



September 29, 2023

PRESS RELEASE

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(Code No. 1911, Prime market, Tokyo Stock Exchange)
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Notice Regarding the Acquisition of Equity Shares of the JPI Group (U.S.) to Create a Subsidiary

Sumitomo Forestry Co., Ltd. (hereinafter, Sumitomo Forestry) announced that on September 29, 2023, it has decided to acquire 90 percent of the equity shares of the JPI Group (hereinafter, JPI) in the United States through its wholly owned subsidiary, Sumitomo Forestry America, Inc. (hereinafter, SFAM). With this transaction, JPI will become a consolidated subsidiary of Sumitomo Forestry.

1. Overview of acquisition of equity shares of JPI

(1) Reasons for the acquisition

JPI operates a multi-family housing development business mainly in the states of Texas and California in the United States. With JPI becoming a consolidated subsidiary, Sumitomo Forestry will seek to expand its commercial real estate business in the United States and build a stable income portfolio.

JPI possesses land acquisition, development management, construction management, and investment management functions related to the development of multi-family housing projects. The company develops a wide range of multi-family housing projects, from affordable housing to luxury housing. It is ranked eighth in the United States in terms of the number of units started in 2022*, maintaining stable growth. JPI's strengths lie in its ability to arrange real estate development projects by utilizing its local network, and in cost and quality control by leveraging its own construction management capabilities.

*Ranking of NMHC 25 Largest Developers in 2023

Headquartered in Irving, Texas, JPI develops/builds multifamily communities in the northern part of the state (Dallas-Fort Worth area) and the southern part of California (Los Angeles, Orange County, Riverside, and San Diego areas). In 2022, Texas ranked second in the United States in both GDP (2.4 trillion USD) and population (30 million people). The demand for housing is increasing due to population growth from increased employment and immigration. As for California, the state ranked first in both GDP (3.6 trillion USD) and population (39 million) in 2022, and stable demand for rental housing is expected due to the decrease in affordability resulting from the rise in housing prices.

The Sumitomo Forestry Group has focused on the single-family homes business in the United States since 2003. In recent years, the Group has also expanded its real estate development business, starting with the acquisition of Crescent Communities, LLC as a subsidiary in 2018. With the acquisition of JPI as a subsidiary, the Group’s annual number of multi-family housing construction in the United States will be 8,118 units, equivalent to 6th place in the country, further expanding the scale and area of its real estate development business. By expanding the real estate development business in addition to the single-family homes business in the United States, the Group aims to build a stable business portfolio through diversifying revenue sources. The Group will also establish a structure that can flexibly respond to changes in the business environment in the future by expanding synergies with the Group’s timber and building materials distribution and manufacturing business and the single-family homes business.

(2) Overview of the company to be acquired

Among JPI Group companies, Sumitomo Forestry will acquire operating companies with land acquisition, development management, construction management, and investment management functions, some real estate holding companies, and other assets.

First, SFAM will establish SFA JPI Top Holdings LLC on September 30, 2023 (planned). Then in October (planned), SFA JPI Holdings LLC will be established under SFA JPI Top Holdings. At the same time, SFA JPI Guarantor Co LLC will be established under SFA JPI Holdings, and SFA JPI RE Holdings LLC, SFA JPI Services Holdings, LLC, and JPI Development Hold Co, LLC will be established under the company (these six newly established holding companies will be classified as specific subsidiaries).

Subsequently, in November 2023 (tentative), SFAM will underwrite 90% of the capital increase of SFA JPI Top Holdings and will indirectly invest in the companies under its control (see below for the amount of investment in each company). At the same time, SFA JPI Services Holdings, JPI Development Hold, and SFA JPI RE Holdings will acquire equity interest in the operating companies of the JPI Group (operating companies and some real estate holding companies).

In addition, the real estate development project companies (SPCs) that JPI has already jointly invested in with other investors are not subject to this equity interest acquisition. The details of the newly established companies as of the capital increase and equity interest transfer date in November 2023 (scheduled) are shown below.

