



September 30, 2022

Company name: Sumitomo Forestry Co., Ltd.

(Stock code: 1911 Prime Market, Tokyo Stock Exchange)

Representative: Toshiro Mitsuyoshi, President & CEO

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Notice Regarding Sumitomo Forestry Co., Ltd.'s Acquisition of the Assets of the Structural Group (U.S.) and the Change of Specific Subsidiaries

Sumitomo Forestry Co., Ltd. (“SFC”) hereby announces its decision on September 30, 2022 to acquire 70% of the equity interests of Structural OpCo, LLC (“Structural OpCo”), to which the business assets of the four companies of the Structural Group in the United States will be transferred, and its holding company Structural HoldCo, LLC. As a result of this transaction, they will become SFC’s specific subsidiaries.

1. Reasons for the acquisition

Through this acquisition of business assets, SFC will enter the manufacturing business of components including trusses and wall panels for houses in the Washington D.C. suburbs. In the United States, SFC is promoting Fully Integrated Turn-key Provider (FITP) business, which provides a consistent process from design to manufacturing, delivery, and construction of panels. It aims to establish FITP business by becoming able to manufacture components.

The Structural Group, which has a head office plant on the border between Pennsylvania and Maryland, is developing manufacturing business of components being built by home builders and building contractors. The Group is easily accessible to the Washington D.C. urban area and has expanded its business by providing high-quality products to home builders in the area.

Under the circumstances in which labor shortage, soaring labor costs, and lengthening of construction time are aggravated, the construction industry in the United States is facing challenges such as how to rationalize housing construction and shortening construction time. Structural OpCo will deliver components such as panels and trusses manufactured at its plants to each house and construct them at the construction sites to reduce the construction process and solve these issues. In February 2022, SFC acquired a construction company that is developing framing and interior/exterior construction in the Washington D.C. suburbs, and introduced the in-house process to part of its construction processes. SFC will establish FITP business in Washington D.C. and the rest of the east coast of the United States in cooperation with the component manufacturing company of which equity interests SFC acquired this time.

Going forward, SFC will carry out all operations from materials procurement to housing sales in succession through providing components and construction capabilities to each Sumitomo Forestry Group company that is developing business in the United States. SFC will promote rationalized construction and engineer new value

to achieve shortened construction time, cost reductions, quality improvement, and reduction of waste at construction sites. In addition to providing price-competitive building and other materials through the Sumitomo Forestry Group’s materials procurement networks in the United States, SFC will develop FITP business in the future and aims to supply wide-ranging materials for items such as windows, doors, external walls, and cabinets.

The Sumitomo Forestry Group places “Advancing globalization” as one of the business policies in the Long-Term Vision to 2030 “Mission TREEING 2030” and aims to supply 23,000 units annually in the United States. With a view to the future labor shortage in the U.S. construction industry, the Group will secure construction capabilities in the future through acquiring manufacturing companies and construction companies. In recent years, the Group’s housing and real estate businesses in the United States have grown significantly and now account for a large part of overall profits. Through establishing the FITP business, the Group aims to diversity its revenue sources and build a stable portfolio by strengthening the value chain of the entire Group in the United states.

2. Outline of specific subsidiaries

(1) Name of Company	Structural HoldCo, LLC (newly formed limited liability company)	
(2) Location of Headquarters	201 Poplar Avenue Thurmont, MD, 21788 USA	
(3) Name and Title of Representative	Scott Austin, President	
(4) Business	A holding company of Structural OpCo, LLC which engages in component manufacturing business etc.	
(5) Capital (at the time of establishment)	USD 36 million (approximately JPY 5.2 billion)	
(6) Date of Establishment	September 30, 2022	
(7) Principal Shareholders and their Shareholding Ratios	Builder Solutions Group (wholly owned subsidiary of Sumitomo Forestry America Inc.): 70% Structural, LLC: 30%	
(8) Relations with SFC	Capital Relations	No relevant information
	Personnel Relations	
	Business Relations	
(9) Consolidated Operating Results and Consolidated Financial Standing for the Past Three Fiscal Years	Omitted as the company is still in preparation for establishment*. Outlook for the consolidated financial standing at the time of establishment: Net assets: USD 36 million; Total assets: USD 36 million	

(1) Name of Company	Structural OpCo, LLC (newly formed limited liability company)
(2) Location of Headquarters	201 Poplar Avenue Thurmont, MD, 21788 USA
(3) Name and title of	Scott Austin, President

Representative		
(4) Business	Component manufacturing business etc.	
(5) Capital (at the time of Establishment)	USD 36 million (approximately JPY 5.2 billion)	
(6) Date of Establishment	September 30, 2022	
(7) Principal Shareholders and their Shareholding Ratios	Structural HoldCo, LLC 100%	
(8) Relations with SFC	Capital Relations	No relevant information
	Personnel Relations	
	Business Relations	
(9) Consolidated Operating Results and Consolidated Financial Standing for the Past Three Fiscal Years	<p>Omitted as the company is still in preparation for establishment*.</p> <p>Outlook for the consolidated financial standing at the time of establishment:</p> <p>Net assets: USD 36 million; Total assets: USD 36 million</p>	

* Notes:

Structural HoldCo, LLC and Structural OpCo, LLC are limited liability companies which the Builder Solutions Group newly forms when the Sumitomo Forestry Group acquires their assets. The consolidated operating results and consolidated financial standing for the fiscal year ended in December 2021 of the Structural Group (four targeted companies: Structural, LLC, Structural Building Solutions, Inc., Maryland Transload Logistics, LLC, and Hobbs Lumber & Hardware, LLC) whose assets Structural OpCo, LLC, acquires are as follows: net assets: USD 10 million, total assets: USD 14 million, net sales: USD 43 million, profit before tax: USD 6 million.

3. Outline of major parties from which SFC acquires assets

(1)	Name of Company (Business)	<ol style="list-style-type: none"> 1. Structural, LLC (manufacturing of components and wholesale of timber) 2. Structural Building Solutions, Inc (management of construction) 3. Maryland Transload Logistics, LLC (cargo handling) 4. Hobbs Lumber & Hardware, LLC (sale of construction materials)
(2)	Location	201 Poplar Avenue Thurmont, MD, 21788 USA (same in all parties)
(3)	Name and Title of Representative	Scott Austin, President (same in all parties)
(4)	Principal Shareholder and its Shareholding Ratio	Scott Austin (100%)
(5)	Relations with SFC	SFC and these parties do not have any capital and personnel relationships.

4. Equity interests of Structural HoldCo, LLC to be acquired and ownership status before and after acquisition

(1)	Equity Interest Held by Sumitomo Forestry Before Acquisition	-
(2)	Equity Interest to be Acquired	70%
(3)	Acquisition Price	USD 25 million (approximately JPY 3.6 billion)
(4)	Equity Interest to be Held by SFC After Acquisition	70%

* The acquisition price is subject to a post-closing adjustment provision under the purchase agreement. Accordingly, the final price may change.

5. Timetable

(1)	Date of Resolution	September 30, 2022 (September 29 on the U.S. Eastern Time)
(2)	Date of Agreement	October 1, 2022 (September 30 on the U.S. Eastern Time)
(3)	Date of Asset Acquisition	October 1, 2022 (September 30 on the U.S. Eastern Time)

* Date of resolution refers to the date on which the resolution was made at the SFC board meeting.

6. Outlook

The impact of the acquisition on the consolidated performance of SFC in the fiscal year ending December 2022 is currently being scrutinized and will be disclosed by SFC in due course.