



Bulls

JK Holdings
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CONTENTS

- P1 Overview of the Financial Results for JKHD for the Second Quarter of Fiscal Year Ending March 2020
New construction method "TE System" obtained certification from the Japan Housing and Wood Technology Center
- P2 Prospect of Business Condition for January – March
- P3 Market Outlook Plywood
Butsurin Co., Ltd. Established a New Company
- P4 Miyamori Co., Ltd. enters the precut business
KEYTEC's interior LVL adopted in non-residential buildings in South Korea

Overview of the Financial Results for JKHD for the Second Quarter of Fiscal Year Ending March 2020

The total number of housing starts was 466,600 units (down 5% from a year ago) for the first and second quarters of JKHD's consolidated year to date ending March 2020. And housing starts for the owner-occupied, which is our main market, increased by 4.4% to 152,900 units.

Under these circumstances, we have worked on improvement of both sales and profit, while enhancing sales of lumber and precut as well as improving our private brands such as Bulls and J-GREEN items in the basic material sector. Also we have put our efforts into functional enhancement of the engineering business in line with received orders for materials and construction work in the distribution, remodeling market, and non-housing markets to promote sales and improve profitability of the overall building material business in our entire group. Consequently, the consolidated business results for the quarter

Keiichiro Aoki

President
JK Holdings Co., Ltd.



found a growth to 184.701 billion yen in the net sales (7% increase compared to the same period of the previous year), but declines in the operating profit to 2.222 billion yen (down 4.7%) and in the ordinary income to 2.027 billion yen (down 8.2%). The current net income for the quarter that is attributable to the parent company shareholders was 1.118 billion yen (down 4.2%).

For the full fiscal year, our group aims at sales of 365 billion yen, operating profit of 5 billion yen, and ordinary profit of 4.7 billion yen, with a net profit attributable to the parent company shareholders of 2.6 billion yen.

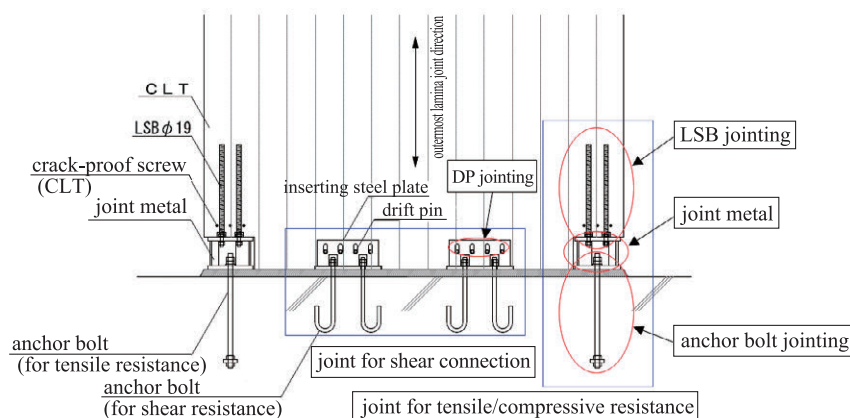
Topics

A new construction method "TE system" acquired certification from the Japan Housing and Wood Technology Center in August 2019. The system was developed jointly by five companies: ONOTSUKA CO., LTD., Japan Kenzai Co., Ltd., Akita Glulam Co., Ltd., Butsurin Co., Ltd., and Timber Engineering Construction Co., Ltd. It cost them about 25 million yen and two years and a half for the acquisition process.

The certified system is CLT panel method in which floor beams or roof beams are placed on CLT wall panels. It uses only CLT wall panels in some cases, or applies CLT wall panels along with other bearing walls such as rigid frames in some other cases. For the roof and

New construction method "TE System" obtained certification from the Japan Housing and Wood Technology Center

flooring, used are roof truss and floor framing of the post & beam building method, CLT floor panels, or ribbed CLT panels which are jointed together with beams with lag screws.



Survey

Prospect of Business Condition for January-March

<Demand Forecast by Builders and Distributors>

The demand forecast for January to March 2020 shows an index of minus 7.3 points among builders and minus 6.4 points among distributors, which are the first negative figures in about a year since the term ran from October to December 2018. The impact of the consumption tax increase is considerable. By region, only the Chugoku and Kyushu regions see positive points in both builders' and distributors' forecasts, while other regions find either side is close to each other except in the Tohoku and Hokuriku regions which have large

negative points.

The number of applications for Flat 35 was as high as over 10,000 for two months in a row in September and October 2019. That for Flat 35 S has accounted for around 90% of the total number of applications since April 2018. Along with public awareness of the benefits of preferential interest rates, there is a clear trend among home owners to choose high-performance housing.

