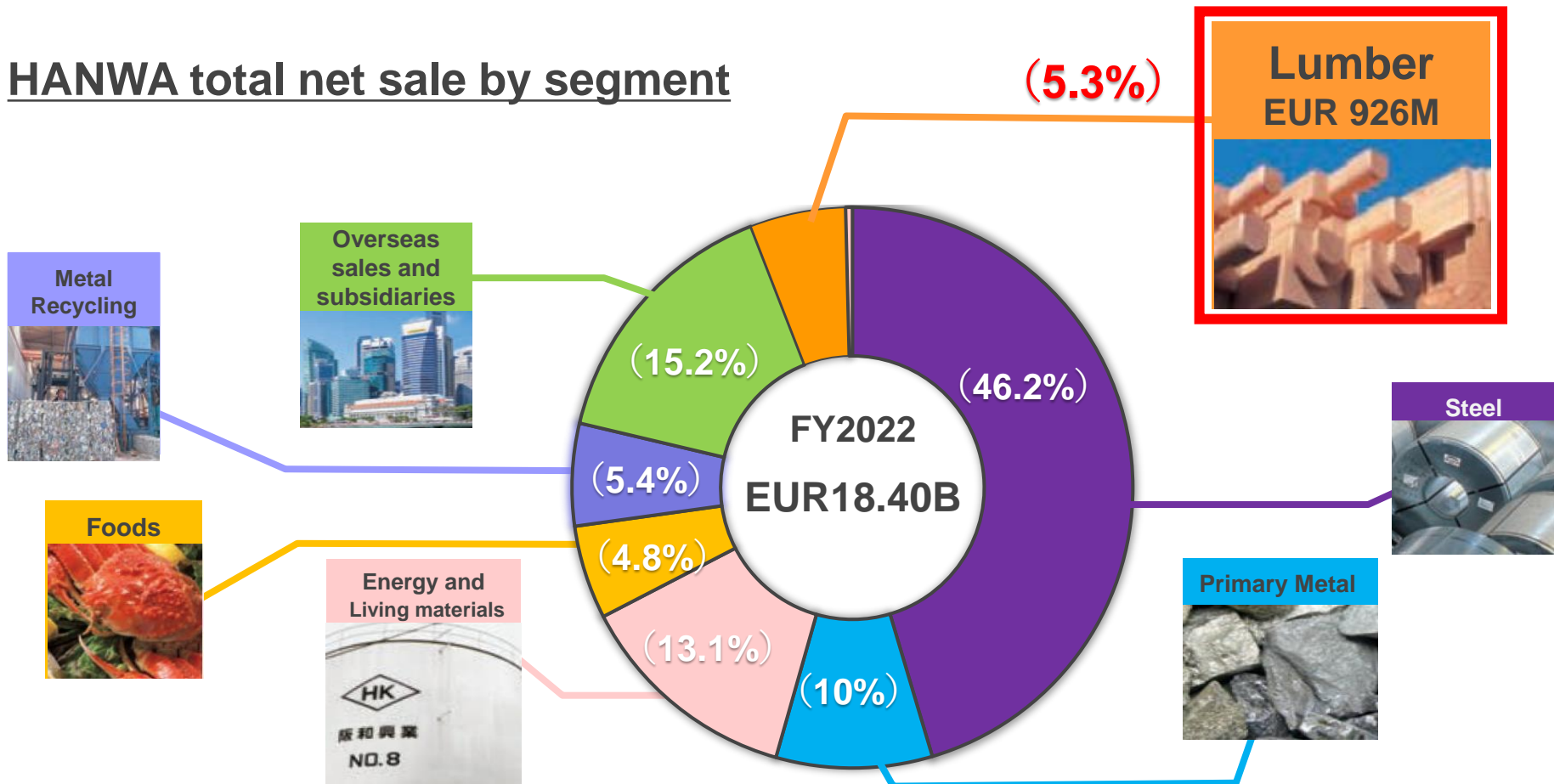

Wood Market in JAPAN

Eiji SAHARA
Corporate Officer
HANWA CO. LTD.

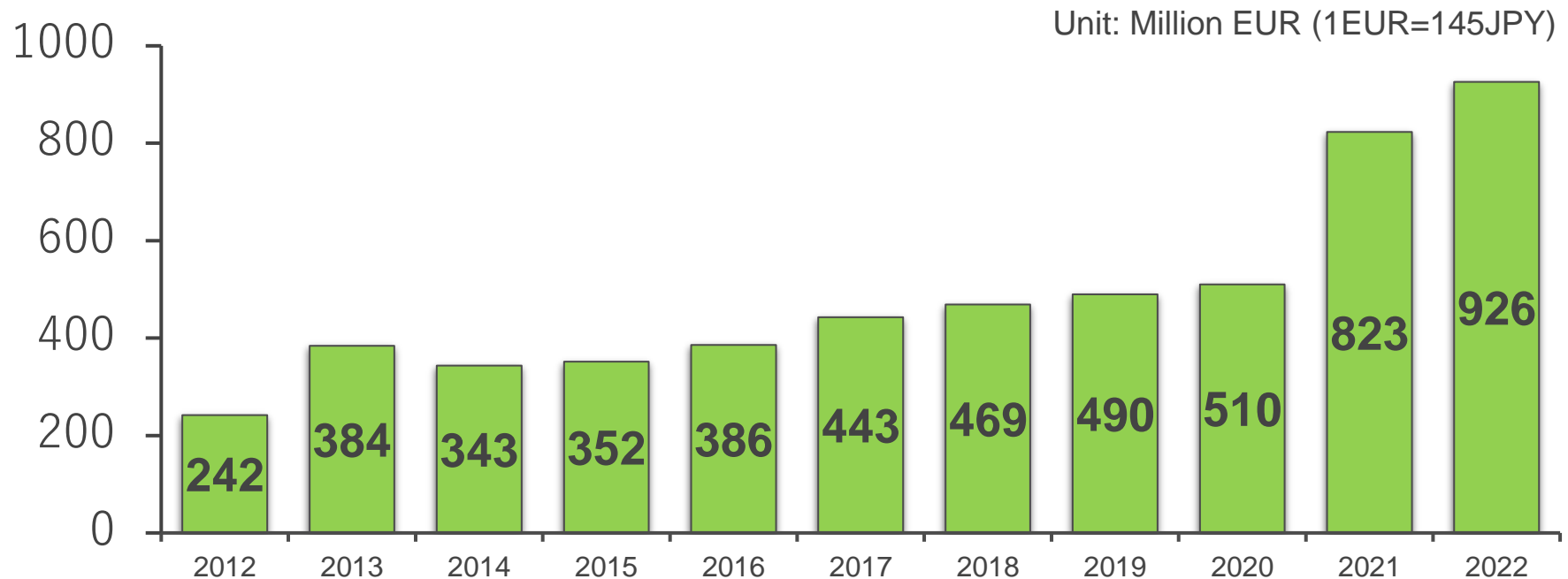
- Japanese trading company established in 1947. Total 5,123 employees .
- Group net sales was EUR18.40Bil(FY2022). Roughly 50%>>Steel , 5.3%>>Lumber.

