



Bulls

JK Holdings
Quarterly Report International

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Overview of the Financial Results for JKHD for Fiscal Year Ending March 2019 Achieving the Highest Sales Record Ever

Housing starts totaled 952,936 units (up 0.7% from the previous year's result) for fiscal 2018. Housing starts for the owner-occupied, which is our main market, increased 2.0% to 287,710 units. Under these business environments, our group has enhanced sales of lumber and precut in the basic material sector, has improved sales and profitability for our private brands such as Bulls and J-GREEN items (legal lumber), and has worked on functional enhancement of our engineering business to promote sales and improve profitability in the building materials and housing equipment sectors.

Keiichiro Aoki
President
JK Holdings Co., Ltd.



As a result, the consolidated business results for the fiscal year found 358.935 billion yen in the net sales (3.7% increase compared with the same term in the previous year), 4.976 billion yen in the operating profit (down 0.5%), and 4.665 billion yen in the ordinary income (down 3.6%). The current net income for the year that is attributable to the parent company shareholders was 2.121 billion yen (down 26.3%).

Company

Breakthrough 21

JK Holdings Draws Mid-Term Management Plan "Breakthrough 21"

The Japanese economy is expected to recover gradually over the next few years, while the global economy is uncertain for the future due to some slowdown factors. In the housing industry as well, the market remains active due to low interest rates on housing loans and the promotion of energy conservation through national policies, but structural factors for slowdown, such as the declining population and the number of households hitting the peak before long, would become apparent in the number of housing starts.

In this context, the JKHD Group has formulated a new medium-term management plan for the period from fiscal 2019 to 2021. With a slogan as "Breakthrough 21", we will respond promptly

to changes in the business environments and create a structure capable of coping with such uncertain environments while maintaining our policy of growth expansion.

Business Objectives

	Net sales	Operating profit	Ordinary income	Current net income for the year	Ordinary income rate
2019	3,650	50	47	26	1.29%
2020	3,700	52	49	28	1.32%
2021	3,750	54	51	30	1.36%

Survey

Prospect of Business Condition for July-September

<Demand Forecast by Builders and Distributors>

The demand forecast for July-September 2019 when last-minute demands before the consumption tax raise are expected continuously from the previous term showed an index of plus 5.1 points among builders and plus 9.2 points among distributors, indicating the influence of the tax hike. It is, however, a big difference, from the past survey conducted right before the tax increase in 2014 when it found plus 50.5 points among builders and plus 52.1 points among distributors. This is probably because the number of housing starts has not increased since one year before the next tax raise.

Housing starts from April to October 2013, right before the consumption tax rose from 5% to 8%, were 113% of the results in the same period of the previous year (114% for the owner-occupied homes), while those from October 2018 to March 2019, with the tax rate scheduled to go up from 8% to 10% in October 2019, were only 103% (106% for the owner-occupied homes) of the year-ago results.

Another factor could be varied business confidence in different regions. The index stood at plus points in all regions in the previous time, but it was at minus points in the Tohoku, Kanto, and Koshinetsu regions this time.

The surge in rushed demand before the tax hike appears to be low as expected, but the demand forecast remains positive. The number of applications for Flat 35 grew to 11,020, which was 112% over the previous year's results. It is important to provide suitable houses that can meet users' expectations.

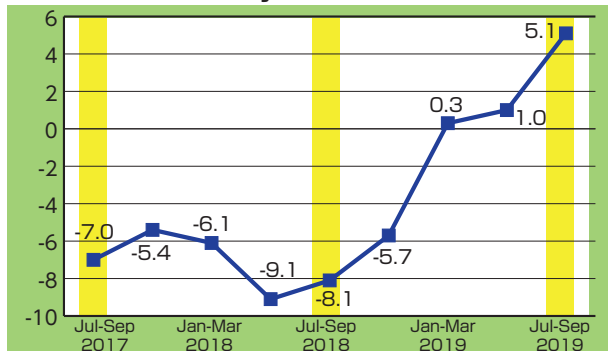
<Sales Forecast by Leading Manufacturers>

The sales forecast by leading manufacturers found a substantial growth in all the sectors except plywood. The housing equipment manufacturers in particular predicted a larger increase, which shows strong sales are expected in the remodeling sector, other than new constructions. Wooden building materials are also expected to increase due to a trend as "applying wood for interior and exterior".