<Sales Forecast by Leading Manufacturers>

Among the sales forecast by leading manufacturers, the wooden building materials sector is expected to fall 48.8 points, widening the margin of the negative growth by 37.5 points from the previous survey. The sectors of plywood and ceramics & insulation still see large decline in their projection at

26.3 points and 31.7 points respectively. The projection to decrease was 8.3 points lower than previous survey in housing equipment sector, which found more forecasts to stay the same level as the previous year. The plywood sector also sees as high as 61.9 points of the projection of the previous year's level. Although overall demand for plywood is unlikely to increase, concerns about a downturn do not seem to be so serious among the leading manufacturers.

<Current Status of Remodeling Business>

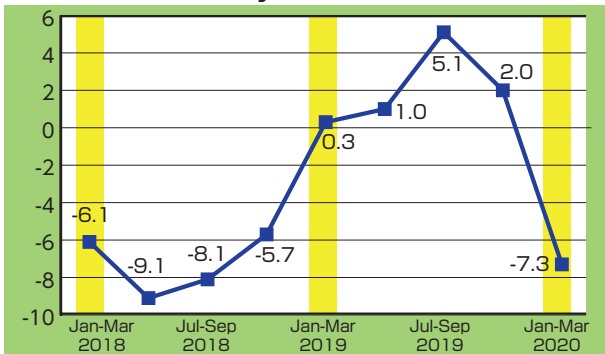
According to the survey, 51 to 90% of the target builders had an increase in remodeling work.

More builders came under the category of either sales of 10,000 to 1,000,000 yen or 5.01 to 8 million yen per project on average, compared to the previous survey, indicating their sales are more polarized.

In the survey, we asked about "internet sales" and "cashless payments" in which both builders and distributors showed little interest. Also the survey found out an issue that distributors face: 56.2% of the target companies replied that they do not receive the delivery fee at all.

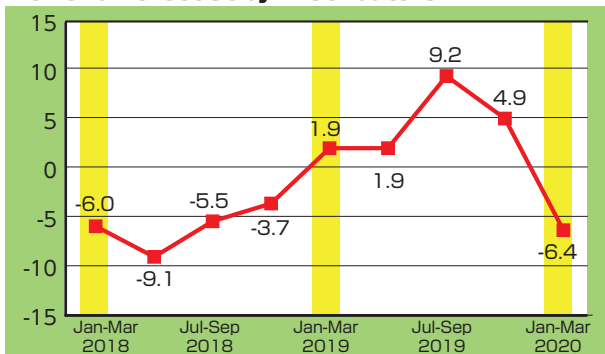
The forecast survey for January to March 2020 is based on the totaled data gathered from 3,000 client companies in Japan through interviews which took place from mid-October to early-November 2019.

Demand Forecast by Builders



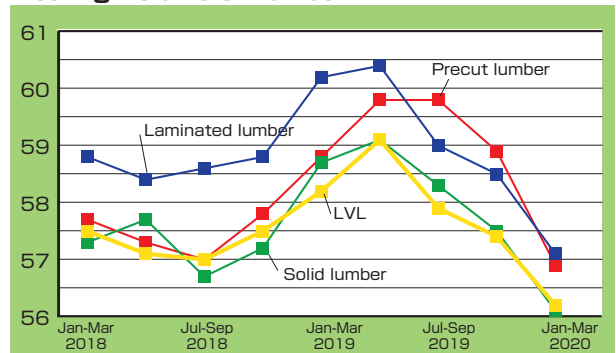
Point0=business result in April-June, 1992

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 (Jan-Mar 2020)

	increase			level-off	decrease		
	over 15%	14 ~ 10%	below 10%		below 10%	10 ~ 14%	over 15%
Plywood (13firms)	1.3	0.0	10.5	61.9	26.3	0.0	0.0
Wooden Building Materials (10firms)	0.0	0.0	11.3	39.9	45.0	1.3	2.5
Ceramic/Heat Insulation (15firms)	0.0	0.0	18.3	50.0	31.7	0.0	0.0
House Equipments (9firms)	0.0	0.0	26.4	47.2	26.4	0.0	0.0
average	0.3	0.0	16.6	49.8	32.4	0.3	0.6

Trend

Market Outlook of Plywood

<Trend of Housing Starts>

The amount of new housing construction starts in October 2019 was 77,123 units (92.5% compared to the same period in the previous year), and the cumulative amount from January to October was 759,426 units (97.3% compared to the same period in the previous year).

<Trend of Japanese Plywood>

In October 2019, the amount of domestic softwood plywood production was 286,100 m³ (108.5% compared to the same period in the previous year), and the amount of shipments was 294,400 m³ (105.3%). Both amounts of softwood plywood production and shipments for the month reached their highest ever. The backlog of orders of each manufacturer is large, and this trend is projected to continue at least until the end of January 2020.

For these reasons, the bullish stance of domestic manufacturers is seen as continuing, but a slow down in the movement of goods is expected from February heading into the end of the fiscal year.

