

Sumitomo Forestry Group
FY12/2026 First Quarter Financial Results
Conference Call with Analysts and Institutional Investors – Q&A

Time and date: 17:00 – 18:00, Thursday, May 7, 2026

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

Q

Could you explain when the acquisition of Tri Pointe Homes, Inc. (TPH) will be reflected in the financial statements, how goodwill will be amortized, and other details concerning the acquisition? Please also provide information, if any, concerning purchase price allocation (PPA).

A

The acquisition of TPH is scheduled to close in mid-May 2026. The balance sheet is expected to be consolidated as of the end of June, and the statements of income is expected to reflect the transaction starting from the second quarter of FY12/2026.

The components of the PPA to be conducted in the future include three elements: items recognized as intangible assets (such as trademark rights), items valued as the present value of order backlog, and the fair value adjustment on land holdings. There will be no amortization of trademark rights, while the present value of order backlog is typically amortized over about one year, and the fair value adjustment on land and other assets will be amortized over the medium term. The amortization period for net goodwill, after deducting these items, is expected to be approximately 10 years.

Q

What is the interest rate for the bridge loan associated with the acquisition of TPH?

A

The interest rate for the bridge loan is expected to be around the low 1% range (below 1.5%).

Q

Could you tell us about the current state and future outlook of the U.S. housing market, as well as Sumitomo Forestry's order trends?

A

With regard to the market environment for the U.S. housing business, while there were points when interest rates stabilized somewhat, they have recently begun to rise again due to the impact of the Middle East situation. This is affecting consumer sentiment negatively. In addition, the spring sales season, which we had placed our hopes on, failed to produce the expected momentum,

and the market environment remains challenging.

In response, the Company is pursuing a strategy of increasing the number of communities for sale, with a view to increasing the number of units ordered. While the rise in the number of communities is proceeding as planned, cooling consumer sentiment resulted in a 4.9% year-on-year decrease in the number of units ordered for the first quarter of FY12/2026.

Q

What are your views on the recovery scenarios concerning profit margins for U.S. housing business from the second quarter? Please also describe the impact on performance, including the status of presales in the first quarter and the timing for recognizing sales and income going forward.

A

The recurring income to net sales ratio of 9.9% in the full-year forecast for the current fiscal year was drawn up based on the premise that market conditions will improve in the second half of the fiscal year. Therefore, the recurring income to net sales ratio of 8.6% for the first quarter is generally in line with our plan. However, for the full-year forecast, we recognize the need to consider the negative impact that the recent escalation of the Middle East situation has on consumer sentiment. In light of that, we acknowledge that it is necessary to carefully re-examine the forecast.

Concerning the status of spec homes and presale homes, it is important to note that unlike spec homes, which are ready-built for sale, the construction of presale homes only begins after contract conclusion, so a certain period (construction time) must pass before sales and income can be recognized. In the U.S., while the impact of growing tensions in the Middle East on raw material costs has not yet become prominent, it is necessary to cautiously manage the impact on our full-year forecast by determining the optimal balance between spec and presale homes, while also taking into account geopolitical risks, construction time, demand trends, and fluctuations in raw material prices.

Q

Could you provide information on sales plan of the U.S. real estate business for this fiscal year (20 properties for the full year), along with an overview of the current sales environment and outlook?

A

Against a full-year target of 20 properties, our result for the first quarter was one property (with a target set at two properties). According to the forecast, sales are expected to be concentrated in the second half of the fiscal year. Although the current sales environment is not necessarily

favorable due to persistently high interest rates, property sales progressed to some degree through the end of the previous fiscal year, and we have identified the 20 target properties for sale this fiscal year, according to plan. While there is some uncertainty depending on whether interest rate trends stabilize, our policy is to aim toward achieving the full-year target of 20 properties.

Q

Could you tell us about the current status for number of units ordered in the U.S. housing business, as well as the state of profit margins?

A

The number of units ordered in the first quarter fell by 4.9% year on year, and cumulative orders through April were down about 3% year on year. As for profit margins, while the Group's builders are offering incentives in areas where our competitors, leading U.S. listed builders, are providing discounts, there has been no significant impact on construction costs due to the general slump in the number of housing starts, and profit margins remain within the expected range.

