

April 24, 2006



Announcement of expansion into custom-built detached housing business in South Korea

Sumitomo Forestry Co., Ltd. (Head office: 1-8-1 Marunouchi, Chiyoda-ku, Tokyo; President: Ryu Yano) announced today that a meeting of the board of directors on March 31, 2006 decided that the Company would enter the new detached housing business in South Korea. This new business venture outside Japan follows existing ventures in the USA (Seattle) and China (Shanghai and Dalien).

The venture will be based on a Joint Venture Agreement signed today between Sumitomo Forestry and Dongwha Holdings (CEOs: Myung-ho Seung, Sindo Kang), a major building materials manufacturer in Korea and Sumitomo Forestry's strategic partner in the Japanese and Korean timber and building materials sectors. The Agreement calls for establishment of a company with joint equity investment by the two parties that will build new custom-built homes. Sumitomo Forestry and Dongwha Holdings exchanged memoranda in October 2004 to set up a strategic partnership in the timber and building materials markets in Japan and Korea, and Sumitomo Forestry currently holds 10% of the outstanding shares in Dongwha Enterprise, otherwise a 100% subsidiary of Dongwha Holdings.

A task force formed by Sumitomo Forestry and Dongwha Holdings has spent approximately a year preparing for the move into the housing market announced today, with the signing only taking place after market surveys of the housing markets in Korea, and after examining the potential viability of the business. Through this project, both companies intend to contribute to the growth of the detached housing sector in Korea.

1. Objectives in entering the Korean housing business

Sumitomo Forestry currently operates predominantly in the Pacific Rim region, with the goal of globalizing its total housing and living related business. The current Korean government policy on housing calls for both increase in volume and enhancement of quality. Collective housing, particularly high-rise condominiums, is still the mainstream, but as a policy for promoting more varied housing environments, development plans are being formulated for the provision of a variety of housing to meet the different housing environment needs of consumers.

Relative to the government's target for housing supply (112%) there is currently an annual shortfall of 60,000 homes. In the Seoul area, in particular, new major urban developments that are being planned or are in preparation at 6 locations will result in building a total of 300,000 homes between 2005 and 2010, and there are already large and small public housing projects at 48 locations. In these projects, the area of land allocated to detached housing development is growing, and the supply of sites is expected to continue to grow.

From the perspective of consumer trends, economic growth is pushing up income levels and standards of living, increasing the demand for distinctive and quality products and for health-oriented products as signified by "well-being culture" -- lifestyles that take account of health and the environment. There is consequently expected to be a shift away from conventional high-rise condominiums and construction based on reinforced concrete and blocks, to the benefit of detached wooden housing, which is already growing in number each year.

Korea's major construction companies have very large businesses, and concentrate their activities on highly profitable collective housing developments. As the market for detached housing has not yet matured and is still very small -- only an average of 50,000 homes completed per year in 2001-2004 -- virtually all the companies providing detached houses are very small businesses.

From these considerations, Sumitomo Forestry has decided that as a manufacture of wooden housing, it will benefit from an early entry to the Korean detached housing market. By introducing the housing business expertise, technology and after-sales service skills that it has gained through its Sumitomo Forestry's Home brand, and by introducing its principle of giving top priority to customer satisfaction, it will be able to construct a unique business model, ensuring a good chance of establishing a firm position as a pioneer in the Korean detached housing industry. Therefore Sumitomo Forestry decided to enter this market after determining that this is an area that will provide the company with a new revenue source as part of its overseas business designated as a priority growth area.

2. Profile of new company to be established

Company name: Dongwha SFC Housing (Temporary name; to be finalized)
 Establishment: May 2006 (To be finalized)
 Capitalization: KRW 5.0 billion (Approx. JPY 0.6 billion; Dongwha Holdings and Sumitomo Forestry each provide 50% of equity)
 CEO: Yoo-Hong Jung (To be finalized)
 Business activities: Construction and sale of detached wooden housing
 Head Office location: Kangnam-gu, Seoul, ROK
 Employees: 11 (FY2006 projection)
 * Sumitomo Forestry plans to send two employees to the company on full-time secondment - One director, who will have the roles of deputy president and CFO, and one employee to assist with planning, particularly for sales and marketing.

[*]Business plan

- In the initial stages, the business will focus on the Seoul metropolitan area (Seoul, Incheon, Gyeonggi-do), taking orders from 2 exhibition sites and 1 showroom.
- The exhibition sites will be situated in the north and south of the metropolitan area, and an office and showroom will be set up in Kangnam-gu, an area where there are many building material manufacturers and which is home to many high-income consumers.

[*]Construction

- In the initial stages, construction will follow the Sumitomo Forestry construction management system and construction technology, utilizing 2x4 (wood frame) construction methods to build houses. As the business grows, we will also consider introducing wooden post-and-beam or rigid-frame construction methods.

[*]Target housing orders and sales after 5 years

-FY 2010: Houses completed: 120 Sales: KRW 31 billion

-Staff Plan proposed by Sumitomo Forestry (First 5 years)

	2006	2007	2008	2009	2010
Total	11	12	18	28	35

3. Profile of Dongwha Holdings

Company name: Dongwha Holdings
 Founded: April 1948

CEOs:	Myung-ho Seung, Sindo Kang
Business activities:	Holding company
Sales:	KRW 25.4 billion; Consolidated sales: KRW 357.3 billion (2004)
Employees:	59 (1,437 as total number of whole consolidated companies)

[*]Dongwha Holdings is part of a Korean construction materials manufacturing group founded in 1948. The central company in the group, Dongwha Enterprise, set up Korea's first MDF (medium density fiberboard) plant, and now has one of Korea's largest particleboard plants using recycled raw materials. It is now one of the leading companies in Korea's building materials manufacturing and sales industry, and is proud of its advanced technological prowess, which can be seen, for instance, in its top share in the Korean market for MDF-based laminate flooring.

Dongwha Holdings is listed on the KOSDAQ securities market, and in addition to Dongwha Enterprise (of which Sumitomo Forestry is a shareholder), its domestic Korean subsidiaries include Daesung Wood Ind., Dongwha Chemical, and Dongwha Cima. It also does business internationally, including operations in Australia, Malaysia, the USA, and Hong Kong. Consolidated sales for the whole group, including both domestic and international sales were KRW 357.3 billion in FY2004.