

September 28, 2009



**Sumitomo Forestry Aims to Expand Presence in Overseas Housing Market  
with Equity Stake in Australian Homebuilder  
*Acquires 50% Equity Share in Australia's Fourth-Largest Homebuilder***

On September 14, 2009, Sumitomo Forestry Co., Ltd. (Head office: 3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo; President and CEO: Ryu Yano), working through Sumitomo Forestry Australia Pty Ltd. (SFA), a wholly owned Australian subsidiary, entered into an agreement for the purchase of a 50 percent equity stake in Henley Properties Group (Henley Group), a leading builder and seller of residential properties in Australia.

**1. Background and Objectives**

To ensure continued growth even during periods of sweeping change in the market climate, the Sumitomo Forestry Group (SFG) is intensively investing its business resources in sectors that it perceives to be priority areas for growth that hold promise as strong future sources of income. Overseas ventures have been identified as priority sectors for growth, and the housing industry is one such sector. SFG began pursuing its business in the overseas housing sector in 2002, first in the U.S. and then expanding into China, South Korea, and Australia. In April 2008, it set up a Henley-SFC Housing Unit Trust (head office: Victoria), a joint venture with the Henley Group, and began building and selling spec homes in residential subdivisions. The first phase of this venture has been smooth, with the entire inventory in planned spec homes already built and delivered. This experience convinced Sumitomo Forestry of the bright future for its participation in the housing business in Australia and enabled it to build close ties of trust with the Henley Group. These factors were behind the decision to acquire a 50 percent equity stake in the Henley Group and expand into the Australian housing market in earnest. In the years ahead, Sumitomo Forestry will strive to solidify its business base and engineer a structure for sustained, long-range earnings growth.

**2. Reasons for Equity Purchase**

**(1) Tapping into the Australian housing market**

Headquartered in Melbourne, the Henley Group conducts its operations on a nationwide scale. Measured in housing starts, it now ranks as the fourth-largest homebuilder in Australia. It has posted steady earnings growth since its founding in 1989 and, with the recent equity purchase, we anticipate it also will serve as a key source of earnings in the foreign housing business segment as a subsidiary of SFG. Backed by this new equity relationship, our goal will be to further reinforce our business foundations in the Australian housing market—a market expected to undergo future expansion driven by steady population growth.

**(2) Deriving synergistic benefits in the Southeast Asia and Oceania markets**

This project counts as one of several steps in our strategy to establish a vertically integrated business model<sup>1</sup> for the Oceania region. We plan to actively pursue inter-business synergies<sup>2</sup> in Southeast Asia and Oceania by developing new production and fabrication technologies and expanding wood material sales through collaboration with the Australian MDF manufacturer Alpine MDF Industries Pty Ltd. and other wood materials subsidiaries in our Group.

### **(3) Promoting business that harnesses SFG know-how**

SFG is determined to help differentiate Henley Group housing products in the marketplace and boost its own share of the Australian housing market by harnessing the salient strengths of the wood home construction methods it has established through the pursuit of its business in Australia and applying the housing business know-how it has amassed in the Japanese market through efforts to streamline processes, shorten construction project lead times, reduce construction costs, and plan, design, and build environmentally friendly (symbiotic) homes.

### **3. Corporate Profile of Equity Purchase Target**

Company Name: Henley Arch Unit Trust

Representative Director: Peter Hayes (CEO)

Location: Melbourne (Victoria)

Founded: October 1989

Business Lines: Subcontracted construction and sale of custom-built homes and subdivision (spec) homes

Employees: 415

Home Sales: 1,771 units (for year to June 30, 2009)

Business Projections (for year to June 30, 2010):

Sales: AUD 490 million

EBITDA: AUD 31 million

AUD: Australian dollars

EBITDA: Earnings before interest, taxes, depreciation, and amortization

### **4. Counterparties in Equity Purchase**

Herriard Pty Ltd. (Head office: Victoria)	25.0%
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Kalinda Bay Pty Ltd. (Head office: Victoria)	12.5%
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Wilstead No. 5 Pty Ltd. (Head office: Victoria)	12.5%
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### **5. Shareholder Composition after SFG Equity Purchase**

SFA	50.0%
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Herriard Pty Ltd.	25.0%
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Kalinda Bay Pty Ltd.	12.5%
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Wilstead No. 5 Pty Ltd.	12.5%
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### **6. Schedule**

