



SUMITOMO FORESTRY

February 13, 2026

Summary of Financial Results for the Fiscal Year Ended December 31, 2025 [Japanese GAAP] (Consolidated)

Name of Company: Sumitomo Forestry Co., Ltd. Stock Exchange Listing: Tokyo
Securities Code: 1911 URL: <https://sfc.jp/english/>
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Scheduled Date of Ordinary General Meeting of Shareholders: March 27, 2026
Scheduled Date to commence Dividend Payments: March 30, 2026
Scheduled Date to file Securities Report: March 25, 2026
Supplementary Documents on Financial Results: Yes
Financial Results Briefing: Yes (for analysts and institutional investors, in Japanese)

(Note: Amounts are rounded to nearest million Yen.)

1. Consolidated financial results for the FY ended December 31, 2025 (January 1, 2025 – December 31, 2025)

(1) Consolidated results of operations (Cumulative total) (%: change from the same period of the previous year)

	Net sales		Operating income		Recurring income		Net income attributable to shareholders of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended December 31, 2025	2,267,577	10.4	168,724	(13.3)	174,900	(11.6)	106,666	(8.5)
FY ended December 31, 2024	2,053,650	18.5	194,588	33.0	197,955	24.6	116,528	14.1

(Note) Comprehensive income

FY ended December 31, 2025 161,538 Million yen [(30.6)%]

FY ended December 31, 2024 232,614 Million yen [37.6%]

	Net income per share	Net income per share fully diluted	Return on equity	Ratio of recurring income to assets	Operating income margin
	Yen	Yen	%	%	%
FY ended December 31, 2025	174.13	174.07	11.1	7.2	7.4
FY ended December 31, 2024	189.80	189.67	13.9	9.7	9.5

(Reference) Equity in income (losses) of affiliates

FY ended December 31, 2025 7,606 Million yen

FY ended December 31, 2024 (1,900) Million yen

(Note) The Company conducted a stock split in a ratio of three shares for every one common share on July 1, 2025.

Accordingly, the net income per share and the net income per share fully diluted were calculated on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Shareholder's equity per share
	Million yen	Million yen	%	Yen
As of December 31, 2025	2,572,032	1,136,786	39.0	1,642.00
As of December 31, 2024	2,267,488	1,023,963	40.6	1,499.06

(Reference) Shareholders' equity

As of December 31, 2025 1,003,973 Million yen

As of December 31, 2024 920,347 Million yen

(Notes) 1. Due to the finalization of the provisional accounting treatment for business combination, the figures reflect a significant revision to the initial allocation of acquisition cost.

2. The Company conducted a stock split in a ratio of three shares for every one common share on July 1, 2025.

Accordingly, the net assets per share were calculated on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

(3) Consolidated cash flow position

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investment activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY ended December 31, 2025	94,675	(144,743)	50,728	208,577
FY ended December 31, 2024	27,078	(135,103)	133,225	206,297

2. Cash Dividends

	Cash dividend per share					Annual aggregate amount	Payout ratio (Consolidated)	Dividends/ net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY ended December 31, 2024	—	65.00	—	80.00	145.00	29,837	25.5	3.5
FY ended December 31, 2025	—	75.00	—	28.00	—	32,737	30.4	3.4
FY ending December 31, 2026 (forecast)	—	25.00	—	25.00	50.00		32.2	

* The Company conducted a stock split in a ratio of three shares for every one common share with a record date of June 30, 2025 and an effective date of July 1, 2025. With regard to the above year-end dividend per share for the FY ended December 31, 2025, the amount after the stock split is stated. Total annual dividend per share for the FY ended December 31, 2025 is not stated as the interim dividend and the year-end dividend cannot be simply totaled due to implementation of the stock split. Without taking the stock split into account, the year-end dividend per share and the total annual dividend per share for the FY ended December 31, 2025 are 84.00 yen and 159.00 yen, respectively.

3. Forecast of the consolidated financial results for the FY ending December 31, 2026 (January 1, 2026 – December 31, 2026)

(%: change from the previous year)

	Net sales		Operating income		Recurring income		Net income attributable to shareholders of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	2,590,000	14.2	157,000	(6.9)	160,000	(8.5)	95,000	(10.9)	155.09

* Notice

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included : 6 companies (Company name) : WPM Holdco LLC
WPM Louisiana Holdings, LLC
Project Horntail, LLC
Teal Jones-Plain Dealing, LLC
LeTech Corporation
Edge Land, LLC

Excluded : None (Company name) :

(2) Changes in accounting policies, accounting estimates, and restatements

- (a) Changes in accounting policies due to revision of accounting standards and other regulations : Yes
(b) Changes in accounting policies due to other reasons : None
(c) Changes in accounting estimates : None
(d) Restatements : None

(3) Number of issued shares (common stock)

(a) Total number of issued shares at the end of the period (including treasury stock)

As of December 31, 2025	618,555,804	As of December 31, 2024	618,202,104
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(b) Number of treasury stock at the end of the period

As of December 31, 2025	7,121,943	As of December 31, 2024	4,250,865
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(c) Average number of shares outstanding during the period

FY ended December 31, 2025	612,550,316	FY ended December 31, 2024	613,945,620
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- (Notes) 1. The Company conducted a stock split in a ratio of three shares for every one common share on July 1, 2025. Accordingly, the total number of issued shares at the end of the period (including treasury stock), the number of treasury stock at the end of the period and the average number of shares outstanding during the period (twelve months from the beginning of the fiscal year) were calculated on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.
2. The Company has introduced the Employee Stock Compensation Plan. The number of treasury stock at the end of the period includes the Company's shares held by the Employee Stock Delivery Trust (as of December 31, 2025: 2,757,700 shares, as of December 31, 2024: 0 share). The Company's shares held by the said trust are included in treasury stock to be deducted in the calculation of the average number of shares outstanding during the period.

(Reference) Non-consolidated financial results

Financial results for the fiscal year ended December 31, 2025 (January 1, 2025 – December 31, 2025)

(1) Non-consolidated result of operations

	Net sales		Operating income		Recurring income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended December 31, 2025	552,674	6.5	14,089	(10.0)	61,312	9.0	56,531	10.4
FY ended December 31, 2024	519,029	0.9	15,650	3.1	56,271	34.9	51,200	29.0

	Net income per share	Net income per share fully diluted
	Yen	Yen
FY ended December 31, 2025	91.78	91.74
FY ended December 31, 2024	82.94	82.88

- (Note) The Company conducted a stock split in a ratio of three shares for every one common share on July 1, 2025. Accordingly, the net income per share and the net income per share fully diluted were calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2025	1,119,119	382,106	34.1	621.31
As of December 31, 2024	1,040,814	343,053	33.0	555.59

(Reference) Shareholders' equity

As of December 31, 2025 382,054 Million yen

As of December 31, 2024 342,984 Million yen

(Note) The Company conducted a stock split in a ratio of three shares for every one common share on July 1, 2025. Accordingly, the net assets per share were calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

* Financial results report is exempt from interim review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

(Caution regarding forward-looking statements)

Earnings forecasts and other forward-looking statements in this release are based on data currently available to the Company and certain assumptions that the Company believes are reasonable and are not intended as a promise by the Company to achieve those forecasts. Actual results may differ substantially due to various factors. Please see "1. Overview of the Results of Operations, etc. (4) Future Outlook" on page 9 of the accompanying materials for assumptions underlying the financial results forecast, notes on using the financial results forecast, and other relevant matters.

(Obtain Supplemental Explanatory Material)

The Financial Factbook which is supplementary documents on Financial Results is published on the website as below.

<https://sfc.jp/english/ir/>

Additionally, the Company will hold a financial results briefing for securities analysts and institutional investors on Monday, February 16, 2026. The explanatory material on the financial results will be published on the website.

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1. Overview of the Results of Operations, etc.

(1) Overview of the Results of Operations for the Period under Review

During the fiscal year under review, the global economy experienced a slowing pace of expansion due to a deterioration in consumer mindset in the U.S. as a result of inflationary pressure brought about by the Trump administration's tariff hike policy, the prolonged government shutdown, and tough measures against illegal 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 market, 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 U.S., the market environment remained difficult due to high housing prices and high mortgage rates, as well as a decline in consumer willingness to purchase homes and a tendency to defer purchases. In Australia, the market showed signs of recovery as demand expanded due to policy rate cuts and rising selling prices.

