



Bulls

JK Holdings
Quarterly Report International

CONTENTS

- P1 Overview of the financial results for fiscal year ending March 2020: Renewing the highest sales record
- P2 Prospect of Business Condition for April – June
- P3 Market Outlook Plywood
KEY-TEC released a new product "Baumkuchen"
- P4 Timberam has commenced its operations
Formulation of our basic policy for SDGs

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Overview of the financial results for fiscal year ending March 2020: Renewing the highest sales record

The Japanese economy maintained a moderate recovery trend in the first half of fiscal 2019 for steady consumer spending backed by a favorable employment and income environment and strong demand for corporate capital investment to improve the labor shortage situation and productivity.

The economy began to show a sign of slowing down due to the impact of the consumption tax hike and frequent typhoon hits in the second half of the fiscal year. And the global economy as a whole, as well as the Japanese economy, became sluggish due to the impact of the COVID-19 pandemic after the turn of the year. The outlook for the economy became extremely uncertain.

In the housing industry, housing starts dropped sharply to 883,600 units (down 7.3% from the previous year) mainly due to a large decline in rental housing starts to 334,500 units (down 14.2%). Housing starts for the owner-occupied, which is our main market, slightly decreased by 1.5% to 283,300 units. The market for plywood, one of our main products, recovered as imported plywood revived in the second half of the year, combined with Japanese softwood plywood which has

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been steadily growing. However, the future outlook is uncertain due to the coronavirus pandemic.

Under these circumstances, our group worked on as follows in the first year of the new medium-term management plan under the slogan "Breakthrough 21": Reorganizing the sales bases of our core subsidiary, Japan Kenzai Co., Ltd., to optimize its distribution network; reorganizing and integrating our laminated lumber manufacturing subsidiary into Timberam Co., Ltd. to start one of the largest all-embracing manufacturers of laminated lumber in eastern Japan; operating the Yamanashi plywood plant of KEY-TEC Co., Ltd., our manufacturing subsidiary; and actively coping with business succession of building material distributors nationwide.

As a result, our sales renewed the highest sales record of 368,479 million yen.

JK Holdings Fiscal 2020 Financial Results, Compared with the Previous Fiscal Year

(billion yen)

	Sales	Ordinary profit	Net profit for the year
Fiscal year ending March 2020	368.4	4.7	2.7
Fiscal year ending March 2019	358.9	4.6	2.1

Medium-term Management Plan "Breakthrough 21"

(billion yen)

	Sales	Ordinary profit
Fiscal year ending March 2020	365	4.7
Fiscal year ending March 2021	370	4.9
Fiscal year ending March 2022	375	5.1

Survey

Prospect of Business Condition for April-June

<Demand Forecast by Builders and Distributors>

According to the Ministry of Land, Infrastructure, Transport and Tourism, housing starts in 2019 were 905,123 units (96% of the previous year), down for the second consecutive year. Although owner-occupied houses (101.9%) and houses built for sale (104.9%) exceeded the previous year's figures, the overall results were lower than the previous year's due to a sharp drop in rental houses (86.3%). The number of owner-occupied houses began to fall in July compared to the same month a year ago, and the decline has become larger month after month.

Under these circumstances, the demand forecast for April to June 2020 shows an index of minus 18.3 points among builders and minus 15.4 points among distributors, which are even lower than the previous survey. The gap between the last-minute demand and the reactionary decline due to the consumption tax raise is smaller compared to the previous survey's results. However, all the regions ended up with negative points, as the Chugoku and Kyushu areas, which had been positive until the previous survey, turned negative.

The number of applications for Flat 35 was as high as over 10,000 from September to December 2019, and is still growing as shown in the result of 106% in January 2020 compared to a year-ago level, which is worth noting.

<Sales Forecast by Leading Manufacturers>

Among the sales forecast by leading manufacturers, the wooden building material sector is expected to drop by 73.8 points, the sector of ceramics & insulation with 66.6 points, and that of plywood with

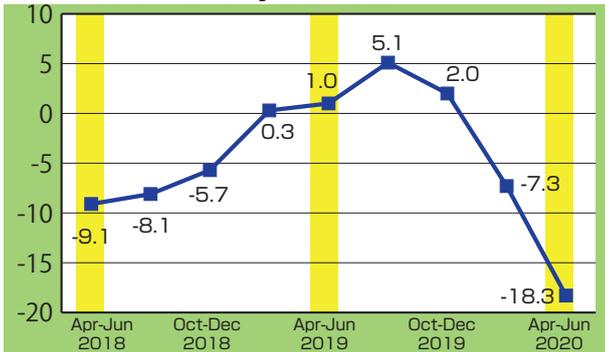
61.3 points, widening the margin of the negative growth from the previous survey. The leading manufacturers forecast a decline more severely than the distributors and builders do. In the housing equipment sector, the projection to decrease finds 29.2 points, while the forecast to stay at the same level as the previous year is 58.3 points. As the coronavirus pandemic continues, building material manufacturers are facing a difficult situation with delays in their production and delivery.