<Current Status of Remodeling Business>

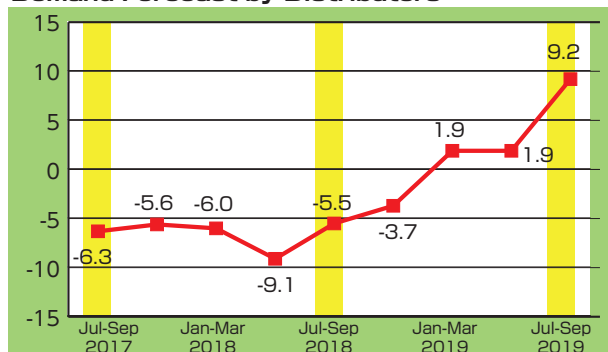
The remodeling business currently finds active demand in low-priced projects, as it had more remodeling projects below 2.5 million yen each compared to the results in the previous survey. In the survey, the overwhelming majority of respondents said they were concerned about "shortage of workmen" before the consumption tax hike, ahead of "shortage of products" and "price rise". It seems that Japanese society as a whole will need to take more measures to cope with the labor shortage, while the government's reform of working styles has made it obligatory for employees to take paid holidays.

Demand Forecast by Builders



Point0=business result in April-June, 1992

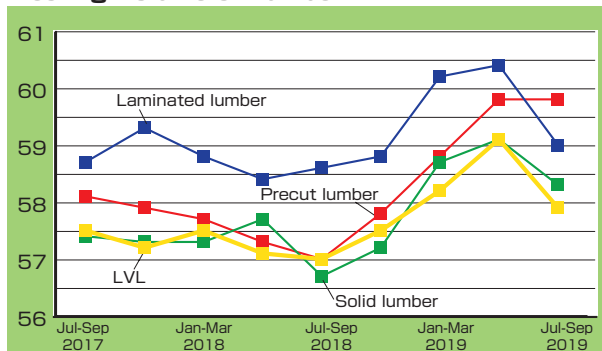
Demand Forecast by Distributors



Point0=business result in April-June, 1992

The forecast survey for July-September 2019 is based on the totaled data gathered from 3,000 client companies in Japan through interviews which took place from mid-April to early-May 2019.

Dealing Volume of Lumber



Point 100=all responses expect increase

Sales Forecast by Major Supplying Manufacturers (Jul-Sep 2019)

	increase			level-off	decrease		
	over 15%	14 ~ 10%	below 10%		below 10%	10 ~ 14%	over 15%
Plywood (13firms)	1.3	0.0	21.8	55.1	20.5	1.3	0.0
Wooden Building Materials (10firms)	0.0	3.8	50.0	28.7	15.0	0.0	2.5
Ceramic/Heat Insulation (15firms)	0.0	0.0	47.5	46.7	5.8	0.0	0.0
House Equipments (9firms)	0.0	11.1	52.8	23.6	12.5	0.0	0.0
average	0.3	3.7	43.0	38.6	13.5	0.3	0.6

Trend

Market Outlook of Plywood

<Trend of Housing Starts>

Housing starts in May 2019 numbered 72,581 units, 91.2% of the year-ago results, and the total figure for April-May was 151,970 units, 92.7% of the same period of the previous year.

<Trend of Japanese Plywood>

Japanese softwood plywood production in May 2019 was 255,216 cubic meters, 101.3% of the results in the same month of the previous year, whereas shipments were 263,938 cubic meters, 109.6% of the year-ago results. The amount of stock became 133,201 cubic meters (94.3% of the same term in the previous year) showing that the demand for Japanese plywood remains strong.

Despite the fact that new plywood factories have been in operation since April, the production volume has not increased as much as expected. It is assumed that the existing mills are not in full-capacity operation due to the labor shortage and other issues. The inventories at Japanese softwood plywood manufacturers are under 0.5 months in general, and the bullish stance is expected to continue for a while.

