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For Immediate Release

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Notice regarding Change of a second-generation subsidiary into Specific Subsidiary following a capital contribution in-kind from a Consolidated Subsidiary (Capital Increase)

Sumitomo Forestry Co., Ltd. (“SFC”) hereby announces that it resolved, at its Board of Directors’ meeting held today, that Sumitomo Forestry America, Inc. (“SFAM”), a consolidated subsidiary of SFC, will transfer all its membership interests in Fielding Homes, LLC (“FH”), the single family residential business unit of Crescent Communities II, LLC (“Crescent”), a wholly-owned subsidiary of SFAM, to DRB Enterprises, LLC (“DRBE”), a group company of SFAM, as a contribution in-kind (underwriting a capital increase of DRBE), with the aim to restructure FH as a subsidiary of DRBE.

SFAM will underwrite the capital increase by receiving from Crescent a dividend in-kind on all its membership interests in FH and making a contribution in-kind of the said membership interests to DRBE as of the same date. Since the amount of contribution in-kind is expected to be 10% or more of SFC’s capital, the outline of the capital increase is detailed as follows.

1. Reasons for capital increase

SFC acquired through SFAM 100% of the membership interests in Crescent, a general real estate company operating the development of multi-family housing, the commercial and mixed use complexes, and single family homes mainly in the state of North Carolina located on the southern East Coast of U.S., and made it a consolidated subsidiary on July 2, 2018 (U.S. time).

Crescent operates the single family residential business under the “Fielding Homes” brand in North Carolina. DRBE, a group company of SFC headquartered in Maryland, on the US East Coast, is engaged in the same business in the same state.

The business domain and area of the two companies are overlapping, and we determined, after consideration, that we can expect benefits from integration of the two companies. Accordingly, we have decided to transfer all the membership interests in FH to DRBE as a contribution in-kind and to restructure FH as DRBE’s group company.

2. Outline of subsidiary subject to capital increase

(1) Name of company	DRB Enterprises, LLC
(2) Location	Frederick, Maryland, U.S.A.

(3) Name and title of representative	Daniel Ryan (Chairman, CEO)	
(4) Business	The single family residential business (in the states of Maryland, Pennsylvania, Virginia, West Virginia, North Carolina and South Carolina)	
(5) Capital	USD 49 thousand	
(6) Date of establishment	August 2005	
(7) Major shareholders and their shareholding ratios	SFAM: 60% Rycrew, Inc.: 40%	
(8) Relations with SFC	Capital relations	SFC owns 60% membership interests in DRBE through SFAM.
	Personnel relations	SFC has sent directors to DRBE.
	Business relations	There are no business relations to be stated.

3. Details of capital increase

(1) Amount of capital increase	USD 101.3 million (*)
(2) Date of capital increase	November 1, 2018 (U.S. time) (scheduled)

*The above-mentioned figures are provisional estimates based on the amount of FH's assets as of June 30, 2018. The actual amount of capital increase will be based on the amount of FH's assets as of October 31, 2018, the day before the date of capital increase, and hence differ slightly from the stated amount.

4. Outlook

The impact of the capital increase on the consolidated performance of SFC will be insignificant since it will be carried in association with the restructuring of a subsidiary.

5. Others

Following the capital increase, DRBE will fall under the category of Specific Subsidiary companies set forth in the Financial Instruments and Exchange Act (Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.).