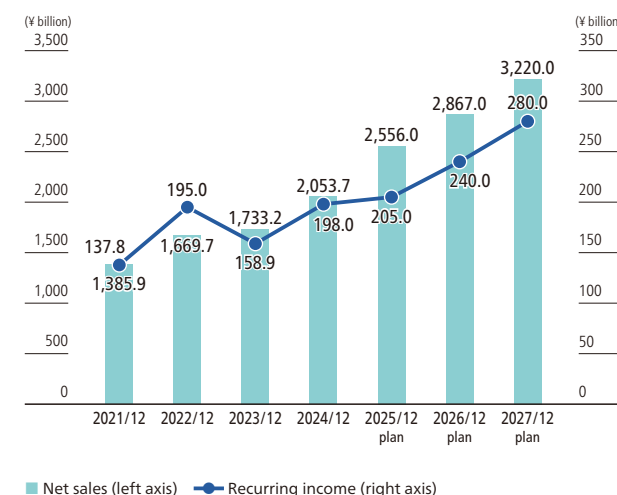


Message from the Executive Officer in Charge of Corporate Planning and Finance



Net sales and recurring income



Our new Medium-term Management Plan, Mission TREEING 2030 Phase 2, is billed as “three years of reform and implementation for dramatic growth.” In accordance, we will accelerate investments to achieve sustainable growth. Particularly, we will aggressively invest in the decarbonization field, as well as the housing business and real estate development in the U.S. and Australia, strengthening the foundation to achieve our Long-term Vision for 2030. In addition, we will pursue both improved capital efficiency and expanded shareholder returns, executing a solid growth strategy for sustainable corporate value enhancement.

Review of the previous Medium-term Management Plan

The previous Medium-term Management Plan, Mission TREEING 2030 Phase 1, was designed to be “three years for creating a foundation aimed at future growth and contribution to decarbonization,” and therefore we focused our efforts on further expanding the core revenue pillar that is our Construction and Real Estate Business, strengthening the earnings base of business in Japan, and expanding the scale of decarbonization initiatives. During the period covered by Phase 1, with overall Group performance driven by the Global Construction and Real

Estate business, buoyed by a strong single-family homes business in the U.S., we earned record-high profits for the fiscal year ended December 2024, the final year of Phase 1. Key performance measures included net sales of 2,053.7 billion yen (11.3 billion yen less than the initial plan), recurring income of 198.0 billion yen (25.0 billion yen more), and net income of 116.5 billion yen (11.0 billion yen more). ROE was 19.4% for the fiscal year ended December 2022, 14.8% for the fiscal year ended December 2023, and 13.9% for the fiscal year ended December 2024. Despite a target of 15%, rising foreign currency translation adjustments due to the weaker yen have pushed ROE below our target. However, we have maintained the ROE level that

significantly exceeds our cost of equity of 7.4%. Going forward, we aim to ensure sustainable growth by improving capital efficiency while maintaining financial soundness.

Financial strategy in Mission TREEING 2030 Phase 2

In the new Medium-term Management Plan Mission TREEING 2030 Phase 2, which started in the fiscal year ending December 2025, the theme is “three years of reform and implementation for dramatic growth,” aiming for sustainable profit growth through continued proactive investment in growth areas. One of the basic policies is the

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

Trend in main financial indicators

	2020/12*1	2021/12	2022/12	2023/12	2024/12	2025/12 plan*2	2027/12 target
Equity ratio	33.7%	37.7%	40.8%	41.3%	40.7%	40.1%	40.0% or more
Net debt-to-equity ratio (times)	0.5	0.3	0.3	0.3	0.4	—	around 0.7x
Return on equity (ROE)	8.8%	20.2%	19.4%	14.8%	13.9%	13.1%	15% or more
Dividend payout ratio	20.9%	17.5%	23.0%	24.8%	25.5%	30.3%	30% or more

*1 Due to a change in the fiscal year end, the fiscal year ended December 31, 2020 consisted of the nine-month period from April to December 2020.

