



Bulls

JK Holdings
Quarterly Report International

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JKHD's brief statement of accounts for the First Quarter of Fiscal Year Ending March 2020

Housing starts were 233,000 units (down 4.7% from a year ago) for the period of the first quarter of JKHD's consolidated year to date ending March 2020. Housing starts for the owner-occupied, which is our main market, increased largely by 9.6% to 78,000 units, but those for rental houses dropped 14.9% to 86,000 units. Under these circumstances, our group has taken various measures, including the organizational reform of Japan Kenzai Co., Ltd., our core subsidiary, as well as the launch of the Yamanashi Plywood Plant of Keytec Co., Ltd., a manufacturing subsidiary, in the first year of our new medium term management plan under the slogan of "Breakthrough 21".

As a result, the consolidated business results for the first quarter of the fiscal year found a growth as 88.981 billion yen in

Keiichiro Aoki

President
JK Holdings Co., Ltd.



the net sales (4.3% increase compared with the same period in the previous year), but a fall in profits as 0.649 billion yen in the operating profit (down 46.9%) and 0.569 billion yen in the ordinary income (down 52.3%). The current net income for the quarter reduced 53.0% to 0.289 billion yen.

For the full year, our group aims at sales of 365 billion yen (up 1.6% year on year), operating profit of 5 billion yen (up 8.6%), and ordinary profit of 5 billion yen (up 2%), with a net profit attributable to the parent company shareholders of 2.6 billion yen (up 23%).

Topics

Japan Kenzai Co., Ltd. exhibited at "Mirai-ichi (Future Market) 2019" hosted by HASHIMOTO SOGYO Ltd. at Tokyo Big Sight on August 23 to 24. Mirai-ichi is an annual fair to propose environmentally- and energy-conscious products as well as home remodeling materials under the keywords of "The future in 7 areas" such as Eco-Energy, Renovation and Used Home Distribution, Health and Comfort, Safety and Security, Regional Revitalization, Globalization, and IT Utilization.

Japan Kenzai drew the visitors' attention by exhibiting its major private brand for building materials named "Bulls" and its ecological wood brand "J-GREEN",

Japan Kenzai exhibited at "Mirai-ichi" sponsored by HASHIMOTO SOGYO



which was launched for sale in April 2017. Japan Kenzai and HASHIMOTO SOGYO formed a business alliance in

2017. They will continue to utilize the management knowledge in their businesses mutually.

Survey

Prospect of Business Condition for October-December

<Demand Forecast by Builders and Distributors>

The 3rd quarter (October to December) is the peak season in autumn every year, but it is going to be right after the consumption tax increase this year. The demand forecast for October to December 2019 was recently compiled under a different situation from the ordinary years, showing an index of plus 2.0 points among builders and plus 4.9 points among distributors, which were much larger than the results as minus 5.5 points and minus 3.7 points in the same period of the previous year.

Housing starts from January to June 2019 were 449,122 units or 99.8% of

the year ago results. While the number of rental houses, which was only 88.6% of the corresponding period of a year earlier, pushed down the overall figures, that of owner-occupied houses increased (108.6%). Housing starts of the owner-occupied totaled 28,394 units in June, the highest level since December 2013 before the previous tax hike.

Demand forecasts for 2019 have been positive from January to March, April to June, July to September, and until the survey this time. However, the margin of increase in October to December dropped from plus 5.1 to plus 2.0 among builders, and from plus 9.2 to plus 4.9 among distributors compared to the survey for July to September. By region, the index went down in four regions as Tohoku, Kanto, Hokuriku, and Shikoku.

The number of applications for Flat 35 was as high with over 10,000 in July after falling in May and June. Various surveys said we would see “only a

slight impact” of the consumption tax hike.

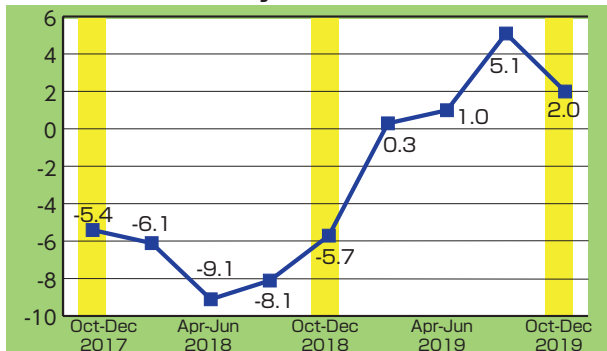
<Sales Forecast by Leading Manufacturers>

Among the sales forecast by leading manufacturers, the forecasts of declines exceeded the projections of increases in all sectors. Three sectors of wooden building materials, ceramics & insulation, and housing equipment in particular found more expectations for a reduction. However, nearly 50% of the manufacturers in the wooden building materials and ceramics & insulation sectors predicted the same level as last year. Expectations for an increase in demand have waned, but the manufacturers do not seem to be concerned about a decrease in demand so seriously.

