philosophy. This philosophy is founded in Sumitomo's Business Spirit, which places prime importance on fairness and integrity for the good of society. By further enhancing and strengthening its corporate governance through these efforts, the Company aims to continuously increase its corporate value and conduct management that lives up to the expectations of various stakeholders around the Group.

The Company has adopted the structure of a company with an Audit & Supervisory Board and has a Board of Directors comprising 10 directors, including 4 outside directors, and an Audit & Supervisory Board comprising 5 Audit & Supervisory Board members, including 3 outside Audit & Supervisory Board members.

A unique aspect of the Sumitomo Forestry Group can be found in its business activities around the Wood Cycle, the upstream to downstream value chain centered on wood, which is a renewable form of natural capital. In addition to leveraging our unique strengths, including technologies and expertise related to wood, networks within and outside Japan, and housing brand strength, the Group organically links management resources across the entire Group. In doing so, we generate synergies between businesses and strive to continuously enhance corporate value.

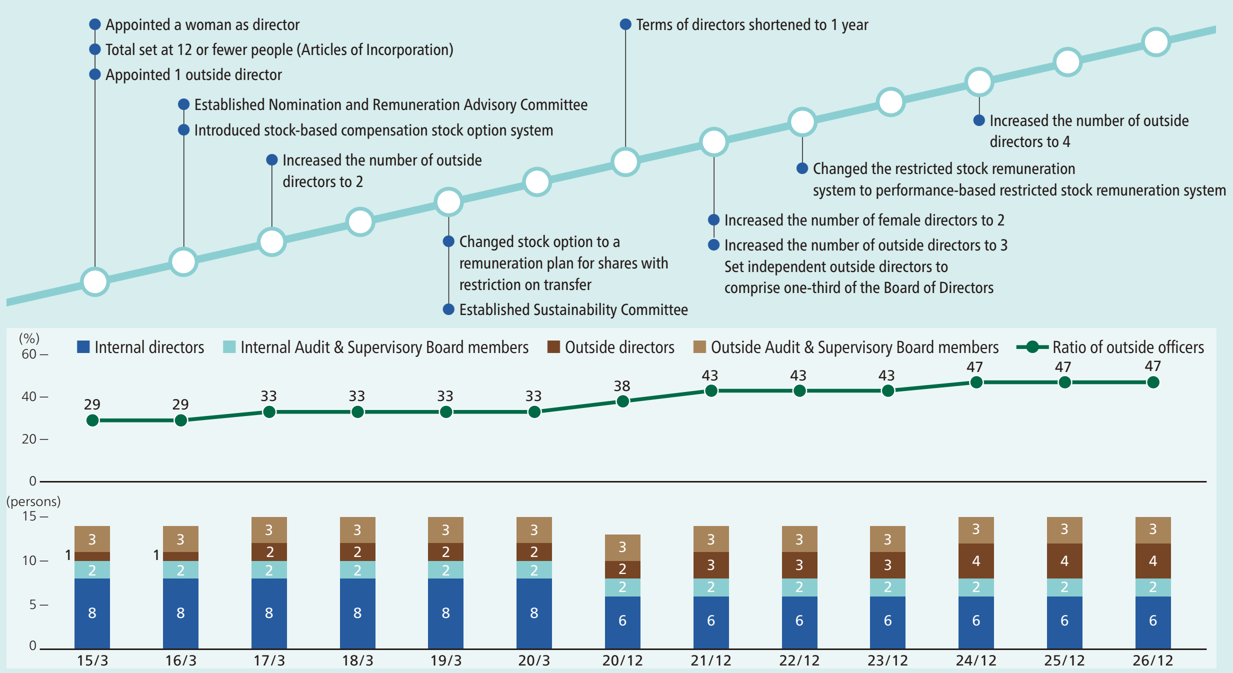
Under this business structure, the Company believes it is important for the Board of Directors to make decisions on important operational execution matters from a comprehensive perspective, based on coordination across the entire Group, and to provide highly effective supervision of each director. The Company also believes it is important to ensure that the audit function is fully exercised from a standpoint that is independent from the Board of Directors. Audit & Supervisory Board members, as independent officers, are expected to exercise their audit function from a medium- to long-term and continuous perspective throughout their four-year term of office. For this reason, the Company has adopted the structure of a company with an Audit & Supervisory Board. In addition, the Company has introduced an executive officer system to separate decision making and management oversight functions from operational execution functions, thereby strengthening the Board of Directors' supervisory function over operational execution and clarifying responsibility for operational execution.

At present, the Company believes that its current system, which combines decision-making and supervision by the Board of Directors with independent and continuous audits by

### Outline of the corporate governance system

| | |
|---|---|
| Organizational structure | Company with an Audit & Supervisory Board |
| Number of independent officers | 7 |
| Number of Board of Directors meetings (fiscal year ended December 2025) | 15 times |
| Adoption of the executive officer system | Yes |
| Nomination and Remuneration Advisory Committee | Yes |
| Accounting auditor | Ernst & Young ShinNihon LLC |

### Initiatives for corporate governance



# Corporate Governance

Audit & Supervisory Board members, is an effective corporate governance system for the Sumitomo Forestry Group.

## Role and structure of the Board of Directors and the statutory audit system

### Board of Directors and Executive Committee

| FY2025 meeting results | |
|---|---|
| Board of Directors | Executive Committee |
| 15 meetings | 27 meetings |

The Board of Directors is comprised of 10 directors (8 male and 2 female), including 4 outside directors (2 male and 2 female). It usually meets once a month, making decisions on important issues, checking up on performance and other matters, and carrying out its supervisory functions based on reports from each director. Prior to Board of Directors meetings, the Executive Committee, an advisory body to the President, generally holds meetings twice a month to ensure that important issues have been sufficiently discussed in advance. Executive Committee meetings are attended by those directors who also serve as executive officers, as well as full-time Audit & Supervisory Board members. Directors and Audit & Supervisory Board members strive to maintain a Board of Directors meeting attendance rate of at least 75%.

| | |
|---|---|
| Main agenda items discussed by the Board of Directors | - Matters related to the progress of the Medium-term Management Plan<br>- Important investments<br>- Matters related to loans, real estate development, and other matters<br>- Matters related to corporate governance<br>- Status of ESG-related activities<br>- Status of strategically held shareholdings<br>- Status of dialogue with shareholders and institutional investors<br>- Status of risk management activities<br>- Matters related to internal audits<br>- Matters related to the evaluation of the effectiveness of the Board of Directors<br>- Other matters stipulated by laws, regulations, the Articles of Incorporation, and other rules |

### Statutory audit system

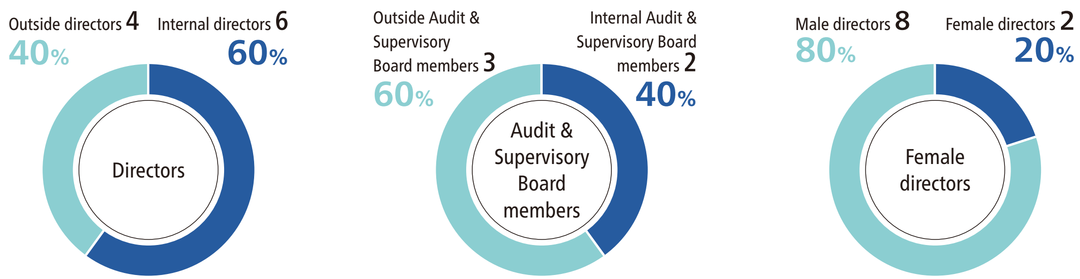
| FY2025 meeting results | |
|---|---|
| Audit & Supervisory Board | Group Audit & Supervisory Board |
| 14 meetings | 6 meetings |

The Audit & Supervisory Board is comprised of 5 Audit & Supervisory Board members (3 male and 2 female), including 3 outside Audit & Supervisory Board members (2 male and 1 female). Each Audit & Supervisory Board member audits the directors' execution of duties utilizing the deep insights and diverse perspectives they have acquired from their various backgrounds.

Dedicated staff who assist in the audit operations of Audit & Supervisory Board members, and auditing inspectors, who double as senior managers of major departments, are assigned with a particular focus on enhancing the function of audits from a practical perspective. In addition, the Audit & Supervisory Board members attend important meetings such as Board of Directors and Executive Committee meetings, where they can obtain accurate information regarding the managerial decision-making process. To enhance the effectiveness of audits, the Audit & Supervisory Board members strive to cooperate with the financial auditing company as well as the Internal Audit Department. They also receive reports regularly from the divisions responsible for risk management and compliance, accounting, and labor, and monitor and verify whether internal controls are functioning effectively.

Audit & Supervisory Board members are ensured opportunities to express their opinions, as necessary, on operational execution by directors, and the Company believes this sufficiently ensures objectivity in management. Furthermore, in conjunction with the monthly meetings of the Audit & Supervisory Board, the Company provides opportunities for the deputy divisional manager of the Corporate Division responsible for corporate planning and others to explain the agenda items discussed at Executive Committee meetings. This system enables all Audit & Supervisory Board members and outside directors to gain a detailed understanding of important matters. Audit & Supervisory Board members also regularly exchange opinions with representative directors. In addition, the Company works to improve the effectiveness of audits by holding Group Audit & Supervisory Board meetings every other month with Audit & Supervisory Board members of major subsidiaries in Japan and through other initiatives.

**Membership and composition of directors, Audit & Supervisory Board members, and female directors (as of March 27, 2026)**



# Corporate Governance

This system ensures that the Audit & Supervisory Board members can provide adequate monitoring functions of the directors' execution of operations from the perspective of shareholders.

## Nomination and Remuneration Advisory Committee

The Board of Directors establishes a Nomination and Remuneration Advisory Committee as an advisory body from which it seeks opinions to ensure fairness and transparency in matters including the selection of candidates for the Board of Directors and auditing posts and the selection of executive officers, the dismissal of Board members, Audit & Supervisory Board members or executive officers, evaluations of the chief executive officer and other executive officers, and remuneration for Board members and executive officers. As for the composition of the committee, the director members comprise 2 internal directors, namely the Chairman and the President, and 4 outside directors, with outside directors constituting a majority. In addition, 3 outside Audit & Supervisory Board members also serve as committee members, as the Company believes that their inclusion, given their role in auditing the execution of duties by directors from an independent standpoint, further ensures fairness and transparency. As a result, outside directors do not constitute a majority of all committee members. However, the Company believes that the committee's independence and monitoring functions are sufficiently strengthened by having outside officers, comprising outside directors and outside Audit & Supervisory Board members who constitute a majority of the committee members, and by having an outside director serve as chairperson of the Nomination and Remuneration Advisory Committee.

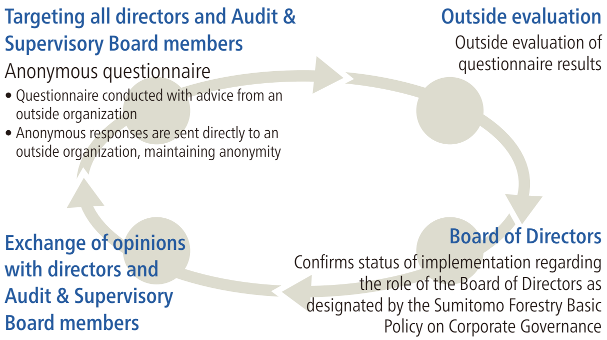
| FY2025 meeting results |
|---|
| Nomination and Remuneration Advisory Committee<br>5 meetings |

| | |
|---|---|
| Main agenda items discussed by the Nomination and Remuneration Advisory Committee | - Review of the skills matrix in line with the Medium-term Management Plan<br>- Nomination of candidates for directors and Audit & Supervisory Board members<br>- Appointment of representative directors and executive officers<br>- Evaluation of the Chief Executive Officer and executive officers<br>- Remuneration of directors and executive officers<br>- Matters related to the succession plan for management and other matters |

## Evaluation on the effectiveness of the Board of Directors

The Company carries out annual self-analysis and self-evaluation of the effectiveness of the Board of Directors. We strive to enhance the effectiveness of the Board of Directors by making continuous efforts to improve any issues identified.

### Analysis/evaluation process




### Analysis and evaluation of the effectiveness of the Board of Directors

#### 1. Method of evaluation

**(1) Evaluation process**

Regarding the effectiveness of the Board of Directors, including the Nomination and Remuneration Advisory Committee, in the fiscal year under review, the Company conducted a questionnaire for self-evaluation and analysis for all directors and all Audit & Supervisory Board members on the evaluation items listed below, with advice from an external organization. To ensure anonymity, responses were submitted anonymously and directly to the external organization.

