

3rd INTERNATIONAL SOFTWOOD CONFERENCE

HELSINKI Oct. 2008

JAPANESE SOFTWOOD SITUATION

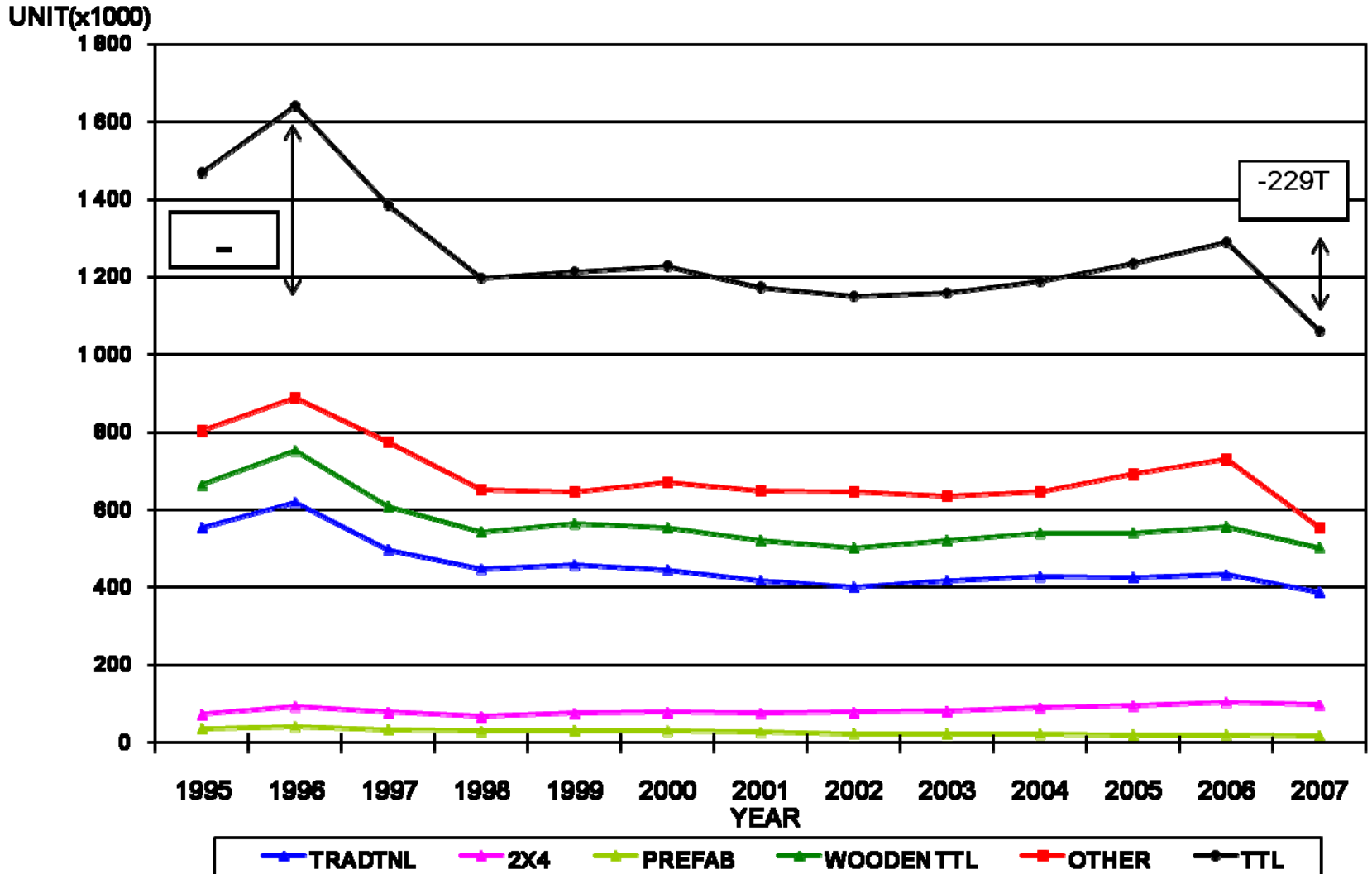
SUBJECT

1. HOUSING STARTS IN JAPAN
 - (1) JAPANESE HOUSING STARTS
 - (2) POTENTIAL OF JAPANESE HOUSING STARTS
2. LOG CONSUMPTION IN JAPAN
3. JAPANESE SOFTWOOD DEMAND & SUPPLY
 - (1) DEMAND
 - (2) LOG IMPORT
 - (3) LUMBER IMPORT
4. OUR CONCERN

