

## New Plywood Manufacturing Company and Plant Established in China

### - Entering the plywood manufacturing business in China -

At a meeting held on May 28, 2008, the Board of Directors of Sumitomo Forestry Co., Ltd. (President Ryu Yano; head office: 8-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo) decided to establish a wholly-owned subsidiary and a new plywood plant with the aim of entering the plywood manufacturing business in China. Plywood manufacturing is one of the main strengths of the Sumitomo Forestry Group and China is currently emerging as the third biggest plywood supplier after Indonesia and Malaysia in the Pan-Pacific region.

#### 1. Outline of Subsidiary

1) Company name	Fuxin Sumirin Wood Products Co., Ltd
2) Representative	Toshiro Mitsuyoshi (General Manager, Overseas Development Division, Overseas Business Headquarters, Sumitomo Forestry Co., Ltd.)
3) Address	High-Tech Industrial Zone, Fuxin, Liaoning Province, China
4) Investor	Sumitomo Forestry Co., Ltd. (100%)
5) Date of establishment	July 2008 (plant to commence operation in August 2009)
6) Capital	US\$ 5,000,000
7) Fiscal year-end	December
8) Employees	500 (planned; 2 permanent staff assigned from Sumitomo Forestry)

#### 2. Reason for Establishment of Subsidiary

Since China is the world's largest market in terms of manufacturing of and demand for wood and lumber products, Sumitomo Forestry set up Sumitomo Forestry Dalian Trading Ltd. ("Dalian Trading") in 2007 to engage in the distribution of such products and has built up a timber distribution network in China.

China is now emerging as a leading plywood supplier in the Pan-Pacific region. Accordingly, making full use of its achievements in the plywood and wood-based board businesses, Sumitomo Forestry has decided to establish a plywood manufacturing plant with the aim of developing new and original products and building a base that can be expected to generate profits.

By establishing this subsidiary, Sumitomo Forestry has laid the foundations for a timber sales and distribution business and processing and production business in China, which is expected to

be the world's largest producer and market for wood and lumber products in the long term as well.

To promote Sumitomo Forestry's forestry management business, poplar trees from timber plantations will be used as the raw material for producing plywood at the new plant. Plantation timber will also be used to develop wood-based panels.

### **3. Outline of Products**

Production volume: 64,000 m<sup>3</sup> per year (planned)

Products: Plywood, laminated veneer lumber

\* To be sold in China and Japan.

### **4. Start-up Schedule**

July 2008: Establish company

September 2008: Start construction of new plant

June 2009: Start trial production of plywood products

September 2009: Start commercial production of plywood products

### **5. Impact on Financial Results**

Since this venture will have only a slight impact on overall results for the fiscal year ending March 31, 2009, there is no change to current projections for business performance.