



Bulls

JK Holdings
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JK Holdings Overview of 3Q Business Results for Fiscal Year Ending March 2025

Looking back on the Japanese economy through the third quarter of this fiscal year, the gradual recovery has continued, driven by robust corporate earnings and increased inbound tourism demand. Meanwhile, the outlook remains uncertain due to various factors, including geopolitical risks in Ukraine and the Middle East, economic stagnation in China, soaring prices of raw materials, logistics, and labor costs, as well as interest rate and exchange rate fluctuations driven by monetary policies and political trends in both Japan and the U.S.

In the housing industry to which our corporate group belong, the prices of materials, labor costs, transportation fees, and other expenses are all rising, leading to a surge in housing prices. As a result, the number of new housing starts through the third quarter has remained almost flat for wooden structures, with a 0.3% increase compared to the same period last year, which saw a significant decline. However, overall housing starts have continued to decrease, with a 1.3% decline year-on-year and a 0.9% fall in owner-occupied houses.

Under these circumstances, we continue to focus on optimizing inventory levels while proposing for product adjustments that consider pricing and agility, as well as offering value-added products aimed at "creating homes that retain their asset value." Through these efforts, we are strengthening our sales activities not only to address current conditions but also to anticipate future industry trends. In addition, we are striving to improve and strengthen the overall structure of the group through measures such as business improvements for underperforming subsidiaries and entry into new fields through M&A activities.

As a result, the performance in the third-quarter financial results shifted from a year-on-year decrease in revenue up to the second quarter to an increase in revenue. While profits continue to decline, the scale of the decline is showing a narrowing trend. Meanwhile, both sales and profits remained at a higher level compared to the period before the "wood crisis."

The specific financial results are as follows: Net sales reached 296.684 billion yen, a 0.5% increase compared to the same period last year, driven by a shift toward increased

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revenue in the core business of general building materials wholesale. On the profit side, while both the wholesale and retail distribution businesses of general building materials continued to show decreased profits, the extent of the decline has narrowed, demonstrating steady performance. However, the plywood manufacturing and wood processing businesses recorded increased deficits. Overall, this resulted in operating income of 6.101 billion yen (down 6.9% year-on-year), ordinary income of 6.475 billion yen (down 10.1%), and net income attributable to parent company shareholders of 3.807 billion yen (down 8.0%).

The performance compared to the same period last year is as described above. In comparison to the initial plans set at the beginning of the fiscal year, both operating income and ordinary income exceeded the plan by more than 10%. While net sales and net income are currently slightly below target, the gaps are minimal. With continued efforts at the current level, achieving the full-year plan remains well within reach.

The environment surrounding the housing industry remains challenging, with factors such as a declining total population and household size, increasing housing construction costs, and rising interest rates. Additionally, uncertainties in the business environment are expected to grow, potentially influenced by developments such as the inauguration of the second Trump administration. However, our corporate group has a proven track record of overcoming challenging conditions, and we are on track to achieve this fiscal year's performance targets. The current medium-term management plan, "Further Growth 24," is approaching its final phase. We are committed to completing this final push successfully and transitioning smoothly into the next medium-term management plan starting in the new fiscal year.

Survey

Business Prospect for April-June 2025

The number of housing starts in 2024 totaled 792,098 units, representing 96.6% compared to the previous year, which was the second-lowest figure after the 788,410 units recorded following the 2009 Lehman Brothers collapse. By owner/occupant, owner-occupied housing reached 218,132 units, representing 97.2% of the previous year's figure and marking the third consecutive year of decline. However, monthly figures have exceeded those of the previous year since October 2024, indicating signs of recovery. On the other hand, built-for-sale housing experienced a significant decline, standing at 91.5% compared to the previous year. Particularly, single-family houses for sale remained below the

previous year's figures throughout the entire year, reflecting continued challenging conditions.

〈Demand Forecast by Builders and Distributors〉

Small builders (contractors and other building companies) predicted a negative index of 23.1 points, and distributors predicted a negative index of 27.8 points. This indicates a decline after the previous three forecasts showed consecutive improvements. In the survey, many respondents expressed concerns about a potential downturn in the housing market due to the latest amendments to the Building Standards Act and other regulations. These concerns are believed to have influenced the demand forecast, as the implementation of the amendments is imminent.

