

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

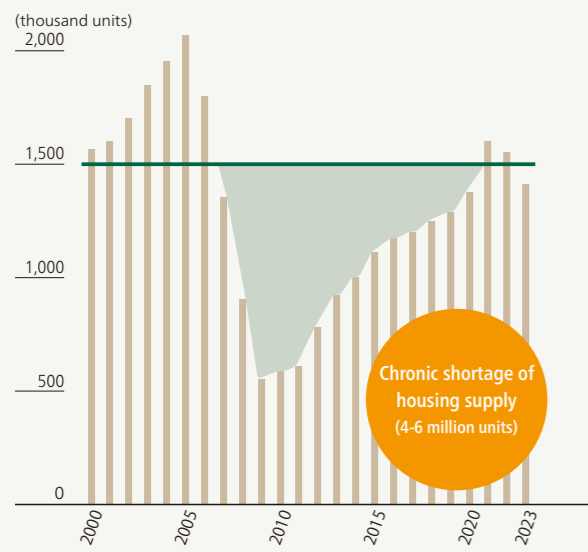


Market environment for the U.S. single-family homes business

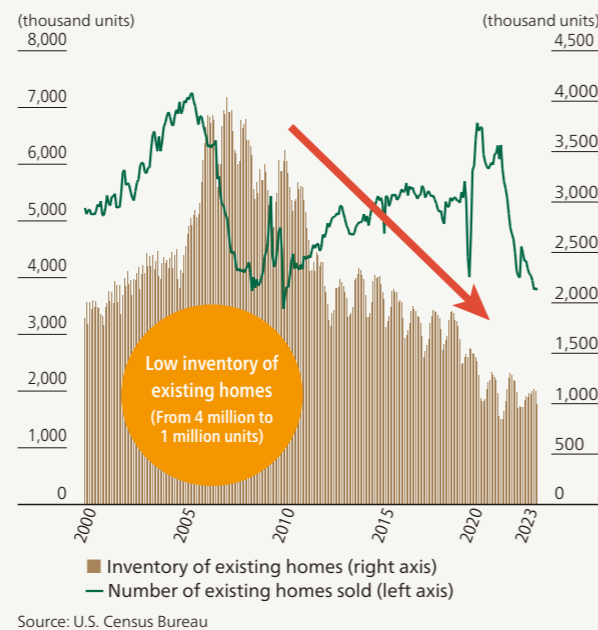
In the United States, there has been a period of stagnation in new housing starts since the global financial crisis in the late 2000s, resulting in a shortage of supply. The lock-in effect*2 is not expected to dissipate quickly, given that the current inventory of existing homes is at a low level of 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

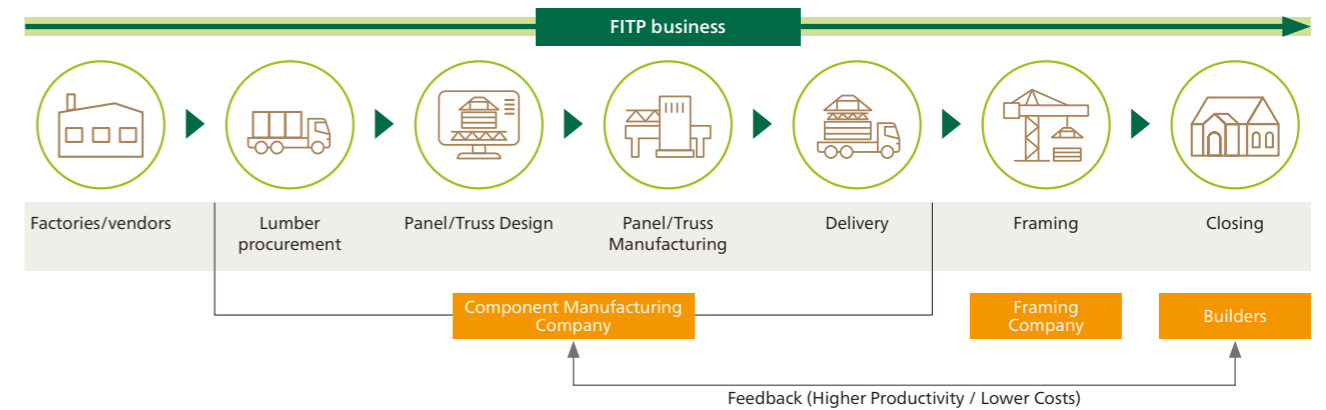
Eliminates labor shortages, streamlines construction, reduces costs