■ HANWA total net sale by segment



- Hanwa lumber dept. sales has steadily grown. EUR926M at FY2022.

■ HANWA Lumber Dept. sales transition



- European Lumber import is one of our most core business.
- 12% European lumber import share is the biggest among Japanese companies.

2022 Sawn timber · GL import volume

Origin	Total import to Japan (m3/mth)	HK volume (m3/mth)	Hanwa Share
Europe	284,535	35,167	12.36%
North America	90,030	3,083	3.42%
China	81,070	1,250	1.54%
Others	70,148	6,667	9.50%

○ Inflation stayed low in Japan compared to US and EU

■ Inflation rate

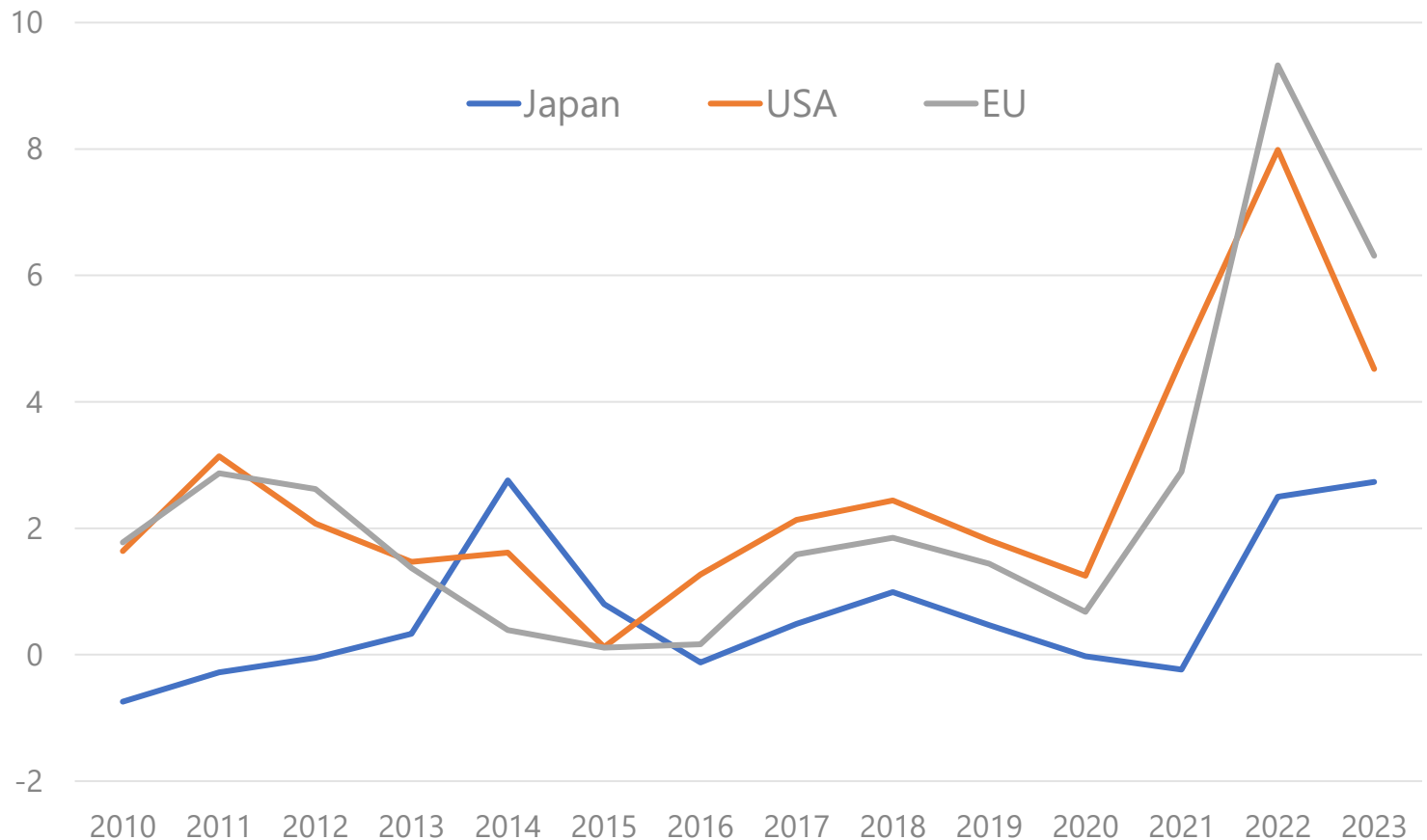
**Inflation in 2023
expectation**

Japan 2.733%

EU 6.31%

USA 4.519%

(percentage change, average
consumer index)



International Monetary Fund, World Economic Database, April 2023

○ Despite rising interest rates worldwide, interest rates in Japan remains ultra-low.