In this business environment, the Group launched its three-year Medium-Term Management Plan "Mission TREEING 2030 Phase 2," the first year of which was the fiscal year under review. Positioning the overall theme of this Medium-Term Management Plan as "Three years for reform and materialization toward dramatic growth," we set out the five basic policies of "efforts to address decarbonization challenges," "improvement of earning capacity," "deepening of global expansion," "strengthening of management base," and "further integration of business operations and ESG." During the fiscal year under review, we expanded the rental housing business in Japan by acquiring a real estate company that develops rental apartments. In the U.S., we put effort into promoting businesses toward the further growth of the Group, including integrating two local subsidiaries and streamlining our management structure in order to expand our business base to achieve stable growth in the single-family homes business.

As a result, 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%). The actuarial difference related to retirement benefit accounting were ¥2,627 million, so recurring income came to ¥172.273 billion when actuarial differences were excluded.

The following summarizes the performance of each business segment. Net sales for each segment include intersegment internal sales.

(1) Timber and Building Materials

In the distribution business, we focused on expanding sales of wood fuels for biomass power generation. Although sales volume increased, sales of timber, building materials and other products remained difficult due to a decline in new housing starts in Japan, resulting in a sluggish performance. Furthermore, in August last year, we entered into a capital and business alliance agreement with GEOLIVE Group Corporation, which operates a timber and building materials distribution business, with the aim of achieving sustainable growth in the timber and building materials distribution industry. Through this alliance, we will promote a business that integrates the functions and expertise of both companies, aiming to build a unique supply chain and a solid earnings base.

In the manufacturing business, results were sluggish in Japan, partly due to soaring raw material prices, despite an increase in sales of interior fittings against a backdrop of strong orders and sales in the housing business. Overseas, results were sluggish due to a decrease in sales volume in the plywood business in Indonesia and a reduction in selling prices in the particle board business in Vietnam. In addition, in July last year, we acquired a sawmill company in Louisiana, U.S. as a subsidiary, and will create synergies by supplying lumber products to Group companies engaged in the housing business in the U.S., thereby promoting further business expansion.

Recurring income increased compared with the previous fiscal year, partly due to negative goodwill arising from domestic and overseas M&A.

As a result of the above, in the Timber and Building Materials segment, net sales were ¥252.974 billion (down 0.1% year on year) and recurring income was ¥12.755 billion (up 27.5% year on year).

(2) Housing

In the custom-built detached housing business, orders remained strong as we sought to offer value tailored to customer needs, such as our “Forest Selection BF,” a semi-custom-order product that offers customers 1,500 pre-planned room layouts to select from, and our Grand Estate Design Project, which leverages our design and proposal capabilities. Furthermore, the number of units sold and the unit selling price both increased, against the backdrop of strong orders received until the previous fiscal year, leading to strong business performance.

In the rental housing business, business performance remained strong due to robust orders for “The Forest Barque,” a wooden commercial construction brand that promotes the use of wood for offices, medical facilities, etc., and an increase in selling prices of rental housing products.

In addition, in May last year we made efforts to expand the rental housing business by acquiring LeTech Corporation as a subsidiary, a company that develops rental apartments under the LEGALAND brand, primarily in Tokyo and Osaka, and operates an integrated business system from land procurement to development, rental, and sales.

In the spec homes business, although we focused on sales promotions, including launching the Grand Estate Development Project to meet the need for high-quality spec homes in urban areas, business performance was sluggish due to a decrease in the number of houses sold.

In the renovation business, we accelerated the effort to receive orders for environmentally conscious renovation, such as the improvement of insulation efficiency. We also endeavored to stimulate demand among owners of “Sumitomo Forestry homes,” leading to strong business performance.

As a result of the above, net sales in the Housing segment were ¥585.381 billion (up 7.9% year on year) and recurring income was ¥41.264 billion (up 17.3% year on year).

(3) Global Construction and Real Estate

In the single-family homes business in the U.S., homebuyers continued to take a wait-and-see attitude in light of factors such as high mortgage rates and uncertainty about the future of the economy in the states of Texas, Maryland, Utah, Washington, etc., where the Group conducts business, leading to a decrease in the number of units sold and sluggish performance.

In the Fully Integrated Turnkey Provider (FITP) business, which integrates the processes of truss and panel design, manufacturing, delivery, and installation in a streamlined production system, results were sluggish due partly to a slump in construction starts in the single-family homes and multi-family housing markets, despite an increase in net sales following the establishment of new factories.

In the real estate development business, results remained stagnant due to the partial postponement of the sale of multi-family housing and commercial and mixed-use complexes that had been scheduled to take place in the fiscal year under review, against the backdrop of the slump in the real estate market in the U.S. In September last year, we began construction of a multi-family rental apartment building made of a mixed structure of wood and partial reinforced concrete in the suburbs of Seattle, Washington State, U.S. in collaboration with Kumagai Gumi Co., Ltd., Fuyo General Lease Co., Ltd., and a major local developer, and are promoting efforts to contribute to decarbonization by reducing CO₂ emissions during construction and engaging in carbon storage. With regard to the single-family homes business in Australia, the business environment improved due to factors such as the reduction in policy rates, and the housing market in the state of Western Australia performed well. In addition, performance remained strong as a result of the consolidation of the Metricon Group, Australia’s largest home builder, in which we acquired equity shares in November 2024.

In the medium- to large-scale wooden construction business in Japan, we completed construction of a university dormitory in Setagaya-ku, Tokyo in February last year, and in March last year we began construction of a wooden office building in Chiyoda-ku, Tokyo in a joint venture with Kumagai Gumi Co., Ltd., promoting the use of wood in medium- to large-scale construction.

As a result of the above, net sales in the Global Construction and Real Estate segment came to ¥1,411.136 billion (up 13.8% year on year) and recurring income was ¥119.703 billion (down 18.8% year on year).

(4) Environment and Resources

In the renewable energy business, results were sluggish due to persistently high wood fuel prices, although the wood biomass power plants were in stable operation.

In the forest resources business, results were sluggish due to the damage caused by fallen trees following heavy rains and strong winds in New Zealand, and decreases in the sales volume and unit selling prices in the forestry business in Papua New Guinea.

In order to promote the revitalization of the domestic forestry industry, we have begun an initiative to acquire deforested land and promote reforestation through a joint venture with Sumitomo Mitsui Trust Bank, Limited. Through this initiative, we aim to establish a business model that combines the strengths of both companies while also regenerating forests through reforestation, generating carbon credits with high shared benefit, and generating revenue through timber production.

As a result of the above, net sales in the Environment and Resources segment were ¥26.763 billion (down 0.7% year on year) and recurring loss was ¥1.281 billion (recurring income of ¥0.236 billion in the previous fiscal year).

(5) Other

Besides the aforementioned businesses, the Group is engaged in a wide range of service businesses, including management of private nursing home/private elderly care facilities with nursing care and non-life insurance agency services for residential customers. This also includes the share of profit of entities accounted for using equity method associated with Kumagai Gumi Co., Ltd.

As a result of the above, net sales in the Other segment were ¥28.114 billion (up 2.9% year on year) and recurring income was ¥4.889 billion (up 593.1% year on year).

(2) Overview of Financial Position for the Period under Review

Total assets came to ¥2,572.032 billion at the end of the fiscal year under review, 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 spec home business chiefly in the U.S., greater investment in the real estate development business in the U.S., and the impact of newly consolidated entities. Liabilities increased ¥191.721 billion from the end of the previous consolidated 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%.

(3) Overview of Cash Flow for the Period under Review

There was a net increase of ¥2.280 billion in cash and cash equivalents (hereinafter, “cash”) to ¥208.577 billion as at the end of the fiscal year under review.

A summary of cash flow is presented below.

(Operating activities)

Net cash provided by operating activities was ¥94.675 billion (compared to ¥27.078 billion the previous consolidated fiscal year).