<Current Status of Remodeling Business>

The remodeling business is projected to decrease in more regions compared to the previous term (January-March 2020), except in the Tohoku and Kanto areas which have more expectations of a growth. The total number of applications for the Next-Generation Housing Point System reached 187,026 units as of January, including 80,600 units for new home building and 106,426 units for remodeling. The remodeling sector accounted for 44,473 units in January. The applications were due at the end of March, but the number of remodeling work using the point system is expected to increase further.

The forecast survey for April to June 2020 is based on the totaled data gathered from 3,000 client companies in Japan through interviews which took place from late-January to mid-February 2020.

Demand Forecast by Builders



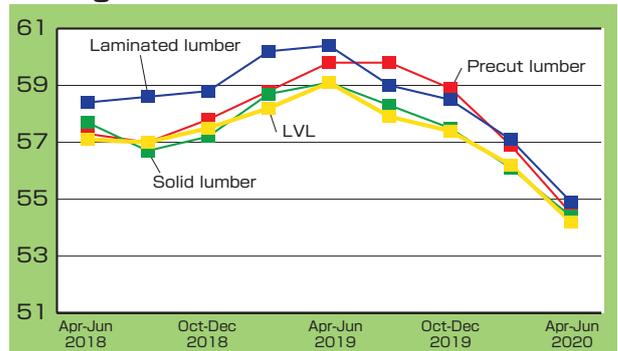
Point0=business result in April-June, 1992

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 (Apr-Jun 2020)

	increase			level-off	decrease		
	over 15%	14 ~ 10%	below 10%		below 10%	10 ~ 14%	over 15%
Plywood (13firms)	0.0	0.0	5.3	33.4	50.7	9.3	1.3
Wooden Building Materials (10firms)	0.0	0.0	5.0	21.2	62.5	8.8	2.5
Ceramic/Heat Insulation (15firms)	0.0	0.0	6.7	26.7	60.8	5.8	0.0
House Equipments (9firms)	0.0	1.4	11.1	58.3	27.8	0.0	1.4
average	0.0	0.4	7.0	34.8	50.5	6.0	1.3

Trend

Market Outlook of Plywood

<Trend of Domestic Plywood>

Japan's production of softwood plywood was 241,900 cubic meters in April 2020 (down 10.1% from the same month of the previous year), and shipments were 233,300 cubic meters (9.5% decrease). Inventories increased substantially from the previous period to 173,600 cubic meters (17.9% increase from a year ago).

With the coronavirus pandemic, all the plywood manufacturers decided to cut their production. The output volume is estimated to decline in May with consecutive holidays. The impact of the coronavirus pandemic to the industry is expected to be more serious from June, and shipments to precut mills, which have been leading the good condition so far, are forecast to peak off in June. With the reduced production and weaker prices, manufacturers are expected to be compelled to make severer decisions for the time being.

