

April 18, 2024

For Immediate Release

Sumitomo Forestry Co., Ltd.

Kowa no Mori established, newly built factory to begin operations in Iwaki, Fukushima, in March 2026

Sumitomo Forestry Co., Ltd. (President and Representative Director: Toshiro Mitsuyoshi; headquarters: Tokyo; hereinafter, Sumitomo Forestry) is pleased to announce that Kowa no Mori Co., Ltd. (President: Tomomitsu Yasunaga; headquarters: Iwaki, Fukushima; hereinafter, Kowa no Mori) will begin operations of a new factory in March 2026. The factory will be built in Iwaki-Yotsukura Central Industrial Park and produce sawn timber and processed wood products mainly from Japanese cedar. Kowa no Mori is a joint venture established in November 2023 by three companies – Sumitomo Forestry, Koei Shizai Co., Ltd. (President: Yuji Maseki; headquarters: Tokyo; hereinafter, Koei Shizai) and Wada Timber Ltd. (President: Kazuaki Yamazaki; headquarters, Iwaki, Fukushima; hereinafter Wada Timber). Sumitomo Forestry will be in charge of overall management, log collection and product sales, Koei Shizai will be in charge of overall management of the factory and management of the production of laminated engineered wood, and Wada Timber will be in charge of log collection and management of the sawmill. With greater use of Japanese wood, Sumitomo Forestry is promoting sustainable forest management in Japan and revitalizing the local timber market. This is one effort to advance wood change through the Sumitomo Forestry Wood Cycle, as outlined in Mission TREEING 2030, our long-term vision announced in February 2022.

■Business outline

Kowa no Mori will operate the Yotsukura Factory and the Yumoto Factory, both in Iwaki. The Yotsukura Factory, which will be newly built in Iwaki-Yotsukura Central Industrial Park (proposed project site: sections 2-1-1 and 2-3), will be responsible for sawing and processing of Japanese timber, mainly medium- to large-sized Japanese cedar, and the production of structural timber (dimensional lumber) used mainly for 2x4 housing. Construction is scheduled to start this summer with plans to begin operations in March 2026. With due consideration of the supply and demand of logs in the surrounding region, the factory will gradually increase the volume of logs collected with a goal to reach an annual log input volume of 110,000 m³.

In April 2024, the Yumoto Factory acquired the operations of Koei Shizai Yumoto Factory, which manufactured laminated engineered wood. In addition to taking over

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production of laminated engineered wood using imported lumber (board material constructed from laminated wood, sawn lumber), the Yumoto Factory plans to produce laminated engineered wood using Japanese timber.

■Business aims

Kowa no Mori aims to actively promote the use of Japanese timber in housing components, which currently has a relatively high ratio of imported timber.

One focus will be to increase the particularly low ratio of Japanese timber used for dimensional lumber. Although the number of new housing starts in Japan is on a downward trend, we will work to raise the ratio of Japanese timber, maintain a constant demand for Japanese logs and build a system that provides a stable supply of structural timber that is not affected by external factors, such as wood shocks.*

*Wood shock: In 2021, it was difficult to source and transport imported timber to Japan due to tight global supply and demand for timber caused by increased housing construction in the United States as well as container shortages. Likened to the oil shock, this timber shortage situation was coined in Japan as a wood shock.

The Yotsukura Factory is a large-scale factory that will process mainly medium- to large-diameter Japanese cedar. The factory will promote the stable use of Japanese timber for greater effective utilization of local forest resources. From upstream log suppliers, and logging companies to midstream sawmills and pre-cut factories and downstream housing manufacturers, the factory will collaborate with local stakeholders to reinforce the supply chain and revitalize the timber market.

In Sumitomo Forestry's long-term vision Mission TREEING 2030, we have set out a goal to maximize the added value of timber and promote the use of domestic wood through the establishment of timber industrial complexes.* In February 2022, we signed a basic site agreement with Shibushi City, Kagoshima Prefecture, to construct a new factory that will manufacture high-strength structural members. The Kowa no Mori initiative is one element of our efforts to establish timber industrial complexes and create the Sumitomo Forestry Wood Cycle to promote decarbonization.

Sumitomo Forestry Group is engaged in a broad range of businesses centered on wood, including forest management, timber and building materials procurement and manufacturing, wooden building construction, and wood biomass power generation. In our long-term vision Mission TREEING 2030, we are promoting our value chain called the Sumitomo Forestry Wood Cycle to increase the carbon absorption of forests and popularize wooden

buildings that store carbon for long periods of time to contribute to decarbonization for not only our company, but for society as a whole. We will continue to promote the use of wood and wood-derived products as well as the replacement of other materials with wood to accelerate decarbonization.

*Timber industrial complexes: By using timber for wood products, energy and chemicals, timber industrial complexes realize long-term carbon fixation. More specifically, these wood processing businesses promote the cascade use of timber harvested from sustainable forests. This ensures that all logs are used efficiently and that low-grade timber and offcuts are used to their full potential.