This was due mainly to an increase in cash resulting from posting of ¥180.228 billion in 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 spec home business mainly in the U.S.

(Investment activities)

Net cash used in investment activities was ¥144.743 billion (compared to ¥135.103 billion the previous consolidated fiscal year).

This was due mainly to the use of cash for the development of multi-family housing in the U.S.

(Financing activities)

Net cash provided by financing activities was ¥50.728 billion (compared to ¥133.225 billion the previous consolidated fiscal year). 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.

(4) Future Outlook

In the global economy, despite the expectation that the economy will continue to show 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.

(Future Outlook by Business Division)

In the 87th fiscal year (ending December 31, 2026), the second year of the Group's Medium-Term Management Plan "Mission TREEING 2030 Phase 2," we will continue to promote each business as follows to achieve our targets.

In the Timber and Building Materials Business, we will accelerate efforts to create synergies in the distribution business with GEOLIVE Group Corporation, with which we entered into a capital and business alliance in August last year. In the manufacturing business, we will continue to promote our timber industrial complexes, a circular material supply system aimed at promoting the use of domestic timber, with operations at a manufacturing factory in Iwaki City, Fukushima Prefecture mainly using Japanese cedar. Overseas, we will strengthen the production capacity at the sawmill in the U.S. that we integrated as a subsidiary last year, and create a stable timber supply system while pursuing synergies among the Group's businesses, such as the single-family homes business and the FITP business in the U.S.

In the Housing Business, we will strengthen online and social media-based order-generating activities in our custom-built detached housing business, and make efforts to promote sales of high-value-added homes using original materials such as "PRIME WOOD." We will also consolidate our advanced design expertise with the standardization of materials and designs, thereby achieving both greater construction efficiency and improved quality. In the rental housing business, we will focus on enhancing profitability by reducing costs and shortening construction periods through greater construction efficiency, including for "Forest Maison GRANDE" wooden-construction rental apartments. In the spec-home business, we will strengthen acquisitions of prime development sites. In the renovation business, we will promote the value of our proprietary quake-resistant technology and energy-saving retrofitting through "Reforest," our renovation product for custom-built homes, and strive to establish a construction framework capable of accommodating increased orders.

In the Overseas Housing Business*, we will continue to implement a diversified product strategy and effective sales measures in the single-family homes business in the U.S. that responds to the market environment, as well as proceed with the acquisition of prime sites. In the FITP business, we will work to streamline construction and reduce construction costs by strengthening collaboration with the single-family homes business and multi-family housing business in the U.S. In the single-family homes business in Australia, we will promote efforts to create synergies among local subsidiaries and shorten construction periods.

In the Real Estate Business, we established the Real Estate Division as of January 1, 2026, thereby creating a structure to integrate our domestic and overseas real estate development businesses and our medium- to large-scale wooden construction business. In the real estate development business in the U.S., in light of the uncertain business environment, we will not only sell properties but also promote the expansion of stable revenue sources and the improvement of capital efficiency. In the domestic medium- to large-scale wooden construction business, we will strive to increase orders for medium- to large-scale wooden properties by further strengthening collaboration with Kumagai Gumi Co., Ltd. and COHNAN KENSETSU INC., a subsidiary.

With regard to housing and real estate investment risks, we will continue to monitor these in accordance with our internal regulations, such as by regularly checking the inventory status of real estate for sale and measuring the market value of real estate

we own, and will further strive to establish a system that enables us to respond flexibly to market conditions.

In the Environment and Resources Business, we will continue to work on the stable operation of each power plant in the renewable energy business, and make efforts to reduce wood fuel procurement costs. In addition, in the forest resources business, we aim to improve profitability by developing new sales channels and applications for timber. Furthermore, in the forestry fund business, we will work on selecting and acquiring high-quality forest assets and strive to achieve stable forest management and operation.

* As of January 2026, the segment name of Global Construction and Real Estate has been changed to Overseas Housing.

(Achievement of SDGs (Sustainable Development Goals) and contribution to the realization of a sustainable society)

In our Long-term Vision, “Mission TREEING 2030: Making our planet safer and more secure for future generations,” the Group has identified nine key issues so that we can provide “Value for our planet” through our business activities as the foundational value as well as “Value for people and society” and “Value for the market economy” as the derivative value.

The Medium-Term Management Plan “Mission TREEING 2030 Phase 2” continues to include “further integration of business operations and ESG” as one of the basic policies, and we have established individual indicators linked to the respective SDGs for each key issue. Through the achievement of these goals, the Group will strive to meet the expectations of society, including those related to the SDGs, and enhance our corporate value.

1) Addressing environmental and climate change issues

With regard to the climate change issue, we are steadily promoting initiatives to disclose information based on the TCFD (Task Force on Climate-Related Financial Disclosures) recommendations and other international frameworks, as well as to achieve RE100 and SBTs (Science Based Targets). In addition, with regard to our initiatives to address nature-related issues, we declared our intention to disclose information in line with the TNFD (Taskforce on Nature-related Financial Disclosures) recommendations in 2023, and in February 2025 we formulated a Nature Positive Statement aimed at achieving nature positive results in Mission TREEING 2030 Phase 3. Following on from decarbonization, we will promote initiatives to ensure biodiversity and protect and restore nature.

2) Promoting Human Capital and Diversity, Equity, and Inclusion (DEI)

The Group is working to continuously secure, develop and improve the engagement of the human resources in response to the advancement of globalization and business diversification. We also strive to secure and develop human resources with execution capability to create new businesses and transform existing businesses.

Our human resources strategies are based on three pillars: “Securing and developing human resources to lead business transformation and creation,” “Structure to maximize employee performance and a free and open-minded corporate culture,” and “Promotion of health management,” and our goal is to build a solid business foundation and realize our Long-Term Vision.

The Group has positioned the promotion of DEI as one of the important elements for development of its business. Under the “Sumitomo Forestry Group DEI Declaration,” we are promoting DEI by employing talented personnel and promoting them to management positions, irrespective of gender, nationality, age, etc. in order to link diverse abilities and values to new challenges and growth, and by creating a fair environment where everyone can unharness their abilities.

Along with the aforementioned efforts, the Group will anticipate social changes and further improve our corporate value by such means as enhancing corporate governance, coexisting with the environment, improving customer satisfaction, respecting human rights and diversity, and managing risks as well as complying with laws as we accept feedback from our shareholders and other stakeholders.

Nine material issues and related SDGs

 Value for our planet	To enhance the value of forests and wood through sustainable forest management	Nurturing forests to enhance and harness the value of wood and other forest resources.	 
	To realize carbon neutrality by leveraging forests and wood resources	Contributing to the decarbonization of society by reducing our own GHG emissions, by offering timber and wood products that sequester carbon, and by providing low-carbon/carbon-free products and services.	 
	To realize a circular bioeconomy by leveraging forests and wood resources	Realizing a circular society by making the most of wood, a renewable and natural resource from the forest ecosystem.	  
 Value for people and society	To provide comfortable and secure spaces for society at large	Providing safe, comfortable and secure spaces to society at large.	  
	To improve the livelihood of the local communities where we operate	Creating jobs through our businesses and contributing to the development of local communities.	  
	To create a vibrant environment for all workers	Creating a work environment where everyone throughout the supply chain is safe, healthy and motivated.	  
 Value for the market economy	To create new markets with forests and wood	Creating new markets that enrich the economy through the resourceful use of forests and wood.	 
	To transform markets through DX and innovation	Enhancing economic efficiency and added value through business transformation brought about by DX and innovation.	
	To establish a robust business structure	Contributing to a stable economy by continuously providing value with a structure that is resilient to contingent circumstances.	

(5) Basic Policy on Profit Distribution and Dividends for FY12/25 and FY12/26

Sumitomo Forestry Co., Ltd. considers providing returns to shareholders to be one of its highest priorities. We will work to improve return on equity (ROE) and increase shareholders' equity by effectively utilizing internal reserves in effective investments and research and development activities that contribute to the improvement of long-term corporate value. At the same time, we will return an appropriate level of earnings to shareholders in accordance with profits, while taking into account the need to balance these distributions with the base of operations, financial position, cash flow and other items.