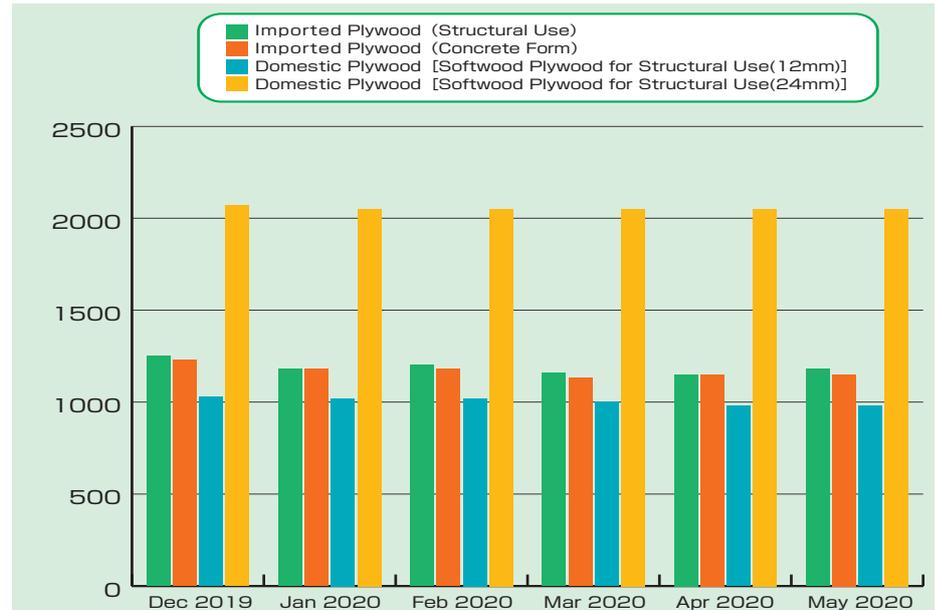
<Trend of Imported Plywood>

Arrivals of imported plywood in Japan were 230,800 cubic meters in April 2020 (down 2.7% from the same month of the previous year). By country of origin, those from Malaysia saw 68,800 cubic meters (down 28.1%), those from Indonesia 79,100 cubic meters (down 7.2%) and those from China 63,300 cubic meters (down 16.8%).

Overall, there has not been a significant drop in the arrivals as delayed shipments from China have gradually recovered. However, the amount of new orders placed to the producing regions is limited due to uncertainty in the future, and the balance of contracts is considered to be very small. It is expected that arrivals from Malaysia and Indonesia will further decrease for the future.

Wholesalers' Prices of Plywood in Tokyo

yen/sheet



Topics

KEY-TEC Co., Ltd., a subsidiary of JKHD, announced that it would start selling wooden interior sheets named "Baumkuchen", which is made of natural sliced veneer with laminated wood patterns. The production is made in cooperation with Yoshino Gypsum Co., Ltd. and Big Will Co., Ltd. Yoshino Gypsum supplies Tiger Glass Rock (gypsum board containing glass fiber), Big Will produces "Baumkuchen" and decorative panels, and KEY-TEC works as the general distributor.

The feature of the product is that the certified incombustible material with Tiger Glass Rock has been added as a base material to the company's existing lineup of

KEY-TEC released a new product "Baumkuchen"

certified incombustible materials with gypsum board, metal plates, and aluminum plates. Tiger Glass Rock, which is light and as thin as 5 mm, allows easy transportation and construction, simplifying the execution of work. Moreover, it is bendable without moistening, enabling applications on curved surfaces as freely as on flat surfaces.

There are two types of construction methods for the product: one is to glue "Baumkuchen" on Tiger Glass Rock at the building site; and the other is to use decorative panels finished at the factories.

With a total of 17 designs, the company plans to enhance its lineup centered on laminated wood patterns of LVL.



Company

Timberam has commenced its operations

Timberam Co., Ltd. started out as one of the largest integrated laminated lumber manufacturers in eastern Japan, providing customers with one-stop services from manufacturing, processing, designing, and construction of laminated lumber of small, medium, and large dimensions.

Timberam is a joint venture between the former Akita Glulam Co., Ltd. and Miyamori Co., Ltd. It will develop the business, taking advantage of the strengths of the former two companies such as manufacturing and technological development of wooden building materials including small, me-

dium, and large dimensional laminated lumber and CLT, as well as precut and design/construction capabilities.

The new office was completed and the operation under the new system started on April 1. It has also opened a delivery center to manage all of the company's products in stock and handle logistics

and delivery times. Also precut lines for wooden post & beam housing are in operation. As for future capital investment, the company plans to acquire JAS certification for CLT to start production in the first half of 2020. It also plans to start operations of a mass-production plant for large-dimension structural laminated lumber.



Formulation of our basic policy for SDGs

JK Holdings has recently established a basic policy for SDGs (Sustainable Development Goals). The SDGs are a set of 17 shared global objectives that broadly encompass environmental, social, and economic issues with a deadline of 2030. They are aligned with one of our top management priorities, the solution of global environmental issues.

JK Holdings, taking SDGs as important guidelines for addressing the long-term social issues, aims to solve a number of problems through the businesses of the

JK Holdings Group's vision for building a sustainable social environment



group companies in order to contribute to further development of the living

environments.



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