(1) Name	SFA JPI Top Holdings LLC *Newly established company
(2) Headquarters	Irving, Texas, U.S. (near Dallas)
(3) Representative	Payton Mayes (President, CEO) & Mollie Fadule (CFO, CIO)
(4) Business description	Holding company of the JPI Group

(5)	Capital at time of equity interest acquisition	USD 175 million	
(6)	Establishment date	September 30, 2023 (scheduled)	
(7)	Major shareholders and shareholding ratios	Sumitomo Forestry America, Inc. 90% (wholly owned subsidiary of Sumitomo Forestry) Payton Mayes/Mollie Fadule 10% (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 a new establishment. Outlook for consolidated financial standing at the time of establishment: Net assets: Approximately USD 175 million; total assets: Approximately USD 278 million	

(1)	Name	SFA JPI Holdings LLC *Newly established company	
(2)	Headquarters	Irving, Texas, U.S. (near Dallas)	
(3)	Representative	Payton Mayes (President, CEO) & Mollie Fadule (CFO, CIO)	
(4)	Business description	Holding company of the JPI Group	
(5)	Capital at time of equity interest acquisition	USD 278 million	
(6)	Establishment date	October 2023 (scheduled)	
(7)	Major shareholders and shareholding ratios	SFA JPI Top Holdings LLC 100%	
(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 278 million; total assets: Approximately USD 278 million	

(1)	Name	SFA JPI Guarantor Co LLC *Newly established company	
(2)	Headquarters	Irving, Texas, U.S. (near Dallas)	
(3)	Representative	Payton Mayes (President, CEO) & Mollie Fadule (CFO, CIO)	
(4)	Business description	Guarantee for real estate development business for multi-family housing	
(5)	Capital at time of equity interest acquisition	USD 266 million	
(6)	Establishment date	October 2023 (scheduled)	

(7)	Major shareholders and shareholding ratios	SFA JPI Holdings LLC 100%	
(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 266 million; total assets: Approximately USD 266 million	

(1)	Name	SFA JPI RE Holdings LLC *Newly established company	
(2)	Headquarters	Irving, Texas, U.S. (near Dallas)	
(3)	Representative	Payton Mayes (President, CEO) & Mollie Fadule (CFO, CIO)	
(4)	Business description	Real estate development business for multi-family housing (project investment)	
(5)	Capital at time of equity interest acquisition	USD 33 million (scheduled)	
(6)	Establishment date	October 2023 (scheduled)	
(7)	Major shareholders and shareholding ratios	SFA JPI Guarantor Co LLC 100%	
(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 33 million; total assets: Approximately USD 33 million	

(1)	Name	SFA JPI Services Holdings, LLC *Newly established company	
(2)	Headquarters	Irving, Texas, U.S. (near Dallas)	
(3)	Representative	Payton Mayes (President, CEO) & Mollie Fadule (CFO, CIO)	
(4)	Business description	Real estate development business for multi-family housing (management of construction, etc.)	
(5)	Capital at time of equity interest acquisition	USD 195 million	
(6)	Establishment date	October 2023 (scheduled)	
(7)	Major shareholders and shareholding ratios	SFA JPI Guarantor Co LLC 100%	
(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 195 million; total assets: Approximately USD 195 million	

(1)	Name	JPI Development HoldCo, LLC *Newly established company	
(2)	Headquarters	Irving, Texas, U.S. (near Dallas)	
(3)	Representative	Payton Mayes (President, CEO) & Mollie Fadule (CFO, CIO)	
(4)	Business description	Real estate development business for multi-family housing (asset holding company)	
(5)	Capital at time of equity interest acquisition	USD 38 million	
(6)	Establishment date	October 2023 (scheduled)	
(7)	Major shareholders and shareholding ratios	SFA JPI Guarantor Co LLC 100%	
(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 38 million; total assets: Approximately USD 38 million	

***Notes**

These companies will be established as part of a reorganization to be implemented by JPI upon the Sumitomo Forestry Group's acquisition of JPI's equity interest. Consolidated operating results of JPI (acquisition target only) for the fiscal year ended December 31, 2022, before the reorganization, are as follows: net sales of USD 423 million and income before income taxes of USD 13 million. During the same period, construction of 5,051 units was started.

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

The sellers of the equity interest are three individuals—the founders of JPI. Sumitomo Forestry has no capital, personnel or business relationships with these parties to note.

