

April 3, 2007



Notice Concerning Establishment of New Subsidiary

In a meeting held on November 30, 2006, the Board of Directors of Sumitomo Forestry Co., Ltd. (Ryu Yano, President; head office: 8-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo) approved plans to establish a new subsidiary in Dalian, China to handle Chinese imports and exports of timber and building materials, distribution of timber and building materials in China, commission agency services, and consulting services. Capital funding for the new subsidiary was completed on April 2, 2007. Details are provided below.

1. Subsidiary Corporate Profile

Name: Sumitomo Forestry Dalian Trading Ltd.

Established: March 2, 2007

Address: Senmao Building, 147 Zhongshan Road, Xigang District, Dalian

Legal representative: Ryozo Shoda

General accountant (President): Yoichi Hosoya

Paid-in capital: US\$800,000

Capital structure: Wholly owned subsidiary of Sumitomo Forestry Co., Ltd.

Scope of business: Import and export of timber and building materials, wholesaling on domestic Chinese market, commission agency services, consulting services

End of accounting year: December 31

Employees: 2 (As of April 1, 2007; Sumitomo Forestry employees on assignment, including the general accountant)

2. Reasons for Establishment

Sumitomo Forestry opened a Dalian office in March 2001 and began an operation to procure timber and building materials from domestic Chinese sources.

Afterward, noting that the distribution business for timber and building materials in China would likely continue to grow, the company decided to establish a wholly owned subsidiary there to expand its product lines and income and to have the subsidiary serve as a strategic base and information gathering center for future business

expansion efforts (in the forestry, tree planting, and lumber production fields).

This is Sumitomo Forestry's second wholly owned subsidiary in China, following the first, Dalian Sumirin Information Technology Service Co., Ltd., established in 2005 to provide CAD-based design services.

3. Establishment Schedule

Business licensing: March 2, 2007

Start of operations: May 2007 (tentative)

4. Future Outlook

The establishment of the new subsidiary will have only a marginal influence on the company's financial statement for the year ending March 31, 2008. Accordingly, the company currently plans no changes to business projections it has already released.