



Bulls

JK Holdings
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JK Holdings overview of 1Q business results for year ending March 2023

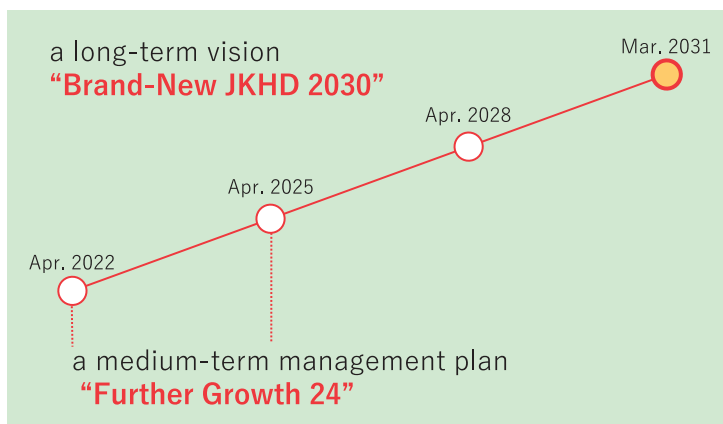
The supply chain disruptions caused by the constraints imposed by COVID-19, Russia's invasion of Ukraine, and the lockdown for maintaining the zero-corona policy in China have not yet been resolved. In addition, the sharp drop in housing starts in the U.S. due to higher interest rates in the country, which led to a sudden increase in the volume of imported materials from Europe and the U.S. to Japan, lowered material prices on a local currency basis. However, prices on a yen basis are maintaining a calm condition due to the yen's isolated depreciation. Meanwhile, in addition to rising prices mainly for energy and food, mortgage rates including Flat 35, a type of housing loan, have begun to rise slightly. Accordingly, consumer demand has been sluggish, and recent housing starts have declined year-on-year, causing concerns for the future. Under these circumstances, our group stimulated its sales activities in preparation for the Japan Kenzai Fair in August, which was for the first time in three years. As a result, our consolidated financial performance for the first quarter of the fiscal year ending March 2023 was as follows.

Keiichiro Aoki
President
JK Holdings Co., Ltd.



Net sales rose 17.2% year-on-year to 101.128 billion yen, much higher than the strong growth rate in the previous term. Profits maintained the momentum of significant growth, although the growth rate was less than the previous term due to higher purchase prices. Specifically, operating income was 3.367 billion yen (up 66.4% year-on-year), ordinary income was 3.8 billion yen (up 83.7%), and net income attributable to shareholders of the parent company was 2.426 billion yen (up 90.5%), all of which showed significant increases in profits.

There are many factors of concern in the housing market, but our group, as it has always been, will continue to assess the outlook for change and cope with various issues at hand in a timely and appropriate manner. As to our medium and long term strategy, we raise a long-term vision "Brand-New JKHD 2030", aiming to be reborn as a more attractive corporate group with the target year of fiscal 2030, while maintaining the growth and expansion. For FY2022 to FY2024, we will develop specific programs as needed under a new medium-term management plan "Further Growth 24" as the first phase of the vision and the first step toward further growth.



Survey

Business Prospect for October - December 2022

〈Demand Forecast by Builders and Distributors〉

Housing starts for January to June 2022 totaled 418,507 units. They are 101.6% year-on-year but 93.2% compared to the same period in 2019, which have not returned to the level before the COVID-19 pandemic. In particular, the number of owner-occupied houses that started in June was at 88.7% of the same month last year, showing the seventh consecutive month of year-on-year decline. The total starts of owner-occupied houses from January through June were 123,165 units, the lowest ever since 1965, when comparable records are available. The environment is very severe especially for

owner-occupied houses. Under the circumstances, we conducted a survey about business demand prospects for October to December 2022. Usually fall demand can be expected, but small builders (contractors and other building companies) and distributors continuously predicted a negative index compared to the previous survey for the previous quarter, showing a further decline for three quarters in a row.

By area, a majority of the respondents in the Hokuriku and Chugoku regions predicted a “decrease” in demand, whereas the number of those who forecast a “decrease” grew compared to last year in the Hokkaido and Shikoku regions. Demand in the housing sector has been steady even with the pandemic, but we will keep a close eye on how the trend will be as consumer spending recovers and prices soar.

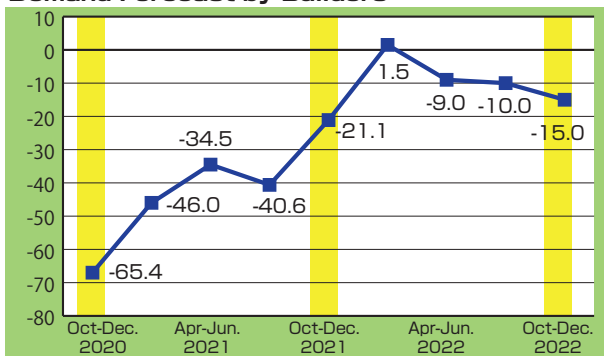
three sectors other than housing equipment. The lifting of the overseas lockdown is expected to restore production capacity and to improve supply shortage of housing equipment. On the other hand, the situation for plywood, which decreased significantly, has changed. The sales forecast showed a drop of 58.3%, which deteriorated from 0% in the survey before last (for April to June 2022).