(4) SFA JPI Top Holdings LLC equity interest before and after acquisition

As a result of the equity interest acquisition, SFAM will own 90% of SFA JPI Top Holdings, and JPI's leadership team members (Payton Mayes and Mollie Fadule) will collectively own 10%.

(1)	Equity interest held by Sumitomo Forestry before acquisition	-
(2)	Equity interest to be acquired*	90%
(3)	Acquisition price*	USD 158 million
(4)	Equity interest to be held by Sumitomo Forestry after acquisition*	90%

*The final price and acquired equity may change, as there is a transfer price adjustment clause. There is a possibility of additional payments as part of the earn-out clause depending on financial results over the next three years, and the maximum acquisition price after adjustment is USD 215 million.

(5). Timetable

(1)	Resolution date	September 29, 2023 (September 28, U.S. Central Time)
(2)	Date of agreement	Early October 2023 (U.S. Central Time) (scheduled)
(3)	Capital increase and equity interest transfer date	November 2023 (U.S. Central Time) (scheduled)

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

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

■ The Sumitomo Forestry Group’s Housing and Real Estate Business in the United States

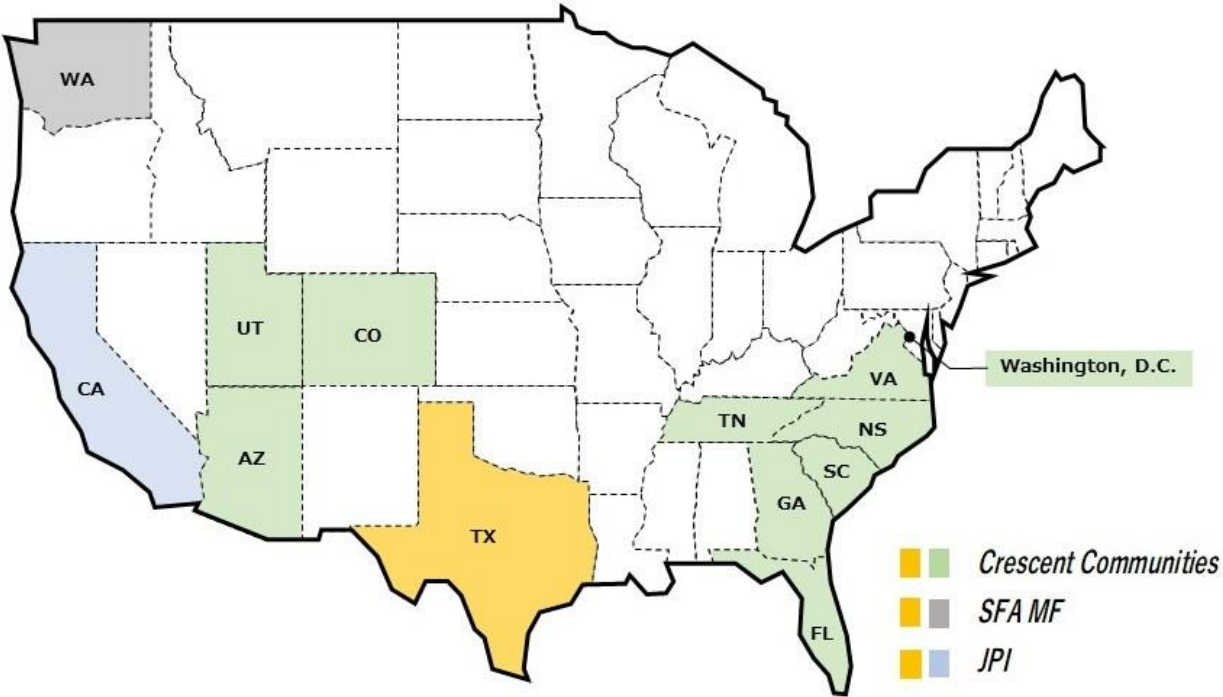
The Sumitomo Forestry Group has been operating a single-family homes business in the United States since 2003, and has expanded its business by acquiring equity in local partner companies and making them subsidiaries. Currently, five Group companies supply housing suitable for each company’s business area, and the Group has grown to rank 9th in the United States in terms of annual delivery of houses.

