

For Immediate Release

“Sumitomo Forestry Co., Ltd.
Sumitomo Joint Electric Power Co. Ltd.

—Joint investment to establish biomass power generation and wood fuel chip
production companies—
Launch of Biomass Power Generation Business in Mombetsu, Hokkaido

Sumitomo Forestry Co., Ltd. (President and Representative Director: Akira Ichikawa; Head Office: Chiyoda-ku, Tokyo; hereafter “Sumitomo Forestry”) announced plans to launch a biomass power generation business in Mombetsu, Hokkaido, by establishing two joint ventures with Sumitomo Joint Electric Power Co. Ltd. (President: Shinji Murakami; Head office: Niihama, Ehime Prefecture; consolidated subsidiary of Sumitomo Chemical)—a biomass power generation company that utilizes unused left-over timber and thinnings, and a fuel chip manufacturing company to supply the power generation plant.

The company plans to construct a 50MW biomass power generation facility in an industrial zone at a pier at the Port of Mombetsu, which is owned by the City of Mombetsu, with the goal of stably supplying electricity in the long term.

The plan calls for fuel to be provided by the fuel chip manufacturing company that will be set up adjacent to the power generation plant. Other fuel sources will include wood chips purchased from chip factories operated by other companies in the region and imported PKS*¹. Coal will also be used as a supplemental fuel source. Given that the main source of fuel will be left-over timber and thinnings procured from the area in and around Okhotsk, Sumitomo Forestry plans to gain the cooperation of local municipalities and parties associated with the forestry business to build closer cooperation between the forestry industry and the power generation business.

*1 PKS (Palm Kernel Shell) is the shell portion of the palm kernel that is not used in making palm oil.

1. Background

Sumitomo Forestry and Sumitomo Joint Electric Power jointly established Kawasaki Biomass Power Co., Ltd. (Kawasaki, Kanagawa Prefecture) in April 2008, which was Japan’s first urban biomass power generation plant. Construction waste and other materials are used in the power generation business. In addition to the local production of energy for local consumption, both companies are also actively engaging in the effective use of resources.

The energy business is a social infrastructure business. In particular, the wood biomass power generation business is of major significance, in part because it enhances the value of forests by utilizing wood resources and also as it revitalizes local areas by creating employment. Also, the introduction of the FIT system*² in July 2012 paved the way for commercialization of biomass power generation using of left-over timber, which had not been used before. In light of this, the two companies decided to launch a business in Mombetsu, Hokkaido, where Sumitomo Forestry has company-owned forests and where there is a broad network connecting local municipalities and those parties engaging in various facets of the forestry industry.

*2 The Feed-in Tariff (FIT) mechanism facilitates the purchase of renewable energy at a fixed price. The system mandates the purchase of electricity, generated from renewable energy sources (solar, wind, water, geothermal, and biomass) by an electric power supplier at a fixed price.

