

March 19, 2008



## Operations Begin at New Particleboard Plant

On November 4, 2005, Sumitomo Forestry Co., Ltd. announced that PT. Kutai Timber Indonesia (KTI), its subsidiary in Indonesia engaged in the production of wooden building materials, would construct a factory to commence a new line of business in the manufacture of particleboard (PB). This factory recently began operation and sales.

### 1. Purpose of New PB Manufacturing Plant

(1) Overseas business is one of the future priority growth businesses specified in the “Project SPEED” long-term management plan announced by Sumitomo Forestry in May 2007, and the investment in this plant has been made as part of this overall vision. Following in the footsteps of PT. Rimba Partikel Indonesia (RTI), which was already producing PB, KTI started construction of its new PB manufacturing plant in May 2006 to conduct domestic sales in Indonesia, where demand is expected to grow, and to manufacture and sell high added-value products such as newly-developed lightweight PB. After a series of trial runs, KTI has now put in place production systems capable of shipping PB products.

(2) The establishment of this plant enhances Sumitomo Forestry’s environmental conservation measures. Due to recent tightening of logging restrictions in natural forests in Indonesia, it has become increasingly difficult to procure raw wood used in the manufacture of plywood. In response to this situation, the new factory further promotes environmentally-friendly and sustainable business by effectively utilizing resources that were previously discarded, such as waste wood discharged by KTI and surrounding plywood, lumber and woodwork factories; leftover scraps from fast-growing trees and plantation timber; and small-diameter trees.

(3) The plant will also differentiate KTI products by developing and selling compound secondary processed products that make use of PB. Actively utilizing environmentally-friendly, sustainable timber resources to manufacture and sell products including wood panels and wooden building materials, KTI aims to be an integrated wooden building materials business while contributing to the development of the local region and the creation of a prosperous society.

### 2. Outline of New Factory

Site of construction: Adjacent to KTI factory grounds in Probolinggo, East Jawa, Indonesia  
Land area: Approx. 110,000 m<sup>2</sup>  
Building: Split-level two-story steel-frame building. Total floor space of approximately 13,500 m<sup>2</sup>  
Construction schedule: Started May 2006, completed November 2007  
Amount of investment: Approx. USD 43,000,000  
Items produced: Various particleboard products (including ordinary PB products and lightweight falcataria PB)  
Press: Single opening press (8 ft W x 72 ft L), Dieffenbacher GmbH, Germany

Employees: Approx. 200

### 3. New Factory: Production Capacity and Items Produced

(1) Production capacity: 128,000 m<sup>3</sup> p.a.

(2) Items to be produced and sold:

- PB in thicknesses 6 mm to 40 mm, sized 4 x 6 ft, 4 x 7 ft, 4 x 8 ft (main size 4 x 8 ft)
- PB types conforming to JISA5908: Will mainly produce E2, E1, E0, Super E0 (plan to specialize in E2/E1 until production stabilizes) and U-13 type for use in furniture.
- Plan to manufacture and sell lightweight PB developed using lightweight scraps from plantation timber.
- Will initially focus on domestic sales in collaboration with RPI, and plan to investigate export of new products including lightweight PB (will also work on secondary processing with existing business divisions).

### 4. Future Prospects

The start of operations at the factory is expected to have minimal impact on the results of Sumitomo Forestry's operations for the fiscal year ending March 2008, and no changes shall be made to the business forecast currently disclosed.

[For Reference]

#### **Outline of KTI**

Company name: PT. Kutai Timber Indonesia  
Head office: Summitmas II, 8th Floor, Jl. Jend Sudirman Kav. 61-62 Jakarta 12190, Indonesia  
Established: September 1970  
Capital: USD 15,000,000 (capitalization increased in August 2005)  
President: Toshio Yasuda  
Employees: 1,625 (permanent full-time; 2,414 including temporary and part-time employees)  
Business activities: Manufacture and sales of plywood, secondary processed plywood, woodworking products and particleboard  
Production capacity: Plywood line 120,000 m<sup>3</sup> p.a.  
Woodworking line 57,000 m<sup>3</sup> p.a. (projections for 2008)  
Particleboard 92,000 m<sup>3</sup> (target for 2008)  
Sales: Approx. USD 73,820,000 (2007)

#### **KTI Corporate Philosophy and Action Guidelines**

PT. Kutai Timber Indonesia

##### Corporate Philosophy

As an integrated wood processing company, KTI actively utilizes environmentally-friendly and sustainable timber resources, and contributes to the development of the local region and the creation of a prosperous society by producing and selling wood panels and wooden building materials.

##### Action Guidelines

- 1) We comply with internal regulations, do not act dishonestly, and place safety first.
- 2) We fully commit ourselves to maximizing product quality and customer satisfaction.
- 3) We conduct business based on the principles of integrity, trust, and sound management.

- 4) We create an open and inclusive corporate culture that instills a strong sense of pride and motivation in every single employee.
- 5) We help protect both the natural environment and living environments through responsible business practices.