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PRESS RELEASE

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(Code No. 1911, Prime market, Tokyo Stock Exchange)
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Notice Regarding Acquisition of Equity Shares of the Southern Impression Homes Group (U.S.) to Create a Subsidiary and Making Gehan Homes, Ltd. a Specified Subsidiary

Sumitomo Forestry Co., Ltd. (hereinafter, Sumitomo Forestry) is pleased to announce that on December 27, 2022, it has decided to acquire 80 percent of the equity shares of SI HoldCo, LLC through its wholly owned U.S. subsidiary in Texas, Gehan Homes, Ltd. (hereinafter, GH). SI HoldCo, LLC is the holding company of the Southern Impression Homes Group (hereinafter, SIH) and other companies. With this transaction, SIH will become a consolidated subsidiary of Sumitomo Forestry.

Sumitomo Forestry also announces that, in conjunction with its acquisition of equity shares of SI HoldCo, LCC, it has decided to increase its capital in GH from its consolidated subsidiary Sumitomo Forestry America, Inc. (hereinafter, SFAM). As a result, GH will become a specified subsidiary of Sumitomo Forestry.

1. Overview of acquisition of equity shares of SIH

(1) Reasons for the acquisition

SIH carries out residential land development, construction, sales, and rental management for single-family rental homes primarily in Florida for investors. With SIH becoming a consolidated subsidiary, Sumitomo Forestry will enter the single-family home business in Florida, one of the leading markets in the United States, to further expand its existing business in the U.S. and enter into the rental management business.

SIH, headquartered in Jacksonville, Florida, primarily operates in Northeast Florida (Jacksonville), North Central Florida (Ocala), and Southwest Florida (Fort Myers), and also has a presence in Atlanta, Georgia. SIH has grown steadily thanks to a highly effective business model that specializes in land development, building, selling and managing single-family rental homes and expertise in acquiring land that utilizes its wide information network.

In 2021, Florida ranked fourth in the United States in terms of GDP (USD 1.3 trillion), third in terms of population (22 million), and second in terms of the number of houses building permits (149,000), trailing only Texas. With immigration creating a growth in population, steady demand for housing is projected. Furthermore, demand for rental homes is expected to grow with higher housing prices and rising interest rates making housing less affordable.

Utilizing SIH's expertise in land procurement and construction, GH also plans to begin construction and sales in its existing single-family home business in Florida. Sumitomo Forestry aims to ensure early business expansion and establish its stable profit base in Florida by tackling the building and selling of both single-family housing and rental homes.

In our long-term vision Mission TREEING 2030, Sumitomo Forestry Group set out advancing globalization as one of its business policies with a goal to supply 23,000 houses annually in the

U.S. By entering the favorable market environment of Florida, Sumitomo Forestry is aiming to increase the number of houses it supplies in the U.S. In the future, Sumitomo Forestry hopes to expand its business of single-family rental home construction, sales, and management to other states, and further diversify its U.S. housing and real estate business.

(2) Overview of the company to be acquired

(1) Name	SI HoldCo, LLC *newly established company	
(2) Headquarters	Jacksonville, Florida, U.S.	
(3) Representative	Chris Funk (President)	
(4) Business description	Holding company of SIH, which engages in activities 1-4 to develop single-family rental homes: 1. Land development; 2. Construction; 3. Sales; 4. Rental property management	
(5) Capital at time of equity acquisition	USD 57 million (scheduled)	
(6) Establishment date	Early January 2023 (scheduled)	
(7) Major shareholders and shareholding ratios	GH Florida, LLC 80% (wholly owned subsidiary of GH) Funk HoldCo 20% (holding company of representative)	
(8) Relationship with Sumitomo Forestry	Capital	None
	Personnel	
	Business	
(9) Consolidated operating results and consolidated financial standing for the past three years	Omitted as the company is still in preparation for establishment. * Outlook for consolidated financial standing at the time of establishment: Net assets: Approximately USD 57 million; total assets: Approximately USD 150 million	

*Notes

The company will be established as part of a reorganization to be implemented by SIH upon Sumitomo Forestry Group’s acquisition of SIH’s equity interest. SIH’s consolidated operating results for the fiscal year ending December 31, 2021, before the reorganization are as follows: Net sales: USD 121 million; income before income taxes: USD 26 million. During the same period, 472 housing units and 709 land lots were sold, and 1,659 units were being rented and managed at the end of the same period.

