

Mission TREEING 2030

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

P2 (Opening remarks)

- Thank you very much for joining me today for our presentation on Sumitomo Forestry Group's Long-Term Vision and Medium-Term Management Plan.
- At Sumitomo Forestry, we want to make our planet safer and more secure for current and future generations of people and living things. We want to do so by providing value to our planet, to people and society, and to the market economy.
- We have formulated our Long-Term Vision, Mission TREEING 2030, with the same target year as SDGs.
- Today, I hope you will gain a better understanding of our intentions and aspirations towards 2030.

P3 (Long-Term Vision)

- Under Mission TREEING 2030, our business policy has four pillars:
 - Maximizing the value of forests and wood to realize decarbonization and a circular bioeconomy
 - Advancing globalization
 - Striving for transformation and the creation of new value
 - Transforming our business foundation for growth

In addition, we have set a 2030 recurring income target of 250 billion yen for a new stage of success.

- Today, I would like to explain what types of solutions Sumitomo Forestry is pursuing to help realize a decarbonized society.

P4 (Decarbonized society)

- With the Paris Agreement, the world began moving toward decarbonization. This is a challenge for the next half century, and I believe it is the most important issue for all companies.

P5 (Japan's CO2 emissions reduction targets)

- In 2013, Japan's CO2 emissions were 1.24 billion tons.
- By sector, construction commands a large ratio at about 39 percent. This means that the construction sector has a critically important role in realizing a decarbonized society.

P6 (Japan's CO2 emissions reduction targets)

- By 2030, the goal is to reduce these emissions to 670 million tons.

P7 (Japan's CO2 emissions reduction targets)

- And by 2050, the goal is to reduce these emissions to net zero, in other words, to realize carbon neutrality.
- To significantly reduce CO2 emissions, we must reduce the use of fossil fuels. And while renewable energies and other forms of alternatives show promise, they alone are not sufficient.

P8 (Japan's CO2 emissions reduction targets)

- Even with various initiatives to reduce CO2 emissions, there is inevitably remaining CO2 emissions that must be offset. Here we believe forest can play a significant role.

P9 (Carbon neutrality: CO2 absorption)

- In other words, to realize carbon neutrality, we must increase CO2 absorption with forests.

P10 (World issue / Japan issue)

- The world and Japan are in different situations when it comes to forests.
- On one hand, there is the issue of how to halt deforestation. On the other hand, there is the issue of how to address aging forests.

P11 (World issue)

- Deforestation is causing significant CO2 emissions worldwide. It is important to conserve forests to reduce CO2 emissions.

P12 (Japan issue)

- In Japan, roughly 70 percent of the land is covered with forest, making it one of the most heavily forested countries of the developed world. To utilize the forest resources our ancestors have passed down to us, we must use wood for buildings, fuel, and other purposes, as well as harvest and replant forests in a planned manner for sustainable forest management.

P13 (Japan issue: Forest age and CO2 absorption)

- Young trees absorb large volumes of CO2. However, after a certain period, their absorption levels decline.

P14 (Japan issue: Age composition of plantation forests)

- Furthermore, plantation forests that were planted after World War 2 are now at their prime age for harvesting, with about half being more than 50 years old.

P15 (Measures to resolve Japan's issues)

- To increase CO2 absorption in Japan, we must harvest trees that are prime age for harvesting and no longer absorb much CO2. Then we must utilize them for timber, replant new seedlings and rejuvenate our forests.

P16 (Summary of issues and measures)

- In many regions around the world, deforestation must be ended to reduce CO2 emissions. In Japan, rejuvenating aging working forests through harvesting and replanting is needed to secure forests' capacity to absorb CO2.

P17 (Cyclical forest management)

- There are two types of forests – conservation forests, which emphasize shared benefit, such as biodiversity conservation and landslide prevention, and working forests, which undergo a cycle of harvesting and reforestation. We conduct cyclical forest management by appropriately zoning conserved and working forests.
- In Japan, for example, cyclical forest management for Japanese cedar has a 50-year rejuvenation cycle. On an annual basis, we harvest and replant just two percent of total working forest area. Even for working forests, we protect biodiversity while rejuvenating forests so that we can increase CO2 absorption and conduct sustainable forest management.

