



Bulls

JK Holdings
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Brief Financial Results for JKHD for the First Quarter of the Fiscal Year Ending March 2019

Housing starts totaled 245,000 units (a decline of 2.0% from the same period of the previous year) for the first quarter of the fiscal year ending March 2019 for our consolidated accounts. Housing individual, which are our main markets, also decreased by 2.5% from the same period of the previous year to 71,700 units. However, in comparison with the previous quarter (the fourth quarter of the fiscal year ended March 2018), both the overall housing and individual housing were expanded substantially.

In such a business environment, we have enhanced sales of lumber and precut in the basic materials sector, and have tackled expansion of sales to strengthen sales and improve profits in the sector of Bulls and J-GREEN items, which are our private brands. Concerning the building materials and housing equipment, the whole sections of our group have worked on functional enhancement of the engineering business to promote sales and improve profitability of the overall building materials business in accordance

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President
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with receiving orders for materials and housing works from the distribution, remodeling, and non-residential buildings markets.

As a result, the consolidated financial results for the first quarter showed net sales of 85.327 billion yen (increase by 3.2% compared to the same period of the previous year), and operating profit of 1.223 billion yen (increase by 4.1%), ordinary income of 1.193 billion yen (increase by 0.4%), increasing both in sales and profits. The current net income for the quarter found 616 million yen (decrease by 2.3%).

Our annual targets for the fiscal year ending in March 2019 shows net sales of 350 billion yen (increased by 1.1% from the previous fiscal year), operating profit of 5.2 billion yen (increased by 3.9%), ordinary income of 5.0 billion yen (increased by 3.3%), and current net income of 3.0 billion yen (increased by 4.2%) that are attributable to the parent company shareholders.

Event

The 40th Japan Kenzai Fair Ended in Great Success

Japan Kenzai Fair which is held twice a year at the Tokyo Big Sight is the largest housing exhibition and spot sale fair in Japan. More than 200 major vendor and manufacturers for Japan Kenzai participate in the event, which is popular as a place to find new products, hot sellers, and the latest industry trends.

The theme of the 40th Japan Kenzai Fair held in August 2018 was "storage". When designing

a house, good storage design is required to create a comfortable living space in Japan, of which land price is expensive because of a large population in the small sized land. Actual products were displayed at the fair, giving various ideas for solution for storage to construction firms and builders.



The number of visitors was 22,000 and the sales exceeded 54.9 billion yen at the fair, which was a great success.

Survey

Prospect of Business Condition for October-December

<Demand Forecast by Builders and Distributors>

Demand forecasts for October-December 2018, which were reported lately, found a recovery from -8.1 points in the previous survey (July-September) to -5.7 points among builders' views and from -5.5 points to -3.7 points among distributors'. While both builders and distributors turned their forecasts upward since the survey before last (April-June) hit the bottom, the housing demand seems to be on a gradual recovery trend.

Analyzing the prediction by area, the builders and distributors in Western Japan showed a tendency to expect more demand. The answers from Eastern Japan (Kanto

area and to the north) and the metropolitan area except Tokyo predicted a declining trend as a whole, but it is encouraging that we have positive answers from 20 prefectures including major areas such as Tokyo, Osaka, Aichi, and Fukuoka.

With the Tokyo Olympics Games coming up, wooden-structured buildings as well as making use of Japanese wood are increasingly attracting interest, but the problems of transportation costs and labor shortage including craftsmen are still unsolved. The national government is promoting eco-conservation and energy saving in both new construction and renovation of houses. Housing has completely shifted to the trend of quality from quantity.

According to the Ministry of Land, Infrastructure, Transport and Tourism, housing starts for January-June 2018 totaled around 450,000 units, which were 95.1% of those in the previous year. By use, those of owner-occupied houses was 97.0% of the results in the previous year, rental houses 93.7%, and built-for-sale houses 94.3%, showing a smaller figures in all the sectors compared to the previous year.

<Sales Forecasts by Main Manufacturers>

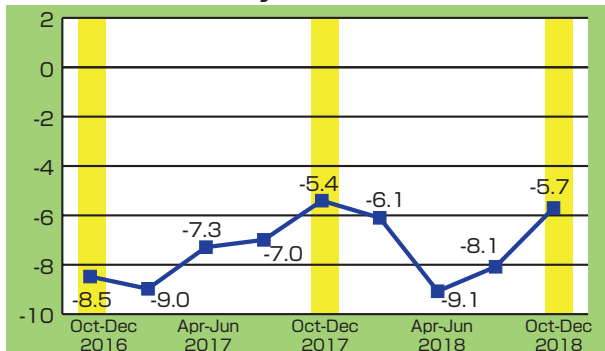
According to sales forecasts by main manufacturers, three sectors other than wooden building materials, which are plywood, ceramics and insulation, and housing equipment, predicted to expand. Demand is expected to grow in the sectors of plywood for unstable factors in the balance between supply and demand in particular, building materials of which performance is better and more advanced, and housing equipment with new products released into the markets.