*2 Plan as of February 13, 2025.

enhancement of earning power, with a target of achieving net sales of 3,220 billion yen (an increase of 1,166.3 billion yen from the fiscal year ended December 2024) and recurring income of 280 billion yen (an increase of 82 billion yen) by the final fiscal year ending December 2027.

The main pillar of profit growth towards achieving the Phase 2 recurring income target of 280 billion yen is the growth of the U.S. single-family homes business. In the U.S., where solid demand persists due to a housing supply shortage resulting from population growth, we aim to expand our business by responding to housing demand in each region with a dual focus on single-family homes and multi-family housing.

In order to pursue profitability while ensuring stability, we have maintained the same target financial indicators as in Phase 1: Equity ratio of 40% or higher, net debt-to-equity ratio of approximately 0.7 times, and ROE of 15.0% or higher. We aim to achieve the latter by securing the investment funds necessary for sustainable growth and improving profitability.

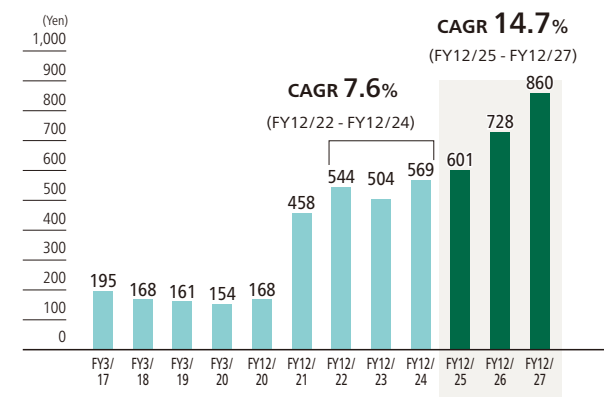
Mission TREEING 2030 Phase 2 also includes the strengthening of the management base as one of its basic policies. Within this policy, securing and developing human resources to drive business transformation and creation is positioned as one of the key measures. We will work on strengthening the recruitment and development of capable planners who will be responsible for creating new businesses and transforming existing ones, as well as

highly skilled construction technicians and personnel capable of adapting to advancing globalization and digitalization. Additionally, as interest in ESG investment grows, Sumitomo Forestry has been selected for the CDP Climate Change A List for the ninth consecutive year, one of many high ratings received from global ESG rating organizations. We regard these as a source of medium- to long-term competitiveness, and will work to enhance this source, including through strategic investments.

Improving corporate value

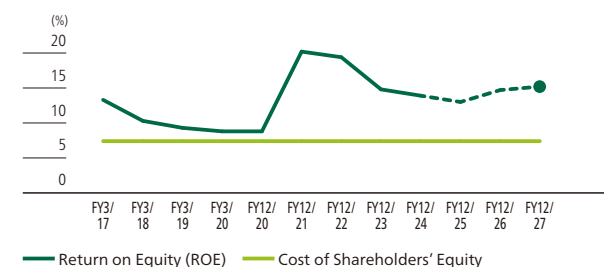
For the fiscal year ending December 31, 2025, we plan to increase sales and profits in the Timber and Building Materials business and the Housing business in Japan, as well as increase the number of units sold in the U.S. and Australia. For the single-family homes business in the U.S., we anticipate a decline in profit margins due to intensified competition and rising land acquisition costs, as mortgage interest rates are expected to remain high. However, we plan to strategically utilize incentives to increase the number of units sold. In addition, in the single-family homes business in Australia, revenue from Metricon will combine with improved earnings of existing Sumitomo Forestry Group companies, with recurring income of 20 billion yen planned for the fiscal year ending December 2025. In Phase 2, we will make the right investments for the future, assuming an average EPS annual growth rate of

Earnings per share (EPS) trend



* EPS for each period from FY12/25 to FY12/27 is calculated using the number of shares as of end-December 2024.

