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A proposal plan for forestry approved by the Forestry Agency

The "Forest and Forestry Basic Plan", which lays out the basic direction of the measures related forests and forestry in the future, was approved by the Cabinet on May 24. The plan is reviewed and revised every five years since it was first drawn up in October 1991, and for this current plan, the previous plan, which was established in July 2011, was reviewed and revised after taking into account various issues and changes in the situation.

Targets for the fulfillment of multifunctional roles of forests

	Current Amount	Target Amount		
	2015	2020	2025	2035
Total Forest Area (10,000 CBM)	2,510	2,510	2,510	2,510
Cultivated single-layer forests	1,030	1,020	1,020	990
Cultivated multi-layer forests	100	120	140	200
Naturally regenerated forests	1,380	1,360	1,350	1,320
Total Cumulative Amount (1,000,000 CBM)	5,070	5,270	5,400	5,550
(CBM/ha)	202	210	215	221
Total Amount of Growth (1,000,000 CBM/Y)	70	64	58	55
(CBM/ha)	2.8	2.5	2.3	2.2

Concerning the situation surrounding forests and forestry, the man-made forests, which have entered into the period of actual use, make up over 10.0 million hectares, and the accumulation has increased more than five times in half a century to about 5.0 billion cubic meters. Over half of the man-made forests have already become over the 10 year old class, which is generally in the final cutting period, and if the situation moves ahead as is, the final cutting period of man-made forests is expected to reach about 70% after roughly five years, so the nurturing principal of forestry management is also entering into a turning point period.

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Target Amount of Wood Supply

unit: 1,000,000 cubic meters

	2014 (Result)	2020 (Target)	2025 (Target)
Supply of wood	24	32	40

Targets for the amount of use and the outlook for total demand

unit: 1,000,000 cubic meters

Products	Amount of Use			Total Demand		
	2014	2020	2025	2014	2020	2025
lumber	12	15	18	28	28	28
pulp/woodchips	5	5	6	32	31	30
plywood	3	5	6	11	11	11
fuel	2	6	8	3	7	9
others	1	1	2	1	2	2
Total	24	32	40	76	79	79

Hot Topic:

In the third quarter, the demand for domestic logs for lumber, domestic logs for plywood, imported logs and plywood was forecast to increase from the same period in the previous year.>> Page 3

For the current plan, five items were raised: 1) development of forestry by recycling resources, 2) construction of a stable supply of raw wood, 3) strengthening the competitiveness of the lumber industry and creating new lumber demand, 4) local creation by forestry and forest industry as a growth industry, and 5) responding to the conversation of biodiversity and measures against global warming, and the direction of the effort to be put into each item was specifically shown.

The plan shows the direction of various measures that are related to forests and forestry and that are forecasted about 20 years in the future, and in order to develop measures, the following items were seen as necessary as a basic point of view: 1) development of measures based on the site, 2) development of flexible measures that respond to new movements, and 3) promotion of people's understanding.

The targets for the use and supply of forest products and for the fulfillment of multifunctional roles of forests are pointed out in the tables.

Concerning the fulfillment of multifunctional roles of forests plans will be made to recycle forest resources by maintaining cultivated, single-layer forests, which are expected to take on a function of forest production, and the introduction of cultivated, multi-layer forests that are based on natural conditions will be promoted in order to plan for the further display of functions for the public good.

Concerning targets related to supply and use, the outlook for total demand in 2025 is 79.0 million cubic meters, and the target for the amount of use is 40.0 million cubic meters.

The supply target points out the amount of supply in cases in which forest maintenance and conservation are conducted for the display of expected functions. Concerning the target for use, it includes the amount of wood for various feasible uses in cases in which effort has been properly promoted in addition to forecasting demand trends in the future.

Meeting

Japan North American Lumber Conference's Ordinary General Meeting for 2016

The Japan North American Lumber Conference held its ordinary general meeting for fiscal 2016 in Tokyo on June 8. Following a discussion regarding presented bills, a board election was held and all the board members including Chairman Ema were reelected. Then local conditions in the producing regions of North American wood and the situation of Japanese market were reported. And Japan's demand for North American logs and lumber for January-December 2016, which was estimated in December 2015, was revised to 2,724,000 cubic meters of logs (up 3.9% from the previous year) and 2,255,000 cubic meters of lumber (down 3.0% from the previous year). The log demand is concentrated in the Chugoku and Keihin districts, where Chugoku Mokuzai Co., Ltd., the largest sawmill in Japan, has its head factory and the Kashima factory.

<*Conditions in producing regions reported by trading companies*>

Logging operations are going well in the U.S., and there are sufficient inventories, although the level is lower than it was some time ago. The U.S. sees active housing starts, and the prices for both logs and lumber are rising. The prices of logs for Japan are weaker in June, reflecting bad market conditions.

In Canada logging conditions are good. Douglas fir as a major species for Japan, which is mostly for plywood mills, is sufficiently supplied, resulting in weaker prices. Forest fires are annual concerns, but have not occurred yet at the moment.

<*Domestic Conditions reported by lumber wholesalers*>

The market of North American logs is almost monopolized by Chugoku Mokuzai. Half of lumber items are dimension lumber to be used for 2x4 constructions, and the other half is used for post-and-beam houses. The number of those manufacturers which produce lumber for Japan has decreased both in the U.S. and Canada, and the amount of supply has been on average without any major ups and downs.

Japan's import of lumber including those of European species has been declining, and Japanese cedar laminated lumber and others are used as substitutes. This tendency is expected to keep going for the future.

It seems Japan's import of logs for plywood has stopped reducing to hit the bottom now. It is still necessary to import logs of foreign species, which have strength, and a certain amount of import is expected to be maintained.

The suppliers of Douglas fir lumber want to add the gap from the exchange fluctuation to their prices, but it is hard to do so because of the weakening sales prices in Japan. The Japanese buyers hope to have as many business transactions as they

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had last year.

Custom-made houses are being constructed in Japan as usual, but it is unprofitable for the distributors of North American lumber, of which inventories are large. The share of U.S. and Canadian lumber has been shrinking in the Japanese market, and they have to face difficulties. The fluctuation in foreign exchange is a serious hindrance.

