Sumitomo Forestry Group
Financial Results for the Fiscal Year Ended December 31, 2025
Conference Call with Analysts and Institutional Investors
Progress on Medium-Term Management Plan, Mission TREEING 2030 Phase 2, and
Full-year FY12/2025 Financial Results Briefing - President's Presentation Script

Time and date: 13:00-14:30, Monday, February 16, 2025
Briefer: Toshiro Mitsuyoshi, President and Representative Director, Sumitomo Forestry Co., Ltd.

Hello, everyone. Thank you very much for taking time out of your busy schedule to attend our company information session today.
I will focus on the overview of the financial results for the fiscal year ended December 2025 and the forecast for the fiscal year ending December 2026, as well as the progress of the medium-term management plan and future initiatives. Details regarding the financial results and earnings forecast will be explained later by Managing Executive Officer Otani.

[Slide 4]
First, I would like to reiterate our long-term vision for 2030.
Looking ahead to the year 2030, which is also the target year of the SDGs, we have set forth our long-term vision, Mission TREEING 2030, which outlines our ideal state.
In our long-term vision, we have set the number of housing units sold yearly of 65,000 units and recurring income of JPY350 billion as targets to be achieved by 2030. To achieve these goals, we aim to increase the number of units sold in Japan, the US, Australia, Asia, and other regions.

[Slide 5]
We will contribute to the decarbonization impact and realize value for our planet, for people and society, and for the market economy by globally circulating the Wood Cycle, a unique value chain based on renewable wood resources and their decarbonizing effects, in our forests, timber, construction, and energy business sectors.

[Slide 6]
Next, I will explain the overview of the financial results for the fiscal year ended December 2025 and the earnings forecast for the fiscal year ending December 2026.

[Slide 7]
The results for the fiscal year ended December 2025 are as shown.
Net sales increased YoY due to the consolidation effect of Metricon in Australia and the continued strong performance of the domestic housing business. However, the US housing business and the US

real estate business continued to face a sluggish market, and although recurring income and net income exceeded the revised earnings forecast announced last August, they decreased YoY.

[Slide 8]
In light of the current business environment in the US, we regret to inform you that we have revised downward our forecast for the fiscal year ending December 2026, from the plan announced in our mid-term management plan last February.
In the US housing business, which is the largest driver of our business performance, we expect it will take some time for demand to fully recover as customers continue to take a wait-and-see attitude.
This forecast does not include the impact of the Tri Pointe Homes acquisition, which was announced last Friday, February 13th.

[Slide 9]
Next, I will look back on the first year of our medium-term management plan and explain our future initiatives.

[Slide 10]
In the fiscal year ended December 2025, the first year of our medium-term management plan, we made progress in domestic and overseas efforts to decarbonize our operations and in global expansion through M&A and investment in new projects, but we recognize that there remain challenges in improving our earning power and strengthening our management base, including improving profitability in some underperforming businesses and securing global human assets.
Although the business environment continues to be uncertain, we believe that difficult times provide an excellent opportunity to review our business model. We will implement reforms to take the next leap forward and ensure that we are on the path to achieving our long-term vision.

[Slide 11]
From here, we will discuss our US single-family homes business.
This document is an excerpt from the presentation on the Tri Pointe Homes acquisition that was held last Friday, February 13th.
There is no change in the traditional view that the basic structure of the US housing market is that, over the medium to long term, solid demand associated with an increase in the number of households will continue.

[Slide 12]
As I explained on February 13th, with the midterm elections approaching, there is a good chance that the market will improve due to housing assistance programs for home purchases, but we recognize that the current environment continues to require careful business operations.

[Slide 13]
Here is an update on the market situation that we presented last August.
In H2 of 2025, the housing market continued to slow down in the areas where we operate. 2026 housing price forecast by a research firm also predicts a downward trend in each area.
Amidst a challenging business environment, our company is implementing a series of measures: agile responses to environmental changes and foundational steps for mid- to long-term business growth. Specific initiatives are described on the following pages.

[Slide 14]
The first measure is about product development. We are strengthening our lineup of affordable housing, including townhomes and narrow-front homes while maintaining quality and keeping prices low.
The second measure concerns the community strategy. Although the average number of monthly contracts per community, so-called absorption, has been declining due to the decline in affordability, we aim to increase the overall number of units sold by increasing the number of communities while maintaining absorption through product development and sales measures.