Our shareholder return policy under the Medium-Term Management Plan "Mission TREEING 2030 Phase 2" (FY12/2025–FY12/2027) is to provide returns in accordance with profits, with a payout ratio of 30% or higher of net income attributable to shareholders of parent, as well as to ensure an annual dividend of at least ¥50.00 per share from the perspective of paying out stable dividends.

For the fiscal year ended in December 2025, the Company plans to pay a year-end dividend of ¥28.00 per share. Together with the interim dividend of ¥75.00 per share (¥25 after the stock split) that the Company has already paid, the annual dividend on a post-stock split basis will be ¥53.00 per share.

For the fiscal year ending in December 2026, the Company plans to pay an annual dividend of ¥50.00 per share consisting of an interim dividend of ¥25 and a year-end dividend of ¥25.00.

2. Basic Thinking on Selection of Accounting Standards

The Sumitomo Forestry Group applies Japanese standards when preparing consolidated financial statements. Our policy on the application of international accounting standards is to address the matter appropriately based on circumstances in Japan and other countries where we do business.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(million yen)

	Previous consolidated fiscal year (as of December 31, 2024)	Current consolidated fiscal year (as of December 31, 2025)
Assets		
Current assets		
Cash and deposits	181,043	185,405
Notes and accounts receivable-trade	104,734	99,256
Electronically recorded monetary claims	44,652	47,865
Accounts receivable from completed construction contracts and contract assets	93,219	94,535
Marketable securities	5,062	-
Merchandise and finished goods	22,970	25,246
Work in process	2,524	2,838
Raw materials and supplies	13,838	13,957
Costs on construction contracts in progress	20,435	22,663
Real estate for sale	178,921	227,668
Real estate for sale in process	681,755	756,634
Short-term loans receivable	30,381	38,367
Accounts receivable-other	101,301	103,635
Other	66,022	79,039
Allowance for doubtful account	(767)	(3,361)
Total current assets	1,546,090	1,693,747
Non-current assets		
Property, plant and equipment		
Buildings and structures	131,943	163,502
Accumulated depreciation	(66,327)	(70,698)
Buildings and structures, net	65,616	92,803
Machinery, equipment and vehicles	102,615	119,506
Accumulated depreciation	(77,715)	(82,002)
Machinery, equipment and vehicles, net	24,900	37,503
Land	71,641	68,202
Timber	44,356	44,575
Leased assets	43,169	47,821
Accumulated depreciation	(20,486)	(24,892)
Leased assets, net	22,683	22,929
Construction in process	47,958	46,644
Other	28,135	30,577
Accumulated depreciation	(19,185)	(20,576)
Other, net	8,950	10,002
Total property, plant and equipment	286,103	322,658
Intangible assets		
Goodwill	38,938	35,499
Other	42,428	40,622
Total intangible assets	81,366	76,121
Investments and other assets		
Investment securities	268,895	377,339
Long-term loans receivable	30,941	37,548
Retirement benefit assets	14,189	17,629
Deferred tax assets	9,460	9,344
Other	31,288	38,365
Allowance for doubtful account	(843)	(719)
Total investments and other assets	353,929	479,506
Total non-current assets	721,398	878,285
Total assets	2,267,488	2,572,032

(million yen)

	Previous consolidated fiscal year (as of December 31, 2024)	Current consolidated fiscal year (as of December 31, 2025)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	96,983	87,380
Electronically recorded obligations	33,864	45,456
Accounts payable for construction contracts	156,300	159,748
Short-term borrowings	93,702	140,788
Current portion of bonds payable	10,044	20,047
Lease obligations	5,778	6,622
Income taxes payable	8,910	10,846
Contract liabilities	97,588	98,970
Provision for bonuses	23,742	24,222
Provision for bonuses for directors (and other officers)	168	129
Provision for warranties for completed construction	17,699	15,824
Asset retirement obligations	1,033	414
Other	116,012	119,175
Total current liabilities	661,824	729,620
Long-term liabilities		
Bonds payable	70,116	50,284
Long-term borrowings	413,856	532,159
Lease obligations	19,915	19,565
Deferred tax liabilities	41,191	52,036
Provision for retirement benefits for directors (and other officers)	171	141
Retirement benefits liability	9,724	9,446
Provision for share awards for employees	-	163
Asset retirement obligations	2,568	2,597
Other	24,161	39,236
Total long-term liabilities	581,701	705,626
Total liabilities	1,243,525	1,435,246
Net assets		
Shareholders' equity		
Common stock	55,101	55,332
Capital surplus	34,667	25,520
Retained earnings	613,765	688,527
Treasury shares	(2,521)	(6,557)
Total shareholders' equity	701,012	762,822
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	37,902	55,824
Deferred gains (losses) on hedges	8,533	9,554
Foreign currency translation adjustment	172,840	175,710
Remeasurements of defined benefit plans	62	63
Total accumulated other comprehensive income	219,335	241,151
Share acquisition rights	69	51
Non-controlling interests	103,547	132,762
Total net assets	1,023,963	1,136,786
Total liabilities and net assets	2,267,488	2,572,032

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

	(million yen)	
	Previous consolidated fiscal year (January 1, 2024 – December 31, 2024)	Current consolidated fiscal year (January 1, 2025 – December 31, 2025)
Net sales	2,053,650	2,267,577
Cost of sales	1,550,698	1,742,931
Gross profit	502,952	524,645
Selling, general and administrative expenses	308,364	355,921
Operating income	194,588	168,724
Non-operating income		
Interest income	3,626	4,954
Purchase discount	325	475
Dividend income	3,182	2,834
Share of profit of entities accounted for using equity method	-	7,606
Foreign exchange gains	227	-
Gain on sale of investment securities	3,063	4,596
Other	9,290	9,887
Total non-operating income	19,714	30,352
Non-operating expenses		
Interest expense	7,718	13,188
Share of loss of entities accounted for using equity method	1,900	-
Foreign exchange losses	-	52
Other	6,730	10,936
Total non-operating expenses	16,347	24,176
Recurring income	197,955	174,900
Extraordinary income		
Change in fair value of contingent consideration	-	5,328
Total extraordinary income	-	5,328
Extraordinary loss		
Impairment loss	5,926	-
Total extraordinary loss	5,926	-
Profit before income taxes	192,029	180,228
Income taxes-current	41,697	39,362
Income taxes-deferred	2,926	2,548
Total income taxes	44,624	41,910
Net income	147,405	138,318
Net income attributable to non-controlling interests	30,877	31,652
Net income attributable to shareholders of parent	116,528	106,666

Consolidated Statements of Comprehensive Income

(million yen)

	Previous consolidated fiscal year (January 1, 2024 – December 31, 2024)	Current consolidated fiscal year (January 1, 2025 – December 31, 2025)
Net income	147,405	138,318
Other comprehensive income		
Valuation difference on available-for-sale securities	755	17,738
Deferred gains (losses) on hedges	1,436	198
Foreign currency translation adjustment	73,057	528
Share of other comprehensive income of entities accounted for using equity method	9,961	4,755
Total other comprehensive income	85,209	23,220
Comprehensive income	232,614	161,538
(Breakdown)		
Comprehensive income attributable to shareholders of parent	194,872	128,481
Comprehensive income attributable to non-controlling interests	37,742	33,057

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous consolidated fiscal year (January 1 to December 31, 2024)

(million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	55,088	36,530	523,988	(2,517)	613,089
Changes during the period					
Issuance of new shares	11	11			21
Issuance of new shares (exercise of share acquisition rights)	3	3			5
Dividends from surplus			(26,750)		(26,750)
Net income attributable to shareholders of parent			116,528		116,528
Purchase of treasury stock				(4)	(4)
Disposal of treasury stock		0		0	0
Change in stake of parent company related to transactions with non-controlling interests		(1,877)			(1,877)
Net changes in items other than shareholders' equity					
Total changes during the period	13	(1,863)	89,778	(4)	87,923
Balance at the end of current period	55,101	34,667	613,765	(2,521)	701,012