〈Various Topics〉

About two thirds or 65.4% of the respondents expect to exceed the previous year's level in sales for the April-September period. A series of price hikes and price revisions has been implemented for a variety of products, which is presumed to have helped boost sales.

In addition, while purchase prices are rising, only 37.2% of the respondents have difficulties in passing on higher costs to customers, which results in a deterioration of their earnings due to their selling prices being lower than their purchase prices. The remaining approximately two-thirds have successfully coped with the price increases for various items.

Demand Forecast by Builders



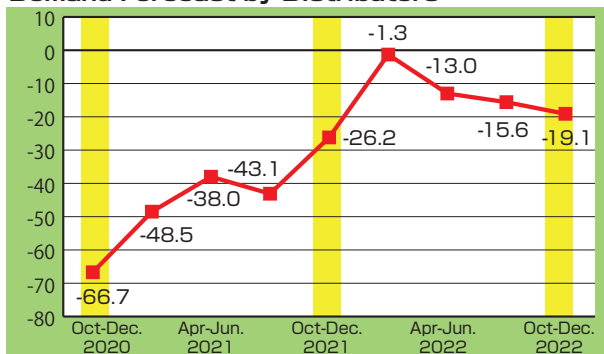
Point0=business result in April-June, 1992

〈Sales Forecast by Leading Manufacturers〉

In the sales forecasts by major manufacturers, the number of negative views increased in the

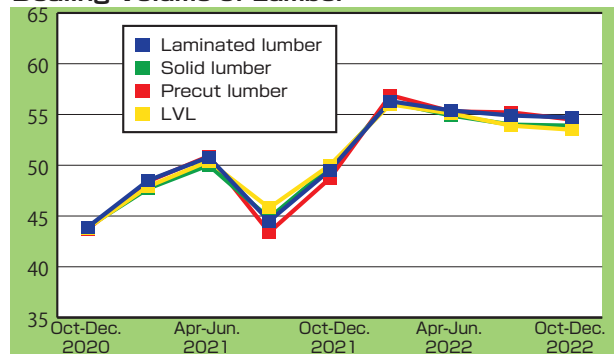
The forecast survey for October – December, 2022 is based on the totaled data gathered from 3,000 client companies in Japan through the internet, which took place from late-July to mid-August, 2022.

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 (Oct-Dec. 2022)

	increase			level-off	decrease		
	over 15%	14 ~ 10%	below 10%		below 10%	10 ~ 14%	over 15%
Plywood (12 firms)	0.0	8.3	8.3	25.1	33.3	25.0	0.0
Wooden Building Materials (10 firms)	0.0	4.8	23.8	42.8	23.8	4.8	0.0
Ceramic/Heat Insulation (15 firms)	0.0	0.0	11.5	42.4	42.3	3.8	0.0
Housing Equipment (9 firms)	4.5	0.0	22.7	63.8	4.5	0.0	4.5
average	1.1	3.3	16.6	43.5	26.0	8.4	1.1

Trend

Market Outlook of Plywood

〈Trend of Japanese Plywood〉

Japan's production of softwood plywood in July 2022 was 257,987 cubic meters (95.4% year-on-year), and shipment of the item was 251,232 cubic meters (92.2%). Inventories were 99,618 cubic meters (109.9%).

Since the delayed delivery of contracted products started, the market situation of domestic softwood plywood is stable particularly in the general distribution route. As a production line trouble in a major manufacturer of long-length products did not have a strong impact on the market, buyers were able to handle the situation by using substitute products. Since July, inventories of domestic manufacturers are increasing slightly, but not to the point of excess, and we estimate that it is still within the range of no problem.

Recent prices of the item are leveling off. There is a sense of peaking out, however, some makers mention that, to maintain prices, they are planning to balance the supply and demand by production control in the future. In any case, the price of domestic logs as the material of this product is falling. The situation will become delicate soon.

