



Bulls

JK Holdings
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JK Holdings Overview of Business Results for Year Ending March 2021

Japan's housing starts for the fiscal year ending March 2021 decreased 8.1% year-on-year to 812,164 units. Although the decline was slightly smaller than the cumulative results till the third quarter of the fiscal year, housing starts for the owner-occupied, which is our main market, reduced 7.1% to 263,000 units. The impact of the COVID-19 pandemic was one of the factors behind this, in addition to structural factors such as a declining population. It was a year in which we struggled to balance infection control with business operations.

Under these business environments, 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 preparing for the next generation, such as the introduction of a new core system, in order to accelerate examination and implementation of the measures listed in our medium-term management plan "Breakthrough 21". As a result, the results for the consolidated fiscal year ending March 2021 were as follows.

Our sales decreased 6.8% from the previous year to 343,254



Keiichiro Aoki

President
JK Holdings Co., Ltd.

million yen, but the decline was less than what was in housing starts. Operating profit turned to an increase of 6.2% to 5,430 million yen, for gross margins rose on a company-wide basis, while SG & A expenses decreased, in addition to an increase in the occupancy rate at the KEY TEC Yamanashi Plywood Plant, which began operations spring 2019. Ordinary profit was 5,223 million yen (up 10.9%) due to the receipt of employment adjustment subsidies associated with the COVID-19 outbreak. Net income attributable to shareholders of the parent company was 2,949 million yen (up 6.1%), due to the recording of gain on sale of under-utilized real estate and gain on negative goodwill associated with M & A as extraordinary income. Both of them resulted in higher profits, and we revised up our full-year forecast for the fiscal year ending March 2022.

Summary

Japan Kenzai Co., Ltd. launched "Selected Building Materials Project" in April 2021.

"Selected Building Materials Project" is where we carefully select and propose a variety of quality products regardless of manufacturers to customers.

Now that there are more and more homeowners who are particular about their housing aesthetics, "Selected Building Materials Project" will help solve problems of a larger number of those contracted dealers and builders' offices who hesitate to make individual proposals to such homeowners by themselves. The project makes them free from dealing with selecting prod-

Japan Kenzai's new proposal style, "Selected Building Materials Project"

ucts, making proposals, placing orders, and managing deadlines, in order to present attractive ideas to their customers.

All customers have to do is choose what they like from 3 main model plans and 100 parts for the bulk orders. "Selected Building Materials Project" is a useful sales tool for those contracted dealers and builders' offices who have customers looking for stylish items for their home building.

◆ Two "moki" catalogs are available, one for the client and one for the con-

tractor (for estimates and orders).

◆ You can select a plan of your preference from the model plans listed in the catalogs, and can also choose a variety of parts from the optional item pages.



Selected Building Materials Project" moki"

Survey

Prospect of Business Condition for July - September

<Demand Forecast by Builders and Distributors>

According to the Cabinet Office, Japan's real gross domestic product growth in fiscal 2020 was minus 4.6%, the worst negative growth after World War II, exceeding the rate at the time of the 2008 financial crisis.

Housing starts for fiscal 2020 (April 2020 to March 2021) totaled 812,164 units, 91.9% of the previous year's result, declining for two years in a row. By owner/occupant, the number of owner-occupied houses dropped to 92.9%, rental houses to 90.6%, and houses built for sale to 92.1%. Detached houses built for sale, which had been steady, turned to a decline for the first time in six years. On the contrary, housing starts for March was 71,787

units (101.5% of the result in the same month in the previous year), the first increase in 21 months.

The demand forecast survey for July to September 2021 shows an index of minus 40.6 points among small builders (contractors and other building companies) and an index of minus 43.1 points among distributors. Both builders and distributors predict a fall in demand from the previous survey.

The figures reflect concerns over the wood crisis where a sharp price rise of wood and a worsening supply shortage stemming from rising demand for new housing in the U.S. due to the COVID-19 pandemic and container shortages caused by China's economic recovery. We would keep an eye on whether the impact will be prolonged and how it will affect the housing industry.

<Sales Forecast by Leading Manufacturers>

Among the sales prospects by leading manufacturers, all the sectors found more expectations for shrinkage compared to the previous survey results. While only the ceramics & insulation sector expects a growth of 4.5% compared to the previous survey, they tend to have projections for decline on the whole.

<Various Topics and Current Status of Remodeling>

To cope with the soaring wood prices and the shortage of supply, the most common countermeasure is taking alternatives such as changing the wood species to use. Besides, more than 20% of the respondents had extended the construction periods to cope with the issues. It is concerned how to deal with owners of houses to be built while passing on the higher costs and extending the constructions.

