



June 23, 2021

For Immediate Release

Company name: Sumitomo Forestry Co., Ltd.
(Stock code: 1911 1st section, Tokyo Stock Exchange)
Representative: Toshiro Mitsuyoshi, President & CEO
Inquiries: Toshihiro Horii, General Manager of Corporate Communications Dept.
(Tel: +81-3-3214-2270)

Issuance of New Shares and Secondary Offering of Shares

Sumitomo Forestry Co., Ltd. (the “Company”) hereby announce that the Company has determined the matters regarding issuance of new shares and secondary offering of the Company’s shares at a board of directors meeting held on June 23, 2021.

[Purpose of Fund Raising]

The Sumitomo Forestry Group (the “Group”) utilizes wood as a healthy and environmentally friendly natural resource to provide a diverse range of lifestyle-related services that contribute to the realization of a sustainable and prosperous society. All our efforts are based on Sumitomo’s Business Spirit, which places prime importance on fairness and integrity for the good of society. Under this corporate philosophy, the Group endeavors to maximize our corporate value.

We have also strived to expand our business and to reinforce our revenue base with a view to “Promote future-oriented business strategies for further growth”, which is the principal theme of Sumitomo Forestry Group 2021 Medium-Term Management Plan for the most recent business year ending in December 2021 (the “Medium-Term Management Plan”).

The pandemic of COVID-19, which has been spreading rapidly in Japan since last year, has resulted in slowdown of construction of new housing. Factors such as decline in consumption due to spread of the virus and restriction on business activities under the state of emergency have contributed to such slowdown. On the other hand, the U.S. housing market, which seemed to temporarily lose steam, recovered on the background of, among others, historic low housing loan interest rates and reduction in the number of channel inventory of secondhand housing. As a result, the U.S. housing market has been growing steadily. In Australia, which entered a recessionary phase for the first time in 29 years, there are signs of recovery in housing market thanks to decline in housing interest rates and subsidy for housing construction from the government.

Under such business environment, the Group has strived to promote our business in the aim of strengthening management base for further growth through steady implementation of the Medium-Term Management Plan while prioritizing safety of our customers, business partners, employees and their family members and devoting maximum effort to prevent infection.

With respect to the domestic Housing and Construction Business, we have endeavored to attract customers utilizing the Internet. We established a website called “MYHOME PARK”, which provides an opportunity to experience making of Sumitomo Forestry Home Houses online. By promoting digital transformation (DX), we have launched digital marketing by use of real data accumulated through housing exhibition in addition to

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structure design service for builder precut factories in the Timber and Building Materials Business. The Group will further strive to establish a mechanism to provide comprehensive services to hundreds of thousands of our customers.

With respect to the Overseas Housing and Real Estate Business, which we have expanded, we have accelerated area expansion mainly to the U.S. and Australia since population growth and stable housing demand are expected there. In 2019, we acquired equity in Scott Park Group Pty Ltd., an Australian housing business company, and expanded into Western Australia. In 2020, we acquired detached housing business from Builders Professional Group, LLC, an American company, through our subsidiary Dan Ryan Builders Group and ventured into the Atlanta area. In 2021, we acquired detached housing business from CDL homes, Inc., an American company, through our subsidiary Gehan Homes, Ltd. and expanded into the Denver region. Moreover, the Group has worked on new capital-efficient business in the U.S. by taking advantage of our comprehensive skills including land acquisition, construction and management skills.

We established a basic policy to “promote further integration of business operation and ESG initiatives” in the Medium-Term Management Plan. Under this basic policy, we have endeavored to create new revenue streams and to realize sustainable society. In 2020, we invested in Morinomiyako Biomass Energy G.K. and acquired industrial plantation assets and business rights in Indonesia. We have continued exploring opportunities to acquire new forest in other regions as well.

In order to address a social challenge of climate change remedies and contribute to realization of decarbonized society, we will even more actively develop business taking full advantage of sustainable forest resources which absorb carbon dioxide and fix carbon by expanding sustainable forest management, manufacturing and distributing wood products, popularizing wooden buildings and expanding renewable energy business.

On the background of the past business expansion and favorable growth in American housing market, we are faced by increase in working capital mainly for real properties for sale. Each company of the Group continuously acquire and sell real properties for sale. Since it takes certain time to collect funds borrowed for acquisition and development of housing lots and construction of buildings, the Group’s interest-bearing debts tend to increase along with business expansion. We believe that it is essential to establish a solid financial base and to secure investment capacity through raising long-lived funds in order to promptly invest in future growth opportunities.