In addition, the Company conducted an external evaluation of the questionnaire results. The Board of Directors also confirmed the status of implementation regarding its role as designated by the Sumitomo Forestry Basic Policy on Corporate Governance, and conducted an evaluation based on an exchange of opinions with the directors and Audit & Supervisory Board members.

**(2) Evaluation items**

- Composition of the Board of Directors and other matters
- Operation of the Board of Directors
- Management strategies and management plans
- Internal controls and risk management
- Nomination, remuneration, and monitoring functions
- Performance of outside directors
- Support system for directors and Audit & Supervisory Board members
- Training
- Dialogue with shareholders and investors
- Individual initiatives
- Evaluation of the Nomination and Remuneration Advisory Committee
- Overall evaluation

#### 2. Results of evaluation

**(1) Overall evaluation**

As a result of the evaluation in 1. above, the Company's Board of Directors was found to be functioning effectively overall.

**(2) Initiatives addressing matters recognized as issues in the previous fiscal year's evaluation**

1. Regarding the issue of "working to provide appropriate supervision so that effective plans are set up for the systematic development of successor candidates," the Nomination and Remuneration Advisory Committee clarified the selection criteria and related approach by including matters related to the selection criteria for officer candidates on its agenda. The committee also enhanced its discussions on the succession plan and sufficiently shared the content of these discussions with the Board of Directors.
2. Regarding the issue of "providing sufficient feedback on the status of dialogue with shareholders and investors and taking initiatives for greater dialogue quality," the Company provided sufficient feedback by sharing information in a timely manner through reports on the status of dialogue, and also considered the ideal approach to dialogue and related matters.

**(3) Main future issues and action policy**

To further improve the operation of the Board of Directors, the Company will review matters such as delegation of authority, the nature of discussions at Board of Directors meetings, and the content of materials provided.

Going forward, Sumitomo Forestry will continue its efforts to improve recognized challenges to further enhance the effectiveness of the Board of Directors.

# Corporate Governance

## Skills matrix

| | Name | Title | Corporate management | Resources/ Environment | Construction/ Real estate development | Global | Finance/Accounting | Human resources development/DEI | Legal affairs/ Risk management | IT/DX | Industrial policy |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Directors | Akira Ichikawa | Representative Director, Chairman of the Board | ● | | | ● | ● | ● | ● | ● | ● |
| Directors | Toshiro Mitsuyoshi | Representative Director, President and Executive Officer | ● | ● | ● | ● | | | | | |
| Directors | Tatsumi Kawata | Representative Director, Executive Vice President | ● | ● | | ● | ● | ● | ● | ● | |
| Directors | Atsushi Kawamura | Director, Senior Managing Executive Officer | ● | ● | ● | ● | | | | | |
| Directors | Nobuyuki Otani | Director, Managing Executive Officer | ● | ● | | ● | ● | | | | |
| Directors | Kenji Inui | Director, Managing Executive Officer | | | ● | ● | | | | | |
| Directors | Mitsue Kurihara | Outside Director | ● | ● | | ● | ● | | | | ● |
| Directors | Yuko Toyoda | Outside Director | | | | ● | | | ● | | |
| Directors | Toshio Iwamoto | Outside Director | ● | | | ● | | ● | | ● | |
| Directors | Kenji Sukeno | Outside Director | ● | | | ● | ● | ● | ● | | |
| Audit & Supervisory Board members | Toshio Kakumoto | Audit & Supervisory Board Member | | | | ● | | | ● | | |
| Audit & Supervisory Board members | Junko Saishu | Audit & Supervisory Board Member | | | ● | | | ● | ● | | ● |
| Audit & Supervisory Board members | Yoshimasa Tetsu | Outside Audit & Supervisory Board Member | | | | | ● | | | | |
| Audit & Supervisory Board members | Takashi Kawachi | Outside Audit & Supervisory Board Member | | | ● | | | ● | | | ● |
| Audit & Supervisory Board members | Naoko Munakata | Outside Audit & Supervisory Board Member | | | | ● | | | ● | ● | ● |

### Reasons for selection of the skills

| Skill | Reason |
|---|---|
| Corporate management | To achieve further growth of existing businesses, which cover a wide variety of aspects of people's lifestyles, such as forestry management, timber and building materials distribution and manufacturing, housing construction, etc. and to fulfill our Long-Term Vision amidst a global movement toward decarbonization, the Company needs board members who have experience in corporate management. |
| Resources/ Environment | In our Long-Term Vision, the Company has set out to enhance the value of "forests" and "trees" through sustainable forestry management, to create the new value of forests that are properly managed forests and expand sustainable forests. To implement measures based on recommendations made by TCFD (Task Force on Climate-related Financial Disclosures) and TNFD (Task Force on Nature-related Financial Disclosures) and to steadily implement initiatives to achieve our SBT-based greenhouse gas emissions reduction targets, the Company needs board members who have expertise and experience in resources and the environment. |
| Construction/ Real estate development | To establish a revenue base early on for the Company's medium- and large-scale wooden construction operations as stated in its Long-Term Vision and Medium-Term Management Plan, and to turn its real estate development operations into operations that sustainably contribute to the realization of the wood cycle, the Company needs board members who have expertise and experience in construction and real estate development. |
| Global | "Advancing globalization" is one of the business policies of the Company's Long-Term Vision. To promote the expansion of the business areas and scale of its overseas group operations, the Company needs board members who have global experience. |
| Finance/ Accounting | To achieve sustainable and steady profit growth by executing strategic investments that are conscious of capital costs while ensuring financial soundness, the Company needs board members who have expertise and experience in finance and accounting. |
| Human resources development/DEI | In the Company's Long-Term Vision, it has set out to enhance "Value for people and society." To reinforce its ability to continually retain and nurture human resources that transform and create businesses, to promote a free and open-minded organizational culture that maximizes employee performance and initiatives to maintain and promote health and wellness, the Company needs board members who have expertise and experience in human resource development and DEI (diversity, equity, and inclusion). |
| Legal affairs/ Risk management | To create a corporate governance structure for sustainable growth and mid- and long-term improvement of corporate value, and to build a risk management system for the global growth of the Company's business operations and other activities, the Company needs board members who have expertise and experience in legal affairs and risk management. |
| IT/DX | In our Long-Term Vision, the Company has set out to enhance "Value for the market economy." To revamp the business base through the use of IT and digitalization, to transform operations and improve efficiency by promoting DX (digital transformation), and to enhance the mid- and long-term competitiveness of the business by leveraging new IT technologies, the Company needs board members who have expertise and experience in IT and DX. |
| Industrial policy | In our Long-Term Vision, the Company has set out to enhance "Value for the market economy." To draw attention to the value of sustainable products and services that contribute to decarbonization, and promote their market penetration, the Company must create policy frameworks in relation to society and hence needs board members who have knowledge of industrial policy. |

# Corporate Governance

## Succession plan

From the perspective of ensuring management continuity and enhancing corporate value over the medium to long term, the Group considers the selection and dismissal of the Chief Executive Officer and the development of successors as one of its most important management issues.

In fiscal 2025, the Group implemented development measures, including training programs focused on candidates for executive officer positions. In addition, based on discussions at the Nomination and Remuneration Advisory Committee, the Group worked to clarify the selection criteria for directors and executive officers, including by revising related regulations.

The Group is also working to involve outside directors at an earlier stage so that they can directly evaluate candidates with regard to their potential to become future top management candidates. In addition to sharing candidate information from the executive side at an early stage, the Group provides opportunities for outside directors to receive explanations directly from the candidates themselves and to attend meetings with them. Through these initiatives, the Group seeks to eliminate closed decision-making, ensure a process based on multifaceted judgment, and enhance transparency.

Going forward, the Group will strengthen diversity from the perspectives of gender and global experience, which have been discussed as issues by the Board of Directors and the Nomination and Remuneration Advisory Committee. The Group will also continue to enhance the effectiveness of its succession plan and develop a system capable of adapting to changes in the management environment.

## Officer training

The Company has established a training system for directors, Audit & Supervisory Board members, and executive officers to enable them to properly fulfill their roles and responsibilities, and provides them with ongoing information and training opportunities upon and after their appointment. The Board of Directors also confirms, in a timely manner, that such information and training opportunities are being provided appropriately.

In fiscal 2025, the Company conducted training on the Board of Directors' response to changes in the market environment. In addition, to deepen their understanding of the Company's businesses, outside directors visited business sites in Japan and overseas, including the Niihama Forest and model homes in Australia.

## Executive remuneration system

Based on the discussions and opinions of the Nomination and Remuneration Advisory Committee, the Company's Board of Directors resolves the policy for determining the details of remuneration for each individual director.

**Basic policy**

- The remuneration plan should be highly linked not only to short-term performance but also to medium- to long-term performance and improvement of corporate value;
- The plan should be linked to the value to be newly created and provided in the course of promoting the ESG integrated management;
- The plan should be designed to be linked to the shareholder value of the Company;
- The remuneration level should be such that the Company can secure and maintain the human resources necessary to achieve its Long-term Vision; and
- The plan should ensure transparency and objectivity in the remuneration determination process.

### Remuneration for directors and executive officers

Remuneration for directors is composed of three types: (i) fixed remuneration commensurate with the director's responsibilities and roles, (ii) annual performance-based bonus as a short-term incentive, and (iii) performance based restricted stock remuneration as a medium- to long-term incentive. Thus, the remuneration plan is designed to encourage management efforts from a short-term, and medium- to long-term perspective and to appropriately reward the results of such efforts.

The Company will determine the amount of fixed remuneration for each director position in accordance with their responsibilities and roles and pay fixed remuneration as monthly remuneration.

The amount of annual performance-based bonus will be judged comprehensively and determined by multiplying the standard bonus amount stipulated for each position with a payout ratio that fluctuates in proportion to the base profit for each business year (the amount obtained by deducting actuarial differences regarding employees' retirement benefit obligation and net income attributable to non-controlling interests from consolidated recurring income for the relevant fiscal year).

Performance-based restricted stock remuneration is structured to reflect the Company's performance during each period (three years) of the Medium-term Management Plan in the level of vesting in order to promote management emphasizing medium- to long-term improvement of shareholder value. The standard stock remuneration amount prescribed for each position consists of two elements: a portion linked to the achievement rate of the greenhouse gas emission reduction target based on the Science Based Targets (SBT), and a portion linked to the growth rate of the Company's market capitalization relative to TOPIX, each during the relevant period. In addition, to strengthen our focus on sustainability, as of fiscal 2025, we have revised the ratio of performance-linked stock remuneration, which accounts for 15% of total remuneration, so that the ratio of standard stock

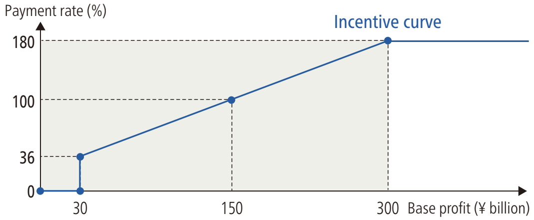
# Corporate Governance

### Remuneration composition ratio of directors (illustration using base profit of 150 billion yen)


● Formula for calculating annual performance-based bonus

Bonus paid = Standard bonus amount by position x Payment rate*1

*1 The payout ratio range will be from 0% (lower limit) to 180% (upper limit).




● Formula for calculating performance-based restricted stock remuneration

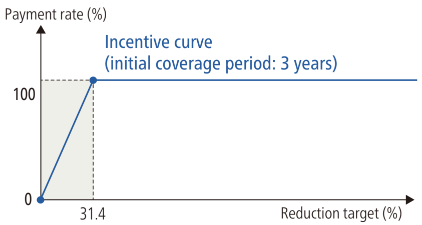
(1) Amount equivalent to two-thirds of the standard stock remuneration amount by position x payout ratio (percentage of achievement of Medium-term Management Plan SBT greenhouse gas emission reduction targets)*2

*2 The payout ratio range will be from 0% (lower limit) to 100% (upper limit).

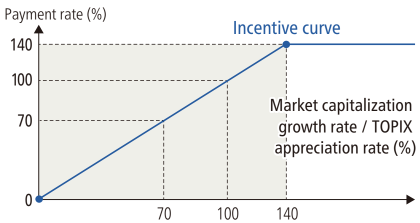
(2) Amount equivalent to one-third of the standard stock compensation amount by position x payout ratio (growth rate of Company's market capitalization during the period of the Medium-term Management Plan/TOPIX growth rate during the same period)*3

*3 The payout ratio range will be from 0% (lower limit) to 140% (upper limit).