■ Long-term interest rate

(10-year government bond annual yield)

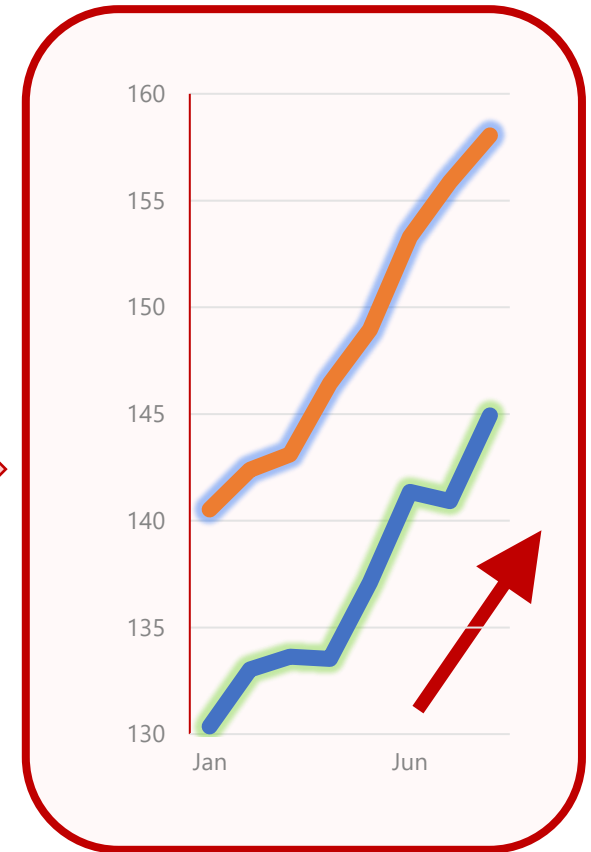
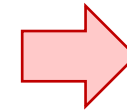
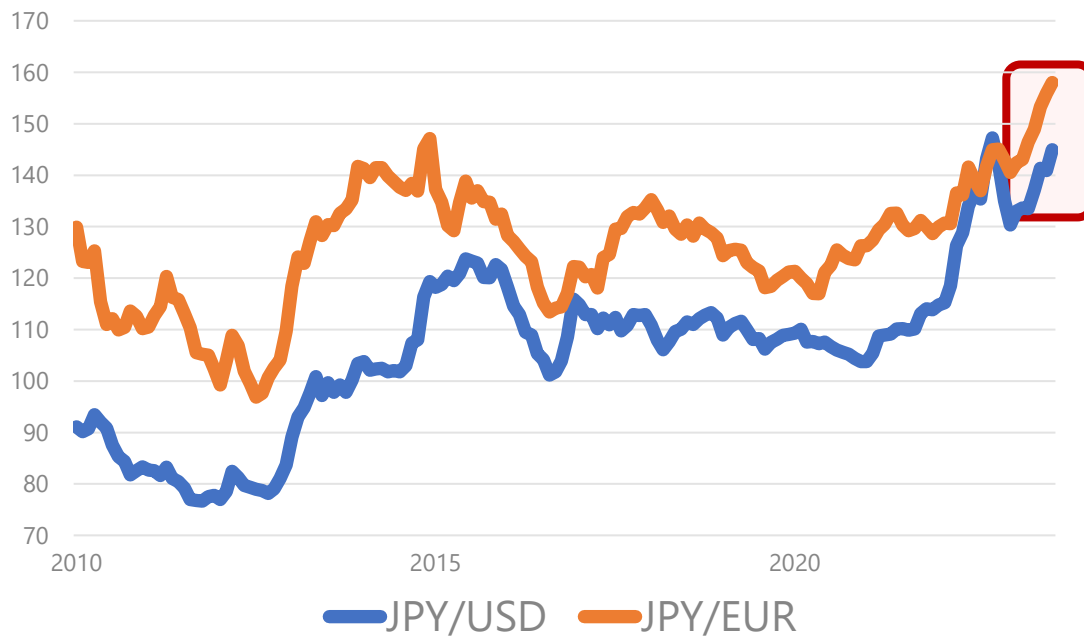


● Ministry of Finance

○ Recently, JPY has depreciated sharply against both USD and EUR.

■ Exchange rate

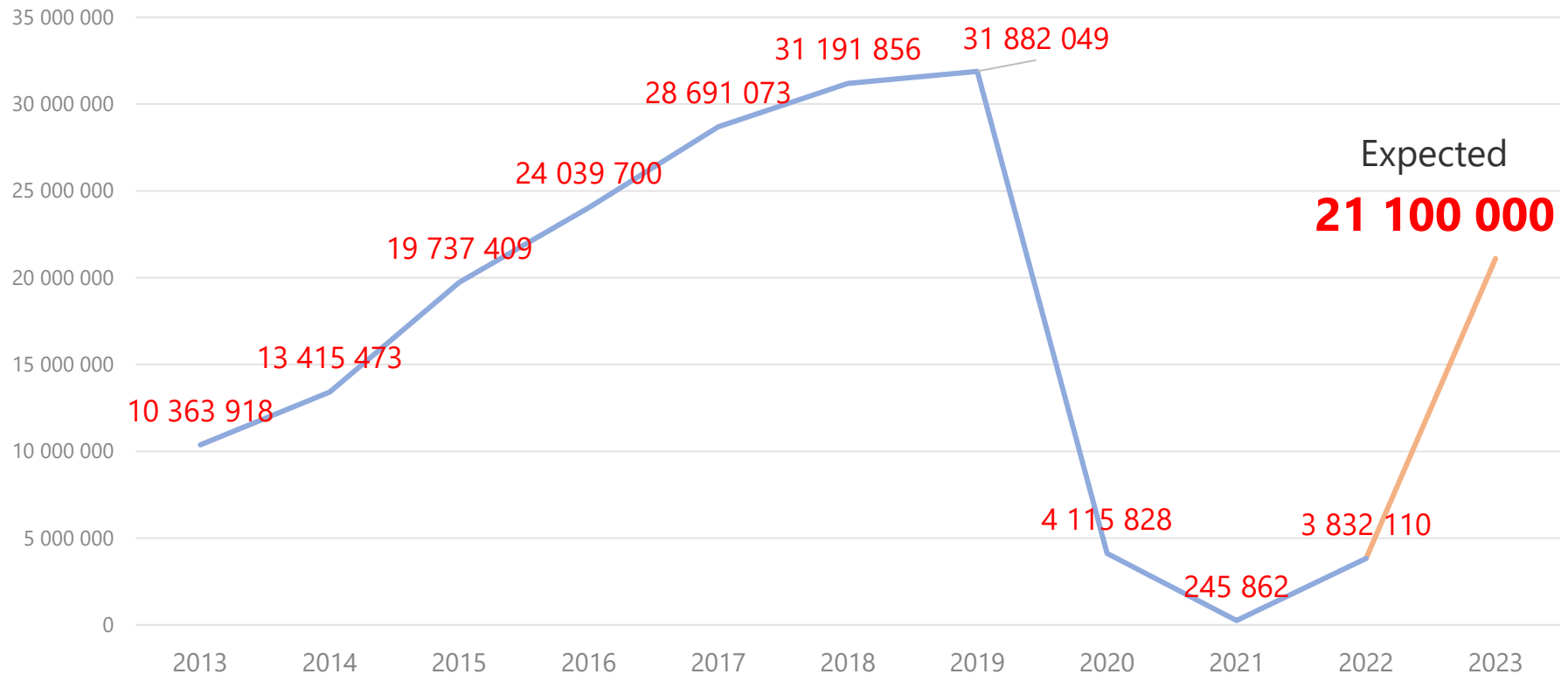
2023 Jan → Sep
monthly average
JPY/EUR 140.52 → 157.76
JPY/USD 130.36 → 147.86



2023

○ For 2023, the number of international inbound visitors to Japan is estimated at 21.1 million (550.6% y-o-y, 66.2% compared to 2019).