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

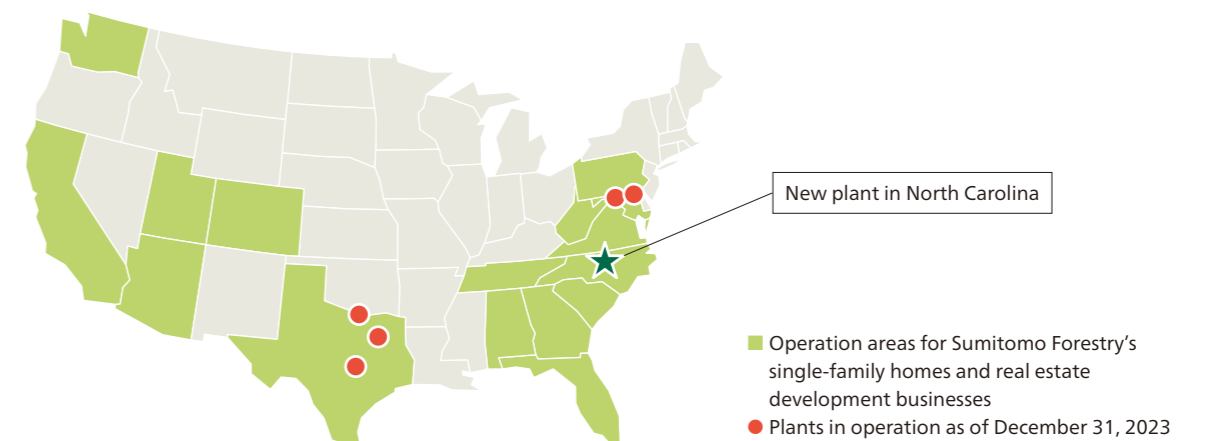
same year, construction began on a new component manufacturing plant in North Carolina, and we are gradually expanding our FITP business in the areas where our single-family homes and real estate development businesses are operating.

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

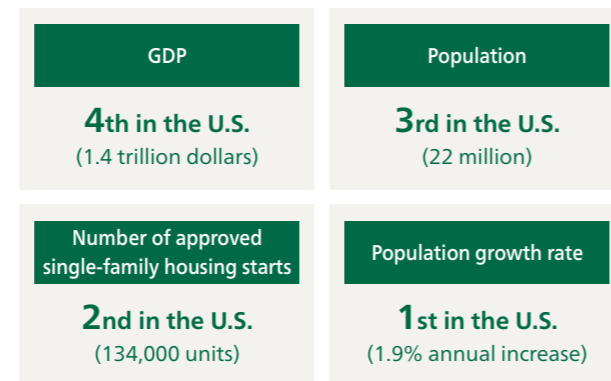
Strengthening business foundation in the second largest market in the United States, to reach 5,000 units per year

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.



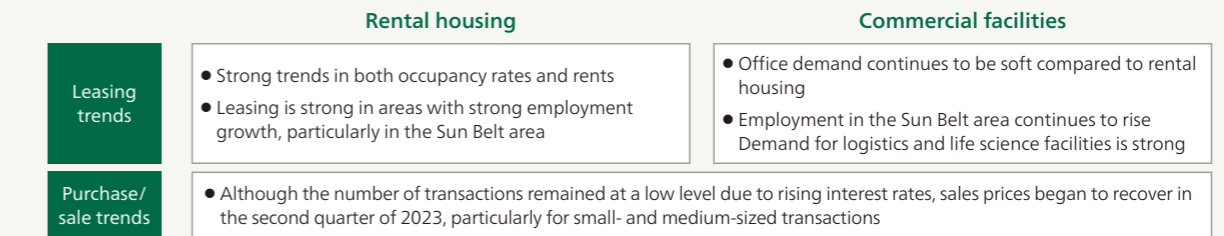
In the Biscayne Homes community, the focus is on large pool lagoons.



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.

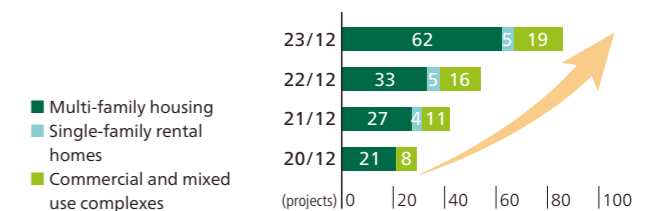
Growth strategies

▶ 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