P18 (The key to achieving carbon neutrality)

- To achieve carbon neutrality, we must increase carbon sequestration in forest by increasing

conservation forests and rejuvenating working forests. But it is also important to utilize wood to store carbon over the long term.

P19 (Carbon storage)

- Carbon storage refers to the ability of trees to store large amounts of atmospheric CO₂ as an organic compound through photosynthesis. When we use harvested wood to make a product, such as wooden housing or furniture, carbon is stored in the wood over a long period of time.

P20 (Carbon cycle diagram)

- This is a schematic diagram of the carbon cycle.
- Young forests absorb atmospheric CO₂ to grow and store it as carbon.
- This stored carbon is released into the air as CO₂ when trees are burned in forest fires or rot due to pest damage. These CO₂ emissions are carbon that was absorbed from the atmosphere and stored. They are not new CO₂ emissions that come from such activities as burning fossil fuels.
- When trees are harvested and utilized to produce wooden constructions or products such as furniture, carbon is stored for a long time. This helps maintain reduced atmospheric CO₂.
- In addition, when thinnings and woodland residue are used as fuel for biomass power generation, they serve as an alternative to fossil fuels.

P21 (Harvesting trees and decarbonization)

- Harvesting trees, replanting, and then using wood for long periods of time all help to increase carbon storage and contribute to a decarbonized society as a whole.

P22 (Carbon storage diagram)

- As a tree grows, it absorbs and store CO₂, but this amount gradually wanes over time.

P23 (Carbon storage diagram)

- When that tree is harvested, it seems at first that the carbon storage amount has declined.

P24 (Carbon storage diagram)

- However, that harvested wood can be utilized in many ways, and at Sumitomo Forestry, we always replant after harvesting.

P25 (Carbon storage diagram)

- With reforestation, new trees absorb more and more CO₂.

P26 (Carbon storage diagram)

- In addition, using wood for construction and furniture stores carbon and has significantly lower CO₂ emissions compared to steel or concrete structures.

P27 (Carbon storage diagram)

- Construction waste, woodland residue, sawdust from factories and wood chips for biomass power generation serve as a fuel alternative and reduce fossil fuels.

P28 (Carbon storage diagram)

- In these ways, harvesting and replanting trees and promoting the use of wood throughout society can significantly contribute to a decarbonized society.

P29 (Cyclical forest management)

- Only two percent of working forests will be harvested and replanted, and we will continue to protect biodiversity through sustainable forest management.

P30 (Forests and a decarbonized society)

- To realize a decarbonized society by 2050, we believe that forests, one of the few renewable resources, will be a key element.
- With effective zoning forest management that differentiates conservation forests from working forests, we can increase CO2 absorption. And by using wood for buildings, fuel, and other areas, we can store carbon.
- At Sumitomo Forestry, we can play an important role in this process.

P31 (Sumitomo Forestry's solution)

- To resolve these issues and contribute to a decarbonized society, Sumitomo Forestry is promoting businesses in three fields – forests, timber, and construction.

P32 (Sumitomo Forestry's wood cycle)

- This diagram illustrates Sumitomo Forestry's value chain centered on wood, from upstream to downstream, with the business activities we are involved in to promote this wood cycle.

P33 (Sumitomo Forestry's contribution to decarbonization)

- From forestry management and wood processing to distribution, wood construction and biomass power generation, Sumitomo Forestry is involved in all aspects of the wood cycle. We can contribute to carbon sequestration not only for our own operation, but for the whole of society.

P34 (Sumitomo Forestry's wood cycle)

- This is Sumitomo Forestry's wood cycle.

P35 (Sumitomo Forestry's wood cycle)

- Let's first talk about forests.

