

Sumitomo Forestry Completes Purchase of Timberlands and Related Assets in New Zealand

Sumitomo Forestry Co., Ltd. (President and Representative Director: Akira Ichikawa; Head Office: Chiyoda-ku, Tokyo) announces today that, having obtained the consent of the Government of New Zealand and other related parties, it has completed¹ the purchase of approximately 30,000 hectares of timberlands and related assets in Nelson, New Zealand.



These timberlands and related assets have been purchased by Tasman Pine Forests Ltd. (Managing Director: Masanobu Nishikawa; Head Office: Nelson City, New Zealand), a wholly owned subsidiary of Sumitomo Forestry NZ Ltd. (Managing Director: Toshio Kakumoto; Head Office: Nelson, New Zealand; hereinafter “SFNZ”), which is, itself, a wholly-owned subsidiary of Sumitomo Forestry Co., Ltd.

¹ The purchase agreement was originally announced in the news release dated December 21, 2015.

Reasons for the Purchase

With future population and economic growth mainly in developing countries and surge of consideration for the global environment as a backdrop, we expect growth in demand for timber in the mid to long term from the perspective of resources, energy and housing construction. In addition, of the approximately 1.8 billion cubic meters of industrial timber being grown globally, more than half is supplied by natural forests; going forwards, the Group expects the value of sustainable plantation forests to continue to grow. The Sumitomo Forestry Group established its first overseas plantation forest operation in Indonesia in 1998 and, at present, possesses and manages approximately 200,000 hectares of sustainable forests outside of Japan.

Nelson Pine Industries Ltd. (NPIL), a wholly owned subsidiary of SFNZ which manufactures Medium Density Fiberboard (MDF) and Laminated Veneer Lumber (LVL), already owns 5,000 hectares of timberlands in Nelson. With this purchase, the area of timberlands and related assets owned by Sumitomo Forestry Group in this region will become about 35,000 hectares, leading to increased efficiency in its forestry operations.

Characteristics and Advantages of the Purchased Timberlands and Related Assets

The purchased timberlands and related assets comprise plantation forests of radiata pine located in Nelson, New Zealand. Radiata pine has high versatility which contributes to its price competitiveness because of its fast-growing stable supply and uniform wood quality and we can expect steady income in the long term. In addition, the forest is located near NPIL and the port of Nelson and has a competitive edge due to its site location. We can also

expect a synergy effect with the manufacturing and distribution businesses of our group.

Future development

The Sumitomo Forestry Group engages upstream in plantation and forestry operations, midstream in distribution and manufacturing operations, and downstream in housing related operations overseas in the same way as in Japan. The Group has established a vertically oriented business centered on wood, and is in the process of expanding horizontally and linking various locations around the world.

The production of radiata pine made possible through this purchase is expected to lead to annual sales in the region of 4 billion yen. The wood will be processed into LVL, MDF, and timber at plants in New Zealand, including NPIL, and these products will be used both in New Zealand and overseas as materials for both housing construction and interiors. In addition, through the Group's distribution network, the products will be exported to Japan and other countries around the world, such as China where high demand is expected, and India, which is experiencing rapid population growth.

The Group believes that, in order to develop its business, it is essential to exist in harmony with local residents and to contribute to local society. Going forward, the Group intends to establish collaborative relationships with local residents, such as the Ngāti Koata Group², and develop a sustainable business that will contribute to the local society.

² The Ngāti Koata Group manages land and other assets returned to Ngāti Koata (a Māori people) by the New Zealand Government. It focuses its activities in the south island, particularly in the Nelson region.

The Group has been involved in the forestry business for over 320 years since its foundation in 1691, engaging in projects utilizing wood, which is a renewable resource, both in Japan and overseas. In our expanding global business, we will continue to enhance the value of timber resources and contribute to the environment.

■ Details of the Assets to be acquired

Name and Location of the Assets	Purchase Price	Current Status
Timber land assets (approximately 30,000 hectares) Nelson, New Zealand, and others	Approximately NZD 370 million For reference: purchase price in Japanese yen is approximately JPY 28 billion	Currently owned by Tasman Bay Forests Company, which manages the timberlands (replanting, harvesting, sales, etc.)

■ Overview of the seller of the timberlands and related assets

(1) Name of company	Tasman Bay Forests Company
(2) Location	Unit 5, 120 Hamilton Street, Tauranga 3141, New Zealand
(3) Name and title of representative	Brenton Jan Keefer, Director
(4) Business	Timberland management (replanting, harvesting, sales, etc.)
(5) Capital	NZD 156,288 thousand

■ Overview of the purchaser of the timberlands and related assets

(1)	Name of company	Tasman Pine Forests Ltd.
(2)	Location	189 Main Road, Spring Grove Wakefield
(3)	Name and title of representative	Masanobu Nishikawa, President and Representative director
(4)	Business	Timberland management (replanting, harvesting, sales, etc.)
(5)	Capital	NZD 150,000 thousand

■ Time Table

(1)	Date of board resolution	December 9, 2015
(2)	Date of agreement	December 18, 2015
(3)	Date of completion of purchase	June 30, 2016

■ Outlook

The impact of the purchase on the current consolidated earnings is negligible.