

Initiatives for Priority Markets Global Markets

In addition to the sales of MDF produced in Malaysia and New Zealand, the industrial materials business in the global markets expands the sales by the North American wood materials with a focus on the veneers and LVL produced in Canada and the USA. The building materials business has been deploying interior doors in China, which has a huge market size, and Indonesia, where housing demand expansion is expected.

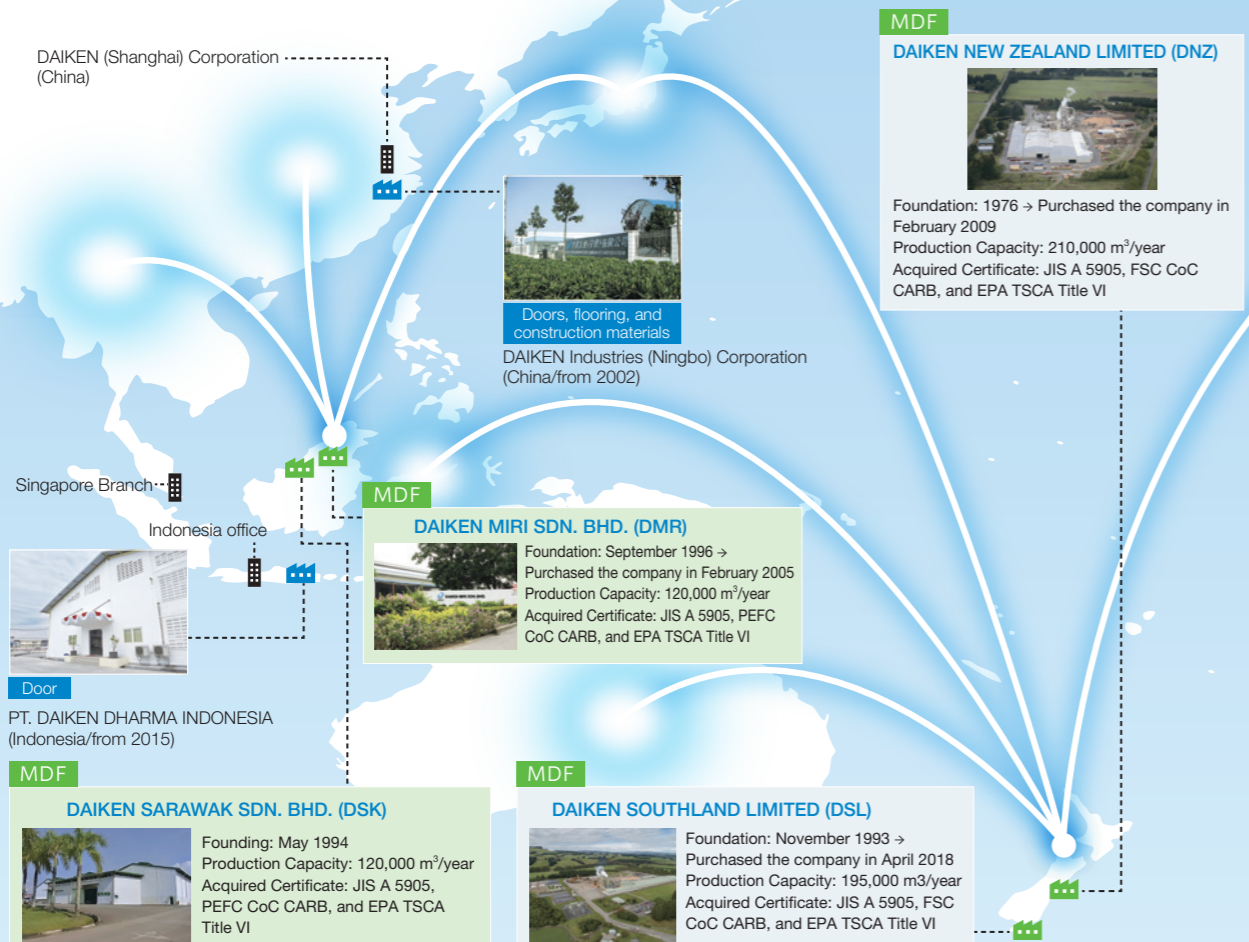
Development by MDF

With the system of four plants in the two countries of Malaysia and New Zealand, we are engaged in the production of MDF for which wood offcuts from timber are effectively used. By taking advantage of tree species and the characteristics of the production lines and cooperation, we will promote the distribution of products having new value and the further expansion of the sales channels in global markets.

