

Sale of Shares in Subsidiary (Transfer of Equity)

Sumitomo Forestry Co., Ltd. announced today that its Board of Directors, which met on May 9, 2013, approved the transfer of its 85.1% ownership (equity interest) in Fuxin Sumirin Wood Products Co., Ltd. (hereinafter referred to as Fuxin), a consolidated subsidiary, to Bai Shan Investment Group (hereinafter referred to as Bai Shan). The content of the deal follows herein.

We note that this transfer of equity interest will result in the removal of Fuxin from Sumitomo Forestry's roster of consolidated subsidiaries.

1. Reason for the transfer

On July 17, 2008, Sumitomo Forestry Co., Ltd. established Fuxin in Liaoning Province, in northeast China, with the goal of expanding operations in China, which has the world's largest production volume and demand for timber products. It is the company's first plywood manufacturing base in China.

However, a delay in securing earnings due to prolonged production launch, high raw materials costs and obstacles in cargo collection, along with tough market conditions caused by price competition, have placed the company in tight management circumstances.

In light of these factors, to improve its performance, Sumitomo Forestry has decided to transfer a portion of its equity interest to Bai Shan, which operates a plywood manufacturing business in China. This will also allow Sumitomo Forestry to focus its management resources into other businesses.

2. Equity transfer method

After signing a share transfer agreement with Bai Shan, Sumitomo Forestry plans to underwrite a capital increase for Fuxin. After receiving approval from regulatory authorities in China, Sumitomo Forestry is scheduled to transfer 85.1% of its ownership, on a cash-free basis, to Bai Shan.

3. Summary of the subsidiary to be transferred

| | | | |
|--|--|--|------------------------|
| (1) Name | Fuxin Sumirin Wood Products Co., Ltd. | | |
| (2) Location | No.71, Keji St., Fuxin High-tech Industrial Development Zone, Fuxin City, Liaoning Province, 123000, PRC | | |
| (3) President | Akira Sekimoto | | |
| (4) Business scope | Manufacturing and sales of plywood | | |
| (5) Capital | RMB194,046,000 (*) | | |
| (6) Date of establishment | July 17, 2008 | | |
| (7) Shareholder & ownership ratio | Sumitomo Forestry 100% | | |
| (8) Relationship between the listed company and company for sale | Capital | Wholly-owned subsidiary | |
| | Human Resources | A Sumitomo Forestry employee serves as president and three employees have been dispatched to the subsidiary. | |
| | Business | No business ties worthy of special mention. | |
| (9) Earnings and financial position in the most recent three years (Unit: RMB) | | | |
| Fiscal year | FY Ended December 2010 | FY Ended December 2011 | FY Ended December 2012 |
| Net assets | 30,936,000 | 24,924,000 | 17,675,000 |
| Total assets | 101,861,000 | 112,768,000 | 108,833,000 |
| Net sales | 9,340,000 | 26,179,000 | 8,662,000 |
| Operating income | -24,718,000 | -34,602,000 | -32,159,000 |
| Recurring income | -27,590,000 | -37,951,000 | -41,340,000 |
| Net income | -27,590,000 | -37,951,000 | -41,340,000 |

(*) Amount after the capital increase.

4. Summary of the transferee

| | |
|-----------------------------------|---|
| (1) Name | Bai Shan Investment Group |
| (2) Location | No. 71, Dong Nanhu Dajie, Changchun City, Jilin Province, PRC |
| (3) President | Xiao Jià Zhuàng |
| (4) Business scope | Production/export of raw timber, plywood manufacturing plant management, textile business, real estate business |
| (5) Relation to Sumitomo Forestry | No capital or business ties worth of special mention. |

5. Total amount of share transfer and equity ownership before and after the transfer

| | |
|---------------------------------------|---------------------------------|
| (1) Total ownership prior to transfer | RMB194,046,000 (100% ownership) |
| (2) Total ownership for transfer | RMB165,133,000 |
| (3) Total ownership after transfer | RMB28,913,000 (14.9% ownership) |

6. Capital increase and transfer schedule

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|--------------------|--|
| May 9, 2013 | Board of Directors approval |
| Mid-May 2013 | Sign share transfer agreement/merger contract (scheduled) |
| May 31, 2013 | Complete procedures for capital increase (scheduled) |
| September 30, 2013 | Date on which equity interest is scheduled to be transferred |

7. Forecasts

In the fiscal year ended March 31, 2013, the company posted an extraordinary loss of ¥344 million to reflect the sale of ownership in this subsidiary.

Moreover, the deal will have a marginal impact on earnings in the fiscal year ending March 31, 2014.