



Bulls

JK Holdings
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Impact of the outbreak of Covid-19 and the company policies

The threat of the pandemic of Covid-19 is undiminishing, and the number of cases is showing an increasing trend in Japan since the state of emergency was lifted. The housing industry, which is our main market, is also facing uncertainty due to the combination of an aging population with a declining birthrate, a deteriorating socioeconomic environment, and the effects of the Covid-19 disaster.

Under these circumstances JK Holdings Group made new policies to prevent loss of operational efficiency and is taking infection prevention measures such as work from home, staggered commuting, on-line systems to avoid congestion and reviewing traditional door-to-door sales or face-to-face meetings, and responds to rapid changes in the work environment.

In addition, to keep up with the changes in the housing industry, JK Holdings Group is working on concrete measures



Keiichiro Aoki

President
JK Holdings Co., Ltd.

setting “Catch the certain signs of change, Take steady moves, and Do what we can” as a guide, which is the theme of our group’s mid-term business plan “Breakthrough 21”.

Feature policies include extension of non-housing businesses, which are represented by middle- and large-scale wooden construction, change to wooden interior and exterior, and Park-PFI (private finance initiative). Featuring the flexibility and the warmth of wood, and using our diversified processing techniques and eagerness for higher fire-resistance, we will create new demand for wooden construction and develop its new applications.

Japan Kenzai Co., Ltd., our core business, is planning to break away from the dependence on housing starts as well as stimulate and respond to the potential demand in the market. Specifically, it will prepare for becoming its customers’ best partner by reorganizing the industrial materials sales structure by region, which was based on business fields with special sales departments and general distribution departments for dealers, and combining the knowledge and networks we have cultivated in our respective fields.

In the business side, it will steadily update an environment of hardware, networks, the groupware and other things. At the same time, it is developing systems which will contribute to streamline the sales sector, upgrade business activities, and make administrative tasks efficient.

Survey

Prospect of Business Condition for October-December

<Demand Forecast by Builders and Distributors>

Japan's GDP for April to June 2020 announced by the Cabinet Office showed a drop of 27.8%, exceeding the record annual rate of minus 17.8% after the global financial crisis due to the failure of Lehman Brothers. Personal consumption also fell 8.2%. Housing investment, however, was relatively less affected with a decline of 0.2%, showing that housing demand remained firm.

The demand forecast survey for October to December 2020 shows an index of minus 65.4 points among small

builders (contractors and other building companies) and that of minus 66.7 points among distributors. The index remained almost the same since the last survey, which did not get lower than the level of minus 77.0 points, the worst record after the Lehman Brothers collapse.

<Survey Results on the Coronavirus Impact>

How is the construction work affected?

While the most common response is "delay in construction period", "cancellation of contract" as the second-largest response increased from the previous survey, raising concerns over a market shift to cancellations.

What is the impact on your business activities?

"Not using online tools" was cited by 70% of the respondents, indicating that most of the companies surveyed have limited use of online tools.

creasing" in both new construction and remodeling projects, but around 25% answered "the same as usual". A few responded that the number is increasing.

As to deferment of work, more than half of the respondents answered that it would be postponed until November to January. But some are even until after February and the impact is expected to be prolonged.

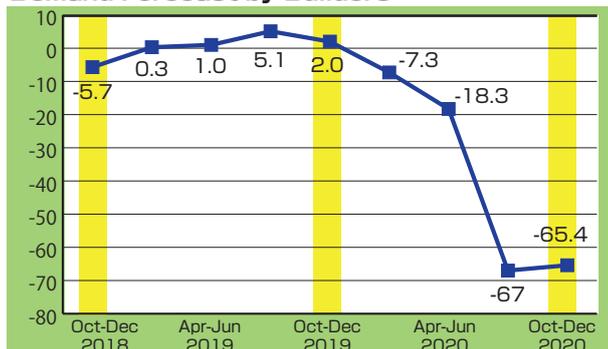
Regarding support measures

More than 30% replied that they were supported by the "Subsidy Program for Sustaining Businesses" from the government, showing many businesses use subsidies that do not require repayment. The response indicates that some of the surveyed companies experienced a year-on-year decrease of 50% or more in some months in their business income.

<Sales Forecast by Leading Manufacturers>

Among the sales forecast by leading manufacturers, some of the respondents in this survey except plywood manufacturers predicted an increase, after all the sectors predicted zero point for growth in the previous survey.

