

Sumitomo Forestry Group
Financial Results for the Fiscal Year Ended December 31, 2025
Conference Call with Analysts and Institutional Investors – Q&A

Time and date: 13:00 – 14:30, Monday, February 16, 2026

Answers: Toshiro Mitsuyoshi, Representative Director, President and Executive Officer, Sumitomo Forestry Co., Ltd.

Nobuyuki Otani, Director, Managing Executive Officer, Sumitomo Forestry Co., Ltd

Q

Regarding the target number of sales units for 2030, I understand that while the Company continues to consider builder acquisitions, the plan was to achieve the target through the organic growth of each company. Could you explain how the outlook for achieving the 2030 target has changed following the recently announced acquisition of Tri Pointe Homes, Inc. (hereafter, “TPH”)?

A

Our initial plan was to achieve the target of 23,000 sales units in the U.S. through organic growth by the five existing builders, but progress has recently come to a standstill due to factors such as cooling U.S. consumer sentiment. However, in addition to securing sufficient land, the merger of Brightland into DRB last year has driven forward the establishment of a platform that enables systematic business operations even after the local founders leave the company. While achieving the target of 23,000 units through organic growth by the five existing builders would have been difficult by the 2030 deadline, we felt that it is a feasible figure in the medium to long term.

We believe that the recent acquisition of TPH makes achieving the initial goal of 23,000 units by 2030 realistic, and together with TPH and the five existing builders, we aim to exceed the target number of sales units.

Q

Could you tell us how the acquisition price of TPH is assessed? While the acquisition price appears high in relation to the Company's recent performance, how do you view its medium- to long-term investment value?

A

The acquisition price is \$47 per share. This represents a 29% premium over the stock price on February 12, 2026 (the previous business day) and a 40% premium over the volume-weighted average price over the past three months. The number of units delivered by TPH was robust in 2024, exceeding 6,000, but conditions have been challenging since 2025. Based on the P/E ratio in the 2025 results and 2026 forecasts, there are likely to be cases where the acquisition price appears high. However, this acquisition holds significant strategic value for our Company, particularly from the viewpoint of expansion into California.

California, a state we had not entered until now, is an area where land acquisition and development permits are extremely difficult to obtain. On the other hand, it has a population of 39 million and ranks third in the U.S. for the number of housing construction permits issued. By breaking into California and neighboring Nevada, we can fully cover the so-called Sun Belt area. In addition to DRB's extensive platform covering the U.S. East Coast to Texas, this acquisition enables us to build a platform in the U.S. West Coast. Furthermore, acquiring a subsidiary with the governance structure of a listed company offers not only immediate benefits, but also represents a significant asset in the medium to long term. Therefore, we believe our U.S. housing business has now entered its second phase.

Q

Do you aim to continue expanding the businesses of existing U.S. builder subsidiaries, or are you advancing a strategy to restrain expansion to some extent, given the market environment?

A

The five existing builders have been selectively acquiring land over the past year or two. Additionally, they have been advancing measures such as abandoning deposits and releasing land for which they had signed option contracts at relatively high prices. As a result, the total number of purchased lots and lots under option contract by the five existing builders decreased from approximately 83,000 lots at the end of the second quarter of FY12/2025 to approximately 79,000 lots at the end of FY12/2025. The initial growth strategy established challenging targets, such as sales of 5,000 units in Florida and expanding footprint in key regions. However, given the current challenging affordability conditions, the five existing builders are pursuing a more realistic approach that includes focusing on securing a certain level of profits.

Q

With regard to the U.S. housing business, recurring income to net sales ratio for the fourth quarter of FY12/2025 declined to 10.8%, and is projected to fall to 9.9% in FY12/2026. On the other hand, plans are in place to increase the number of sales units. Could you explain the assumptions underlying these plans? Also, are there any changes in demand trends in light of recent market condition shifts and the upcoming spring season?

A

The U.S. housing market continues to face challenging sales conditions that are deteriorating in many regions, even when compared to the second quarter of FY12/2025. To maintain the number of sales units, incentives such as discounts and rate buydowns are being offered, resulting in squeezed profit margins. For FY12/2026, compared to FY12/2025, we plan to increase the number of communities to be developed by 64 locations, and to accumulate orders at a level of absorption (number of contracts per month per community) of about 2.5 units per month. In this way, we aim to achieve orders exceeding FY12/2025. However, the backlog at the start of the period was at its lowest level on record, and we recognize that the sales plan of 11,635 units for FY12/2026 (an increase of 1,373 units year

on year) is a challenging goal.

To achieve this plan, it is vital for demand to materialize during the spring season, but poor weather across the U.S. in January has led to sluggish order growth. We believe the most critical factor influencing housing demand is the recovery of consumer sentiment, which has cooled due to inflation concerns and policy uncertainty.

Q

Regarding the medium- to long-term outlook for the U.S. housing market, could the rising average age of first-time buyers and declining affordability indicate structural changes in U.S. housing demand? Could you tell us how you assess the medium- to long-term outlook for the U.S. housing market?

