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

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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,

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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.

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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

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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.

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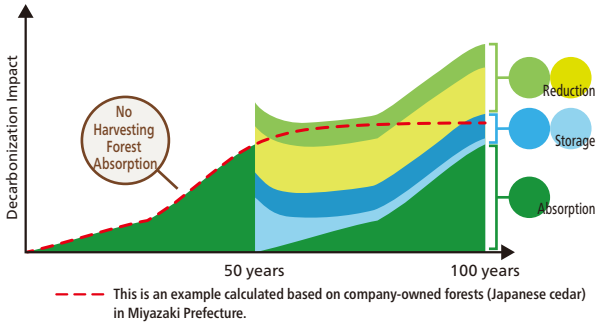
The "Wood Cycle" Value Chain →P.7
Three Values Created by the "Wood Cycle" →P.8

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.