I . JAPANESE HOUSING STARTS

1. Housing starts has been stable around 1.2mil since 1998.

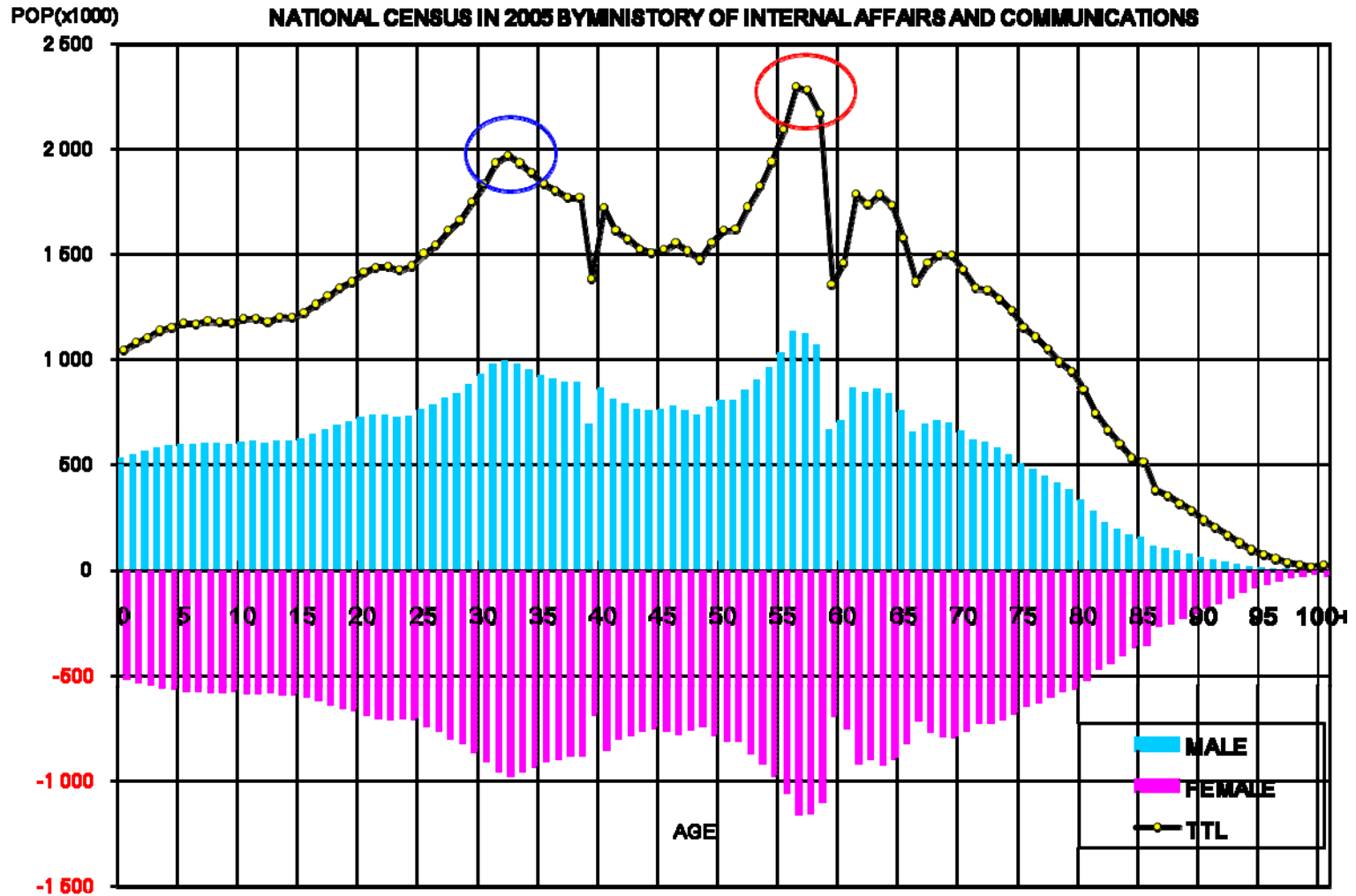
2. Wooden houses were stable around 500 thousand units.



II. JAPANESE POPULATION BY AGE

Two large age groups which is the key of housing starts.

