

The Sumitomo Forestry Group continues to expand and grow, with overseas business driving the performance of the Global Construction and Real Estate business. In the U.S., the core of our overseas business, we are pursuing full-scale entry into the Fully Integrated Turn key Provider (FITP) business, expansion into the enormous market in Florida, and expansion of our real estate development business, aiming for further growth through these efforts.

Annual housing units supplied

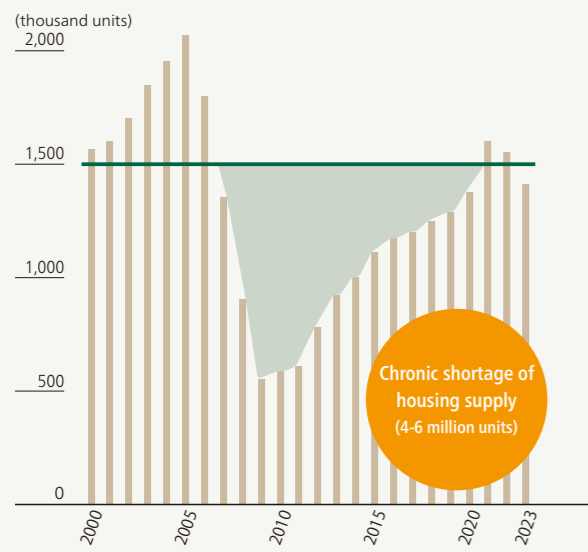


Market environment for the U.S. single-family homes business

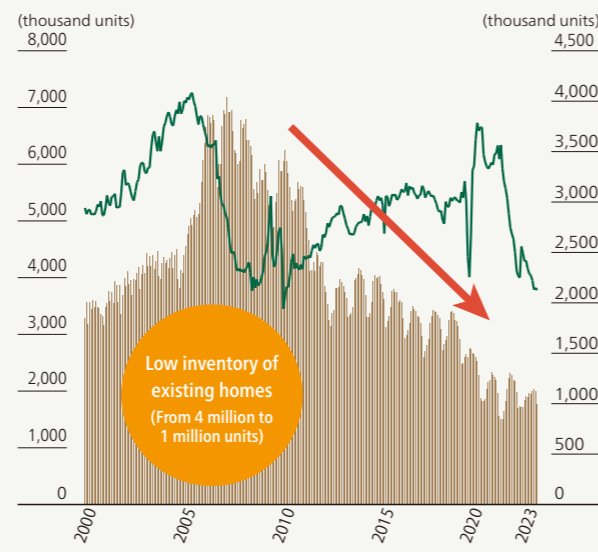
In the United States, there has been a period of stagnation in new housing starts since the global financial crisis in the late 2000s, resulting in a shortage of supply. The lock-in effect*2 is not expected to dissipate quickly, given that the current inventory of existing homes is at a low level of about 1 million units and mortgage rates are not expected to decline significantly in the short term. In addition, there is an ongoing structural shortage of housing supply as a large segment of the population reaches the age to purchase homes, with the shortage estimated to be between 4 and 6 million units. Despite market fluctuations, the demand environment is expected to remain firm going forward.

*2 Refers to homeowners refraining from selling an existing home in order to retain their lower mortgage interest rate and avoid a new mortgage at higher interest rates.

