

February 13, 2025

News Release

 Sumitomo Forestry Co., Ltd.
 Daito Trust Construction Co., Ltd.

Sumitomo Forestry and Daito Trust Construction conclude basic agreement on wide-ranging business alliance including utilization of Japanese timber
First stage to ensure stable supply and procurement of Japanese structural timber

On February 13, 2025, Sumitomo Forestry Co., Ltd. (head office: Tokyo, Japan) and Daito Trust Construction Co., Ltd. (head office: Tokyo, Japan) concluded a basic agreement on a business alliance in a wide range of fields in Japan and overseas, ranging from forestry to housing and real estate, with the goals of strengthening their corporate value and realizing a decarbonized society. In the first stage of this alliance, Daito Trust Construction will invest in Sumitomo Forestry's subsidiary Kowanomori Co., Ltd. (head office: Fukushima Prefecture, Japan). In collaboration with local stakeholders, the companies will establish stable supply and procurement structures for Japanese structural timber (dimensional lumber*¹) to expand the utilization of Japanese timber and maximize their added value.

■ **Details of alliance**

Sumitomo Forestry and Daito Trust Construction have agreed to a business alliance in the following fields.

The two companies will continue to discuss the specifics of the business alliance within each field.

Fields under consideration	Main items under consideration
(1) International business fields	<ul style="list-style-type: none"> • Real estate-related business such as rental property management in North America, Oceania, Asia, Europe, and elsewhere • Processing business of materials and lumber in North America and elsewhere
(2) Domestic business fields	<ul style="list-style-type: none"> • Processing business such as manufacturing of trusses, panels, and other components that achieve labor-saving construction as well as materials logistics business • Promotion of the use of mass timber (CLT, LVL, and other structural timber) in the residential and nonresidential construction fields • Contracting business for low- to mid-rise wooden building construction as well as real estate development business
(3) Business fields related to Kowanomori and Japanese timber	<ul style="list-style-type: none"> • Study on the utilization of Japanese timber through Kowanomori • Promotion of efforts to revitalize the forestry industry (planting of saplings, reforestation, etc.) in Fukushima Prefecture and surrounding areas
(4) Other business fields	<ul style="list-style-type: none"> • Renewable energy business using wooden materials • Lifestyle service business including nursing care • Promotion of efforts for carbon neutral design in architecture (use of One Click LCA, etc.)

Long-term stable supply and procurement of Japanese dimensional lumber

Supply shortages and the rising cost of timber due to the 2021 lumber crisis had a major impact on the stable supply and procurement of timber. With approximately 70% of its national land covered by forests, Japan is among the world's leading forestry nations. Nevertheless, the self-sufficient rate for timber in Japan is approximately 40% and the country has made relatively slow progress on its utilization of Japanese timber. Japan's forests grow older as many of the forests planted after World War II have reached the harvest stage. It is essential for Japan to expand the utilization of Japanese timber and build stable supply structures for structural timber that will be resistant to external factors.

Against this backdrop, Sumitomo Forestry, Kowanomori, and Daito Trust Construction aim to ensure the long-term stable supply and procurement of Japanese dimensional lumber. Daito Trust Construction will underwrite a capital increase through third-party allocation of shares by Kowanomori. Kowanomori's new Yotsukura Factory (Fukushima Prefecture, Japan), which will begin operations in March 2026, will feature an annual log input volume of 110,000 m³ of logs, making it one of the largest manufacturers of dimensional lumber in Japan. Plans call for some of the dimensional lumber manufactured at the factory to be supplied to Daito Trust Construction properties in the Kanto and Tohoku regions of Japan starting in 2026. These initiatives meet both Sumitomo Forestry's goal of establishing a stable customer base for Kowanomori as well as Daito Trust Construction's goal of securing a stable source of Japanese timber. Expanded utilization of Japanese timber will help realize sustainable forestry management and contribute to the decarbonization of society by increasing CO₂ absorption by younger forests as a result of harvesting and reforestation.

Yotsukura Factory (under construction)



■ Background to this alliance

Sumitomo Forestry and Daito Trust Construction, both of which are involved in the businesses of residential and real estate construction using timber, have repeatedly discussed joint ventures, including a business alliance, to realize a decarbonized society. This basic agreement is based on the determination by both companies that their strategic directions are in alignment and that a partnership would help both maximize their corporate value and realize a recycling-based society. Starting from investment in Kowanomori, the two companies have chosen the four fields—international business fields, domestic business fields, business fields related to Kowanomori and Japanese timber, and other business fields—in which they can generate synergies. Going forward, they will determine specifics of the alliance.

■ Comments from each company's president

● MITSUYOSHI Toshio,

Representative Director, President and Executive Officer, Sumitomo Forestry Co., Ltd.

The Sumitomo Forestry Group has announced its Long-Term Vision, "Mission TREEING 2030," to enhance value concurrently in the three aspects of our planet, people and society, and the market economy. This marks the first fiscal year of the Group's Medium-Term Management Plan for the period through 2027. We remain committed to achieving sustainable growth while contributing to a decarbonized society through our Wood Cycle value chain in the three areas of forests, wood, and construction. In the area of wood, we plan to establish timber industrial complexes^{*2} to promote the use of Japanese lumber while maximizing timber's added value, for which the Kowanomori project marks the first step. Through partnership with Daito Trust Construction, the largest player in the rental housing business, and Sumitomo Forestry, which is involved in the custom-built wooden housing business, we will provide high-quality Japanese structural timber and revitalize Japan's forestry industry.



● TAKEUCHI Kei,

Representative Director, CEO, Daito Trust Construction Co., Ltd.

Centered on its Lease Management Trust System consisting of construction, brokerage, and management of rental properties, the Daito Group is involved in activities encompassing real estate development, including the purchase, renovation, and resale of rental properties and development of logistics facilities, and community development. We also engage in a wide range of services and businesses related to people's living and lifestyles, including nursing care and energy. We take a flexible approach in responding to the changes in the times and social environment and repeatedly take on challenges, including the creation of new business models, expanding our business fields to North America, Asia, and other markets outside Japan. In 2007, Daito Trust Construction began the utilization of Japanese dimensional lumber based on an approach of local production and local consumption. Through this partnership with Sumitomo Forestry in a broad range of domestic and international business fields, ranging from forestry to housing and real estate, we will contribute to realizing a decarbonized society.



*1 Dimensional lumber refers to two-by-four construction materials and other structural timber used primarily for housing built with the wood-frame construction (two-by-four construction) method.

*2 Timber industrial complexes refers to a vision for long-term carbon sequestration by using timber for wood products, energy, and chemicals in a way that strengthens the value of timber. 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.

■ Overview of Kowanomori

Name: Kowanomori Co., Ltd.
Head office: 179-1 Kuidesaku, Joban Shimofunao-machi, Iwaki City, Fukushima Prefecture, Japan
Representative: YASUNAGA Tomomitsu
Established: November 1, 2023
Capital: 1,250 million yen
Business description: Sawmill operations of Japanese timber, manufacturing of building materials and laminated engineered wood
Website: <https://www.kowanomori.co.jp/> (Japanese only)

■ Reference material

April 18, 2024 news release on the establishment of Kowanomori: https://sfc.jp/english/news/pdf/20240418_01.pdf
(Japanese only)

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