



Bulls

JK Holdings
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JK Holdings Overview of Second Quarter Results, Fiscal Year Ending March 2021

Housing starts for the second quarter totaled 413,400 units (down 11.3% year-on-year). Housing starts for the owner-occupied, which is our main market, decreased 14.2% to 131,300 units, showing a double-digit decline continuously although they recovered from the results in the first quarter.

Under these circumstances, our group has been working on our sales activities, carefully taking various steps to prevent infection with COVID-19. At the same time, we have been developing a system for the next generation. We have launched four project teams in order to accelerate the examination and implementation of the measures listed in our medium-term management plan "Breakthrough 21".

Our sales totaled 164.07 billion yen, down 11.2% from the previous year, which is the same level as the decline in housing starts. Operating profit, on the other hand, was 2.118 billion yen (down 4.7%), a slight decrease compared to the



Keiichiro Aoki

President
JK Holdings Co., Ltd.

decline in sales. Net income attributable to shareholders of the parent company increased to 1.173 billion yen (up 5.0%) due to the gain from mergers and acquisitions. The group companies demonstrated their strength against the coronavirus crisis, even though there were some special factors that contributed to the growth in profits.

Our full-year targets for this fiscal year are 342 billion yen in sales, 3.5 billion yen in operating profit, 3.2 billion yen in ordinary profit, and 1.6 billion yen in net income attributable to shareholders of the parent company.

Summary

Active Employment of the Disabled: Cultivating Herbs in Indoor Plantations

As creating an environment where diversified human resources can play active roles has been emphasized lately, efforts for employment of the disabled have been diversified as well. JK Holdings Co., Ltd. started trying an employment support system for the disabled called "IBUKI", provided by Start Line Co., Ltd., sympathizing with its activities where people can demonstrate their abilities in indoor plantation tasks to contribute to society through agricultural work.

Eight employees from JK Holdings work at IBUKI. They cultivate five kinds of herbs as peppermint, spearmint, lemon balm, apple mint, and marjoram to process into herbal tea, which will be distributed to our employees in the Group as

well as be handed out as a free merchandise at events.



"IBUKI", an employment service for people with disabilities using an indoor farm

Survey

Prospect of Business Condition for January-March

<Demand Forecast by Builders and Distributors>

Housing starts for January to September 2020 totaled 608,214 units, which is 89.1% of the year-on-year results. By owner/occupant, the number of owner-occupied houses dropped to 87.6% of the previous year's one and single-family homes built for sale decreased to 88.8%. The owner-occupied home sector, which has been falling after the consumption tax hike in October 2019, has been improving gradually since the bottom in May 2020 when the government announced a state of emergency.

The demand forecast survey for January to March 2021 shows an index of minus

46.0 points among small builders (contractors and other building companies) and that of minus 48.5 points among distributors. The number of negative points decreased compared with the last survey, and the number of points that remained unchanged from the previous year increased.

By region, the index for Hokkaido worsened from the previous survey, but the margin of decline shrank in all other areas throughout the country, and the areas west of the Chubu region in particular made a remarkable recovery.

The impact of the coronavirus pandemic and its prolongation to the industry is unpredictable in 2021 and after. It should be watched how the recovering trend we saw this time will be in the next survey.

<Sales Forecast by Leading Manufacturers>

Among the sales forecasts by leading manufacturers, each sector found more expectations to be the same as in the previous year. Although the sectors of plywood and wooden building materials have 0% in their growth prediction, there are some growth expectations in the sectors

of ceramics & insulation and housing equipment. More than half of the respondents from the housing equipment sector in particular showed expectations to be the same as in the previous year or growth expectations.

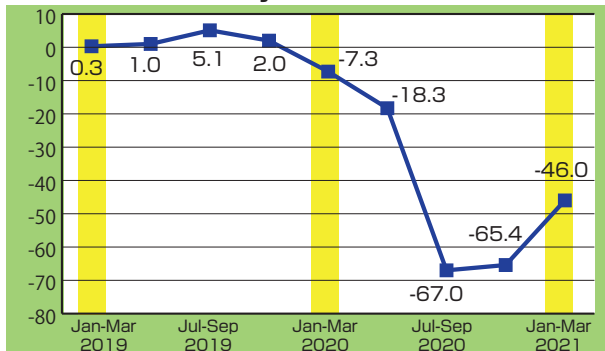
<Various>

This time we surveyed the impact of the coronavirus pandemic on the business performance of the targeted companies and the status of their customers. Most businesses saw that their sales were 80 to 90% of the normal pace for April to September 2020, which is the same as the percentage in housing starts, but some companies had 100% or more in their sales results. The majority of the respondents found "some" or "no" closing date extension; the pandemic seems to have had only a small effect on the industry so far. As to the status of their customers, 9% of the respondents found "delay in payment" and 4% faced "bankruptcy or closure" of their customers.