(1) Remuneration linked to the sustainability index achievement rate




(2) Remuneration linked to market capitalization growth rate




### Total remuneration paid to directors and Audit & Supervisory Board members (fiscal year ended December 2025)

| Category | Total remuneration (¥ million) | Total amount by type of remuneration (¥ million) | | | Number of eligible officers |
|---|---|---|---|---|---|
| | | Monthly remuneration | Performance-linked remuneration (bonuses) | Non-monetary remuneration (Performance-based restricted stock remuneration) | |
| Directors*4 | 522 | 313 | 129 | 80 | 6 |
| Audit & Supervisory Board members*4 | 54 | 54 | — | — | 2 |
| Outside directors | 59 | 59 | — | — | 5*5 |
| Outside Audit & Supervisory Board members | 43 | 43 | — | — | 3 |

*4 Excludes outside directors and outside Audit & Supervisory Board members.

*5 The above includes one outside director who retired at the conclusion of the 85th Ordinary General Meeting of Shareholders held on March 28, 2025.

*6 Base profit has been chosen as the performance indicator serving as the basis for the calculation of bonuses, which are performance-linked remuneration. Base profit for the fiscal year under review was 140.6 billion yen.

*7 The amount of non-monetary remuneration represents the expense recorded for the fiscal year under review, including ¥61 million, which is the estimated amount of monetary remuneration claims to be paid according to the estimated number of shares to be delivered after the three-year evaluation period.

### Total consolidated remuneration per officer (for officers receiving over 100 million yen) (fiscal year ended December 2025)

| Name | Total amount of consolidated remuneration (¥ million) | Officer classification | Company classification | Total amount by type of consolidated remuneration (¥ million) | | |
|---|---|---|---|---|---|---|
| | | | | Monthly remuneration | Bonuses | Performance-based restricted stock remuneration |
| Akira Ichikawa | 126 | Director | Sumitomo Forestry Co., Ltd. | 75 | 31 | 19 |
| Toshiro Mitsuyoshi | 126 | Director | Sumitomo Forestry Co., Ltd. | 75 | 31 | 19 |

# Corporate Governance

remuneration for each director will be linked at a rate of two-thirds for the achievement rate of the greenhouse gas emission reduction target based on the SBT and one-third for the growth rate of the Company's market capitalization relative to TOPIX. If misconduct or other improper conduct by an eligible director is confirmed by the Board of Directors, the Company may restrict the provision of performance-linked restricted stock remuneration or request its return.

The amount of remuneration for outside directors, consisting only of monthly remuneration as fixed remuneration, will be determined in accordance with their responsibilities and roles.

### Remuneration for Audit & Supervisory Board members

Compensation for Audit & Supervisory Board members consists only of monthly compensation as basic compensation. In order to ensure objectivity and appropriateness of executive remuneration, we utilize the results of third-party surveys of domestic companies to set appropriate remuneration levels.

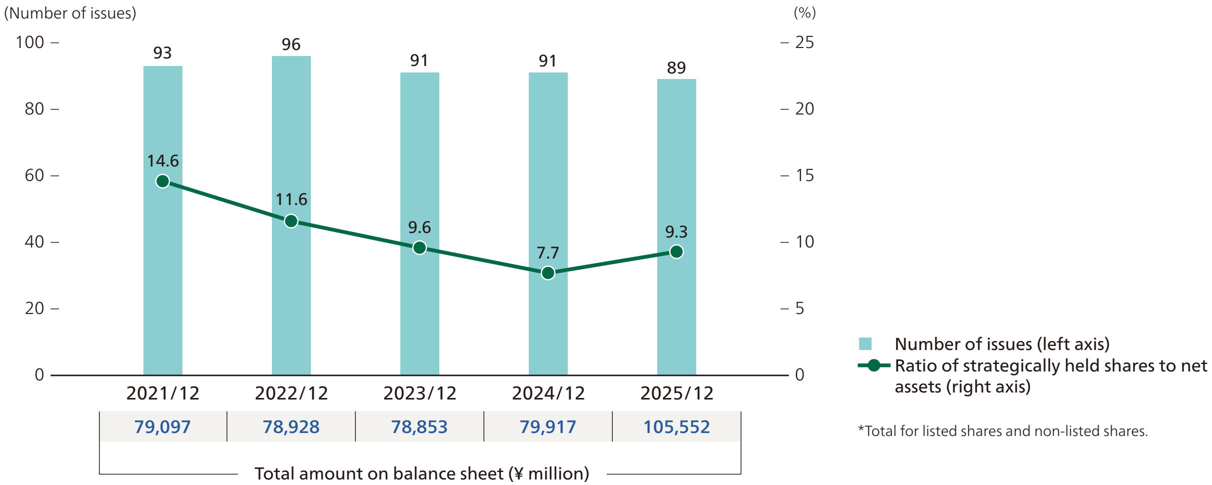
## Cross-shareholding

The Company's policy with regard to cross-shareholdings is that the Board of Directors reviews the returns and transaction status of each issue held, and if the rationality and necessity of holding the issue is not recognized, the policy is to reduce the number of shares held.

To verify the rationality and necessity of these shareholdings, the Board of Directors compares the returns of each strategically held share to the hurdle rates set by the Company and also verifies the status of transactions with the shares' issuing companies. As a result of the verification, we reduce the number of shares that we have determined to be neither rational nor necessary to hold.

If a business partner or counterparty of the Company where we hold cross-shareholdings suffers a long term slump in business performance or seriously violates laws or causes scandal, the Company will judge how to exercise its voting rights pertaining to the cross-shareholdings by gathering information through dialogue with such counterparties.

Holdings of strategically held shares




## Ensuring management transparency

### Basic policy on disclosure

To increase transparency in management, we actively disclose not only the information required to be disclosed by various laws and regulations, but also other items deemed useful to shareholders and investors, actively and in a swift and fair manner.

## Initiatives to encourage execution of voting rights

The Company strives for the early disclosure of its convocation notice every year in order to foster greater understanding among shareholders. Voting rights can be exercised via electromagnetic means (e.g., via the Internet) or via the electronic voting platform for institutional investors operated by ICJ, Inc.

### Disclosure of a wide range of information

At the General Meeting of Shareholders, we endeavor to provide reports and explanations that are easy to understand. Additionally, we display accounting-related information such as summaries of accounts, fact books and financial results overviews on our website, together with a wealth of IR information in Japanese and English such as information about monthly orders in the Housing Business. We also display detailed information about sustainability initiatives on the website in both English and Japanese.

# Corporate Governance

Since the fiscal year ended March 2017, the Sumitomo Forestry Group has published the Integrated Report with the objective of improving the disclosure of financial information and ESG-related non-financial information about its initiatives to increase value created over the medium to long term. Apart from the Integrated Report, Sumitomo Forestry proactively offers information by publishing Japanese and English translations of its Notices of Convocation of the Ordinary General Meeting of Shareholders, among other documents, in print as well as on its website.

Visit our website for information about future IR activities and events organized.

IR calendar
https://sfc.jp/english/ir/calendar.html

## Tax governance

### Basic approach

All executives and employees of the Sumitomo Forestry Group comply with laws, regulations, social norms, and internal rules, and act with the highest ethical standards. The Sumitomo Forestry Group Code of Conduct, which sets forth the basic approach to be taken when conducting business, clearly states that fair accounting and tax treatment based on accurate records shall be conducted. The Code of Conduct is distributed to each and every employee of Group companies in Japan and overseas. In tax practice, we have established guidelines and strive to maintain and improve tax compliance through employee training and other measures. In addition, the Sumitomo Forestry Group has identified “To establish a robust business structure” as one of its Nine Material Issues, and is working to link its business strategy, including taxation, with its sustainability strategy.

## Tax governance system

Taxation is part of the Group’s financial function and is the responsibility of the officer in charge, who is the Chief Financial Officer. Sumitomo Forestry’s Corporate Planning Department manages operations related to taxation and assigns employees in charge of taxation with specialized knowledge. The department monitors the status of tax payments and tax audits in Japan and overseas in a timely manner, takes appropriate action, and promptly reports such information and Group tax issues to the director in charge. In addition, the Risk Management Committee, which oversees the entire Group, manages and monitors risks related to compliance and corporate ethics, including taxation, as priority material risks.

## Corporate Governance Code compliance status

The Company complies with all Principles of the Corporate Governance Code issued by Tokyo Stock Exchange, Inc., and includes this information in its Corporate Governance Report.

Please see our website to view the Corporate Governance Report.

Corporate Governance Report
https://sfc.jp/english/sustainability/governance/pdf/Corporate_Governance_Report_2026.pdf

# Risk Management and Compliance

**Material issues and related SDGs**

9 To establish a robust business structure

| Indicators for evaluation (numerical targets) | Managing department | FY2025 targets | FY2025 results | FY2025 evaluation | FY2026 targets | FY2027 targets |
|---|---|---|---|---|---|---|
| Number of BCM training sessions held | General Administration Department | 2 | 4 | ● | 2 | 2 |
| Voluntary inspections of the legal compliance system | | Voluntary compliance checks based on business-specific laws | Voluntary compliance checks based on business-specific laws | ● | Voluntary compliance checks based on business-specific laws | Voluntary compliance checks based on business-specific laws |
| Number of confirmations of environmental regulatory compliance (affiliates in Japan) | Sustainability Department | 1 | 1 | ● | 1 | 1 |
| Disclosure according to the Sustainability Standards Board of Japan (SSBJ) standards in securities reports | | Identification of scope | ~~Identification of scope~~ | ● | Consideration of collection/reporting methods | Preparation for disclosure |

*Achievement evaluation
Achieved: ● Not achieved but improved from previous year: ▲ Not achieved and declined compared to previous year: ×

**FY2025 results**

| Risk Management Committee | Compliance Subcommittee | BCM Subcommittee | Reports to the Board of Directors |
|---|---|---|---|
| 4 times | 2 times | 2 times | 4 times |

## Risk management system

To strengthen risk management across the entire Group, the Sumitomo Forestry Group has established the Risk Management Basic Regulations to comprehensively manage environmental, social, and governance (ESG) risks. In our risk management system, the President is appointed as the highest authority on risk management, while each divisional manager is responsible for risk management in the area of their own responsibility, and general managers are risk management promoters. Business risks are under the jurisdiction of the Risk Management Committee. The Committee consists of the President as the highest authority on risk management, the persons responsible for the Corporate Division and each business division, and related general managers, and meets quarterly. The Committee conducts risk analysis and evaluation for each division, and prioritizes monitoring the progress of responses to important risks. The Compliance Subcommittee and the Business Continuity Management (BCM) Subcommittee have been established under this committee, and undertake activities aimed at enhancing the effectiveness of responses to Groupwide risks.

Visit our website for further details about risk management.
https://sfc.jp/english/sustainability/governance/risk.html

## Compliance

To address compliance risks across the Group, the Compliance Subcommittee has been established under the Risk Management Committee. Chaired by the general manager of the General Administration Department, the subcommittee comprises the persons responsible for risk management, including those from the responsible departments at Group companies. The subcommittee shares information on revisions to laws and regulations, including those governing the construction industry, as well as government agency trends, and works to address compliance risks. In fiscal 2025, the subcommittee met twice and continued its improvement efforts. These activities are reported to and discussed by the Board of Directors on a quarterly basis, and a system is in place to reflect them in business execution. In addition, monthly reports are made to Audit & Supervisory Board members and internal audit divisions, and particularly important Groupwide initiatives and risk information are shared with the Audit & Supervisory Board members of each subsidiary through the Group Audit & Supervisory Board meetings.

### Whistleblowing mechanism (Compliance Hotline)

The Sumitomo Forestry Group has established the Compliance Hotline (advice desks) to allow for the reporting of compliance violations. When a report is received, we conduct investigations, and if an incident is confirmed, we take necessary corrective actions. In addition to reporting operational results to the Board of Directors on a quarterly basis, the Company also creates model cases from reported cases and uses them in training sessions and other activities to prevent recurrence. In fiscal 2025, there were 23 consultations received regarding suspected misconduct, harassment, and other matters.

Visit our website for further details about compliance.
https://sfc.jp/english/sustainability/governance/compliance.html

## Information security

To ensure the confidentiality, integrity, and availability of information assets, the Sumitomo Forestry Group works to improve its level of information security from both operational rules and technological perspectives. In particular, we position the protection of customer information as our most important priority, and continue to provide employee education and verify awareness levels. For Group companies in Japan and overseas, we distribute guidelines and checklists, and each company confirms its security level every year.