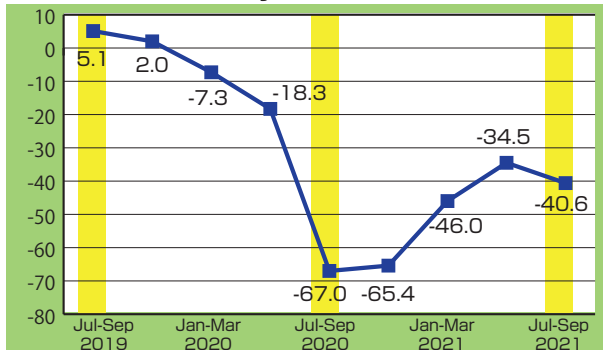
Nearly half of the respondents showed their expectation for the Green Housing Point System to be used for remodeling, followed by new home building. The users can exchange the earned points immediately for listed products or additional work. We hope active utilization of the system will stimulate demand.

More than half of the respondents said, "they had not coped with" or "had not known about" the mandatory explanations due to the revision of the Building Energy Conservation Act effective in April 2021.

The Ministry of Land, Infrastructure, Transport and Tourism plans to mandate compliance with the energy-saving standards in fiscal 2025. As initiatives toward decarbonization are accelerated, each of us in the industry is required to work on them.

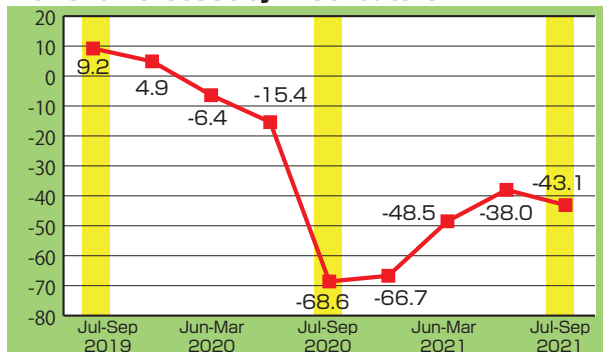
The forecast survey for July to September 2021 is based on the totaled data gathered from 3,000 client companies in Japan through the Internet, which took place from late-April to mid-May 2021.

Demand Forecast by Builders



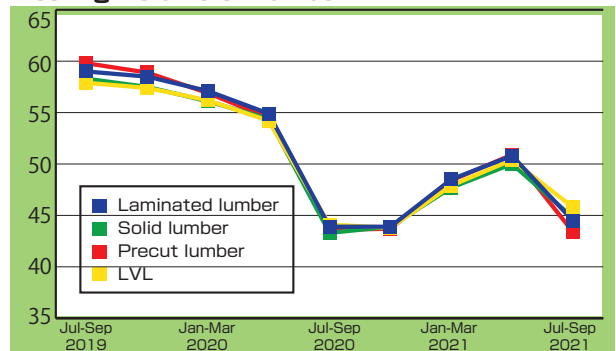
Point0=business result in April-June, 1992

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 (Jul-Sep 2021)

	increase			level-off	decrease		
	over 15%	14 ~ 10%	below 10%		below 10%	10 ~ 14%	over 15%
Plywood (13firms)	20.0	0.0	0.0	50.0	30.0	0.0	0.0
Wooden Building Materials (10firms)	0.0	6.7	20.0	33.2	26.7	6.7	6.7
Ceramic/Heat Insulation (15firms)	0.0	5.3	15.8	21.0	47.4	0.0	10.5
House Equipments (9firms)	0.0	0.0	23.5	41.2	29.4	0.0	5.9
average	5.0	3.0	14.8	36.3	33.4	1.7	5.8

Trend

Market Outlook of Plywood

<Trend of Domestic Plywood>

Japan's production of softwood plywood in April 2021 was 257,507 cubic meters (111.0% of the previous year's result), and shipment was 268,342 cubic meters (114.9%). Inventories have been decreasing gradually to 103,765 cubic meters (59.7%) since the peak in May 2020.

Shipments from manufacturers remain strong, and delivery times have become longer than ever due to the low inventories and ample backlog of orders. Manufacturers are quoting higher prices for rising costs of raw materials, and the distribution side is accepting it.

However, the operation rate of precut factories has remarkably gone down due to the shortage of wood, and the shipments may calm down a little depending on the operating situation in the future.

