

Sumitomo Forestry Group
Financial Results for the Fiscal Year Ended December 31, 2025
Conference Call with Analysts and Institutional Investors — Transcript
FY12/2025 Financial Results and FY12/2026 Forecast

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

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

I am Otani. Thank you very much for taking time out of your busy schedule to attend our financial results briefing.

Now, I will explain the financial results for the fiscal year ended December 2025 and the earnings forecast for the fiscal year ending December 2026.

The impact of the Tri Pointe acquisition announced on February 13 has not been factored into the current plan figures.

[Slide P.4]

Summary of financial results for the year ended December 2025.

In the fiscal year ended December 31, 2025, net sales increased 10.4% YoY to JPY2,267.6 billion, mainly due to the effect of the acquisition of Metricon, Australia's largest housing company, as well as an increase in sales in the strong domestic custom-built detached housing business.

On the other hand, recurring income decreased 11.6% to JPY174.9 billion and net income attributable to owners of parent decreased 8.5% to JPY106.7 billion due to a decrease in the number of units sold and lower profit margins in the US housing business, a core business, as well as the addition of Metricon expenses and higher SG&A expenses due to higher personnel costs at Sumitomo Forestry and its housing company in the US.

An extraordinary gain of JPY5.3 billion was recorded due to a revision of the accrued amount related to the performance-linked portion of the purchase price for the acquisition of a US real estate company, based on the current forecast of results.

In addition, the Company has recognized actuarial gains and losses on employee retirement benefits in a lump sum at the end of the year in which they occur, resulting in a gain of JPY2.6 billion for the year ended December 2025. Since there was an actuarial gain of JPY9.8 billion in the year ended December 2024, the difference of JPY7.2 billion is also a factor in the decrease in profit.

Excluding actuarial gains and losses, recurring income for the year ended December 2025 was JPY172.3 billion, down 8.4% YoY.

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This is the profit/loss for the year ended December 2025 by segment.

In the timber and building materials business, sales remained challenging due to a decline in new housing starts in Japan. Earnings in the wooden board manufacturing business in Indonesia and Vietnam were also sluggish due to a decline in sales volume and sales prices. On the other hand, overall profit increased mainly due to negative goodwill generated from domestic and overseas M&A activities.

In the housing business, orders for our core custom-built detached housing business have been strong since the previous fiscal year, and the number of homes sold increased. In addition, the renovation business also grew, resulting in increased sales and profits.

In the global construction and real estate business, both net sales and recurring income fell below the previous year's levels due to sluggish growth in the number of units sold and lower profit margins in the mainstay US housing business. Meanwhile, in the Australian housing business, in addition to the consolidation effect of Metricon, strong sales in Western Australia boosted results. As a result, the global construction and real estate business as a whole reported higher revenues and lower earnings.

In the environment and resources business, the loss widened due to losses incurred from wind-damaged trees in the New Zealand forestry business.

[Slide P.6]

Page six shows profit/loss reclassified to the new segment classifications.

The domestic and overseas real estate development and construction businesses were transferred from the former global construction and real estate segment, and the domestic rental management and real estate development businesses were transferred from the housing segment to the real estate segment.

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Page seven shows the status of orders and sales in the domestic housing business.

Orders for custom-built detached houses increased YoY in both value and number of units. In addition to the growth of high-value-added properties through our high proposal capability as represented by the Grand Estate Design Project, we also strengthened sales in a wide price range through Forest Selection semi-custom products, which enabled us to increase the number of houses ordered while raising the average unit price.

As a result, the number of units ordered increased 3.1% YoY to 8,357 units, and the average unit price per order increased 2.9% YoY to JPY45.9 million. As for sales, the number of houses sold increased by 2.9% and unit sales price increased by 4.3% YoY due to strong orders received in the previous fiscal year.

Accordingly, the recurring income to net sales ratio rose 0.6 percentage points to 7%.

The renovation business also posted increases in both sales and income due to growth in demand for environmentally conscious renovation and for owners of Sumitomo Forestry homes.

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The situation in the global construction and real estate segment.

The US housing business posted lower revenues and profits due to a decline in the number of units sold as well as lower profit margins from incentives.

In the US real estate business, revenues increased due to the sale of 14 real estate development properties, in addition to an increase in fee income and other income at JPI.

The FITP business made upfront investments, such as expanding its business areas with an eye to the future, but profit margins declined due to intensified competition amid weak housing starts, resulting in a decrease in profit.

The Australian housing business saw a significant increase in profit, driven by the contribution from newly consolidated Metricon, along with strong performance in Western Australia.

As a result, the overall global construction and real estate segment saw increased revenue but decreased profit.

[Slide P.9-11]

Next, please turn to pages 9 through 11.

Orders received by US housing companies for the year ended December 2025 were down 6% YoY to 9,932 units.

We believe that this was due to the fact that mortgage rates rose to the 7% range at one point and remained high thereafter, and that customers continued to take a wait-and-see attitude due to uncertainty about the overall economic outlook.

In addition, the recurring income to net sales ratio declined to 13.4% for the full year due to the use of aggressive incentives in an increasingly competitive environment.

The land inventory, including purchased lots and option lots, is approximately 80,000 lots.

Although market conditions are sluggish, we will steadily secure necessary land from a medium- to long-term perspective while thoroughly managing risk.

In the Australian housing business, the number of units sold increased significantly to 7,404 units, up 125.3% YoY, due to the full-year contribution of Metricon's performance.

[Slide P.12]

Page 12 shows the results of the timber and building materials business and the environment and resources business for the fiscal year ended December 2025.

The contents are as shown.

[Slide P.13-14]

Please see pages 13 and 14. Balance sheet as of December 31, 2025.