The fund raised through this issuance of new shares will be mainly used for acquisition and development of real properties for sale and repayment of borrowings for the U.S. business and appropriation to business fund for development of real properties in Australia. We will improve the Group’s sustainable corporate value by strengthening our financial base to support growth strategy and securing future investment capacity through this fund raising and appropriation.

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1. Issuance of new shares by way of offering (public offering)

- | | | |
|-----|---|---|
| (1) | Class and Number of Shares to be Offered | Common 16,000,000 shares of the Company |
| (2) | Method of Determination of Amount to be Paid | The amount to be paid will be determined on a day (the “Determination Date”) during the period from Monday, July 5, 2021 to Thursday, July 8, 2021 in accordance with the method stated in Article 25 of the Regulations concerning Underwriting of Securities, etc. of the Japan Securities Dealers Association (“JSDA”). |
| (3) | Amount of Stated Capital and Capital Reserve to be Increased | The amount of stated capital to be increased shall be half of the maximum amount of the stated capital increase, as calculated in accordance with Article 14, Paragraph 1 of the Rules of Account Settlement of Corporations with any fraction less than one yen resulting from the calculation being rounded up to the nearest one yen. The amount of capital reserve to be increased shall be the amount obtained by subtracting the amount of stated capital to be increased set forth above from the relevant maximum amount of the stated capital increase. |
| (4) | Method of Offering | The offering shall be conducted through a public offering. All of the shares shall be purchased for sale by underwriters. The issue price (offer price) with respect to the public offering shall be determined based on the tentative pricing range calculated by multiplying the closing price of the common shares of the Company at the Tokyo Stock Exchange, Inc. on the Determination Date (or, if no closing price is quoted, the closing price of the immediately preceding date) by 0.90-1.00 (with any fraction less than one yen being rounded down), in accordance with the method stated in Article 25 of the Regulations concerning Underwriting of Securities, etc. of the JSDA, taking into account market demand and other conditions. |
| (5) | Considerations for Underwriter | The Company does not pay any underwriting commissions to the Underwriter. However, the aggregate amount of the difference between (a) the issue price (offer price) and (b) the amount to be paid to the Company by the Underwriter in the public offering constitutes proceeds to the Underwriter. |
| (6) | Subscription Period | The subscription period is from the business day immediately following the Determination Date to the second business day immediately following the Determination Date. |
| (7) | Payment Date | The payment date shall be a day during the period from Friday, July 9, 2021 to Wednesday, July 14, 2021, which is the fourth business day immediately following the Determination Date. |
| (8) | Subscription Unit | 100 shares |
| (9) | Determination of the amount to be paid, the amount of stated capital and capital reserves to be increased, and all other matters necessary for the issuance of new shares through the public offering will be delegated to the Company’s President & CEO. | |

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- (10) Each item above shall be conditioned upon the securities registration statement filed under the Financial Instruments and Exchange Act of Japan becoming effective.

2. Secondary offering of the Company's shares (secondary offering to cover over-allotments) (See 1. of <Reference> below.)

- | | | |
|-----|---------------------------------------|--|
| (1) | Class and Number of Shares to be Sold | Common
2,400,000 shares
shares of the
Company |
|-----|---------------------------------------|--|
- The number of shares mentioned above is the maximum number of shares to be sold. The above number may decrease, or the secondary offering to cover over-allotments may be cancelled entirely, depending on market demand and other conditions. The final number of shares to be sold shall be determined on the Determination Date, taking into account market demand and other conditions of the public offering.
- | | | |
|-----|---|--|
| (2) | Seller | The Lead Manager |
| (3) | Selling Price | Undetermined. (The selling price will be determined on the Determination Date; provided, however, that such selling price shall be the same as the issue price (offer price) in the public offering.) |
| (4) | Method of Secondary Offering | Taking into account market demand and other conditions of the public offering, the Lead Manager will make a secondary offering of up to 2,400,000 shares, which it will borrow from certain shareholders of the Company. |
| (5) | Subscription Period | The subscription period is the same as the subscription period in respect of the public offering. |
| (6) | Delivery Date | The delivery date is business day immediately following the payment date in respect of the public offering. |
| (7) | Subscription Unit | 100 shares |
| (8) | Approval of the selling price and all other matters necessary for the secondary offering to cover over-allotments will be delegated to the Company's President & CEO. | |
| (9) | Each item above shall be conditioned upon the securities registration statement filed under the Financial Instruments and Exchange Act of Japan becoming effective. | |