Visit our website for further details about information security.
https://sfc.jp/english/sustainability/governance/security.html

## Roundtable Discussion of Outside Directors

# Enhancing Board effectiveness and capital efficiency through multifaceted discussions

**Kenji Sukeno**
Outside Director
Member of the Nomination and Remuneration Advisory Committee

**Yuko Toyoda**
Outside Director
Member of the Nomination and Remuneration Advisory Committee

**Mitsue Kurihara**
Outside Director
Chairperson of the Nomination and Remuneration Advisory Committee

**Toshio Iwamoto**
Outside Director
Member of the Nomination and Remuneration Advisory Committee

As the external environment undergoes significant change, the appropriateness of management decisions and preparedness for the future are being put to the test.
In this roundtable discussion, our Outside Directors share their perspectives on management, discussing the progress of Mission TREEING 2030 Phase 2, the business portfolio, governance, and human resources development.

### How do you evaluate the results achieved in the first year of Mission TREEING 2030 Phase 2?

**Iwamoto:** When Mission TREEING 2030 Phase 2 (hereinafter "Phase 2") was formulated, the business environment was on an upward trajectory. More recently, however, performance has not progressed as initially anticipated due to external factors such as the slowdown in the U.S. housing market and rising interest rates. I believe we have reached a stage where we must carefully assess the gap between the original plan and actual performance, and determine in which areas and by what means we can recover. On the other hand, the Housing Business in Japan has maintained solid performance, supported by strong product competitiveness and effective business strategies. I hope the Company will continue to make steady progress toward achieving the goals of Phase 2.

**Kurihara:** Compared with the strong performance achieved during the three years of Phase 1, we must candidly acknowledge that results in the first year of Phase 2 did not progress as expected. At the same time, I highly value the fact that the Company has continued to make proactive investments while maintaining financial discipline. Significant progress has also been made in

## Roundtable Discussion of Outside Directors

organizational reforms. The Corporate Division has actively recruited talent and established systems for dispatching personnel to various regions. These efforts have strengthened both the human resources framework and global governance, steadily building the foundation for future growth. Furthermore, the establishment of the Real Estate Division has enabled the Company to strengthen management resources and develop risk management systems tailored to business characteristics that differ from those of the single-family homes business. Through these organizational reforms, I believe fiscal 2025 was an important year in laying the groundwork for the next stage of growth.

**Toyoda:** I view the first year of Phase 2 as having produced challenging results compared with the strong performance achieved in recent years. Against this backdrop, I believe the Company has entered a stage that requires a qualitative transformation of management resources, including talent and governance at overseas subsidiaries. Management, including the Board of Directors, has recognized these changes, engaged in thorough discussion, and implemented the necessary measures. Although the results may not yet be reflected in the numbers, I believe the foundations for future growth are steadily being established. I also note the progress made during the year in decarbonization-related initiatives both in Japan and overseas, including advances in forestry funds and organizational reforms aimed at promoting medium- to large-scale wooden construction.

**Sukeno:** While business performance was challenging in the first year of Phase 2, fluctuations caused by external factors are unavoidable in our business domains. What is important, however, is to find ways to minimize the impact of such factors more effectively than our competitors. Maintaining a competitive advantage requires identifying the strengths unique to Sumitomo Forestry and reinforcing them thoroughly. By concentrating management resources on areas where we possess distinctive strengths and refining them to a level that competitors cannot easily replicate, I believe the Company will be well positioned to achieve even greater growth when market conditions improve.

### What are your views on the allocation of management resources and the optimization of the business portfolio as the Company works toward realizing its Long-term Vision?

**Kurihara:** To realize the Long-term Vision, investments from a long-term perspective are essential. At the same time, now that we have entered an era of higher interest rates, we must further improve capital efficiency. Reviewing unprofitable businesses is extremely important, not only from the standpoint of capital allocation but also because it enables the reallocation of human capital to other growth areas. In addition, given the current situation in which multiple business divisions operate independently within each region, there is room to improve overall business efficiency by optimizing supply chains and business cycles within each region. Furthermore, while leveraging Sumitomo Forestry's strengths in medium- to large-scale wooden construction technologies and decarbonization initiatives reflecting regional characteristics, it will be increasingly important to make flexible decisions and rapidly reallocate management resources to high-priority business opportunities with a clear awareness of timing.

**Iwamoto:** After visiting the Tsukuba Research Institute, I was reminded of the importance of investments that cannot be judged solely on the basis of short-term profitability. Research that creates long-term value—such as improving the earthquake resistance and fire resistance of wooden buildings and developing pollen-free cedar trees—is being steadily accumulated. These technological capabilities, spanning everything from fundamental research to practical applications, are strengths unique to Sumitomo Forestry and cannot be found in the overseas companies the Group has acquired. I believe that collaboration with local businesses overseas can generate entirely new value. Corporate retained earnings should first be allocated to capital investment, research and development, and human resource development. By applying the outcomes globally, Sumitomo Forestry can continue its evolution into a truly global company.

**Toyoda:** A decarbonization perspective is indispensable if we are to translate the Company's strengths into future growth. However, discussions surrounding decarbonization are far from uniform around the world, and there are increasingly critical views regarding its effectiveness and cost implications. Rather than treating decarbonization solely as a guiding principle, we must carefully assess which businesses can drive future growth and how social demands can be translated into business opportunities.

At the same time, areas related to our founding businesses, such as forests, cannot necessarily be evaluated

## Roundtable Discussion of Outside Directors

solely in terms of the profitability of a particular segment. As a company that has positioned decarbonization as a core element of its Long-term Vision, Mission TREEING 2030, Sumitomo Forestry must continue to consider how the value of forests and wood can contribute to enhancing corporate value. I believe this commitment not only strengthens employees' sense of purpose, pride, and engagement but also contributes to attracting high-quality investment opportunities.

**Sukeno:** Effective portfolio management requires rigorous

evaluation of the profitability of each business and management decisions that optimize the allocation of resources. Investors are willing to support companies that actively invest in highly profitable businesses and present clear growth strategies because they expect those investments to enhance corporate value over the long term, rather than prioritizing immediate shareholder returns. Conversely, when low-profitability businesses are retained for extended periods, a conglomerate discount tends to emerge, increasing investor demands for shareholder returns. Regular reviews of the business portfolio and the clear articulation of policies regarding low-profitability businesses are essential for enhancing corporate value.

### Do you have any views on global governance and human resources development?

**Sukeno:** From the perspective of an Outside Director, effective global governance requires an organizational structure that ensures the independence of those who oversee and those who are overseen. To achieve this, it is important to establish a framework in which the Corporate Division directly supervises Regional Headquarters outside local reporting lines. I believe that clearly separating oversight and execution under the leadership of the Corporate Division is essential to ensuring effective governance.

From a governance perspective, one area I pay particular attention to is how we engage with acquired companies. These companies possess strengths that Sumitomo Forestry does not have and, in a sense, can be regarded as our teachers. The key is how to exercise governance while respecting those strengths. For example, inviting overseas business leaders to participate in Board of Directors meetings and creating opportunities for direct dialogue can be highly effective in fostering trust and sharing an understanding of the significance of joining the Group.

**Kurihara:** To make governance effective, it is important to create opportunities for dialogue, not just rely on numbers and documents. Even during the COVID-19 pandemic, we sought ways to facilitate online discussions between local management and directors at headquarters. Today, opportunities to visit local operations have increased, allowing us to engage directly with local management and employees and gain firsthand insight into construction sites and markets. Outside Directors then share these observations at Board of Directors meetings.

As our overseas businesses continue to expand, there are limits to a model in which only individual business divisions at headquarters engage directly with local operations. The role of Regional Headquarters will become increasingly important. Including how the Corporate Division supports and oversees these Regional Headquarters, I believe we are now at a stage where we must explore a new form of global governance that is best suited to the Sumitomo Forestry Group.

**Iwamoto:** Not every company needs to pursue the same model of a global company. What matters is not where headquarters are located, but where knowledge is concentrated and who is empowered to make decisions on the front lines. As growth continues, there will inevitably be situations in which a management approach centered on Japanese personnel is no longer sufficient. Trusting local talent and gradually transitioning to locally led management while sharing values over time is, in my view, the path to becoming a truly global company.

I also believe that global conferences bringing together overseas personnel in leadership positions can be highly effective. Through discussion and interaction, participants develop a stronger sense of unity and gain a clearer

## Roundtable Discussion of Outside Directors

understanding of the organization they represent. When people from different cultural backgrounds come together, unique and valuable chemistry emerges. By continuing to create such opportunities and sharing what makes Sumitomo Forestry unique, we can cultivate truly global talent and organizations. It is also important not only to develop Japanese personnel but to nurture local talent as future management leaders.

**Sukeno:** In my view, the best way to develop global talent is to provide overseas experience early in their careers. Giving individuals responsibility for local operations and allowing them to grow through addressing challenges is invaluable. At the same time, it is equally important to bring talent from overseas into our organization and encourage collaboration in the workplace. Sending people abroad and welcoming people from abroad—these two approaches are the foundation of human resources development.

**Toyoda:** With regard to our overseas businesses, I believe the sustainability of our talent pipeline is also a key challenge. The fact that many expatriates remain in the same region for extended periods reflects the reality that our pool of qualified personnel has not expanded at the same pace as our business. We must simultaneously advance talent development, external recruitment, and the enhancement of the Corporate Division functions that support these efforts.

### Are there any challenges you perceive regarding the effectiveness of the Board of Directors?

**Toyoda:** When discussing matters at Board of Directors meetings, I believe that not only the content of the materials but also the way information is presented is important. The materials are highly comprehensive, but discussions could be even more productive if greater efforts were made to organize and highlight the key points. In addition, sharing the principal issues related to agenda items in advance would further enhance the quality of discussions.

**Sukeno:** I believe it is important to recognize the different roles expected of Internal Directors and Outside Directors. Internal Directors are responsible for delving deeply into their areas of expertise, while Outside Directors are expected to take a broader view of the Company from different perspectives. When materials become overly focused on the level of detail required internally, it can be difficult for Outside Directors to identify the key issues. I believe there is room for further improvement in this regard.

**Kurihara:** It is important to hear directly from the

President, and fortunately there are many opportunities to do so. Recently, there have also been more opportunities for Divisional Managers to make presentations, and I feel that the quality of explanations provided at the General Managers meeting* and Board of Directors meetings has steadily improved. As a Board, we recognize and appreciate this progress. If the quality of explanations continues to improve, both the Board and management will be able to engage in even more effective discussions.

* This meeting primarily reviews the performance of each business and discusses future business strategies. Participants include all Directors and Audit & Supervisory Board Members, as well as the heads of each organization.

**Toyoda:** There are occasions during Board discussions when a perspective unique to the President helps clarify issues that had not previously been fully recognized. From the standpoint of an Outside Director, hearing the President's views directly is an essential part of understanding the Company's management. It is also important to have discussions that consider how each business is positioned within the overall portfolio, rather than focusing solely on reports from individual Divisions.

**Iwamoto:** Divisional Managers explain the facts and details, while the President organizes the discussion from a higher-level perspective. There are moments when a single comment from the President brings clarity to the discussion, and I believe a good balance has been achieved. The interaction itself contributes to the development of future management talent through the Board of Directors process.

**Kurihara:** Last year, in response to concerns raised both inside and outside the Company regarding the lack of clarity surrounding the President's succession plan, the Nomination and Remuneration Advisory Committee engaged in more in-depth discussions regarding the President's term of office, the candidate pool, the timing of reviews, and the experience and qualities required of candidates. Through these discussions, we were able to establish a common understanding among committee members. I believe this represented significant progress in our approach to selecting future presidential candidates.

# Board of Directors and Audit & Supervisory Board Members

**Please refer to the "Directors and Executive Officers" section on our website, for further details of the officers' career summaries.**
https://sfc.jp/english/corporate/officers/

## Directors

* is an independent officer. "Attendance" is the number of Board of Directors meetings attended in the fiscal year ended December 2025. "Company shares held" is current as of December 31, 2025.

Attendance: 15/15
Company shares held: 269 thousand shares

### Akira Ichikawa

**Representative Director, Chairman of the Board**
Born Nov. 12, 1954

Apr. 1978 - Joined the Company
Apr. 2010 - Representative Director (current position)
Apr. 2020 - Chairman of the Board (current position)

**Important concurrent jobs**
Outside Director of Sumitomo Chemical Company, Limited
Outside Director of Daiwa Securities Group Inc.

