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.

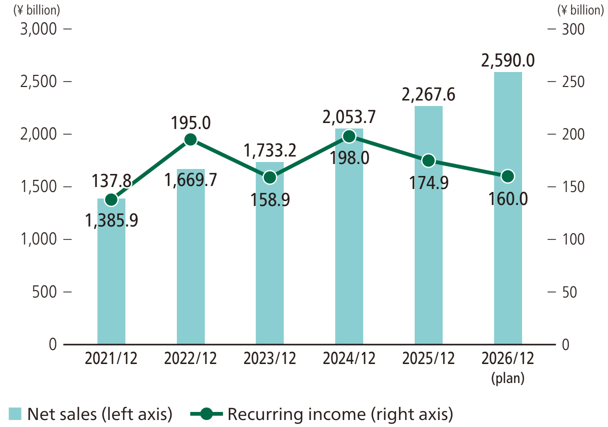
Review of the first year and outlook for the second year of Mission TREEING 2030 Phase 2

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.

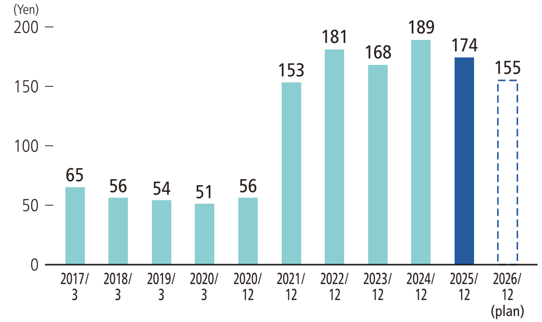
We recognize our cost of shareholders' equity to be in the 7% range and aim to consistently achieve ROE above that level. Rather than relying excessively on financial leverage, we will focus on improving profitability and asset efficiency to enhance ROE. Although current ROE remains below our target,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

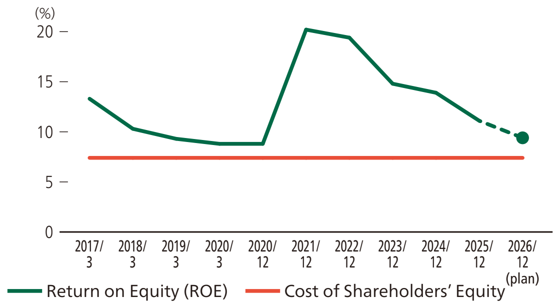
* Renamed from Teal Jones Plain Dealing, LLC in May 2026.

Earnings per share (EPS) trend

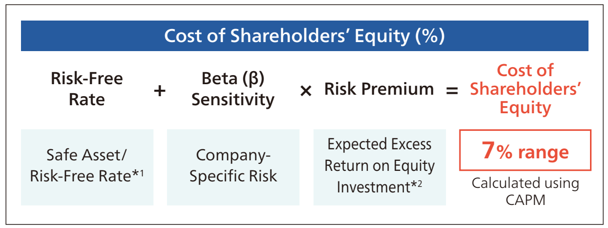


* Due to a change in the fiscal year-end, the fiscal year ended December 2020 consisted of the nine-month period from April to December 2020.
* EPS for the fiscal year ending December 2026 was calculated using the number of shares outstanding as of December 31, 2025.
* The Company conducted a three-for-one 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.



*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

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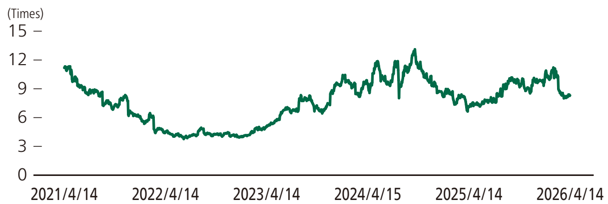
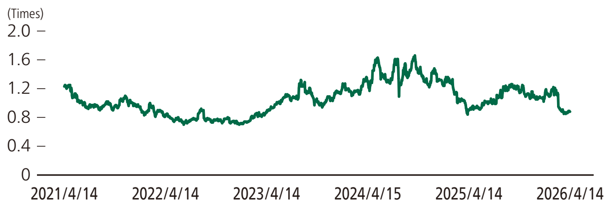


PBR



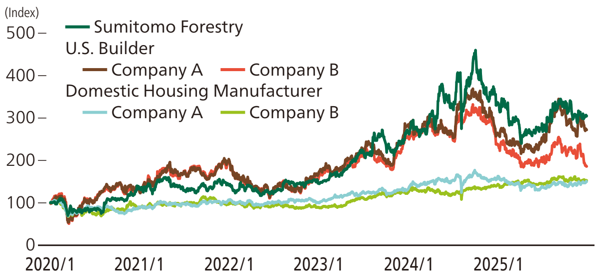
Message from the Executive Officer in Charge of Corporate Planning and Finance

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.

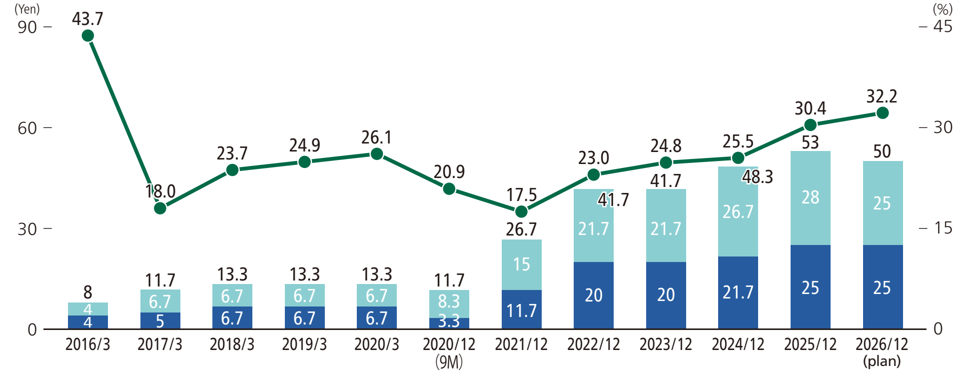
Stock price performance



Shareholder returns

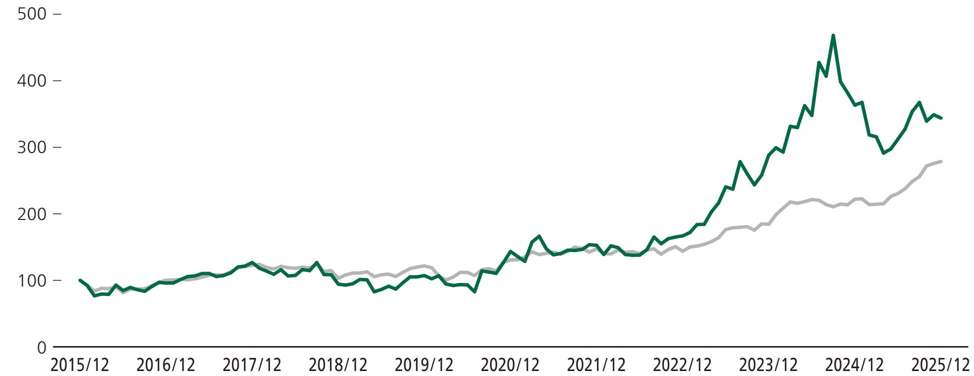
■ Interim dividend (left axis)
■ Year-end dividend (left axis)
● Net income per share (right axis)

* 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

Sumitomo Forestry
TOPIX



	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.