3. Issuance of new shares by way of third-party allotment (See 1. of <Reference> below.)

- | | | |
|-----|--|---|
| (1) | Class and Number of Shares to be Offered | Common
2,400,000 shares
shares of the
Company |
| (2) | Method of Determination for the Amount to be Paid | The amount to be paid will be determined on the Determination Date; provided, however, that such amount to be paid shall be the same as the amount to be paid in respect of the public offering. |
| (3) | Amount of Stated Capital and Capital Reserve to be Increased | The amount of stated capital to be increased shall be half of the maximum amount of the stated capital increase, as calculated in accordance with Article 14, Paragraph 1 of the Rules of Account Settlement of Corporations with any fraction less than one yen resulting from the calculation being rounded up to the nearest one yen. The amount of capital reserve to be increased shall be the amount obtained by subtracting the amount of stated capital to be increased set forth above |

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- from the relevant maximum amount of the stated capital increase.
- (4) Subscriber The Lead Manager
 - (5) Subscription Date Thursday, August 5, 2021
 - (6) Payment Date Friday, August 6, 2021
 - (7) Subscription Unit 100 shares
 - (8) Shares not subscribed by the subscription date mentioned in (5) above will not be issued.
 - (9) Determination of the amount to be paid, the amount of stated capital and capital reserve to be increased and all other matters necessary for the issuance of new shares by way of third-party allotment will be delegated to the Company's President & CEO.
 - (10) If the aggregate amount of issue value (amount to be paid in) of new shares by way of third-party allotment is 100 million yen or more, each item above shall be conditioned upon the securities registration statement filed under the Financial Instruments and Exchange Act of Japan becoming effective.

End

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<Reference>

1. Secondary offering to cover over-allotments, etc.

The secondary offering through over-allotments as explained in “2. Secondary offering of the Company’s shares (secondary offering to cover over-allotments)” above is a secondary offering in connection with the public offering as stated in “1. Issuance of new shares by way of offering (public offering)” above, taking into account market demand and other conditions, with up to 2,400,000 shares borrowed by the Lead Manager of the Public Offering from certain shareholders of the Company (the “Borrowed Shares”). The number of shares to be offered in the secondary offering through over-allotments is the maximum number of shares to be offered. Therefore, such number may decrease or such secondary offering to cover over-allotments may be canceled entirely, depending on market demand and other conditions.

In connection with the secondary offering to cover over-allotments, the Company has decided at the board of directors meeting held on Wednesday, June 23, 2021, that the Company will issue 2,400,000 shares of its common shares to the Lead Manager by way of third-party allotment (the “Capital Increase by way of Third-Party Allotment”) in addition to the public offering, with the payment date set to be Friday, August 6, 2021.

The Lead Manager may conduct stabilizing transaction with respect to common shares of the Company during the subscription period for the public offering and the secondary offering to cover over-allotments (the “Subscription Period”). All or part of the shares purchased through stabilizing transaction may be used to return the Borrowed Shares.

The Lead Manager may also purchase common shares of the Company on the Tokyo Stock Exchange, Inc., up to the number of shares for the secondary offering to cover over-allotments (“Syndicate Cover Transactions”). The Syndicate Cover Transactions would be made during the period from (a) the day immediately following the last day of the Subscription Period to (b) Tuesday, August 3, 2021 (the “Syndicate Cover Transaction Period”). All of the shares purchased by way of the Syndicate Cover Transaction will be used to return the Borrowed Shares. During the Syndicate Cover Transaction Period, the Lead Manager may decide not to conduct any Syndicate Cover Transaction or may decide to terminate the Syndicate Cover Transactions before the number of shares purchased reaches the number of shares for the secondary offering to cover over-allotments.

The Lead Manager will accept the Capital Increase by way of Third-Party Allotment with respect to the number of shares calculated by subtracting the number of shares used to return the Borrowed Shares obtained through stabilizing transaction and Syndicate Cover Transactions set forth above from the number of shares for the secondary offering to cover over-allotments.