■ Timetable

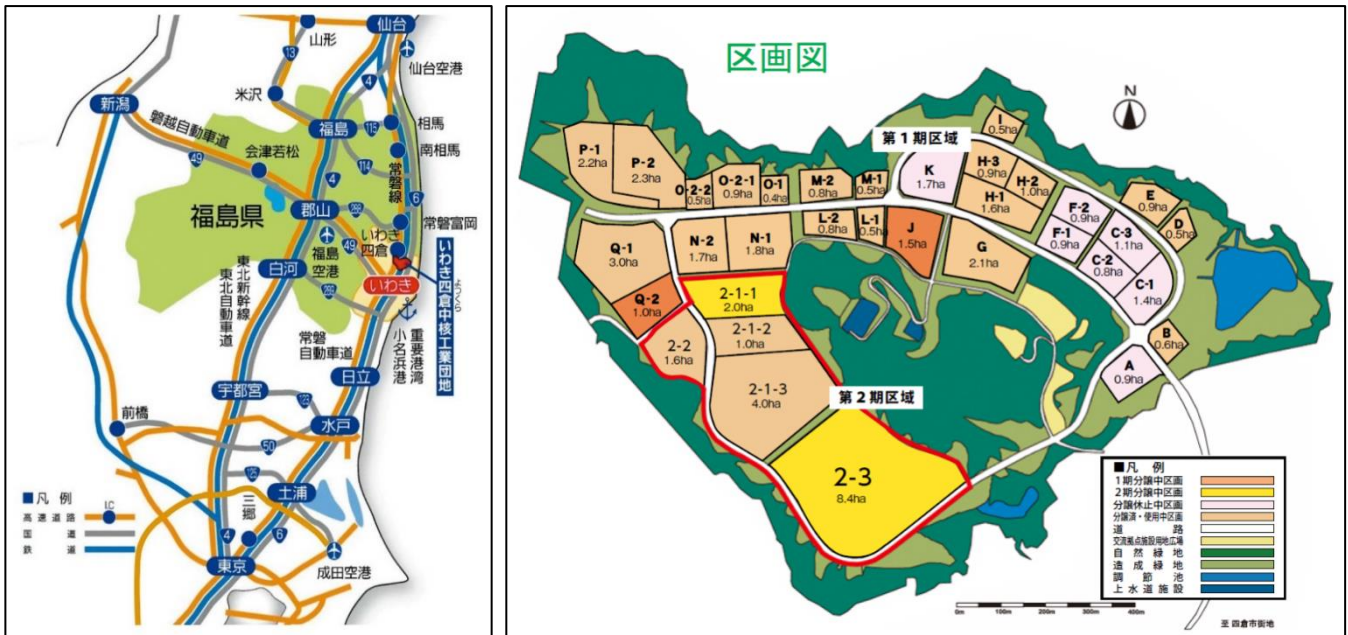
November 1, 2023	Establishment of joint venture company Kowa no Mori, Inc.
April 1, 2024	Takeover of Koei Shizai Yumoto Factory
July 2024	Planned start of construction of Yotsukura Factory
March 2026	Planned start of operations of Yotsukura Factory

■ Project site summary

Name of site	Iwaki-Yotsukura Central Industrial Park ^{*1}
Owner	Fukushima Prefecture
Development area	Approximately 127.5 hectares
Project area	Approximately 10.4 hectares (total of sections 2-1-1 and 2-3)

^{*1} Iwaki-Yotsukura Central Industrial Park: Developed and maintained as a joint project of the Organization for Small & Medium Enterprises and Regional Innovation, Japan (SME Support, Japan) and the Fukushima Prefecture Land Development Public Corporation. Subdivision of area 1 began in fiscal 2006 and of area 2 in fiscal 2018.

Iwaki-Yotsukura Central Industrial Park Map (Source: Fukushima Prefecture)



■Outline of joint venture company

Name	Kowa no Mori, Inc.	URL: https://www.kowanomori.co.jp/
Address	179-1 Kuidesaku Joban Shimofunao, Iwaki, Fukushima	
Representative	Tomomitsu Yasunaga	
Capital	1,250 million yen	
Establishment	November 1, 2023	
Business description	Domestic timber sawmill operations, manufacture of construction wood and laminated engineered wood	

■Outline of the acquired factory

Name	Yumoto Factory, Koei Shizai Co., Ltd.	
Address	170 Kuidesaku Joban Shimofunao, Iwaki, Fukushima	
Site area	5.65 hectares	
Employees	37	

■Outline of companies that are jointly investing in Kowa no Mori

Name	Koei Shizai Co., Ltd.	
Address	1-9-4 Hatagaya, Shibuya-ku, Tokyo	

Capital	50 million yen
Establishment	January 6, 1972
Employees	116 (as of September 5, 2023)
Net sales	10,254 million yen (fiscal 2022 financial results)
Business description	Precutting of wood structural components, such as structural members and non-structural substrate materials, manufacture of laminated engineered wood using imported lumber

Name	Wada Timber Ltd.
Address	30 Teishinchi, Ohara, Onahama, Iwaki, Fukushima
Capital	8 million yen
Establishment	October 17, 1996
Employees	9 (as of September 5, 2023)
Net sales	246 million yen (fiscal 2022 financial results)
Business description	Manufacture and sale of structural timber from Fukushima Prefecture (Japanese cedar, Japanese cypress / 100% domestic timber)

Name	Sumitomo Forestry Company, Ltd.
Address	1-3-2 Otemachi, Chiyoda-ku, Tokyo
Capital	55,088 million yen
Establishment	February 20, 1948
Employees	24,815 (as of December 31, 2023 / consolidated)
Net sales	1,733,169 million yen (December 2023 term / consolidated)
Business description	Forest management, biomass power generation, the purchase, manufacture, processing and sale of timber and building materials, the contracting and renovation of detached houses and other construction work, the sale of spec homes, real estate management and brokerage, the operation of private-pay nursing homes, and related businesses in Japan and overseas