<***Others***>

The Chinese market remains sluggish, and the prices of Russian wood and New Zealand wood are weaker. The prices of logs for China are slightly weak in the producing regions, but it could recover after the summer.

Meeting

Meeting with the Taiwan LVL manufacturers and distributors

On May 31, Japan LVL Association made an interactive dialogue with 17 Taiwan LVL manufacturers and distributors in Shin-Kiba Tower. Japan Wood-Products Export Association promoted this conference by introducing participants from Taiwan. Issues on present LVL production situation in Japan and Taiwan, current demand trend and future prospect in Taiwan LVL market, Taiwan LVL import and distribution, have been discussed and negotiated throughout the morning. A seminar by Professor Mikio Koshihara form the Institute of Industrial Science, the University of Tokyo, was held in the afternoon. Professor Koshihara is serving as Chair of the Board of Directors in NPO team Timberize, which is famous for its activity in the project of Wooden City. Moreover, Timberize exhibition was also held in Taiwan and well-received. In this seminar, Professor Koshihara explained the long-standing history and showed the potential market of Japanese wooden architecture by giving concrete examples.

In Taiwan, mainly used as fixtures and wood batten products, LVL is in high demand for apartments and business shops. Importing poplar, eucalyptus and radiata pine, manufacturers produce LVL with these materials in Taiwan. Furthermore, LVL made from hardwood such as Lauan, which is made in Malaysia and Indonesia, has been available in Taiwan as well. However, it seems that there are not enough LVL products of high quality, so Japanese high-quality LVL will be distinguished from what they already have in Taiwan market and be promising in the future (Taiwan's distributor). On the day following the conference, 16 Taiwan LVL manufacturers and distributors took a visit to KEYTEC Co., Ltd. in Kisarazu. They carefully observed production site and learned use examples.

Wholesalers' view

Southsea timber market

According to the document released by the Japan Southsea Lumber

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Forecast

Forecast for the supply and demand for major timber

The Forestry Agency recently compiled the forecast of the supply and demand for major timber (the third quarter and the fourth quarter of 2016). According to the forecast, as for the demand for major timber in the third quarter (July - September), while the demand for domestic logs for lumber, domestic logs for plywood, imported logs and plywood was forecast to increase from the same period in the previous year, the demand for imported lumber products and structural laminated lumber was forecast to decline from the same period in the previous year. As for the demand in the fourth quarter (October - December), while the demand for domestic logs for lumber and plywood were forecast to increase from the same period in the previous year, the demand for imported logs and structural laminated lumber was forecast to be almost unchanged, and the demand for domestic logs for plywood and imported lumber products was forecast to decrease. New housing starts for fiscal 2016 (April 2016 - March 2017) that was used as the base for the forecast was estimated to be 941,000 units, up by 2.2% from the previous year, and new housing starts for fiscal 2017 was estimated to be 933,000 units.

Quarterly Supply & Demand for Major Timber

(1,000 cubic meters)

	2012	2013	2014	2015				2015	2016				2016
	Total	Total	Total	1Q	2Q	3Q	4Q	Total	1Q	*2Q	*3Q	*4Q	Total
Domestic Logs													
demand for lumber	11,321	12,058	12,211	2,989	2,956	2,747	3,143	11,835	3,079	3,100	3,200	3,200	12,579
demand for plywood	2,602	3,016	3,191	819	844	782	913	3,358	877	880	840	890	3,487
American Logs													
supply	3,048	3,420	3,093	621	661	584	699	2,565	767	700	650	700	2,817
demand	3,059	3,399	3,073	682	646	634	660	2,622	684	680	650	680	2,694
stock	-	-	-	226	242	192	231	-	314	334	334	354	-
American Lumber													
supply	2,751	2,867	2,362	545	606	573	615	2,340	524	560	570	600	2,254
demand	2,765	2,837	2,430	558	611	551	604	2,325	555	560	570	580	2,265
stock	-	-	-	142	137	159	170	-	139	139	139	159	-
European Lumber													
supply	2,443	3,201	2,500	518	627	644	596	2,385	688	730	600	500	2,518
Southsea Logs													
supply	333	292	266	48	66	47	81	243	50	60	55	65	230
demand	376	305	276	60	64	62	63	248	63	72	68	74	277
(for lumber)	76	90	69	17	13	15	14	58	16	12	13	14	55
(for plywood)	300	215	207	43	50	48	49	190	47	60	55	60	222
stock	-	-	-	63	66	51	69	-	56	44	31	22	-
Southsea Lumber													
supply	583	590	582	129	129	121	128	507	123	125	120	123	491
demand	577	588	576	142	137	111	120	510	168	100	120	120	508
stock	-	-	-	112	104	114	122	-	77	102	102	105	-
Russian Logs													
supply	252	214	199	25	47	39	26	137	35	40	45	25	145
demand	269	208	189	36	29	50	44	158	37	45	40	35	157
stock	-	-	-	30	49	38	20	-	18	13	18	8	-
Russian Lumber													
supply	615	751	641	170	167	130	144	611	180	160	150	140	630
NZ-Chilean Logs													
supply	723	590	529	130	103	85	95	413	140	105	100	100	445
demand	685	668	539	127	102	97	107	433	114	95	95	100	404
stock	-	-	-	28	29	17	5	-	31	41	46	46	-
NZ-Chilean Lumber													
supply	306	295	344	91	70	64	64	289	85	64	69	70	288
demand	327	287	352	84	78	60	66	288	92	65	60	66	283
stock	-	-	-	46	38	42	40	-	33	32	41	45	-
Plywood													
supply	6,090	6,462	6,297	1,484	1,375	1,345	1,451	5,656	1,459	1,445	1,450	1,480	5,834
(domestic output)	2,564	2,818	2,806	689	680	661	741	2,770	759	740	750	760	3,009
(imported)	3,526	3,645	3,491	795	696	684	710	2,885	700	705	700	720	2,825
demand	6,074	6,517	6,211	1,464	1,384	1,439	1,479	5,766	1,454	1,445	1,445	1,470	5,814
(domestic output)	2,571	2,869	2,704	656	700	749	764	2,869	754	765	765	770	3,054
(imported)	3,503	3,648	3,507	808	684	690	715	2,897	700	680	680	700	2,760
stock	-	-	-	1,261	1,252	1,158	1,130	-	1,135	1,135	1,140	1,150	-
(domestic output)	-	-	-	338	317	229	206	-	211	186	171	161	-
(imported)	-	-	-	923	935	929	924	-	924	949	969	989	-
Structural Laminated Lumber													
supply	2,048	2,254	2,137	468	508	545	509	2,030	499	545	525	505	2,074
(domestic output)	1,374	1,493	1,409	310	320	350	345	1,325	325	345	350	345	1,365
(imported)	674	761	728	158	188	195	164	705	174	200	175	160	709

*The figures for 2Q 2016 are presumption; for 3Q and 4Q 2016 are estimates.