According to a survey conducted by Teikoku Databank, the number of bankruptcies of construction and engineering businesses was the fourth largest by industry as of November 2020, and it is concerned that bankruptcies may increase as the COVID-19 pandemic is prolonged.

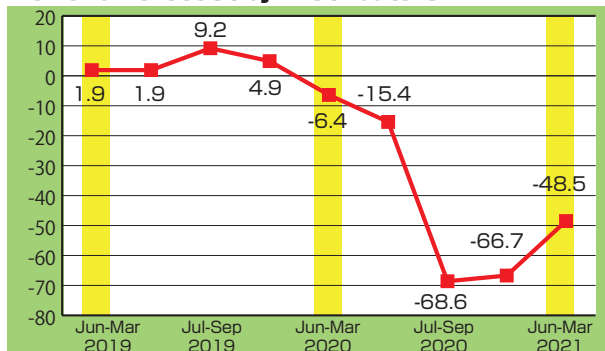
The forecast survey for January to March 2021 is based on the totaled data gathered from 3,000 client companies in Japan through the Internet, which took place from late-October to mid-November 2020.

Demand Forecast by Builders



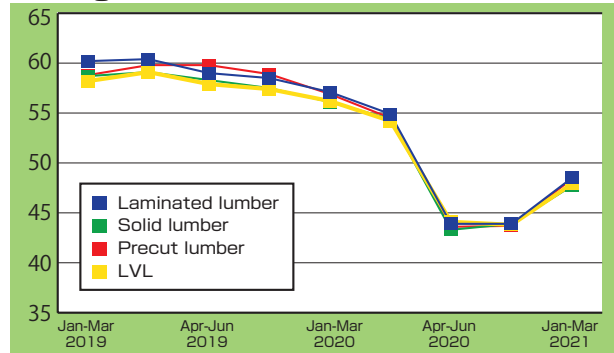
Point 0 = business result in April-June, 1992

Demand Forecast by Distributors



Point 0 = business result in April-June, 1992

Dealing Volume of Lumber



Point 100 = all responses expect increase

Sales Forecast by Major Supplying Manufacturers (Jan-Mar 2021)

	increase			level-off	decrease		
	over 15%	14 ~ 10%	below 10%		below 10%	10 ~ 14%	over 15%
Plywood (13firms)	0.0	0.0	0.0	36.3	36.4	18.2	9.1
Wooden Building Materials (10firms)	0.0	0.0	0.0	42.1	36.8	15.8	5.3
Ceramic/Heat Insulation (15firms)	0.0	0.0	8.7	17.4	60.9	13.0	0.0
House Equipments (9firms)	0.0	0.0	14.3	38.1	33.3	14.3	0.0
average	0.0	0.0	5.8	33.5	41.9	15.3	3.6

Trend

Market Outlook of Plywood

<Trend of Domestic Plywood>

Japan's production of softwood plywood was 264,053 cubic meters in October 2020 (89.2% of the result in the same month of the previous year), and the shipment of this item was 269,150 cubic meters (91.4%). Its inventories decreased for the fifth straight month with 119,132 cubic meters (87.7%).

For the low inventories, the manufacturers are increasingly trying to do price increase, and the new prices are gradually penetrating to the distributors. Due to the fact that the delivery time is longer than it was before, placing orders earlier is required.

The special measures for employment adjustment grants will be extended until the end of February. Production and sales are expected to be based on the supply-demand balance for the time being, as plywood manufacturers no longer have to overdo production to cut the costs. It seems that the manufacturers have the initiative in determining the market conditions for the present.

<Trend of Imported Plywood>

The volume of imported plywood was 180,107 cubic meters (83.7% of the result in the same period of the previous year) in October 2020, which turned upward (133.7%) compared to the results of 134,613 cubic meters in the previous month. Looking at the result by country of origin, the amount of import from Malaysia was 64,107 cubic meters (94.5%), that from Indonesia was 59,592 cubic meters (74.0%), and that from China was 41,668 cubic meters (84.0%).