Return on equity (ROE) trends



Cost of Shareholders' Equity (%)

Risk-Free Rate	+	Beta (β) Sensitivity	×	Risk Premium	=	Cost of Shareholders' Equity
Safe Asset/ Risk-Free Rate*3		Company- Specific Risk		Expected Excess Return on Equity Investment*4		7.40%
						Calculated using CAPM

*3 Set based on 10-year government bond yield.

*4 Set based on historical stock market returns.

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

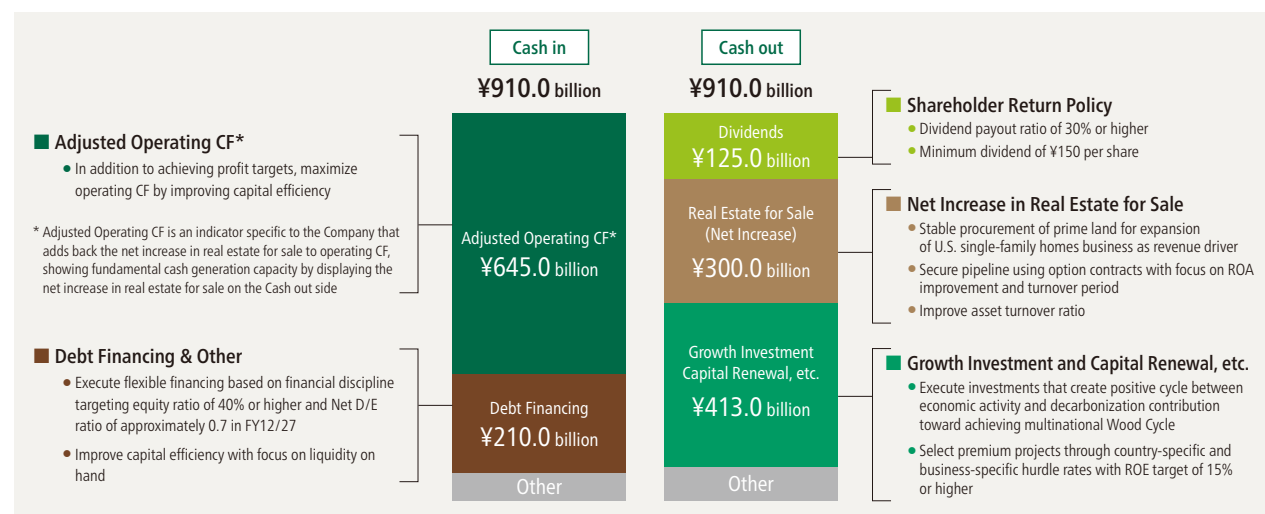
14.7%, higher than the amount in Phase 1, and we will continue to aim for an ROE of over 15%, significantly surpassing the cost of equity of 7.4%.

Capital allocation

In our Long-term Vision, we aim to supply 23,000 single-family homes annually in the U.S. by 2030, and we are continuously acquiring real estate for sale to achieve this goal. In the short term, there is a possibility of impact from economic trends, including persistently high mortgage rates; however, in this growth market, we will continue to expand our business through both organic growth and M&A. Regarding land acquisition, we currently own and control approximately 80,000 lots and are making progress in acquiring prime properties. We plan a cumulative net increase of 300 billion yen in real estate for sale over the three-year period of Phase 2.

In the capital allocation for the new Medium-term

Cumulative three-year capital allocation for Mission TREEING 2030 Phase 2



Management Plan period, as shown in the table below, the net increase in real estate for sale is separated from operating cash flow to show its intrinsic cash-generating ability as adjusted cash flow. We will steadily secure investment funds for business expansion by maximizing adjusted operating cash flow through the achievement of our profit plan and by agile fundraising founded in unwavering financial discipline.