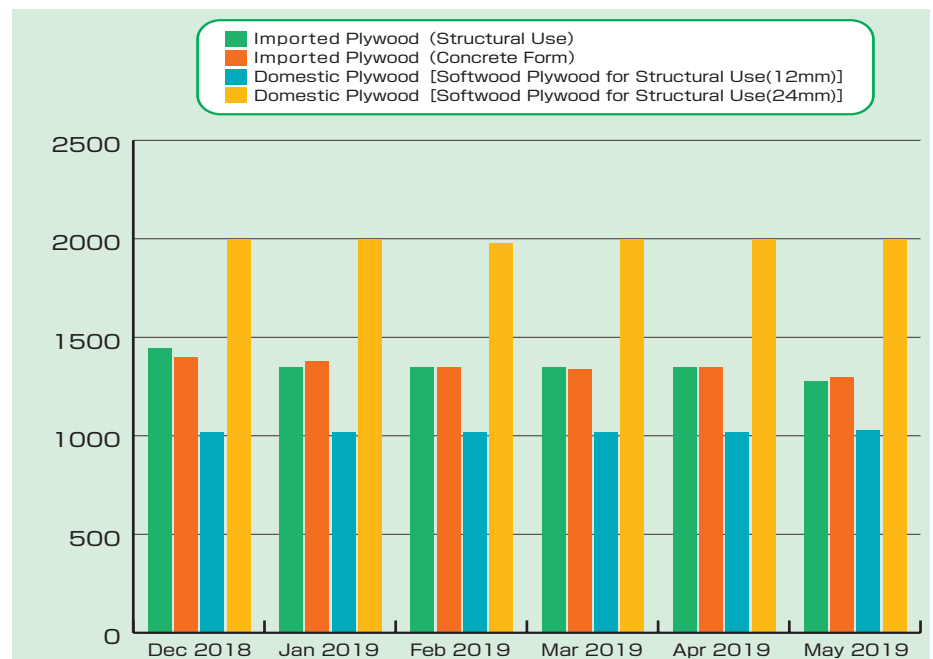
<Trend of Imported Plywood>

Imported plywood arrivals were 186,680 cubic meters in May 2019, 67.6% of the results in the same month of the previous year, showing a substantial drop. By country of origin, 63,754 cubic meters were from Malaysia (65.8% of the year-ago results), a big fall, 57,567 cubic meters from Indonesia (65.8%), and 51,793 cubic meters from China (78.3%). The imports from each country have decreased in the month with the long holidays as one factor.

The product prices have been weak due to relatively large inventories at the ports. Under these circumstances, a significant increase in arrivals is hardly expected for a while. The demand shifting from imported plywood to Japanese plywood may have been attributed to the prices which kept rising in the last fiscal year in addition to the state of material log supply in the producing countries. It would take a little more while for the supply-demand balance to be adjusted.

Wholesalers' Prices of Plywood in Tokyo

yen/sheet



Topics

KEYTEC (President: Hirokazu Nakanishi) has constructed a plywood factory of domestic material in Minobu cho in Yamanashi Prefecture and started its operation on May 10, 2019. Core businesses of the company had been the manufacture and sale of structural LVL and the sale of Southsea laminated lumber, but it is planning to respond to widespread demand through manufacturing and selling domestic softwood plywood in Yamanashi. KEYTEC, playing an important role in the JK Holdings' project that aims to use wood for interior and exterior of large-scale and middle-scale buildings, has made JK Holdings' consolidated subsidiaries, Akita Glulam Co., Ltd. and Miyamori Co., Ltd., its affiliated companies in January 2019 to enforce its business. As their parent organization, KEYTEC is trying to improve its business efficiency.

KEYTEC Yamanashi Sawmill Completed



Company Butsurin Co., Ltd. Established a New Company

Butsurin Co., Ltd. (President Katsumi Tannaka) established a new subsidiary Timberscape Corporation (President Naokazu Kajii) with two core businesses, a construction business specializing in wooden structure & more use of wood and a park management business. The new company is in charge of practical business of Toyosu Park Management JV (Butsurin, JK Holdings, Asics Japan, and Oriental Consultants) represented by Butsurin.

Located in Koto Ward, Tokyo, Toyosu is a residential area at the mouth of the Sumida River, possessing a great landscape lined with high-rise condo towers. It has come into the limelight more than ever and continues to develop as a lively place with the opening of the Toyosu Market and the establishment of the Olympic Village for the Tokyo Olympics and Paralympics.

The new company is going to develop the park management offices, park restaurants, and sports facilities in Toyosu with wooden structures from fiscal 2019, under the new concept of "Wood nurtures parks and cities".



An example of wooden building Koto Ward Ariake-Nishi Gakuen

Best Award (Prime Minister's Award) in Excellent Facilities Using Wood Competition FY 2018
Best Award (Minister of Agriculture, Forestry Fisheries Award) in Japan Wood Design Award 2018

"Koto Ward Ariake-Nishi Gakuen", of which Butsurin Co., Ltd. partly undertook the interior finish work and carpenter's work, received the best award, "Prime Minister's award", at Excellent Facilities Using Wood Competition FY2018. Butsurin Co., Ltd.

supplied 250 cubic meters of solid larch clapboard (thickness 38mm x width 290mm x length 3650mm) produced in Hokkaido, contributing significantly to the government's policy to promote the use of wood in public buildings, the utilization of domestic wood, and the

popularization of large-scale wooden buildings. The effects of wood is said to not only bring visual warmth but also comfort and peace, and to nurture children's learning ability. This building is attracting attention as a model of the wood use in urban areas.



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