P36 (Sumitomo Forestry's wood cycle)

- We will work to accelerate the circular forestry business.

P37 (Forestry business)

- Sumitomo Forestry will create a global forestry fund and conserve and expand forest and peatland areas primarily in Asia but also Oceania, North America, and South America. And through carbon offsets, we will contribute to the decarbonization of other business entities.

P38 (<Forestry division solution ①> Collaboration with IHI)

- Another effort we are involved in is our NeXT FOREST project in collaboration with IHI.
- In Indonesia, forest fires from slash-and-burn farming and deforestation from illegal logging have been huge social problems. By bridging our forest management technologies with IHI's satellite and weather observation technologies, we can prevent peatland fires with high-precision water level management and advanced forest management services. We will also begin providing consulting services to countries or regions trying to control deforestation and peatland destruction, as well as to companies considering the ownership of forests for carbon offsets.

P39 (<Forestry division solution②> Forestry fund)

- We will establish a global forestry fund, which aims to secure forest resources, including carbon credits and other forms of new value. We will also expand our business operations based on our forestry and resource management expertise and we will contribute to society through carbon offsets. Our goal is to have a forestry fund asset size of 100 billion yen.

P40 (<Forestry division solution③> Forest conservation/management)

- We own and manage 48,000 hectares of forest land in Japan. In addition, we own and manage 231,000 hectares in Indonesia, Papua New Guinea, and New Zealand. With technologies from NeXT FOREST and our forestry fund, we plan to expand our total forest area to 500,000 hectares by 2030.

P41 (Forestry business summary)

- The creation of high-quality forest carbon credits is a very important priority, and at COP26, we won acclaim from numerous countries for our NeXT FOREST project. In addition, with the creation of forestry funds and through a system that secures forest resources to create carbon credits, we will accelerate the development of a circular forest business.

P42 (Promoting wood change)

- Next, I will talk about timber.

P43 (Promoting wood change)

- We are working to promote wood change.

P44 (Promoting wood change)

- To reduce the risk of a wood shortage, which we experienced with the “Wood Shock,” we must revitalize the Japanese forestry industry. To do this, we are planning to build timber industrial complexes in Japan, which will increase the competitiveness of domestic wood product manufacturing. This will not only revitalize the forestry industry, but it will also help popularize wooden structure, which store carbon for long periods of time.

P45 (Carbon storage with HWP)

- Sumitomo Forestry is the leading company in Japan’s timber and building materials. We are committed to increasing the volume of wood products we handle and manufacture to popularize domestic timber and to promote carbon storage.

P46 (Japan’s forestry industry challenges)

- The Japan’s forestry industry is facing many unresolved issues, such as undeveloped roads and a lack of workers. In timber manufacturing, many timber mills in Japan are small and lack competitiveness. With a wood self-sufficiency rate in just the 40 percent range, we are vulnerable to both soaring prices and shortages. To increase the wood self-sufficiency rate, timber industrial complexes are very important.

P47 (<Timber division solution②> Timber industrial complexes)

- We will strive to increase the domestic wood self-sufficiency rate with the creation of timber industrial complexes, which use biomass power generation as an electricity or heat source for saw mills and for high value-added engineered wood and cross-laminated timber operations.

Our aim is to increase domestic timber usage volume to one million cubic meters annually by 2030.

P48 (<Timber division solution②>The effect of timber industrial complexes)

- With timber industrial complexes, we anticipate a positive ripple effect in many areas – a contribution to decarbonization with more wooden structures, an increase in carbon storage periods, higher added value of wood, new jobs for forestry workers, the stable supply of domestic timber, and better price competitiveness.

P49 (Wood's functions)

- While I have already explained the benefits of wood in terms of carbon storage, wood is also light, strong, resistant to deterioration, and highly insulative. Armed with these qualities, we will promote the greater use of wood in construction.

P50 (Wood change summary)

- We will actively promote wood usage in construction.

P51 (Standardization of decarbonized design)

- Finally, let me talk about construction.