[Slide 15]
The third measure is the integration of DRB and Brightland, which took place last April. We will build a robust profit structure by improving our business operation system through the introduction of DRB's management approach to efficiently operate multiple locations, managing risks such as completed inventory and land holdings, integrating core systems, reviewing personnel structure, strengthening training, and reducing costs through joint purchasing of materials and shared financing.
The fourth measure is to maintain financial soundness. While curbing construction starts of spec homes in line with the pace of sales, we will promote sales through incentive grants and other measures to maintain the completed inventory at an appropriate level. In addition, we will utilize option contracts for the purchase of land to reduce the financial burden.

[Slide 16]
Slide 16 explains the FITP business.
To strengthen synergy within the Group, we will increase the material procurement from group companies and the percentage of orders placed with group companies for framing and other construction work. The percentage of sales to the Group's housing and real estate business companies in the FITP business increased to 23.4%.
In addition, as a measure to streamline the construction process, a series of processes from design to construction management will be digitally linked to reduce costs and eliminate intermediary margins to simultaneously achieve scale and profit growth.

[Slide 17]

Next, regarding the Australian housing business.
In Australia, policy interest rates were lowered last year, and the rising cost of materials, labor shortages, and construction delays that occurred after the COVID-19 pandemic have also been eased. On the other hand, housing prices are currently rising, and improving affordability is a challenge.
In our Australian housing business, profit margins improved significantly for all three existing builders and Metricon. Going forward, we will continue our efforts to further improve profits, including the realization of synergies.
About 70% of sales in the Australian housing business are order homes, and it is extremely important to shorten the construction time by streamlining order taking, design processes, and construction processes. We have significant management resources in the form of expertise and human resources from more than 50 years of experience in the custom-built housing business in Japan. We will make the most of this management resource to reduce costs and shorten construction time.
We will also create group synergies, such as joint purchasing of materials and shared insurance programs, by leveraging our economies of scale as the largest homebuilder group in Australia.
In terms of sales, the Company will respond to a wide range of needs by diversifying its product lineup, from high-end to affordable housing, to capture the housing demand resulting from population growth.

[Slide 18]
Slide 18 explains the Asian business.
As the third pillar of our overseas housing business following the US and Australia, we aim to achieve JPY10 billion in recurring income in our Asian business by 2030.
We are currently participating in large-scale township development projects in Indonesia and Vietnam with local partners, which are expected to start delivery at the end of 2027.
We will continue to accumulate expertise in township development, including the permitting process and master planning, and will continue to seek investment opportunities for new projects.

[Slide 19]
Starting on slide 19, we will discuss our real estate business.
As of January 1st this year, the real estate division was newly established. The goal is to achieve sound expansion and development of the real estate business by leveraging the design and construction techniques for wooden buildings accumulated over many years and by strengthening cooperation among the various businesses.
Under the new organizational structure, the real estate-related business, which was previously divided among several business divisions, will be consolidated into a single business division to strengthen functional collaboration. In addition, we will expand our environmentally conscious real estate business centered on wooden construction, and improve the sustainability of our business by managing risks, sharing and upgrading our know-how.
The four main initiatives of the real estate division are listed here. Our goal is to create a real estate

development business that not only takes advantage of our financial function to lead the structuring of projects but also maximizes our manufacturing capabilities, backed by our development know-how and wooden construction technologies in Japan and overseas. We will create a system to foster professional human assets and build a framework to accumulate and utilize development know-how and technologies.

[Slide 20]
Since the real estate business is susceptible to the financial environment and economic fluctuations, the Company will develop business strategies tailored to the business environment in each region.
First, in the US, our main market, policy interest rates are expected to continue to be lowered, while it may take time for the supply-demand balance in the real estate market to improve. We will strive to improve return on invested capital through balance sheet-conscious business operations, such as maximizing the use of external capital and speeding up construction and leasing, while aiming to stabilize periodic profit/loss by diversifying revenue sources by moving away from a business structure that relies on the sale of properties. We will also promote vertically integrated mass timber construction that leverages our advantage as a professional of timber.
In Japan, we will promote the shift toward wooden construction for non-residential buildings, for which demand has been increasing in recent years, and create synergies with LeTech, which joined our group last year, in the rental housing-related business, where there is room for market expansion against the backdrop of inheritance tax, demand for inheritance, and other factors.