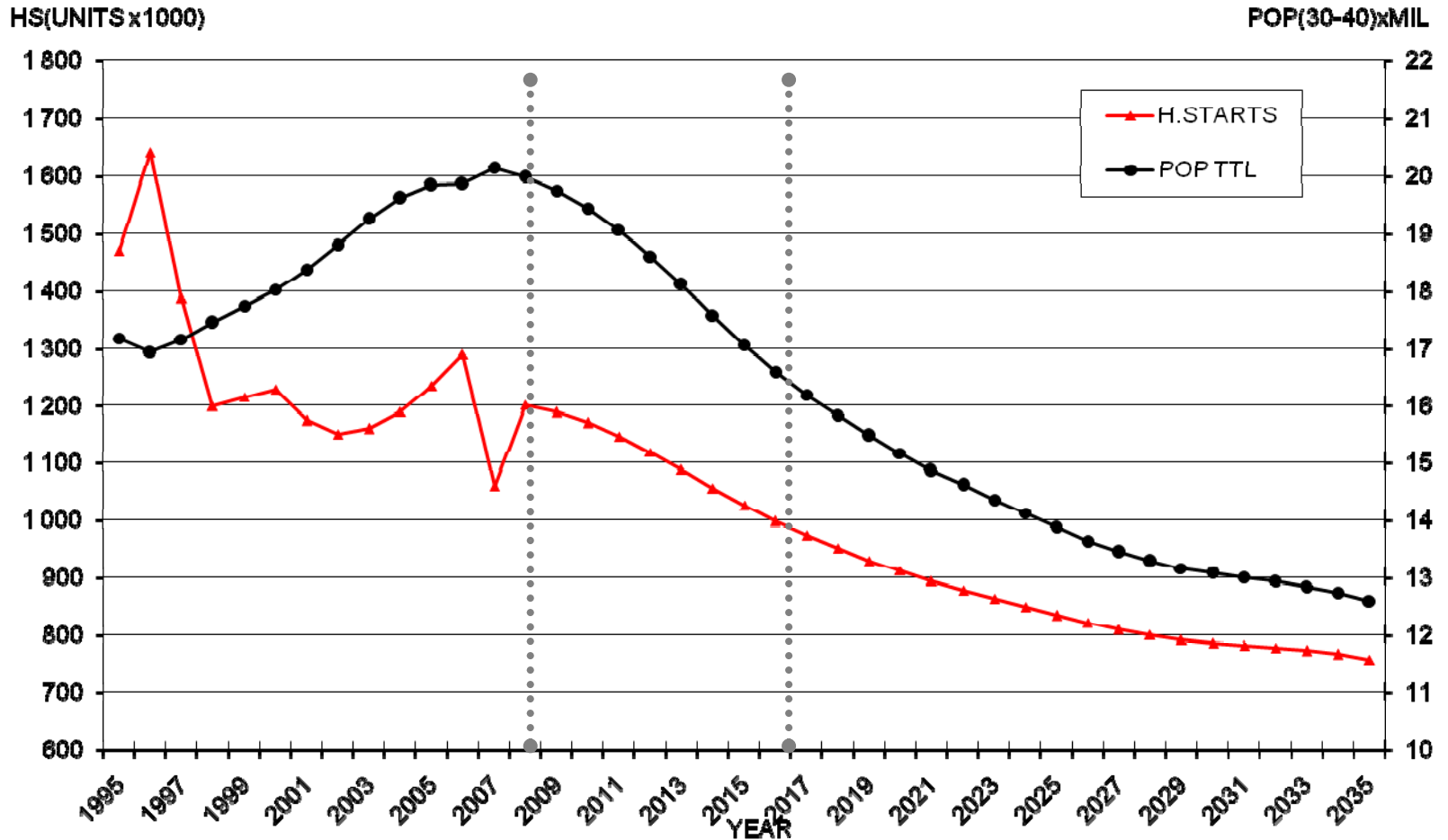
a) around 60 years: 2.3 mil. b) around 36years: 2.0 mil.



III. ESTIMATED HS POTENTIAL (AGE 30-40 BASE)

1. Japanese housing starts will keep declining.

2. Japanese housing starts will have potential of more than 1million units until 2016.



EST HS = POP X AVE HS(*)/AVE POP(**)