P52 (Standardization of decarbonized design)

- In the construction sector, there is a move to standardize decarbonized design.

P53 (Standardization of decarbonized design)

- More specifically, we want to popularize net zero energy houses, net zero energy buildings, and LCCM housing, which has negative CO2 emissions, and net zero carbon buildings. We also want to establish decarbonized design methods to contribute to decarbonization for our customers.

P54 (Decarbonization during occupancy, decarbonization before and during construction)

- A building's CO2 emissions comprise of the CO2 emitted during occupancy and the CO2 emitted before and during construction.

P55 (Decarbonization during occupancy, decarbonization before and during construction)

- With ZEH and ZEB, we will aim to reduce CO2 emissions during occupancy to zero.

P56 (Decarbonization during occupancy, decarbonization before and during construction)

- With more wooden structures, we can significantly reduce CO2 emissions before and during construction, and, with carbon storage, also aim for zero carbon. We are contributing to a decarbonized society by targeting decarbonization during occupancy as well as before and during construction.

P57 (The world's CO2 emissions by industry sector)

- The world's CO2 emissions total 33.5 billion tons, and 37 percent of that comes from the construction sector. That is why decarbonization in this sector is very important. About 70 percent of this sector's CO2 emissions are from occupancy, and ZEH and ZEB are necessary for decarbonization during occupancy. In developed countries, energy conservation efforts will also help to reduce emissions. On the other hand, construction of buildings around the world is expected to double in terms of floor area by 2060, primarily in developing countries, so

decarbonization during construction is a very important issue as well.

P58 (LCCM houses)

- LCCM houses take the concept of ZEH one step further. In addition to making CO2 emissions during occupancy net zero, LCCM houses make CO2 emissions before and during construction net zero as well. At Sumitomo Forestry, we also use biomass heat to dry timber and other efforts to promote environmentally conscious housing.

P59 (The effect of substituting wood to make buildings)

- Using wood instead of steel or concrete to construct a building's main frame also leads to decarbonization. At the end of last year, we began constructing a 15-floor office building in Melbourne, Australia. The 6th floor and above are built with 4,000 cubic meters of wood, which stores 3,000 tons of carbon. In addition, we plan to build a six-floor pure wooden structure, net zero carbon office building in London.

P60 (Visualizing CO2 during construction: One Click LCA•EPD)

- Sumitomo Forestry is the exclusive Japan distributor of One Click LCA, an application that enables the visualization of a building's CO2 emissions. With this tool to calculate a building's CO2 emissions, we plan to standardize and expand the decarbonization of buildings in Japan.

P61 (Visualizing CO2 during construction: One Click LCA•EPD)

- Another method to help visualize CO2 emissions during construction is EPD, an environmental labeling system that is widely used in Europe. While not yet well known in Japan, we believe CO2 emissions and carbon storage amounts will soon be clearly labeled on timber, building materials and buildings, just as calories and other nutritional information are labeled on foods.
- As a leader in the timber and building materials industry, we will promote EPD certification of buildings and the visualization of CO2 emissions during construction to reduce CO2 emissions and demonstrate the superiority of wooden buildings.

P62 (Woodification in the non-residential market)

- In Japan, about 70 percent of houses are made of wood. In the non-residential market, however, less than 10 percent is wood, indicating a huge potential to transition to wood. Sumitomo Forestry aims to increase market share in Japan by constructing 10,000 units of custom-built houses and spec homes every year. In the non-residential market, we will actively seek out orders for roadside stores, public facilities, and other types of buildings.

P63 (Woodification in the United States/Australia)

- Our overseas housing division supplied a total of about 14,400 units of wooden houses in the US and Australia last fiscal year and our aim is to supply 40,000 units of houses yearly by 2030. In addition, we want to accelerate development of medium to large-scale wooden office buildings and others to promote a decarbonized society through carbon storage overseas as well.

P64 (Wood interiors and well-being)

- Wood benefits us as individuals as well. Wood interiors cause less fatigue and improve our ability to focus, which leads to better health and well-being.