<Current Status of Remodeling Business>

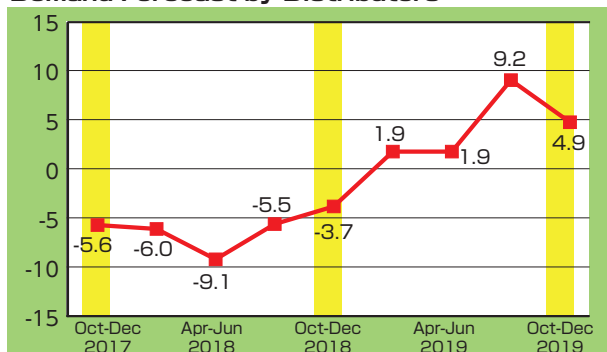
According to the survey, 25% to 75% of the target companies had an increase in remodeling work compared to the previous survey. Many enterprises forecast a decline in two regions of Hokkaido and Tohoku, but the number of those who predicted a growth exceeded that of a fall in the other regions. Besides, more companies considered the serious shortage of workmen would cause loss of sales opportunities.

Demand Forecast by Builders



Point0=business result in April-June, 1992

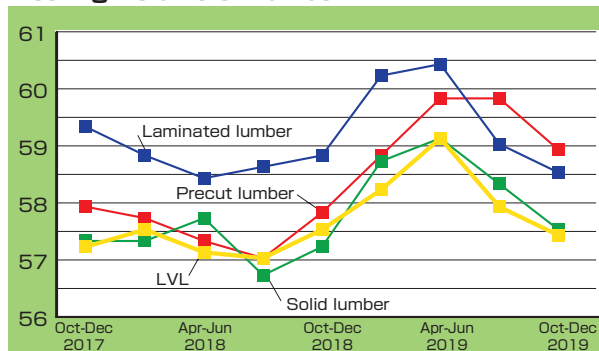
Demand Forecast by Distributors



Point0=business result in April-June, 1992

The forecast survey for October to December 2019 is based on the totaled data gathered from 3,000 client companies in Japan through interviews which took place from late-July to mid-August 2019.

Dealing Volume of Lumber



Point 100=all responses expect increase

Sales Forecast by Major Supplying Manufacturers (Oct-Dec 2019)

	increase			level-off	decrease		
	over 15%	14 ~ 10%	below 10%		below 10%	10 ~ 14%	over 15%
Plywood (13firms)	0.0	2.7	23.0	37.8	35.1	1.4	0.0
Wooden Building Materials (10firms)	1.3	1.3	17.5	49.9	25.0	2.5	2.5
Ceramic/Heat Insulation (15firms)	0.0	0.0	24.2	48.3	27.5	0.0	0.0
House Equipments (9firms)	0.0	2.8	22.2	41.7	25.0	8.3	0.0
average	0.3	1.7	21.7	44.4	28.2	3.1	0.6

Trend

Market Outlook of Plywood

<Trend of Japanese Plywood>

Japanese softwood plywood production was 255,700 cubic meters in August 2019, which was 101.5% of the results in the same month of the previous year, whereas shipments were 251,800 cubic meters. Demand was firm, but inventories increased by 4,100 cubic meters from the previous month's level to 122,000 cubic meters as it has become harder to secure trucks for delivery since mid-August.

Demand for Japanese softwood plywood is expected to exceed supply due to strong orders and low inventories at manufacturers. In addition to the autumnal demand, what manufacturers show as delivery dates tend to be later day by day. Moreover, demand for reconstruction in the typhoon disaster areas shall be added, and it is expected that customers will remain waiting for the supply for the time being. The shift from imported plywood to Japanese plywood is estimated to keep going gradually.