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	37,201	5,812	97,933	45	140,991	74	72,307	826,462
Changes during the period								
Issuance of new shares								21
Issuance of new shares (exercise of share acquisition rights)								5
Dividends from surplus								(26,750)
Net income attributable to shareholders of parent								116,528
Purchase of treasury stock								(4)
Disposal of treasury stock								0
Change in stake of parent company related to transactions with non-controlling interests								(1,877)
Net changes in items other than shareholders' equity	701	2,721	74,906	16	78,344	(5)	31,240	109,578
Total changes during the period	701	2,721	74,906	16	78,344	(5)	31,240	197,502
Balance at the end of current period	37,902	8,533	172,840	62	219,335	69	103,547	1,023,963

Current consolidated fiscal year (January 1 to December 31, 2025)

(million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	55,101	34,667	613,765	(2,521)	701,012
Changes during the period					
Issuance of new shares	222	222			445
Issuance of new shares (exercise of share acquisition rights)	9	9			18
Dividends from surplus			(31,904)		(31,904)
Net income attributable to shareholders of parent			106,666		106,666
Purchase of treasury stock				(4,037)	(4,037)
Disposal of treasury stock				1	1
Change in stake of parent company related to transactions with non-controlling interests		(9,378)			(9,378)
Net changes in items other than shareholders' equity					
Total changes during the period	231	(9,147)	74,762	(4,036)	61,810
Balance at the end of current period	55,332	25,520	688,527	(6,557)	762,822

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	37,902	8,533	172,840	62	219,335	69	103,547	1,023,963
Changes during the period								
Issuance of new shares								445
Issuance of new shares (exercise of share acquisition rights)								18
Dividends from surplus								(31,904)
Net income attributable to shareholders of parent								106,666
Purchase of treasury stock								(4,037)
Disposal of treasury stock								1
Change in stake of parent company related to transactions with non-controlling interests								(9,378)
Net changes in items other than shareholders' equity	17,923	1,021	2,871	1	21,816	(18)	29,215	51,013
Total changes during the period	17,923	1,021	2,871	1	21,816	(18)	29,215	112,823
Balance at the end of current period	55,824	9,554	175,710	63	241,151	51	132,762	1,136,786

(4) Consolidated Statements of Cash Flows

(million yen)

	Previous consolidated fiscal year (January 1, 2024 – December 31, 2024)	Current consolidated fiscal year (January 1, 2025 – December 31, 2025)
Net cash provided by (used in) operating activities		
Income before income taxes	192,029	180,228
Depreciation and amortization	27,916	30,939
Impairment loss	5,926	-
Amortization of goodwill	8,453	4,866
Change in fair value of contingent consideration	-	(5,328)
Provision for (reversal of) doubtful accounts	(38)	2,336
Provision for (reversal of) employees' bonuses	272	512
Provision for (reversal of) directors' bonuses	24	(38)
Provision for (reversal of) warranties for completed construction	2,499	(2,162)
Provision for (reversal of) directors' retirement benefits	(201)	(30)
Net defined benefit liability (decrease)	(10,566)	(3,702)
Increase (decrease) in provision for share awards for employees	-	163
Interest and dividends income	(6,808)	(7,788)
Interest expenses	7,718	13,188
Equity in (earnings) losses of affiliates	1,900	(7,606)
Losses (gains) on sale of marketable securities and investment securities	(2,965)	(4,596)
Decrease (increase) in notes and accounts receivable-trade and contract assets	(17,456)	2,625
Decrease (increase) in inventories	(112,119)	(92,188)
Decrease (increase) in other current assets	(16,470)	(9,013)
Increase (decrease) in notes and accounts payable-trade	(10,321)	1,572
Increase (decrease) in advances received	2,709	(829)
Increase (decrease) in contract liabilities	348	1,244
Increase (decrease) in accrued consumption taxes	(1,853)	24
Increase (decrease) in other current liabilities	3,517	7,336
Other	(9,142)	12,783
Subtotal	65,371	124,537
Interest and dividends income received	12,265	22,096
Interest paid	(7,540)	(13,238)
Income taxes paid	(43,018)	(38,720)
Net cash provided by (used in) operating activities	27,078	94,675

(million yen)

	Previous consolidated fiscal year (January 1, 2024 – December 31, 2024)	Current consolidated fiscal year (January 1, 2025 – December 31, 2025)
Net cash provided by (used in) investment activities		
Payments into time deposits	(5,342)	(417)
Proceeds from withdrawal of time deposits	5,371	166
Decrease (increase) in short-term loans receivable	(2,655)	(989)
Proceeds from sales and redemption of securities	5	62
Payments for purchases of property, plant and equipment	(63,852)	(71,212)
Proceeds from sales of property, plant and equipment	6,336	7,707
Payments for purchases of intangible assets	(5,579)	(5,606)
Payments for purchase of investment securities	(45,563)	(61,481)
Proceeds from sales and redemption of investment securities	11,554	16,261
Payments for transfer of business	(18,378)	-
Payments for purchase of subsidiary shares resulting in change in scope of consolidation	(776)	(11,847)
Proceeds from sale of subsidiary shares resulting in change of scope of consolidation	-	837
Payments in long-term loans payable	(14,916)	(13,738)
Repayments of long-term loans receivable	2,790	3,895
Other payments	(6,038)	(9,170)
Other proceeds	1,940	789
Net cash provided by (used in) investment activities	(135,103)	(144,743)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term debt	36,220	30,439
Net increase (decrease) in commercial papers	(30,000)	-
Repayments of finance lease obligations	(4,150)	(7,330)
Proceeds from long-term debt	225,553	196,030
Repayment of long-term debt	(45,664)	(97,345)
Redemption of bonds	(10,044)	(10,062)
Proceeds from stock issuance to non-controlling interests	12,183	13,322
Cash dividends paid	(26,750)	(31,904)
Purchase of treasury shares	(4)	(4,003)
Purchase of treasury shares of subsidiaries	-	(2,046)
Cash dividends paid to non-controlling interests	(22,271)	(29,333)
Proceeds from sale of subsidiary shares not resulting in change of scope of consolidation	674	380
Payments for purchase of subsidiary shares not resulting in change of scope of consolidation	(5,662)	(4,028)
Net decrease (increase) in deposits with withdrawal and usage restrictions	3,217	(3,363)
Other proceeds	0	1
Other payments	(77)	(31)
Net cash provided by (used in) financing activities	133,225	50,728
Effect of exchange rate change on cash and cash equivalents	6,327	1,621
Net increase (decrease) in cash and cash equivalents	31,526	2,280
Cash and cash equivalents at the beginning of period	174,771	206,297
Cash and cash equivalents at the end of period	206,297	208,577

(5) Notes to the Consolidated Financial Statements

(Notes related to the Assumption of a Going Concern)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard for Current Income Taxes and other standards)

The Company has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter “Current Income Taxes Standard (revised 2022)”) and other standards from the beginning of the consolidated fiscal year under review.

With regard to the revision related to classification to record income taxes (taxation on other comprehensive income), the Company has conformed to the transitional treatment provided for in the proviso to Paragraph 20-3 of the Current Income Taxes Standard (revised 2022), and the transitional treatment provided for in the proviso to Paragraph 65-2 (2) of “Implementation Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022; hereinafter “Tax Effect Accounting Guidance (revised 2022).” The changes in accounting policies have no impact on the Consolidated Financial Statements for the period under review.

With regard to the revision associated with the review of treatment in Consolidated Financial Statements in case that gain or loss on sale of shares in a subsidiary, etc. among consolidated companies is deferred for tax purpose, the Tax Effect Accounting Guidance (revised 2022) has been applied from the beginning of the consolidated fiscal year under review. The changes in accounting policies have been retrospectively applied, and the Consolidated Financial Statements for the previous consolidated fiscal year reflect the changes in accounting policies. The changes in accounting policies have no impact on the Consolidated Financial Statements for the previous consolidated fiscal year.

(Segment Information)

1. Outline of Reporting Segments

Reporting segments are discrete constituent units of the Sumitomo Forestry Group for which financial statements are separately prepared. In order to determine the allocation of the Group’s management resources and evaluate its business results, the Board of Directors regularly discusses the reporting segments.