〈Trend of Imported Plywood〉

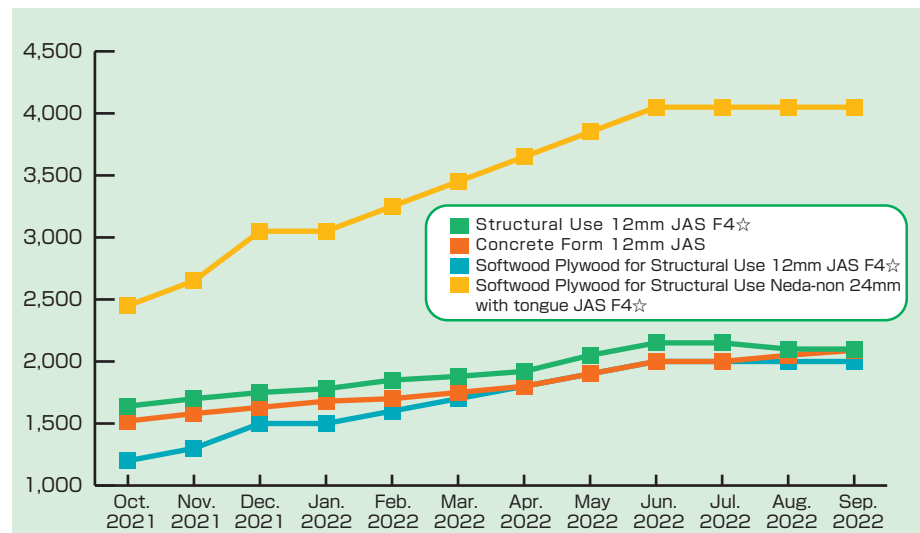
Japan's import of plywood in July 2022 was 241,300 cubic meters (105.4% year-on-year), which increased by 4.5% from 230,809 cubic meters in the previous month. Looking into the result by the country of origin, 70,923 cubic meters (94.8%) came from Malaysia, 78,948 cubic meters (116.5%) came from Indonesia, and 61,194 cubic meters (95.9%) came from China.

Cumulative port arrival has kept going strong from January to July with 111.6% year on year. In terms of items,

large quantity of Indonesian ordinary plywood arrived. This item is slow-moving, and it is one of the factors that cause the warehouse to be fully stocked. Overall shipments were sluggish, and the market is buying for immediate requirements. As inventories of port warehouses at each region have sharply increased, it has become normal for some storerooms to reject accepting containers. Ship demurrage is also normalized. This situation is expected to continue until port arrivals drastically decrease or shipments pick up.

Wholesalers' Prices of Plywood in Tokyo

yen/sheet



Topics 1

JK Holdings declares support for TCFD Recommendations

JK Holdings Co., Ltd. declared its support for the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in June 2022.

The Group's main business areas are the manufacture and sales of plywood, processing and sales of lumber, and wholesale of building materials and housing equipment. Many of the products we handle originate from the utilization of forest resources in Japan



and overseas. Therefore, we recognize the importance of preserving the global environment in order to build a stable supply chain, having identified climate change as one of the key issues.

We will accurately assess the impact of climate change on our business through our efforts on the key issues to reinforce our disclosure based on the TCFD Recommendations.

Topics 2

Japan Kenzai held an exhibition and sale



Opening ceremony

Japan Kenzai Co., Ltd. held a trade exhibition, “Japan Kenzai Fair” at Tokyo Big sight on 26 and 27 of August. It was the first face-to-face exhibition in three years. Due to the impacts of COVID-19, the number of visitors totaled 8,571 people, or 71.3% of the planned number of visitors, but the sales reached 30.2 billion yen, or 100.7% of the planned amount.

Under the theme of “Road to 2030, Connecting now, and to the Future”, there were many exhibits that publicize

the efforts to achieve the SDGs. Topics that stood out at the seminars held at the fair site include decarbonization, energy efficiency and renewable energy, and DX (Digital Transformation).



Wooden materials displayed in the image of a forest



SDGs introduction corner, set in the center of the venue

Japan Kenzai Co., Ltd. were able to provide visitors with an opportunity to recognize the environment surrounding the housing industry and to touch the latest equipment.



Exhibition of Japan Kenzai's private brand Bulls, mainly foundation building materials

Oguronomori Junior High School

Topics 3



Oguronomori Junior High School



Hall made of domestic Larch LVL, domestic Cypress lumber, and domestic Cypress CLT



Classroom built with domestic Cedar LVL, domestic Larch LVL, and domestic Cypress CLT

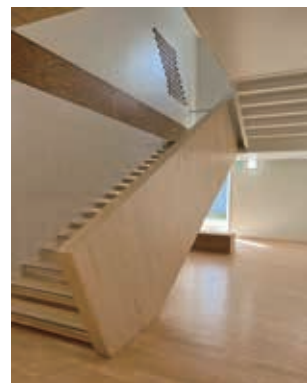
Larch laminated lumber, and BUTSURIN procured the materials for lumber.

The school building of Nagareyama Municipal “Oguronomori Junior High School” in Chiba Prefecture, having three floors above ground, is one of the largest wooden school buildings (partially reinforced concrete and steel frames) in Japan. Total floor area is 14,568 square meters, wooden part of which is 10,029 square meters.

Among our group companies, Japan Kenzai Co., Ltd., KEY TEC Co., Ltd., TIMBERAM Co., Ltd. and BUTSURIN CO., LTD. engaged in the construction of this property. Japan Kenzai was involved in the structural woodwork and part of the building woodwork in succession after having completed “Oguronomori Elementary School” in the previous year. KEY TEC manufactured and processed LVL, TIMBERAM did

In this case, as many as seven kinds of wood structure construction methods are used for one group of buildings. As the materials for wooden structural framework, various wooden structural materials including sawn wood, laminated lumber, LVL, CLT, and structural plywood were used. In addition, strict quality control was required in everything from the accuracy of manufacturing and processing of materials to overall construction work.

This architecture was completed obtaining the cooperation of various fields beyond the boundaries of internal departments in our company.



Staircase built with domestic Cypress CLT