(*) AVE HS = SUM HS(2003-2007) / 5YRS

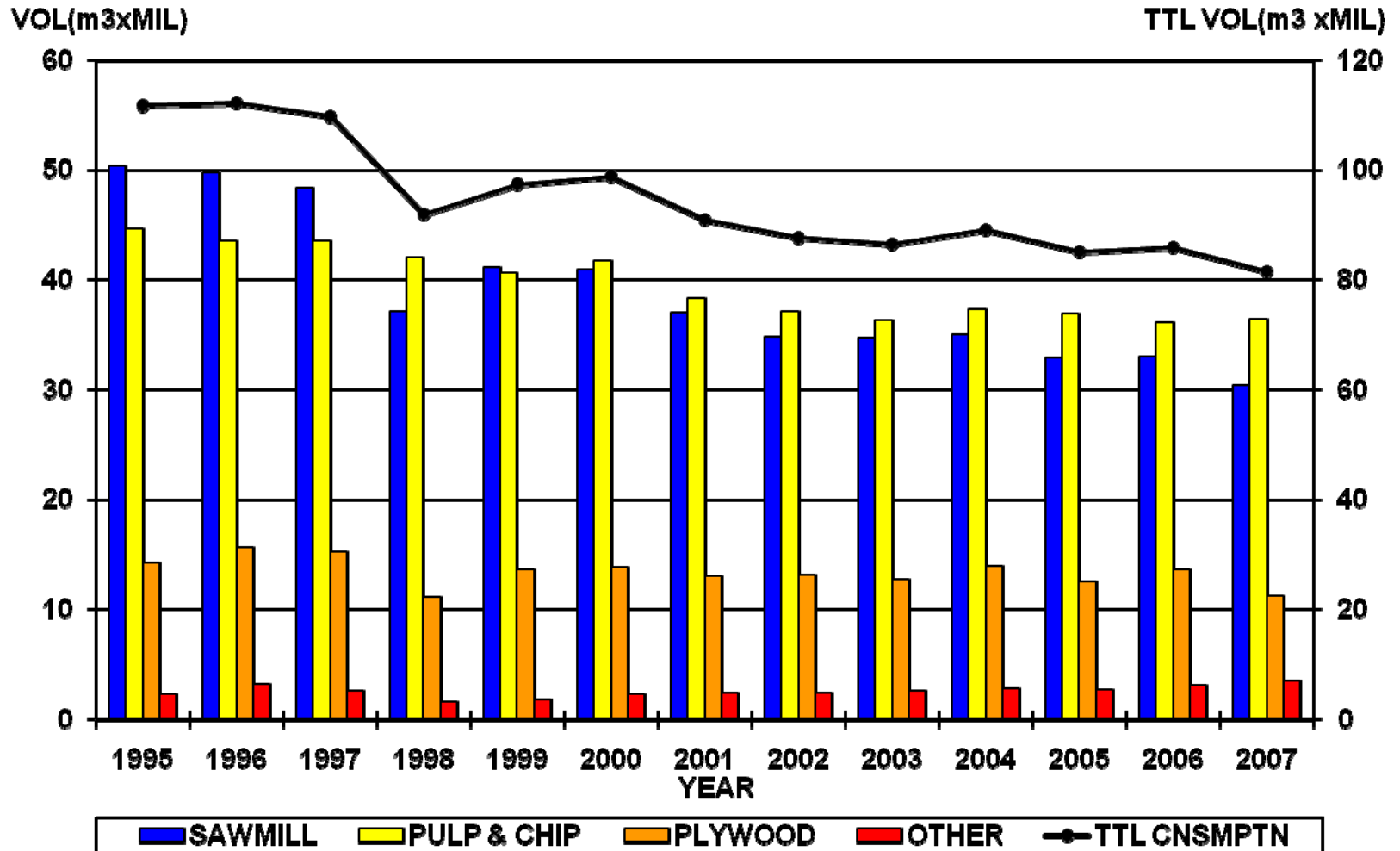
(**) AVE POP = SUM POP(2003-2007) / 5YRS

IV. ALL KINDS OF LOG CONSUMPTION IN JAPAN

FOREST AGENCY REPORT AUG 2008

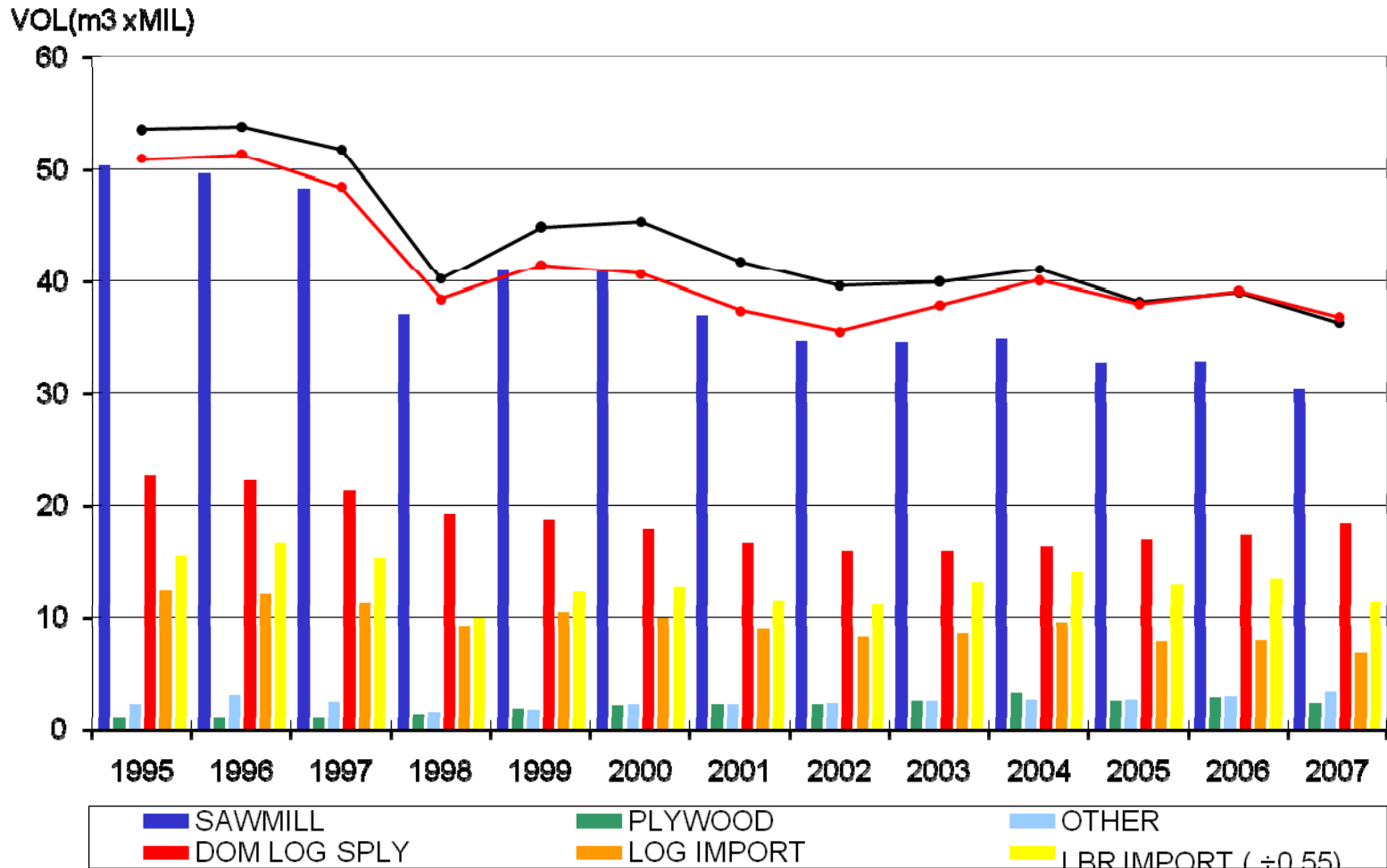
1. Total log consumption: 81million m3 in 2007.