〈Sales Forecast by Leading Manufacturers〉

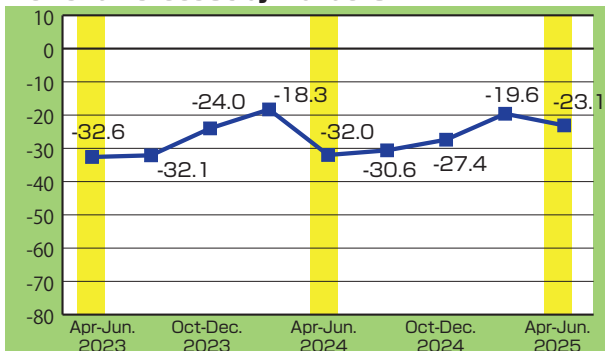
The forecasted decline has eased compared to the previous survey in all sectors except wooden building materials. Notably the ceramics and insulation sector showed significant improvement, with the increase forecast surpassing the decrease forecast. With the revision

of the Building Energy Efficiency Act imminent, efforts toward high insulation appear to be advancing. On the other hand, the forecasted increase in housing equipment sector continued to decline from the previous survey, warranting close attention to future trends.

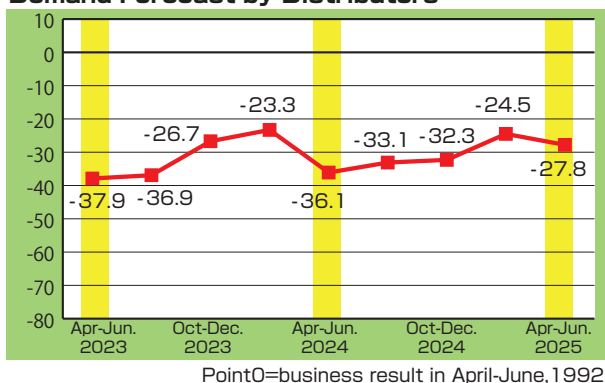
〈Various Surveys〉

In the survey on the impact of the revised Building Standards Act, which will take effect in April, many respondents expressed concerns not only about a potential market downturn but also about longer times for building confirmation. While interest in seismic performance is growing, approximately half of building contractors report that their seismic specifications align with the Building Standards Act's equivalent to Seismic Class 1. Additionally, single-story homes are gaining attention, driven primarily by changing lifestyles due to more diverse household structures. In asbestos pre-surveys, over half of respondents indicated outsourcing the work, while less than 30% reported having qualified personnel in-house. Moving forward, the importance of employee training is expected to grow as companies aim to capture the rising demand for renovations.

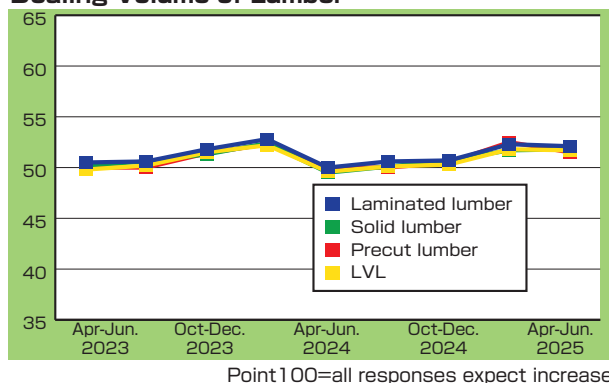
Demand Forecast by Builders



Demand Forecast by Distributors



Dealing Volume of Lumber



Sales Forecast by Major Supplying Manufacturers (Apr-Jun. 2025)

	increase			level-off	decrease		
	over15%	14 ~ 10%	below10%		below10%	10 ~ 14%	over15%
Plywood (11 firms)	0.0	0.0	9.1	45.4	45.5	0.0	0.0
Wooden Building Materials (12 firms)	0.0	0.0	16.7	50.0	33.3	0.0	0.0
Ceramics & Insulation (16 firms)	0.0	0.0	31.3	43.7	25.0	0.0	0.0
Housing Equipment (14 firms)	0.0	0.0	14.3	64.3	21.4	0.0	0.0
average	0.0	0.0	17.9	50.9	31.3	0.0	0.0

Trend

Market Outlook of Plywood

〈Trend of Japanese Plywood〉

Japan's production of softwood plywood in January 2025 was 216,667 cubic meters (108.8% of the same month in the previous year), and the shipments of the item 222,024 cubic meters (112.9%). The inventory was 163,453 cubic meters (101.4%).

Japanese softwood plywood is not experiencing a noticeable upsurge in actual demand, however, prices are gradually rising due to manufacturers' firm stance on price increases. Some manufacturers are still experiencing delays in confirming delivery dates due to slow log procurement, and making early arrangements is essential for buyers, especially when a specific manufacturer is required. Domestic manufacturers continue to maintain a strong stance and are determined to pursue further price increases in the future, citing the need for profitability improvements. Given the uncertainty surrounding future demand, it is crucial to monitor whether manufacturers can effectively implement production cuts if inventory levels begin to increase. Attention should be paid to the trends in supply and inventory levels.

