

Commercial Particle Board Production to Commence in Vietnam

Vina Eco Board Holds Opening Ceremony

Sumitomo Forestry Co., Ltd. (President and Representative Director: Akira Ichikawa; Head Office: Chiyoda-ku, Tokyo) announces the commencement of particle board (PB) manufacturing at its Vietnam subsidiary Vina Eco Board Co., Ltd. (President: Soichiro Kitamura; hereafter VECO). The company, established in Long An Province in May 2010 as the Sumitomo Forestry Group's first venture in Vietnam, held an opening ceremony at its PB mill on May 16 to mark the start of commercial production there following systems commissioning. The mill has the one of the largest production capacity in Vietnam and is one of the largest in the Sumitomo Forestry Group.

1. Objectives of VECO's PB Manufacturing Business

- (1) Manufacture and sell high-quality, cost-competitive products using, as raw material, orchard wood waste, a stable resource in Vietnam, and wood waste from nearby timber mills and from roadside trees and other miscellaneous sources. The company's production system employs state-of-the-art machinery from Dieffenbacher of Germany—the first Dieffenbacher system for PB manufacturing operations in Vietnam—and draws on the know-how and technical capabilities cultivated by PT. Rimba Partikel Indonesia (RPI) and PT. Kutai Timber Indonesia (KTI), Sumitomo Forestry's joint venture and subsidiary in Indonesia, respectively. Sumitomo Forestry's Tsukuba Research Institute has been an active participant in studying and deciding which tree species to use as raw material.
- (2) Operate a highly profitable but also environmentally conscious business by providing growing markets with a stable supply of highly competitive products that effectively use sustainable plantation timber and orchard wood waste.
- (3) By establishing Vietnam's first large-scale PB manufacturing company, contribute to the development of a local economy with a high employment rate in agriculture and primary industries, mainly by creating opportunities for employment and earning stable income.
- (4) With a population of approximately 86 million (2010), a population growth rate of 1.2%, and an economic growth rate of 6.78% (2010, source: Japanese Ministry of Foreign Affairs website), Vietnam presents one of the greatest opportunities for business growth in Southeast Asia. Demand for PB, a key raw material in furniture manufacturing, is expected to grow further as domestic demand expands and as production of furniture for export to Europe, Japan, and other regions grows. Capture a large share of the PB market in Vietnam by capitalizing on the company's favorable location in Phu An Thanh Industrial Park west of Ho Chi Minh City, which enjoys easy access to furniture manufacturers concentrated in southern Vietnam. Products will be sold under the VECO brand, derived from the company name, Vina (Vietnamese) Eco Board.
- (5) The Sumitomo Forestry Group aims to operate a fully integrated business that starts upstream with planting and raising trees on managed plantations, flows through the manufacture of plywood, medium density fiberboard, PB and other wood-based boards as well as post-processed products such as interior materials, and ends downstream with housing construction and other final products. VECO complements Sumitomo Forestry's mid-stream business.

2. Overview of PB Mill

Location:	Phu An Thanh Industrial Park, Long An Province, Socialist Republic of Vietnam
Site area:	Approx. 200,000m ²
Structure:	Steel beam construction
Total floor area:	Approx. 25,000m ²
Construction period:	Started: July 2010; Completed: November 2011
Investment:	USD 108,000,000
Equipment:	Continuous press line, Dieffenbacher (Germany)

Production capacity: 250,000m³/yr
Products: Various particle board products

- Thicknesses: 6–35mm; Example sizes: 4×6ft, 4×8ft, 6×8ft
- Uses wood waste from orchards, plantations, and nearby timber mills

3. Future Outlook

- VECO will seek to expand the Sumitomo Forestry Group's product lineup and enhance its product competitiveness and sales capabilities in the Vietnamese market by exploiting synergies with other group companies operating in the Pacific Rim, including Nelson Pine Industries Ltd. in New Zealand, Alpine MDF Industries Pty Ltd. in Australia, and PT. Rimba Particle Indonesia (RPI) and PT. Kutai Timber Indonesia (KTI) in Indonesia.
- VECO will also introduce wood biomass power generations systems to secure electricity needed for production, thus supplying and operating its business on environmentally friendly electricity. As was done by RPI, VECO is considering applying for certified emission reduction credits under the clean development mechanism of the Kyoto Protocol.

Reference

Overview of Vina Eco Board

Name: Vina Eco Board Co., Ltd.
Location: Long An Province, Socialist Republic of Vietnam
Establishment: May 2010
Capital: USD 45,000,000 (Capital structure: Sumitomo Forestry 40%; Sumitomo Forestry (Singapore) Ltd. 40%; International Finance Corporation 20%)
President: Soichiro Kitamura
Business scope: Manufacture and sales of particle board
Employees: 200

International Finance Corporation (IFC) has taken an investment stake in VECO in recognition of the contribution of its PB manufacturing business toward creating jobs and reducing greenhouse gas emissions in Vietnam. IFC, a member of the World Bank Group established in 1956, promotes economic development in developing countries by supporting private-sector companies and projects. It focuses on environmentally and socially sustainable projects that are financially and commercially sound investments that have positive economic developmental effects for member countries.