<Trend of Imported Plywood>

The amount of imported plywood received in October 2019 was 215,000 m³ (77.9% compared to the same month in the previous year). Overall, the amount received is decreasing; especially from Malaysia, the amount received has continued to be low in the 60,000 m³ level since May. Based on the producing region, the amounts received were 67,798 m³ (61.6% compared to the same month in the previous year) from Malaysia, 80,458 m³ (94.9%) from Indonesia, and 49,572 m³ (89.2%) from China.

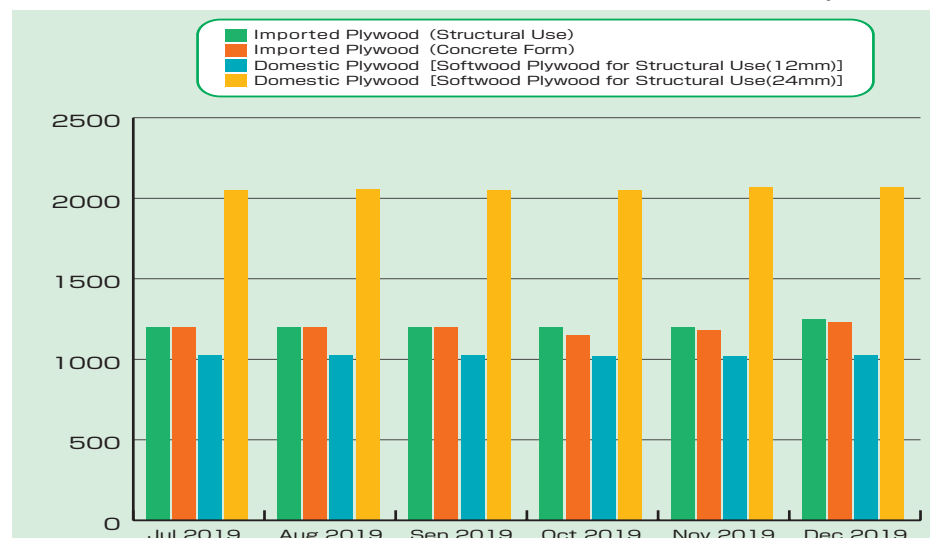
In Indonesia, dry days continued, river

levels are low, and delays in the amount of logs received began to appear. In Malaysia, the weather is stable, but logging companies are holding down their logging due to sluggish prices.

The imported plywood market in Japan has been sluggish for a long time, but last year in October, the tide changed, and prices reversed. Due to low inventories at ports and rising local prices, the situation would not be strange for temporary demand to occur, but a change in demand trends was not seen from the end of last year to the beginning of this year. The amount received in October may already have been in line with actual demand.

Wholesalers' Prices of Plywood in Tokyo

yen/sheet



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."



Company**Miyamori Co., Ltd. enters the precut business**

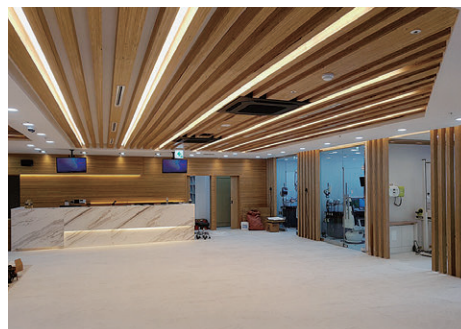
Miyamori Co., Ltd. is a leading manufacturer of laminated lumber for structures such as posts, beams, and lintels, using mainly of European wood, and some Japanese species as materials. The company focuses on product quality, and makes its efforts to supply items in different sizes in one bundle for each house to meet the needs of builders, which has been highly appreciated by its customers. Adding the precut business, the company is to put a full-scale effort to develop a new field in the non-residential wooden structures, which are considered to grow in the future. It is expected to lead to an expansion of its entire business, with a high synergy effect with the business of structural laminated lumber, which is Miyamori's specialty.

A plant is currently under construction and is scheduled to start operation in April 2020.

**KEYTEC's interior LVL adopted in non-residential buildings in South Korea**

Keiichiro Aoki, the president of JK Holdings visited an exhibition site for Young Lim Timber Co., Ltd. (South Korea) on August 1, 2019. The wood manufacturing company was founded in 1969 and has a 50 year history. The manufacturer pays attention to Japanese lumber lately in the course of dealing with lumber from all over the world for the Korean market. They import precious wood counters, Japanese cypress lumber, and others from Japan to process by themselves to sell at the exhibition site they have set up for the Korean market.

"Keylam Interior", an interior item of Japanese cedar LVL which KEYTEC produces, was adopted for the exhibition site. It attracted the attention of a client, which made it the first application in Korea, in a hospital building. With this foothold, JK Group plans to promote its products in the Korean interior market to stimulate the demand in order to expand its overseas business.



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