

February 14, 2022

For Immediate Release

Shibushi City, Kagoshima Prefecture

Sumitomo Forestry Co., Ltd.

Sumitomo Forestry and Shibushi City Conclude Basic Agreement on Location for Construction of New Plant
~ Working to encourage the use of domestic timber and aiming to commence operation in 2025 ~

Shibushi City (Mayor: Sumiyuki Shimohira) in Kagoshima Prefecture and Sumitomo Forestry Co., Ltd. (President and Representative Director: Toshiro Mitsuyoshi; Headquarters: Chiyoda-ku, Tokyo; hereinafter Sumitomo Forestry) announced that they have signed a contract for the sale of land at Shibushi City Seaside Industrial Park (Industrial Lot 5) and concluded on February 14, 2022 a basic agreement on location. Under this agreement, both parties agree for Sumitomo Forestry to commence consideration for the construction of a new plant at the aforementioned industrial lot and will cooperate with each other toward the completion of the plant, including works on the environment.

Sumitomo Forestry will consider the construction of a timber processing plant and biomass power plant that use domestic timber. Going forward, the company will work on the formulation of detailed business plans and selection of equipment and aim to commence operation in 2025. Toward the conclusion of a location agreement by the three parties of Kagoshima Prefecture, Shibushi City, and Sumitomo Forestry, the two parties will also deepen collaboration and cooperation in dealing with various issues faced by the region and effectively use their respective resources while seeking to achieve regional revitalization.

Last year, there was a global “wood shock” whereby the price of timber rose significantly due to factors such as an increase in housing construction demand in the United States and the lack of containers caused by the spread of COVID-19. In Japan, where approximately 60% of timber supply relies on imports, the production of domestic timber was unable to meet the sudden increase and there was significant impact in both price and quantity. Japan is a country with many forests, and forest accumulation has reached 5.2 billion cubic meters*¹ centered on plantations planted after World War II. This figure continues to increase at a rate of around 100 million cubic meters each year. Although there is sufficient forest accumulation, the timber self-sufficiency rate is 41.8%*², and it is a fact that forests which have reached their harvest period are not being fully utilized. Toward use of domestic timber, it is necessary to build a stable supply system that can ensure business profitability for all parties involved, from forestry operators to businesses that manufacture and process timber as well as construction companies.

To address these issues, Sumitomo Forestry will consider constructing a new plant that processes timber, thinnings, and such—currently exported from Shibushi Port as logs—into products with added value and aim toward providing a stable supply within Japan as well as export of products from Shibushi Port to regions such as Asia and North America. From the manufacture of wood products to use as fuel for biomass power generation, the company will increase the competitiveness of forest

resources from the Kyushu region and contribute toward improving the value and encouraging the use of domestic timber by achieving cascade use that does not waste wood. Sumitomo Forestry will handle wood products and wood fuel in a stable manner and go through the cycle of planting, cultivating, harvesting, using, and replanting. The company will aim for a decarbonized society by turning this cyclical forest management into an economically self-supporting model, or in other words, realizing a circular bioeconomy.

Shibushi City is expanding its function as a logistics hub in southern Kyushu by improving the infrastructure of Shibushi Port. At the same time, the city is improving in accessibility, such as shortening the travel time from various cities in southern Kyushu by improving the wide area road network of the Higashi Kyushu Expressway and Miyakonojo-Shibushi road. Using these social infrastructure and industrial platforms, the city seeks to encourage the flow of goods and people and vitalize the regional economy. Regarding forestry, the city is promoting wide area initiatives toward aggregating businesses and reforestation, and strives to develop and invigorate forestry, including forest conservation. As for the environment, the city is promoting initiatives toward achieving a decarbonized society, including encouraging the introduction of renewable energy that applies the region's features, such as biomass power generation. At the same time, to realize an environmentally friendly local community, the city is working to respond to diversifying environmental issues, aiming to build a recycling-oriented society that takes into consideration environmental preservation.

*1 Source: Fiscal Year 2019 Annual Report on Forest and Forestry in Japan

*2 Source: Forestry Agency "Fiscal Year 2020 Wood Supply and Demand Chart"

Overview of Shibushi City Seaside Industrial Park

Location: Anraku, Shibushi-cho, Shibushi City, Kagoshima Prefecture

Area: Approximately 88,000 m²

Features: Shibushi City Seaside Industrial Park is adjacent to Shibushi Port, a major port that has been selected as a strategic international bulk port^{*3}. The industrial park also has excellent accessibility via the Kyushu Expressway and Miyakonojo-Shibushi road. Shibushi Port is also one of the leading supply bases for mixed feed in Japan, and is a rapidly-growing international logistics port that supports the development of primary industries in the southern Kyushu region, including being number one in the export volume of logs in Japan for 11 consecutive years.

*3 Strategic international bulk port: This is a port within Japan that has been selected for focused improvement as part of Japan's growth strategy aimed at strengthening ports and increasing their international competitiveness.



Overview of Shibushi Port [source: Shibushi Port Office, Kyushu Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism]



Aerial photograph of Shibushi City Seaside Industrial Park (Industrial Lot 5) [source: Shibushi City]

(Reference)

■ Overview of Shibushi City, Kagoshima Prefecture

1. Population: 30,119 (As of January 31, 2022)
2. Area: 290.28 km²
3. City flower: Sunflower
4. City tree: Fountain palm
5. Location and geography:

Shibushi City is located in the eastern part of Kagoshima Prefecture at the border with Miyazaki Prefecture. The city's southeastern region faces Shibushi Bay and the city is found almost at the center of the inner part of the bay. Hilly and mountainous areas span the city's northern to eastern regions while the coastal region is designated as the Nichinan Kaigan Quasi-national Park. The subtropical plant community on Biro Island off the coast is designated as a Special National Monument of Japan. At the central region of the city is Shibushi Port, which is a logistics hub and the only strategic international bulk port in Kyushu. The port is a domestic and international logistics hub for the southern Kyushu region.

■ Overview of Sumitomo Forestry Co., Ltd.

1. Address of headquarters: Keidanren Kaikan, 3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8270, Japan
2. Founded: 1691
3. Incorporated: 1948
4. Paid-in capital: 50,064 million yen
5. Description of business: Sumitomo Forestry undertakes businesses centered on wood, a renewable natural resource, including management of forests in Japan and overseas, distribution and manufacture of timber and building materials, wood construction, and wood biomass power generation.
6. Number of employees: 20,562 (Group-wide)