Number of new housing starts



Inventory and sales of existing homes



Growth strategies

Promoting the FITP business

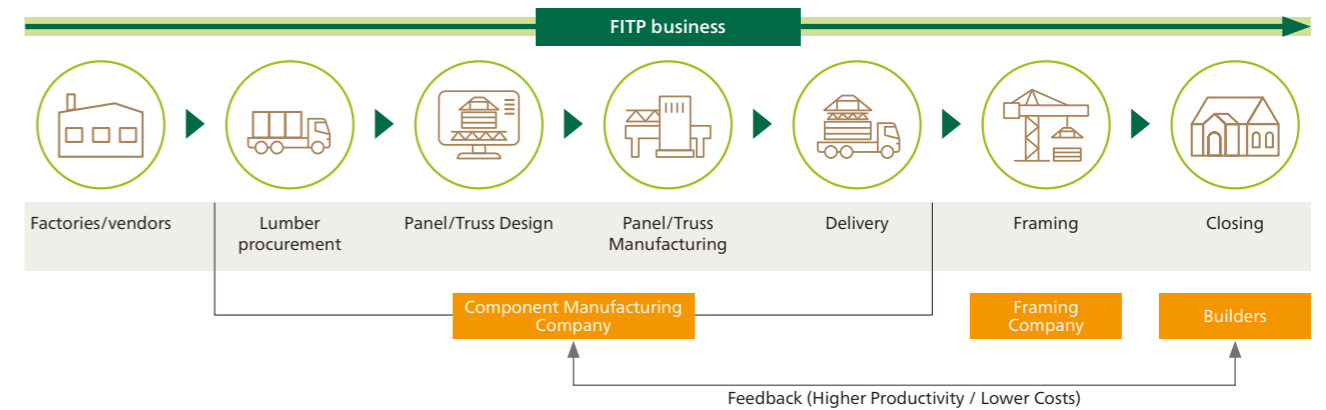
Eliminates labor shortages, streamlines construction, reduces costs

The United States housing industry faces structural problems including a shortage of craftsmen, rising costs due to higher labor costs, and longer construction times. To combat these issues, the Sumitomo Forestry Group is advancing its Fully Integrated Turn key Provider (FITP) business, which provides integrated services from design of wall panels, floors, and roof trusses to manufacturing, delivery, and installation. In September 2022, we acquired component manufacturer near Washington, D.C., handling panels, trusses, and other components. In December of the

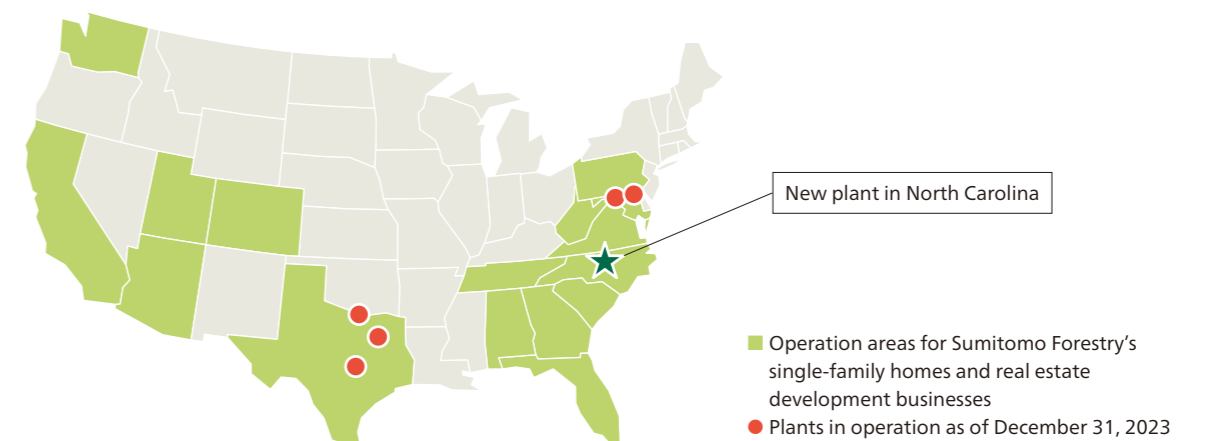
same year, construction began on a new component manufacturing plant in North Carolina, and we are gradually expanding our FITP business in the areas where our single-family homes and real estate development businesses are operating.

By advancing the FITP business, we will work to solve the future labor shortage problem facing the U.S. housing industry and establish a stable supply of materials, shortened construction times, and improved quality to achieve our goal in the Long-term Vision of 23,000 units sold annually. We will streamline the entire construction process and improve safety during construction.