Q

Could you explain in detail the impact of the Middle East Situation on future business performance?

A

As our housing businesses in Japan and Australia are conducted on a contract basis, there is a risk that the cost of building materials may rise after contracts are signed with customers. Therefore, the escalating situation in the Middle East could have a negative impact on our business performance. Meanwhile, while the impact of cost increases has not yet become pronounced in the U.S. housing business, it could affect consumer sentiment. In this regard, we are monitoring the situation. While there has been no visible impact on construction time currently, we will continue to scrutinize the situation in detail as such impact may emerge in the future.

Q

Could you explain the factors behind the strong recurring income to net sales ratio of 8.0% for the Australian housing business in the first quarter of FY12/2026? I understand that there were previously concerns about a possible rise in interest rates in the future; what is the current status of orders?

A

The Australian housing business is currently performing better than expected, primarily due to two factors. The first is the exceptionally favorable market conditions in Perth, Western Australia, and the second is improved earnings at Metricon due to the gradual replacement of past low-

margin contracts with new contracts reflecting an increase in prices. Although there had been concerns over interest rate hikes in Australia, where a high proportion of mortgages are based on short-term interest rates, the current order status remains robust.

Concerning the impact of the Middle East situation to our Australian business, despite low reliance on crude oil from the Middle East, we anticipate the situation to affect the supply chain. With that in mind, our policy is to respond cautiously to the situation, including with price pass-through.

Q

Could you tell us about the current order status as well as future outlook for the domestic housing business?

A

Orders for the domestic housing business remain strong. Unit sales price is also increasing on the back of our moves to revise sales prices in tandem with soaring material and labor costs. Despite the perception that interest rates will rise, this has not produced a significant impact at this time. As for cost increases associated with the escalating Middle East situation, we will continue to monitor the situation closely while responding appropriately by adjusting prices or taking other necessary measures.

Q

Are there plans to revise the full-year forecast, including the impact of the acquisition of TPH on results, in the second quarter results to be announced in August? If so, could you tell us which components will be affected?

A

In light of developments in the Middle East situation in addition to the impact of the acquisition of TPH, we plan to revise our full-year forecast in the second quarter results to be announced in August.

The acquisition of TPH is likely to affect the amortization of goodwill, one-time acquisition-related costs, and an increase in interest-bearing debt including the bridge loan announced today, among other elements. In addition, items that are charged to expenditures in approximately one year, such as amortization of the present value of order backlog, will be effectively treated as accelerated amortization of a portion of the goodwill.

When these impact factors are considered comprehensively, we anticipate that it will be difficult to absorb them through TPH's standalone business performance this fiscal year; rather, we expect TPH to make a substantial contribution to profits from 2027 and beyond.

Q

Some industry peers in the U.S. housing business have reported year-on-year order increases in the first quarter. Could you provide an overview of the order status by region?

A

Looking at orders by region, there has been a significant slump in western U.S., largely due to the impact of a high base effect from the large-scale bulk contract of about 150 units in the same place during the same period last year. For this reason, we recognize that the year-on-year comparison for this region is not indicative of an overall deterioration of market conditions.

Furthermore, we are progressing with the expansion of community numbers, which we are rolling out as our strategy for this fiscal year. While the number of communities is increasing steadily in line with our target, we have not yet achieved a sufficient increase in the number of units ordered compared to the plan.

Q

Looking at the orders for the U.S. housing business in the first quarter, the decline in western U.S. appears significant on a year-on-year basis. Is there a different trend in other regions? Has there been a similar decline in the number of orders received by TPH, which sells mainly houses in the high price range in the west?

A

In western U.S., MainVue, which operates its housing business in Seattle, achieved record-high profits in the previous fiscal year, and there was a certain degree of rebound from that situation in the current period under review. Having said that, we do not expect TPH to show a similar order trend.

Q

How many months would the growing tensions in the Middle East need to continue for before they impact delivery in the U.S. and domestic housing businesses? Could you also tell us the timing for completing the assessment of these impacts?

A

While there are currently rumors of a possible shortage of PVC pipes in Japan around May or June, the information is patchy and unclear, making it extremely difficult to determine the impact on delivery. We will analyze the details carefully, including the impact of the acquisition of TPH on our business performance, and provide further details at the second quarter result announcement in August.

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