



MEMBERSHIP

June 30, 2020

For Immediate Release

Company name: Sumitomo Forestry Co., Ltd.  
(Stock code: 1911 1st section, Tokyo Stock Exchange)  
Representative: Toshiro Mitsuyoshi, President & CEO  
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### Notice Concerning Issuance of New Shares for Remuneration by Shares with Restriction on Transfer

Sumitomo Forestry Co., Ltd. (“the Company”) hereby announces that the board of directors meeting held today resolved, as follows, to issue new shares for remuneration by shares with restriction on transfer (“Issuance of New Shares”).

#### 1. Outline of the issuance

(1) Payment date	July 20, 2020
(2) Class and number of shares to be issued	26,300 shares of common stock of the Company
(3) Paid-in amount	1,322 yen per share
(4) Total amount of issue	34,768,600 yen
(5) Allottees and number thereof, number of shares to be allotted	6 Directors (1*) 16,700 shares 13 Executive Officers (2*) 9,600 shares *1 Excluding Outside Directors *2 Excluding Executive Officers who concurrently serve as Directors
(6) Other	In connection with the Issuance of New Shares, the Securities Notice has been filed in accordance with the Financial Instruments and Exchange Act.

#### 2. Purpose and reasons for issuance

At a meeting of the Board of Directors held on May 11, 2018, the Company resolved to introduce a remuneration plan (“Plan”) through which shares with restriction on transfer will be allotted to Directors (excluding Outside Directors) and Executive Officers (excluding Executive Officers who concurrently serve as Directors), in order to give incentives for them to strive to increase the medium- and long-term corporate value, and at the same time realize a prompt sharing of value with our shareholders by having such Directors hold shares from the time of allotment, as compared to the stock-based compensation stock option. In addition, at the 78th Ordinary General Meeting of Shareholders held on June 22, 2018, it was approved that, based on the Plan, the amount of the monetary compensation receivables for allotment to Directors of the Company (excluding Outside Directors) of shares with restriction on transfer shall be set at not more than 100,000,000 yen per year, that the maximum number of shares

with restriction on transfer to be allotted to Directors (excluding Outside Directors) during the period of one (1) year commencing on the date of the relevant ordinary general meeting of shareholders pertaining to each business year shall be 350,000 shares, and that the restriction period of shares with restriction on transfer shall be thirty (30) years.

At a meeting of the Board of Directors held today, the Company resolved to provide total monetary compensation receivables of 34,768,600 yen to the persons planned to receive allotment of shares being six (6) Directors (excluding Outside Directors) and thirteen (13) Executive Officers (excluding Executive Officers who concurrently serve as Directors) of the Company (collectively, "Persons Eligible for Allotment") as remuneration in order to conduct allotment of shares with restriction on transfer during the period from the 80th Ordinary General Meeting of Shareholders to the 81st Ordinary General Meeting of Shareholders to be held in March 2021, and allot the Persons Eligible for Allotment 26,300 shares of common stock of the Company as specified shares with restriction on transfer by their providing all of such monetary compensation receivables as contribution in kind. In addition, such monetary compensation receivables shall be paid on condition that each Person Eligible for Allotment has concluded an agreement on allotment of shares with restriction on transfer containing in substance the contents set forth below ("Agreement on Allotment") with the Company.

### 3. Outline of the Agreement on Allotment

#### (1) Restriction period

From July 20, 2020 to July 19, 2050

In the above period of restriction on transfer ("the Restriction Period"), the Persons Eligible for Allotment may not assign, pledge, provide as collateral, make an inter vivos gift or testamentary bequest of, or otherwise dispose of such shares with restriction on transfer to a third party.

#### (2) Treatment upon retirement

If any Person Eligible for Allotment retires from the post of either Director or Executive Officer of the Company on or prior to the day immediately preceding the date of the first ordinary general meeting of shareholders of the Company arriving on or after the commencement date of the Restriction Period, the Company shall automatically acquire the shares with restriction on transfer allotted to such Person Eligible for Allotment ("the Allotted Shares") as at the time of the retirement, without consideration, except for the case of expiry of term of office, death or where there is any other reason deemed justifiable by the Board of Directors.

#### (3) Removal of restriction on transfer

On condition that the Person Eligible for Allotment continues to be in the office of either Director or Executive Officer of the Company until the date of the first ordinary general meeting of shareholders of the Company arriving on or after the date of commencement of the Restriction Period, the Company shall remove the restriction on transfer in respect of all of the Allotted Shares owned by the Person to Eligible for Allotment as at the time of expiry of the Restriction Period ("Expiry of the Restriction Period").

Notwithstanding the foregoing, if the Person Eligible for Allotment retires from his or her post of

either Director or Executive Officer of the Company prior to the expiry of the Restriction Period due to expiry of term of office, death or any other reason deemed justifiable by the board of directors, the Company shall remove the restriction on transfer at the time immediately after the retirement with respect to the number of Allotted Shares obtained by multiplying the number calculated by dividing the number of months from July 2020 to the month including the day when the Person Eligible for Allotment retires from his or her post of either Director or Executive Officer of the Company by 9 (if the result of the calculation exceeds 1, it shall be 1) by the number of Allotted Shares owned by the Person Eligible for Allotment at the relevant time (any fraction of less than one share shall be discarded).

From among the Allotted Shares, should there be any of them with respect to which removal of restriction on transfer under the provisions of this item has not been made at the Expiry of the Restriction Period, the Company shall automatically acquire them without consideration at the time immediately after the Expiry of the Restriction Period.

(4) Provision concerning management of shares

The Person Eligible for Allotment shall complete the opening of an account with SMBC Nikko Securities Inc., by the procedures designated by the Company, for describing and recording the Allotted Shares which are kept and maintained in the account until the removal of the restriction on transfer.

(5) Treatment at the time of entity conversion or the like

If a proposal concerning a merger agreement where the Company becomes the disappearing company, share exchange agreement or share transfer plan where the Company becomes the wholly-owned subsidiary, or any other proposal regarding entity conversion or the like is approved at the Company's general meeting of shareholders (or at the board of directors, where such entity conversion or the like does not require approval of the Company's general meeting of shareholders) during the Restriction Period, the Company shall, as at the time immediately before the business day prior to the date of effectuation of such entity conversion or the like, remove the restriction on transfer with respect to the number of Allotted Shares obtained by multiplying the number calculated by dividing the number of months from July 2020 to the month including the approval date by 9 (if the result of the calculation exceeds 1, it shall be 1) by the number of Allotted Shares owned by the Person Eligible for Allotment on the approval date (any fraction of less than one share shall be discarded), pursuant to the resolution of the board of directors meeting.

In this case, the Company shall, on the business day prior to the date of effectuation of such entity conversion or the like, automatically acquire without consideration all of the Allotted Shares with respect to which the restriction on transfer is still not removed on the same day pursuant to the foregoing provision.

4. Basis for calculating the amount to be paid in and details thereof

The amount to be paid in for the new shares to be issued shall be 1,322 yen per share, which is the closing price for common shares of the Company quoted on the Tokyo Stock Exchange as of the business day (June 29, 2020) immediately preceding the date of resolution of the board of directors

meeting, to make it the price with any arbitrariness eliminated. This is the market share price immediately before the date of resolution of the board of directors meeting which the Company believes to be rational price and not an especially advantageous amount.

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