*Source: Forestry Agency

Conference, the inventory of logs is abundant in Indonesia that is a producing area, and prices have been unchanged and stable. The backlog of orders which plywood manufacturers have is worth 1 month to 1.5 months. However, Japanese buyers remain tough in the price negotiation, citing sluggish demand as a reason, and suppliers in producing areas are growing tired of negotiation with Japanese buyers. As a result, suppliers are becoming keen on receiving orders for products for other countries with which they can secure the profit for sure even though the quantity is not large.

In Sarawak, Malaysia, logging

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FOB of Southsea Logs

(US$ per cubic meter)

	2015		2016		
	Highest	Lowest	May 1st Week	June 1st Week	July 1st Week
Sarawak Logs					
Meranti SQ-up	300-304	275-279	275-279	274-278	**282-286**
Meranti Small (Small 70%, S.S. 30%)	255-259	237-241	228-232	231-235	**236-240**
Ocean Freight					
Sarawak	54.8	54.0	52.7	52.0	**52.5**
Yen/US$	-	-	109.4	109.8	**105.3**

*SQ = second quality, S.S. = super small

Imports of Southsea Logs by Origin

(1,000 cubic meter)

	Southsea Logs Import				
	Total	**Sabah**	**SRWK**	**Slmn.**	**PNG**
2012	332.7	121.1	255.5	18.5	115.8
2013	292.2	63.8	180.7	21.3	67.0
2014	265.9	86.4	143.5	4.5	55.8
2015	243.4	98.8	89.7	18.8	36.0
2016 YTD	**88.2**	**44.1**	**30.8**	**2.4**	**11.0**
Jan.	15.5	7.7	7.7	-	-
Feb.	22.0	6.2	9.8	-	5.9
Mar.	12.3	6.7	0.9	2.4	2.3
Apr.	16.2	11.8	4.4	-	-
May	22.3	11.6	8.0	-	2.8
June					
July					
Aug.					
Sep.					
Oct.					
Nov.					
Dec.					

Supply/Demand of Southsea Logs

(1,000 cubic meter)

	Southsea Logs				
	Import	**Demand**			**Stock**
	Total	**Total**	**for PW**	**for Lbr**	
2012	332.7	509.1	402.4	106.8	140.1
2013	292.2	375.8	299.7	76.1	97.0
2014	265.9	304.5	214.7	89.8	74.4
2015	243.4	248.1	190.3	57.9	69.7
2016 YTD	**88.2**	**95.4**	**73.6**	**21.8**	
Jan.	15.5	21.4	16.5	4.9	63.7
Feb.	22.0	22.5	17.5	5.0	63.2
Mar.	12.3	19.2	12.7	6.5	56.3
Apr.	16.2	13.5	10.3	3.2	59.0
May	22.3	18.8	16.5	2.2	62.5
June					
July					
Aug.					
Sep.					
Oct.					
Nov.					
Dec.					

Import Results of Southsea Lumber Products

(unit: cubic meter; %)

	Overall Lumber Products			Lumber			Processed lumber			Free boards		
		YTD	y/y		YTD	y/y		YTD	y/y		YTD	y/y
2016 May												
China	17,327	80,723	-4.0	328	2,044	-25.7	5,350	24,591	-2.7	11,649	54,088	-3.6
Malaysia	7,803	33,036	-15.9	5,010	20,739	-12.7	2,410	10,355	-21.4	383	1,942	-17.0
Indonesia	13,944	67,277	5.9	1,644	8,309	25.1	3,465	17,541	15.2	8,835	41,427	-0.5
Vietnam	3,471	16,342	-0.7	299	1,189	38.7	706	3,542	-22.0	2,466	11,611	5.0
Philippines	1,874	8,206	31.2	764	3,452	18.3	345	1,292	-0.4	765	3,462	69.5

operation is suspended due to the holiday season, and there is a sense of tightness in the supply of raw wood. Prices of logs for both export and distribution in Sarawak are showing bullish tendency. Prices of plywood for the Middle East are increasing gradually, and major suppliers are making shifts from the production for Japan to the production for the Middle East. Shippers making products mainly for Japan lost some of shares to Indonesian shippers in terms of the regular plywood, plywood for concrete forming and plywood for the structural use and are forced to deal with tough business conditions while the prices of logs soar.

The arrival of Southsea logs in May was 22,314 cubic meters. The breakdown was 11,557 cubic meters from Sabah, 8,989 cubic meters from Sarawak and 2,768 cubic meters from Papua New Guinea. The shipment was 18,788 cubic meters with the inventory at the end of May increasing to 62,507 cubic meters or 3.33 months.

The actual import volume of Southsea lumber products in May were 8,309 cubic meters for lumber (down by 2.0% from the same month in the previous year), 12,433 cubic meters for processed lumber (down by 5.2% from the same month in the previous year) and 24,476 cubic meters for free boards (down by 0.8% from the same month in the previous year). The total was 45,218 cubic meters. As for the arrival of lumber and processed lumber by country (January through May), the arrival from Malaysia was the largest (31,094 cubic meters), followed by China (26,635 cubic meters) and Indonesia (25,850 cubic meters). As for free boards, Indonesia remained at the top with 67,277 cubic meters.