〈Trend of Imported Plywood〉

In January 2025, Japan's import of plywood was 179,461 cubic meters (89.1% of the same month in the previous year), which increased 3.7% from 173,032 cubic meters marked in the previous month. By country of origin, 47,316 cubic meters (94.0%) came from Malaysia, 52,310 cubic meters (86.2%) from Indonesia, and 43,262 cubic meters (78.2%) from China.

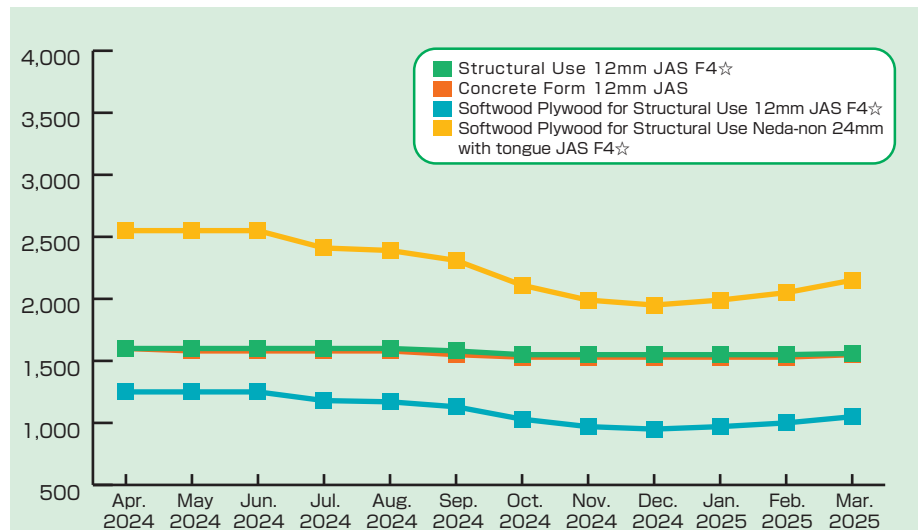
Actual demand remains low, and the shipments lack momentum. Meanwhile, port inventory levels are in a declining trend due to a decrease in import volumes. In particular, arrivals of Malaysian products are expected to fall further, affected by production delays caused by rainfall. In the upstream,

efforts to secure products are emerging due to reduced contractual backlogs and production delays. On the downstream side, however, there are no apparent signs of urgency, perhaps due to the difficulty in predicting future market trends.

The local side has already entered a phase of price increases and would typically prefer a swift price hike under normal circumstances. However, the situation remains stagnant, possibly due to the recent instability in exchange rates or the lack of demand. In any case, there appear to be few factors that could significantly disrupt the supply-demand balance, and it is anticipated that the current equilibrium will continue.

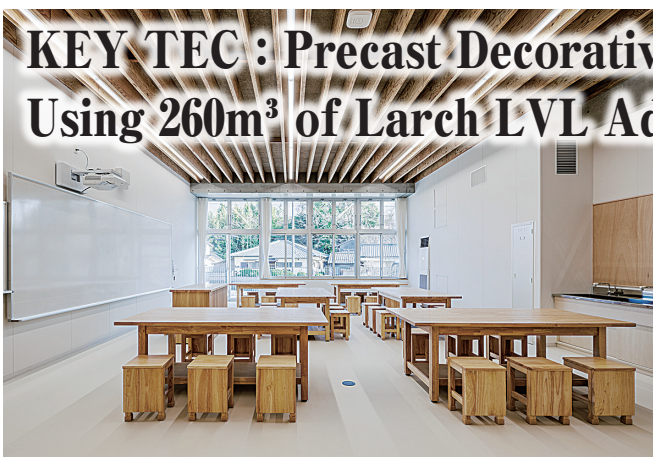
Wholesalers' Prices of Plywood in Tokyo

yen/sheet



KEY TEC : Precast Decorative Formwork LVL Using 260m³ of Larch LVL Adopted for School Building

Topics 1



The design aesthetic of LVL has received high praise.

The construction of Inatsuki Higashi Compulsory Education School in Kama City, Fukuoka Prefecture was completed in February 2023 and opened in April 2024. The school adopted Precast Decorative Formwork LVL, utilizing 260 cubic meters of KEY TEC's larch LVL.

The building is a three-story reinforced concrete structure with part of the building made of steel, with a total floor area

of 12,000 square meters. The design and construction were carried out by Konoike, Hirashima, and Kume JV, with the design mainly by Kume Sekkei Kyushu Branch. Precast Decorative Formwork LVL was manufactured, assembled, and delivered by Koumoto Gumi.

