



Bulls

JK Holdings
Quarterly Report International

April, 2021

No. 62

CONTENTS

- P1 Overview of the Financial Results for JKHD for the Third Quarter of Fiscal Year Ending March 2021
Japan Kenzai supplied laminated lumber for the Japan National Stadium's large roof
- P2 Prospect of Business Condition for April – June
- P3 Market Outlook of Plywood
Tree planting in KEY TEC's Forest commemorating the start of the Reiwa era
- P4 Japan Kenzai Fair 2021 held as an online exhibition in conjunction with real events held nationwide

Overview of the Financial Results for JKHD for the Third Quarter of Fiscal Year Ending March 2021

The number of housing starts for 2020 was approximately 621,100 units (down 9.9% from a year ago) as of December 31, 2020, the last day of the third quarter of JKHD's consolidated year. Housing starts for the owner-occupied, which is our main market, decreased 10.0% to 201,100 units. The decline was slightly smaller than in the second quarter.

Under these circumstances, we have been operating the business carefully, taking many measures against the corona pandemic. At the same time, we have examined the measures listed in our medium-term management plan "Breakthrough 21" to enhance our internal organization. The results for the third quarter were as follows.

The consolidated business results declined 8.9% from a year ago to 255.118 billion yen in sales, which remained smaller than the fall in housing starts. In terms of profits, operating profit was 4.061 billion yen (down 2.7% year-on-year), a smaller decrease compared to the drop in sales, thanks to an increase in the operation rate of KEY TEC Yamanashi Ply-



Keiichiro Aoki

President
JK Holdings Co., Ltd.

wood Plant, which started operations last spring, as well as to an increase in gross profit margin across the board and a decrease in administrative, general and sales expenses.

Ordinary profit increased 0.4% year-on-year to 3.927 billion yen due to the receipt of employment adjustment subsidies for the coronavirus pandemic. Net profit for the quarter attributable to the parent company shareholders grew 4.8% to 2.371 billion yen due to gains on sales of idle properties and negative goodwill from M&As, which were recorded as extraordinary gains. As a result, the full-year forecast for the current fiscal year was revised upward.

Summary

Wooden Structure Building Office of Japan Kenzai Co., Ltd. provides comprehensive support for wooden constructions, from wooden structural design to construction management. As your partner with accumulated experience and knowledge, we have established a system in supporting you to build medium- and large-scale wooden structures, as well as dispatching a variety of information.

Japan Kenzai supplied laminated lumber for the Japan National Stadium's large roof

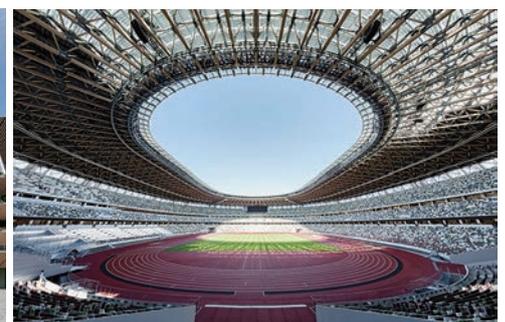


Photo courtesy of Taisei Corporation

Survey

Prospect of Business Condition for April - June

<Demand Forecast by Builders and Distributors>

Housing starts for January to December 2020 totaled 815,340 units, 90.1% of the previous year's result. By owner/occupant, all sectors saw a decline year-on-year. The number of owner-occupied houses dropped to 90.4%, rental houses to 89.6% , and houses built for sale to 89.8%. Over the course of the year, rental houses and houses built for sale decreased from the previous year's results, whereas owner-occupied homes turned upward for two consecutive months in November and December, indicating a recovery.

Under such circumstances, the demand forecast survey for April to June 2021 shows an index of minus 34.5 points among small builders (contractors and

other building companies) and an index of minus 38.0 points among distributors. The degree of negative index kept shrinking from the previous survey, but it has yet to reach the previous year's level.