2. From 1996 to 2007: -31million m3, -27%



V. SOFTWOOD LOG DEMAND & SUPPLY IN JAPAN (EXCLUDING PULP & CHIPS)

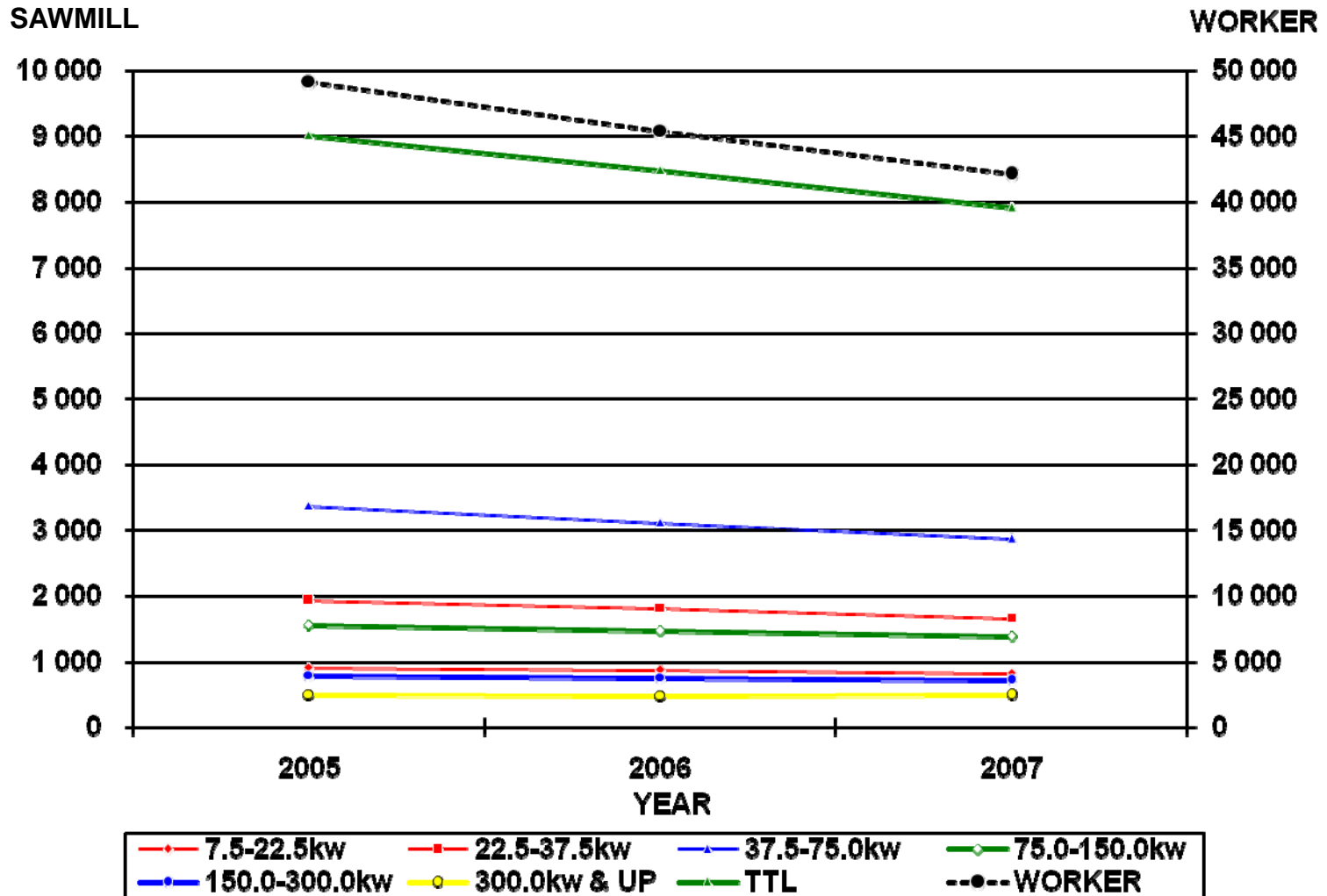
1. Demand in 2007: Sawmill = 30mil. M3 Plywood mill = 2.5mil.m3
2. Sawmill demand for logs has been decreasing year by year.



