



Bulls

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~ More friendly to human and environment for the future ~

JK Holdings Overview of 1Q Business Results for Year Ending March 2022

Housing starts for April to June 2021 increased by around 10% compared to the same period last year when business was halted due to the COVID-19 pandemic, but decreased by around 5.0 to 10.0% compared to the corresponding period in 2019, both as a whole and in the sector of owner-occupied houses, which is our main market.

Under these business environments, our group has been working on sales activities, carefully taking measures to prevent COVID-19 infection. At the same time, we have been preparing for the next generation while implementing the measures listed in our medium-term management plan "Breakthrough 21". In response to the "Wood Crisis," we took advantage of our comprehensive strengths as a group, including the involvement in distribution of wood-based building materials from upstream to downstream, as well as its manufacturing and processing divisions and overseas divisions, and worked to procure a sufficient amount of wood aside from procuring and producing alternative materials in order to fulfill our responsibility to supply wood and wood-based building materials.

Consequently, the business results for the first quarter of the

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fiscal year ending March 2022 were as follows.

Sales increased by 5.1% over the year-ago results to 86,287 million yen, almost as much as the growth in housing starts, taking into account the new accounting standards introduced this fiscal year.

As to profits, all found substantial growth since gross margin ratio improved on a whole group basis through meticulous control of purchasing and sales in terms of both quantity and quality, in addition to a steady increase in the operating rate at the KEYTEC Yamanashi Plant, which began operations in the spring of 2019. Operating profit grew by 123.7% to 2,023 million yen, ordinary profit by 133.6% to 2,068 million yen, and quarterly net income attributable to shareholders of the parent company by 166.8% to 1,273 million yen.

Summary

We would like to introduce you to the UST System, underground rainwater storage tanks, handled by the Environment & Landscape Business Division of Butsurin Co., Ltd. Flood damages in urban areas due to torrential rain have been reported more and more recently. The rainwater storage tank system is a facility that can temporarily store rainwater underground and discharge it later in order to prevent flood damages caused by rainwater runoff.

Izumi Co., Ltd., headquartered in Higashi-ku, Hiroshima City, which operates shopping malls called Youme Town, will open a large shopping mall with the underground rainwater storage system in Saijo-cho, Higashi-Hiroshima City. The development area covers about 119,600 square meters, which is equivalent to the size of 2.5 Tokyo

UST System (rainwater storage tanks), a lifesaver for flood damages

Dome Stadiums.

Butsurin has participated in the project for the design and construction of the UST system, of which storage capacity is 12,142 cubic meters, the largest-class the company has ever built. They are currently in the middle of construction of the super large rainwater storage tanks. The tanks will be buried in soil to be invisible after it is completed. They will play a highly important role in flood damage countermeasures, literally as a behind-the-scenes support.

[Project Outline]

Orderer: Izumi Co., Ltd.
Project Name: Izumi Higashi-Hiroshima Development Project (rainwater storage tank construction)

Size: 6 rainwater storage tanks with a storage capacity of 12,142 cubic meters
Construction Period: April 20, 2021 to September 30, 2022
Contractors: Kajimaro Co., Ltd. and Think Construction, Inc. in JV



Completed

Survey

Business Prospect for October - December

<Demand Forecast by Builders and Distributors>

According to Ministry of Land, Infrastructure, Transport and Tourism, housing starts from January to June 2021 were 412,010 units (103.3% year-on-year). By owner/occupant, the owner-occupied houses and built-for-sale houses have improved with 107.7% and 101.4% respectively on a year-on-year basis. Though housing companies' status of order reception is brisk, the number of housing starts has not reached the level of 2019 before "COVID-19 pandemic".

Under the circumstances, the ministry compiled the results of a survey about business demand trend for October - December 2021. According to the report, small builders (contractors

and other building companies) predict the index will be minus 21.1 points while distributors answered minus 26.2 points. The scale of their negative evaluation has substantially shrunk. In the previous survey, their prospect for demand declined due to concern about so-called "Wood Shock", but the points have turned to indicate recovery.

By area, though the results are still showing minus evaluation, the condition has recovered in all areas. For example, the evaluation for the Hokuriku area was plus 7, where positive forecast exceeds negative forecast. As the influence of COVID-19 pandemic led to revision of housing environments, the disaster does not necessarily create a sense of recession in the housing market. Meanwhile, there are concerns over the supply of raw materials such as semiconductor and copper in addition to lumber. Every year, we can expect an active demand in autumn, but this year, we must be careful about the impact of those factors.

<Sales Forecast by Leading Manufacturers>

Also, with major manufacturers' sales forecast, negative views decreased, and positive ones increased in all sectors compared to the previous survey. Among others, plywood makers' prediction to rise was 60.0%, which is the

next highest level to 68.5% marked in the pre-tax increase survey in January - March 2014. Currently, stocks are decreasing, and it is taking a long time to deliver. Stable supply is required. The forecast made by manufacturers of wooden building materials and housing equipment also shows positive prospects. Average value of makers' forecast has turned to positive.