Attendance: 15/15
Company shares held: 103 thousand shares

### Toshiro Mitsuyoshi

**Representative Director, President**
Born May 23, 1962

Apr. 1985 - Joined the Company
Apr. 2020 - Representative Director (current position)
President/Director (current position)
President and Executive Officer (current position)

Attendance: 15/15
Company shares held: 63 thousand shares

### Tatsumi Kawata

**Representative Director**
Born Oct. 4, 1962

Apr. 1986 - Joined the Company
Jan. 2024 - Representative Director (current position)
Executive Vice President (current position)
Jan. 2025 - Divisional Manager of Corporate Division (current position)

Attendance: 15/15
Company shares held: 1 thousand shares

### Mitsue Kurihara*

**Outside Director**
Born Apr. 7, 1964

Jun. 2020 - Chairman, Representative Director of Value Management Institute, Inc.
Mar. 2021 - Outside Director of the Company (current position)

**Important concurrent jobs**
Outside Director of Chubu Electric Power Co., Inc.
Outside Director (Audit & Supervisory Committee Member) of Mizuho Bank, Ltd.
Outside Director of East Japan Railway Company

Attendance: 15/15
Company shares held: –

### Yuko Toyoda*

**Outside Director**
Born Aug. 21, 1970

Oct. 2000 - Registered as Attorney at Law admitted in Japan
Jan. 2023 - Partner of City-Yuwa Partners (current position)
Mar. 2023 - Outside Director of the Company (current position)

**Important concurrent jobs**
Attorney at Law
Outside Director of Eisai Co., Ltd.
Outside Director of Taiheiyo Cement Corporation

Attendance: 15/15
Company shares held: 76 thousand shares

### Atsushi Kawamura

**Director**
Born Feb. 24, 1965

Apr. 1987 - Joined the Company
Jun. 2020 - Director (current position)
Jan. 2023 - Senior Managing Executive Officer (current position)
Jan. 2026 - Divisional Manager of Real Estate Division (current position)

Attendance: 15/15
Company shares held: 15 thousand shares

### Nobuyuki Otani

**Director**
Born May 30, 1971

Apr. 1995 - Joined the Company
Jan. 2024 - Managing Executive Officer (current position)
Mar. 2024 - Director (current position)
Jan. 2025 - Deputy Divisional Manager of Corporate Division (current position)

Attendance: –*1
Company shares held: 14 thousand shares

### Inui Kenji

**Director**
Born Aug. 26, 1972

Apr. 1995 - Joined the Company
Jan. 2026 - Managing Executive Officer (current position)
Divisional Manager of Housing Division (current position)
Mar. 2026 - Director (current position)

*1 Appointed on March 27, 2026

Attendance: 15/15
Company shares held: 1 thousand shares

### Toshio Iwamoto*

**Outside Director**
Born Jan. 5, 1953

Jun. 2012 - Representative Director, President and Chief Executive Officer of NTT DATA Corporation (currently NTT DATA Group Corporation)
Mar. 2024 - Outside Director of the Company (current position)

**Important concurrent jobs**
Outside Director of Daiwa Securities Group Inc.
Outside Director of East Japan Railway Company
Outside Director of Isetan Mitsukoshi Holdings Ltd.

Attendance: 12/12*2
Company shares held: 4 thousand shares

### Kenji Sukeno*

**Outside Director**
Born Oct. 21, 1954

Jun. 2021 - Chairman & Director of FUJIFILM Corporation (current position)
Jun. 2023 - Chairman & Director of FUJIFILM Holdings Corporation (current position)
Mar. 2025 - Outside Director of the Company (current position)

**Important concurrent jobs**
Chairman & Director of FUJIFILM Holdings Corporation
Chairman & Director of FUJIFILM Corporation
Director of FUJIFILM Business Innovation Corporation
Outside Director of Isetan Mitsukoshi Holdings Ltd.

*2 Since appointment as Director on March 28, 2025.

# Board of Directors and Audit & Supervisory Board Members

## Audit & Supervisory Board Members

* is an independent officer. "Attendance" is the number of Board of Directors meetings (upper row) and Audit & Supervisory Board meetings (lower row) attended in the fiscal year ended December 2025. "Company shares held" is current as of December 31, 2025.

Attendance:
15/15
14/14
Company shares held:
8 thousand shares

### Toshio Kakumoto

Audit & Supervisory Board Member (full-time)
Born Apr. 7, 1964

Apr. 1988 - Joined the Company
Mar. 2023 - Audit & Supervisory Board Member (current position)

Attendance:
-/-*3
-/-*3
Company shares held:
31 thousand shares

### Junko Saishu

Audit & Supervisory Board Member (full-time)
Born on May 24, 1966

May 2012 - Joined the Company
Mar. 2026 - Audit & Supervisory Board Member (current position)

*3 Appointed on March 27, 2026

Attendance:
15/15
14/14
Company shares held:
–

### Yoshimasa Tetsu*

Outside Audit & Supervisory Board Member
Born Dec. 23, 1948

Aug. 1981 - Registered as a Certified Public Accountant
Jun. 2018 - Outside Audit & Supervisory Board Member of the Company (current position)

**Important concurrent jobs**
Certified Public Accountant

Attendance:
15/15
14/14
Company shares held:
0 thousand shares

### Takashi Kawachi*

Outside Audit & Supervisory Board Member
Born Sep. 24, 1957

Jun. 2023 - President of Japan Foundation for Regional Art-Activities (current position)
Mar. 2024 - Outside Audit & Supervisory Board Member of the Company (current position)

**Important concurrent jobs**
President of Japan Foundation for Regional Art-Activities
Outside Audit & Supervisory Board Member of The Yomiuri Shimbun
Special Advisor to the Cabinet

Attendance:
-/-*4
-/-*4
Company shares held:
0 thousand shares

### Naoko Munakata*

Outside Audit & Supervisory Board Member
Born on Feb. 12, 1962

Mar. 2026 - Audit & Supervisory Board Member (current position)
Professor of Graduate School of Public Policy of the University of Tokyo (current position)

**Important concurrent jobs**
Professor of Graduate School of Public Policy of the University of Tokyo
Outside Director of ExaWizards Inc.

*4 Appointed on March 27, 2026

## Executive Officers

| Position | Name | Department administered |
|---|---|---|
| President | Toshiro Mitsuyoshi* | — |
| Executive Vice President | Tatsumi Kawata* | Divisional Manager of Corporate Division and overseeing Lifestyle Service Division |
| Senior Managing Executive Officer | Atsushi Kawamura* | Divisional Manager of Real Estate Division and overseeing Timber and Building Materials Division and Overseas Housing Division |
| Managing Executive Officer | Nobuyuki Otani* | Deputy Divisional Manager of Corporate Division (Head of Corporate Planning and Finance) and overseeing Environment and Resources Division |
| | Kenji Inui* | Divisional Manager of Housing Division |
| | Takahisa Higaki | Executive Vice President and Representative Director of Cohnan Kensetsu Inc. and in charge of Osaka Headquarters (BCM) |
| | Koji Tanaka | Divisional Manager of Lifestyle Service Division |
| | Atsushi Iwasaki | Divisional Manager of Overseas Housing Division |
| | Yoichi Hosoya | Divisional Manager of Timber and Building Materials Division |
| | Kazutaka Horita | Divisional Manager of Environment and Resources Division and General Manager of Forest Asset Development Department |

* Doubles as Director and Executive Officer

| Position | Name | Department administered |
|---|---|---|
| Executive Officer | Masanobu Nishikawa | President and Representative Director of PT. Sumitomo Forestry Indonesia, President and Representative Director of NeXT FOREST Co., Ltd., and President and Representative Director of PT. Bina Ovivipari Semesta |
| | Tomio Tozaki | General Manager of IT Solutions Department of Corporate Division |
| | Yuuko Iizuka | Deputy Divisional Manager of Corporate Division (Head of Sustainability, and Quality and Occupational Safety Management) |
| | Kazuo Maniwa | General Manager of Personnel Department of Corporate Division |
| | Kiyoshi Sakurai | President and Representative Director of Sumirin Home Service Co., Ltd., and Deputy Divisional Manager of Real Estate Division and General Manager of Japan Real Estate Development Department |
| | Toshiya Sakamaki | General Manager of Medium- to Large-Scale Wooden Architecture Department and Deputy General Manager of Tsukuba Research Institute of Corporate Division |
| | Etsuya Yasui | Deputy Divisional Manager of Timber and Building Materials Division (Head of Manufacturing), and General Manager of Manufacturing Department of Timber and Building Materials Division |
| | Yasuyuki Shindo | President and Representative Director of Sumirin Home Tech Co., Ltd. |
| | Tomoaki Hayashi | Deputy Divisional Manager of Housing Division, and General Manager of Innovation Strategy Department of Housing Division |
| | Koichi Nomoto | Deputy Divisional Manager of Overseas Housing Division, and General Manager of Asia and Oceania Housing Department of Overseas Housing Division |

# 6 Performance & Data

This chapter presents the business activities and results of the Sumitomo Forestry Group with objective figures through financial and non-financial data, as well as analysis of financial position and operating results. In addition to financial and ESG data, external evaluations and awards provide concrete evidence of the Group's initiatives for value creation and their results.

# Eleven-Year Consolidated Financial Summary

| | 2025/12 | 2024/12 | 2023/12 | 2022/12 | 2021/12 | 2020/12 (9M)*7 | 2020/3 | 2019/3 | 2018/3 | 2017/3 | 2016/3 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Operating results** (¥ million) | | | | | | | | | | | |
| Net sales | ¥2,267,577 | ¥2,053,650 | ¥1,733,169 | ¥1,669,707 | ¥1,385,930 | ¥ 839,881 | ¥1,104,094 | ¥1,308,893 | ¥1,221,998 | ¥1,113,364 | ¥1,040,524 |
| Gross profit | 524,645 | 502,952 | 408,830 | 392,970 | 321,994 | 191,323 | 242,689 | 232,146 | 219,315 | 204,138 | 183,134 |
| Selling, general and administrative expenses | 355,921 | 308,364 | 262,573 | 234,717 | 208,344 | 143,862 | 191,312 | 182,899 | 166,294 | 150,149 | 153,041 |
| Operating income | 168,724 | 194,588 | 146,258 | 158,253 | 113,651 | 47,462 | 51,377 | 49,247 | 53,021 | 53,989 | 30,093 |
| Recurring income | 174,900 | 197,955 | 158,921 | 194,994 | 137,751 | 51,293 | 58,824 | 51,436 | 57,865 | 57,841 | 30,507 |
| Net income attributable to shareholders of parent / Net income | 106,666 | 116,528 | 102,170 | 108,672 | 87,175 | 30,398 | 27,853 | 29,160 | 30,135 | 34,532 | 9,727 |
| Recurring income (excluding actuarial differences) | 172,273 | 188,153 | 153,919 | 187,027 | 134,491 | 46,470 | 61,396 | 54,846 | 55,574 | 52,860 | 42,038 |
| **Financial position** (¥ million) | | | | | | | | | | | |
| Total assets | ¥2,572,032 | ¥2,267,488 | ¥1,824,727 | ¥1,537,598 | ¥1,314,226 | ¥1,091,152 | ¥1,004,768 | ¥ 970,976 | ¥ 899,120 | ¥ 794,360 | ¥ 710,318 |
| Working capital*1 | 964,127 | 883,938 | 639,401 | 578,653 | 470,909 | 297,669 | 273,167 | 236,047 | 209,506 | 190,386 | 178,215 |
| Interest-bearing debt | 769,464 | 613,411 | 423,872 | 348,323 | 302,763 | 302,933 | 268,491 | 248,885 | 200,630 | 163,817 | 119,069 |
| Net assets | 1,136,786 | 1,023,963 | 826,462 | 682,554 | 540,089 | 399,456 | 357,064 | 353,489 | 345,639 | 295,857 | 265,257 |
| EBITDA*2 | 219,027 | 241,967 | 189,595 | 218,991 | 159,186 | 67,777 | 84,647 | 75,501 | 79,645 | 76,261 | 46,354 |
| **Cash flows** (¥ million) | | | | | | | | | | | |
| Cash flows from operating activities | ¥ 94,675 | ¥ 27,078 | ¥ 125,300 | ¥ 55,276 | ¥ 91,576 | ¥ 46,840 | ¥ 45,724 | ¥ 40,689 | ¥ 13,732 | ¥ 40,337 | ¥ 45,705 |
| Cash flows from investment activities | (144,743) | (135,103) | (112,497) | (52,385) | (40,254) | (44,635) | (38,874) | (71,659) | (46,250) | (62,350) | (9,972) |
| Cash flows from financing activities | 50,728 | 133,225 | 10,236 | (32,998) | (7,029) | (6,782) | 1,142 | 11,523 | 25,156 | 14,267 | 1,813 |
| Cash and cash equivalents at the end of the year | 208,577 | 206,297 | 174,771 | 147,373 | 170,035 | 122,220 | 112,565 | 105,102 | 125,555 | 132,707 | 141,265 |
| **Capital investment** (¥ million) | | | | | | | | | | | |
| Property, plant and equipment | ¥ 33,507 | ¥ 54,470 | ¥ 23,367 | ¥ 31,657 | ¥ 21,844 | ¥ 18,124 | ¥ 32,414 | ¥ 17,071 | ¥ 17,685 | ¥ 48,204 | ¥ 18,042 |
| Intangible fixed assets | 6,823 | 8,005 | 4,913 | 5,334 | 3,892 | 2,989 | 3,470 | 3,173 | 2,470 | 2,839 | 2,006 |
| Others | 9,674 | 7,106 | 10,154 | 7,026 | 2,488 | 2,834 | 2,267 | 2,088 | 3,792 | 3,085 | 400 |
| Total | 50,005 | 69,582 | 38,433 | 44,017 | 28,224 | 23,946 | 38,151 | 22,331 | 23,947 | 54,128 | 20,448 |
| Depreciation and amortization | 30,939 | 27,916 | 20,618 | 17,911 | 16,491 | 11,503 | 14,388 | 13,696 | 13,727 | 12,887 | 11,753 |