■ Number of foreign tourists visiting Japan



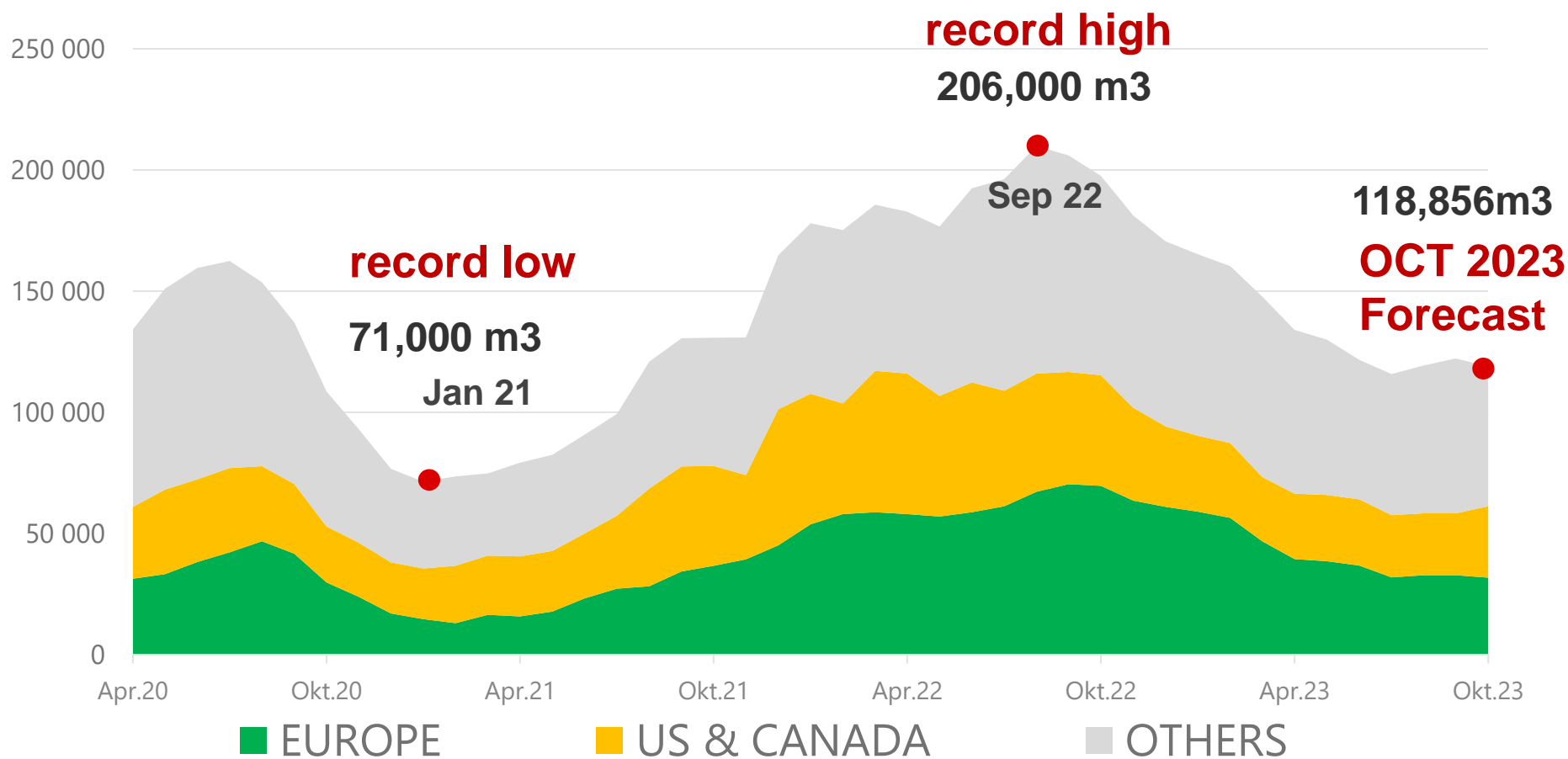


***Youkoso (welcome)
to Japan*** 🎵

Lumber inventories in Japan

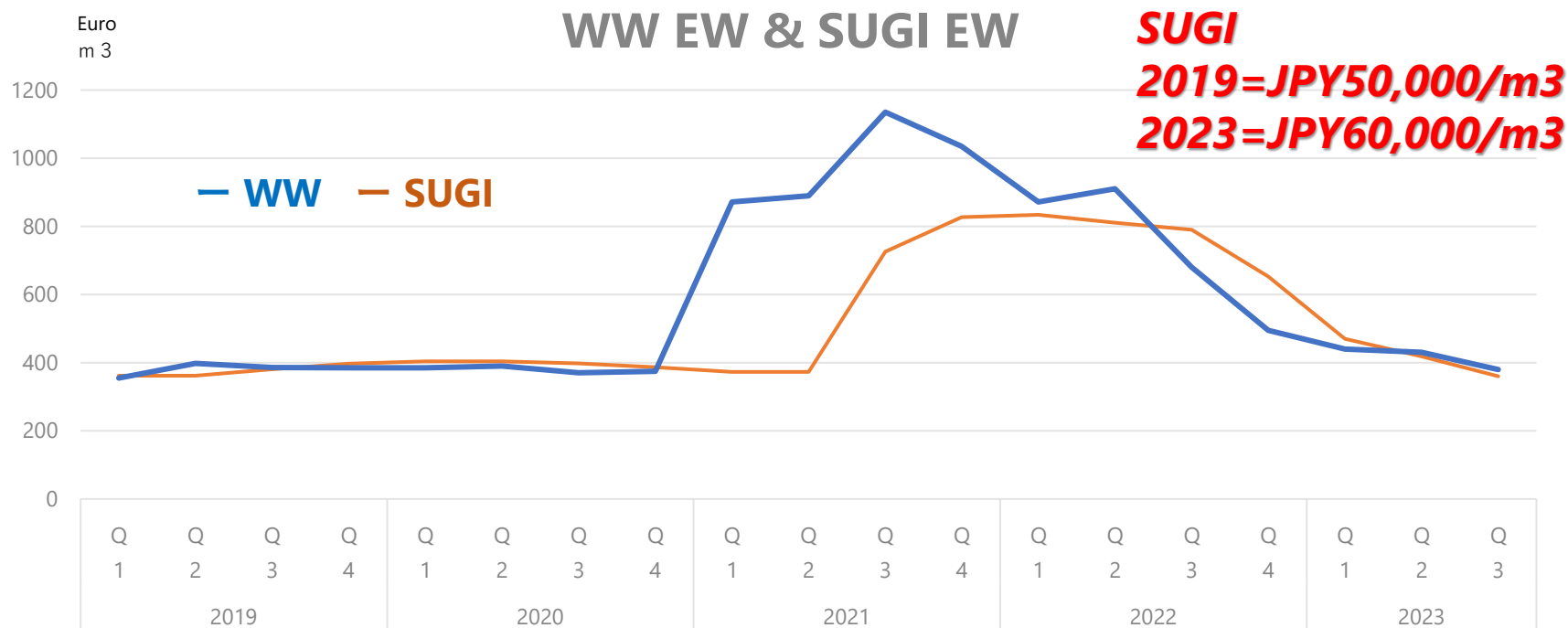
- Inventories in Tokyo port rose after hitting record low in early 2021, now at all-time record. It is expected to return to normal level in 6 months.

■ Inventories in Tokyo Lumber Terminal (m3)



Pricewise for European WW & Japan SUGI(cedar)

○ From 2021 Q2, the difference went up close to E400 maximum



WW
Peak=E1,130→E380

SUGI
Peak=E830→E360 ✖ Japan C&F price

