

Information Material and Q&A regarding Bond-Type Class Shares



This document has been prepared solely for the benefit of the holders of Common Shares of Sumitomo Forestry Co., Ltd. in evaluating the proposal made by us for a partial amendment to the Articles of Incorporation scheduled to be submitted to the 86th Annual General Meeting of Shareholders planned to be held on March 27, 2026 and not for the purpose of soliciting investment or engaging in any other similar activities in Japan or any foreign country. This document does not constitute an offer of securities in the United States. The securities referred to herein have not been, and will not be, registered under the U.S. Securities Act of 1933, and may not be offered or sold in the United States absent registration thereunder or an applicable exemption from registration requirements. In this case, no offering of securities will be made in the United States.

February 13, 2026

Features of Bond-Type Class Shares

Bond-Type Class Shares are treated as shares under the Companies Act and lead to an **increase in capital for accounting/rating purposes** through the issuance.

Meanwhile, Bond-Type Class Shares do not have voting rights and are not convertible into Common Shares, and the **product nature of such shares is expected to give consideration to the Common Shareholders.**

		Issuance	Approx. 5 years after issuance
Equity Credit for Accounting Purposes	Entire issue amount will be recorded as equity for accounting purposes		100% equity
Equity Credit for Rating Purposes	Expected to be evaluated as having the equity credit (50% of the issue amount) by the rating agency (R&I)		Treat 50% of issue amount as equity and 50% as debt
Voting Rights	No rights to vote at general shareholders meetings		No dilution of Common Shares
Rights to Convert	No rights to convert into Common Shares		
Tokyo Stock Exchange Listing	A listing application for the Prime Market of the Tokyo Stock Exchange is planned to be made		Listing on Tokyo Stock Exchange
Preferred Dividend	Fixed dividend for approx. five years from the issuance (floating dividend thereafter) ^(*1) The order of distribution is senior to dividends to Common Shares, Non-participating ^(*2) , Cumulative ^(*3)	Fixed Dividend	Floating Dividend
Call Option in Exchange for Cash (Our Option)	In principle, we may acquire the Bond-Type Class Shares after five years from the issuance ^(*4) (Acquisition in the amount equal to the issue price plus unpaid and accrued dividends payable)		We may acquire the shares for cash

*1 The annual dividend rate will be the sum of the fixed base rate plus the initial spread for approximately five years from the issuance, and thereafter, the sum of the floating base rate plus the initial spread+1%.

*2 Bond-Type Class Shares are "non-participating", meaning that no dividend is paid more than the amount of the preferred dividend to be determined at the time of issuance.

*3 Bond-Type Class Shares are "cumulative", meaning that any unpaid dividends shall be carried over to subsequent fiscal years.

*4 The specific events triggering the call option will be determined at the time of issuance.

Effects and Impacts on Financial Indicators, etc.

Regarding the Bond-Type Class Shares, the impact on ROE and EPS for Common Shares is limited.

Dividends and distribution of residual assets are senior to those for Common Shares, and a fixed amount will be paid for the preferred dividend for a certain period of time, and no dividend is paid beyond the preferred dividend stipulated at the time of issuance.

In addition, the Bond-Type Class Shares lead to a decline in the Net D/E Ratio, etc., and contributes to the improvement of financial soundness indicators.

Impact on Key Financial Indicators	ROE for Common Shares	$\frac{\text{Net Income} - \text{Preferred Dividend}}{\text{Equity capital for Common Shares}^{(*1)}}$	Impact is mostly limited to the preferred dividend amount
	EPS for Common Shares	$\frac{\text{Net Income} - \text{Preferred Dividend}}{\text{Number of issued shares for Common Shares}}$	
	PBR for Common Shares	$\frac{\text{Market Capitalization (Common Shares)}}{\text{Equity capital for Common Shares}^{(*1)}}$	
	Net D/E Ratio	$\frac{\text{Interest-Bearing Debt} - \text{Cash and Deposits}}{\text{Equity capital (including Bond-Type Class Shares)}}$	Contribution to improvement of financial soundness
Distribution to Bond-Type Class Shareholders	Preferred Dividend	Senior to Common Shares, limited to the annual dividend rate determined at the time of issuance (fixed dividend for approx. 5 years from the issuance)	Non-participating product nature
	Distribution of Residual Assets	Senior to Common Shares, limited to the amount equivalent to the issue price and the amount of preferred dividend	

*1 In calculating equity capital for Common Shares, we have deducted the equity capital for the Bond-Type Class Shares and preferred dividend from equity capital.