:Housing data:

Housing Starts in May

According to a report released by the Ministry of Land, Infrastructure, Transport and Tourism on June 30th, Japan's housing starts in May were 78,728 units (up 9.8% from the same month in the previous year), surpassing the previous year's results for five consecutive months. Compared with the previous month, housing starts decreased by 4.5% due to Golden Week Holidays, but the seasonally-adjusted annual rate was 1,017,000 units (up 2.3% from the previous month), exceeding 1,000,000 units for the first time since last June. Housing starts have been robust thanks to historically low home loan rates.

Looking at the results of May by owner/occupant, housing starts of owner-occupied houses were 23,501 units (up 4.3% from the same month of the previous year), showing slow growth rate. Those of built-for-sale houses were 22,213 units (up 7.9%). Of the built-for-sale houses, condominiums were 11,236 units (down 0.8%), decreasing for the first time in four months. In contrast, single-family houses were 10,796 units (up 18%), increasing significantly from 9,148 units in the same month of the previous year, which showed a low level. Housing starts of rental houses were 32,427 units (up 15%), increasing for seven months in a row. When compared to the previous month, they decreased by 8.7%, but they remain good owing to such factors as inheritance tax reduction method.

By construction methods, housing starts of prefabricated houses were 11,121 units (down 3.2%), and those of two-by-four houses were 9,412

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Housing Starts by Region

(unit of home / %)

	Tokyo metropolitan		Chubu region		Kinki region		Other regions	
	unit	y/y	unit	y/y	unit	y/y	unit	y/y
2016								
APR	29,792	7.5	8,404	2.6	13,050	32.9	31,152	4.2
MAY	28,279	12.0	8,490	0.9	10,682	2.6	31,277	13.2
JUN								

Housing Starts

(unit of home)

	TOTAL	Structure		Owner / Occupant			
		wooden	non-wooden	owner-occupied	rent	COH	built-for-sale
2015							
TOTAL	909,299	504,318	404,981	283,366	378,718	6,014	241,201
2016							
YTD	377,516	204,160	173,356	110,590	155,662	2,590	108,674
Jan.	67,815	37,516	30,299	20,264	28,288	360	18,903
Feb.	72,831	38,605	34,226	20,984	28,871	572	22,404
Mar.	75,744	41,154	34,590	22,274	30,572	773	22,125
Apr.	82,398	44,091	38,307	23,567	35,504	298	23,029
May	78,728	42,794	35,934	23,501	32,427	587	22,213
June							
July							
Aug.							
Sep.							
Oct.							
Nov.							
Dec.							

*source: Ministry of Land, Infrastructure, Transport and Tourism
*COH=company owned houses to be rented to their employees, etc.

units (up 13.7%). For prefabricated houses, total housing starts from January to May this year were down 1.4% from the previous year's results, showing sluggish trend. By structure, housing starts of wooden houses were 42,794 units (up 12.2%). The ratio of wooden houses by the number of units was 54.3%, increasing by 0.8 points from the previous month.

Housing Starts of Built for Sale, Prefabricated and 2 x 4 homes

(unit of home / %)

	Built for Sale		Condominiums		Single family homes		Prefabricated homes		2 x 4 homes	
	unit	y/y	unit	y/y	unit	y/y	unit	y/y	unit	y/y
Annual Starts										
2012	246,810	5.2	123,203	5.5	122,590	5.0	132,244	4.3	107,487	9.4
2013	263,931	6.9	127,599	3.6	134,888	10.0	146,402	10.7	120,111	11.7
2014	237,428	-10.0	110,475	-13.4	125,421	-7.0	140,501	-4.0	111,503	-7.2
2015	241,201	1.6	115,652	4.7	123,624	-1.4	143,549	2.2	114,617	2.8
Monthly Starts										
JAN. 2016	18,903	-5.7	8,383	-19.2	10,359	8.9	11,888	1.0	7,990	-2.9
FEB	22,404	9.6	11,752	9.9	10,602	10.1	10,827	1.5	8,529	4.9
MAR	22,125	26.0	11,290	49.0	10,678	8.0	10,941	-5.6	9,553	6.9
APR	23,029	9.0	11,936	7.8	10,933	10.5	10,850	-0.3	10,259	9.3
MAY	22,213	7.9	11,236	-0.8	10,796	18.0	11,121	-3.2	9,412	13.7
JUN										
JUL										
AUG										
SEP										
OCT										
NOV										
DEC										

Statistics

Plywood supply in May

Compiled by the Japan Plywood Manufacturers' Association from the Ministry of Finance's *Trade Statistics*, the amount of imported plywood in May exceeded the results of the same month last year for the first time in 7 months to 232,514 m³ (7.3% increase compared to the same month last year). The import amounts based on country showed Malaysia with 98,169 m³ (11.1% increase) increasing for the first time in 7 months. The amount from Indonesia increased for the first time in 3 months with 69,479 m³ (11.6% increase), but the amount from China was 50,756 m³ (2.6% decrease) decreasing for the 2nd consecutive month. The increase in the amount received occurred after a long decrease with a low level in May of last year, and the underlying decreasing trend has not changed. Factors for the decrease in the amount received include trends in the currency exchange rate and circumstances in the local regions of the exporting countries such as measures against illegal logging as well as the effects of the decrease in domestic demand. The value of plywood imports (CIF price) in May was 12.6628 billion yen (12% decrease) decreasing for the 7th consecutive month.

According to *Plywood Statistics* compiled by the Statistics Department of the Ministry of Agriculture, Forestry and Fisheries, the amount of production of regular plywood in May was 238,300 m³ (8.6% increase compared to the same month last year) increasing for the 10th consecutive month, and the amount of shipments was 247,993 m³ (16.4% increase) exceeding the amount received in May. The amount of stocks at the end of the month decreased to 151,572 m³ (50.8% decrease).