<Trend of Imported Plywood>

Arrivals of imported plywood were 203,400 cubic meters in August 2019, which was 86.3% of the results in the same month of the previous year. By country of origin, 63,100 cubic meters were from Malaysia (71.3% of the year-ago results), 77,600 cubic meters were from Indonesia (98.7%), and 45,900 cubic meters from China (100.5%).

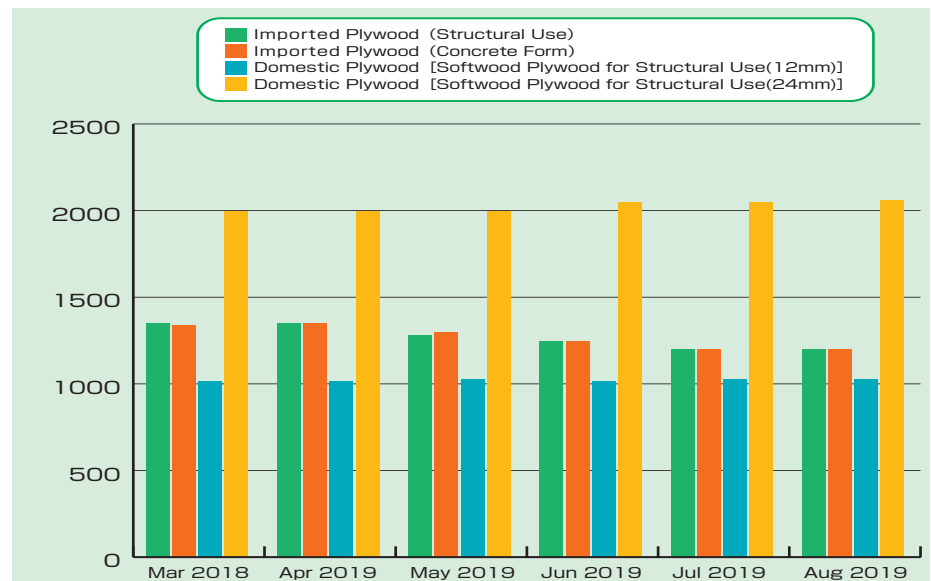
The shipper side continues to face severe business conditions with a small

number of new contracts or orders for plywood to be exported to Japan. In the producing regions, however, prices of logs finally reached their lowest levels. It is expected to be a turning point for the market.

The domestic supply and demand for imported plywood is gradually getting balanced in Japan. It is expected the recovery of prices starts from the items in shortage and the prices tend to rise gradually.

Wholesalers' Prices of Plywood in Tokyo

yen/sheet



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%

Company

JKHD's Akita Glulam and Miyamori to become KEYTEC subsidiary

JK Holdings (President Keiichiro Aoki) announced to make its consolidated subsidiaries Akita Glulam (Odate City, Akita Prefecture) and Miyamori (Minami Akita-gun, Akita Prefecture) become a subsidiary of KEYTEC (Tokyo) in January 2019. The purpose is to strengthen the business of medium and large wooden constructions and promo-

tion of wood-based interior and exterior undertaken by JKHD Group. Also the move is designed to streamline and improve the efficiency of the entire operations by reorganizing the group with KEYTEC as an intermediate operating holding company.

"The three companies, engaged in wood

processing and production of items in common, deal with the same suppliers and customers and have shared information at in-house meetings so far. They can develop more efficient business through the management of their operations by KEYTEC as the parent entity," said President Aoki.

Application Examples of KEYTEC's LVL

KEYTEC (President Koichi Nakaniishi), a plywood and LVL manufacturer, has supplied its product "KEYLAM Interior" made of Japanese cedar LVL to Akita Broadcasting System's new building, which is located in front of Akita Station completed in May 2019.

The relocation is scheduled for April 2020.

KEYLAM Interior can be used as materials for interior and built-in furniture by making use of the stripe-patterned laminated veneer surface as the feature

of LVL. With its quasi-incombustible performance, it has been applied in many buildings as an item that allows more flexible construction even in places subject to the interior restrictions under the Building Standard Act.



Location : Akita City, Akita Prefecture
 Use : Broadcast Station
 Architectural Design : Shimizu Corporation
 Tohoku Branch
 First Class Architecture Office
 Construction : Shimizu Corporation
 Tohoku Branch
 Material : LVL KEYLAM Interior
 Photos taken by SS Inc. Tohoku Branch



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