P65 (Summary of standardization of decarbonized design)

- Once again, we would like to standardize decarbonized design to promote the construction of more wooden buildings.

P66 (The wood cycle and contributing to decarbonization)

- What I have discussed until now is Sumitomo Forestry's wood cycle.

P67 (The wood cycle and contributing to decarbonization)

- Since its establishment, the Sumitomo Group has conducted business activities guided by Sumitomo's Business Spirit, which states that we conduct business that is beneficial to society based on the principles of integrity and sound management. At Sumitomo Forestry, sustainability has been part of our vocabulary for more than 120 years. In the spirit of repaying what has been reaped from the land and a belief that our activities should "benefit self and benefit others, private and public interests are one and the same," we replanted one to two million trees annually at the peak of the Great Afforestation Plan started in 1894 and brought back devastated mountains to their original state. To achieve carbon neutrality by 2050, we will use this wood cycle to contribute to a decarbonized society.

P68 (Carbon negative)

- Our company's businesses produce 370,000 tons of Scope 1 and Scope 2 CO2 emissions. But we also own and manage 279,000 hectares of forests, which sequester about 780,000 tons of CO2 annually, so we are already carbon negative.

P69 (Scope 3)

- Scope 3 emissions from our overall value chain total 9.11 million tons. This is primarily because it includes emissions from occupancy, which is calculated at a house's long lifecycle of 60 years. Emissions from occupancy include the use of air conditioners and other electric appliances. By actively promoting ZEH, ZEB, LCCM houses and net zero carbon buildings, we will work together with customers to reduce emissions.

P70 (Forest CO2 absorption and storage amounts)

- This slide shows the annual CO2 sequestration and cumulative carbon storage amounts of the forests we own and manage.

P71 (HWP carbon storage amounts)

- This slide shows the annual and cumulative carbon storage amounts from our wooden structures and our wood products.

P72 (2030 targets)

- These are our 2030 targets. We aim to own and manage 500,000 hectares of forest area, and every year, utilize 1 million additional cubic meters of domestic timber at our timber industrial complexes and supply 50,000 units of houses.

P73 (Slogan)

- Sumitomo Forestry is advancing to the next stage.

P74 (Slogan)

- As a partner in helping the world shift to decarbonization, we will strive to create a sustainable society with Sumitomo Forestry's Wood Solution.

P75 (Overall summary)

- Please let me summarize our decarbonization initiatives.

P76 (Wood cycle)

- Our company has a unique value chain centered on wood. We can play an important role in resolving issues to realize a decarbonized society. We will use the wood cycle to contribute to a decarbonized society.

P77 (Three pillars of our decarbonized initiatives)

- The three pillars of Sumitomo Forestry's decarbonized initiatives are accelerating the circular forestry business, promoting wood change, and standardizing decarbonized design. Through these efforts, we will promote the decarbonization of society.

P78 (Investments and targets)

- These are our investments and 2030 targets for the three pillars of our Medium-Term Management Plan.

P79 (Message)

- If more of society embraces forest utilization, unkempt forests would be appropriately harvested and replanted, and lush nature would expand. Wooden buildings in urban areas would become the norm, and cities would be transformed into forests. The overall well-being of society would be enhanced. Businesses that contribute to decarbonization for all, including other companies and people, can help realize something entirely new – a warm and giving economy.

P80

- This is Sumitomo Forestry's Long-Term Vision. Thank you very much for your kind attention. The New Medium-Term Management Plan

P81 (Intro)

- Moving on from the Long-Term Vision, I will now provide a briefing on our new Medium-Term Management Plan.