PLUWOOD USE 1995-1997 : ESTIMATE FIG

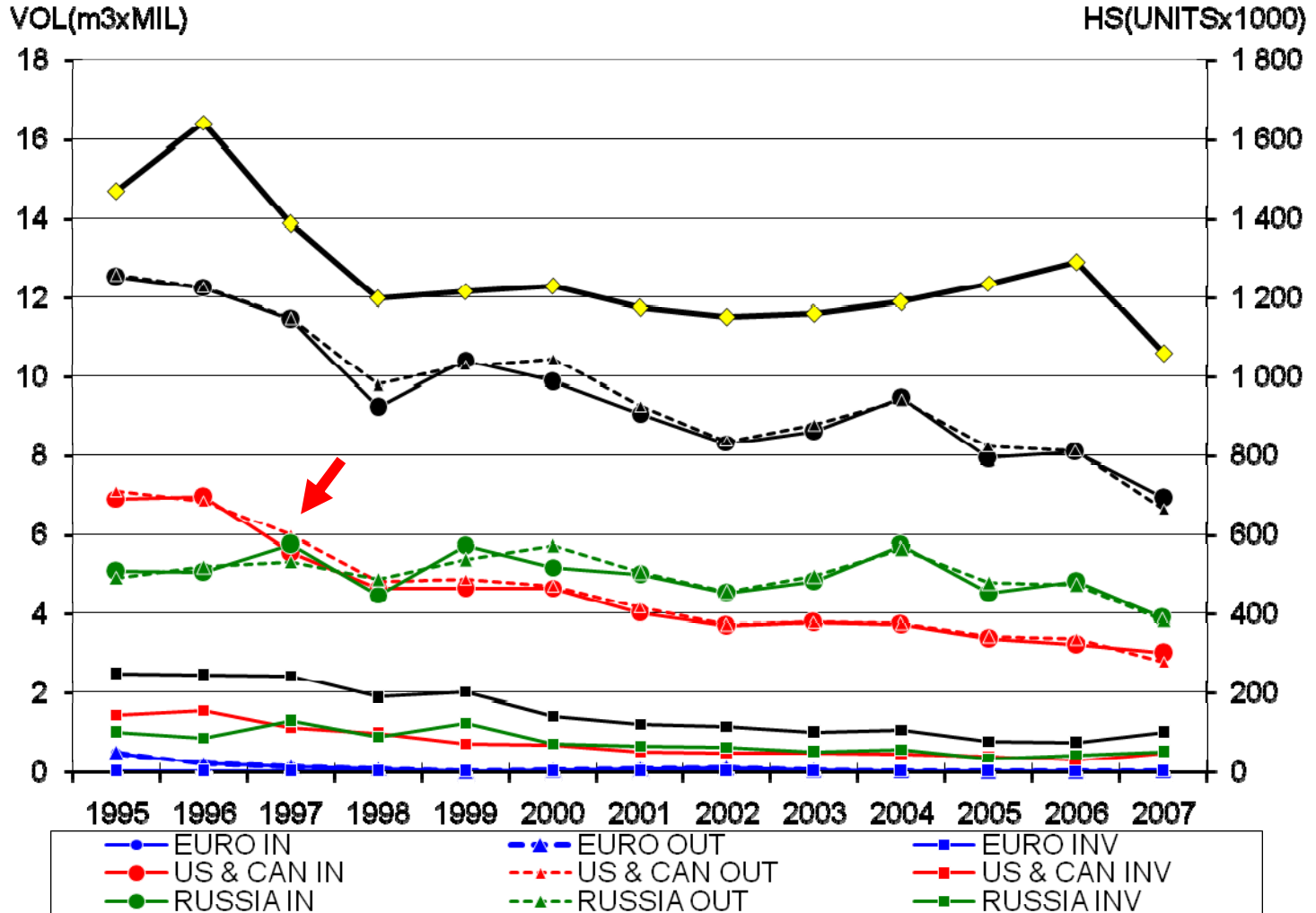
VI. JAPANESE SAWMILL BY POWER

1. Number of Japanese sawmills has been decreasing annually.
2. Japanese sawmill size is smaller: 60mills consume 24,000m³+/YR/mill.



