



April 27, 2018

Company Name: Sumitomo Forestry Co., Ltd

(Code No.: 1911, First section of Tokyo Stock Exchange)

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Notice regarding Sumitomo Forestry Co., Ltd.'s acquisition of membership interests in Crescent Communities, LLC (U.S.) and consolidation of it and the change of specific subsidiary

Sumitomo Forestry Co., Ltd. (“SFC”) hereby announces its decision on April 27, 2018, to acquire through its wholly-owned U.S. subsidiary Sumitomo Forestry America, Inc. (“SFAM”), 100% of the membership interests in a newly formed limited liability company, to which the business assets and human resources of Crescent Communities, LLC of the United States’ (“Crescent”) multi-family division, commercial/mixed use division, single family residential division, and headquarters, will be transferred. After the acquisition, the newly formed company will become a consolidated subsidiary of SFC. Crescent’s multi-family division started construction of 2,164 units in 2017 and was ranked 20th in the U.S.※1.

As a result of this transaction, CC-SFA MF Atherton, LLC, the joint venture formed with SFAM’s wholly-owned subsidiary and with Crescent’s subsidiary, will change from an equity method affiliate to a consolidated subsidiary of SFC.

1. Reasons for the acquisition

Crescent is a general real estate company which operates its business in nine states with high employment growth rates, mainly in the southern East Coast area of North Carolina, and Washington D.C. Its areas of business are broad, ranging from the development of multi-family housing, to single family homes and commercial and mixed use complexes. Crescent adds value to its real estate development business via its ability to carry out all aspects of real estate development, such as land acquisition, fund raising, supervision of construction works, and management of leased properties. As a result of such work, Crescent has also established a sizeable amount of trust with its stakeholders.

The Sumitomo Forestry Group has been seeking new business opportunities in the U.S. to diversify its businesses and stabilize revenues. In July 2017, the group entered into a joint venture rental apartment development with Crescent in the state of North Carolina. Given the existing good partnership and the similarities in each Party’s management policies, the Sumitomo Forestry Group has decided to acquire substantially all of the assets of Crescent.

The Sumitomo Forestry Group will be able to achieve the target annual sales of 5,000 units in the U.S. as part of

its “2018 Medium-Term Management Plan※2.” This acquisition will allow the group to obtain a high-quality platform for its multi-family housing business and commercial complex development business in the U.S., with a view towards further developing and promoting its housing and real estate businesses in the U.S.

※1 NMHC 25 Largest Apartment Developers

※2 A three-year management plan from FY3/17 through FY3/19 (announced in May, 2016)

2. Outline of company in which membership interests are to be acquired:

(1) Name of company	Crescent Communities, LLC (provisional name) * newly formed limited liability company	
(2) Location	227 West Trade St., Suite 1000, Charlotte, NC 28202, USA	
(3) Name and title of representative	Todd Mansfield, President & CEO	
(4) Business	Multi-family housing development business, commercial complex development business and housing sales business	
(5) Capital (at the time of establishment)	USD 312 million (estimated at approximately JPY 33.1 billion)	
(6) Date of establishment	June 30, 2018 (scheduled)	
(7) Principal shareholder and its shareholding ratio	Crescent 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	Omitted as the company is still in preparation for establishment (*). Outlook for the consolidated financial standing at the time of establishment: Net assets: USD 320 million, Total assets: USD 480 million (both approximations)	

* Note:

The company will be formed upon the organizational restructuring to be performed by Crescent before the acquisition of its membership interests by the Sumitomo Forestry Group in the newly formed company. Crescent would transfer its multi-family division, commercial/mixed use division, single family residential division, and headquarters to the newly incorporated company.

All amounts are calculated at a foreign exchange rate of USD 1 = JPY 106.24 (a foreign exchange rate as of March 31, 2018.)

3. Outline of company which will be a specific subsidiary upon the acquisition:

CC-SFA MF Atherton, LLC

(1) Name of company	CC-SFA MF Atherton, LLC	
(2) Location	227 West Trade St., Suite 1000, Charlotte, NC 28202, USA	
(3) Name and title of representative	Todd Mansfield, President & CEO	
(4) Business	Multi-family housing development business	
(5) Capital (as of the end of March 2018)	USD 32 million (estimated at approximately JPY 3.4 billion)	
(6) Principal shareholder and its shareholding ratio	Crescent Atherton Member, LLC 20% SFA MF Holdings, LLC 80%	
(7) Relations with SFC	Capital relations	SFC holds all the outstanding shares in SFA MF Holdings, LLC, the principal shareholder of the company, through SFAM
	Personnel relations	No relevant information
	Business relations	
(8) Consolidated operating results and consolidated financial standing for the past three fiscal years	Omitted as the multi-family housing is under construction. Outlook for the consolidated financial standing as of the end of March 2018 Net assets: USD 32 million, Total assets: USD 37 million	