Demand Forecast by Builders



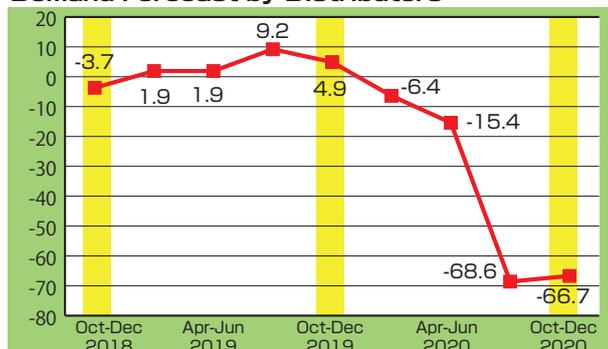
Point0=business result in April-June, 1992

What is the status of the contract?

Nearly 70% of the respondents answered that "the number is de-

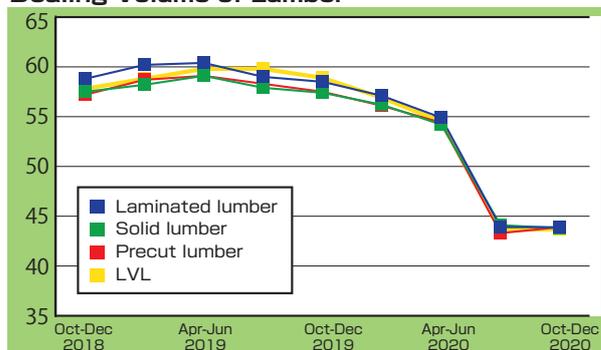
The forecast survey for October to December 2020 is based on the totaled data gathered from 3,000 client companies in Japan through the Internet, which took place from late-July to mid-August 2020.

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 2020)

	increase			level-off	decrease		
	over 15%	14 ~ 10%	below 10%		below 10%	10 ~ 14%	over 15%
Plywood (13firms)	0.0	0.0	0.0	0.0	16.7	25.0	58.3
Wooden Building Materials (10firms)	6.3	0.0	0.0	0.0	37.5	49.9	6.3
Ceramic/Heat Insulation (15firms)	5.0	0.0	5.0	5.0	25.0	30.0	30.0
House Equipments (9firms)	4.8	0.0	0.0	9.5	42.9	23.8	19.0
average	4.0	0.0	1.3	3.6	30.5	32.2	28.4

Trend

Market Outlook of Plywood

<Trend of Domestic Plywood>

Japan's production of softwood plywood was 240,300 cubic meters in September 2020 (92.1% of the result in the same month of the previous year), and the shipment of this item was 247,446 cubic meters (90.5%). Its inventories decreased for the fourth straight month with 136,686 cubic meters (94.4%).

Domestic plywood manufacturers are continuing production adjustment including production curtailment. Some items have gradually become scarce from this October. Immediate delivery is already impossible, and an increased number of makers require some time to inform the delivery dates.

Shipment to precut factories is continuing to be brisk, and that through general distribution routes has recently caught up with the trend. For the time being, the shipment is expected to be stable. As the supply-demand balance is kept owing to the early production adjustment, some leading manufactures are watching for an opportunity to return

their prices.

<Trend of Imported Plywood>

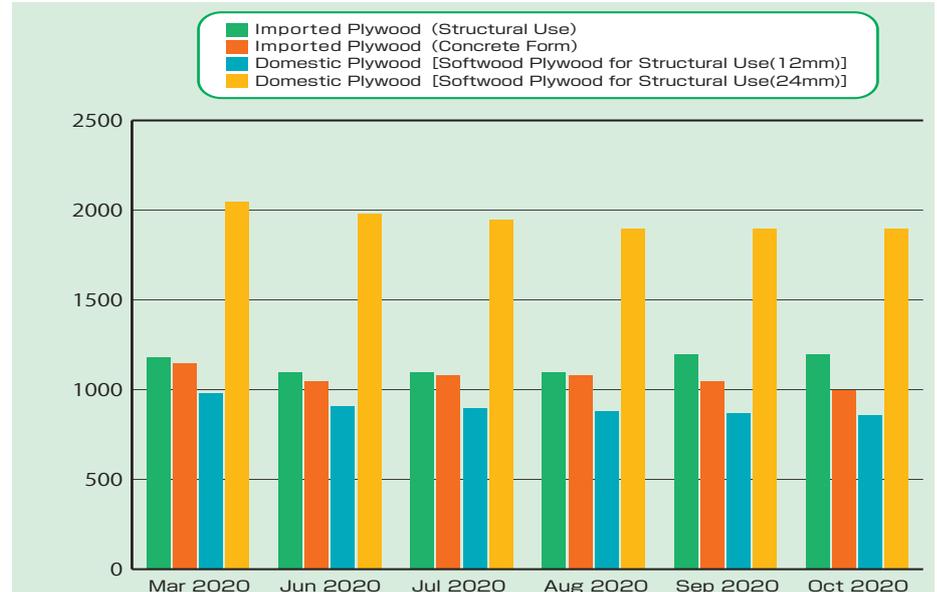
The volume of imported plywood was at an all-time low in September 2020 with 134,600 cubic meters (72.1% of the result in the same period of the previous year). It has finally gone below the 150,000 cubic meter mark. Looking at the result by country of origin, the amount of imports from Malaysia was 42,990 cubic meters (79.8%), that from Indonesia was 43,600 cubic meters (62.0%), and that from China was 35,300 cubic meters (76.0%).