VII. SOFTWOOD LOG IMPORT TO JAPAN

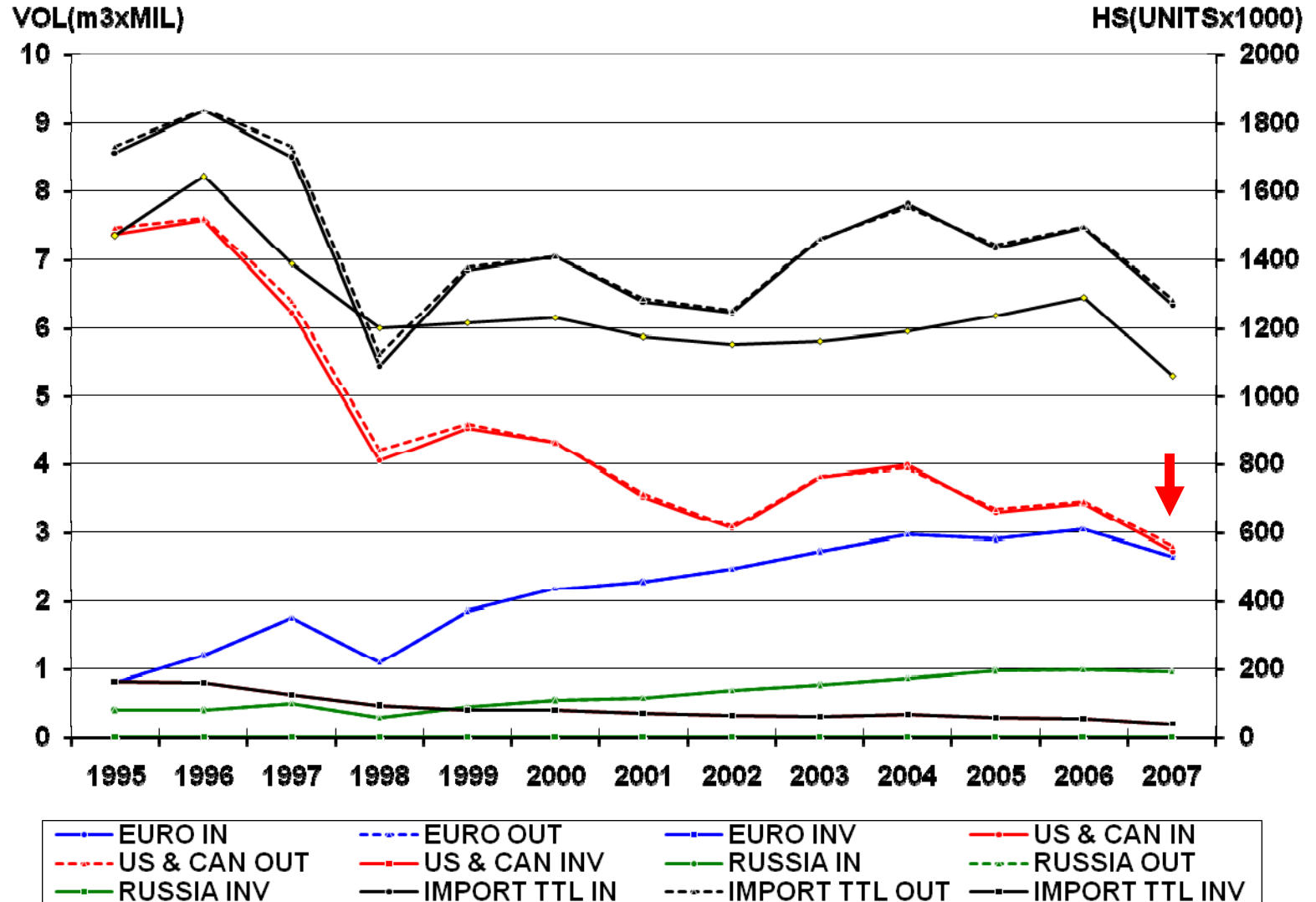
1. Japan had imported 6.9mil.m3 logs in 2007, down by 1mil.m3, 14% from 2006.
2. N.American logs used to be the main import.
3. Russian logs has taken place since 1997.



