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.

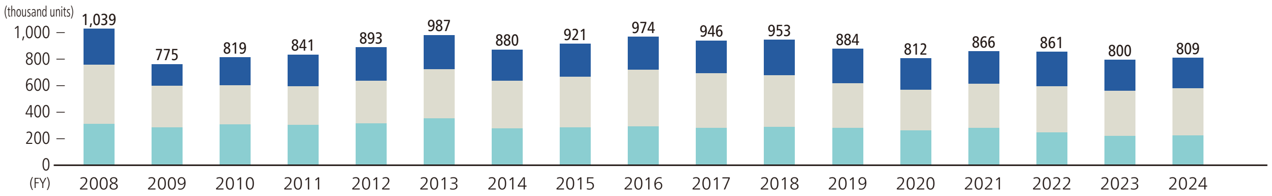
Management Discussion and Analysis (MD&A)

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.

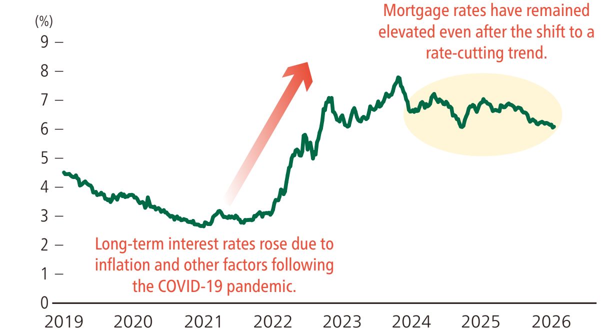
With regard to the housing and real estate markets, new housing starts in Japan fell due to a pullback from the upsurge in demand following amendments to the Act on the Improvement of Energy Consumption Performance of Buildings (Building Energy Efficiency Act) as well as the impact of rising housing 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

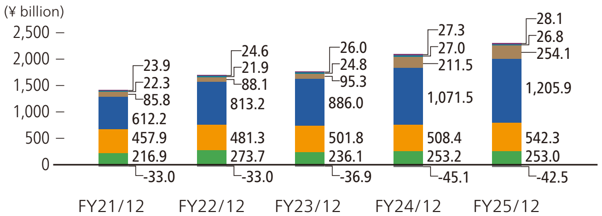
In the custom-built detached housing business, orders remained strong due to enhanced proposals such as Forest Selection BF and the Grand Estate Design Project. Business performance was also strong, as the number of units sold and the unit selling price both increased against the backdrop of strong orders 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.

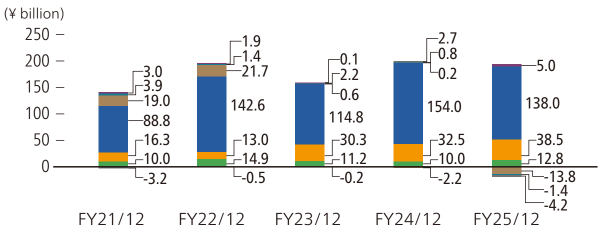
Overseas Housing Business

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



■ Timber and Building Materials ■ Housing ■ Overseas Housing ■ Real Estate ■ Environment and Resources ■ Other ■ Adjustments

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	Units	810.8	835.7	+3.1%
Order volume and unit price	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	Units	755.1	777.2	+2.9%
Sales volume and unit price	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_2e)	Scope 1	92,226	92,727	103,726	126,301	143,806
	Greenhouse gas emissions (t-CO_2e)	Scope 2	53,553	62,305	98,566	100,915	100,891
	Greenhouse gas emissions (ten thousand t-CO_2e)	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

CDP Climate A List 2025

CDP Forests A List 2025

Dow Jones
Best-in-Class Indices

S&P Global Top 1%

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

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)

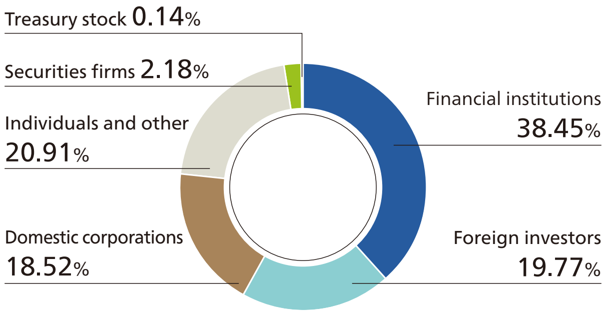
Corporate profile

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. Corporate Communications Department IR Group Tel : 81-3-3214-2270 Fax: 81-3-3214-22722 IR contact 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.