In 2018, the Sumitomo Forestry Group entered the real estate business in the United States, and currently operates housing lot development and commercial real estate development. In the housing lot development business, the Sumitomo Forestry Group is engaged in development by Mark III Properties, LLC, as well as a joint venture with a local developer, Hines Interests Limited Partnership. For commercial real estate development, in addition to development by Crescent Communities LLC (hereinafter, Crescent), Sumitomo Forestry has been operating multi-family housing and rental single-family/townhome development business through joint ventures with local real estate developers JPI, Trammell Crow Residential, Fairfield and other developers through SFAMF Holdings (hereinafter, SFAMF). Now, the Group has decided to welcome JPI, which has a proven track record of cooperation with SFAMF, to the Group.



■ Features of Each Group Company Involved in Real Estate Development

Since 2018, Crescent has been involved in a wide range of business areas, mainly in multi-family housing, but also in single-family homes and commercial properties, operating in 10 states and one special district, mainly in the eastern United States. SFAMF, a company established in April 2017, operates mainly in the states of Washington and Texas. JPI primarily operates in Texas and southern California. By welcoming JPI to the Sumitomo Forestry Group, the Group will strengthen its business base in California, a promising market on the West Coast. Now that the Sumitomo Forestry Group’s U.S. income-producing real estate development is comprised of three companies, Crescent, SFAMF, and JPI, the Group can cover the Sunbelt area, which is experiencing remarkable economic growth, from west to east.



In 2022, Crescent and SFAMF started construction of 2,698 and 1,413 units, respectively, for a total of 4,111 multi-family housing units in the United States as the Sumitomo Forestry Group. Adding JPI’s 4,007 units* brings the total number of multi-family housing units started in 2022 to 8,118, which is equivalent to the 6th place in the United States. Crescent specializes in developing high-value-added multi-family housing for high-income households through community-based, resident-interactive development, while JPI develops multi-family housing that offer affordable price with also high functionality and quality design. Since the two companies differ in terms of their main clientele and the types of properties they specialize in, the Group intends to share know-how within the Group and develop business by leveraging the strengths of each company.

*Excluding properties developed by JPI in which Sumitomo Forestry participates.



Property developed by Crescent



Property developed by JPI

■ Synergies between JPI and Sumitomo Forestry Group Companies

The Sumitomo Forestry Group's single-family home builders Bloomfield Homes and Brightland Homes operate their businesses in the Dallas-Fort Worth area, one of JPI's key areas. JPI has worked with Bloomfield Homes in the past in the area of Bloomfield Homes' subdivisions, and the Group expects to create synergies in the future, such as JPI's involvement in the development of multi-family housing in the master-planned communities that Bloomfield Homes and Brightland Homes will develop.

In addition, the Group plans to introduce its products and services to properties developed by JPI, such as the introduction of cabinets manufactured by An Cuong Wood-Working JSC* in Vietnam, which has a proven track record in the development projects of Crescent and SFAMF, receiving orders for framing work by Group companies, and the supply of housing panels and wooden trusses manufactured by the Group. Furthermore, cost reductions in each development can also be expected through joint purchasing of materials with Group companies. The Sumitomo Forestry Group, with its global operations in the distribution and manufacturing of timber and building materials as well as the single-family homes business, will create synergies unique to the Group and further strengthen its earnings base in the United States.

*The largest distribution and processing company of interior fitting in Vietnam. The company produces, sells, and installs all fabricating building materials and interior fitting using wooden board as the core material, and became an equity-method affiliate of the Sumitomo Forestry Group in 2019.

■ Future Policy for Commercial Real Estate Business

The Sumitomo Forestry Group's housing and real estate business in the United States is divided into the housing business and the commercial real estate business. The Group's commercial real estate business handles the development and management of single-family rentals, which focuses on housing demand, the development of multi-family rentals, and the development of commercial real estate such as offices and logistics facilities etc.