*1 Working capital = Current assets - Current liabilities
*2 EBITDA = Recurring Income + Interest expenses + Depreciation and Amortization

# Eleven-Year Consolidated Financial Summary

| | 2025/12 | 2024/12 | 2023/12 | 2022/12 | 2021/12 | 2020/12 (9M)*7 | 2020/3 | 2019/3 | 2018/3 | 2017/3 | 2016/3 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Per share data*3** (¥) | | | | | | | | | | | |
| Net income | ¥ 174.13 | ¥ 189.80 | ¥ 168.00 | ¥ 181.27 | ¥ 152.56 | ¥ 55.85 | ¥ 51.18 | ¥ 53.60 | ¥ 56.16 | ¥ 64.98 | ¥ 18.31 |
| Net assets | 1,642.00 | 1,499.06 | 1,228.29 | 1,046.75 | 826.59 | 675.04 | 592.52 | 585.02 | 573.02 | 517.35 | 458.16 |
| Cash dividends | 53 | 48.3 | 41.7 | 41.7 | 26.7 | 11.7 | 13.3 | 13.3 | 13.3 | 11.7 | 8 |
| **Financial ratios** (%) | | | | | | | | | | | |
| Gross profit margin | 23.1 | 24.5 | 23.6 | 23.5 | 23.2 | 22.8 | 22.0 | 17.7 | 17.9 | 18.3 | 17.6 |
| Operating income margin | 7.4 | 9.5 | 8.4 | 9.5 | 8.2 | 5.7 | 4.7 | 3.8 | 4.3 | 4.8 | 2.9 |
| Recurring income margin | 7.7 | 9.6 | 9.2 | 11.7 | 9.9 | 6.1 | 5.3 | 3.9 | 4.7 | 5.2 | 2.9 |
| Return on assets (ROA)*4 | 7.2 | 9.7 | 9.5 | 13.7 | 11.5 | 4.9 | 6.0 | 5.5 | 6.8 | 7.7 | 4.4 |
| Return on equity (ROE)*4 | 11.1 | 13.9 | 14.8 | 19.4 | 20.2 | 8.8 | 8.8 | 9.3 | 10.3 | 13.3 | 4.0 |
| Return on invested capital (ROIC) | 9.2 | 12.1 | 11.9 | 17.0 | 14.1 | 6.1 | 7.6 | 7.3 | 9.3 | 11.0 | 6.4 |
| Equity ratio | 39.0 | 40.6 | 41.3 | 40.8 | 37.7 | 33.7 | 32.1 | 32.8 | 34.7 | 34.6 | 34.3 |
| Interest-bearing debt ratio*5 | 43.4 | 40.0 | 36.0 | 35.7 | 37.9 | 45.2 | 45.4 | 43.9 | 39.2 | 37.3 | 32.8 |
| Current ratio | 232.1 | 233.5 | 207.1 | 217.1 | 211.9 | 178.3 | 175.3 | 163.2 | 158.8 | 158.8 | 156.9 |
| Interest coverage ratio (times)*6 | 7.15 | 3.59 | 29.3 | 18.4 | 39.7 | 24.9 | 16.9 | 20.1 | 9.6 | 27.1 | 43.1 |
| Net debt equity ratio (times) | 0.5 | 0.4 | 0.3 | 0.3 | 0.3 | 0.5 | 0.5 | 0.5 | 0.3 | 0.1 | 0.1 |
| **Stock market indicators** | | | | | | | | | | | |
| PER (times) | 9.2 | 9.3 | 8.3 | 4.3 | 4.9 | 12.9 | 9.0 | 9.6 | 10.1 | 8.7 | 23.6 |
| PBR (times) | 1.0 | 1.2 | 1.1 | 0.7 | 0.9 | 1.1 | 0.8 | 0.9 | 1.0 | 1.1 | 0.9 |
| Dividend payout ratio (%) | 30.4 | 25.5 | 24.8 | 23.0 | 17.5 | 20.9 | 26.1 | 24.9 | 23.7 | 18.0 | 43.7 |
| Number of shares issued (thousand shares) | 618,556 | 206,067 | 206,058 | 201,218 | 201,201 | 182,778 | 182,752 | 182,699 | 182,608 | 177,410 | 177,410 |
| Market capitalization (millions of yen)*3 | 992,782 | 1,091,127 | 866,064 | 469,643 | 447,873 | 393,705 | 253,294 | 280,625 | 311,711 | 299,646 | 229,391 |

*3 The Company conducted a three-for-one stock split with an effective date of June 30, 2025, and the past results have been retroactively adjusted accordingly.
*4 ROA and ROE are calculated using the simple average of beginning and end of term balance sheet figures.
*5 Interest-bearing debt ratio = Interest-bearing debt / (Interest-bearing debt + Shareholders' equity)
*6 Interest coverage ratio (times) = Cash flows from operating activities / Interest payments
*7 In conjunction with the change in fiscal year-end, the fiscal year ended December 2020 is an irregular transition period covering the nine months from April to December 2020 on a consolidated basis.

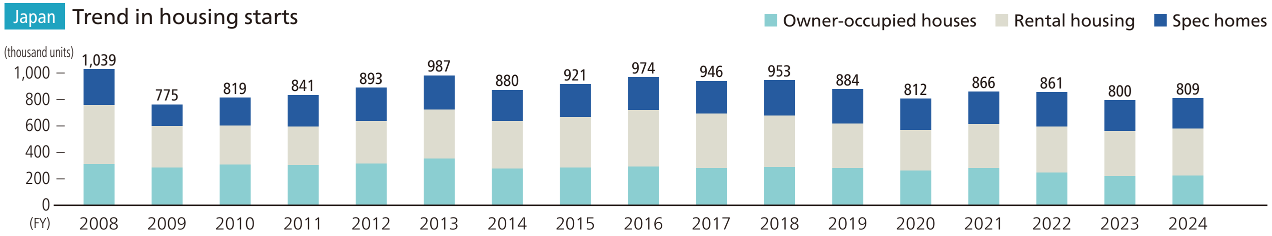
# Management Discussion and Analysis (MD&A)

## Recognition of the external environment

During the fiscal year ended December 2025, the global economy experienced a slowing pace of expansion due to a deterioration in consumer mindset in the United States as a result of inflationary pressure brought about by the tariff hike policy, the prolonged government shutdown, and tough measures against undocumented immigrants, despite strong capital investment driven by AI-related demand. The European economy continued in a recovery trend, supported by robust personal consumption. The Japanese economy showed signs of recovery in the areas of capital investment and personal consumption, despite the impact of continued price increases and U.S. trade policies, and the economy as a whole continued to recover gradually.

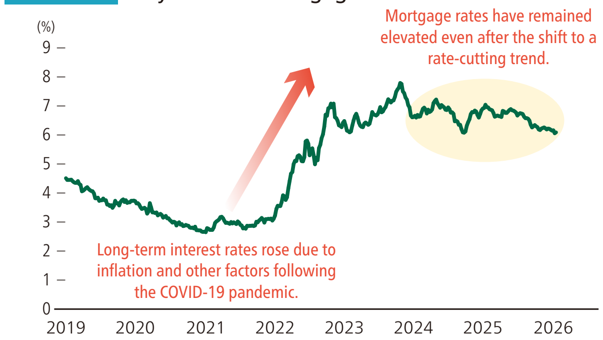
With regard to the housing and real estate markets, new housing starts in Japan fell due to a pullback from the upsurge in demand following amendments to the Act on the Improvement of Energy Consumption Performance of Buildings (Building Energy Efficiency Act) as well as the impact of rising housing prices driven by soaring material costs and the continued decline in real wages. In the United States, the market environment remained difficult due to high housing prices and high mortgage rates, as well a tendency to defer purchases caused by a decline in consumer willingness to purchase homes. In Australia, the market showed signs of recovery as demand expanded due to policy rate cuts and rising selling prices.

Japan Trend in housing starts




Source: Housing Starts Statistics, Ministry of Land, Infrastructure, Transport and Tourism

United States 30-year fixed mortgage rates




Source: Prepared by the Company based on data from Freddie Mac (as of January 22, 2026)

United States New home sales prices and affordability


Source: Prepared by the Company based on data from the National Association of REALTORS® and the U.S. Census Bureau (as of November 2025)

## Overview of consolidated results

For the fiscal year ended December 2025, net sales were ¥2,267.577 billion (up 10.4% year on year), operating income was ¥168.724 billion (down 13.3%), recurring income was ¥174.900 billion (down 11.6%), and net income attributable to shareholders of parent was ¥106.666 billion (down 8.5%). Actuarial differences related to retirement benefit accounting were ¥2.627 billion, so recurring income came to ¥172.273 billion when actuarial differences were excluded.

### Consolidated statements of income

(¥ million)

| | FY24/12 full year | FY25/12 full year | Year on year |
|---|---|---|---|
| Net sales | 2,053,650 | 2,267,577 | +10.4% |
| Cost of sales | 1,550,698 | 1,742,931 | +12.4% |
| Gross profit | 502,952 | 524,645 | +4.3% |
| Selling, general and administrative expenses | 308,364 | 355,921 | +15.4% |
| Operating income | 194,588 | 168,724 | -13.3% |
| Non-operating income | 19,714 | 30,352 | +54.0% |
| Non-operating expenses | 16,347 | 24,176 | +47.9% |
| Recurring income | 197,955 | 174,900 | -11.6% |
| Extraordinary income | — | 5,328 | — |
| Extraordinary loss | 5,926 | — | — |
| Income taxes | 44,624 | 41,910 | -6.1% |
| Net income | 147,405 | 138,318 | -6.2% |
| Net income attributable to shareholders of parent | 116,528 | 106,666 | -8.5% |
| Recurring income excluding actuarial differences | 188,153 | 172,273 | -8.4% |

# Management Discussion and Analysis (MD&A)

## Overview by segment

### Timber and Building Materials Business

In the distribution business, although sales volume of wood fuels for biomass power generation increased, sales of timber, building materials, and other products remained sluggish due to a decline in new housing starts in Japan. Going forward, through the capital and business alliance with GEOLIVE Group Corporation, we will aim to build a unique supply chain and a solid earnings base. In the manufacturing business, sales of interior fittings in Japan increased. However, results remained sluggish due to the impact of soaring raw material prices and weak overseas market conditions. Recurring income for the Timber and Building Materials Business as a whole increased compared with the previous fiscal year, partly due to negative goodwill arising from domestic and overseas M&A.

### Housing Business

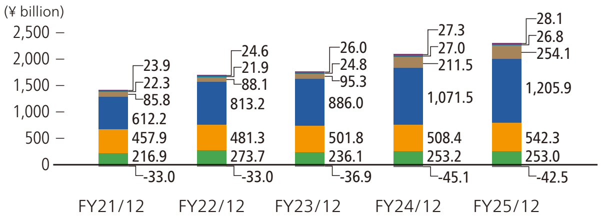
In the custom-built detached housing business, orders remained strong due to enhanced proposals such as Forest Selection BF and the Grand Estate Design Project. Business performance was also strong, as the number of units sold and the unit selling price both increased against the backdrop of strong orders received until the previous fiscal year.

In the rental housing business, orders for The Forest Barque, a commercial construction brand, remained strong, and the unit selling price of rental housing products increased. In the spec homes business, performance was affected by a decrease in the number of houses sold. Meanwhile, the renovation business captured demand and performed strongly by promoting orders for environmentally conscious renovation and focusing on stimulating demand among owners of Sumitomo Forestry homes.