In addition to an increase in real estate for sale due to the new consolidation of the US housing business and LeTech in Japan, investment securities also increased due to investments in the US real estate development business and a township development in Indonesia.

As a result, total assets increased JPY304.5 billion YoY to JPY2,572 billion.

On the other hand, interest-bearing debt increased in the liabilities section, mainly due to the implementation of these investments and loans.

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The table shows trends in key financial indicators that we use as benchmarks.

On the left side, ROE was 11.1%, below the target of 15%, due to challenging results in the core US housing business. The equity ratio was 39%, below the target of 40%, mainly due to an increase in interest-bearing debt resulting from an increase in real estate for sale and investment securities related to the real estate development business.

The net D/E ratio in the table on the right was 0.5x, up from the end of the previous period but still below the target level of 0.7x.

We will continue to carefully select necessary investments to improve profitability.

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Page 16 covers investments.

The actual amount for 2025 is JPY154.5 billion.

Major activities include investments for real estate development in the US, an investment in a timber industrial complex in Iwaki, Fukushima Prefecture, investments in exhibition space in the domestic

and overseas housing business, the acquisition of LeTech, and a capital alliance with the GEOLIVE Group.

The above is a summary of the financial results for the fiscal year ended December 2025.

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I will provide an overview of the plan for the fiscal year ending December 2026.

In the US housing business, the market is expected to gradually pick up as mortgage rates decline, but the environment still calls for cautious judgment. Even under these circumstances, we expect to increase the number of units sold by increasing the number of communities sold in this business, but cost factors such as incentive grants will put pressure on earnings, and we expect earnings to decrease despite higher revenues.

We also plan to increase the number of houses sold in the Australian housing business and the domestic housing business. Furthermore, the number of sales projects is expected to increase in the US real estate development business, and the top line is expected to expand as a whole.

On the other hand, the Company expects that the US housing business will see a decrease in profit and that rising costs associated with an increase in head count will push down earnings, resulting in an increase in revenue and a decrease in profit for the fiscal year ending December 2026, on a company-wide basis.

Specifically, for the fiscal year ending December 2026, we expect net sales to increase 14.2% YoY to JPY2,590 billion, recurring income to be JPY160 billion, and net income to be JPY95 billion.

The extraordinary gain of JPY7.5 billion is the result of the sale of a portion of the Company's equity interest in Kumagai Gumi and the sale of the Company's building materials distribution-related subsidiary to the GEOLIVE Group.

We also assumed an exchange rate of JPY150 against the US dollar.

[Slide P.19]

Page 19 shows the plan for the fiscal year ending December 2026 based on the new segment classification.

In the timber and building materials business, we will strive to start up operations at Kowa-no-Mori in Iwaki City, Fukushima Prefecture, strengthen production capacity at the US sawmill Teal Jones acquired last year, and improve the profitability of our manufacturing business. On the other hand,

the Company expects to see an increase in revenue but a decrease in profit due to the absence of negative goodwill, a special factor that was recorded in the fiscal year ended December 2025.

In the domestic housing business, although the number of units sold will increase on the back of strong orders in the fiscal year ended December 2025, profits are planned to decrease slightly from the previous year due to rising costs and other factors.

In the overseas housing business, although an increase in the number of units sold is expected for the US housing business, higher costs and other factors are expected to result in higher sales and lower profits.

On the other hand, we plan to increase sales and profits in the FITP business and the Australian housing business.

[Slide P.20]

Page 20 shows the order and sales plans for the domestic housing business.

For the fiscal year ending December 2026, we plan to receive orders for 8,200 buildings. In addition to strengthening order-taking activities utilizing the web and SNS, we will continue to strive to sell high value-added homes through our unique proposals, such as strengthening proposals for high-value-added properties through Grand Estate Design Project and expanding sales of our original Germoglio kitchens. In addition, the unit price of orders is expected to rise as a result of the price review.

With regard to sales, although the number of buildings sold is expected to increase due to higher unit prices and a high backlog of orders, the profit margin is expected to decline due to higher construction materials and labor costs.

[Slide P.21-22]

Pages 21 and 22 show plans for the overseas housing segment.

In the US single-family homes business, the number of units sold is expected to increase by 13.4% YoY to 11,635 units by maintaining the pace of contracts per subdivision and expanding the number of land for sale. On the other hand, the profit margin is expected to decline to 9.9% due to an increase in incentives such as discounts and rate buy-downs, as well as increased expenses associated with the expansion of the workforce.

In the FITP business, we will work to expand areas within the US while pursuing construction

rationalization and cost containment.

In the Australian housing business, the number of units sold is planned to increase by 5.3% YoY to 7,800 units, with an expected increase in both sales and income, backed by strong demand in the previous fiscal year. On the other hand, in Australia, inflationary pressures are increasing with the implementation of a policy rate hike in February, and profit margins are expected to decline due to certain cost increases.

Based on the above, we anticipate increased revenue but decreased profit for the overseas housing segment as a whole.

[Slide P.21-22]

Effective January 1, 2026, the real estate division was newly established to promote the domestic and overseas real estate development business and the medium- and large-scale wooden construction business in an integrated manner.

In the US real estate development business, fee income is expected to increase due to property sales and an increase in the number of projects.

In the medium- to large-scale wooden construction business in Japan, we will further strengthen cooperation with Kumagai Gumi and Cohnan Kensetsu to increase orders.

The segment as a whole plans net sales of JPY331 billion and recurring income of JPY1 billion for the fiscal year ending December 2026.

Although the environment for the US housing business remains challenging, the Group will take a long-term perspective and continue to aim for growth while keeping an eye on the growth potential of the US market. In addition, we intend to continue steady growth toward achieving our long-term vision by strictly managing risks and promoting appropriate business strategies in the market environment. We appreciate your continued support and understanding.

This concludes the explanation. Thank you.

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