The Sumitomo Forestry Group has established divisions in its Headquarters to handle its products and services. Each division formulates comprehensive strategies for the products and services that it handles and uses these strategies to conduct its business activities.

Therefore, the Sumitomo Forestry Group consists of different product and service-oriented segments which are based around divisions. There are four reporting segments: the Timber and Building Materials Business, the Housing Business, the Global Construction and Real Estate Business, and the Environment and Resources Business.

The Timber and Building Materials Business is engaged in the purchase, manufacture, processing and sale, etc. of timber and building materials. The Housing Business is engaged in the contracted construction, aftersales maintenance, and renovation of detached houses and apartment buildings, the sale of spec homes, the leasing, management, purchase and sale and brokerage of real estate, house exterior fixtures and landscaping works contracting, urban greening works, CAD and site surveys, etc. The Global Construction and Real Estate Business is engaged in the sale of spec homes, construction of single-family homes, development of multi-family and commercial mix use properties in overseas markets, the contracted construction of medium- to large-scale construction projects in Japan, etc. The Environment and Resources Business is engaged in the renewable energy generation business, the forestry business, and more.

2. Method Used for Calculating Sales, Income (loss), Assets and Other Items by Each Reporting Segment

The accounting treatment used for all reporting segments is basically the same as the accounting treatment method adopted in the preparation of the consolidated financial statements, except for the treatment used to account for retirement benefit cost.

Lump-sum expenses such as actuarial differences for retirement benefit cost are not included in the income or losses of business segments.

Segment income figures are based on recurring income.

Intersegment sales and transfers are priced in accordance with prevailing market prices.

Due to the finalization of the provisional accounting treatment for business combination, segment information for the previous consolidated fiscal year reflects a significant revision to the initial allocation of acquisition cost.

3. Information regarding Sales, Income (loss), Assets and Other Items by Each Reporting Segment

Previous consolidated fiscal year (January 1 to December 31, 2024)

(million yen)

	Reporting segment					Other (Note 1)	Total	Adjustment (Note 2)	Total shown in the consolidated financial statement (Note 3)
	Timber and Building Materials	Housing	Global Construction and Real Estate	Environment and Resources	Total				
Net sales									
(1) Unaffiliated customers	231,519	541,803	1,238,859	25,619	2,037,801	15,257	2,053,057	593	2,053,650
(2) Intersegment sales/transfer	21,637	497	1,138	1,331	24,603	12,057	36,660	(36,660)	—
Total	253,156	542,300	1,239,997	26,950	2,062,404	27,314	2,089,717	(36,067)	2,053,650
Segment income (loss)	10,001	35,173	147,451	236	192,860	705	193,566	4,389	197,955
Segment assets	243,739	236,358	1,400,112	90,907	1,971,116	73,725	2,044,842	222,646	2,267,488
Other items									
Depreciation and amortization (Note 4)	4,374	6,118	12,116	2,042	24,649	2,342	26,991	925	27,916
Amortization of goodwill	—	359	8,093	—	8,453	—	8,453	—	8,453
Interest income	366	12	3,155	66	3,598	0	3,598	28	3,626
Interest expenses	967	763	9,355	757	11,841	164	12,005	(4,287)	7,718
Equity in earnings (losses) of affiliates	(193)	—	(2,331)	232	(2,292)	391	(1,901)	1	(1,900)
Investments in equity method affiliates	8,360	—	126,497	11,069	145,926	39,876	185,801	6	185,807
Increase in property, plant and equipment and intangible assets (Note 4)	10,543	7,837	61,126	4,681	84,188	1,550	85,738	1,506	87,243

(Notes) 1. “Other” is business segments not included in the reporting segments. Such segments include private nursing home/private elderly care facilities with nursing care business, insurance agency business, and civil engineering/construction work.

2. Adjustments are as presented below.

(1) Adjusted sales to unaffiliated customers of ¥593 million are attributable to the administrative departments and comprised mainly of rent from Company landholdings.

(2) The adjusted segment income of ¥4,389 million includes ¥57 million in eliminated intersegment transactions, a ¥9,802 million actuarial gain associated with retirement benefit costs, and ¥(5,470) million in corporate losses which are not allocated to any of the reporting segments.

Corporate income (loss) is primarily selling, general and administrative expenses, non-operating income or non-operating expenses not belonging to any reporting segments.

(3) The adjusted segment assets of ¥222,646 million include ¥(11,599) million in eliminated intersegment transactions and ¥234,245 million in corporate assets which are not allocated to any of the reporting segments.

Corporate assets are mainly unused funds after management (cash and deposits, securities, and short-term debt), long-term investments (investment securities) and assets used by administrative departments.

3. Total segment income (loss) and segment assets are adjusted against recurring income and assets shown in the consolidated financial statements, respectively.

4. The increase in depreciation expenses, property, plant and equipment and intangible assets includes long-term prepaid expenses and write offs associated with these expenses.

Current consolidated fiscal year (January 1 to December 31, 2025)

(million yen)

	Reporting segment					Other (Note 1)	Total	Adjustment (Note 2)	Total shown in the consolidated financial statement (Note 3)
	Timber and Building Materials	Housing	Global Construction and Real Estate	Environment and Resources	Total				
Net sales									
(1) Unaffiliated customers	232,043	584,644	1,409,803	24,809	2,251,300	15,685	2,266,984	592	2,267,577
(2) Intersegment sales/transfer	20,931	736	1,333	1,954	24,954	12,430	37,384	(37,384)	—
Total	252,974	585,381	1,411,136	26,763	2,276,254	28,114	2,304,368	(36,792)	2,267,577
Segment income (loss)	12,755	41,264	119,703	(1,281)	172,441	4,889	177,330	(2,431)	174,900
Segment assets	297,962	291,091	1,577,764	88,116	2,254,933	77,858	2,332,790	239,242	2,572,032
Other items									
Depreciation and amortization (Note 4)	4,490	6,574	14,563	2,010	27,637	2,384	30,022	917	30,939
Amortization of goodwill	3	421	4,442	—	4,866	—	4,866	—	4,866
Interest income	317	25	4,366	36	4,743	2	4,744	210	4,954
Interest expenses	1,423	1,308	14,866	915	18,511	168	18,679	(5,491)	13,188
Equity in earnings (losses) of affiliates	4,859	—	(1,671)	123	3,311	4,308	7,619	(13)	7,606
Investments in equity method affiliates	16,595	—	197,791	11,836	226,223	42,473	268,695	5	268,701
Increase in property, plant and equipment and intangible assets (Note 4)	11,933	9,108	38,059	2,194	61,295	3,336	64,630	1,275	65,905

(Notes) 1. “Other” is business segments not included in the reporting segments. Such segments include private nursing home/private elderly care facilities with nursing care business, insurance agency business, and civil engineering/construction work.

2. Adjustments are as presented below.

(1) Adjusted sales to unaffiliated customers of ¥592 million are attributable to the administrative departments and comprised mainly of rent from Company landholdings.

(2) The adjusted segment income of ¥(2,431) million includes ¥(666) million in eliminated intersegment transactions, a ¥2,627 million actuarial gain associated with retirement benefit costs, and ¥(4,392) million in corporate losses which are not allocated to any of the reporting segments.

Corporate income (loss) is primarily selling, general and administrative expenses, non-operating income or non-operating expenses not belonging to any reporting segments.

(3) The adjusted segment assets of ¥239,242 million include ¥(12,106) million in eliminated intersegment transactions and ¥251,348 million in corporate assets which are not allocated to any of the reporting segments.

Corporate assets are mainly unused funds after management (cash and deposits, and short-term debt), long-term investments (investment securities) and assets used by administrative departments.

3. Total segment income (loss) and segment assets are adjusted against recurring income and assets shown in the consolidated financial statements, respectively.

4. The increase in depreciation expenses, property, plant and equipment and intangible assets includes long-term prepaid expenses and write offs associated with these expenses.

(Per-Share Information)

	Previous consolidated fiscal year (January 1, 2024 – December 31, 2024)	Current consolidated fiscal year (January 1, 2025 – December 31, 2025)
Net assets per share	¥1,499.06	¥1,642.00
Net income per share	¥189.80	¥174.13
Net income per share fully diluted	¥189.67	¥174.07

(Notes) 1. The basis for calculating net assets per share is as follows.