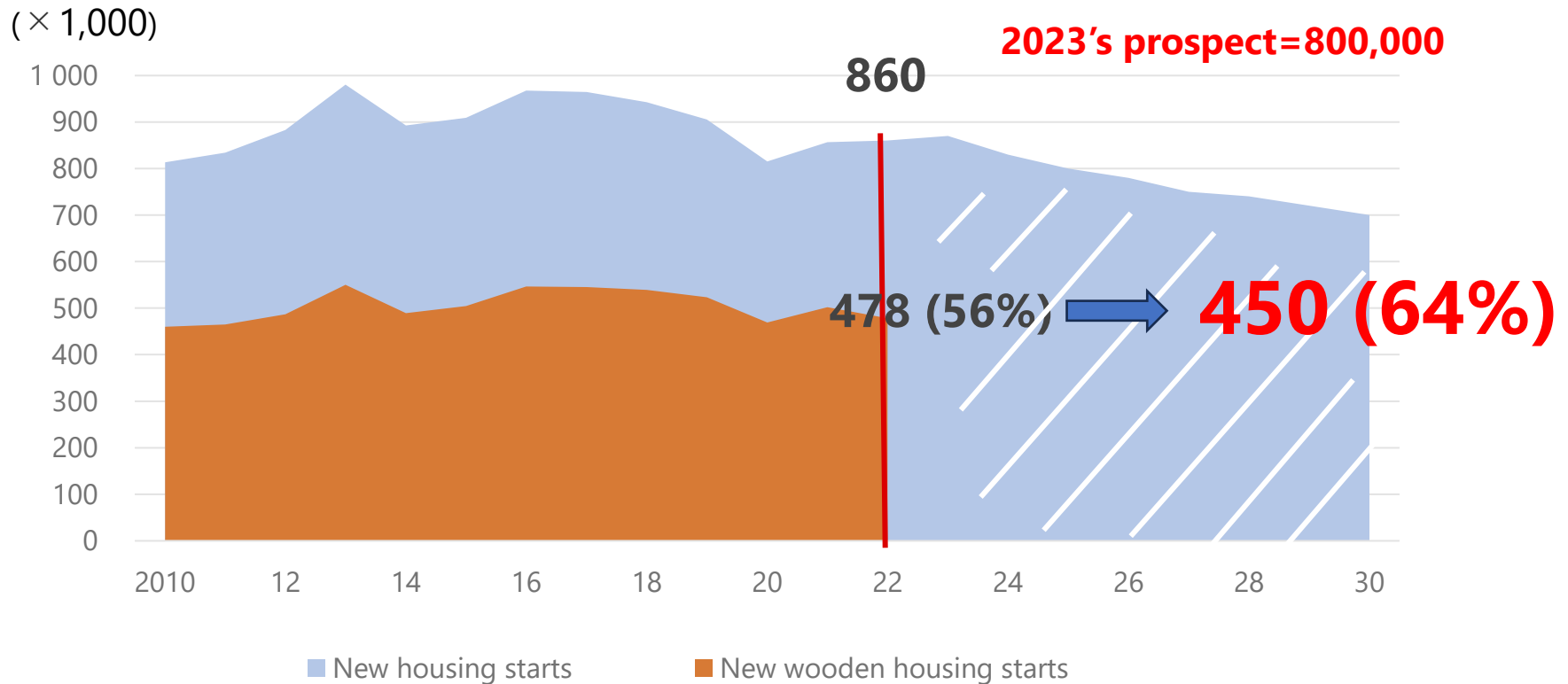
Adoption rate for each species for Glue lam Post (%)

※Findings from wooden house maker

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
WW & RW	61.12	65.91	59.32	57.70	78.84	63.34	59.94	56.69	59.52	61.06	49.81	50.45
Sugi	12.45	13.84	15.84	16.19	8.54	17.26	25.59	21.05	29.57	38.94	56.26	39.97

Housing starts in Japan

- With the declining population, the number of new housing starts is also on the decline.
- Currently, there are about 860,000 housing starts per year, about 56 % of which are made of wood.