FITP business process flow



U.S. FITP business locations and areas



▶ Strengthening the business base in Florida

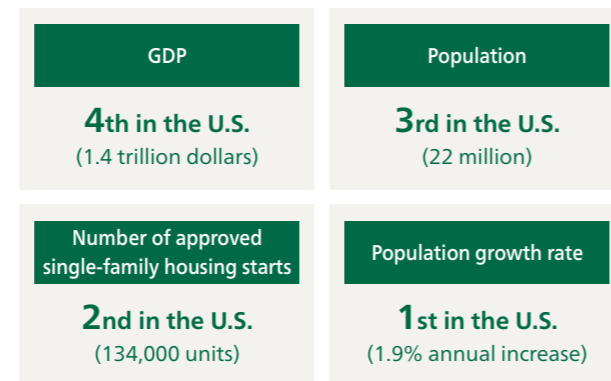
Strengthening business foundation in the second largest market in the United States, to reach 5,000 units per year

In 2022, through spec home business operator Brightland Homes Group, Sumitomo Forestry acquired Southern Impression Homes Group, a developer and manager of single-family rental homes, allowing the Group to enter the market in Florida.

Sumitomo Forestry subsidiary DRB Group, also engaged in the spec home business, established its Orlando branch in 2023, and in March 2024, through DRB Group, we acquired the business of Biscayne Homes, which operates a spec home business mainly in the Tampa area of Florida. We are focusing our efforts to expand our business in this state, which boasts the second largest market for approved single-family housing starts in the United States. Going forward, we will continue to watch for new M&A as well as organic growth to expand the number of units supplied in

the state from the current approximately 700 units per year to 5,000 units per year.

High-potential housing market in the U.S. state of Florida



* Data from 2022.

* Population growth rate is from July 1, 2021 to July 1, 2022.

▶ Initiatives for growth

We will work to develop our business infrastructure to achieve our goal in the Long-term Vision of 23,000 units sold in the United States. First, in the huge market of the U.S. state of Florida, we will promote further increase in the number of units delivered by securing sites in each metropolitan area while sharing information among Sumitomo Forestry Group companies. While expanding the areas of development with a focus on areas where high demand is expected, we will build greater capability to support various customer needs, such as highly affordable

housing and single-family rental homes. Through the FITP business, we will streamline construction, shorten construction times, and curb building costs. We will also maintain financial soundness by carefully selecting land acquisitions and moving assets off the balance sheet, managing the business with attention to capital efficiency and profitability. We will also work to improve environmental performance by developing products with enhanced energy-saving functions.

Acquisition of Biscayne Homes' business

Biscayne Homes, whose business we acquired in March 2024, has been engaged in the construction and sale of single-family homes and townhomes, and has established good relationships with major residential land developers in Florida, providing it with an ample housing lot pipeline. The company's business and housing lot pipeline will be handled by DRB Group's newly established Tampa branch, where we will utilize DRB Group's construction, sales, and material procurement functions to strengthen its business base in the area.



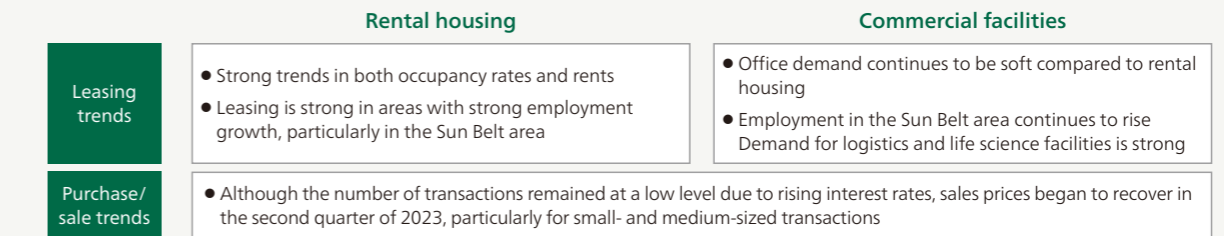
In the Biscayne Homes community, the focus is on large pool lagoons.



This is an example exterior of houses supplied by Biscayne Homes.

Market environment in the U.S. real estate development business

The real estate development market continues to face challenging conditions due to soaring interest rates and declining office demand. Against this backdrop, the Sun Belt area*1 in which we operate continues to enjoy a robust employment environment, and leasing of rental housing has remained strong in terms of both occupancy rates and rents.