September 14, 2009	Signing of corporate equity purchase agreement
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September 17, 2009	Settlement of corporate equity purchase agreement
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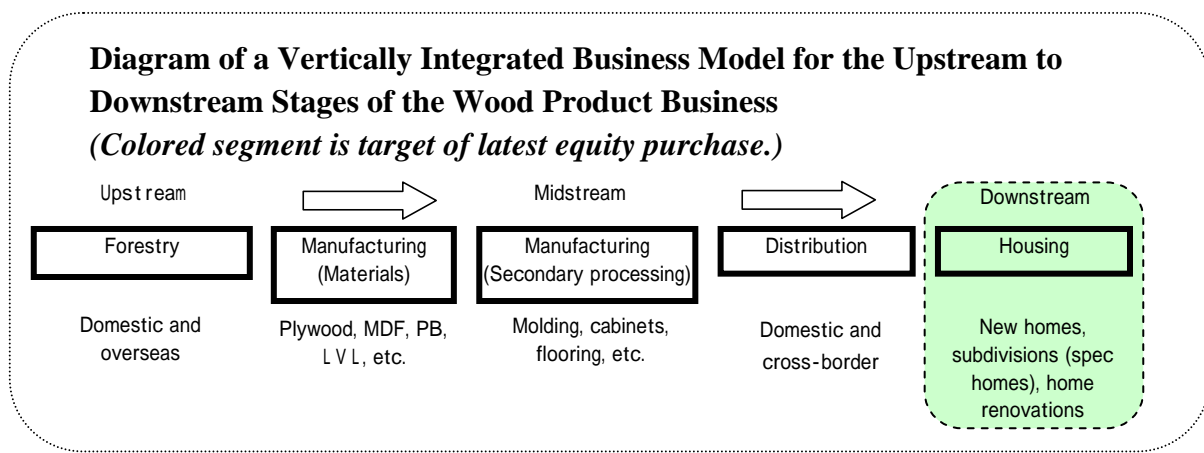
### **7. Future Outlook**

This transaction is expected to have only a marginal influence on SFG's consolidated business results for the year ending March 31, 2010.

## Reference Notes

### 1. Vertically Integrated Business

Our vertically integrated business model encompasses the entire series of upstream to downstream businesses in the wood-centered industry: from forestry operations and the manufacture of board and processed lumber products using forest resources to the secondary processing and manufacture of interior materials, the distribution of wood and lumber products, and the business in housing—a final product. The purchase of equity in the Henley Group constitutes a full-fledged foray into Australian housing, the most “downstream” component in this model.



### 2. Inter-business Synergies in Southeast Asia and Oceania

Through its subsidiaries, SFG is engaged in the manufacture of a variety of wood products in the Southeast Asia and Oceania regions, including medium-density fiberboard (MDF), particle board, laminated veneer lumber (LVL), and other wood paneling and flooring products.

With its acquisition of Henley Group equity, SFG will welcome into its fold a leading Australian homebuilder that commands a strong share of the Oceania housing market. We anticipate that supplying building materials produced and processed by SFG member manufacturing companies will enable the Henley Group to both increase the quality and reduce the cost of the homes it brings to market, while at the same time allow the manufacturing subsidiaries to handle larger volumes of wood products, and set the stage for earnings growth backed by a stronger business base and supplies of top-quality merchandise in the Oceania market. Furthermore, closer collaboration in the product development arena by our manufacturing subsidiaries with members of the Henley Group should enable the joint development of new products and processing methods directly linking the manufacturer and user, products and methods that we would otherwise not be able to develop on our own.

### 3. About the Henley Group

The Henley Properties Group is the fourth-largest homebuilder in Australia. It is primarily active in the states of Victoria, New South Wales, Queensland, and South Australia, supplying the market with wood-frame homes built using the “brick & veneer” method, which is basically a form of the common “two-by-four” construction method.

With its reputation for excellence in design, competitive pricing, and unsurpassed levels of quality in the industry, it has continually maintained its position as one of the top homebuilders in the Australian market. More notably, in recent years it has established an unparalleled lead in the marketplace as a supplier of highly energy-efficient, environmentally friendly (symbiotic) homes. Since its founding in 1989, Henley Group has supplied the market with a cumulative total of around 30,000 homes.