A

We recognize that potential demand in the U.S. housing market remains robust, given the homebuyer segments represented by Generation Z and Millennials remains substantial, and that a long-term housing supply shortage since the global financial crisis has created a supply-demand gap of 4 to 6 million units. On the other hand, reports indicate that the home replacement cycle in the U.S. has lengthened from the previous average of about 6 years to about 8.6 years now, suggesting customers are cautiously timing their replacements. A potential customer base remains, poised to move quickly to purchase if affordability and consumer sentiment improve. Therefore, we believe housing demand in the U.S. housing market will remain robust over the medium to long term.

Q

There has been a certain gap between past earnings forecasts and actual results, including upward and downward swings. With regard to the earnings forecast for FY12/2026, could you explain about the accuracy of the forecast and its basis?

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The unit selling price for our U.S. housing business was US\$490,000 in FY12/2025 and is projected to be \$466,000 in FY12/2026. Furthermore, the "Market Conditions across Our Operating Areas in 2025", outlined on page 13 of the briefing materials, is closely aligned with the assessment by the local management team. Some opinions suggest that 2026 will be the most challenging year yet for sales, but that it will be followed by recovery. In cities that are struggling with sales, such as Austin, San Antonio, and Denver, we are implementing not only rate buydowns but also offering free options and discounts. As a result, the recurring income to net sales ratio for the U.S. housing business is forecast to decline from 13.4% in FY12/2025 to 9.9% in FY12/2026. For FY12/2026, we plan to boost both order and sales units by increasing the number of communities to be developed to 398 (an increase of 64 communities year on year) and maintaining an absorption (number of contracts per month per community) of 2.5.

Q

Regarding the plan for the U.S. housing business for FY12/2026, do you assume gradual recovery toward year-end, or that the challenging sales conditions will persist throughout the year?

A

A full-fledged recovery in housing demand requires that expenditures such as housing prices and mortgage rates are appropriately balanced with incomes for consumers in their 40s or younger, who are the key homebuyer segment. It is also important that consumers' psychological anxieties are dispelled. While there is some anticipation for home purchase support measures ahead of the midterm elections, we feel it is unlikely that any measures producing effects within this year will be put in place. Looking ahead to the current period, the spring season is a crucial period. If no recovery is seen then, the challenging sales conditions are expected to persist throughout this year, with a full-fledged recovery in demand anticipated only in 2027.

Q

What is the estimated amount of goodwill and the amortization period associated with the acquisition of TPH?

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Funding for this acquisition will initially be secured via a bridging loan on the premise of transitioning to permanent financing within one year after closing. The timing for the completion of the acquisition is planned for the second quarter of this year, after regulatory approvals and approval at TPH's general meeting of shareholders. The final amount of goodwill related to the acquisition will be determined based on the valuation of consolidated assets and other factors. While the amortization period has not yet been finalized, it is expected to be between 10 and 15 years. Even if the acquisition were completed in the shortest possible timeframe, only half a year's results could be consolidated for FY12/2026. Therefore, we anticipate that full consolidation will only be reflected in the results from FY12/2027.

Q

You have explained the Company will also focus on housing projects in Asia. Particularly with regard to the Indonesia and Vietnam projects, please share your future plans, including specific details such as the number of sales units and net sales.

A

Concerning the housing projects in Asia, in Indonesia, we are advancing real estate development projects with a partner that is a conglomerate-affiliated developer in Indonesia. The project is being developed adjacent to a project already successfully developed by the partner, with handover scheduled to begin in the second half of FY12/2027. We plan to sell approximately 4,100 units over 15 years. While the majority of these will be landed houses, we also plan to sell some shophouses, which are houses with shops on the first floor. In Vietnam, we plan to sell a total of approximately 6,700 units, comprising about 1,200 units in low-rise residential building complexes and about 5,500

units in high-rise residential building complexes. Infrastructure construction is currently underway, but obtaining permits takes time, so the launch period for sales is expected to be later than the Indonesia projects.

Q

What is the projected recurring income to net sales ratio for each quarter of the U.S. housing business for FY12/2026?

A

For FY12/2026, the recurring income to net sales ratio for the U.S. housing business is planned to be 9.9%. Considering current market conditions, we anticipate continued challenging circumstances in the first half. However, we expect the recurring income to net sales ratio to recover to a level exceeding 10% in the second half. This plan was formulated through a comprehensive analysis of projections for land prices and development costs for communities planned for sale, material costs such as wood, construction costs such as labor expenses, and unit selling price for houses.

Q

In the newly established Real Estate Business segment, the U.S. real estate business is projected to achieve recurring income of 4 billion yen for the full-year FY12/2026. Could you explain the details of this projection?

A

For FY12/2026, we plan to sell 20 properties compared to 14 in FY12/2025. However, we anticipate that it will still take time to improve the supply-demand balance in the U.S. real estate market. To enhance profitability, the Group is advancing the shift to in-house manufacturing for general contractor functions within its U.S. real estate business. Going forward, we aim to diversify revenue sources while targeting the construction start for approximately 10,000 rental housing units annually. Furthermore, through the establishment of this new Real Estate Business segment and organizational restructuring, we seek to strengthen human resource exchange and development in real estate development both within and outside Japan, with the aim of achieving the sound expansion of our real estate business.

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