*1 Sun Belt area: A warm region in the southern United States south of the 37th parallel north, spanning from California to North Carolina.

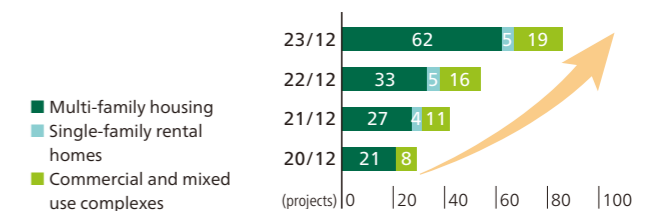
Growth strategies

▶ Acquired U.S. multi-family housing developer JPI Group as a subsidiary

Expanding real estate development business in the United States and building a stable income portfolio
In November 2023, Sumitomo Forestry acquired JPI Group, a company specialized in the development of multi-family housing in the United States, making it a consolidated subsidiary. This acquisition provides us with design and construction functions held in-house, enabling us to meet a wide range of price points in addition to supporting cost and quality control, creating strengths in the development of multi-family housing that combines functionality and design. With the addition of JPI Group to the Sumitomo Forestry Group, the number of multi-family housing starts by the Group in the United States exceeded 8,000 units in 2022, which is equivalent to the 6th largest in the United States*2.

*2 The total number of units started in 2022 by the three U.S.-based companies in the Sumitomo Forestry Group (Crescent Group, JPI Group and SFA MF) was 8,118 units. This is equivalent to the 6th rank in the NMHC 2023 ranking of the nation's multi-family housing providers.

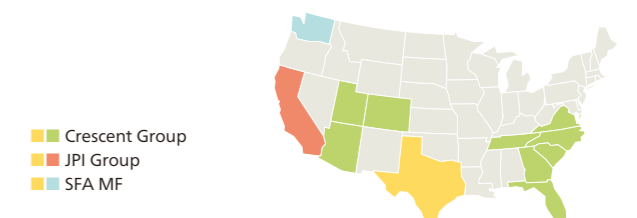
Number of projects in the U.S. real estate development business for which construction has started (as of the end of each fiscal year)



▶ Initiatives for growth

By bringing JPI Group into the Sumitomo Forestry Group, we have expanded our business area to include the enormous markets of Texas and southern California. We will continue to closely monitor the immediate interest rate trends and market conditions, carefully selecting quality projects from a medium- to long-term perspective and moving forward with commercialization.

Operation areas in the U.S. real estate development business



Human Resources Who Will Help Us Achieve Our Long-term Vision —Transforming Our Business Foundation for Growth—

In order to realize our Long-term Vision for 2030, the Group has established a human resources strategy based on three basic policies in order to connect the diverse abilities and values of our diverse workforce to new challenges and growth, derived from the concept of “promoting a free and open-minded corporate culture that respects diversity,” which is one of Our Values. At the same time, we will work on diversity, equity and inclusion with the aim of transforming our organizational culture.



Tatsumi Kawata
Representative Director
Executive Vice President

To create a foundation for future growth and contribution to decarbonization in the fields of forests, wood, and construction, as stated in our Long-term Vision Mission TREEING 2030, we must further promote globalization, take on the challenge of new business domains, and transform existing businesses. To continuously secure and develop human resources who have the ability to give shape to these goals and to improve employee engagement, the Group has established a human resources strategy based on the three following pillars: “securing and developing human resources who will transform and create businesses,” “a system to maximize employee performance and a free and open corporate culture,” and “promotion of health management.”

At the same time, in April 2024, we established the Sumitomo Forestry Group Declaration on DEI (Diversity, Equity and Inclusion), which clarifies the importance of DEI for the Group. By promoting DEI based on this Declaration, we aim to break away from a stereotypical thinking, foster an organizational culture that is conducive to innovation, create an environment and culture that enables flexible work styles tailored to individual circumstances, and create a work environment where psychological safety is ensured and everyone can demonstrate their abilities. We will be able to realize our Long-term Vision by creating synergies through the implementation of our human resources strategy and various measures based on the three pillars, and building a more solid business foundation based on these effects.

