

**Sumitomo Forestry to Launch Particle Board Manufacturing Business in Vietnam
—First Vietnam-Based Factory to Have Annual Output of 250,000 Cubic Meters—**

Sumitomo Forestry Co., Ltd. (Head office: 3-2 Otemachi 1-chome, Chiyoda-ku, Tokyo; President and CEO: Ryu Yano) has decided to establish a subsidiary in Vietnam and begin local production of particle board (PB), a leading wood-based board used for furniture and other applications. The Vietnamese subsidiary will be wholly owned by the Sumitomo Forestry Group.

Vietnam continues to enjoy stable economic growth, and by launching this new manufacturing and sales business supplying high-quality, competitively priced PB, Sumitomo Forestry will meet demand for materials from the country's expanding furniture industry. Using technology and experience accumulated through its overseas wood-based board manufacturing operations, the company is able to produce such high-quality and competitive PB by using plantation timber and wood waste as raw material. Until now, these resources have not been used very effectively in Vietnam. Factory construction will begin in June 2010, and commercial production is scheduled to start in April 2012. Plans call for annual production capacity of 250,000 cubic meters in 2013, and the company aims to secure a large share of the Vietnamese PB market.

1. Business Aims

In 1992, Sumitomo Forestry teamed up with local investors to establish an Indonesian joint venture for PB production, P.T. Rimba Partikel Indonesia (RPI). In 2007, it constructed a PB factory at its Indonesian subsidiary P.T. Kutai Timber Indonesia (KTI), and since then we have accumulated expertise in manufacturing and sales and developed quality-enhancing technologies. Sumitomo Forestry's Tsukuba Research Institute has actively studied the use of new raw materials and the development of new applications. Using this know-how and technical capability, the Vietnamese PB business will manufacture and sell high-quality, attractively priced products utilizing a steady supply of locally available plantation timber and waste wood. By using sustainable plantation timber and offering stable sales of competitive products to a growth market, the business will also contribute to economic development in regional communities within Vietnam. The Sumitomo Forestry Group is expanding Vietnamese sales of its medium-density fiberboard (MDF) products manufactured in New Zealand and Australia as well as logs from its Papua New Guinea-based plantation company Open Bay Timber Ltd. (OBT). Constructing this PB manufacturing base will give the Group a comprehensive wood product supply structure for the Vietnamese market. Annual production from the new factory will roughly equal the combined annual PB output of RPI and KTI.

2. Market Potential in Vietnam

Even among Asian emerging markets Vietnam is notable for its large labor force and growing middle class. It is expected to record a high rate of growth compared to other Southeast Asian nations. The Asian Development Bank projects that the Vietnamese economy will grow by 4.7% in 2009 and 6.5% in 2010. In conjunction with economic growth, the Vietnamese local furniture manufacturing industry expanded more than fourfold in value terms between 2000 and 2006, and the value of furniture exports increased similarly over the same period. PB is a

key material for furniture makers, and demand for it is predicted to rise further as the furniture manufacturing business continues to grow in Vietnam.

3. New Subsidiary Profile

Name: To be decided*
Representative: To be decided*
Location: Long An Province, Socialist Republic of Vietnam
Capital: US\$45 million [Ownership: 50% Sumitomo Forestry Co., Ltd., 50% Sumitomo Forestry (Singapore) Ltd.]
Establishment date: March 2010 (tentative)
Nature of business: Manufacture and sale of particle board
Production capacity: 250,000 cubic meters p.a. (raw particle board)
Employees: Approx. 200

* These items will be announced once finalized.

4. Synergy

The Sumitomo Forestry Group has achieved ongoing sales of its wood products in the Vietnamese market, including sales of MDF manufactured by our New Zealand Affiliate Nelson Pine Industries Ltd. and our Australian affiliate Alpine MDF Industries Pty Ltd. (via Sumitomo Forestry (Singapore) Ltd.); sales of PB manufactured by KTI; and sales of logs from OBT in Papua New Guinea (via Kowa Lumber Co., Ltd.). These operations have given us a clear picture of the market environment in Vietnam, enabling us to expand the product lines offered by the Group as a whole and to strengthen our sales capabilities and our capacity to recommend products to customers in this market. The launch of this project will expand the Sumitomo Forestry Group’s vertically integrated business model (see attachment) to Vietnam and provide opportunities for further developing the model.

5. Timeline

March 2010: Establish local subsidiary
June 2011: Complete construction work
November 2011: Start production

The Sumitomo Forestry Group’s Long-Term Management Plan, Project SPEED, which shows the Group’s long-range direction, sets the goals of creating profitable new businesses and altering employee awareness regarding work responsibilities. The Plan positions overseas operations as a priority growth area, alongside real estate and remodeling operations. The Group will create and cultivate profitable new business over the long term, and this Vietnamese project is one such effort.

Reference

1. The Particle Board Market in Vietnam

The Vietnamese PB market is expanding due to rising internal demand driven by economic growth and increased production of furniture for export to markets in Europe, the U.S., Japan, and other nations. At the same time, more manufacturing of furniture for export using materials such as PB is pushing up wood consumption. The rising purchasing power of the middle class is also boosting domestic demand, and high-quality, cost-competitive PB products are expected to be in greater demand as manufacturers switch from timber and other materials.

2. The Socialist Republic of Vietnam

Situated on the East Coast of Indochina, the Socialist Republic of Vietnam is a long country from north to south. It is bordered by the People’s Republic of China to the north and Laos and Cambodia to the west.

Land area:	329,241 square kilometers
Population:	86.16 million (population growth rate: 1.1%) (as of 2008)
Capital:	Hanoi
Language:	Vietnamese
GDP:	Approx. US\$84.9 billion (8 trillion yen) (preliminary report for 2008, General Statistics Office of Vietnam)
Economic growth:	6.23% (preliminary report for 2008)
Unemployment:	4.6% (preliminary report for 2008)
Trade:	Exports US\$62.91 billion (29.3% growth from previous year) Imports US\$80.42 billion (28.3% growth from previous year) (preliminary figures for 2008)

(Source: Japan’s Ministry of Foreign Affairs website)

3. Vertically Integrated Business

We have coined the term “vertically integrated business” to express the overall concept of our upstream and downstream activities, from afforestation to the subsequent stages of manufacturing wood-based boards such as plywood and MDF, secondary processed goods such as interior materials, and the finished products that constitute our housing business. Our Vietnamese PB manufacturing business will supplement the midstream portion of this overall scheme.

Conceptual Diagram of Business Using Wood from Upstream through Downstream Stages

(Shaded area indicates role of new PB manufacturing business)