The amount of production of softwood plywood was 224,364 m³ (9.1% increase), the amount of shipments was 233,523 m³ (16.1% increase), and the amount of stocks at the end of the month was 113,700 m³ (57.3% decrease) falling to about 40% of the results of the same month last year. The production of softwood plywood is also seen as continuing to

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p.c.m=per cubic meter

Japanese market Indications

	2015	2016		
	July	Jun	July	
North American	(Yen; wholesale prices, on truck)			
Logs				
Hemlock Coast No.3, 12" up	23,400	22,320	22,320	p.c.m
Douglas Fir SS No.3, 12" up	28,800	27,720	27,720	"
Douglas Fir Coast No.3, 12" up	26,640	25,560	25,560	"
Douglas Fir mid-dia., 8/11, J-sort	24,840	23,760	23,760	"
Lumber				
Hemlock 105mm sq., roof beam, std.	52,000	51,000	51,000	p.c.m
Hemlock 105mm sq., roof beam, KD	60,000	58,000	58,000	"
Hemlock 90mm sq., purlin, std.	52,000	51,000	51,000	"
Hemlock 90mm sq., purlin, KD	60,000	58,000	58,000	"
Hemlock 45x105mm, KD, floor joist, 4m	50,000	50,000	50,000	"
Hemlock 105mm sq., preserved sill, 4m	52,000	54,000	54,000	"
Douglas Fir 90mm sq., purlin, KD	58,000	57,000	57,000	"
Douglas Fir 45x45mm, KD, rafter, 4m	54,500	53,000	53,000	"
Douglas Fir 45x105mm, solid, KD, floor joist, 4m	55,500	54,000	54,000	"
Douglas Fir 120mm sq., laminated, 6m	125,000	123,000	123,000	"
Douglas Fir hirakaku, KD, 3, 4m	55,000	53,000	53,000	"
Douglas Fir hirakaku, laminated, 3, 4m	125,000	123,000	123,000	"
Yellow Cedar 5" x 6W BC Clear	150,000	150,000	150,000	"
* Yellow Cedar 120mm, sill (pithless), 4m	63,000	63,000	63,000	"
Spruce 8"3/4, board, Clear	240,000	240,000	240,000	"
European	(Yen; wholesale prices, on truck)			
Whitewood 105mm sq., 5-ply kudabashira, home-sawn	1,830	1,900	1,900	per piece
Whitewood 105mm sq., 5-ply kudabashira, imported	1,830	1,900	1,900	"
Whitewood 27x105mm, solid, 3m, Central	50,000	53,000	52,000	p.c.m
Whitewood 27x105mm, solid, 3m, Nordic	50,000	53,000	52,000	"
Whitewood 30x105mm, solid, 3m, Central	50,000	53,000	52,000	"
Whitewood 30x105mm, solid, 3m, Nordic	50,000	53,000	52,000	"
Whitewood rough lamina, randam length, Central	38,000	36,000	36,000	"
Whitewood rough lamina, randam length, Nordic	39,000	36,000	36,000	"
Redwood hirakaku, laminated, 3~6m	57,000	58,000	58,000	"
Dimension Lumber	(Yen; wholesale prices, on truck; green count)			
SPF 2x4~8", KD 10~20' J-grade	41,500	41,500	42,500	p.c.m
SPF 2x10", KD 10~20' J-grade	47,500	47,500	48,500	"
Whitewood 2x4~8", KD 10~16' J-grade	45,500	45,750	46,750	"
Whitewood 2x10", KD 10~16' J-grade	50,500	50,750	51,750	"
Japanese	(Yen; wholesale prices, on truck)			
Logs				
Japanese Cedar (Akita) 3.65-4m, 14-22cm dia.	10,400	9,900	9,800	p.c.m
Japanese Cedar (Fukushima) 3.65-4m, 14-22cm dia.	10,400	9,900	9,400	"
Japanese Cypress (Gifu) 3.65-4m, 14-22cm dia.	15,800	16,200	15,600	"

*Since May 2015, lumber has been switched to another with different grad type, which has a large trading volume.

Japanese Market Indications

	2015	2016		
	July	Jun	July	
Japanese	(Yen; wholesale prices, on truck)			
Lumber				
Japanese Cedar post 10.5cm sq., 3m	58,200	57,500	57,500	p.c.m
Japanese Cedar post 10.5cm sq., 3m KD	64,900	64,900	65,000	"
Japanese Cedar roof beam 10.5cm sq., 3.65-4m	52,600	52,200	52,200	"
Japanese Cypress post 10.5cm sq., 3m	78,100	79,100	79,100	"
Japanese Cypress post 10.5cm sq., 3m, KD	83,400	82,900	82,800	"
Japanese Cedar kowari lumber (Akita)	240	240	240	per piece
Japanese Cedar 2.7 x 10.5cm, KD (Kyushu)	54,000	53,000	53,000	p.c.m
Russian	(Yen; wholesale prices, on truck)			
Logs				
Whitewood mid-dia., short-length in Toyama market	6,000	5,500	5,300	per koku
Larch mid-dia., short-length in Toyama market	5,500	5,500	5,300	"
Red Pine mid-dia., short-length in Toyama market	6,800	6,300	6,300	"
Lumber				
* Whitewood rafter in Chukyo market, Green	50,000	-	-	p.c.m
Whitewood rafter in Chukyo market, KD	63,000	60,000	60,000	"
Whitewood rail in Chukyo market	51,000	48,000	48,000	"
Radiata Pine	(Yen; wholesale prices, on truck)			
Logs				
New Zealand, A-sort	5,000	4,000	4,000	per koku
Lumber				
board, Chile				
12.0mm x 4m, random width (120,150, 180, 210mm)	41,000	36,000	35,000	p.c.m
Southsea	(Yen; wholesale prices, on truck)			
Logs for plywood				
Meranti (Hill SRWK) ordinary lot	12,930	11,700	12,500	per koku
Meranti (Hill SRWK) small lot	10,800	9,600	9,700	"
Kapur (SRWK)	14,500	14,000	14,000	"
Plywood	(Yen; wholesale prices, on truck)			
Type II 2.3mm x 910 x 1820, F4-star	560	560	560	per sheet
Type II 4.0mm x 910 x 1820, F4-star	730	740	740	"
Type II 5.5mm x 910 x 1820, F4-star	860	870	870	"
Concrete form (CF) Type I 12.0mm x 900 x 1800	1,380	1,300	1,270	"
Imported CF JAS 12.0mm x 900 x 1800	1,480	1,330	1,290	"
Imported structural PW JAS 12.0mm x 910 x 1820, F4-star	1,480	1,350	1,300	"
Structural Softwood PW 12.0mm x 910 x 1820, F4-star	850	1,020	1,020	"
Structural Softwood PW 24.0mm x 910 x 1820, F4-star	2,100	2,330	2,330	"
OSB	(Yen; wholesale prices, on truck)			
JAS 9.5mm x 910 x 2440	920	860	770	per sheet
JAS 12.0mm x 910 x 1820	830	780	770	"

*The price has not been announced since March 2016 due to end of the distribution in the market.

increase from here on after because demand is expected from housing and from reconstruction from the Kumamoto earthquake.