P82 (Review and Positioning)

- First, I would like to go over the positioning of the new Medium-Term Management Plan.
- In FY12/2021, the final fiscal year of the previous Medium-Term Management Plan, we fell short of our targets for the Timber and Building Materials and Housing and Construction Business mainly in the domestic market, but Overseas Housing and Real Estate Business, especially in the United States, drove performance as the Group's overall net sales totaled 1,385.9 billion yen and recurring income 137.8 billion yen, greatly exceeding the target of 85 billion yen and marking a new record high. This was the first time that recurring income surpassed 100 billion yen.
- The new Medium-Term Management Plan starting from FY12/2022 corresponds to Phase 1 of our Long-Term Vision called Mission TREEING 2030. The plan's three-year period is positioned as a time for building a foundation aimed at contributing to future growth and decarbonization. This period will be used to solidify our foothold aimed at achieving our Long-Term Vision, which will include expanding the Overseas Housing and Real Estate Business, which has grown to become a pillar of earnings, promoting enhanced cost competitiveness including in construction

materials and labor costs, restoring the earnings power of domestic businesses, an unmet issue in the previous Medium-Term Management Plan, and investing in Environment and Resources, a focal point of our decarbonization efforts.

P83 (The 5 Basic Policies)

- Next, these are the Basic Policies of the Medium-Term Management Plan. These incorporate the Group's four business policies to achieve our vision for 2030 into specific measures that will be implemented during the Plan's three-year period.
- In each case, these are long-term initiatives that will pave the way toward our Long-Term Vision in 2030. During the course of these three years, we will make steady progress toward restoring earnings power and improving asset efficiency of the domestic business, which was an unaddressed issue from the previous Medium-Term Management Plan.

P84 (Company-Wide Targets)

- Based on these Basic Policies, we will aim to reach net sales of 1,770 billion yen and recurring income of 173 billion yen in FY12/2024, the third year of the Plan.

P85 (Targets By Segment)

- This page presents performance targets by segment.

P86 (Targets By Segment)

- In Timber and Building Materials Business, we will actively invest in new businesses that can become future pillars of our business portfolio, which includes developing processing sites to develop timber industrial complexes using domestic timber, decarbonization, and the promotion of digital transformation (DX). This will be achieved in parallel with the restructuring of some overseas manufacturing.
- In Overseas Housing and Real Estate Business, we will expand our market share of detached houses and real estate development in the United States, Australia, Asia and, furthermore, Europe. I will explain this strategy in detail a little later in the presentation.
- In Housing and Construction Business, we will work to increase our market share in the custom-built housing business by improving competitiveness through digital marketing and rationalization of work processes. We will also expand the spec homes business, non-residential building structure business, and renovation business.
- In Environment and Resources Business, we will proactively expand our forest management area in Japan and abroad.

P87 (Investment Plan)

- Moving on, this slide shows our Investment Plan.
- We plan to make a total of 300 billion yen in new investments over the three-year period. Of this amount, we have committed 62 billion yen to decarbonization investment, including forestry funds, timber industrial complexes, and overseas wooden non-residential building structure found in our Long-Term Vision. We will aim for greater business growth by promoting growth investments exceeding those made during the previous Medium-Term Management Plan.

P88 (Capital Policy and Return to Shareholders)

- Next, this slide presents our capital policy and return to shareholders.
- During the previous Medium-Term Management Plan, we made appropriate investments in growth while considering financial soundness, reaching our targets of positive cumulative cash flow and ROE of 10% or higher. For FY12/2021, we plan to pay a dividend of 80 yen per share, double the dividend for the first fiscal year of the previous Medium-Term Management Plan.
- Under the new Medium-Term Management Plan, aimed at the further enhancement of corporate value, we have established a new target to consistently achieve ROE of 15% or higher, exceeding the target of the previous plan, by making growth investments for the future, while maintaining an equity ratio of 40% or higher and a net debt-to-equity ratio of 0.7 times or lower. As for return to shareholders, we will strive to continue paying a stable dividend based on holistic view toward the balance with growth investments and performance.