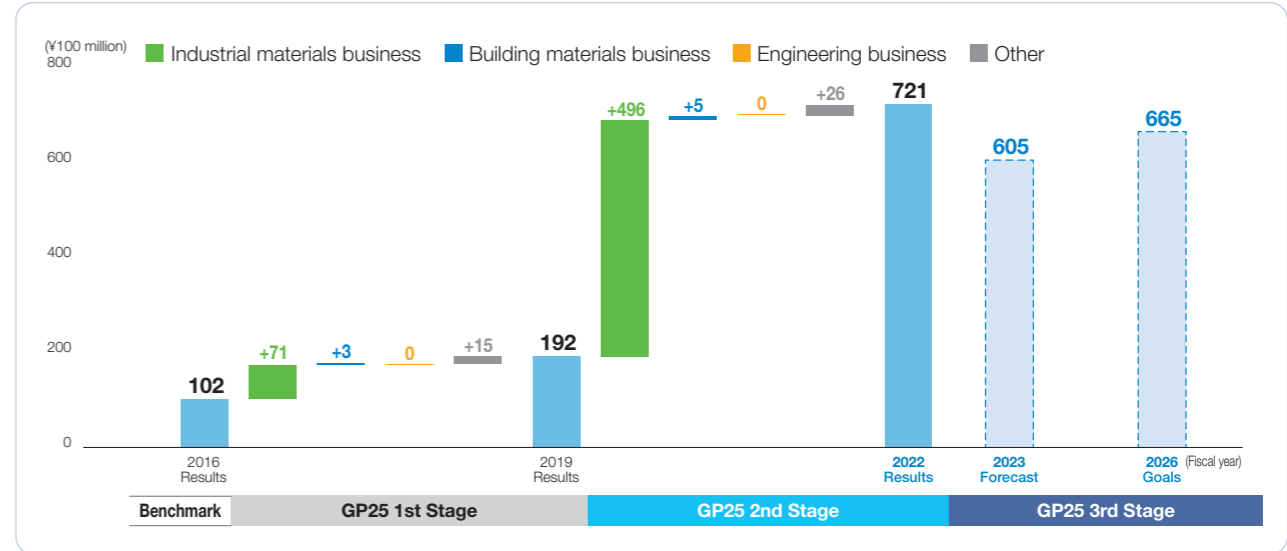
Malaysia	New Zealand
Tree species: Hardwood	Tree species: Softwood
Brown-colored MDF that effectively uses wood offcuts from the plywood/lumber plants in Malaysia. It is used for the flooring substrates that require excellent water resistance and dimensional stability.	White-colored MDF that uses plantation Pinus radiata timber in New Zealand. It is used for the base materials for furniture and building materials that require lightness and smooth surface.
Characteristics DSK is a mother plant for MDF, which produces high value-added special MDF, etc. They are in the two-plant system with DMR after M&A in 2005. They developed MDF that uses 100% plantation acacia timber and proceed with the distribution of new applications.	Characteristics MDF that is globally recognized with the CUSTOMWOOD brand. In addition to the product development that corresponds to the customer needs, such as ultra-lightweight MDF, DNZ and DSL take advantage of their respective characteristics of the production lines and optimize their production items.

Tree planting activity in Malaysia

Toward the realization of stable procurement, we started acacia tree planting in Sarawak, Malaysia, from 2002, and the cumulative afforestation area is 9,500 ha or more. With a view to increasing the ratio of plantation timber, which is the wood material used for MDF, from the current ratio of approximately 50% to 100% in fiscal 2026, we will conduct sustainable raw material procurement.



Global Markets: Trends in Net Sales



Veneer

CIPA Lumber Co., Ltd. (CIPA)
 Foundation: April 1968 → Purchased the company in June 2019
 Location: Canada (Delta, British Columbia)
 Business Lineup: Veneer manufacturing and sales

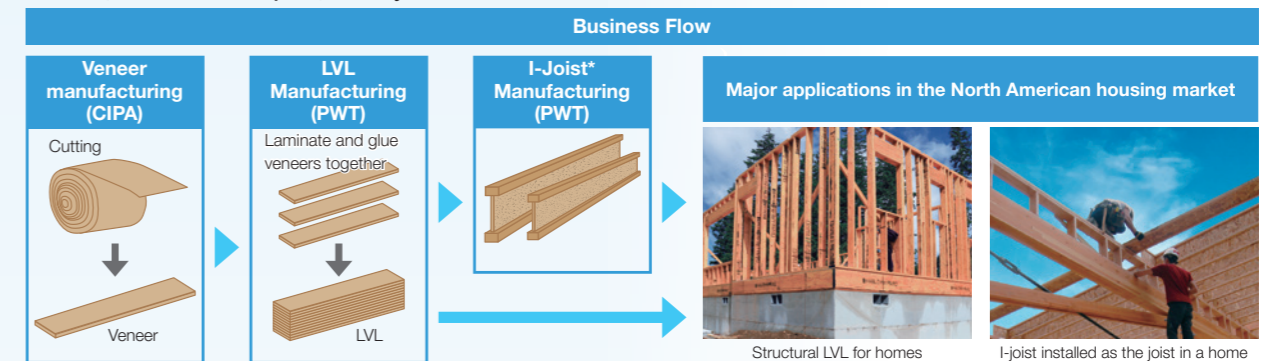
LVL

PACIFIC WOODTECH CORPORATION (PWT)
 Foundation: January 1998 → Purchased the company in June 2019
 Location: The U.S.A. (Burlington, Washington)
 Business Lineup: Structural LVL and I-Joist manufacturing and sales

On June 22, 2022, PWT announced the agreement on acquisition of the housing structural material manufacturing business (Engineered Wood Products Business) from Louisiana Pacific and the capital increase plan, which was accepted by Itochu Corporation, with the acquisition. The company was transferred from a consolidated subsidiary to an equity method affiliate on August 2022.

Expansion with wood materials in North America

We will proceed with the expansion into the world's largest wooden housing market with the North American wood industrial materials business by CIPA, a Canadian veneer plant that we jointly invested in with ITOCHU Corporation who is in a relationship of capital alliance and PWT, an American LVL plant, as a key axis.



*I-Joist: A structural material, which is a composite material of Oriented Strand Board (OSB: a structural wooden board made by laying thin rectangular wood pieces cut from raw wood upon one another in such a way that the surface layer and core layer cross at right angles in the fiber direction and are then compressed at high temperature), LVL, and timber.