The amount of plywood exports in May continued to increase greatly to 8,486 m³ (352.8% increase). Looking at the amount based on country, the amount for the Philippines was 8,028 m³ (952.2% increase) accounting for 95% of the total.

Amount of Imported Plywood by Countries

m³; %

	Overall Amount of Imported Plywood		Malaysia		Indonesia		China		New Zealand		Taiwan	
		y/y		y/y		y/y		y/y		y/y		y/y
2016												
APR	231,285	-12.2	87,720	-13.3	78,619	-10.0	51,420	-11.9	895	-78.5	1,209	6.4
MAY	232,154	7.3	98,169	11.1	69,479	11.6	50,756	-2.6	1,938	8.8	687	-18.0
JUN												
YTD	1,163,129	-8.8	461,960	-15.4	378,005	1.6	253,874	-10.5	9,671	-12.9	4,767	-16.2

Supply and Demand of Softwood Plywood

m³; %

	Domestic Production		*6mm & below		6-12mm		*12-24mm		*24mm & over		Shipment		Inventory	
		y/y		y/y		y/y		y/y		y/y		y/y		y/y
2016														
APR	237,082	9.4	1,571	-	33,627	-	113,323	-	88,561	-	247,019	17.6	122,883	-52.9
MAY	224,364	9.1	1,599	-	33,282	-	106,865	-	82,618	-	233,523	16.1	113,702	-57.3
JUN														
YTD	1,175,414	10.0	8,495	-	157,938	-	580,141	-	428,840	-	1,190,155	16.6	-	-

*The items have been changed since January 2016.

Supply and Demand of Regular Plywood

m³; %

	Domestic Production		*6mm & below		6-12mm		*12-24mm		*24mm & over		Shipment		Inventory		Imports		Total Supply in Japan	
		y/y		y/y		y/y		y/y		y/y		y/y		y/y		y/y		y/y
2016																		
APR	251,930	8.5	6,287	-	36,158	-	119,915	-	89,570	-	261,678	17.4	161,450	-46.4	231,285	-12.2	483,215	-2.5
MAY	238,300	8.6	6,039	-	35,630	-	113,238	-	83,393	-	247,993	16.4	151,572	-50.8	232,154	7.3	470,454	7.9
JUN																		
YTD	1,249,198	9.5	31,416	-	171,070	-	612,830	-	433,882	-	1,263,417	15.7	-	-	1,163,129	-8.8	2,412,327	-0.1

*The items have been changed since January 2016.

Plywood Market 1st Week July

The production volume of the domestic softwood plywood in May was down by 12,700 cubic meters from April to 224,000 cubic meters as the number of working days was limited due to the Golden Week holidays. On the other hand, the shipment continued to be large, standing at 234,000 cubic meters, and the manufacturers' inventory at the end of May was down to 114,000 cubic meters. The supply from manufacturers to trading companies and wholesalers was at the low level in July, and the softwood plywood continues to be in short supply nationwide. A sense of shortage is strong especially for thick items, products with protruding joint parts and 1m x 2m items. The modest increase in prices led by manufacturers continues.

As for the imported plywood, fluctuation in exchange rates and the account settlements by trading companies for the first quarter coincided at the end of June, and some of plywood for concrete forming, coated plywood for concrete forming and plywood for the structural use were sold at low prices. Prices remain unstable even in July. In the market, spot purchases are noticeable. The arrival of the imported plywood from the January through May was down by 9% from the same period in the previous year. However, in the market, a sign of recovery in the supply-demand balance is still not detected. Import companies will have the inventory of expensive products and will be forced to manage tougher business conditions if the value of yen increases further in future. The prices of lauan regular plywood remain unchanged, and there is no change in the demand trend, either. However, the inventory of items in certain sizes is becoming lower.

Canadian SPF Dimension Lumber

The import prices of Canadian SPF dimension lumber in early July were $480/mfbm for 2x4, 2x6 and 2x8 items and $570/mfbm for 2x10. Prices have been unchanged for 8 consecutive months since December last year. The import prices of dimension lumber have remained stable for a long time. However, prices of timber products in producing areas started showing upward trend due to the impact of the strong demand in the U.S. There is a possibility that prices of dimension lumber for Japan may change as the summer approaches, depending on the balance with the production volume.

The housing start figure for 2x4 houses in May that was announced recently was 9,412 units, up by 13.7% from the same month in the previous year. It increased from the same month in the previous year for 4 consecutive months. The breakdown of the housing start figure, 9,412 units, was 2,604 units for owned houses, 5,722 units for rental houses, 1,075 units for houses built for sale and 11 units for others. The housing starts for rental houses that form the main segment was strong, up by 19.0% from the same month in the previous year, and the housing starts for houses built for sale also increased significantly, up by 21.3%, which pushed up the total number of housing starts. Housing starts of 2x4 houses remain strong, and there has been a trend that the numbers of low-rise public buildings built with 2x4 construction method have been rising. A major panel factory is meeting customers' demands by introducing state-of-the-art processing machine.