(3) Outline of major parties from which Sumitomo Forestry will acquire equity interest

The sellers of the equity shares are two individuals, the representative and the founder. Sumitomo Forestry has no capital, personnel or business relationships with these parties to note.

(4) SI HoldCo, LCC equity interest before and after acquisition

(1)	Equity interest held by Sumitomo Forestry before acquisition	-
(2)	Equity interest to be acquired	80%
(3)	Acquisition price	USD 85 million
(4)	Equity interest to be held by Sumitomo Forestry after acquisition	80%

*The acquisition price will be determined in accordance with a transfer price adjustment clause and hence, is subject to change.

(5). Timetable

(1)	Resolution date	December 27, 2022 (December 26, CST)
(2)	Date of Agreement	December 28, 2022 (December 27, CST) (scheduled)
(3)	Acquisition date	Early January 2023 (Early January, CST) (scheduled)

*The resolution date refers to the date that the resolution was approved at the Sumitomo Forestry Board of Directors meeting.

2. Overview of making GH a specified subsidiary

(1) Reasons for capital increase

SFAM will increase its capital in GH as the equity shares of SI HoldCo, LCC are being acquired through GH.

(2) Overview of subsidiary to increase capital in

(1) Name	Gehan Homes, Ltd.	
(2) Headquarters	Addison, Texas, U.S.A.	
(3) Representative	John Winniford (President, CEO)	
(4) Business description	Construction and sales of single family homes in Texas, Arizona, Colorado, and Tennessee	
(5) Capital	USD 1,000	
(6) Establishment date	May 1994	
(7) Major shareholders and shareholding ratios	SFAM 100%	
(8) Relationship with Sumitomo Forestry	Capital	Wholly owned through SFAM
	Personnel	SFC dispatches officers
	Business	No business relationship to be described

(3) Details of capital increase

(1)	Resolution date	December 27, 2022 (December 26, CST)
(2)	Increased capital amount	USD 75 million
(3)	Execution date of capital increase	From January 2023 (From January, CST) (scheduled)

3. Outlook

The impact the acquisition will have on Sumitomo Forestry's consolidated financial results for the December 2023 term is currently under study and will be disclosed promptly if relevant.

Reference

■ Synergy with SIH

Sumitomo Forestry has been engaged in the development and construction contracting of single-family rental homes through GH and its other U.S. subsidiaries—DRB Group (President, CEO: Ronald Salameh; Rockville, Maryland), Mark III Properties, LLC (President: Jay Beeson, Spartanburg, South Carolina), and Crescent Communities, LLC (Chairman, CEO: Brian Natwick, Charlotte, North Carolina). By adding SIH's land procurement and construction functions to these business foundations, it will establish a single-family rental homes construction and sales business in the U.S. Furthermore, Sumitomo Forestry will develop its new U.S. rental management business in each state, aiming for an integrated business model that provides all aspects from construction to post-sale rental management services. In addition, it will seek to diversify its revenue sources by building synergies with SIH, such as by considering the establishment and management of a fund to develop single-family rental homes for institutional investors and a core fund by SFC Asset Management Co., Ltd. (President and Representative Director: Yujiro Yoshizawa; Chiyoda-ku, Tokyo), a wholly owned subsidiary of Sumitomo Forestry.

- Image of property to be Built by SIH
(Development Project with Crescent Communities, LLC)



- SIH's Primary Business Areas