Aggressive investments in decarbonization-related and growth areas

In Phase 1, we invested 613.2 billion yen (including a 286.8 billion yen increase in real estate for sale), mainly in the Housing business and real estate development projects in the U.S. and Australia. In Phase 2, we plan to actively invest 713 billion yen (including a 300 billion yen increase in real estate for sale) over the three-year period, mainly in

growth areas. Specifically, we will expand investments from Phase 1 in timber industrial complexes, manufacturing businesses, forestry fund-related areas, and the renewable energy field. In investment decision-making, we will enhance capital efficiency by carefully selecting investment projects through the establishment of hurdle rates applied by country and by business. Through these investments, we will expand our business globally to contribute to the Wood Cycle and promote initiatives that create a virtuous cycle of economic activity and decarbonization contributions.

Growth investment and capital renewal, etc.

Breakdown (unit: billion yen)	Phase 1	Phase 2	
	Actual	Plan	up/down Rate from Phase 1
Forestry Fund Related	3.9	22.0	+466%
Forest Resource Business	5.1	5.0	-1%
Timber Industrial Complex	6.7	46.0	+585%
Manufacturing Business	8.1	44.0	+443%
FITP Business	31.2	4.0	-87%
Housing Business	35.1	33.0	-6%
Medium- to Large-Scale Wooden Construction	24.4	45.0	+84%
Real Estate Development Business	138.0	144.0	+4%
Renewable Energy	2.7	20.0	+632%
System-Related	16.9	20.0	+18%
Other	54.2	30.0	-45%
Total	326.4	413.0	+27%

* Amounts shown for both Phase 1 and Phase 2 represent three-year cumulative totals.

Net change in real estate for sale

Breakdown (unit: billion yen)	Phase 1	Phase 2	
	Actual	Plan	up/down Rate from Phase 1
Overseas Housing	266.4	265.0	-1%
Domestic Housing	20.4	35.0	+72%
Total	286.8	300.0	+5%

* Amounts shown for both Phase 1 and Phase 2 represent three-year cumulative totals.

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

Clarification of shareholder return policy

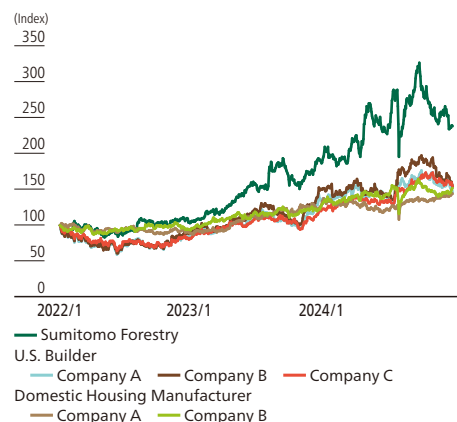
Regarding the shareholder return policy in the new Medium-term Management Plan, we have now further clarified our policy, setting a dividend payout ratio of 30% or higher and a minimum annual dividend per share of 150 yen. Our price-to-book ratio, or PBR, has improved from 0.9 times as of the fiscal year ended December 2021 to 1.2 times as of the fiscal year ended December 2024, and our total shareholders' return (TSR) has remained above the TOPIX with a cumulative 406.3% over the past 10 years. Going forward, we will continue efforts to maintain attractive dividends in accordance with our profit level and further enhance our corporate value.

Review of Long-term Vision targets

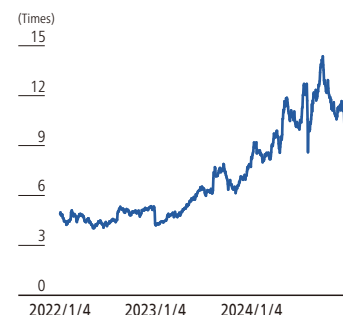
In light of the steady progress in business expansion and initiatives, we have revised our recurring income target for the final year of our Long-term Vision, the fiscal year ending December 2030, upward to 350 billion yen. The context behind this upward revision is our anticipation of an expanding U.S. single-family homes business and real estate development business, which are expected to grow in the medium to long term. Furthermore, we aim to increase profits through the growth of rental housing, spec home, and renovation businesses in Japan, the enhancement of profitability in the timber and building materials manufacturing business, and the realization of new businesses.