News in Brief

Mitsui Home Co., Ltd. recently held a tour and meeting concerning the completion of Hanahata Asuka Garden, a special 5-story nursing home for the elderly and the largest in Japan using the 2x4 construction method (wood frame construction). The building is the first in Japan to use the Midply Wall System, which was developed in Canada for use in mid-rise, wood constructed buildings, and the building was also selected as a leading project of wood construction and technology of the Ministry of Land, Infrastructure, Transport and Tourism for fiscal 2014. At the tour and meeting, the person-in-charge from Mitsui Home explained, "The finish was put on the building, and it's a shame that the wood constructed features are difficult to see. However, if you walk on the floor of the first floor, which uses the reinforced concrete construction method and on the wood constructed floor of the second floor and higher, you can clearly understand the difference. Wood is soft; the feel is nice and warm." The kind of structural wood components and the work process of the hand-made Midply Wall of the building are scheduled to be reviewed, and the way it is made is also scheduled to be simplified in the near future. Without adhering only to the 2x4 construction method, work will be done to enlarge the receiving of orders for wood constructed buildings in the future. With the general term of "with wood" for the current facilities-based construction business, the company is actively working on the construction of medical and welfare facilities, educational facilities such as kindergartens, and commercial facilities using wood construction.

The Wooden Home Builders Association of Japan (Mokujukyo in Japanese) **held its regular general meeting for fiscal 2016 in Tokyo on May 26 after which a press conference was held for invited members of the mass media.** At the beginning of the press conference, Akira Ichikawa, the new chairman, gave his greetings speech and said in expressing his decision, "Over 30 years have passed since the inauguration of this association, and the housing industry has greatly changed, but the role of the Mokujukyo is still a large one. As the 6th chairman, I would like firmly to fulfill our responsibilities." Next, an explanation was given concerning the activities for fiscal 2016. For this fiscal year, effort

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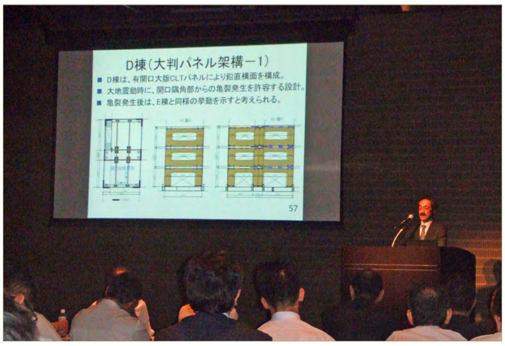
will especially be put into the following points: 1) expand the targets of the support system in the "Mokujukyo Remodeling Support System", 2) hold lecture classes concerning specifications of Mokujukyo for wood framed, fire resistant structures and semi-fire resistant structures according to ministry ordinance, 3) conduct education and training that follow the Mokujukyo curriculum with the purpose of developing and ensuring skilled carpenters and technicians, and 4) conduct research and surveys concerning exhibiting at the Japan Home Show and lumber products. As of March 31, 2016, the number of the members of Mokujukyo is 597 companies, increasing by 36 companies from the previous year to the largest in its history.

The Japan Cross Laminated Timber Association held the "Technological Report Meeting 2016" on May 30 in Tokyo. First at the meeting, Professor Naohito Kawai of Kogakuin University gave the keynote lecture titled, "Special Features of Structural Testing and Construction Method for CLT." Then, reports were made concerning the activities and achievements of the following working groups in the association: standard specifications, sound insulation, vibrations from footsteps, fire-proof and fire-resistant structures, manufacturing and processing, joining and bonding, rationalization of construction technology, heat, and durability. Concerning buildings using CLT, a public notification related to the legal status of CLT, which has been a major barrier for CLT during inspections and examinations, was enacted on March 31 and enforced from April 1, and concerns of people in the industry were further heightened. A full capacity of 350 people eagerly attended the meeting. In the keynote lecture, Professor Kawai explained about the results of strength experiments on cedar CLT conducted mainly by the Forestry Agency and seismic intensity platform experiments conducted mainly by the Ministry of Land, Infrastructure, Transport and Tourism, and he said that construction of 5-story buildings with small panel structures and 3-story buildings with large panel structures is possible. At the meeting, the Low-Rise CLT Structure System, for which the association received the ministry certification in April of this year, was also introduced.



Nihon Paper Industries Co., Ltd. (Tokyo) recently announced the decision to build a large-scale cellulose nanofiber (CNF) production facility at its Ishinomaki Mill (Ishinomaki City, Miyagi Prefecture). The facility will manufacture CNF from wood pulp that is chemically processed by the TEMPO catalytic oxidation method, and the annual production capacity will be 500 tons. It is scheduled to begin operations in April 2017. TEMPO-oxidized CNF is made from wood pulp that is minutely defibrated to the nano-level and nano-dispersed with uniform fiber widths of 3 to 4 nm and high crystalinity, and it has unique and outstanding features that have not been produced until now. The company has been working to develop CNF manufacturing technology since 2007, and it installed a testing facility with an annual production capacity of 30 tons at its Iwakuni Mill (Iwakuni City, Yamaguchi Prefecture) in October 2013. Last year, it succeeded in producing CNF sheets with metal ions on the surface, which have disinfectant and deodorizing effects, and a company in the Nihon Paper Group became the first company to commercialize health care products (such as disposable diapers for adult use) using functional CNF.

Zaiso Lumber Co., Ltd. (Nagoya City) recently set up a mill named "Domestic Lumber Department 2 by 4 Stud Yatomi Mill" to manufacture domestic 2x4 studs at the western distribution center site of Dainihon Wood-Preserving Co., Ltd. becoming the first in the Tokai region. The studs are vertical components of 2x4 (38mm x 89mm) material that are joined vertically by finger joints and are used in the same way as "mabashira" studs, and they follow the JAS standards under

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the name of "Vertically Joined Lumber for Wood Framed Construction and Structure Use". The mill will manufacture two lengths of studs: 8 feet and 9 feet. The kinds of wood that the mill will use are domestic cedar, cypress and larch, but cedar and cypress are scheduled to be the main kinds. Lamina will be put through a molder, the joints will be cut, adhesives will be applied, it will be bonded together vertically with pressure, and after drying, excess adhesive will be removed. It will be through a molder again for the finish. The unit price is slightly higher compared to SPF, but with no waste, contortion of the walls is less likely to occur due to the accuracy of the standard size. In addition, because a reduction in the construction period of home fixtures is expected, "a reduction in costs is possible as a result," and it can compete with J-grade SPF and its equivalent.