<Current States of Remodeling Business>

Expectations for home remodeling and renovation among those who reported their views are in a growing trend nationwide. Customers' needs are diversified: seismic retrofitting after inspection, insulation remodeling with high-performance building materials, and renovation based on reviewing of their way of living. However, the budget per project is getting lower. The report found out that many companies are struggling with the delivery of materials to the sites.

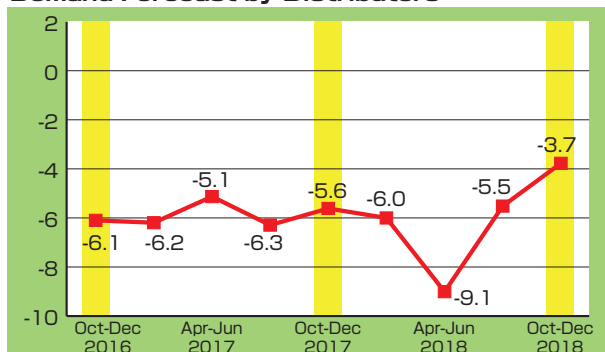
*The forecast (for October-December 2018) is the totaled results of the data gathered from 3,000 client companies in Japan through interviews which took place from late-July to mid-August in 2018.

Demand Forecast by Builders



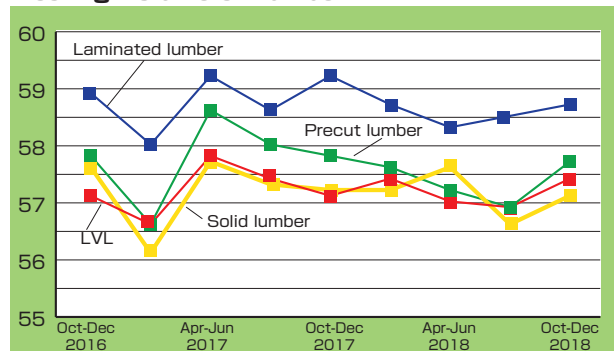
Point0=business result in April-June, 1992

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 (Oct-Dec 2018)

	increase			level-off	decrease		
	over15%	14 ~ 10%	below10%		below10%	10 ~ 14%	over15%
Plywood (13firms)	0.0	6.6	25.0	60.5	7.9	0.0	0.0
Wooden Building Materials (10firms)	0.0	1.3	17.5	42.4	30.0	6.3	2.5
Ceramic/Heat Insulation (15firms)	0.0	1.8	25.9	50.0	21.4	0.9	0.0
House Equipments (9firms)	0.0	2.8	36.1	38.9	22.2	0.0	0.0
average	0.0	3.1	26.1	48.0	20.4	1.8	0.6

Trend

Market Outlook of Plywood

<Trend of Housing Starts>

Housing starts in July 2018 numbered 82,615 units, 99.2% of the year-ago results, and the total figure for January-June was 450,085 units, 105.1% of the previous year.

<Trend of Japanese plywood>

Japanese softwood plywood production in July 2018 was 267,799 cubic meters, 102.3% of the results in the same month of the previous year, whereas shipments were 259,438 cubic meters. The stock was 173,306 cubic meters, showing a consecutive increase for six months.

While the strong production has been maintained by manufacturers, demand for Japanese softwood plywood is predicted to support the shipments toward the autumn and the supply and demand will be well balanced. Manufacturers find many factors for higher costs due to the stronger prices for raw materials, and it is considered that the stable supply will continue in the future.