	Previous consolidated fiscal year (December 31, 2024)	Current consolidated fiscal year (December 31, 2025)
Total net assets (million yen)	1,023,963	1,136,786
Breakdown of deductions from total net assets (million yen)	103,616	132,813
(Subscription rights to shares (million yen))	(69)	(51)
(Non-controlling interests (million yen))	(103,547)	(132,762)
Total net assets for common stock (million yen)	920,347	1,003,973
Number of common shares issued (shares)	618,202,104	618,555,804
Number of treasury shares (shares)	4,250,865	7,121,943
Number of common stocks used for calculation of net asset per share (shares)	613,951,239	611,433,861

2. The basis for calculating net income per share and net income per share fully diluted is as follows.

	Previous consolidated fiscal year (January 1, 2024 – December 31, 2024)	Current consolidated fiscal year (January 1, 2025 – December 31, 2025)
Net income per share		
Net income attributable to shareholders of parent (million yen)	116,528	106,666
Income not available to common stockholders (million yen)	—	—
Net income attributable to shareholders of parent for common stock (million yen)	116,528	106,666
Weighted average number of shares outstanding (shares)	613,945,620	612,550,316
Net income per share fully diluted		
Adjusted net income attributable to shareholders of parent (million yen)	—	—
Common shares increase (shares)	426,028	226,586
(Convertible bonds with stock acquisition rights (shares))	(—)	(—)
(Stock acquisition rights (shares))	(177,177)	(143,634)
(Performance-linked stock compensation (shares))	(248,851)	(82,952)
Overview of potentially dilutive common shares not included in computation of net income per share fully diluted because of their anti-dilutive effect	—	—

3. Due to the finalization of the provisional accounting treatment for business combination, the figures reflect a significant revision to the initial allocation of acquisition cost.
4. The Company conducted a stock split in a ratio of three shares for every one common share on July 1, 2025. Accordingly, net assets per share, net income per share, and net income per share fully diluted were calculated on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.
5. In calculating net income per share and net income per share fully diluted, the Company's shares held by the Employee Stock Delivery Trust are included in treasury stock to be deducted in the calculation of the average number of shares outstanding during the period. In addition, in calculating net assets per share, the Company's shares are included in the treasury stock deducted from the total number of issued shares at the end of the period.

(Significant Subsequent Events)

(Business combination through acquisition)

The Company is pleased to announce that on February 13, 2026, the Board of Directors resolved to acquire 100% of the shares in Tri Pointe Homes, Inc. (hereinafter, TPH), which is engaged in homebuilding business in the United States, through our U.S. subsidiary Sumitomo Forestry America, Inc. (hereinafter, SFAM), and to begin procedures to make TPH a consolidated subsidiary. The acquisition will be completed subject to approval at a shareholders meeting convened by TPH, receipt of customary approvals and other permissions required from relevant authorities and fulfillment of other necessary procedures.

1. Overview of business combination

(1) Name of acquired company and description of its business

Name of acquired company: Tri Pointe Homes, Inc. and 37 other companies

Description of business: Operates homebuilding businesses and other related businesses in U.S.

(2) Main reasons for business combination

Since the opening of the Besshi Copper Mine in 1691, Sumitomo Forestry Group began with the management of forests for copper mining and over a history of 335 years expanded business domains in line with the needs of the times and growth in overseas market has become one of key strategic pillars in recent years.

In the U.S., we entered single-family homes business in 2003, followed by the establishment of Henley USA (currently known as MainVue Homes) in 2010. Since 2013, we have welcomed homebuilders with competitive footprint in each region into the Group, including Bloomfield Homes, Brightland Homes^{*1}, DRB Group, and Edge Homes, and expanded our business areas, primarily in metropolitan regions with strong population and employment growth. Annual number of units sold have increased significantly from 516 units in 2013^{*2} to 10,262 units in 2025^{*3}, making the U.S. single-family homes business a core driver of our growth. Furthermore, the multifamily rental housing business operated by Crescent and JPI has also expanded steadily, with combined housing starts by the two companies exceeding 5,000 units in 2024.

U.S. is the world's largest wooden housing market, with a population just over 340 million and approximately 1.5 million housing starts annually. Supported by continued population growth and a structural housing supply shortage, the market is expected to see stable medium to long-term growth. In response to persistent industry-wide challenges such as labor shortages, rising labor costs, and longer construction timelines, we are advancing our FITP business^{*4}. Furthermore, we acquired a sawmill factory in Louisiana to make them a consolidated subsidiary in 2025. Through businesses covering log procurement, the production and sale of wood products, and housing supply, we seek to enhance the value of timber resources and create synergies across its businesses by realizing a value chain centered around "Wood" referred to as the "Wood Cycle".

Under our Long-Term Vision "Mission TREEING 2030," we aim to further expand our U.S. single-family homes business and increase annual housing supply to 23,000 units by 2030. To achieve this, we have pursued both organic growth within existing home builders and new M&A opportunities.

TPH is a leading homebuilder listed on New York Stock Exchange with 6,460 deliveries in 2024, operating across 13 states, including regions where we are yet to enter. TPH has established a particularly strong presence in California, Texas, and Arizona, with a differentiated strategy focused on value added brand and prime locations.

Through achieving the following four objectives of this acquisition, we aim to elevate the U.S. single-family homes

business to a new stage of growth and further solidify its position as a national builder.

i. Further Expansion of the U.S. Single-Family Homes Business

- The combined annual number of units sold of approximately 18,000 units (equivalent to a top 5 U.S. homebuilder)^{※5} from our existing U.S. homebuilders and TPH, represents a major step toward achieving the target of supplying 23,000 homes in the U.S. by 2030 as set forth in “Mission TREEING 2030”
- As a homebuilder equivalent to the 5th largest in the U.S., we aim to further pursue economies of scale and enhance profitability by improving management efficiency

ii. Expansion of Geographic Footprint and Product Diversification

- TPH operates in California and Nevada, states where we are yet to enter, and has built a particularly strong business foundation in California. We will expand our business footprint through capturing demand in the state ranked third nationwide in housing construction permits
- TPH pursues a value-added brand strategy, “Premium Lifestyle Brand”, focused on customer centricity, superior quality and personalization and offers a broad product line-up. We will further diversify our products to accommodate diverse customer demand

iii. Strengthening Value Chain

- Through the expansion of our U.S. single-family homes business, together with our sawmill operations and FITP business operating across the U.S., we will strengthen “WOOD CYCLE” value chain

iv. Strengthening Business Foundation

- Establish a solid business foundation by incorporating the business management expertise TPH has cultivated as a publicly listed U.S. company
- We aim to elevate our U.S. single-family housing business to a new stage of growth and establish a solid position as a national homebuilder

※1 Gehan Homes changed its registered name to Brightland Homes and is consolidated under DRB Group

※2 Results for the fiscal year ended March 31, 2014

※3 Results for the fiscal year ended December 31, 2025

※4 FITP Business: An abbreviation for “Fully Integrated Turn-key Provider”, a business that provides end-to end services covering the design, manufacturing, delivery, and construction of panels and trusses

※5 Calculated by aggregating the combined number of units sold of our existing homebuilders in FY2024 with TPH’s FY2024 number of units sold, with reference to Builder Online 2025 Builder 100

(3) Date of business combination

Second quarter of the fiscal year 2026 (planned)

Execution of the acquisition is subject to receipt of approval at a shareholders meeting convened by TPH, and approval from relevant authorities and other customary closing conditions.

(4) Legal form of business combination

The acquisition will be implemented by way of “reverse triangular merger”, in which Teton NewCo, Inc., a wholly owned subsidiary of SFA Operations, LLC. established as a wholly owned subsidiary by SFAM (the “Acquisition Subsidiary”), will be merged with TPH. The surviving company will be TPH and its shareholders will receive cash, while TPH, the surviving company, will become an indirect wholly owned subsidiary of SFAM as the Acquisition Subsidiary will merge into TPH and dissolve.