2. Summary of companies to be established

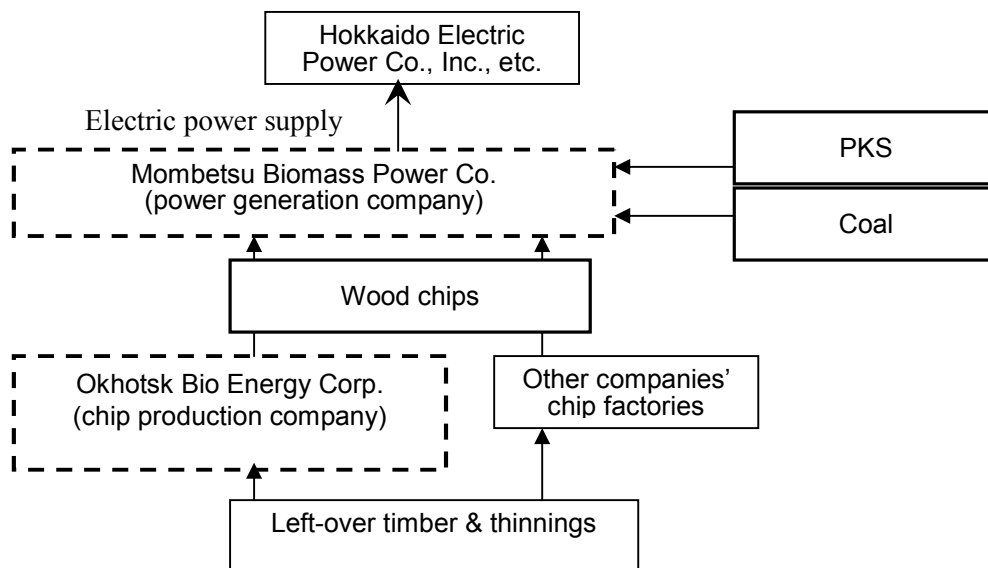
(1) Biomass power generation company

Name	Mombetsu Biomass Power Co., Ltd.
Location	Mombetsu No. 3 pier area 4-chome, Shinkocho, Mombetsu, Hokkaido *planned location for construction of the power generation plant
Head office	9-11 Shokotsucho, Mombetsu, Hokkaido Mombetsu Forestry Office, Sumitomo Forestry
Capital	¥490 million (Sumitomo Forestry ¥249.9 million and Sumitomo Joint Electric Power ¥240.1 million)
Investment	Sumitomo Forestry 51%, Sumitomo Joint Electric Power 49%
Representative	Akito Kataoka
Operations	Biomass power generation business using wood leftovers from logging, PKS, and coal as a supplemental source of fuel
Power output	50MW

(2) Fuel chip manufacturing company

Name	Okhotsk Bio Energy Corp.
Location	Mombetsu No. 3 pier area 4-chome, Shinkocho, Mombetsu, Hokkaido * planned location for construction of the chip plant
Head office	9-11 Shokotsucho, Mombetsu, Hokkaido Mombetsu Forestry Office, Sumitomo Forestry
Capital	¥100 million (Sumitomo Forestry ¥51 million and Sumitomo Joint Electric Power ¥49 million)
Investment	Sumitomo Forestry 51%, Sumitomo Joint Electric Power 49%
Representative	Akito Kataoka
Operations	Production and sale of fuel chips

(3) Business scheme diagram



*The dotted lines indicate the newly established companies

Sumitomo Forestry Wood Products Co., Ltd. (a wholly-owned Sumitomo Forestry subsidiary), which mainly manages company-owned forests and purchases and sells Japanese timber, will handle the collection and management of left-over timber and thinnings, which will primarily be procured from within a 75km radius around the power generation plant. Okhotsk Bio Energy, which will handle chip manufacturing, is scheduled to set up several satellite plants within the collection zone, in addition to the core plant adjacent to the power generation plant, and plans to outsource the management of these factories to affiliates.

The total investment involved in commencing this business is estimated to be around ¥15,000 million.

3. Schedule

The schedule for implementing this project is as follows (tentative)

2014	September	Start construction on power generation plant
2016	December	Commence operations of power generation plant. Trial operations to begin from August 2016.

4. Profiles of investing companies

Sumitomo Forestry Co., Ltd.

Establishment	February 1948
Capital	¥27,672 million
No. of employees	Approximately 14,900 people (entire group as of March 2013)
Operations	Comprehensive housing and wood products businesses Since its founding in 1691, has globally developed various services related to housing and lifestyles, including forest management, the manufacturing and distribution of building materials, the housing business, the remodeling and renovation business, and the greening business

Sumitomo Joint Electric Power Co., Ltd.

Establishment	February 1919
Capital	¥3,000 million (consolidated subsidiary of Sumitomo Chemical)
No. of employees	Approximately 370 people (entire group as of March 2013)
Operations	Supplier of electricity and steam Supply electricity and steam to Sumitomo Group companies mainly located in Niihama, Ehime Prefecture, the birthplace of Sumitomo Group companies

5. Impact to earnings

The implementation of this project will have no impact on earnings in the current fiscal year.