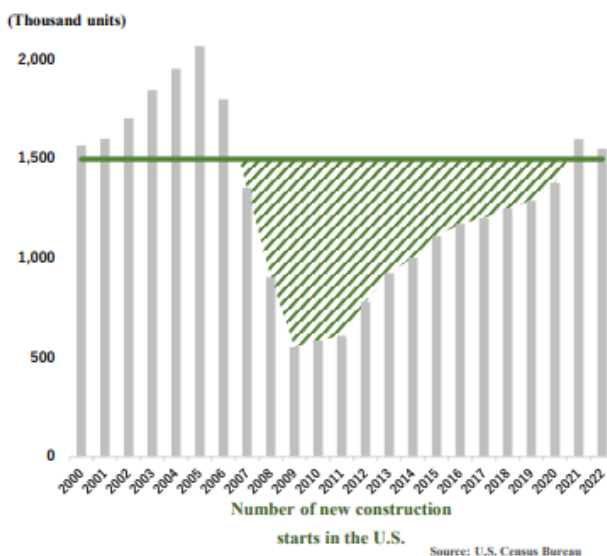
U.S. Housing and Real Estate Business Portfolio

	Single-family homes	Multi-family homes	Office Logistics Life Science
Housing Business	●	—	—
Commercial Real Estate Business	●	●	●

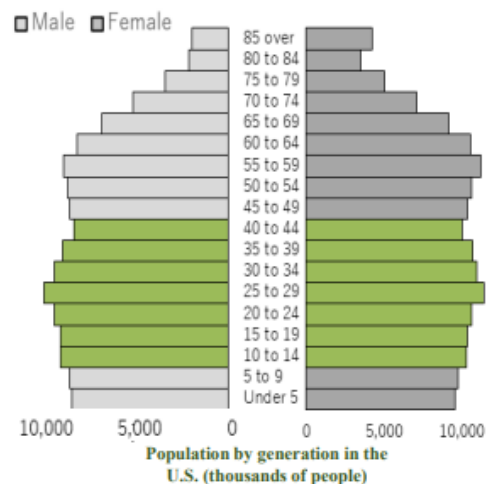
The housing market in the United States continues to experience a chronic housing shortage due to a long-term decline in housing starts after the 2008 financial crisis and an expansion of the potential home-buying group mainly being Millennials and Generation Z. Demand for single-family homes and multi-family housing is likely to remain strong in the future, and the Sumitomo Forestry Group plans to continue housing development while keeping a close eye on the market.

The commercial real estate market varies depending on the type and characteristics of the asset. With the expansion of the e-commerce market in recent years, there is an urgent need for related businesses to strengthen their delivery capabilities. Against this backdrop, the demand for logistics facilities is growing. Life science facilities that conduct research and development related to pharmaceuticals and medical care are also increasing in demand as bases for industries that contribute to the public interest, such for as infectious disease control, new drug development, and cutting-edge medical care. Life sciences in particular is a growing industry that is not easily affected by the economy, and further growth is expected in the future.