By achieving targets in each division, we will realize the higher profit targets of our Long-term Vision, Mission TREEING 2030.

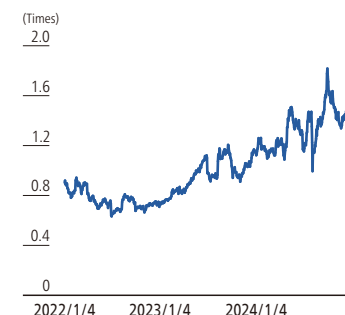
Stock price performance



PER



PBR

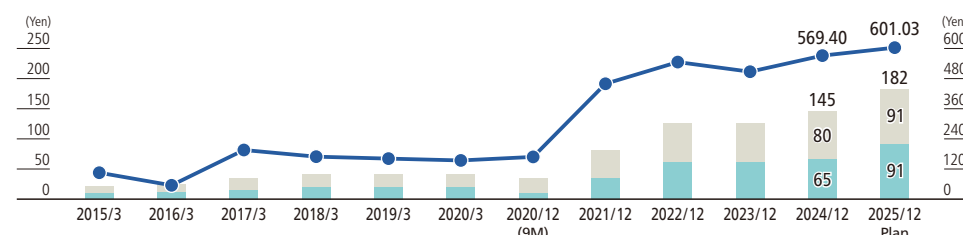


Shareholder returns

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

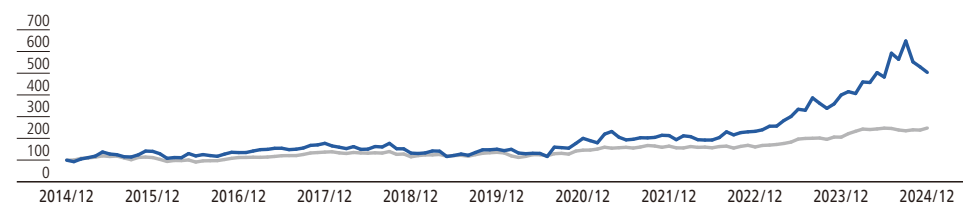
* Due to a change in the fiscal year end, the fiscal year ended December 31, 2020 consisted of the nine-month period from April to December 2020.

* Plan figures are for the initial plan as of February 13, 2025.



TSR

- Sumitomo Forestry
- TOPIX



	1 year	3 years		5 years		10 years	
		Cumulative	Annual rate	Cumulative	Annual rate	Cumulative	Annual rate
Sumitomo Forestry	+29.4%	+155.6%	+36.7%	+260.6%	+29.2%	+406.3%	+17.6%
TOPIX	+20.5%	+50.7%	+14.6%	+82.5%	+12.8%	+148.8%	+9.5%

* Total Shareholders' Return (TSR): Comprehensive return on investment including capital gains and dividends.

* The above graph shows the TSR, including dividends and stock price fluctuations, of investments made on December 31, 2014 up to December 31, 2024. The Sumitomo Forestry's chart indicates index figures of investment results (assuming no reinvestment of dividends) by setting investment amounts as of December 31, 2014 as 100. The index for comparison is TOPIX inclusive of dividends, and it is calculated in the same way as the above.

* The above table shows TSR as of December 31, 2024 assuming investments were made one year prior (December 31, 2023), three years prior (December 31, 2021), five years prior (December 31, 2019), and ten years prior (December 31, 2014). Figures for the one-year, three-year, five-year, and ten-year investments are annualized by geometric average of the return on investment for the relevant period.