As a result, a part or all of the shares to be issued under the Capital Increase by way of Third-Party Allotment may not be subscribed for, which may result in a decrease in the determined number of shares to be issued under the Capital Increase by way of Third-Party Allotment, or in the cancellation of the issuance, due to forfeiture of the right to subscribe.

2. Total number of issued shares before and after the capital increase by way of public offering and Capital Increase by way of Third-Party Allotment

- | | | |
|---|--------------------|-----------------|
| (1) Current total number of issued shares: | 182,799,936 shares | (June 23, 2021) |
| (2) Number of shares to be newly issued through capital increase by way of public offering : | 16,000,000 shares | |
| (3) Total number of issued shares after capital increase by way of public offering: | 198,799,936 shares | |
| (4) Number of shares to be newly issued by way of Capital Increase by way of Third-Party Allotment: | 2,400,000 shares | (Note) |
| (5) Total number of issued shares after Capital Increase by way of Third-Party Allotment: | 201,199,936 shares | (Note) |

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3. Use of proceeds

(1) Use of the proceeds to be raised through the offerings

With respect to the estimated maximum aggregate net proceeds of 37,149,000,000 yen from the public offering and the Capital Increase by way of Third-Party Allotment, 32,500,000,000 yen will be used for working capital and repayment of long-term debt in the U.S. business by December 2022, and 2,000,000,000 yen will be used for business funds in the Australian business by December 2022, and the remaining amount will be used for repayment of long-term debt by December 2022.

In the U.S. business, through its U.S. subsidiary, Sumitomo Forestry America, Inc., the Company plans to allocate 22,500,000,000 yen to working capital for the acquisition of lands, buildings and other real estate for sale by December 2022, and 10,000,000,000 yen to repay a portion of long-term debt by December 2021.

In the Australian business, the Company plans to allocate 2,000,000,000 yen by December 2022 as business funds for real estate development in the medium and large scale wooden architecture business. In this project, we will aim to obtain environmental certification from public institutions in order to promote the use of forest resources and contribute to the realization of a decarbonized society, and we plan to achieve a building specification with a high level of energy efficiency and indoor environment.

In the event that the estimated maximum aggregate net proceeds falls below 34,500,000,000 yen due to a change in the estimated net proceeds as a result of the determination of the issue price, etc., there will be no allocation to the repayment of the Company's long-term debt, and the amount to be allocated to working capital for the acquisition of the real estate for sale such as land and buildings through Sumitomo Forestry America, Inc., shall be adjusted.

The above proceeds will be appropriately managed in the Company's bank account until the actual time of appropriation.

(2) Change of the use of the proceeds raised through previous issuance

Not applicable

(3) Influence on business results

We believe that the use of the raised funds as described in (1) above will contribute to the medium- to long-term growth of the Group, as it will lead to the strengthening of our fiscal position and capital base, and will expand the possibility of implementing agile management strategies.

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4. Distribution of profits to shareholders, etc.

(1) Basic Policy on Profit Distribution

We believe that returning profits to our shareholders is one of our top priorities, and our basic policy is to ensure that this is achieved in a continuous and stable manner.

(2) Basic policy for determining dividends

The Company may pay dividends twice a year as interim and year-end dividends, and the decision-making bodies for these dividends are the general meeting of shareholders for the year-end dividend and the board of directors for the interim dividend.

The Company's articles of incorporation provide that the Company may, by resolution of the board of directors, pay an interim dividend with a record date of June 30 of each year.

(3) Use of internal reserve funds

By efficiently utilizing internal reserves for effective investments and research and development activities that will contribute to the long-term enhancement of corporate value, we will strive to improve return on equity (ROE) and enhance equity capital, and at the same time, we will return profits to our shareholders at an appropriate level in accordance with the status of profits, while comprehensively taking into consideration the balance of our management base, financial condition, and cash flow, etc.

(4) Dividends for the past three fiscal years, etc.

	FY ended March 2019	FY ended March 2020	FY ended December 2020
Net income per share (consolidated)	160.80 yen	153.54 yen	167.54 yen
Annual dividends per share (interim dividend per share (included))	40 yen (20 yen)	40 yen (20 yen)	35 yen (10 yen)
Actual dividend payout ratio (consolidated)	24.9%	26.1%	20.9%
ROE (consolidated)	9.3%	8.8%	8.8%
Dividend on Equity (DOE) (consolidated)	2.3%	2.3%	1.8%

(Notes) 1. Net income per share (consolidated) is calculated based on average number of shares during the period.