The survey found a shrink of the margin of decline following the previous forecast for January to March 2021, as the state of emergency to stem the spread of the coronavirus was scheduled to be lifted in March. (The survey respondents estimated a sharp drop to minus 67.0 points for the period after the first state of emergency which was lifted in May 2020.) More and more businesses have been accustomed to taking measures against the pandemic and actively seeking new sales methods. It remains to be seen how this recovery trend will develop in the future, and we should keep an eye on the next survey.

<Sales Forecast by Leading Manufacturers>

Among the sales prospects by leading manufacturers, all the sectors found more expectations for growth compared to the previous survey

results, or less forecast for decline.

The plywood and wooden building materials sectors showed growth expectations after they saw 0% increase in their prediction in the previous survey. The ceramics & insulation sector also expects a growth of

7.9% compared to the previous survey, and the housing equipment sector forecasts an expansion of 21.4%. They have more projections for increase, being on a recovery track.

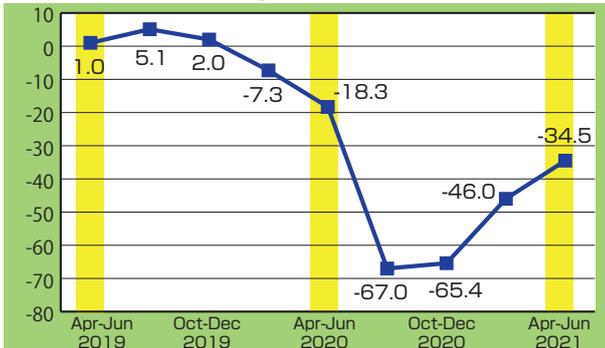
<Various Topics and Current Status of Remodeling>

We surveyed the impact of the corona pandemic on the targeted companies, just as we did when the first state of emergency was issued last spring. The percentage of those who answered "greatly affected" was 11% this time, while it was 36% in the past forecast for July-September 2020. The postponement of building contracts had less impact this time; those contracts which were postponed for more than three months away shared 48% this time, whereas 60% in the past survey. On the other hand, more than 60% of the respondents predicted an increase in the number of bankruptcies and closures of their clients, indicating that they are worried about the impact of the pandemic to be prolonged.

As for the current status of remodeling, the number of medium to large projects with average sales of 2.5 million yen or more is increasing. It seems that large-scale remodeling to accommodate new lifestyles after the coronavirus is growing. The Green Housing Point System is scheduled to start accepting applications in April, which is expected to be used for remodeling works as well. We hope that promotion of the system will help to create more demand.

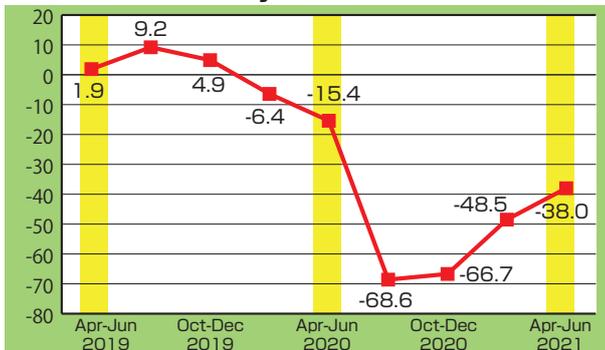
The forecast survey for April to June 2021 is based on the totaled data gathered from 3,000 client companies in Japan through the Internet, which took place from late-January to mid-February 2021.

Demand Forecast by Builders



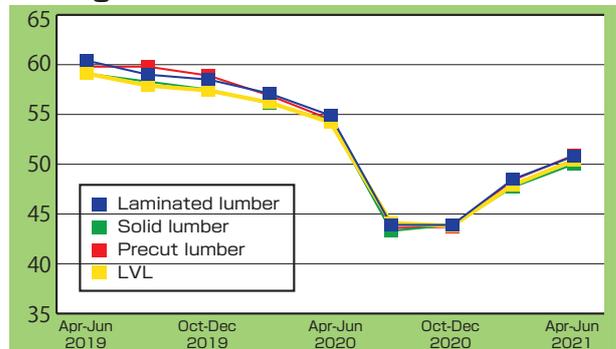
Point0=business result in April-June, 1992