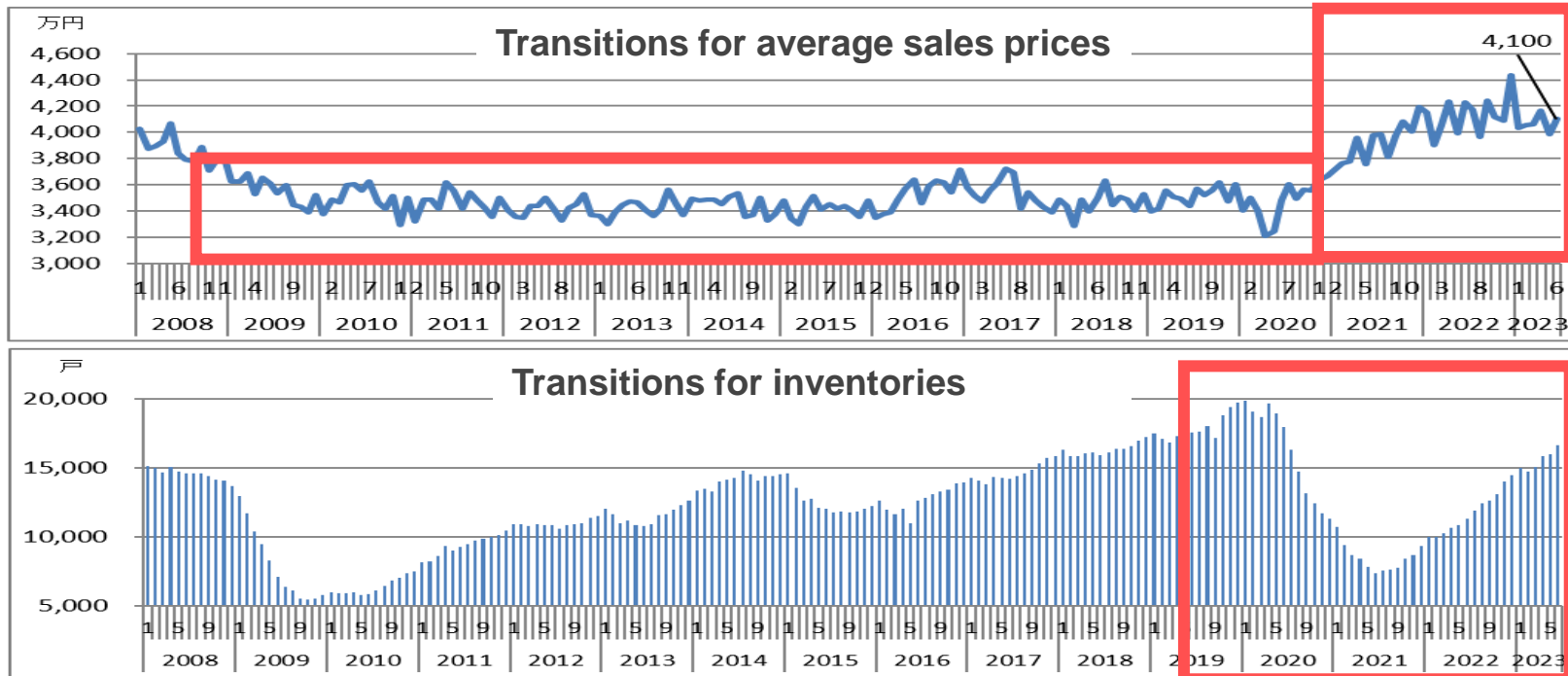
- 2010-2022: Ministry of Land, Infrastructure, Transport and Tourism "Housing Starts"
- 2022-2030: Estimation by Nomura Research Institute

Recent trend of housing in Japan

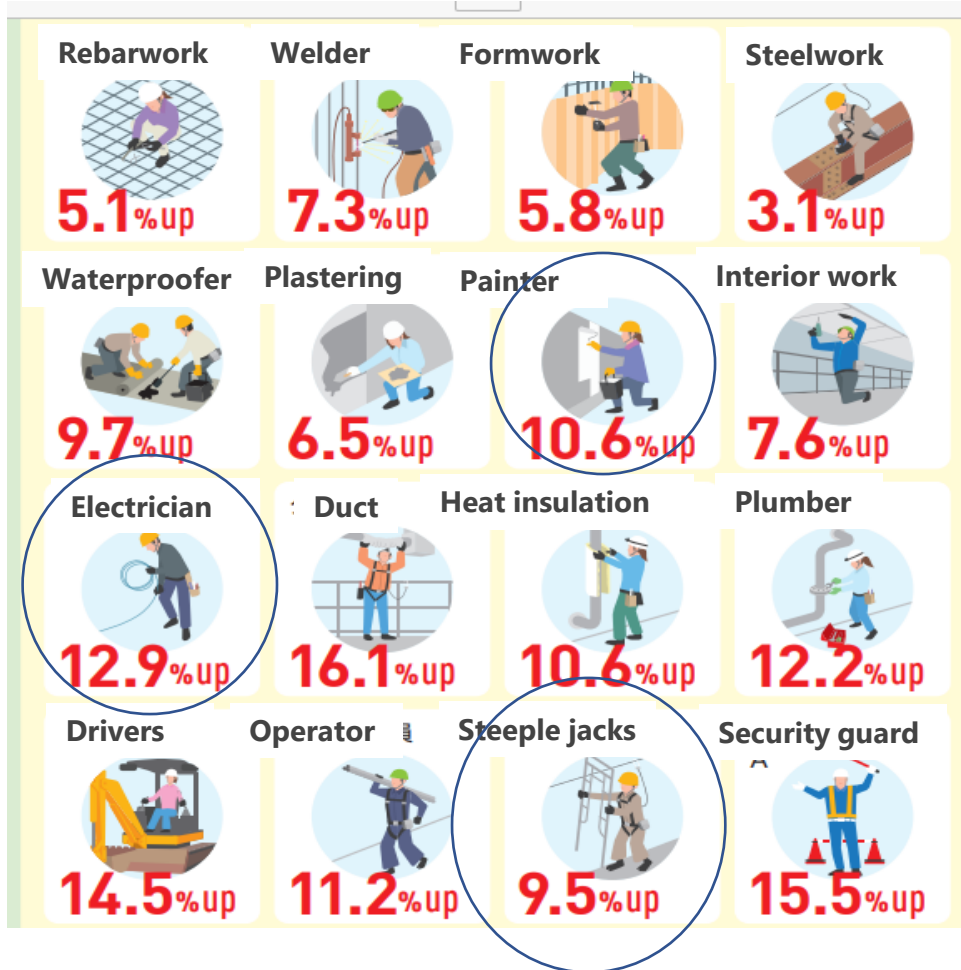
- After COVID, the stock level of detached house started to go up since the sales wise is comparatively bad then before.
(Proper level will be 10-15,000 units in Tokyo metropolitan)
- Main reason for the struggle will be the cost rise for housing materials besides lumbers and the increasing in selling price .