<Trend of Imported plywood>

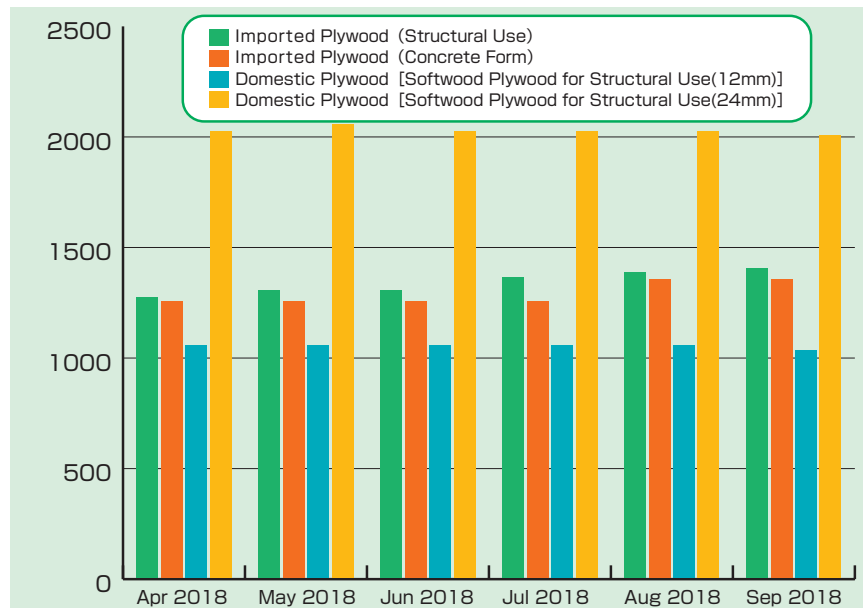
Imported plywood arrivals in July 2018 were 218,409 cubic meters, 96.9% of the results in the same month of the previous year. Looking at the arrivals by country of origin, 81,021 cubic meters were from Malaysia (79.4% of the year-ago results), 62,971 cubic meters from Indonesia (103.8%), and 53,490 cubic meters from China (112%).

The strong prices of imported plywood in producing regions

remain unchanged. A decrease both in the local production and arrivals in Japan would be concerned once the rainy season starts in October. It is difficult to read the market development from the port inventories because the arrivals of goods have not been matching for the demand due to remarkable differences in production motivation the shipper side shows depending on items. Basically it is expected that the gradual rise in market prices will continue in the second half of the year.

Wholesalers' Prices of Plywood in Tokyo

yen/sheet



Company

Establishment of Overseas Subsidiaries in Portland and Singapore

The JK Holdings Group is putting great efforts in promoting the overseas business.

Japan Kenzai Co., Ltd. has established a new overseas subsidiary in Singapore called Interra JK Singapore. We are going to cultivate Asian markets, which keep growing remarkably, in order to build a new mainstay of our business.

Interra USA Inc. has opened a branch in Portland (OR) where internationalization is progressing year by year with the increasing number of those who have moved not only from other cities in the U.S., but also from foreign

Overseas Business Network



countries. With the opening of the branch, Interra USA Inc. plans to expand its sales mainly focusing on raw housing materials.

The JK Holdings Group has developed its business in eight countries and aims for further expansion in the future.

Topics

Sales Expansion of MDF in the U.S.

Interra USA Inc. exhibited MDF as one of its major dealing items at the International Woodworking Fair (IWF) held in Atlanta, Georgia, U.S.A. on August 22 to 25, 2018. The MDF (brand name: Customwood) is produced at the New Zealand factory of Daiken Corporation, and was displayed at the booth of Richwood Inc., Interra's strategic sales partner for the item.

Richwood Inc. is a mid-sized manufacturer of wooden furniture for office use with a factory near Chicago, Illinois. Its technical capabilities are highly valued in the industry.

JK Wooden Structure-Lignification Group NEWS (JK Timber Engineering Group)



President Mr. Remelts of Richwood Inc. in the center, President Mr. Tadakoshi of Board Co., Ltd. to the right, Chairman Mr. Yoshida of JKHD Co., Ltd. to the left

Steelcase Inc., the nation's leading manufacturer of furniture for offices, has adopted partitions using the MDF (Customwood) which Interra USA sells, after testing the

materials for two years. Chairman Yoshida made a courtesy visit to the Richwood's booth on August 22, the first day of the exhibition.

Exporting Wooden Houses

In response to the growing interest in wooden buildings in Korea, Butsurin Co., Ltd. exported wooden houses using Japanese larch grown in Hokkaido. Butsurin procured Japanese larch CLT produced by Okhotsk Woodpia, a cooperative association, column and beams of

spruce structural laminated lumber manufactured by Miyamori Co., Ltd., decorative beams made from Japanese larch, Japanese cypress sills made by Innosho Forestry Co., Ltd., and others upon requests from the Korean side.

The materials were processed at Hokkaido Pre-cut Center, shipped from Tomakomai Port to Pusan Port by containers, and used for

the construction project in the Province of Gyeongsangbuk-Do.

The exported houses are one-story structure covering an area of 24 "tsubo", using Japanese larch CLT for a part of the wall. President Tannaka of Butsurin says, "Taking this as an opportunity, we would expect our overseas business to expand further."