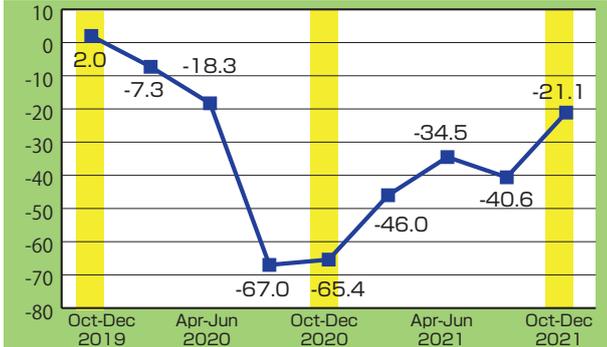
<Various Topics and Current Status of Remodeling>

To the questionnaires about the influence of soaring timber price and its stock shortage, 40.0% of the respondents cited 'construction delay', followed by 'the impact is minor'. The rate of builders who work on high-performance housing was no more than 37.0%, and those work on long-life quality housing occupied the majority. As the movement toward the realization of a low-carbon society accelerates, builders are expected to work harder on energy-saving housing.

Builders who answered that they are utilizing digital technology are mainly using it in the business field and for office work. They use the services mainly to support the management work, but the range of services are widening. For example, site construction management services involving business partners are expanding, and the wave of digitalization is getting closer.

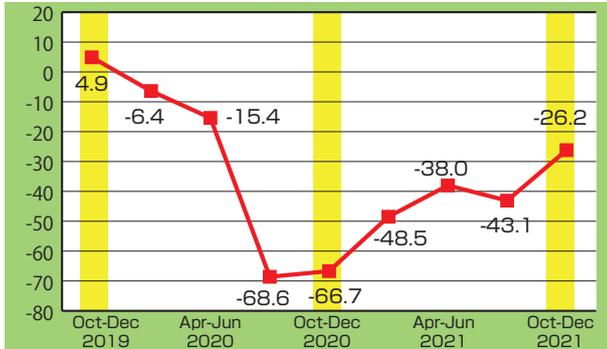
The forecast survey for October - December 2021 is based on the totaled data gathered from 3,000 client companies in Japan through the internet, which took place from late-July to mid-August 2021.

Demand Forecast by Builders



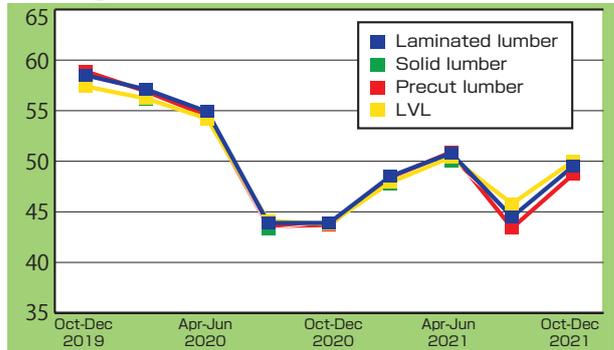
Point0=business result in April-June,1992

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 (Oct-Dec 2021)

	increase			level-off	decrease		
	over 15%	14 ~ 10%	below 10%		below 10%	10 ~ 14%	over 15%
Plywood (13firms)	30.0	10.0	20.0	30.0	10.0	0.0	0.0
Wooden Building Materials (10firms)	0.0	21.1	15.8	36.7	21.1	0.0	5.3
Ceramic/Heat Insulation (15firms)	0.0	0.0	28.0	44.0	24.0	4.0	0.0
House Equipments (9firms)	0.0	0.0	27.6	58.6	13.8	0.0	0.0
average	7.5	7.8	22.9	42.3	17.2	1.0	1.3

Trend

Market Outlook of Plywood

<Trend of Japanese Plywood>

Japan's production of softwood plywood in July 2021 was 270,321 cubic meters (121.2% of the previous year's result), and shipment was 272,363 cubic meters (116.1%). The amount of both the production and shipment was almost equal. Inventories were 90,617 cubic meters (56.5%).

The wood shortage gave less impact to the market than it was concerned, and orders to manufacturers are very strong due to the recovering market. It has started to take more days for delivery, and it is impossible for makers to deliver products immediately.

In order to fill backorders, manufacturers are trying to reduce the quantity of orders to receive and increase their production as much as possible. In reality, however, it seems to take much more time to improve the supply situation because of the shortage of material logs as well as labor shortage. It will probably not be easy to fix the issue by the end of the year when the influence of snowfall appears in the northern Japan districts. Plywood prices have kept rising every month, but with the prices of all imported materials continuing to rise, there is

no resistance to the price hikes. Dealers continue to secure products. They call it the "plywood crisis" lately, rather than the "Wood Crisis".