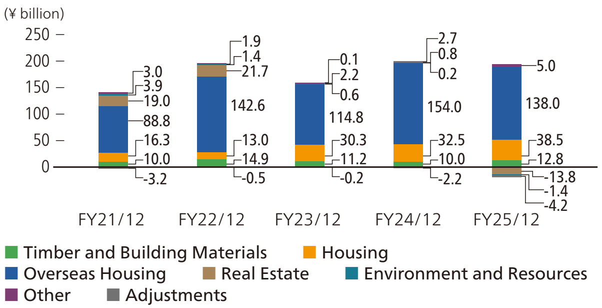
### Overseas Housing Business

In the U.S. single-family homes business, homebuyers continued to take a wait-and-see attitude due to factors such as high mortgage rates and uncertainty about the future of the economy. As a result, the number of units sold decreased, and performance was sluggish. In the FITP business, although net sales increased following the establishment of new factories, results were sluggish due to a slump in housing starts. On the other hand, in the single-family homes business in Australia, the business environment improved due to factors such as policy rate cuts, and performance remained strong due to a recovery in demand supported by the strong housing market in Western Australia and the consolidation of Metricon.

#### Net sales by segment




#### Recurring income by segment




#### Order and sales status (Housing Segment)

(¥ billion)

| | | FY24/12 full year | FY25/12 full year | Year on year |
|---|---|---|---|---|
| Order amount | Custom-built detached houses | 397.9 | 420.2 | +5.6% |
| | Apartments | 19.3 | 26.3 | +36.6% |
| Custom-built detached houses Order volume and unit price | Units | 810.8 | 835.7 | +3.1% |
| | Price per unit (¥ million) | 44.6 | 45.9 | +2.9% |
| Sales amount * Former segment | Custom-built detached houses | 362.8 | 389.0 | +7.2% |
| | Apartments | 18.9 | 19.1 | +0.9% |
| | Spec homes | 21.5 | 20.1 | -6.5% |
| | Renovation | 72.1 | 77.9 | +8.0% |
| | Others | 67.0 | 79.4 | +18.4% |
| | Total | 542.3 | 585.4 | +7.9% |
| | Recurring income ratio | 6.5% | 7.0% | — |
| Custom-built detached houses Sales volume and unit price | Units | 755.1 | 777.2 | +2.9% |
| | Price per unit (¥ million) | 46.7 | 48.7 | +4.3% |

#### Order and sales status (overseas single-family homes business)

| | | FY24/12 full year | FY25/12 full year | Year on year |
|---|---|---|---|---|
| Housing in the United States | Number of orders | 10,566 | 9,932 | -6.0% |
| | Number of units sold | 11,267 | 10,262 | -8.9% |
| | Sales amount (USD million) | 5,601 | 5,252 | -6.2% |
| | Sales unit price (USD thousand) | 486 | 490 | +0.8% |
| | Recurring income ratio | 17.3% | 13.4% | — |
| | Backlog of orders at fiscal year-end (units) | 2,678 | 2,346 | -12.4% |
| | Lots owned at fiscal year-end | 50,494 | 50,894 | +0.8% |
| | Of which, completed inventory | 1,871 | 2,251 | +20.3% |
| | Option lots at fiscal year-end | 29,790 | 28,671 | -3.8% |
| Housing in Australia | Number of orders | 3,669 | 8,342 | +127.4% |
| | Number of units sold | 3,287 | 7,404 | +125.3% |
| | Sales amount (AUD million) | 1,559 | 3,500 | +124.5% |
| | Sales unit price (AUD thousand) | 474 | 473 | -0.3% |
| | Recurring income ratio | 8.2% | 7.8% | — |
| | Backlog of orders at fiscal year-end (units) | 7,867 | 8,107 | +3.1% |

# Management Discussion and Analysis (MD&A)

### Real Estate Business

In the United States, results remained stagnant due to the partial postponement of the sale of multi-family housing and commercial and mixed-use complexes as a result of the slump in the real estate market amid persistently high interest rates. Meanwhile, in the suburbs of Seattle, we began development of a hybrid multi-family housing project with a wooden-mixed structure, in collaboration with Kumagai Gumi Co., Ltd., Fuyo General Lease Co., Ltd., major local developers, and others, thereby promoting wooden construction that contributes to decarbonization. In Japan, we expanded our business foundation by making LeTech Corporation a subsidiary. We also continued to build a track record in medium- to large-scale wooden construction and worked to expand the use of wood and wood-based materials.

### Environment and Resources Business

In the renewable energy business, results were sluggish due to persistently high wood fuel prices, although operations at wood biomass power plants were stable. In the forest resources business, results were affected by damage caused by fallen trees in New Zealand, as well as decreases in sales volume and unit selling prices in the forestry business in Papua New Guinea. Meanwhile, through a joint venture with Sumitomo Mitsui Trust Bank, Limited, we began an initiative to promote reforestation on deforested land and generate carbon credits. Through this initiative, we aim to realize economically viable forest management by reforestation, generating carbon credits, and creating revenue through timber production.

## Overview of financial position

Total assets came to ¥2,572.032 billion at the end of the fiscal year ended December 2025, an increase of ¥304.544 billion year on year. This increase was attributable mainly to an increase in real estate for sale accompanying the expansion of the single-family homes business chiefly in the United States, greater investment in the real estate development business, and the impact of newly consolidated entities.

Liabilities increased ¥191.721 billion from the end of the previous fiscal year to ¥1,435.246 billion, mainly due to an increase in borrowings. Net assets came to ¥1,136.786 billion and equity ratio was 39.0%.

## Overview of cash flow

Cash and cash equivalents at the end of the fiscal year ended December 2025 increased ¥2.280 billion from the end of the previous fiscal year to ¥208.577 billion. Net cash provided by operating activities was ¥94.675 billion. This was due mainly to an increase in cash resulting from the posting of income before income taxes, even as cash decreased as a result of an increase in real estate for sale associated with the expansion of the single-family homes business in the United States. Net cash used in investment activities was ¥144.743 billion. This was due mainly to the use of cash for real estate development in the United States and other activities. Net cash provided by financing activities was ¥50.728 billion. This was due mainly to cash provided by an increase in long-term borrowings, which offset the use of cash for the payment of dividends.

With regard to the Group’s capital resources and liquidity, our basic policy is to flexibly use optimal financing methods according to short- and long-term funding needs, thereby diversifying repayment periods and reducing financing costs. We also take various measures to mitigate financing risk, including maintaining transaction relationships with financial institutions, diversifying funding sources, and establishing commitment lines with multiple financial institutions. As of December 31, 2025, the balance of interest-bearing debt, including borrowings and lease obligations, was ¥769.464 billion.

## Recognized risks and future outlook

In the global economy, despite expectations of continuous signs of a gradual recovery, there is growing uncertainty over the impact on the economy from U.S. foreign and security policies as well as domestic political issues, and these factors require continued attention. In the Japanese economy, while moderate economic recovery is expected to continue due to improvements in the employment and income environment and the government’s economic and fiscal policies, the impact of U.S. trade policies and delayed improvements to Japan-China relations continue to pose downside risks to the economy.

In the housing and real estate markets, we recognize the need to continue paying close attention to the impact of interest rate trends and fluctuations in demand.

**For details on each item, please also refer to the following pages.**

Message from the Executive Officer in Charge of Corporate Planning and Finance ➔P.22

Growth Mechanisms Created by Our Businesses ➔P.30

Financial Highlights ➔P.50

# ESG Information

| | | | 2025/12 | 2024/12 | 2023/12 | 2022/12 | 2021/12 |
|---|---|---|---|---|---|---|---|
| Environment (E) | Energy consumption (MWh) | | 2,725,378 | 2,768,650 | 2,862,493 | 2,880,398 | 2,878,334 |
| | Water use volume (thousand m³) | | 2,895 | 2,939 | 2,916 | 2,937 | 2,858 |
| | Greenhouse gas emissions (t-$CO_2$e) | Scope 1 | 92,226 | 92,727 | 103,726 | 126,301 | 143,806 |
| | Greenhouse gas emissions (t-$CO_2$e) | Scope 2 | 53,553 | 62,305 | 98,566 | 100,915 | 100,891 |
| | Greenhouse gas emissions (ten thousand t-$CO_2$e) | Scope 3 | 1,122.0 | 1,073.5 | 944.6 | 940.0 | 983.5 |
| | Renewable energy introduction rate (%) | | 81.4 | 81.7 | 78.1 | 75.7 | 74.5 |
| | Renewable energy introduction rate in electricity used in the Group overall (%) | | 43.6 | 39.8 | 19.6 | 17.5 | 17.2 |
| | Sustainability procurement survey rate for imported wood product suppliers (%) | | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| | Sustainable wood use rate among principal structural materials (%) | | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| | Recycling rate at domestic manufacturing plants (%) | | 99.5 | 99.1 | 99.6 | 99.4 | 99.1 |
| | ZEH order ratio for new custom-built detached houses (%) (order basis) | | 81.3 | 79.3 | 79.7 | 77.2 | 67.4 |
| | Rate of new custom-built detached houses certified as long-life quality housing (%) | | 97.4 | 96.7 | 95.9 | 96.3 | 94.9 |
| | Area under forest ownership/management (ten thousand ha) | Domestic | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 |
| | | Overseas | 23.1 | 23.7 | 23.8 | 24.0 | 22.9 |
| | | Area under forestry fund management | 9.4 | 8.0 | — | — | — |
| | | Area under Japan Forest Asset management | 0.07 | — | — | — | — |
| | Carbon sequestration amount in area under forest ownership/management (carbon dioxide equivalent) (ten thousand t-$CO_2$) | Domestic | 1,419 | 1,405 | 1,384 | 1,373 | 1,361 |
| | | Overseas | 5,115 | 5,152 | 5,191 | 5,264 | 5,240 |
| Social (S) | Number of employees (persons) | Non-consolidated | 5,581 | 5,341 | 5,235 | 5,139 | 5,091 |
| | | Consolidated | 27,613 | 26,741 | 24,815 | 21,948 | 21,254 |
| | Ratio of female employees (%) | Non-consolidated | 25.2 | 24.4 | 23.8 | 23.1 | 22.6 |
| | | Consolidated in Japan | 33.9 | 35.2 | 36.1 | 33.4 | 34.4 |
| | | Consolidated overseas | 30.4 | 30.1 | 28.4 | 28.2 | 30.0 |
| | Ratio of female employees in management position (%) | Non-consolidated | 8.2 | 7.6 | 6.8 | 6.3 | 5.6 |
| | | Consolidated in Japan | 12.2 | 10.4 | 9.4 | 8.9 | 8.4 |
| | | Consolidated overseas | 27.6 | 27.4 | 25.4 | 23.2 | 20.9 |
| | Ratio of newly graduated female recruits (%) | Non-consolidated | 36.6 | 32.8 | 34.1 | 33.1 | 26.9 |
| | | Consolidated in Japan | 38.0 | 45.1 | 41.8 | 34.6 | 35.1 |
| | Ratio of female recruits (%) | Consolidated overseas | 29.7 | 39.1 | 35.7 | 39.5 | 32.8 |
| | Employment ratio of persons with disabilities (%) | Non-consolidated | 2.57 | 2.60 | 2.46 | 2.40 | 2.38 |
| | | Consolidated in Japan | 2.22 | 2.30 | 2.25 | 2.23 | 2.04 |
| | Rate of childcare leave taken by male employees (%)* | Non-consolidated | 71.4 | 78.1 | 70.0 | 49.0 | 50.4 |
| | | Consolidated in Japan | 47.0 | 45.7 | 28.0 | 32.8 | 28.0 |
| | Rate of childcare leave taken by female employees (%)* | Non-consolidated | 115.4 | 102.2 | 81.4 | 110.3 | 108.8 |
| | | Consolidated in Japan | 98.4 | 101.6 | 96.8 | 114.3 | 118.8 |
| | Rate of paid leave taken (%) | Non-consolidated | 72.1 | 68.9 | 69.0 | 68.4 | 64.1 |
| | | Consolidated in Japan | 70.9 | 69.1 | 68.1 | 66.6 | 59.6 |
| | Training hours per employee (hours) | Non-consolidated | 25.6 | 20.9 | 19.6 | 15.5 | 13.0 |
| | Training expenses per employee (thousand yen) | Non-consolidated | 173 | 152 | 117 | 106 | 77 |
| | Turnover ratio (%) | Non-consolidated | 2.2 | 2.8 | 3.1 | 3.2 | 2.7 |
| | New graduate employee retention rate (three years with the Company) (%) | Non-consolidated | 78.8 | 81.7 | 83.7 | 82.9 | 83.3 |
| | Employee satisfaction (%) | Non-consolidated | 81.0 | 78.0 | 76.3 | 77.0 | 78.2 |
| Governance (G) | Number of Board of Directors meetings held (times) | | 15 | 15 | 15 | 15 | 16 |
| | Number of Directors (persons) | | 10 | 10 | 9 | 9 | 9 |
| | Ratio of Outside Directors (%) | | 40 | 40 | 33 | 33 | 33 |
| | Attendance rate of Outside Directors at Board of Directors meetings (%) | | 100 | 100 | 100 | 100 | 100 |

* Rate of childcare leave taken = Number of employees who started childcare leave during the fiscal year / Number of employees who had a child born during the fiscal year.