Housing supply remains inadequate



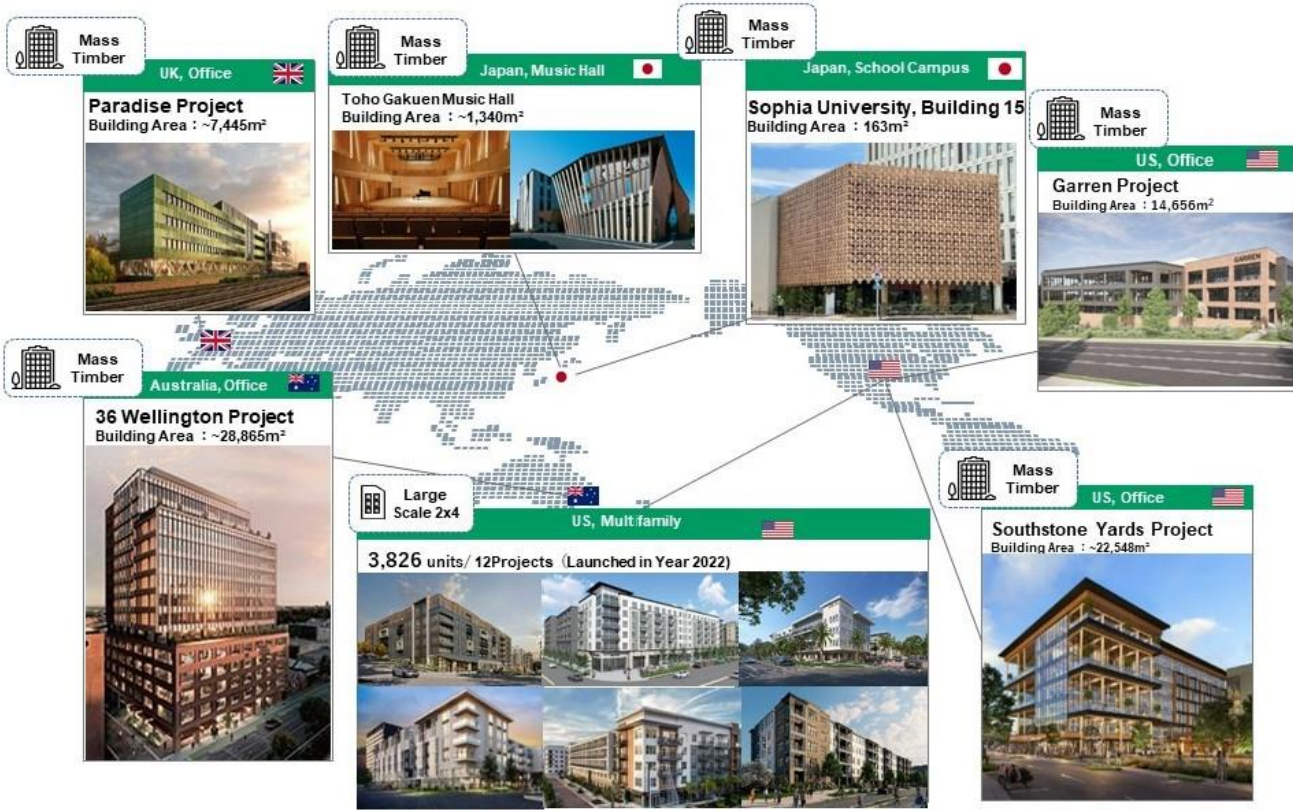
Large population of millennials and Gen Z in the U.S.



Demand for offices is slow to grow partly due to the spread of remote work during the COVID-19 pandemic. On the other hand, in recent years, an increasing number of tenants are seeking options that are conscious of the environment and employees' well-being to attract talented human assets, and high occupancy rates and rent increases can be expected for offices in good locations with high added value. While keeping up with these social trends, the Sumitomo Forestry Group aims to differentiate itself through the development of environmentally conscious wooden offices and the provision of comprehensive amenity facilities, which are the Group's strengths, and carefully select the development of high value-added properties.

In particular, medium- to large-scale wooden constructions using mass timber* not only offer the environmental advantages of wooden constructions and the functionality of securing large spaces, but also provide indoor environments with the use of wood that contributes to the well-being of employees. The Group is currently developing mass timber office buildings in Melbourne (Australia), Dallas and Atlanta (United States), and London (United Kingdom). The Group will continue to carry out mass timber construction and provide offices that are conscious of the environment and employees' well-being.

*Engineered wood with relatively large mass and volume formed by combining multiple types of wood such as CLT and LVL



■ Relationship to the Long-Term Vision “Mission TREEING 2030” and “Wood Cycle”

The Sumitomo Forestry Group operates businesses centered on wood globally, from forest management to the manufacturing and distribution of timber and building materials, contracting for single-family homes and medium- to large-scale wooden constructions, real estate development, and wood biomass power generation. Under Mission TREEING 2030, the Group’s Long-Term Vision for 2030, it will increase the amount of CO₂ absorbed by forests through its Wood Cycle value chain and store carbon over the long term by promoting wooden constructions, aiming to contribute to the decarbonization not only of the company itself but also of society as a whole.

Many of the real estate properties developed by JPI are wooden multi-family rentals that use the two-by-four construction method. Trees that absorb CO₂ in forests store carbon even when they are processed into timber, so by promoting woodification in buildings, carbon can be stored in cities for a long time. As a member of the Sumitomo Forestry Group, JPI will contribute to the construction field in the Wood Cycle by supplying wooden multi-family rentals and other businesses, and contribute to the decarbonization of society.

