

The New Medium-Term Management Plan

P1 (Intro)

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

P2 (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.

P3 (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.

P4 (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.

P5 (Targets By Segment)

- This page presents performance targets by segment.

P6 (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.

P7 (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.

P8 (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.

P9 (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.

P10 (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.

P11 (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.

P12 (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.

P13 (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.

P14 (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.

P15 (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.

P16 (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.