# Major Evaluations and Awards Achieved

The Sumitomo Forestry Group has been selected as a constituent of major ESG indices in Japan and overseas and has received high evaluations from various external organizations, including ESG rating agencies (as of May 2026).

## ESG evaluations

Climate CDP A List 2025

Forests CDP A List 2025

Dow Jones
Best-in-Class Indices

S&P Global Top 1% Corporate Sustainability Assessment (CSA) 2025 Score

FTSE4Good

### Included as a constituent stock in all six ESG indices selected by the GPIF

FTSE JPX Blossom Japan Index

FTSE JPX Blossom Japan Sector Relative Index

2026 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

2026 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

S&P/JPX Carbon Efficient Index

Morningstar Japan ex-REIT Gender Diversity Tilt Index (excluding REIT)

* The inclusion of Sumitomo Forestry Co., Ltd. in MSCI indices and the use of the MSCI logo, trademarks, service marks, and/or index names on its website do not constitute sponsorship, endorsement, or advertising by MSCI or its affiliates of Sumitomo Forestry Co., Ltd. MSCI indices are the exclusive property of MSCI. MSCI and MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

2025 Sompo Sustainability Index

Corporate ESG Performance Prime RATED BY ISS Stoxx

## External recognition and evaluations

Digital Transformation Certification

2026 健康経営優良法人 KENKO Investment for Health 大規模法人部門 ホワイト500

JAPAN WOOD DESIGN AWARD 2025

work with Pride Gold 2025

NIKKEI Integrated Report Award 日経統合報告書アワード Semi-Grand Prize

## Major initiative participations and endorsements

WE SUPPORT UN GLOBAL COMPACT

WBCSD World Business Council for Sustainable Development

SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

TNFD Forum Member

RE100 CLIMATE GROUP CDP

# Statement of Authenticity

**Tatsumi Kawata**
Representative Director,
Executive Vice President

## Publication of Integrated Report 2026

Under its Long-term Vision Mission TREEING 2030, the Sumitomo Forestry Group aims to realize a sustainable society and enhance corporate value over the long term through businesses spanning forests, timber, construction, and renewable energy. Under Mission TREEING 2030 Phase 2, the Medium-term Management Plan launched in fiscal 2025, we are further deepening and accelerating our value creation model based on the Group's unique Wood Cycle value chain, creating value for our planet, value for people and society, and value for the market economy.

In this report, to help a wide range of stakeholders better understand our value creation process and the progress of our strategies, we have enhanced our disclosures by systematically presenting the Group's value creation mechanisms and strategies, together with our initiatives to address key issues such as climate change, natural capital, and human rights.

In preparing this report, we referred to frameworks and guidance including the International Integrated Reporting Framework of the IFRS Foundation and the Guidance for Collaborative Value Creation 2.0 of the Ministry of Economy, Trade and Industry. In addition, in order to accurately convey the Group's strategy, awareness of issues, and response, related departments and management teams cooperated closely during the preparation. In addition, for important non-financial information, we are working to improve the reliability of reported matters by measures including obtaining a limited warranty from a third-party warranty organization. As the person in charge of the department responsible for preparing the Integrated Report, I hereby declare that the process of preparing this report is adequate and that the contents of the report are accurate.

We hope that this report will help readers understand the current standing of the Group, as well as our future direction, and will serve as a launching pad for constructive dialogue with our stakeholders.

# IR FAQ

## Q What growth story does the Sumitomo Forestry Group envision through 2030?

**A**

The Sumitomo Forestry Group refers to its unique value chain centered on wood from forest management to the manufacturing and distribution of timber and building materials, wooden construction, and biomass power generation as the Wood Cycle. By expanding this Wood Cycle globally, we aim to contribute to the realization of a decarbonized society through our business activities while creating three types of value such as value for our planet, value for people and society, and value for the market economy.

From a performance perspective, we are targeting recurring income of 350 billion yen by 2030. In our Overseas Housing Business, we aim to establish annual supply capacities of 23,000 housing units in the United States and 10,000 housing units in Australia. In addition to achieving organic growth through our existing homebuilders, we will pursue further growth opportunities through new M&A initiatives.

In Japan, while the housing market is expected to continue its structural contraction, we will seek to expand market share and strengthen our stable earnings base through businesses such as rental housing, renovation, and medium- to large-scale wooden construction.

Going forward, we will continue to pursue both geographic and business diversification to achieve sustainable growth over the medium to long term.

## Q What is the outlook for the U.S. real estate development business?

**A**

Under the Medium-term Management Plan Mission TREEING 2030 Phase 2 (FY2025/12–FY2027/12), we plan to sell an average of 20 properties per year in our U.S. real estate development business. While elevated interest rates continue to make it difficult to reach agreement on property sales, we are working to improve the sales environment while stabilizing our earnings base through higher occupancy rates at rental properties. Our U.S. real estate development company possesses general contractor capabilities, enabling it to generate fee income from construction projects in addition to income gains from rental income and capital gains from property sales. By combining these multiple sources of earnings, we aim to build a stable business foundation that is less susceptible to fluctuations in market conditions.

## Q Why does the Company view the U.S. housing market as a medium- to long-term growth market?

**A**

Although market conditions may fluctuate in the short term due to economic trends and geopolitical risks, we believe the U.S. housing market offers stable growth potential over the medium to long term. This view is primarily based on structural factors, namely population growth and housing shortages.

In the United States, the decline in housing starts following the global financial crisis has resulted in an estimated housing shortage of approximately 4 million to 6 million homes. On the demand side, the country has a large population of millennials and Generation Z consumers, who represent the core homebuying demographic, supporting expectations for continued solid housing demand.

The Group's operations are concentrated in metropolitan areas within the Sun Belt, where industrial development has accelerated in recent years and where population and employment growth remain particularly strong.

In addition, we are promoting our FITP business, which provides an integrated service covering panel design, manufacturing, delivery, and installation. This enables us to respond flexibly to changes in market conditions while maintaining a stable housing supply.

Going forward, while remaining prudent in responding to short-term market fluctuations, we will continue to make management decisions aimed at sustainable growth based on a careful assessment of medium- to long-term demand fundamentals.

## Q What initiatives are you undertaking to strengthen the earnings base of the Australian housing business?

**A**

In Australia, following the acquisition of Metricon Group, the country's largest homebuilder, in November 2024, profitability has steadily improved. As a result, the Australian housing business as a whole achieved recurring income of 26.3 billion yen in the fiscal year ended December 2025.

Going forward, we will continue to strengthen our marketing capabilities by leveraging our broad product lineup, which ranges from high-end to affordable housing. At the same time, we will pursue efficiency initiatives, including the consolidation of procurement functions and the integration of back-office operations. We will also focus on improving production efficiency by leveraging the expertise and talent cultivated through our custom-built housing business in Japan. Through these initiatives, we intend to further enhance synergies across the Group.

## Q What does the acquisition of Tri Pointe Homes mean for the Group's medium- to long-term growth?

**A**

The acquisition of Tri Pointe Homes, Inc. (TPH) is a strategic investment that will advance the evolution of the Group's U.S. single-family homes business in terms of both scale and quality.

The U.S. single-family homes business is one of the Group's core businesses, accounting for approximately 60% of the Group's recurring income. Through this acquisition, annual home sales are expected to expand to approximately 15,000 units in 2025, placing the business among the top five homebuilders in the United States in terms of scale. This increased scale is expected to generate significant economies of scale and further enhance profitability. In addition, TPH has a strong presence in California, a market where the Group previously had no operations, thereby expanding our geographic footprint. TPH also brings a differentiated strategy focused on high value-added products and a broad product lineup, contributing to greater product diversification. Furthermore, by leveraging synergies with the Group's U.S. sawmill business and FITP business, we will strengthen our value chain and accelerate the Wood Cycle. At the same time, we will incorporate TPH's business management expertise to further enhance our management foundation.

We view this acquisition as an important step toward strengthening our competitiveness and expanding earnings over the medium to long term.

## Q What initiatives are you undertaking to strengthen the earnings base of the domestic housing business?

**A**

The domestic housing business operated in a challenging environment in the fiscal year ended December 2025, with the number of owner-occupied housing starts falling below the previous fiscal year. Despite these conditions, proposals that leverage the high-quality building materials and design capabilities developed through the Grand Estate Design Project have been well received by customers. In addition, orders for Forest Selection, our semi-customized housing product targeting the mid-price segment, remained strong. As a result of initiatives tailored to each price segment, the domestic housing business achieved increases in both net sales and recurring income.

Going forward, we will continue to pursue cost reductions and operational efficiency improvements while strengthening our business foundation in growth areas, including rental housing, spec homes, renovation, and greening. Through these efforts, we aim to achieve sustainable growth.

# Corporate Profile and Stock Information (as of December 31, 2025)

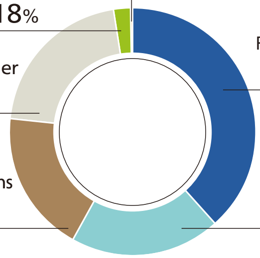
## Corporate profile

| | |
|---|---|
| Company name | Sumitomo Forestry Co., Ltd. |
| Founded | 1691 |
| Incorporated | 1948 |
| Paid-in capital | ¥55,332 million |
| Head office | Keidanren Kaikan, 3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8270, Japan |
| Affiliated companies | 757 (overseas 700) |
| Number of employees (consolidated) | 27,613 |
| Homepage | https://sfc.jp/english/ |
| Accounting auditor | Ernst & Young ShinNihon LLC |
| Contacts | Sumitomo Forestry Co., Ltd.<br>Corporate Communications Department<br>IR Group<br>Tel : 81-3-3214-2270<br>Fax: 81-3-3214-22722<br><br>IR contact<br>https://inquire.sfc.jp/sfc/m/contact/english/ |

## Shareholders & stock information

| | |
|---|---|
| Stock exchange listing | Tokyo |
| Total number of authorized shares | 1,200,000,000 |
| Total number of shares issued | 618,555,804 |
| Ordinary General Meeting of Shareholders | March |
| Number of shareholders | 120,354 |

### Breakdown of shareholders




* Percentages in breakdown of shareholders are rounded down.

## Major shareholders (top 10)

| Shareholders | Number of shares held (Thousand shares) | Shareholding ratio (%) |
|---|---|---|
| The Master Trust Bank of Japan, Ltd. (trust account) | 85,474 | 13.8 |
| Custody Bank of Japan, Ltd. (trust account) | 44,896 | 7.2 |
| Sumitomo Metal Mining Co., Ltd. | 30,330 | 4.9 |
| The Iyo Bank, Ltd. | 17,548 | 2.8 |
| Kumagai Gumi Co., Ltd. | 15,592 | 2.5 |
| Sumitomo Corporation | 13,149 | 2.1 |
| Sumitomo Life Insurance Company | 12,681 | 2.0 |
| The Hyakujushi Bank, Ltd. | 12,593 | 2.0 |
| Sumitomo Forestry Group Employee Shareholding Association | 9,504 | 1.5 |
| The Nomura Trust and Banking Co., Ltd. (trust account) | 8,142 | 1.3 |

* Number of shares held and shareholding ratio are rounded down. Shareholding ratio is calculated by subtracting treasury stock from the total number of outstanding shares.

SUMITOMO FORESTRY CO.,LTD.

Corporate Communications Department IR Group
Keidanren Kaikan, 3-2, Otemachi 1-chome,
Chiyoda-ku, Tokyo 100-8270, Japan
Tel: 81-3-3214-2270 Fax: 81-3-3214-2272
URL: https://sfc.jp/english/

FSC www.fsc.org MIX Paper | Supporting responsible forestry FSC® C176523

VEGETABLE OIL INK

2606001II