The Japan Plywood Wholesalers Association held its 39th general meeting on May 19 in Yokohama City, and over 400 members from around Japan attended. Kenichiro Adachi, the chairman of the association, said, "We were able to hold this meeting welcoming many guests beginning with Satoshi Imai, the director-general of the Forestry Agency. This year, construction starts for new housing are seen as increasing 3 to 4% compared to last year; and I think demand is steadily shifting. As the only housing building materials distribution organization to be recognized by the country, the Japan Plywood Wholesalers Association must plan to strengthen its power and momentum. With the 'cooperation and solidarity' of all the branches, it is necessary to activate and strengthen communication among union members and support members from trading companies and manufacturers through events such as study meetings, workshops, and social gatherings." Among the proceedings of the meeting, a measure was approved as drafted, and in the election of officers, the following were elected: Kenichiro Adachi (Jutec Holdings Corporation) as the chairman, Akinori Ogawa (Japan Kenzai Co., Ltd.) and Norio Nakamura (Heian Kenzai Co., Ltd.) as the vice-chairman, and Ito Yoichi as the managing director.

The general meeting for fiscal 2016 of the Japan DIY Industry Association was held on June 2 in Tokyo. About 500 people including guests, members of the news media, and mainly member companies attended the meeting, and reports concerning the business activities and financial results for fiscal 2015 were approved, and reports concerning the business plan and the income and expenditures budget for fiscal 2016 were carried out. In his opening remarks for the meeting, Chairman Toshiyuki Inaba said, "The results of 'Abenomics' have been talked about among people, but I can't say that the results have been that good in the current conditions of the industry," and while gaining the cooperation of people involved in the industry, the association will work to show its direction in the future. Next, for this year's show, "coming out with an international flavor" was described, and it was reported that already in Thailand, a briefing to exhibit at the show was held. Concerning business other than the show, reports were made concerning various issues such as expanding the area to hold the DIY advisor certification test, promoting human resource development, holding the DIY school such as "home repair class" and "children's handicraft class", and continuing and improving the conducting of surveys on the DIY retail industry and providing information. The number of member companies in the association is 479 companies as of the end of March of this year, and the association is headed for its 40th year of establishment in 2020 when the Tokyo Olympics will be held.

The Department of Fisheries and Forestry of the Hokkaido Government recently released to the public the results of the Hokkaido lumber supply and demand for fiscal 2014. According to the report, the total amount of demand and supply of lumber in Hokkaido decreased 2.1% compared to the previous fiscal year to 7,061,000 m^3 in fiscal 2014. Looking at the amount of demand based on use, the amounts were 2,535,000 m^3 (1.3% decrease) for lumber products, 3,485,000 m^3 (2.6% decrease) for pulp, and 1,041,000 m^3 (2.6% decrease) for plywood decreasing for all three uses. The amount for lumber product use fell below the results of the previous fiscal year due to especially the decrease in imported lumber products and the decrease in demand for construction material for housing. For pulp use, the amount of demand for wood chips used for softwood pulp for newspapers and for hardwood pulp for printing and paper for information both decreased. Also for plywood use, the decrease in imported plywood and logs was conspicuous. However, the amount of

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exports of unprocessed wood for plywood use exceeded the results of the previous fiscal year. On the other hand within the amount of supplies, the amount of lumber produced in Hokkaido was 3,962,000 m³ (0.9% decrease), and the amount of imported lumber was 3,099,000 m³ (3.7% decrease). Among lumber produced in Hokkaido, pulp use decreased, and among imported lumber, the supply of logs, lumber products, and plywood decreased. The percentage of lumber produced in Hokkaido accounted for 56.1% of the amount of supplies rising 0.7 points from the previous fiscal year.

The general meeting of the Japan Print and Color Plywood Industry Association was held on May 26 in Tokyo. In fiscal 2015, new housing construction starts increased 4.6% compared to the previous fiscal year, but the amount of production of products applied with decorative sheets such as printed plywood and colored plywood (including MDF base boards) that were manufactured by the association members stalled at 21,450,000 boards about the same as the previous fiscal year. Looking at the type of base boards, the amount of plywood base boards was 11,030,000 boards (2.2% decrease), and the amount of MDF base boards was 10,420,000 boards (2.4% increase). On the other hand, the amount of production of products applied with synthetic resin sheets such as olefin resin was 13,990,000 boards (4.8% decrease). Within this amount, the amount of plywood base boards was 3,350,000 boards (0.5% decrease), and the amount of MDF base boards was 10,630,000 boards (6.1% decrease). The total amount of production was 35,440,000 boards (2% decrease). Products applied with synthetic resin sheets, which have a high rate of use of MDF base boards, decreased, but the percentage of base boards used in the overall amount of production was 40.6% for plywood and 59.4% for MDF, which was about the same as the previous fiscal year. Looking at the amount of production based on type of use, the amount of production of products applied with decorative sheets such as printed plywood and colored plywood was 2,800,000 boards (11.3% decrease) for interior construction use, 9,560,000 boards (5.8% increase) for housing equipment and fixtures, and 9,080,000 boards (1.9% decrease) for furniture.

The regularly scheduled board of trustees meeting and a special board of directors meeting of the Wood and Plywood Museum, a public interest incorporated foundation, were held on June 15, and following the change in the statutes of the museum, a change in the name was also decided. Inaugurated as the Wood and Plywood Museum, a non-profit organization, 8 years ago, the museum changed to become a public interest incorporated foundation in August of last year. At this time, the name was changed to PHOENIX, a public interest incorporated foundation. Without remaining the same as is, the museum management reorganized into a system in which various projects for the public good such as educational work can take place. Concerning the change in name, Shigeru Yoshida, the president of the museum, explained, “The newly adopted name of ‘PHOENIX’ is that of the immortal bird and includes the meaning of the activities of the Wood and Plywood Museum continuing eternally into the future. Also an anchor is used in the logo, and the role of an anchor is to stop and hold a ship in place, and it points out the purpose of the activities of the PHOENIX to be placed firmly on the ground and to be steadily conducted.” The newly created “scholarship and educational work” will conduct work to award money and grants to students who have difficulty continuing their academics for economic and financial reasons and to people who have contributed to the lumber and plywood industry and to support research.

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