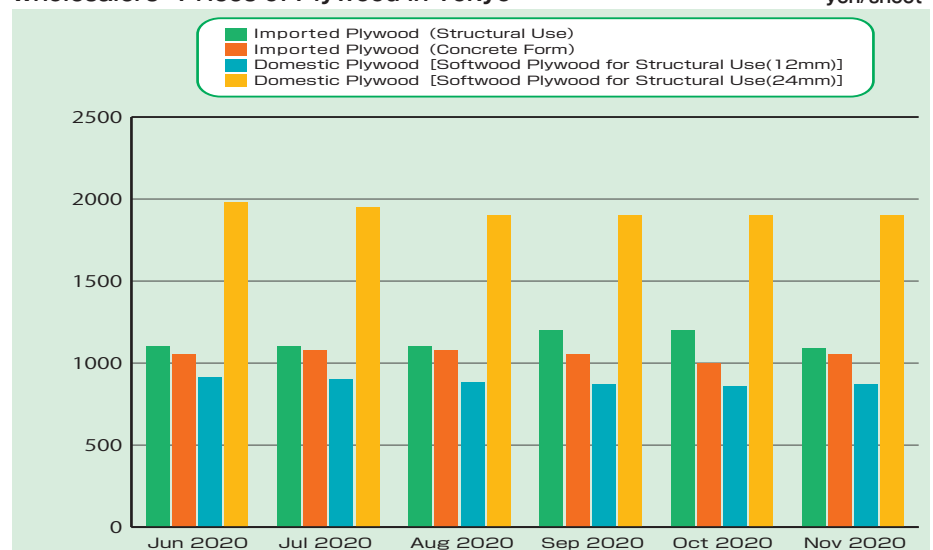
Although the imported amount in-

creased slightly from the previous month, the port inventories have been decreasing due to the low level of import and the upward shipment, resulting in more and more items out of stock. The market price has finally started to rise and new prices are gradually penetrating through the market. However, the price quoted by local manufacturers and the speed of price raise are too far apart at present; it seems that importers must be cautious about new orders in the future.

The business of imported plywood is likely to keep steady fo

Wholesalers' Prices of Plywood in Tokyo

yen/sheet



Topics

Wooden Construction by KEYTEC Co., Ltd.

Nasushiobara City Library "MIRURU": Enjoyable Reading in the Forest

Design and construction period: April 2016 - January 2020

Location: Nasushiobara City, Tochigi Prefecture

Use: Library

Total floor area: 4,968 square meters

Structure: Steel structure, partially RC structure, two stories above ground

Designer: UAo

Builder: Ishikawa, Ikoma, and Yorozu Special Construction Joint Venture

Materials: KEYLAM Interior FR (approx. 30 cubic meters)

The City Library "MIRURU" located in front of Kuroiso Station in Nasushiobara City was built with the concept

of "Let's read books in the forest." Its interior is designed to look as if you are looking up at big trees, using plenty of wooden materials for the ceilings, furniture, bookshelves, and others.

KEYTEC's LVL of random width and length is assembled into louvers for the ceilings to create a space that reminds us of a forest. The second floor in particular has a three-dimensional structure, which represents a design of a grove of trees.



Inside and outside of Nasushiobara City Library "Miruru"

Company

Japan Kenzai Co., Ltd. & Oshika Corporation released an innovative new product for Japan's distribution and logistics including marine containers: Super Water Repellent Plywood "Benkei LS Board"

Marine transportation, which is the cornerstone of logistics for long-distance transportation across the sea in international trades, takes a long time, but can carry a large amount of freight and has the advantage of lower cost compared to other means of transportation. On the other hand, its disadvantage is that products can be damaged by rain and sea water through stormy weather we might encounter as the maritime weather is changeable. Conventional packaging plywood used for exporting wooden frames in Japan is inexpensive plywood from China and Vietnam that does not meet JAS standards. Pursuing lower cost, however, can sometimes cause molds on plywood or detachment of veneers through marine transportation.

"Benkei LS Board" is a new product making use of the procurement network of Japan Kenzai Co., Ltd, the largest building materials wholesaler in the country, and the technical capabilities of Oshika Corporation, Japan's leading adhesive manufacturer, to enhance the value of wooden materials. We have achieved super water-repellent performance of the product that reduces moisture permeability to half of ordinary plywood. It allows high water-resistance performance in various environmental changes during transportation by container ships to prevent molds, detachment of veneers, and deterioration of plywood, thus protecting the important cargoes of our customers.

Setting an ideal of making Japanese manufacturers to gain a competitive edge in the global markets, we will support those who would like to focus on their corporate branding as well as to prevent accidents from occurring.

Product Specifications

Product name: Super Water Repellent Plywood Benkei LS Board

Size: Thickness 9mm or 12mm

1230 x 2440 / 910 x 1820

Grades: Plywood base materials and water-repellent grades are adjustable to meet your needs.

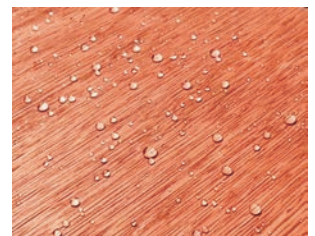


Adding a water-repellent and moisture-proof function on the front and back reduces plywood deterioration!



Super water repellent plywood "Benkei LS Board"

Conventional plywood for packing



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