



BULLS

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Shigeru Yoshida
Chairman and CEO JK Holdings Co., Ltd.

Greetings for 2013

“In 2013, the industry environment will improve, and the business results of JK Group will also improve”

2012 was a rough year in which the industry environment did not liven up as expected. However, the business results of all the companies in the JK Group have been improving rather considerably compared to 2011. I firmly believe that it is the result of always employing operations and management improvements.

The business results of a company largely depend on the heart of the people who are engaged in the company rather than the outside environment. I feel that the stance of the employees of JK Holdings is that we are changing to a company that is not influenced by business economy that we are aiming for.

From the second half of last year, signs that the industry environment was improving began to

be seen, so it appears that 2013 will become a bright year for the first time in a long while. Since last year, the business results of all the companies in the JK Group have improved, and the consolidated business results for the period ending in March 2013 is expecting 302 billion yen in net sales, 4.50 billion yen in current profits, and 1.80 billion yen in current net earnings.

After 4 years in 2017, JK Holdings will welcome its 80th anniversary of its establishment. In order to achieve 360 billion yen in net sales and 5.90 billion yen in current profits for its consolidated business results, we are aiming to make further leaps and bounds with “To the Next Stage” as the slogan heading toward the 80th anniversary of the establishment of this company.

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Prospect of Business Condition for January - March

Demand Forecast by Builders and Distributors

The demand forecast for the October-December period in 2012 saw the increase in points after the end of the slowdown that lasted for a while. This time, the upward trend became noticeable further. The forecast figure at the builders' level was 4.8 points, up by 4.6 points from the previously announced forecast (October - December) while the forecast figure at the distributors' level was 9.4 points, up by 4.6 points. The upward trend for the work volume is clear. By region, most saw the increase in respondents who predicted that the work volume would increase. The demand forecast in disaster areas in Tohoku continues to show significant increase. However, there is concern that the shortage of workers will get worse in the future. One of factors that generated the prospect for the increase in the demand is the energy-saving measures for housing promoted by the government. It was decided that the energy-saving standard will become obligatory in 2020, and gradual approaches are being promoted at this

point. Also, there is a rush demand generated by those who are trying to purchase houses before the increase in the consumption tax in April 2014. New housing starts in 2013 are expected to be at the 900,000 unit level (new housing starts in 2012 are expected to be at the 860,000 - 870,000 unit level).

Current Conditions for Remodeling Business

The remodeling business for builders is increasing steadily although the increase is gradual. The cost for most remodeling projects ranges between 500,000 yen and 1,500,000 yen, and they are mainly remodeling works for the interior including the replacement of building materials and structure. The market size for the remodeling business is said to be around 6 trillion yen annually. As for its breakdown, the maintenance and repair of the bath, toilet, and kitchen have the largest share, accounting for around 3.6 trillion yen.

The recent noticeable trend in the remodeling market is a decline in the expansion and renovation of buildings. On the other hand, the earthquake retrofit, renovation for the energy-saving purpose, and installation of equipment for the solar power generation and HEM are expected to increase in future. In the secondhand housing market whose size is said to be around 4 trillion yen, the purchase of secondhand housing for which buyers do not have to pay the consumption

tax is highly likely to lead to the increase in the large-scale renovation work, and the market is expected to become activate.

For this current forecast survey for January - March 2013, an interview survey was carried out with 3,000 companies nationwide from mid-November through the end of November in 2012, after which the results were compiled.

Demand Forecast by Builders



point 0=business result in April-June, 1992

Demand Forecast by Distributors

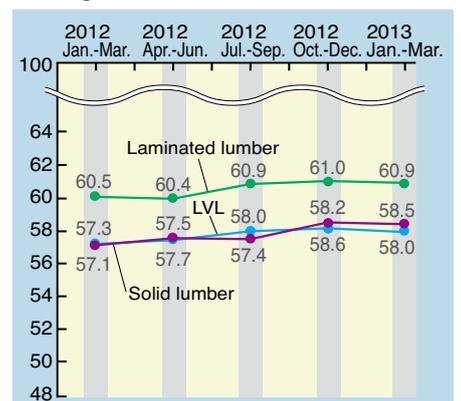


point 0=business result in April-June, 1992

Sales Forecast by Major Supplying Manufacturers

	increase			level-off	decrease		
	over 15%	14~10%	below 10%		below 10%	10~14%	over 15%
Plywood (15 firms)	0.0	5.8	34.9	39.5	19.8	0.0	0.0
Wooden Building Materials (10 firms)	0.0	3.8	36.3	56.1	3.8	0.0	0.0
Ceramic Building Materials (13 firms)	2.9	9.6	38.5	39.3	8.7	1.0	0.0
House Equipments (10 firms)	3.8	5.0	36.3	46.1	8.8	0.0	0.0
	1.7	6.1	36.5	45.3	10.2	0.2	0.0

Dealing volume of Lumber



point 100=all responses expect increase

Trend

Market Outlook for Plywood

Trend for new housing starts

New housing starts were 80,145 units in November, and continued to increase compared to the same month in the previous year (110.3%) for the third consecutive month. The figure for rental houses made a large increase of 23.2% compared to the same month in the previous year, and figures for houses built for sale and owned houses also increased steadily. Housing starts in 3 prefectures damaged by the Great East Japan Earthquake are increasing significantly compared to other prefectures.

Housing starts in 2012 are expected to be between 860,000 and 870,000 units based upon the figures up to

November. Also, housing starts in 2013 are expected to exceed 900,000 units due to the rush demand before the consumption tax hike and the demand generated by the reconstruction efforts in areas damaged by the earthquake.