Q&A regarding Bond-Type Class Shares

Question

Answer

1. What is the purpose of Amendment to the Articles of Incorporation?

- In order to achieve enhancement of medium to long-term corporate value, it is necessary to invest continually in overseas housing and real estate-related business where market expansion persists against the backdrop of structural housing shortages. The expansion of investment opportunities including M&A is expected, specifically in the U.S., thus we aim to secure flexibility in financing by strengthening our financial foundation to maintain financial soundness and credit ratings. In order to strengthen our financial foundation to support aggressive growth investments in the future, we believe that the Bond-Type Class Shares will be an useful option as a financing method that enables us to increase shareholders' equity while avoiding dilution of Common Shares and considering capital efficiency.
- In accordance with this belief, we have decided to propose the Amendment to the Articles of Incorporation at the General Meeting of Shareholders to secure the "Bond-Type Class Shares" as a new financing option.

2. What are the characteristics of Bond-Type Class Shares?

- Bond-Type Class Shares are treated as shares under the Companies Act, but the issuance thereof is a hybrid financing method with an intermediate characteristic between shares and bonds.
- With consideration for the Common Shareholders, Bond-Type Class Shares do not have voting rights and are not convertible into Common Shares, and are expected to have a product nature similar to bonds.
- Bond-Type Class Shares have priority over Common Shares in terms of the order of distribution of dividends and residual assets, and are non-participating, meaning that no dividend is paid more than the amount of the preferred dividend to be determined at the time of issuance.
- In respect of future issuance of Bond-Type Class Shares, we plan to apply for listing of such shares on the Prime Market of the Tokyo Stock Exchange, with the intention of providing investment opportunities to a wide range of investors.

3. What is the expected role of Bond-Type Class Shares in our financial strategy and its position in the capital structure?

- Bond-Type Class Shares are considered to be an option that contributes to securing an appropriate capital and debt structure that balances capital efficiency and financial soundness, by limiting the dilution of voting rights of Common Shareholders and the impact on ROE and EPS for Common Shares^(*1), while at the same time strengthening our financial foundation.
- As Bond-Type Class Shares are non-participating class shares, meaning no dividend is paid more than the amount of the preferred dividend to be determined at the time of issuance, and the cost of equity for Bond-Type Class Shares is limited to amounts corresponding to the annual dividend rate to be determined at the time of issuance, and the cost of equity for the Bond-Type Class Shares is lower than that for Common Shares^(*2). Therefore, we believe that the issuance of the Bond-Type Class Shares is a financing option that gives consideration to the interests of Common Shareholders.

*1 Assuming that the relevant amounts of the Bond-Type Class Shares (i.e., the paid-in amount and preferred dividends) are deducted from the net assets and net income when calculating ROE and EPS for Common Shares.

*2 It is based on our assumption of the cost of equity in approximately five years after issuance if the issuance is realized within the assumed range of an annual dividend ratio of 5% or less as stated in the shelf registration statement for the Series 1 Bond-Type Class Shares submitted on February 13, 2026. ©SUMITOMO FORESTRY CO.,LTD. ALL RIGHTS RESERVED. 3

Q&A regarding Bond-Type Class Shares

Question	Answer
<p>4. What is the similarity and the difference between the Bond-Type Class Shares and hybrid bonds?</p>	<ul style="list-style-type: none"> ■ As with hybrid bonds, we expect that the Bond-Type Class Shares obtain the equity credit by a rating agency (R&I) for 50% of the issue amount. ■ On the other hand, the Bond-Type Class Shares differ from hybrid bonds in that they can increase equity capital for accounting purposes. In addition, the Bond-Type Class Shares can be considered for investment by a wide range of investors through their listing on the Prime Market of the Tokyo Stock Exchange (eligible for NISA).
<p>5. Will there be any disadvantages to common shareholders?</p>	<ul style="list-style-type: none"> ■ The Bond-Type Class Shares have no voting rights and are not convertible into Common Shares, so there will be no dilution of voting rights for Common Shareholders. ■ The Bond-Type Class Shares are “non-participating”, meaning that no dividend is paid more than the amount of the preferred dividend to be determined at the time of issuance, and only Common Shareholders have the right to participate in dividends other than the preferred dividend. ■ Issuance of the Bond-Type Class Shares is a financing method that is more considerable of the impact on ROE, EPS, etc. for Common Shares as compared to a public offering through the issuance of Common Shares^(*1).
<p>6. Does the issuance of the Bond-Type Class Shares affect the dividend policy for Common Shares?</p>	<ul style="list-style-type: none"> ■ As “non-participating” class shares, no dividend is paid more than the amount of the preferred dividend to be determined at the time of issuance, and only Common Shareholders have the right to participate in dividends other than the preferred dividend. ■ Therefore, we do not expect our dividend policy for Common Shares as disclosed to be affected by the Series 1 Bond-Type Class Shares if and when issued.
<p>7. Is there any possibility that the Bond-Type Class Shares could be used as a takeover protection measure?</p>	<ul style="list-style-type: none"> ■ The Bond-Type Class Shares do not have voting rights and are not convertible into Common Shares. Accordingly, they are not suitable for takeover protection measures and we do not expect to use them as such. ■ We do not expect to allot the Bond-Type Class Shares to Common Shareholders by gratis allotment or otherwise.