2. Actual dividend payout ratio (consolidated) is annual dividends per share *divided by* net income per share (consolidated).

3. ROE (consolidated) is net income attributable to shareholders of the parent company (consolidated) *divided by* equity capital (average of equity capital at the beginning of the term and equity capital at the end of the term).

4. DOE (consolidated) is annual dividend per share *divided by* consolidated net assets per share (average of net assets per share at the beginning of the term and net assets per share at the end of the term).

5. Due to a change of the fiscal year end, the fiscal year ending December 2020 is an anomalous nine-month period from April 1, 2020 to December 31, 2020.

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5. Other

(1) Designation of distribution destination

Not applicable

(2) Information regarding dilution by issuable shares

(i) Share subscription rights (stock options)

The Company issues share subscription rights (stock options), and 98,800 shares, which is the total number of remaining shares to be delivered as of May 31, 2021 is expected to be 0.05% of 201,199,936 shares, which is the total number of issued shares after the issuance of new shares by way of third-party allotment as described in “2. Total number of issued shares before and after the capital increase by way of public offering and Capital Increase” (5) above.

Grant of share subscription rights (stock options) as of May 31, 2021

Date of resolution	Number of remaining shares to be delivered	Amount to be paid upon exercise of share subscription rights	Capitalization amount	Exercise period
July 31, 2015	29,600 shares	1 yen	617 yen	From August 21, 2015 To August 20, 2035
July 29, 2016	35,900 shares	1 yen	547 yen	From August 20, 2016 To August 19, 2036
July 28, 2017	33,300 shares	1 yen	629 yen	From August 19, 2017 To August 18, 2037

(ii) EUR/JPN convertible bond due 2023

The Company issues EUR/JPN convertible bond due 2023, and 4,562,043 shares, which is the total number of remaining shares to be delivered as of May 31, 2021 is expected to be 2.27% of 201,199,936 shares, which is the total number of issued shares after the issuance of new shares by way of third-party allotment as described in “2. Total number of issued shares before and after the capital increase by way of public offering and Capital Increase by way of Third-Party Allotment” (5) above.

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(3) Status of equity finance conducted in the past three years, etc.

(i) Status of equity finance

EUR/JPN convertible bond due 2023

Issue date	September 27, 2018
Total amount issued	10.1 billion yen
Redemption date	September 27, 2023
Conversion value	2,192 yen

(ii) Changes in stock prices, etc., over the past three fiscal years and latest prices

	FY ended March 2019	FY ended March 2020	FY ended December 2020	FY ended December 2021
Opening price	1,707 yen	1,570 yen	1,374 yen	2,171 yen
High price	2,004 yen	1,752 yen	2,285 yen	2,582 yen
Low price	1,360 yen	1,095 yen	1,175 yen	1,910 yen
Closing price	1,537 yen	1,385 yen	2,154 yen	2,134 yen
Price earnings ratio (consolidated)	9.56	9.02	12.86	—

(Notes) 1. Share prices for the fiscal year ending December 2021 shown above are share prices as of June 22, 2021.

2. Price earnings ratio (consolidated) is share price (closing price) at the end of the fiscal year *divided by* net income per share (consolidated) at the end of the relevant fiscal year. As for the fiscal year ending December 2021, there is no information available as it has not yet been determined.
3. Due to a change of the fiscal year end, the fiscal year ending December 2020 is an anomalous nine-month period from April 1, 2020 to December 31, 2020.

(iii) Changes in the holding policy, etc. of the recipients of the allocation in the capital increase through third-party allotment, etc., conducted in the past five years

Not applicable

(4) Lock up

In connection with the public offering, the Company has agreed with the Lead Manager, not to, among others, issue shares of the Company, securities convertible into or exchangeable for shares of the Company, or securities representing the right to acquire or receive shares of the Company, during the period commencing on the Determination Date and ending on the 180th day calculated from the date of delivery of the public offering (the "Lockup Period") without the prior written consent of the Lead Manager, excluding, however, public offering, Capital Increase by way of Third-Party Allotment and issuance of new shares by way of share split, etc.

In any of the above cases, the Lead Manager, is authorized to terminate the said agreement in whole or in part at its discretion even during the Lockup Period.

END

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