

April 14, 2014

For Immediate Release

Sumitomo Forestry Co., Ltd.

Sumitomo Forestry Enters into Real Estate Development Business in Hong Kong

Sumitomo Forestry announced that its 100% subsidiary Sumirin Hong Kong Limited (President: Kenji Inui; Head Office: Hong Kong, China) had, together with Gains Century Limited (a wholly-owned subsidiary of HKR International Limited (Managing Director: CHA Mou Zing Victor; Head Office: Hong Kong, China; hereinafter, “HKR”)), acquired all of the issued shares of Rainbow Alpha Holdings Limited (an affiliate of HKR, hereinafter, “RAHL”¹), through existing Hong Kong joint-venture Partner Ally Limited (hereinafter, “PAL”²), to develop a condominium on RAHL-owned development land in Hong Kong’s Tuen Mun area.

1. 100% financed by HK Resort International, a wholly-owned subsidiary of HKR
2. Finance ratio: Sumirin Hong Kong 25%, Gains Century Limited 75%

■ Overview of Hong Kong's Tuen Mun area condominium development project (planned)

1) Project features	(1) Location with extremely low supply of new construction and therefore high value (2) Ocean views (3) 2 minutes' walk from existing tram stop (4) Adjacent to a park, a flat approach, all schooling within walking distance
2) Land area; Scale	2,231 m ² (Transferred land usage: 50 years from land usage contract date ³); 25 floors above ground, 1 floor underground
3) Schedule	October 2013–December 2017 (4 years 3 months)

3. Since 1997, the usage period for transferred land is a flat 50 years regardless of area or purpose. As a rule, this is automatically renewed at 50 years (depending upon the usage circumstances, etc., the government may choose not to renew) (Basic Law of the Hong Kong Special Administrative Region)

■ Significance of participation in this project

(1) Entry into business in Hong Kong

Many foreign companies from countries including the US, Japan, the UK, China, and Germany have their Asian regional management base in Hong Kong. In addition to low and simple taxes, a duty-free port and a transparent legal system, because information disclosure by government and business is well-developed, the reliability of information is high. It also offers geographical advantages for business expansion in Southeast Asia or the Chinese mainland. For these reasons, Hong Kong is considered the freest and most vigorous global financial center, and according to the 2014 Index of Economic Freedom published by conservative US think-tank, Heritage Foundation, since the commencement of the survey in 1995, Hong Kong has been ranked first for 20 successive years (second is Singapore, third is Australia, while Japan is ranked in 25th place).

Furthermore, due to factors such as Hong Kong's immigration policies, the number of households is increasing (approximately 30,000 households/year), and there is steady demand for housing. However, there is little flat land available, and the supply of new housing is limited, giving rise to an overall housing shortage. Moving forward, with the further development of infrastructure linking Hong Kong to mainland China and Macau, demand for housing is expected to continue. From this perspective, Sumitomo Forestry considers it a significant location for the advancement of business.

(2) Investigating the potential for business expansion into China and Southeast Asia

Through collaboration with HKR, which possesses abundant know-how in real estate development in Hong Kong, Sumitomo Forestry will investigate possibilities for Group business expansion. Additionally, Sumitomo Forestry considers HKR, which is seeking an optimal balance between China, Japan, and Southeast Asia for expanding its real estate business, to be an important partner for the Group's overseas real estate business. Sumitomo Forestry is therefore investigating ways to collaborate for expansion not only in Hong Kong, but also on the Chinese mainland and in Southeast Asia. Furthermore, by deepening mutual understanding between the two companies, Sumitomo Forestry hopes to provide building materials and landscaping through the Group companies located where HKR has existing business offices. This can offer an outlet for leveraging the Sumitomo Group's corporate resources.

HKR corporate overview

Name	HKR International Limited
Head Office	China Merchants Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong, China
Listed	In 1989 on the Hong Kong stock exchange (00480)
Business	Real estate development, investment, leasing, and management; hotel ownership and management; healthcare services, etc.
Offices	Hong Kong, Japan, China, Thailand, Singapore
Capital	HK\$337.5 million

About Sumitomo Forestry

Founded in 1691, Sumitomo Forestry Co., Ltd. and its Group companies have broadened business activities focused on wood. Based on its corporate philosophy—“utilize timber as a renewable, healthy and environmentally friendly natural resource, and contributes to a prosperous society through all types of housing-related services”— and with its approximately 250,000 hectares of owned and managed forest, the global network that spans more than 20 countries and expertise and technology in housing-related businesses, Sumitomo Forestry Group is developing the Forestry and Environment Business, the Timber and Building Materials Business, the Housing Business, the Overseas Business, the Lifestyle Service Business and other businesses both in Japan and abroad. Adding such businesses as wooden biomass power generation and Timber Solution, it will continue to pursue the potential of timber.

President and Representative Director: Akira Ichikawa

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