Demand Forecast by Distributors



Point0=business result in April-June, 1992

Dealing Volume of Lumber



Point 100=all responses expect increase

Sales Forecast by Major Supplying Manufacturers (Apr-Jun 2021)

	increase			level-off	decrease		
	over 15%	14 ~ 10%	below 10%		below 10%	10 ~ 14%	over 15%
Plywood (13firms)	0.0	9.1	27.3	45.4	9.1	9.1	0.0
Wooden Building Materials (10firms)	0.0	0.0	27.8	33.3	22.2	11.1	5.6
Ceramic/Heat Insulation (15firms)	0.0	3.3	13.3	30.0	40.0	6.7	6.7
House Equipments (9firms)	3.6	0.0	32.1	39.3	17.9	7.1	0.0
average	0.9	3.1	25.1	37.0	22.3	8.5	3.1

Trend

Market Outlook of Plywood

<Trend of Domestic Plywood>

Japan's production of softwood plywood was 244,557 cubic meters (94.8% of the result in the same month of the previous year) in January 2021, and shipment was 249,039 cubic meters (97.0%). Inventories have been gradually decreasing to 107,598 cubic meters (83.3%) since the peak in May 2020.

Manufacturers remain bullish for maintaining their prices due to the low inventories, but a sense of scarcity in the market is being resolved as the accumulated backlog of orders has been filled.

As March coincides with the end of the fiscal year for distributors with stronger sales incentives, the market prices are likely to remain flat for the time being. The key will be how manufacturers can produce items based on the supply-demand balance for the future.

<Trend of Imported Plywood>

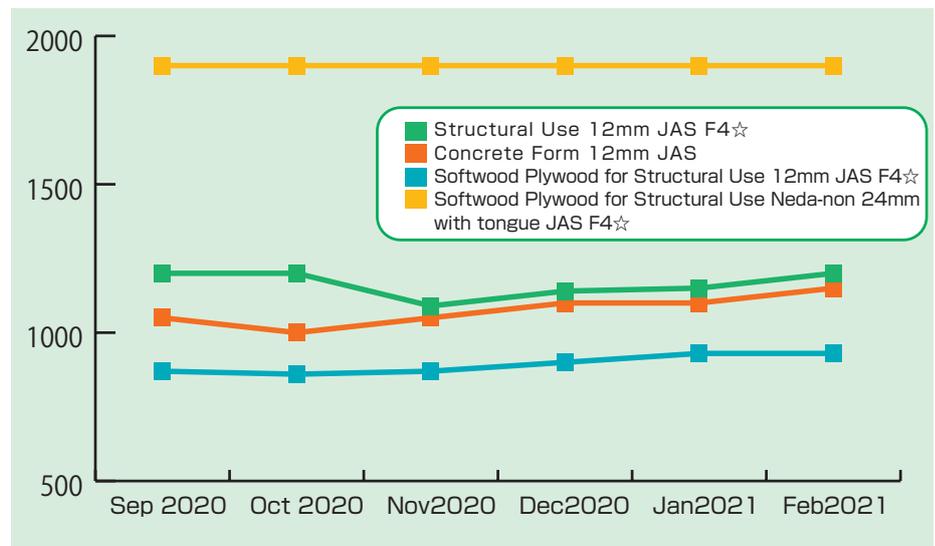
Japan's import of plywood was 213,428 cubic meters (88.2% of the result in the same month of the previous year) in January 2021, which turned upward (121.2%) from the results of 175,991 cubic meters in the previous month. Looking at the result by country of origin, the amount of import from Malaysia was 77,688 cubic meters (123.0%), that from Indonesia was 65,491 cubic meters (73.6%), and that from China

was 48,160 cubic meters (71.7%).

Despite more arrivals in January, the port inventory is extremely low and there remains the sign of shortage. Importers are trying to raise prices by carefully selling their scarce inventories to keep up with the skyrocketing purchase costs. The trend of price hikes due to product shortage is expected to continue, as a significant increase in arrivals is hardly expected for the time being.

Wholesalers' Prices of Plywood in Tokyo

yen/sheet



Topics

[Outline]

On October 3, 2020, KEY TEC Co., Ltd. planted trees in a profit-sharing national forest commemorating the enthronement of the Emperor as part of the celebrations. The forest is located in Saku City, Nagano Prefecture.