New detached house

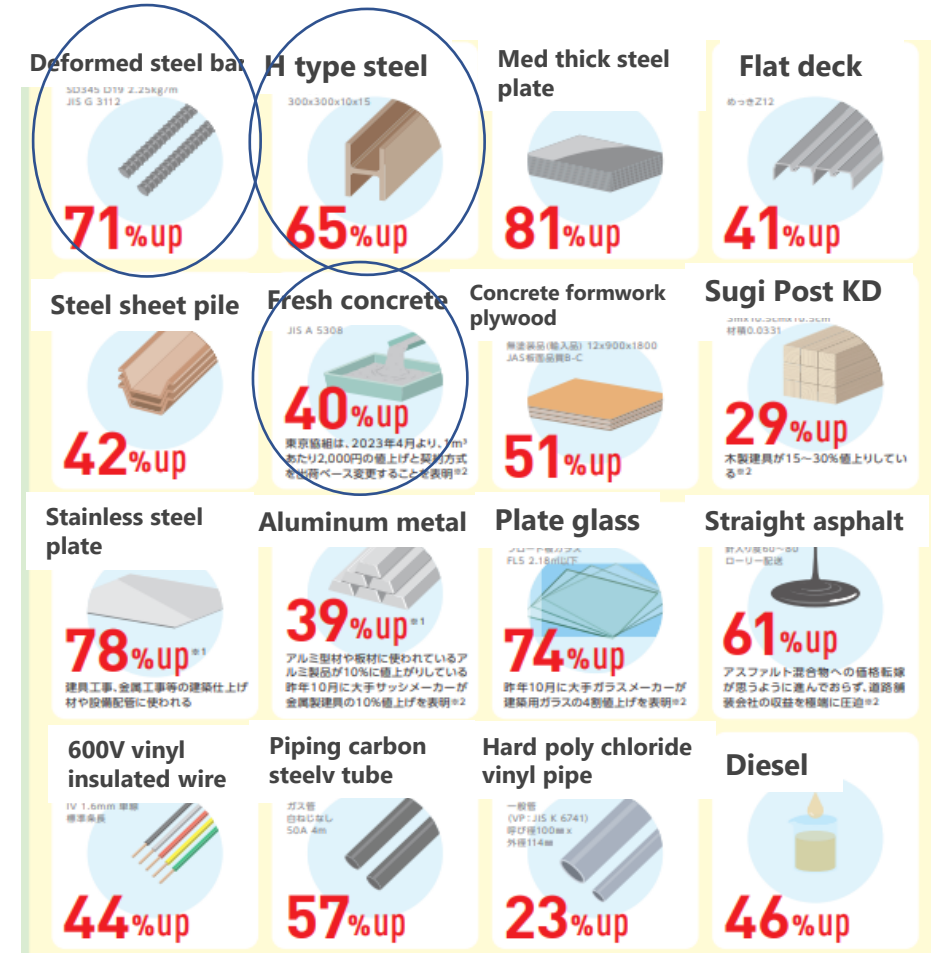
Tokyo metropolitan



Construction skill worker's cost up



Construction material's cost up



Room for market growth of all usages

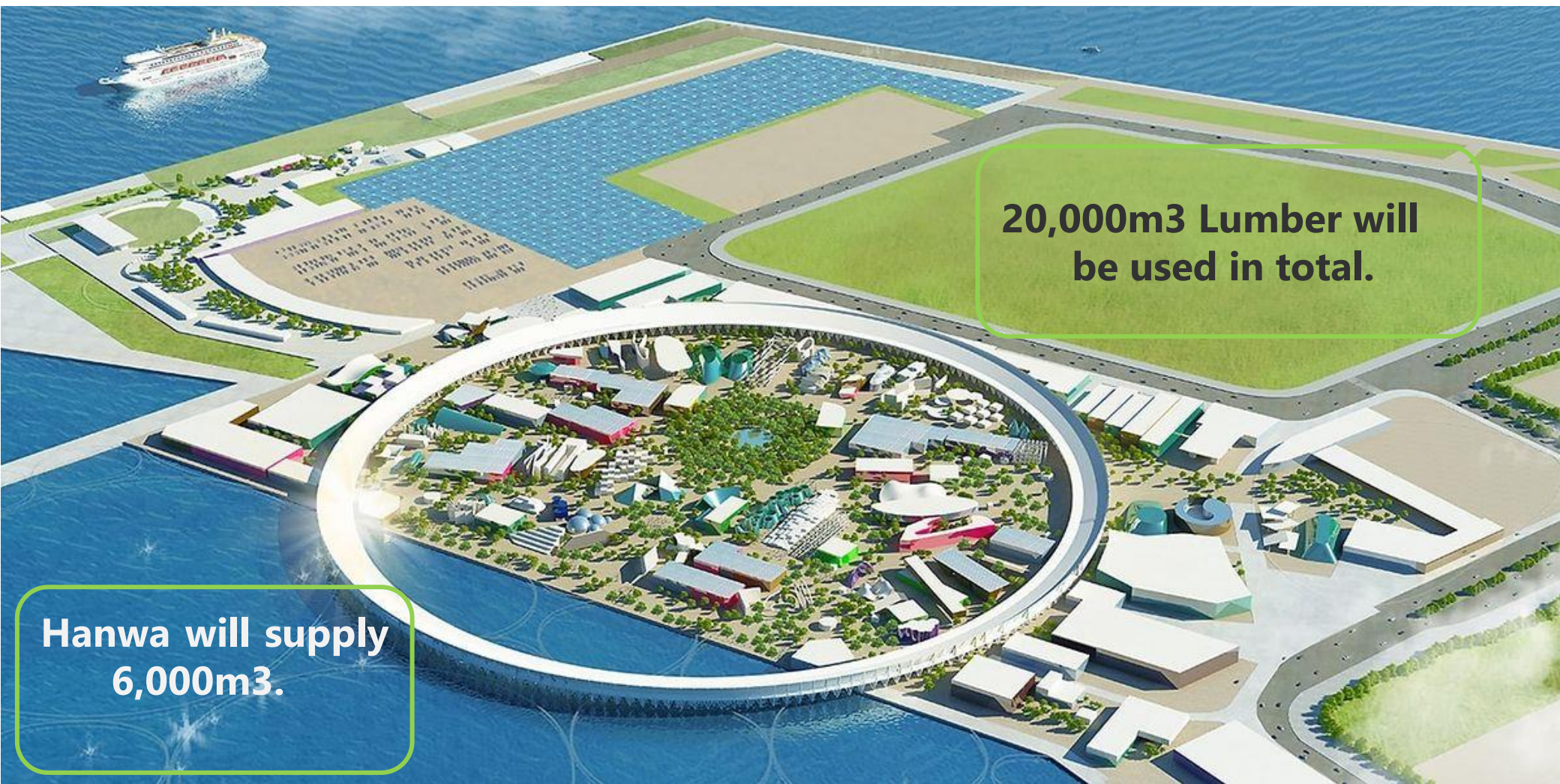
Wooden construction ratio		
	Ave. since 2000~	Ave. of last 5 years
Offices	6.60%	8.30%
Shops	4.70%	5.40%
Warehouses	4.60%	2.60%
Detached	84.90%	89.10%
Apartments	8.20%	11.00%