[Slide 21]
Starting on slide 21, we will discuss our domestic housing business.
In addition to further increasing market share in the mainstay custom-built housing business, we aim to achieve stable growth through expansion in the rental, spec-home, and renovation businesses.
In the custom-built housing business, we will secure the number of houses in the volume zone and expand orders for premium products by leveraging our competitive strengths through differentiated strategies and tiered pricing approaches.
This graph shows order trends by price range. As you can see, the volume zone is captured by Forest Selection, a semi-custom product line, while the higher price range orders are captured by custom-built houses, such as Grand Estate Design Project.

[Slide 22]
I will explain our future priority measures to enhance profitability and create synergies with group companies.
The first initiative to enhance profitability is to improve productivity through innovation. By promoting front-loading through measures such as advancing module design and accelerating DX, we will enhance productivity in design operations and construction sites.
The second initiative is the use of MYHOME WORKS, a platform for meeting with customers. By

digitizing meetings with customers, we will improve customer convenience and the efficiency of the sales and design process, and we will also consider the utilization of accumulated data in the future.
In addition, as an initiative to create synergy with group companies, the branches of the housing business division and group companies operating the rental, greening, and renovation businesses collaborated to formulate group strategies for each prefecture, commercial district, and other area. Going forward, we will put our strategy into action to improve customer satisfaction and maximize profit/loss.

[Slide 23]
Slide 23 explains the timber and building materials business.
In the timber and building materials business, there is an urgent need to shift to a business model that does not depend on domestic new housing starts and to improve earning power. Three main initiatives are described below.
The first is the global timber and building materials strategy. In each of the areas of wood panel and board, building materials and wooden products, wooden structural materials, and biomass-related business, we will promote WOOD CHANGE, which will increase the ratio of wood used, by expanding the scale of production and bases. With the acquisition of the Teal Jones-Plain Dealing sawmill in the US and the start of commercial production at the Kowa-no-Mori Yotsukura plant, we will contribute to the expansion of the wood cycle by connecting the supply chain of afforestation, manufacturing and distribution, and construction in Japan and overseas.
The second is platform building. We seek to find solutions to various issues in the housing and construction industry, where old business habits and practices still remain, by providing comprehensive structural, exterior, and operational solutions.
The third is collaboration with the GEOLIVE Group, with whom we signed a capital and business alliance agreement last year. By transcending the boundaries between trading companies and mega wholesalers and promoting cooperation that leverages the strengths of each, we aim to create synergies by strengthening the supply chain and complementing functions.

[Slide 24]
Slide 24 is about human assets strategies for globalization.
As our business expands globally, we must ensure we have sufficient human assets who have developed the adaptability required for overseas representatives. To address this issue, the corporate division, which was established in January 2025, is implementing a program to improve skills to develop strategically minded human assets who can work globally, including active support for acquisition of various professional certifications in addition to language skills.
In addition, we are implementing human asset rotation within the corporate division to develop human assets capable of handling multiple tasks.
We will strengthen global governance by promoting the dispatch of representatives with expertise in finance and accounting, legal affairs, IT, etc. to each region.

[Slide 25]
Page 25 describes progress in the environmental, social, and governance areas.
We have been selected for CDP Climate A List for 10 consecutive years, and last year, we were newly selected for the Forests A List. We believe that this is a recognition of our 100% handling ratio of sustainable timber and timber products, as well as our sustainable forest management in the approximately 365,000 hectares of forests we own and manage in Japan and overseas.
As for strategically-held shares, we sold all of our two holdings during the last fiscal year, bringing the total market value of stock holdings as a percentage of consolidated net assets to 9%.

[Slide 26]
Finally, I would like to explain our dividend policy for this fiscal year.

[Slide 27]
There is no change to the shareholder return policy set forth in the current medium-term management plan, which is to maintain a dividend payout ratio of 30% or more and a minimum annual dividend of JPY50 per share.
For the annual dividend for last year, the fiscal year ended December 2025, we have set it at JPY53 per share. This is an upward revision of JPY3 compared to the annual dividend forecast of JPY50 announced last August.
For the annual dividend forecast for the fiscal year ending December 2026, we have applied the minimum dividend policy, setting it at JPY50 per share. The dividend payout ratio based on the net income forecast is approximately 32%.
With the acquisition of Tri Pointe Homes, announced last week on February 13th, we have taken a major step toward a new stage of growth. While adhering to the shareholder return policy promised to our shareholders, we aim to enhance our corporate value over the medium to long term by boldly investing in growth markets.

This concludes the explanation. Thank you for your attention.

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