*1 Assuming that the relevant amounts of the Bond-Type Class Shares (i.e., the paid-in amount and preferred dividends) are deducted from the net assets and net income when calculating ROE and EPS for Common Shares.

Q&A regarding Bond-Type Class Shares

Question	Answer
8. What form of issuance is envisaged?	<ul style="list-style-type: none"> ■ The specific timing of the issuance has not yet been determined at this time, but it is envisaged that, if issued, the shares will be offered to a wide range of investors, including retail investors, through a public offering in Japan. ■ We also envisage that our Common Shareholders will be able to purchase the Bond-Type Class Shares.
9. While multiple series of the Bond-Type Class Shares are provided under the proposed Articles of Incorporation, what are your thoughts on the specific issuances?	<ul style="list-style-type: none"> ■ At present, the timing of the issue, including Series 1 Bond-Type Class Shares, has not been determined, but we propose to have the authorized share capital through Series 10 so as to realize flexible issuance in the event of any necessity for an increase in equity capital. Providing multiple series will enable us to make capital financing with equity credit by issuance of similar Bond-Type Class Shares with the acquisition of the Bond-Type Class Shares we issued (call) in the future. ■ The specific timing of issuance and conditions of the Series 2 Bond-Type Class Shares and any subsequent series will be determined based on comprehensive consideration of future capital needs and market trends, but at this time, we expect that they would be issued within the range of up to 15 million shares as with the Series 1 Bond-Type Class Shares and are expected to have the same feature as the Series 1 Bond-Type Class Shares, meaning that no voting rights and not convertible into Common Shares, and therefore they will cause no dilution of voting rights of Common Shareholders.
10. What is the planned timing and amount of Series 1 Bond-Type Class Shares?	<ul style="list-style-type: none"> ■ Specific matters including timing of the issuance have not yet been determined at this time. However, when the amendment to the Articles of Incorporation regarding the Bond-Type Class Shares is approved at the General Meeting of Shareholders and we determine the issuance of Series 1 Bond-Type Class Shares as the best financing method, we may seek to issue with amount of up to 100.0 billion yen, depending on the market environment.
11. Why is the range of fixed dividend's annual dividend rate for Series 1 Bond-Type Class Shares set at 5% or less?	<ul style="list-style-type: none"> ■ The range of fixed dividend's annual dividend rate is provided based on the current market environment and other factors, taking into account the product nature, which is positioned between equity and debt, and has been set after comprehensively considering the market price of similar Bond-Type Class Shares and hybrid bonds and other factors.

Q&A regarding Bond-Type Class Shares

Question	Answer
<p>12. Why would you consider listing on the Prime Market of the Tokyo Stock Exchange?</p>	<ul style="list-style-type: none"> ■ We believe that listing on the Prime Market of the Tokyo Stock Exchange is an important way to raise awareness and provide trading opportunities for a wide range of investors.
<p>13. Where can be Series 1 Bond-Type Class Shares purchased?</p>	<ul style="list-style-type: none"> ■ Although the issuance has not yet been determined at this time, it is expected that Series 1 Bond-Type Class Shares will be sold through each of underwriters if and when issued. ■ Nomura Securities Co., Ltd. is stated as an underwriter in the shelf registration statement submitted on February 13, 2026, however, the details, including whether other underwriters will be involved, are expected to be determined at the time of the resolution of issuance.
<p>14. Do you plan to acquire (call) Series 1 Bond-Type Class Shares for cash in five years?</p>	<ul style="list-style-type: none"> ■ We will determine whether to acquire (call) Series 1 Bond-Type Class Shares (if and when issued) for cash five years after the date of issuance or later, taking into consideration the business and financial conditions and market environment and other factors at that time. ■ We are well aware that market practice in Hybrid Financing is that many investors expect calls to be made from five years after the date of issuance by the timing of the dividend step-up.
<p>15. Do you plan to use the proceeds from issuance of Series 1 Bond-Type Class Shares for the acquisition of shares (subsidiarization) of Tri Pointe Homes, Inc. announced on February 13, 2026?</p>	<ul style="list-style-type: none"> ■ Notwithstanding the acquisition, we are considering the Amendment to the Articles of Incorporation for Bond-Type Class Shares as part of strengthening our financial foundation to support medium to long-term growth investments. ■ At present, specific financing method, including issuance of Series 1 Bond-Type Class Shares, has not been determined for permanent financing related to the acquisition of shares (subsidiarization) of Tri Pointe Homes, Inc. We will consider the best financing method based on comprehensive consideration of future capital needs, market environment and other factors.