Expectation for the next 10 years



Usages	Wood usage (m3)	Growth rate
Offices	573,658	188%
Detached	160,153,424	121%
Apartments	3,087,476	139%
Commercial facilities	427,917	167%
Logistics facilities	276,445	157%
Hotels	7,648,719	168%
Public buildings	67,477	100%

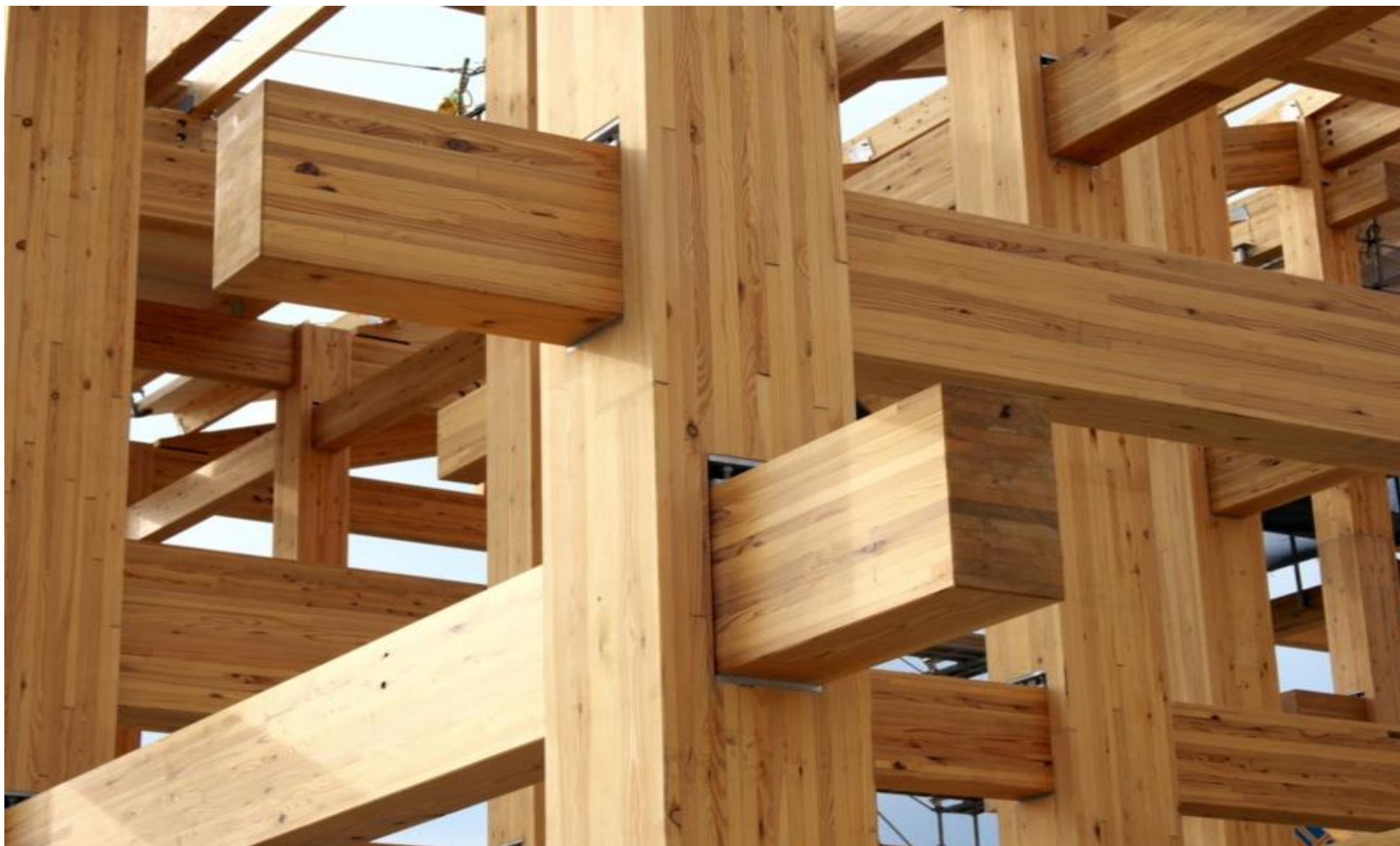
Although the market size for detached houses is large, when we look at the growth rate, we can expect the growth in non-residential properties such as offices, commercial facilities, logistics facilities, hotels, etc. to be large.



20,000m³ Lumber will be used in total.

Hanwa will supply 6,000m³.

World Expo in Osaka 2025 (April 13th – October 13th)



- *Lumber inventories are now close to approximately half level from last summer.*
- *Due to the influence of weak Yen,(30% weaker) Japanese domestic species has intensified the competition to European species.*
- *Overall Japanese housing starts is declining, but comparatively better than other countries.*
- *The wood usage for constructions has potential for growing in the future, especially non-residential constructions like offices, shops, hotels etc...*