<Trend of Imported Plywood>

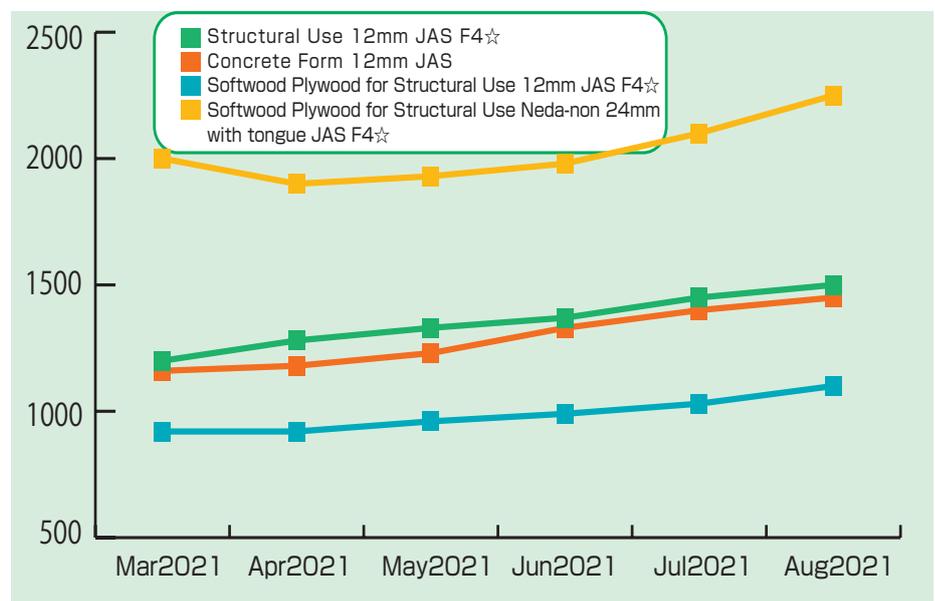
Japan's import of plywood in July 2021 was 228,783 cubic meters (145.2% of the previous year's result), which increased to 107.8% of the results of 212,145 cubic meters in the previous month. Looking at the result by country of origin, the amount of production showed Malaysia with 74,745 cubic meters (182.8%), Indonesia with 67,758 cubic meters (107.1%), and China with 63,816 cubic meters (162.3%).

Arrivals are finally improving compared to the results in 2019 and 2020, but the domestic port inventories have been at a low level and there remains a sign of shortage. Manufacturers restricted orders to receive for some items, and the situation is expected to continue within this year.

It is difficult to predict the future conditions as the producing regions are entering into the rainy season. Importers are becoming cautious about buying products because the purchasing prices have been remaining strong at the highest price range.

Wholesalers' Prices of Plywood in Tokyo

yen/sheet



Topics

BUTSURIN CO., LTD. was certified as 'A company that acts together for the protection of forests in Japan' by 'Movement Promotion Council for Active Use of Domestic Lumber and Protection of Forests in Japan'

The council, which was established to regenerate the cycle use of wood or 'cut, use, plant and grow' by appealing to the public for active use of domestic lumber and creating demand for the products, is expanding its activities by certifying the companies that fit its purpose. The total number of certified companies has become 71 including Butsurin.

A certificate award ceremony was held in Shinkiba Tower in Shinkiba, Koto-ku on May 20.

President Tannaka said in his speech, "In

order for domestic lumber to become a material for the circular economy both in name and reality, it is important to develop demand and increase its value, and I believe this is where the role of Butsurin lies. Taking this opportunity, we would like to work more aggressively on the active use of domestic lumber while considering how to convey the importance of the resource to younger generations and how to continue our efforts."

Butsurin is expected to play active roles



as a facilitator which connects forests with construction sites as a distributor that is acquainted with building sites in expanding demand for domestic lumber and promoting the development of infrastructure, and moreover, as a coordinator for regional revitalization.

Company

J-GREEN - Japan Kenzai's Eco-Brand

~ More friendly to human and environment for the future ~

'J-GREEN' is an eco-brand for plywood and wood products. We select legitimate products and environmentally friendly commodities and are making efforts to make them popular at home and abroad.

Falcata resources, which is one of the major planted trees in Indonesia, is supported by the inhabitants' afforestation. However, most of Falcata products are exported overseas, so, its log consumption and price fluctuation depend on overseas consumers. In view of this

situation, Japan Kenzai launched a plantation business in Indonesia for this sustainable tree.

By contributing funds, Japan Kenzai grows seedlings of Falcata and provide them to the local community free of charge. The community plants the seedlings and manages the forests. After seven or eight years of growing period, our company will buy the logged Falcata and manufacture the material into J-GREEN products at our affiliated sawmills. And then, we import and sell

the products in Japan. We have created a cycle where the profits are used for tree planting again. By getting a purchase guarantee of the grown Falcata, the community will be able to earn a stable income.

This project contributes to the creation of local employment by this cycle. As this effort was highly evaluated, we obtained FSC® forest certification which is very rare for a planted forest area.