As hand-to-mouth buying by importers has been continued, port inventories are decreasing with some items out of stock. The tide of the market appears to begin to change, and the prices is showing the sign of increase. New prices will gradually be accepted.

It is hard to expect that the number of ships to arrive the ports will drastically increase over the end of the year and the New Year, and the business will likely keep steady for the time being.

Wholesalers' Prices of Plywood in Tokyo

yen/sheet



Topics

JK Timber Engineering Group' s Projects Tokyo Metropolitan Archives (KEYTEC Co., Ltd.)

"KEYLAM Interior", LVL for interior use, manufactured by KEYTEC was adopted in the building of the Tokyo Metropolitan Archives, which has moved to Kokubunji City, Tokyo. The building, located in a site of about 6,000 square meters, is steel reinforced concrete (SRC) structured with three stories above ground and a one-story structure built on the roof. The total floor area is 10,259 square meters.

LVL made of Japanese cedar grown in the Tama Area of Tokyo (on a product basis of 129 cubic meters) is used on the interior walls from the entrance to the reading room in the back on the

first floor. "KEYLAM Interior" with its distinctive striped patterns of laminated veneer on the surface has created a stylish and futuristic space, which would hardly be produced with solid wooden materials. Tama wood will be actively used as part of the Tokyo

Metropolitan Government's efforts to promote forestry as well as to prevent hay fever. We would like to put an effort into applying it in other building projects.



Company

JK Holdings formulates basic policy for SDGs

JK Holdings formulated its basic policy for the sustainable development goals (SDGs) in April 2020. There is proliferation of issues that must be resolved over the long term, such as global environmental problems and worsening economic balance. The housing industry, our main market, also has many issues to cope with, including the shortage of workers due to the declining birthrate and aging population, smaller number of housing starts, and stricter environmental regulations. To resolve these issues through the businesses of JK Holdings, we have identified three most important issues as our company Materiality, and are working to achieve these targets by 2030.

1. With People

JK Holdings will promote sustainable growth of the businesses through the growth/development and higher motivation of its employees with the Action Guidelines for Employees “Judo” (JAPAN WAY). At the same time, in addition to the sales of goods, which is our main role as a distributor, we aim to provide human resource support for the sustainable management of our clients in the fields we are involved with through our management support, engineering functions, and information service business.

2. With the Earth

Destruction of the global environment causes various kinds of pollution and global warming, which will have a major impact on the life cycle of the earth,

For details, please refer to the special page at the JK Holdings website, “Think about the Earth and Life” (<https://www.jkhd.co.jp/sdgs/>).



JK Holdings SDGs Initiative Image “Think about the Earth and Life”

our lives, and our business management. In light of this business environment, we regard global environmental issues as one of our most important management issues and have established an “Environmental Policy”. We also have established a “JK Holdings Group Basic Procurement Policy for Wood” to aim for sustainable procurement of forest resources in our business domain.

3. With Society

The declining birthrate and aging population are becoming more serious in Japan. The population has been concentrated in urban areas, whereas the aging and declining population has been accelerated in rural areas as challenges. The JK Holdings Group aims to revitalize local communities by leveraging its organizational capabilities through cooperation with its business bases and community-based businesses, which are strengths of our group.

Japan Kenzai Co., Ltd. and other group companies have identified important issues and SDGs targets to resolve the above mentioned three materiality issues by 2030, formulating and implementing basic strategies. These initiatives, implemented mainly in businesses related to “life” will lead to creation of a sustainable social environment and pursuit of our corporate philosophy of “Creating a comfortable and rich home environment”.



Wood and Plywood Museum



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