Since the RC structured school project required wooden interior finishes as well as a shortened construction period, it adopted Precast Decorative Formwork LVL, consisting of wood wool cement board for the upper part and structural LVL wood members for the ribs. This material not only serves as a concrete formwork but also allows for a reduction in construction time. Once the shoring for the formwork is removed after the concrete pouring and curing, the ceiling surface is already finished, eliminating the need for additional finishing work. Precast Decorative Formwork LVL enables the integration of both design aesthetics and wooden atmosphere, even in RC structures, without simply using wood for the flooring or walls as interior finishes.

Topics 2 Japan Kenzai's Carbon Storage Display System

The origin of **"TanChO"** comes from the Japanese term for carbon storage amount (**Tanso-Chozoryo**). **"TanChO"**

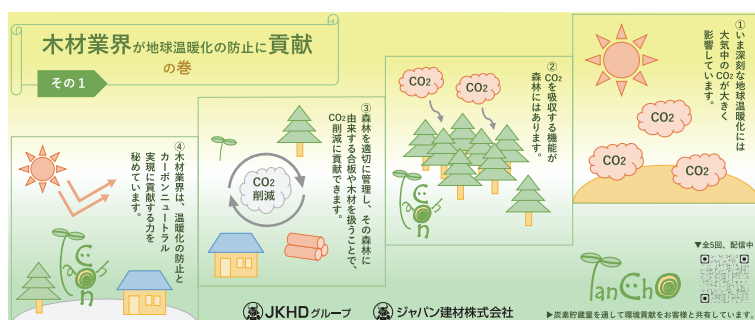
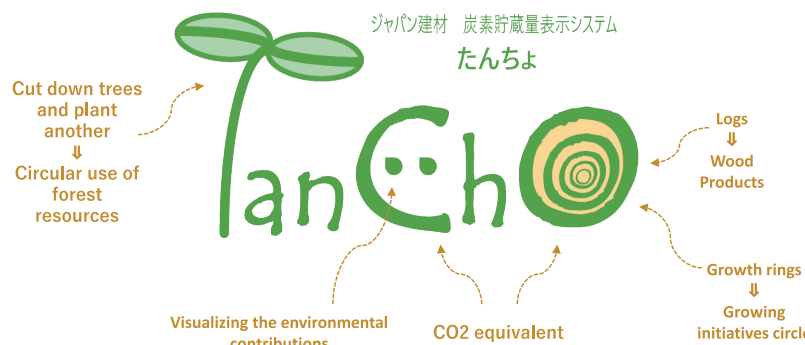
The concept that harvested wood continues to store carbon as building materials and wood products is recommended by the Forestry Agency as part of efforts toward actualizing a carbon-neutral society.

Japan Kenzai, in line with its initiative to balance both economic and environmental considerations, began displaying carbon storage amounts on invoices and similar documents in November 2023, making it the first in Japan's building materials industry to do so. We created the name **"TanChO"** and a mascot character, **"Tancho-kun,"** in August 2024, in pursuit of making carbon storage more approachable and understandable. We published a four-panel comic-style advertisement featuring Tancho-kun in industry newspapers in November 2024.

Moving forward, we will continue developing creative public relations strategies to promote this not only to our business partners but also to the entire industry.



The letters of "TanChO" were rearranged to create "Tancho-kun."



Created a five-episode, four-panel comic and published the advertisement over five installments.

Tsusho: Rice Farming Experience in Asuka Village, Nara

Topics 3



Everyone, from the president to the employees, is working together with collective effort.

Our company participates in the terraced rice field owner system in Asuka Village, Nara Prefecture, conducting a trial rice cultivation experience program.

In May, we grow seedlings, and in mid-June, we plant rice by hand. In October, we harvest the ripened rice and dry it using a traditional sun-drying method called "hazakake." In

mid-November, we thresh the sun-dried rice and create stacks of rice straw called "susuki." The threshed and harvested rice is distributed to the program participants based on the amount of rice collected.

Our participation in the rice field owner system, initially introduced on a trial basis only in the Kansai region, has recently expanded as our supplier manufacturers have also begun participating, thereby broadening the circle of social interaction. In the future, we plan to extend this initiative to all employees.

The terraced rice fields in Asuka Village are selected as one of Japan's Top 100 Terraced Rice Fields, offering a chance to fully enjoy Japan's traditional landscape. Additionally, this historical region is home to significant sites from the Asuka period, such as the Kashihara-jingu Shrine, where Emperor Jimmu, the first emperor of Japan, is enshrined, as well as the Ishibutai Tumulus and the Kitora Tumulus.

All participants are taking part with smiles, making it a great opportunity for employee interaction. We will continue to engage in this activity going forward.



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