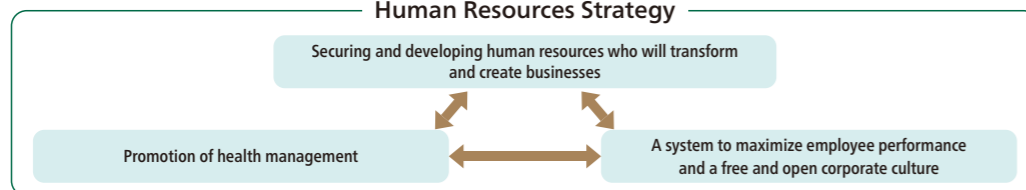
Mission TREEING 2030

~Making our planet safer and more secure for future generations~

2030 recurring income target **250.0 billion yen**

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| Business policy for achieving Mission TREEING 2030 | 1 | Maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy | 2 | Advancing globalization |
| | 3 | Striving for transformation and the creation of new value | 4 | Transforming our business foundation for growth |

Human Resources Strategy



Human resources strategy issues and countermeasures

Pillars of our human resources strategy	Issues	Countermeasures
<p>Securing and developing human resources who will transform and create businesses</p>	<ul style="list-style-type: none"> Acquisition of specialized and globally minded human resources to respond to business diversification Development of management levels that can draw out the diverse potential and motivation of employees and co-create strategies Development of employees with the ability to improve operations, transform businesses, and create businesses 	<ul style="list-style-type: none"> Introduction of a system for the recruitment of specialized human resources Securing of globally minded human resources by strengthening the recruitment of international students Human resource development through skill maps and one-on-one meetings Implementation of management skills training for all managers to draw out the abilities of each and every employee Participation in various training programs to acquire the business skills necessary for formulating strategies for business creation, and dispatch to cross-industry exchanges and training Systematic assignments for the purpose of selecting and developing next-generation managers
<p>A system to maximize employee performance and a free and open corporate culture</p>	<ul style="list-style-type: none"> Creation of a free and open-minded organizational culture that enables employees to work with passion, draws out their autonomy, and ensures psychological safety to make the most of their diverse abilities and values. Respect for the career aspirations of employees and support for reassignment and reskilling so that they can play an active role in a wide range of areas 	<ul style="list-style-type: none"> New graduate and mid-career recruitment by job type and work area Establishment of a career advancement system based on the individual's aspirations through the Dual Career Ladder (a method that offers both managerial and specialized career pathways) Implementation of talent management based on the evaluation of individual employees' skills and behaviors Establishment of an integrated core human resources system for the Group in Japan Reskilling according to the human resource needs of each Group company and the skills possessed by employees Spreading of understanding and awareness of diversity, equity, and inclusion Implementation of corporate culture reform projects tailored to the characteristics of the organization Implementation of psychological safety training for management
<p>Promotion of health management</p>	<ul style="list-style-type: none"> Improvement of productivity and revitalization of the organization by maintaining and improving employee health 	<ul style="list-style-type: none"> Guidance on improvement for high-risk employees and departments using the results of health checkups and stress checks Creation of opportunities to maintain and improve health Education to improve health literacy Regular provision of information by public health nurses and clinical psychologists, and strengthening cooperation with health personnel at each site

Promoting DEI

To grow our business sustainably, it is important to create a vibrant work environment for all involved. Embracing diversity in terms of race, religion, ethnicity, nationality, gender, etc., and respecting human rights without discrimination form the foundation of a fair work environment.

In April 2024, we established the Sumitomo Forestry Group Declaration on DEI, clarifying the terminology, importance, and purpose of DEI for the Sumitomo Forestry Group, and reaffirming our commitment to promote these values. We will strengthen various measures and accelerate

the promotion of DEI in a way that harnesses the diverse abilities and values of each and every employee to take on challenge and growth.

Future measures to promote diversity, equity and inclusion

E-learning	Role model referrals	Distribution of guide map on promotion of DEI
DEI forum	Establishment of in-house community	Distribution of posters

For information about diversity, equity and inclusion, please visit our website using the link below.
<https://sfc.jp/english/sustainability/social/employment/>