KEY TEC signed a contract for the profit-sharing afforestation project with the Forestry Agency's Chubu Regional Forest Office on May 27, 2019 with the aim of promotion for recycling of resources while cooperating with the local communities for development of forestry.

The afforestation project is a memorable initiative for KEY TEC in 2079.

Tree planting in KEY TEC's Forest commemorating the start of the Reiwa era

The company would like to hand over the baton to the younger generation who will be in charge in 60 years' time, and make sure that the cross-generational project succeeds.

[KEY TEC's Forest]

Location: Ri 114 Tateshina National Forest, Saku City, Nagano Prefecture
Afforested area: 4.04 hectares

Planted species: 9,730 saplings of larch

Contract period: 60 years until 2079



A total of 12 people participated in the event.



Contract: The scene at the time of the contract for the profit-sharing afforestation project

*The profit-sharing afforestation in national forests is a system under which afforestation bodies, who are other entities than the national government, plant trees in national forests under contract and cultivate them for a certain period of time in order to sell the grown trees. The sales proceeds are shared between the national government and the afforestation bodies at a certain rate agreed upon in advance. It can be used as part of social and environmental contribution by companies and organizations to forest improvement.

Company

Japan Kenzai Fair 2021 held as an online exhibition in conjunction with real events held nationwide

Japan Kenzai Co., Ltd. held Japan Kenzai Fair for 3 days from March 17 (Wednesday) to 19 (Friday). This year, the venue was reproduced in virtual space under the name of "Japan Kenzai Fair Online Exhibition". Held twice a year since 1978, the trade exhibition was held online for the first time. Sales during the 3 days totaled 1.33 billion yen, and the number of visitors was 15,489.



At the Japan Kenzai Fair Online Exhibition, the exhibition hall was set up in a virtual space

Also during the exhibition, real events were held in a number of locations nationwide in line with the online exhibition. These events included the following.

The venue of one of the events was the Johoku Office (Yashio Logistics Center) in Yashio, Saitama Prefecture, which is usually responsible for storage and distribution of lumber. Making use of the venue as an actual location of storing inventory, this closely located sales office was used as a space to hold the event. 10 companies including Japan Kenzai's own brand set up exhibits. While visitors were being informed about products at the exhibit booths, lively transactions were being conducted at the business meeting space set up in the center of the venue.

At the same venue, videos of seminars that were held during the exhibition could be viewed, and visitors intently listened to the explanation about the "Green Housing Points System". Outside the venue, visitors carefully viewed the exhibited lumber, and business was in full swing. The number of visitors was 85, and sales amounted to 14.36 million yen.

The company's headquarter in Koto Ward, Tokyo, focuses mainly on setting up exhibits. 3 types of washrooms that

are being developed as the first part of the company's selected building materials project called "moki" which will be launched in April were exhibited. Developed by a team of members made up of women, the stylish washrooms, which take functional and storage aspects into consideration, could be observed in detail.

On another floor, the Bulls Package Theater Room, which packages together sound insulation, acoustic design, equipment, and interior items related to a home theater, was set up. A space where powerful acoustics could be actually experienced was provided. In addition, a counter to offer support to construction businesses was also set up, and assistance in creating calculations for energy saving as well as a manual concerning the Revised Energy Conservation Act for Buildings were offered by the JK Support Center of Japan Kenzai. The number of visitors during the 3 day period was 49.



Head Office (Koto Ward, Tokyo)
"moki", the selected building material Three different wash spaces were displayed



Johoku Office (Yashio Logistics Center)
The booths of various companies lined up around the central business meeting space

Total sales at the real events held nationwide during the exhibition period amounted to 570 million yen, and the number of visitors was 4,344. Expectations are rising for the next Japan Kenzai Fair.



JK Holdings Co., Ltd.

Wood Land Tower 1-7-22 Shinkiba Koto-ku, Tokyo 136-8405 Japan
Phone +81-3-5534-3800 Fax +81-3-5534-3833
E-mail kouhou@jkhd.co.jp
URL <http://www.jkhd.co.jp>