P89 (Summary of Forecast for Housing and Real Estate in Japan and Abroad)

- Next, I would like to talk about our core business of Housing and Real Estate, both in Japan and abroad.
- In domestic custom-built detached houses, amid the decline in the number of new housing starts, we intend to maintain 9,700 units sold including rental apartments and acquire a dominant market share.
- Meanwhile, in the United States and Australia, we plan to greatly increase units sold to 20,000 detached houses when combining both countries by carefully selecting land to purchase and developing products tailored to each area. Additionally, we will build a resilient business structure largely unaffected by the business environment by expanding business domains, such as detached rental housing, and promoting greater cost competitiveness. At the same time, we will look to develop medium- to large-sized wooden non-residential building structure in the United States, Australia, as well as Europe.

P90 (US Housing Market)

- The growth of Overseas Housing and Real Estate is vital to reaching the targets of the Medium-Term Management Plan.
- I would now like to talk about Overseas Housing and Real Estate Business with a focus on the market environment and strategy in our main market of the United States. First, let's look at the market environment.
- Unlike Japan, which is threatened by a population decline over the long term, overall the United States housing market continues to see consistently strong demand for housing amid a balanced supply-demand situation underpinned by the increasing number of new home buyers, such as Millennials and Generation Z, and a shortage of resale home inventory.

P91 (US Housing Market)

- While there has been growing concern since the start of 2022 about rising mortgage rates driven by policy rate hikes, compared to the subprime lending debacle when loans were extended to borrowers with low credit scores, mortgages today are considered to be more than sound.

P92 (US Housing Market)

- Next, this is the Group's coverage area. The Group has operations in regions with a population growth rate that is higher than the US national average.

P93 (US Housing Market)

- We have a presence in eight of the top 10 cities in new building permits. The ratio of income to housing prices in these cities is also lower than the US national average of 5.9 times. In other words, many of these areas remain affordable and as such these markets are expected to grow going forward.

P94 (Strategy of US Housing and Real Estate)

- Moving on, I will talk about our strategy for US Housing and Real Estate.
- In the United States Detached Housing Business, we will continue to broaden existing coverage areas and continue to consider new market entry in untapped areas. Our profitability and efficiency is comparable to that of the top US homebuilders, and now we will aim to further improve financial efficiency by utilizing' outside capital and land bankers. In addition to working to grow the contract business for detached rental housing with a low funding impact, we will enter the integrated materials-construction business from structural panel manufacturing to framing work in order to respond to labor shortages, shorten construction periods, and improve construction safety.
- Furthermore, the order book for the Detached Housing Business, a segment for which we plan to increase units sold, at the beginning of 2022 sits at around 7,000 units, which is a very high level from the beginning of 2020 prior to COVID-19. Also, at the beginning of FY12/2022, land for spec homes totaled around 72,000 lots when combining owned lots and lots under purchase contract. This ensures that we have ample lots for future sales plans.

P95 (Strategy of US Housing and Real Estate Business)

- In the US profit earning real estate development business, we will fully develop a detached house leasing and development business that can utilize our know-how in both the detached housing business and the real estate development business cultivated previously. In addition, in the existing real estate development business, we will work to expand the number of projects in order to stabilize earnings while improving capital efficiency.
- We will consistently increase fee income for development and project management, in addition to acquiring environmental certifications and continuing with development considerable of the local community.

P96 (Summary)

- The future outlook of the global economy remains clouded given the COVID-19 pandemic and US-China frictions, among other factors. The Group will implement a strategy aimed at business creation driven by unique wood solutions, while seeking to supply more than 30,000 units in the third-year of the new Medium-Term Management Plan.
- Full-scale operation of new decarbonization businesses such as forestry funds and timber industrial complexes described in the Long-Term Vision will take place after the next Medium-Term Management Plan, but decarbonization initiatives are "now or never." As the first step of

our Long-Term Vision, we will contribute to the realization of a decarbonized society by implementing the wood cycle vigorously and working to lower CO2 emissions for society as a whole through ZEH and LCCM proposals, and increasing carbon fixation around the world mainly through the sale of detached wood-framed houses, without waiting until the fruition of new initiatives.

This concludes the briefing.

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