<Trend of Imported Plywood>

Japan's import of plywood in April 2021 was 213,730 cubic meters (92.5%

of the previous year's result), which slightly decreased to 99.9% of the results of 231,750 cubic meters in the previous month. Looking at the result by country of

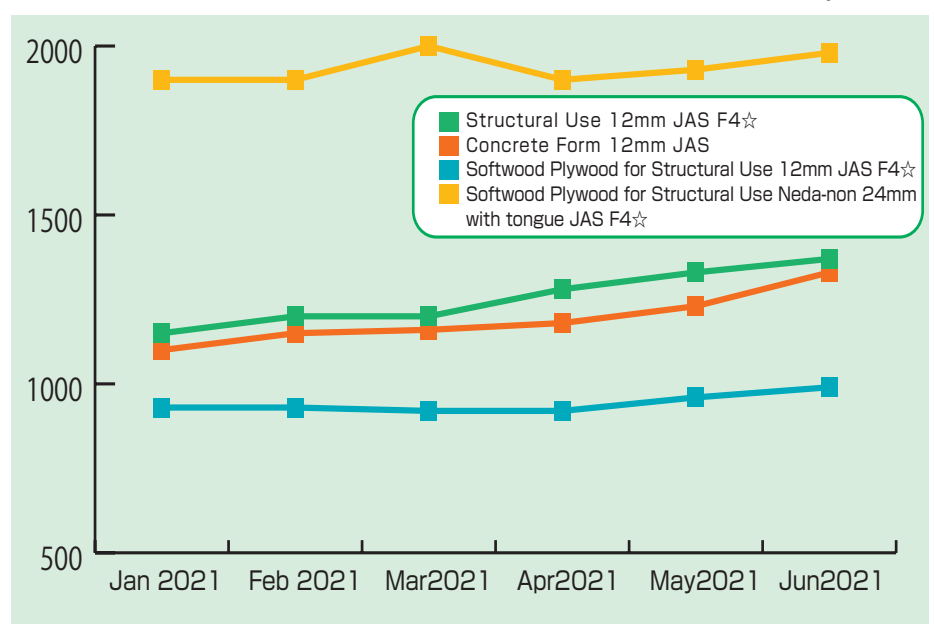
origin, the amount of import from Malaysia was 66,327 cubic meters (96.3%), that from Indonesia was 67,383 cubic meters (85.1%), and that from China was 56,398 cubic meters (88.9%).

The domestic port inventories have been extremely low and there remains a sign of shortage. Some port warehouse operators in Japan have shifted part of the capacity of their warehouses to oth-

er cargoes as they predicted no increase in arrivals of imported plywood for the future.

As the purchasing costs of imported plywood keep rising, importers try to raise sales prices, but the distributors of concrete form have a strong sense of resistance to it. The factor is considered that the price pass-through is delayed while prices of other materials are also rising at the same time. In any case, it is unlikely that a large volume of products will arrive in the future, and the trend of scarcity is expected to continue.

Wholesalers' Prices of Plywood in Tokyo



Topics

Prec Component Co., Ltd. (Head office in Hiroshima City, Hiroshima Prefecture), a group company of JK Holdings Co.,Ltd is engaged in activities to give building blocks made of timber offcuts to childcares and elementary schools in the city as a gift.

The company, which had been paying for disposal of about 100 cubic meters of timber offcuts annually, started to provide it to contribute to the local community in February 2021.

The idea started as using scrap wood for nest boxes in the first place, suggest-

Prec Component Co., Ltd. -Activities Utilizing timber offcuts

ed by Tsuji (current president), who had been thinking it wasteful to simply have it taken away. And then the recycling of timber offcuts began, and the company shall actively continue to contribute to the local community for the future.



Board from wood waste



Step stool



Blocks

Company

JK Timber Engineering Group completed 3-story wooden school buildings with structural LVL with the largest floor area in Japan

JK Group worked together on construction of Nagareyama Municipal Ooguro-no-Mori Elementary School. Made of structural LVL, it consists of three school buildings (1-hour semi-fireproof structure) and a gymnasium, with a floor area of 12,000 square meters. It is the largest-scale three-story wooden school construction in Japan.

For the frame, used is structural LVL of Japanese cedar grown in Chiba Prefecture where the school is located and of larch grown in Shinano-machi, Nagano Prefecture, a sister city of Nagareyama City. Using 2,110 cubic meters of wood, mainly from local sources, it contributes to achieving the Sustainable Development Goals as well.

The entire wood-related work was handled by JK group companies, including the construction of wooden structures by Japan Kenzai, LVL manufacturing by KEY TEC, and the work with flooring and interior materials by Timber

Scape.

It is attracting a large attention as a building project that structural LVL plays the core role sufficiently in the frame, instead of structural laminated lumber which is the traditional main

player.

We started a larger building project for Ooguro-no-Mori Junior High School in March 2021, which is scheduled to open in April 2022.



Concept:
"Blending in with
the greeneryhill-
Schoolhouse in
the forest"



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