(5) Name of company after business combination

Tri Pointe Homes, Inc. (planned)

(6) Percentage of voting rights to be acquired

100% (planned)

(7) Main basis for determining the acquiring company

SFAM, a wholly owned consolidated subsidiary, is acquiring the shares with cash.

2. Breakdown of acquisition price and type of consideration

Acquisition price: approximately USD 4,281 million (¥654,946 million) (cash)

Acquisition cost: approximately USD 4,281 million (¥654,946 million)

Note: Acquisition price includes the full amount required to purchase all outstanding shares, Performance Share Unit Awards and approximate amount of advisory fees and other expenses payable in association with the acquisition. The amounts in Japanese yen are calculated at a rate of 1 USD = 153 yen.

3. Description and amount of primary acquisition-related costs

Nothing has been finalized at this time.

4. Amount of goodwill, reason for recognition, and method and period of amortization

Nothing has been finalized at this time.

5. Amount and breakdown of assets to be acquired and liabilities to be assumed on the date of business transfer

Nothing has been finalized at this time.

6. Financing of acquisition cost

The acquisition will be funded through a bridge loan followed by permanent financing within approximately one year from completion of the acquisition. For permanent financing, we are considering borrowings from financial institutions and hybrid financing taking financial soundness into account. We do not anticipate financing methods that would result in dilution of common equity.

(Sale of Shares in an Equity-method Affiliate)

At a meeting of the Board of Directors held on December 26, 2025, the Company resolved to partially sell the common stock of Kumagai Gumi Co., Ltd. (hereinafter, "Kumagai Gumi"), an equity-method affiliate of the Company, and, following a resolution by Kumagai Gumi on January 8, 2026 for the secondary offering, shares were sold as follows.

1. Purpose of the sale of shares

The purpose of the sale is to improve capital efficiency and optimize the capital relationship. Even after the sale, Kumagai Gumi will continue to be an equity-method affiliate of the Company as the Company will continue to have significant influence through the seconding of officers and the maintaining of a close alliance relationship. In addition, the Company will further strengthen its alliance relationship with Kumagai Gumi while proactively exploring and promoting investment in areas of collaboration, including in the construction business.

2. Method of sale

Secondary offering through purchase and underwriting by the underwriter (Underwriter: Daiwa Securities Co., Ltd.)

3. Timing of sale

January 26, 2026

4. Number of shares sold, shareholding ratio after sale, sale price, and gain on sale

(1) Number of shares sold	:	9,976,900 shares
(2) Shareholding ratio after sale	:	15.9%
(3) Sale price	:	16,003 million yen
(4) Gain on sale	:	The Company expects to record a gain on sale of shares of subsidiaries and associates of 4,954 million yen as extraordinary income.

5. Other important special provisions

Regarding the secondary offering through purchase and underwriting by the underwriter, taking into consideration demand and

other factors, Daiwa Securities Co., Ltd. may conduct an offering via over-allotment of a maximum of 1,496,500 shares of Kumagai Gumi borrowed from the Company. In connection with this offering, Daiwa Securities Co., Ltd. has been granted the right to acquire a maximum of 1,496,500 additional shares of Kumagai Gumi from the Company at the same price as the underwriting price (hereinafter, the “greenshoe option”), as follows.

- (1) Exercise deadline : February 20, 2026
- (2) Maximum number of shares subject to sale : 1,496,500 shares
- (3) Shareholding ratio after the sale : 15.0% (in the event that the greenshoe option is exercised in full)

The impact of exercising the greenshoe option is currently being calculated.

(Filing of a Lawsuit Against a Consolidated Subsidiary)

PT. Mayangkara Tanaman Industri (hereinafter, “MTI”), a consolidated subsidiary of the Company, has been named as a defendant in a lawsuit filed with the Pontianak District Court of the Republic of Indonesia (hereinafter, “Indonesia”) on January 9, 2026, as described below.

1. Overview of the Lawsuit Filed

- (1) Name: Ministry of the Environment, and Environmental Control Agency of the Republic of Indonesia (hereinafter, “plaintiff”)
- (2) Location: Special Regional Province of Jakarta, Republic of Indonesia

2. Cause of the Lawsuit and Background Leading to the Filing

MTI conducts forestry business in West Kalimantan Province, Indonesia. In 2023, a fire broke out within part of the business site. According to the petition, the plaintiff is understood to have filed the lawsuit in connection with this fire.

3. Details of the Lawsuit

According to the petition, the plaintiff’s main claims are as follows.

- (1) The issuance of a provisional injunction to suspend planting activities in the affected area for the duration of the lawsuit and until a final judgment is reached.
- (2) Payment of compensation to the public treasury in the amount of IDR 347,689 million (¥3,234 million) for damages caused by the fire.
- (3) Implementation of environmental restoration measures for the affected area.

* The amounts in Japanese yen are calculated at a rate of 1 IDR = 0.0093 yen.

4. Future Outlook

The Company and MTI will respond appropriately after reviewing the details of the lawsuit. At this stage, there are discrepancies between the Company’s understanding and the plaintiff’s claims regarding the cause of the fire, its location and the extent of the affected area, and the Company intends to contest these claims. It is difficult at present to reasonably estimate the impact of the lawsuit.

(Changes in Reporting Segments)

Business segments in Segment Information were previously divided into four categories: “Timber and Building Materials,” “Housing,” “Global Construction and Real Estate,” and “Environment and Resources.” However, as of the beginning of the fiscal year ending in December 2026, the Company has decided to categorize its business segments under five categories: “Timber and Building Materials,” “Housing,” “Overseas Housing,” “Real Estate,” and “Environment and Resources.”

The reason for the changes is to consolidate the real estate business functions currently handled by individual business departments in order to ensure the expansion of our environmentally conscious real estate business, which contributes to the Wood Cycle with a focus on wooden architecture in Japan and overseas. In January 2026, we established the Real Estate Division, and changed the name of the Global Construction and Real Estate Division to the Overseas Housing Division.

The main change is that the leasing, management, purchase and sale of real estate in Japan and overseas, as well as the contracted construction of domestic medium- to large-scale construction projects in Japan, which were previously included in “Housing” and “Global Construction and Real Estate,” have now been included in “Real Estate.”

Information regarding the amounts of net sales, profits, and losses for each reporting segment for the consolidated fiscal year under review based on the revised business segment classifications is as follows.

Furthermore, information regarding assets and other items for each reporting segment after the revision is currently being calculated.

Current consolidated fiscal year (January 1 to December 31, 2025)

(million yen)

	Reporting segment						Other (Note 1)	Total	Adjustment (Note 2)	Total shown in the consolidated financial statement (Note 3)
	Timber and Building Materials	Housing	Overseas Housing	Real Estate	Environment and Resources	Total				
Net sales										
(1) Unaffiliated customers	232,043	541,420	1,200,567	252,461	24,809	2,251,300	15,685	2,266,984	592	2,267,577
(2) Intersegment sales/transfer	20,931	888	5,325	1,590	1,954	30,687	12,431	43,117	(43,117)	—
Total	252,974	542,307	1,205,892	254,051	26,763	2,281,987	28,115	2,310,102	(42,525)	2,267,577
Segment income (loss)	12,755	38,532	137,964	(13,776)	(1,370)	174,105	5,026	179,131	(4,231)	174,900

(Notes) 1. “Other” is a business segment not included in the reporting segments. Such segment includes private nursing home/private elderly care facilities with nursing care business, insurance agency business, and civil engineering/construction work.

2. Adjustments are as presented below.

(1) Adjusted sales to unaffiliated customers of ¥592 million are attributable to the administrative departments and comprised mainly of rent from Company landholdings.

(2) The adjusted segment loss of ¥4,231 million includes ¥(2,467) million in eliminated intersegment transactions, a ¥2,627 million actuarial gain associated with retirement benefit costs, and ¥(4,392) million in corporate losses which are not allocated to any of the reporting segments.

Corporate income (loss) is primarily selling, general and administrative expenses, non-operating income or non-operating expenses not belonging to any reporting segments.

3. Total segment income (loss) is adjusted against recurring income shown in the consolidated financial statements.