VIII. SOFTWOOD LBR IMPORT TO JAPAN

1. Japan had imported 6.3mil.m3 logs in 2007, down by 1mil.m3, 14% from 2006.

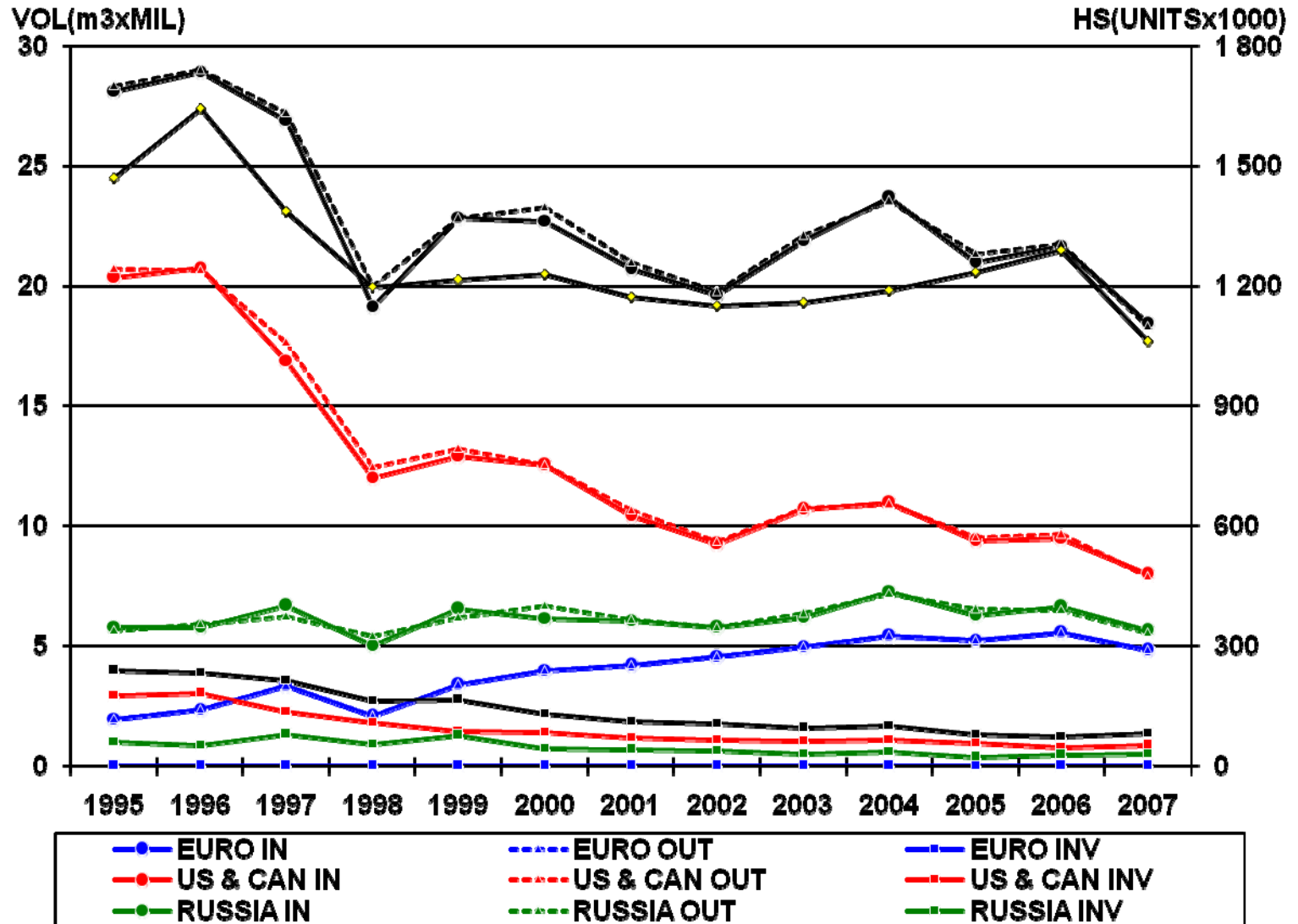
2. European lumber has been taking N.American lumber share. (almost same in 2007)



IX. SOFTWOOD LOG & LBR IMPORT TO JAPAN

(LBR ADJUSTED: $LBR \div 0.55 = LOG \text{ BASE}$)

N.American volume is getting closer to Russian & European volume.



Our concern

1. Sub Prime Loan

Banks have tightened their credit line especially for real estate and housing industries.

Japanese housing starts will be below 1million units in 2009.

2. Russian Log Export Tax 80% ?

Nobody has accurate details in regards to how this tax will be applied as of January 1st, 2009.

It is impossible to use Russian logs in Japan with high tax.

The Japanese plywood mills and some sawmills are increasing domestic softwood logs.

Thank you.

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