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Market Update Report: EBPA Japan
Month: March 2006

I. Market Trends

| Housing Starts in February Upward – 96,995 units

According to the recent statistics, Japanese housing starts in February increased for the first time in three months with a growth rate of 13.7% against a year earlier.

Accordingly, total floor space for new housing construction has increased by 9.5% to reach 8,025,000m².

By building structure and material, wooden houses showed a steady growth with 2.2% increase to 39,243 units, which represent 40.5% of total housing starts. Among the wooden houses, 2x4 houses achieved 9.4% of growth rate to 6,619 units, showing six consecutive months of increase.

Non-wooden housing starts jumped 23.1% to 57,752 units, which is owing mainly to the apartment construction rush in urban areas, both for rental units and housing for sale.

| 3-story Wooden Houses Grow – both in single-family and apartment

MLIT announced 29,716 housing starts for 3-story wooden single-family housing in 2005, 1% plus from the previous year. 3-story wooden buildings was allowed to be built in Japan in 1987, initially only for single family houses. Since then the market has steadily grew in urban areas where the land price is extremely costly.

In early 1990th, the Japanese building code was revised to enable 3-story wooden apartment buildings, which has made a jump in 2005 with 433 new buildings (64.6% plus) that provided 3,084 units of houses (49.9%plus).

II. Recent Headlines

! More than 3-story in Wood– Potential Market

In April 2004, Japan 2x4 Building Association and Council of Forest Industry Canada (COFI) jointly obtained a MLIT approval for “Fire-resistant Construction” using wood by 2x4 structure. This was an epoch-making development for wood building industry because up until then, all “Fire-retardant Construction”, that requires the highest level of fire safety performance, had to be built with concrete or steel, and no other materials were allowed to use for this construction. In 1999, the Japanese building code made a drastic change from prescriptive-based requirements to performance-based ones, which enabled the use of wood for “Fire-resistant Construction”.

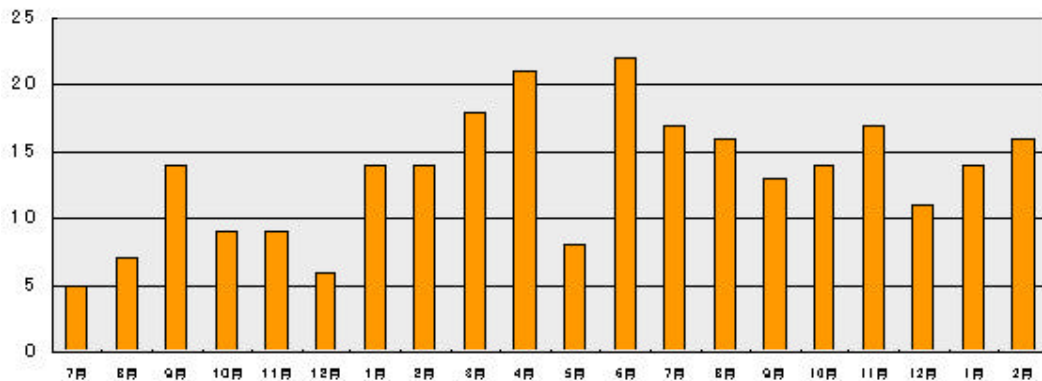
This means that it is now able to build:

- 4 or more-story single-family and apartment buildings
 - Commercial building
 - Special buildings (hospital, hotel, theater, etc.)
 - Other buildings required to have high fire property (school, seniors housing, etc.)
- in wood using 2x4 construction method.

The Japanese industry has shown a keen interest in this new market and the total number of building permits of wood fire-resistant construction has reached to 265 buildings (as of Feb. 2006).

Number of Building Permits for Wooden Fire-resistive Construction (monthly)

Total: 265 (Feb 28, 2006)



Currently, needs for wooden Fire-resistant Building has been concentrated in the metropolitan areas where very strict fire requirements are set out – 90% of the building permits were issued in Tokyo and Kanagawa prefectures. However, it is now seen that local developers adopt this building system for housing projects alongside of major streets where the highest fire zoning regulation is applied.

In order to further expand the market, the biggest issue is the cost. To clear the stringent fire-resistant requirement for each building members, some additional costs are inevitable, such as a use of double-layer gypsum boards of special quality and ALC board for external walls.

Polus Started to Sell 2x4 Fire-resistant Houses in Tokyo

Polus Group, one of the major housing developers/builders in Japan, has started to sell wooden fire-resistant 2x4 houses in Adachi-ward, Tokyo. The project comprises 12 houses with 110m² building lot for each.

Polus pointed out several problems that they have experienced in this project, such as:

- material cost has become almost 30% up compared to the normal 2x4 houses (with “Quasi Fire-resistant Construction”)
- the housing dead load has become 1.5 times more of the normal 2x4 houses.
- due to thicker load bearing walls, room space has to be smaller.
- Because construction workers are not experienced with this building method, the time for site work tends to be extended which result in the additional cost.

On the other hand, they also commented that 2x4 Fire-resistant housing has superior qualities not only in fire-safety but seismic strength, thermal insulation and acoustic property as well.

Polus has expressed its strategy to expand 2x4 Fire-resistant housing projects in fire-zoning areas in Tokyo, where there are potential markets for rebuilding of old wooden houses.

III. Projects

PH Tech Canada to Tie up with Housing Yamachi for PVC Window

Housing Yamachi, a major building material trading company in Sapporo, Hokkaido, reached a contract with PH Tech, the second largest PVC window manufacturer in Canada, for the PVC window production in Japan.

Yamachi has started manufacturing the PVC window in a plant constructed in Tomakomai, Hokkaido. PH Tech is to provide Yamachi with manufacturing know-how and PVC material, while Yamachi is to manufacture PVC sash and assemble finished products.

Yamachi established a franchise network for its own housing system named "Inter Deco" which features American style of design and materials. PH Tech windows, trade name "Style Tech", will be supplied to these franchisees throughout Japan. They are targeting 10,000 units of production this year.

Some technical data shows that PH Tech windows are proved to have the highest level of performance by Japan Industrial Standard (JIS) window tests in all areas, such as air tightness, water tightness, wind pressure strength and thermal property.

IV. Trade Leads

- ? Follow up the trade lead from Atrium Construction
- ? COMPOSATRON Composite Technology for Premier Railing & Deck

V. Main Activities

- 1.Preparation for Newsletter Spring Issue for Japan member
- 2.Window Energy Efficiency Labeling
- 3.Participation in Architecture, Construction, materials Show
- 4.Participation in Total Living Show 2006