4. Outline of major party from which SFC will acquire membership interests:

The seller of the membership interests in the company is Crescent. Prior to this transaction, SFC and Crescent have no significant capital or personnel relationship. Under the business relationship, as described above, SFC has incorporated a special purpose company jointly with Crescent in July 2017 in Charlotte, North Carolina (with equity ratios of 20% for Crescent and 80% for SFAM) which has been developing building complexes consisting of rental apartments and commercial properties.

5. Membership interests of the newly incorporated company to be acquired, and ownership status before and after acquisition

(1) Ownership before acquisition	-
(2) Equity shares to be acquired	100%
(3) Acquisition price	USD 370 million (approximately JPY 39.3 billion)
(4) Ownership after acquisition	100%

* The acquisition price is subject to a Post-Closing Adjustment provision under the Purchase Agreement.

6. Timetable:

(1)	Date of resolution	April 27, 2018 (April 27 on the US Eastern Time)
(2)	Date of agreement	April 27, 2018 (April 27 on the US Eastern Time) (scheduled)
(3)	Date of acquisition	June 2018 (scheduled)

* The date of resolution refers to the date on which the resolution was made at the Board of Directors of SFC.

7. Outlook:

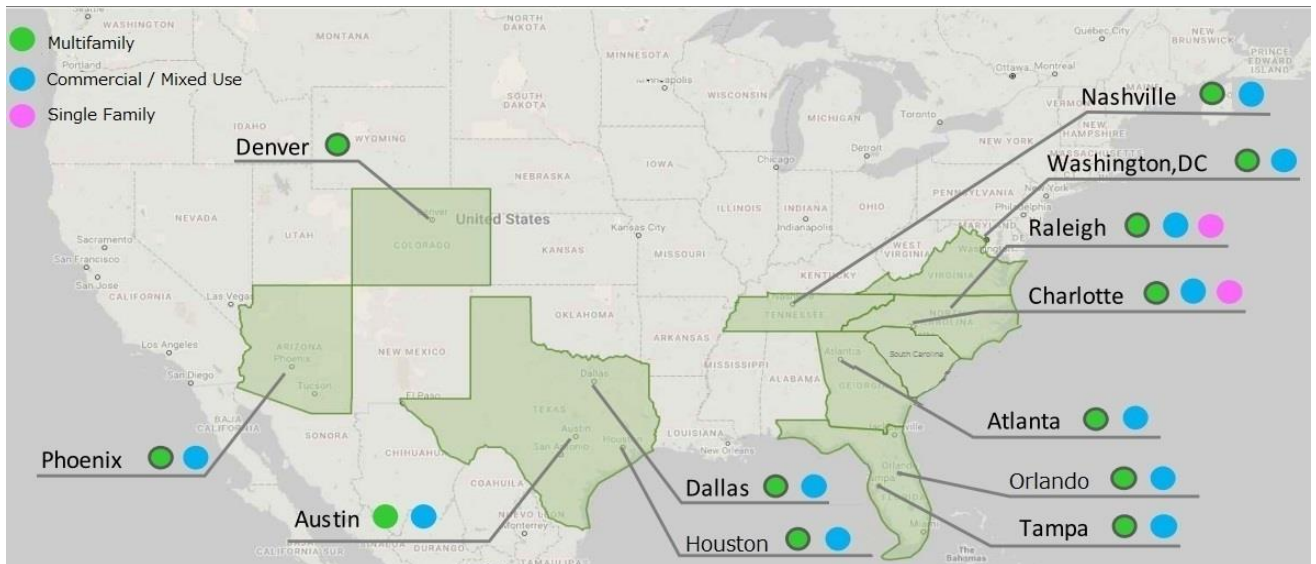
The impact of the acquisition on the consolidated performance of SFC in the current term is currently being scrutinized and will be disclosed by SFC in due course.

* Falls River Group, LLC and Zelman Partners served as financial advisors to Sumitomo Forestry America. Vinson & Elkins LLP served as legal advisor to Sumitomo Forestry.

End

【Reference】

* Area within the U.S. where Crescent Communities LLC's Business operates



* Examples of properties of the current Crescent Communities LLC

■ Multifamily



■ Commercial / Mixed Use



■ Single Family