Trend for domestic plywood

The production of domestic plywood in November was 234,000 cubic meters, out of which the production of softwood plywood was 215,000 cubic meters, exceeding 210,000 cubic meters for the second consecutive month. On the other hand, in November, the shipment for the direct distribution route continued to be strong while the shipment for the general distribution route was also quite substantial, recording the high level of 225,000 cubic meters. As a result, the inventory at the end of November hit the lowest since January, standing at 179,000 cubic meters.

If the monthly shipment of softwood plywood continues to be 200,000

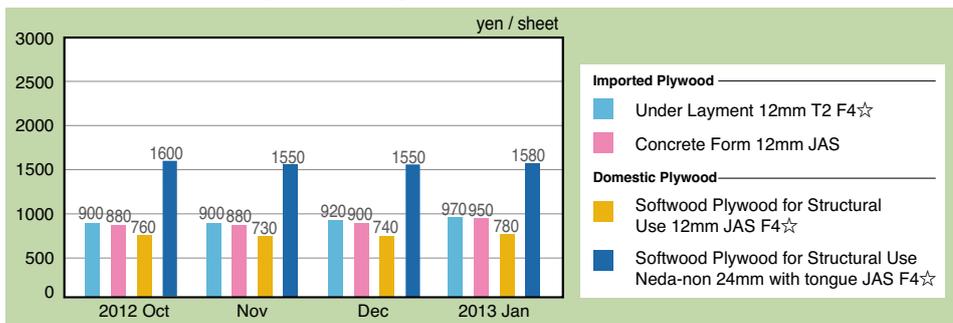
cubic meters in future, the product shortage is likely to take place. Under the current circumstances, the major users in direct distribution route started giving higher priority to the product availability than prices. Plywood manufacturers who have remaining orders to process continue to work hard to manufacture products. On the other, a delay in the shipment has been caused by the severe cold and snow this year.

Trend for imported plywood

The movement of the imported plywood including 12mm-thick items is good, and the bullish atmosphere is spreading. The arrival in November was 282,000 cubic meters, declining from the previous month. However, it increased to 106.3% compared to the same month in the previous year. The arrival for the period from January through November was down by 5.6% from the previous year.

In producing areas, the rainy season started, and the shipment of logs is declining. Also, the production cost is rising due to the increase in wages through the minimum wage law and the increase in electricity charges. Major shippers are trying to speed up the pace of the price increase, and everyone expects that the price of the imported plywood will increase in future with the trend of the weaker yen also taken into consideration.

Wholesalers' Prices of Plywood in Tokyo



Company

On March 1, Meirin Co., Ltd. will become a consolidated subsidiary of JK Holdings Co., Ltd. With its head office in Tokyo, Meirin has 14 branch offices and conducts sales of building materials used for Japanese style rooms and of solid wood materials

Capital Tie-up with Meirin Co., Ltd

used for the interior, which differ slightly from the products handled by Japan Kenzai. With this capital tie-up, an increase can be expected in the products handled by the lumber businesses of JK Group.



Corporate Profile

Company Name	Meirin Co., Ltd
Location of Head Office	Koto-ku, Tokyo
Representative	Fumio Moriyama (Representative Director and President)
Established	1972
Capital	99.0 million yen
Net Sales	5.331 billion yen
Number of Employees	105

Topics

Deputy Prime Minister Taro Aso gave a lecture at an industry New Year's party



New Year's gathering was held for 370 companies (750 people) that are customers of Japan Kenzai on January 11 at the Hotel New Otani. For this New year's gathering, a famous person was invited, and a lecture was given, and with the start of a new government administration on December 26 of last year, a lecture of about one hour was given by Taro Aso, the newly appointed Deputy Prime Minister, Minister of Finance, and State Minister for Financial

Services, for this year's gathering. Deputy Prime Minister Aso is a close friend of Shigeru Yoshida, the chairman and CEO of JK Holdings, for over 50 years.

At first, Taro Aso humorously spoke about the time he and Shigeru Yoshida met while studying abroad and then talked about the current global economy and the Japanese deflationary economy that is unprecedented even in the world. In order for Japan to shake off this deflation, he spoke about the necessity of easing regulations in a strategy for growth and the necessity to move ahead with revitalizing the economy and for the government and the private sector to unite by a new idea that says to build a society that can utilize the technological capabilities that are possessed by private businesses and local governments.

In addition, he emphasized that the organizing abilities of Japan are receiving high appraisals from the world as was shown in the Summer Olympic Games in London.

The chairman became filled with excitement by the enlivening talk given by the current deputy prime minister inspiring courage and confidence, and the gathering became appropriate for the New Year.



The Wood & Plywood Museum (Trustee: Shigeru Yoshida) held a ceremony to celebrate its 5th anniversary on November 20, 2012. With Masatoshi Numata, who took office as the director general of the Forestry Agency in September 2012, attending, more than 250 people including supporting members and people involved in the industry attended the event. The

The Wood & Plywood Museum (NPO)

museum began tours of the museum for social studies class for local elementary schools and welcomed tours for people from around the world including people involved in the industry and students studying from abroad. Total number of visitors exceeded 45,000 people. In addition, the museum held "Wood Master", a seminar that trains especially young workers from companies involved in the forestry and timber industries in October 2012.

At the ceremony, it was announced through a

joint proposal by the Wood & Plywood Museum and the Japan Plywood Manufacturers' Association (Chairman Atsuhiro Inoue), November 3 has been established as "Plywood Day". November 3 is the day associated with Kichijiro Asano developing the rotary lathe and manufacturing plywood for the first time in Japan in 1907.



For a Fulfilling Life Style
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